

10 April 2017

THE PHILIPPINE STOCK EXCHANGE, INC.
3rd Floor, Philippine Stock Exchange, Inc.
Ayala Triangle, Ayala Avenue
Makati City

Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

Re: Metropolitan Bank & trust Company
Amended Definitive Information Statement

Dear Ms. Encarnacion:

Enclosed herewith is the Bank's Amended Definitive Information Statement.

Please be advised that Atty. Antonio V. Viray has withdrawn his acceptance of nomination as director of Metropolitan Bank & Trust Company (Metrobank). Metrobank accepted the nomination of Mr. Edgar O. Chua as independent director for 2017 – 2018. He will be one of the nominees during Metrobank's Annual Shareholders Meeting on April 26, 2017. Mr. Chua is currently the Chairman of Pilipinas Shell Petroleum Corporation. Please refer to the attached Certificates of Qualification from the nominated Independent Directors as Annex "A", "B", "C", "D" and "E".

The amendments are reflected on Page 16 of the attached Amended DIS. There are no other amendments.

Very truly yours,



JUAN PLACIDO T. MAPA III
Head, Investor Relations

cc: **Ms. Vina Vanessa S. Salonga**
Head – Issuer Compliance and Disclosure Department
Philippine Dealings & Exchange Corporation
37th Floor, Tower 1, The Enterprise Center
6766 Ayala Avenue corner Paseo de Roxas
Makati City

METROPOLITAN BANK & TRUST COMPANY

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

SEC Number 20573
File Number _____

METROPOLITAN BANK & TRUST COMPANY

(Company's Full Name)

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

(Company's Address)

898-8000

(Telephone Number)

December 31

(Fiscal year ending)

FORM 20-IS

(Form Type)

Amended

(Amendment Designation, if applicable)

April 7, 2017

(Period Ended Date)

None

(Secondary License Type and File Number)

METROPOLITAN BANK & TRUST COMPANY
Metrobank Plaza, Sen. Gil Puyat Avenue, Urdaneta Village
Makati City, Metro Manila, Philippines

INFORMATION STATEMENT
for the
Stockholders' Meeting on
April 26, 2017 at 3:00 p.m.
Metrobank Auditorium
Metrobank Plaza
Sen. Gil Puyat Avenue, Urdaneta Village
Makati City, Metro Manila, Philippines

Annual Meeting of the Stockholders
April 26, 2017 at 3:00 P.M.
Auditorium, 2nd Floor, Metrobank Plaza,
Sen. Gil J. Puyat Avenue, Urdaneta Village, Makati City

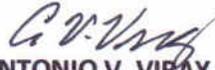
AGENDA

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of the Minutes of the Annual Meeting Held on April 27, 2016
4. President's Report to the Stockholders
5. Ratification of All Acts and Resolutions of the Board of Directors, Management and All Committees from April 27, 2016 to April 25, 2017
6. Election of Directors for 2017-2018
7. Appointment of External Auditor
8. Other Matters
9. Adjournment

Stockholders of record as of February 27, 2017 shall be entitled to vote at the Meeting.

If you cannot attend the meeting in person and you wish to be represented, you may designate your authorized representative by submitting a signed proxy document on or before April 21, 2017 to the Stock Transfer Section (Metrobank Trust Banking Group), 17th Floor, GT Tower International, 6813 Ayala Avenue corner H.V. Dela Costa Street, Makati City. Attached for your convenience is a sample proxy form.

Makati City, April 7, 2017.


ANTONIO V. VIRAY
Corporate Secretary

METROPOLITAN BANK & TRUST COMPANY

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

P R O X Y ¹

The undersigned stockholder of Metropolitan Bank & Trust Company (Metrobank) hereby appoints _____² or in his absence, the Chairman of the meeting, as my/our proxy, to act for me and on my/our behalf at the Metrobank Annual Stockholders' Meeting to be held on

April 26, 2017 (and at any adjournment thereof) and to vote for me/us as indicated below or, if no such indication is given, as my/our proxy thinks it:

	RESOLUTION	FOR	AGAINST	ABSTAIN
1	Approval of the Minutes of the Annual Meeting held on April 27, 2016			
2	Ratification of all Acts and Resolutions of the Board of Directors, Management and All Committees from April 27, 2016 to April 25, 2017			
3	Election of Directors for 2017-2018 1. George S.K. Ty 2. Arthur Ty 3. Francisco C. Sebastian 4. Fabian S. Dee 5. Jesli A. Lapus 6. Alfred V. Ty 7. Robin A, King 8. Rex C. Drilon II 9. Edmund A. Go 10. Francisco F. Del Rosario, Jr. 11. Vicente R. Cuna, Jr. 12. Edgar O. Chua			
4	Appointment of External Auditor Sycip Gorres Velayo & Co.			

Signature _____

Date _____

¹ To be valid, this proxy must be submitted on or before 5:00 p.m. on April 21, 2017, to the Stock Transfer Section (Metrobank Trust Banking Group), 17/F, GT Tower International, 6813 Ayala Avenue cor. H.V. Dela Costa Street, Makati City.

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

THIS PROXY NEED NOT BE NOTARIZED. IF THE STOCKHOLDER ATTENDS IN PERSON AND EXPRESSES HIS INTENTION TO VOTE IN PERSON, THE PROXY WILL BE REVOKED.

**SECURITIES AND EXCHANGE COMMISSION
SEC Form 20-IS**

**Information Statement Pursuant to Section 20
of the Securities Regulation Code**

1. Check the appropriate box:

Preliminary Information Statement
 Amended Definitive Information Statement

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

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

4. SEC Identification Number **20573**

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

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

7. Registrant's telephone number, including area code **(632) 898-8000; (632) 898-8733**

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

**April 26, 2017, 3:00 PM, Metrobank Auditorium
Metrobank Plaza, Sen. Gil Puyat Avenue, Urdaneta Village, Makati City, Metro Manila**

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

April 3, 2017

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

Title of Each Class	Number of Shares of Common Stock Outstanding
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<u>Common Shares</u>	<u>3,180,172,786</u>
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11. Are any or all of registrant's securities listed on the Philippine Stock Exchange?

Yes No

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

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

A. GENERAL INFORMATION

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

Date	:	April 26, 2017
Time	:	3:00 P.M.
Place	:	Metrobank Auditorium, Metrobank Plaza, Sen. Gil Puyat Avenue, Urdaneta Village, Makati City, Metro Manila, Philippines
Mailing Address	:	Metrobank Plaza, Sen. Gil Puyat Avenue, Urdaneta Village, Makati City, Metro Manila

The approximate date on which the Information Statement is first to be sent or given to security holders is on April 3, 2017.

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

Item 2. Dissenter's Right of Appraisal

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

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

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

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

- (a) No director, officer or nominee for election as director, or any associate of the foregoing persons has any substantial interest, direct or indirect, by security holdings or otherwise, which needs to be acted upon during the Meeting, other than the election of the nominees to the 2017-2018 Board of Directors.
- (b) No director has informed Metrobank that he intends to oppose any action to be taken up at the Meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

- (a) Number of shares outstanding as of February 27, 2017 : 3,180,172,786 shares
 Number of votes entitled : One (1) vote per share
- (b) Record date to determine stockholders entitled to notice and to vote at the regular meeting : February 27, 2017
- (c) Number of holders as of February 27, 2017 : 3,126 holders

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

(d) Election of Directors

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

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

(1) Security Ownership of Certain Record and Beneficial Owners

As of February 27, 2017, the following stockholders own more than 5% of the common shares of stock:

Class of Shares	Name, address of record owner and relationship with issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage
1 Common	PCD NOMINEE CORPORATION (Non-Filipino) 37/F The Enterprise Center Ayala Avenue, Makati City	Various Scrippless Stockholders <i>There is no participant of PCD who holds more than 5% of the common stock of Metrobank.</i>	Foreign	968,485,359	30.454%
2 Common	GT CAPITAL HOLDINGS, INC. Stockholder 43/F GT Tower International Ayala Avenue Corner H.V. Dela Costa Street, Makati City <i>Arthur Ty is authorized to vote the shares of GT Capital Holdings, Inc. in Metrobank.</i>	Beneficial and Record Owner <i>The following persons own more than 5% of the outstanding voting shares of GT Capital Holdings, Inc. as of January 31, 2017:</i> <i>Grand Titan Capital Holdings, Inc. – 51.306%</i> <i>PCD Nominee Corporation (Non-Filipino) – 35.231%</i>	Filipino	841,731,945	26.468%

Class of Shares		Name, address of record owner and relationship with issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage
		GT CAPITAL HOLDINGS, INC. (continuation)	<i>PCD Nominee Corporation (Filipino) – 13.116%</i> <i>GT Capital Holdings, Inc. is a publicly-listed company that is majority-owned and controlled by George S.K. Ty and the members of his family through Grand Titan Capital Holdings, Inc.</i>			
3	Common	PCD NOMINEE CORPORATION (Filipino) 37/F The Enterprise Center 6766 Ayala Avenue, Makati City	Various Scrippless Stockholders <i>There is no participant of PCD who holds more than 5% of the common stock of Metrobank.</i>	Filipino	487,199,025	15.320%
		TOTAL			2,297,416,329	72.242%

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

(2) Security Ownership of Directors and Management

As of February 27, 2017, the registrant's directors and officers as a group held a total of 35,923,606 common voting shares, broken down as follows:

Class of Shares	Name of Beneficial Owner	Beneficial Ownership		Citizenship	Percent of Class	
		No. of Shares	Nature			
Directors (12)						
1	Common	GEORGE S. K. TY	13,852,150	Direct	Filipino	0.436%
2	Common	ARTHUR TY	10,525,485	Direct	Filipino	0.331
3	Common	FRANCISCO C. SEBASTIAN	800,000	Direct	Filipino	0.025
4	Common	FABIAN S. DEE (a)	650	Direct	Filipino	0.000
5	Common	RENATO C. VALENCIA (b)	871	Direct	Filipino	0.000
6	Common	JESLI A. LAPUS (b)	150	Direct	Filipino	0.000
7	Common	ROBIN A. KING (b)	187	Direct	Filipino	0.000
8	Common	REX C. DRILON II (b)	1,430	Direct	Filipino	0.000
9	Common	FRANCISCO F. DEL ROSARIO, JR. (b)	130	Direct	Filipino	0.000
10	Common	ALFRED V. TY	10,525,750	Direct	Filipino	0.331

Class of Shares	Name of Beneficial Owner	Beneficial Ownership		Citizenship	Percent of Class	
		No. of Shares	Nature			
11	Common	VICENTE R. CUNA, JR.	115	Direct	Filipino	0.000
12	Common	EDMUND A. GO	5,281	Direct	Filipino	0.000
Sub-total			35,712,199			1.123%

- (a) *Director and President*
(b) *Independent Directors*

Class of Shares	Name of Beneficial Owner	Beneficial Ownership		Citizenship	Percent of Class	
		No. of Shares	Nature			
Officers (23)						
Senior Executive Vice-Presidents (2)						
1		JOSHUA E. NAING	200,000	Direct	Filipino	0.006%
2		FERNAND ANTONIO A. TANSINGCO			Filipino	
Executive Vice-Presidents (9)						
3		MARITESS B. ANTONIO			Filipino	
4		MARY MYLENE A. CAPARAS			Filipino	
5		PAUL ROBERT Y. MURGA			Filipino	
6		CORAZON MA. THERESE B. NEPOMUCENO			Filipino	
7		RICHARD BENEDICT S. SO			Filipino	
8	Common	ANICETO M. SOBREPENA	9,148	Direct	Filipino	0.000
9		VIVIAN L. TIU			Filipino	
10	Common	JOSEFINA T. TUPLANO	2,259	Direct	Filipino	0.000
11		AMELIN S. YAO			Filipino	
Senior Vice-Presidents (11)						
12		MARILOU C. BARTOLOME			Filipino	
13		CHRISTINE Y. CARANDANG	12,350		Filipino	0.000
14		GODOFREDO V. CRUZ			Filipino	
15		POCHOLO V. DELA PEÑA			Filipino	
16		SUSAN L. NIERE			Filipino	
17		ANTONIO R. OCAMPO, JR.			Filipino	
18		ROWENA R. OLIVEROS			Filipino	
19		MARK ANTHONY B. PEREZ			Filipino	
20		BERNARDINO V. RAMOS	3,215		Filipino	0.000
21		ANGELICA S. REYES			Filipino	
22		LITA S. TAN	4,289		Filipino	0.000
First Vice-President (1)						
23		LEO R. FRAGANTE			Filipino	
Sub-total			231,261			0.007%
Total (Directors and Officers)			35,943,460			1.130%

(3) Voting Trust Holders of 5% or More

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

(4) Changes in Control

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

Item 5. Directors and Executive Officers

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

Name	Experience
<p>GEORGE S.K. TY Group Chairman</p>	<p>Dr. George S.K. Ty, Filipino, 84 years old, founder of Metrobank, has been the Chairman of the Metrobank Group since 2006. Previous to that, or from 1975 to 2006, he was Metrobank's Chairman. Dr. Ty served as GT Capital Holdings, Inc.'s (GTCAP) Chairman from its inception in 2007 until 2012. After that, he became GTCAP's Group Chairman, a position that he continues to hold. He is also concurrently the Chairman of the Board of Trustees of the Metrobank Foundation, Inc. (MBFI) and the Board of Directors of Toyota Motor Philippines Corporation (TMPC). Dr. Ty graduated from the University of Santo Tomas.</p> <p>Dr. Ty is the father of Chairman Arthur Ty, Director Alfred Ty and Vice-President Anjanette T. Dy Buncio, and father-in-law of First Vice-President Zandra M. Ty.</p>
<p>ARTHUR TY Chairman Chairman, Asset and Liabilities Committee Executive Committee IT Steering Committee Senior Non-Performing Assets Committee Member, Anti-Money Laundering Committee Corporate Governance and Compensation Committee Domestic Equity Investments Committee</p>	<p>Mr. Arthur Ty, Filipino, 50 years old, has been the Bank's Chairman since 2012. He was the Bank's President from 2006 to 2012. He has been the Chairman of GTCAP since May 2016 and Metropolitan Bank China (Ltd.) (MBCL) since 2010, Vice-Chairman of PSBank since 2001 and FMIC since 2012. He earned his Bachelor of Science degree in Economics at the University of California, Los Angeles and obtained his Masters in Business Administration degree from Columbia University, New York.</p> <p>His father, Dr. George S. K. Ty, is the Metrobank Group Chairman while his siblings Alfred Ty and Anjanette T. Dy Buncio are Director and Vice-President, respectively. He is married to Zandra M. Ty, Metrobank First Vice-President.</p>
<p>FRANCISCO C. SEBASTIAN Vice-Chairman Chairman, Overseas Banking Committee Member, Domestic Equity Investments Committee Rotating Member, Executive Committee</p>	<p>Mr. Francisco C. Sebastian, Filipino, 62 years old, has been the Vice-Chairman of the Bank since 2006. He joined the Metrobank Group in 1997 as FMIC President until he was appointed Chairman in 2011. He was the Chairman of GTCAP 2014 to April 2016. He has been the Vice-Chairman of GTCAP since May 2016. He earned his AB degree in Economics, Magna Cum Laude, from the Ateneo de Manila University in 1975.</p>
<p>FABIAN S. DEE President Chairman, Manpower Committee Senior Credit Committee Anti-Money Laundering Compliance Committee IT Governance Committee Member, Executive Committee IT Steering Committee Overseas Banking Committee</p>	<p>Mr. Fabian S. Dee, Filipino, 54 years old, became President of Metrobank in 2012. Before becoming President, he headed the National Branch Banking Sector (2006-2012), Account Management Group (2002-2006) and Marketing Center (2001-2002). He has been the Chairman and Director of Metrobank Card Corporation (MCC) since 2006. He has been the Chairman of Metro Remittance Singapore PTE Ltd. since 2010 and SMBC Metro Investment Corporation (SMBC Metro) since 2014. He is the Acting Chairman of LGU Guarantee Corporation since May 10, 2016, Director of Bancnet since 2015, Director of Bankers Association of the Philippines since 2014 and Trustee of MBFI since 2012. He holds a degree in Management Engineering from the Ateneo de Manila University.</p>

Name	Experience
<p>RENATO C. VALENCIA Independent Director Chairman, Related Party Transactions Committee Nominations Committee Vice-Chairman, Audit Committee Member, Risk Oversight Committee</p>	<p>Mr. Renato C. Valencia, Filipino, 74 years old, was first elected independent director in 1998. He is the Chairman and Independent Director of iPeople Inc., Independent Director of EEI Corporation, Anglo Philippine Holdings, Inc. and Vulcan Industrial and Mining, Inc. He was the President and COO from 1987 to 1990 of the Social Security System, Administrator and CEO from 1990 to 1997, subsequently President and CEO from 1997 to 1998. He was the Chairman and CEO of Union Bank of the Philippines from 1990 to 1991 and President and CEO of Roxas Holdings, Inc. from 2011 to 2015. He is a graduate of Philippine Military Academy with a degree in B.S. Gen. Engineering, and also holds an MBA from the Asian Institute Management.</p>
<p>JESLI A. LAPUS Independent Director Chairman, Trust Committee Vice-Chairman, Risk Oversight Committee Member, Corporate Governance and Compensation Committee Nominations Committee</p>	<p>Mr. Jesli A. Lapus, Filipino, 67 years old, became an independent director in 2010. He has been Chairman and Independent Director of STI Education Services Group, Inc. since 2013 and Chairman of LBP Service Corporation since 2012. He has been Independent Director of STI Education Systems Holdings Inc. since 2013 and Philippine Life Financial Assurance Corp. since June 2012. He has been a member of the Board of Governors of Information and Communication Technology Academy, Inc. since November 2010. He is the Advisor to the Board since 2013 and Director from 2010 to 2013 of Radiowealth Finance Company. He was the Chairman of Manila Tytana Colleges from 2010 to 2013. He was a member of the Board of Trustees of the Asian Institute of Management (2010-2013), Secretary of the Department of Trade and Industry (2010), Secretary of the Department of Education (2006-2010), Congressman, Third District of Tarlac, House of Representatives (1998-2006) and President/CEO and Vice-Chairman of Land Bank of the Philippines (1992-1998). He is a Certified Public Accountant and holds an Accountancy degree from the Philippine School of Business Administration and a Master's degree in Business Management from the Asian Institute of Management. He has a Doctorate in Public Administration (Honoris Causa) from the Polytechnic University of the Philippines. He also studied Investment Appraisal and Management at Harvard University; Management of Transfer of Technology at INSEAD (France), Project Management at BITS (Sweden); and Personal Financing Planning at UCLA.</p>
<p>ROBIN A. KING Independent Director Chairman, Audit Committee Member, Related Party Transactions Committee Anti-Money Laundering Committee Nominations Committee</p>	<p>Mr. Robin A. King, Filipino, 70 years old, was first elected independent director in 2011. He was an independent director of FMIC (2010-2011), Toyota Financial Services Philippines Corporation (2008-2010), President and Director of Global Business Bank (1997-2002) and President and Vice-Chairman of International Bank of California (1994-1997). He is a Certified Public Accountant. He obtained his BSBA degree from the University of San Carlos in 1967 and his MBA degree major in Banking and Finance from the University of the Philippines in 1970.</p>

Name	Experience
<p>REX C. DRILON II Independent Director Chairman, Corporate Governance and Compensation Committee Vice-Chairman, Trust Committee Related Party Transactions Committee Member, Anti-Money Laundering Committee</p>	<p>Mr. Rex C. Drilon II, Filipino, 70 years old, became an independent director in 2012. He also served as independent director of FMIC (2011-2014). He has been a member of the Board of Trustees of the Institute of Corporate Directors since 2013, member of the Board of Trustees of Institute of Solidarity in Asia since 2010, and Chairman of Keyland Corporation and YLD Holdings, Inc. since 2012. He was the President of the Institute of Corporate Directors (2010-2012), Chief Operating Officer of Ortigas & Company, Limited Partnership (2001-2010) and CEO of Ayala Land's publicly listed subsidiaries CHI and CPVDC (1998-2001). He has a Business Administration degree from the University of the East. He pursued further studies at the University of Asia and The Pacific.</p>
<p>FRANCISCO F. DEL ROSARIO, JR. Independent Director Chairman, Domestic Equity Investments Committee Member, Audit Committee Corporate Governance and Compensation Committee Overseas Banking Committee</p>	<p>Mr. Francisco F. Del Rosario, Jr., Filipino, 69 years old, was first elected independent director in 2011. He has been a director of Omnipay, Inc. since 2014, DMCI Homes, Inc. and Mapfre Insular Insurance Corp. since 2011. He has been a Trustee of ABS-CBN Foundation since 2007, Senior Executive Director of PWC Isla Lipana and Director for Institute for Solidarity in Asia and Center for Family Advancement since 2016. He was the President and CEO of the Development Bank of the Philippines from 2010 to 2012. He obtained his BSC Accounting and BA Economics degrees from De La Salle University, and his MBM degree from the Asian Institute of Management.</p>
<p>ALFRED V. TY Director Member, Domestic Equity Investments Committee Overseas Banking Committee</p>	<p>Mr. Alfred V. Ty, Filipino, 49 years old, was first elected director in September 2015. He is the Vice-Chairman of GTCAP since 2012 and TMPC. He serves as the Chairman of Lexus Manila, Inc. since 2008; Federal Land, Inc. (FLI) since 2015; Horizon Land Property Devt. Corp. since 2011; Property Company of Friends, Inc. since 2015 and Vice-Chairman of Omni-Orient Management Corp. since 2013. He is a Director of Metro Pacific Investment Corp. since 2015. He is the Chairman of Bonifacio Landmark Realty & Devt. Corp. since 2008; Cathay International Resources, Inc. since 2013; Federal Brent Retail, Inc.. He is the Honorary Consul to the Oriental Republic of Uruguay to the Philippines since 2009; President and Director of Grand Estate Property Corp. since 2001; Chairman and President of Up Swing Corporation since 2012 and Vice-Chairman of Federal Homes, Inc. since 2012. He is the President and Director of Tytana Corporation since 2015 and Ferum Cee, Inc. since 2011. He is the Chairman and President of 82 Alpha Holdings Corp. since 2009. President and Director of Great Mark Resources and Grand Titan Capital Holdings, Inc. and Chairman of FLI and Orix Corp. since 2007. President and Director of Global Treasure Holdings, Inc. since 2006. He is the Executive Vice-President and Director of Philippine Securities Corp. since 2005. He graduated with a Bachelor of Science degree in Business Administration from the University of Southern California in 1989.</p> <p>His father, Dr. George S.K. Ty, is the Metrobank Group Chairman while his siblings Arthur Ty and Anjanette T. Dy Buncio are the Chairman and Vice-President of Metrobank, respectively. He is the brother-in-law of First Vice-President Zandra M. Ty.</p>

Name	Experience
<p>VICENTE R. CUNA, JR. Director Vice-Chairman, IT Steering Committee Executive Committee (alternates with Director Francisco Sebastian)</p>	<p>Mr. Vicente R. Cuna, Jr., Filipino, 54 years old, became a director of Metrobank in 2014. He has been on secondment from Metrobank as President of PSBank since 2013. He was a director of FMIC from 2011 to 2015. He was the former Head of the Bank's Institutional Banking Sector (2012-2013) and Corporate Banking Group (2006-2012). He is the Chairman of ORIX Auto Leasing Philippines Corporation since March 30, 2016. He graduated from the De La Salle University with a degree in AB Economics and pursued further studies at the Ateneo Graduate School of Business.</p>
<p>EDMUND A. GO Director Chairman, Anti-Money Laundering Committee Risk Oversight Committee Member, IT Steering Committee Trust Committee</p>	<p>Mr. Edmund A. Go, Filipino, 66 years old, was first elected director in 2007. He has been a director of Metropolitan Bank China (Ltd.) since 2010. He is a member of the Board of Advisors of PSBank since 2009. He has been a Director for Investments of Ateneo de Manila University since 2010 and Investment Consultant for St. Peter's Life Group since 2011. He was a director of FMIIC Hong Kong from 2001 to 2008. He served as Metrobank Treasurer (2000-2007) and consultant of the Philippine Dealing and Exchange Corp. on Securities Training and Development (2008-2010). Prior to 2000, he held various management positions at Citibank Manila, Hong Kong, Taiwan and New York in the areas of Treasury, Derivatives, Investment Banking and Private Banking. He is a Certified Public Accountant and holds a BS Commerce Degree in Accounting, Cum Laude, from the San Beda College and an MBA degree, with distinction, from the Asian Institute of Management.</p>

The five (5) Independent Directors, namely, Mr. Renato C. Valencia, Mr. Jesli A. Lapus, Mr. Robin A. King, Mr. Rex C. Dylon II and Mr. Francisco F. Del Rosario, Jr. have always possessed the qualifications and none of the disqualifications of an independent director.

B. Executive Officers (23)

Name	Experience
<p>Joshua E. Naing Senior Executive Vice-President</p>	<p>Mr. Joshua E. Naing, Filipino, 56 years old, has been the Head of the Financial and Control Sector since November 2013 after serving as Controller from October 2002 to November 2013. He has been a director of FMIC since April 2015; Metro Remittance Center, Inc. (USA) since June 2008; Metro Remittance (Hong Kong) Limited since January 2009 and MB Remittance Center (Hawaii), Ltd. since April 2010. He was the Adviser of Global Business Power Corporation from October 2013 to June 2016.</p>
<p>Fernand Antonio A. Tansingco Senior Executive Vice-President</p>	<p>Mr. Fernand Antonio A. Tansingco, Filipino, 50 years old, has been the Head of the Financial Markets Sector since 2013, and Treasurer since 2007. He has been a director from 2012 to 2016 and adviser of MBCL since 2016, Chairman of Metrobank Bahamas since 2010, and Vice-Chairperson of Philippine AXA Life Insurance Corporation (AXA Philippines) since 2010.</p>
<p>Maritess B. Antonio Executive Vice-President</p>	<p>Ms. Maritess B. Antonio, Filipino, 56 years old, assumed the position as Chief Risk Officer under Risk Management Group last August 2016. She was the Chief Audit Executive and Head of Internal Audit Group from June 2010 to July 2016 after serving as Deputy Chief Audit Executive from 2008 to 2010.</p>

Name	Experience
Mary Mylene A. Caparas Executive Vice-President	Ms. Mary Mylene A. Caparas, Filipino, 52 years old, has been the Head of the Institutional Banking Sector since 2014. From 2013 to 2014, she was the Managing Director, Regional Head of Client Delivery, Treasury and Trade Solutions of Citibank N.A., Hong Kong Branch. From 2011 to 2013, she was the Managing Director, Country Head of Citi Transaction Services of Citibank N.A., Manila Branch.
Paul Robert Y. Murga Executive Vice-President	Mr. Paul Robert Y. Murga, Filipino, 51 years old, has been the Head of Operations Group since March 2014 and was Assistant to the Operations Group Head from 2013 to 2014. He is a member of the Board of Directors of the Philippine Clearing House Corporation since 2014.
Corazon Ma. Therese B. Nepomuceno Executive Vice-President	Ms. Corazon Ma. Therese B. Nepomuceno, Filipino, 55 years old, has been the Head of Credit Group since 2012 after serving as its Deputy from 2005 to 2012.
Richard Benedict S. So Executive Vice-President	Mr. Richard Benedict S. So, Filipino, 51 years old, has been the Head of the International Offices and Subsidiaries Group (IOSG) since 2009 after serving as its Deputy from 2007 to 2009. He is also the Head of the Countryside Branch Banking under the National Branch Banking Sector effective March 16, 2016 and Head of the Transaction Banking Segment in 2014. He chairs the Board of Directors of several remittance companies wholly-owned by Metrobank. He has been a Vice-Chairman of Metro Remittance Singapore Pte. Ltd. since 2010. He has been a director of Metrobank Bahamas since 2009, MCC since 2010 and Corporate Secretary of MBCL since 2014.
Aniceto M. Sobrepeña Executive Vice-President	Mr. Aniceto M. Sobrepeña, Filipino, 63 years old, has been the President of MBFI since 2006 and Vice-Chairman of Manila Tytana Colleges (MTC) and FLI since 2011. He is the Executive Director of GT Foundation, Inc. since January 2010. He is a member of the Board of Trustees of PinoyMe Foundation since 2007 and Philippine Business for Education since 2008. He is also a member of Galing Pook Foundation since 2000, International Center for Innovation Transformation and Excellence in Governance since 2006 and Philippine Institute of Environmental Planners since 1995.
Vivian L. Tiu Executive Vice-President	Ms. Vivian L. Tiu, Filipino, 56 years old has been the Head of Human Resources Management Group since 2001. She has been serving as Corporate Secretary of MTC since 2004.
Josefina T. Tuplano Executive Vice-President	Ms. Josefina T. Tuplano, Filipino, 55 years old, has been the Head of Trust Banking Group since 2012 after serving as its Deputy from 2011 to 2012. She headed the Treasury Sales Division and Investment Management Distribution Division of Metrobank from 2000 to 2011.
Amelin S. Yao Executive Vice-President	Ms. Amelin S. Yao, Filipino, 63 years old, has been heading the Commercial Banking Center since 2006. Previous to that, she held various positions in Branch Banking.
Marilou C. Bartolome Senior Vice-President	Ms. Marilou C. Bartolome, Filipino, 43 years old, has been the Controller since November 28, 2013 after serving as the Deputy from October 2009 to November 2013. She has been the Controller of MBFI and GT Foundation since 2012.
Christine Y. Carandang Senior Vice-President	Ms. Christine Y. Carandang, Filipino, 50 years old, has been the Head of Acquired Assets Management and Disposition Group from May 2007 to December 2015. She assumed the concurrent position of General Services Group Head in June 2014. She has been the President of Circa 2000 Homes, Inc. since 2009 and TLI since July 1, 2016.
Godofredo V. Cruz Senior Vice-President	Mr. Godofredo V. Cruz, Filipino, 53 years old, has been the Head of Business Banking Center since 2013. He was the concurrent Head of Commercial Banking Center, Makati, Ortigas and Greenhills from 2014 to 2015. He was the Center Head of Combank South Luzon from 2006 to 2014. He was the Corporate Secretary of Charter Ping-An Insurance Corp. from 2007 to 2016.

Name	Experience
Pocholo V. Dela Peña Senior Vice-President	Mr. Pocholo V. Dela Peña, Filipino, 50 years old, has been the Head of Special Accounts Management Group since 2014 after serving as Head of Special Accounts Management Division II from 2005 to 2014. He is the Corporate Secretary of PSBank since 2011.
Susan L. Niere Senior Vice-President	Ms. Susan L. Niere, Filipino, 57 years old, has been the Head of Branch Support Center (BSC) since 2011. She held various position in the Bank before her appointment as BSC Head.
Antonio R. Ocampo, Jr. Senior Vice-President	Mr. Antonio R. Ocampo, Jr., Filipino, 46 years old, has been the Head of Corporate Banking Group since 2014. He is also the Director of SMBC Metro, TLI, Jaka Tagaytay Holdings, Corp. and Northpine Land, Inc. Before joining Metrobank, he was the Vice-President and Head of Global Network Banking of Deutsche Bank, AG.
Rowena R. Oliveros Senior Vice-President	Ms. Rowena R. Oliveros, Filipino, 59 years old, has been the Head of Consumer Lending Group since October 2005 after serving as its Deputy from January to September 2005.
Mark Anthony B. Perez Senior Vice-President	Mr. Mark Anthony B. Perez, Filipino, 44 years old, has been the Head of the Retail Banking Group since 2013. He served as a member of the Board of Directors of Bancnet, Inc. from 2013 to 2015 as the Bank's representative.
Bernardino V. Ramos Senior Vice-President	Mr. Bernardino V. Ramos, Filipino, 51 years old, has been the Head of Information Technology Group since August 1, 2015. He also served as the Head of Metrobank's Program Management Division from July 1, 2013 to July 31, 2015. Before he joined Metrobank, he was the Director of Operations Global Directory Network for Technology, Philippines of Accenture, Inc. from September 2010 to June 2013. He was with Accenture, Inc. for 25 years.
Angelica S. Reyes Senior Vice-President	Ms. Angelica S. Reyes, Filipino, 43 years old, has been the Head of the Markets Sales Group since 2013 after serving as Head of Treasury Group-Sales and Structuring Division from 2010 to 2013. She was the concurrent Head of Treasury Group-Investment Distribution Division from 2012 to 2013. She serves as Corporate Secretary of Philippine AXA Life Insurance Corporation since 2015.
Lita S. Tan Senior Vice-President	Ms. Lita S. Tan, Filipino, 54 years old, assumed the position as Branch Banking Group Head for Metro Manila branches under National Branch Banking Sector last March 2016. Prior to that, she was the Region Head of Central Metro Manila Region from 2015 to 2016 and Area Head from 2006 to 2015. She is also a director of ORIX Metro Leasing and Finance Corporation since June 2016.
Leo R. Fragante First Vice-President	Mr. Leo R. Fragante, Filipino, 52 years old, assumed the position as Acting Head of Internal Audit Group in August 2016. Previous to that, he headed Special Audit Division and Branch Audit Division.

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

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

C. Significant Employee

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

Nomination Procedure

1. Any stockholder may submit nominations for directorial positions to the Nominations Committee.
2. The nominating stockholder is required to submit his proposed nomination to the Nominations Committee, together with the bio-data, acceptance and conformity of the would-be nominee. In the case of a nominee for the position of an independent director, the would-be nominee is also required to submit a Certification that he/she has all the qualifications and none of the disqualifications to become an independent director.
3. The Nominations Committee will screen the nominations of directors prior to the submission of the Definitive Information Statement and come up with a Final List of Candidates.

The Nominations Committee is composed of independent directors Renato C. Valencia (Committee Chairman) and Jesli A. Lapus and Robin A. King (Committee Members).

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

Nominee Directors

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

As of the date of this report, there are five (5) nominees for independent directors, namely, Messrs. Francisco F. Del Rosario, Jr., Rex C. Drilon II, Robin A. King, Jesli A. Lapus and Edgar O. Chua. They were nominated by Marie Yu, Yu Chuen Yan, Michael Allan Chua, George Noel Herrera and Mr. Joselito Dela Rosa, respectively. The nominees for independent directors are not related either by consanguinity or affinity to the persons who nominated them. Likewise, there are seven (7) nominees for non-independent director positions, namely, Messrs. George S.K. Ty, Arthur Ty, Francisco C. Sebastian, Fabian S. Dee, Alfred Ty, Edmund A. Go, and Vicente R. Cuna Jr. .

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

Mr. Edgar O. Chua, Filipino, 60 years old, is currently the Chairman of Pilipinas Shell Petroleum, and an Independent Director of Integrated Micro-Electronics, Inc. (IMI) and Energy Development Corporation (EDC). He is also the Chairman of the Philippine Business for the Environment, Philippine Eagle Foundation, De La Salle University Board, De La Salle Science Foundation, Makati Business Club and Energy Council of the Philippines. He is a Trustee/Treasurer of Philippine Business for Education and Trustee for College of Saint Benilde, De La Salle Araneta Salikneta, De la Salle National Mission Council, Gawad Kalinga Community Development Foundation Inc., and Philippine Business for Social Progress. He is also a Trustee of Pilipinas Shell Foundation, Inc., Foundation for Rural Electrification for Economic Development (FREED), and Trustee of The English-Speaking Union of the Philippines, Inc. He was the Country Chairman of Shell companies in the Philippines from September 2003 to October 2016. He obtained his Bachelor of Science degree from De La Salle University.

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

Based on a joint evaluation made by the Nominations Committee and the Corporate Governance and Compensation Committee, all nominees have the qualifications and none of the disqualifications provided by law. The evaluation was made following the requirements of the Securities Regulation Code, the applicable regulations of the Bangko Sentral ng Pilipinas and the Securities and Exchange Commission (including SEC Memorandum Circular No. 4, series of 2017 on the term limit of independent directors), as well as the Bank's Corporate Governance Manual.

Pursuant to the requirements of SEC Circular No. 5, series of 2017, please refer to the attached certificates of qualification from the nominated independent directors as Annex "A", "B", "C", "D" and "E".

Legal Proceedings

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

- (a) Any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
- (b) Any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
- (c) Being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and
- (d) Being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

Certain Relationships and Related Transactions

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

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

Transactions with related parties and with certain directors, officers, stockholders and related interests (DOSRI) are discussed in Note 31 of the audited financial statements of the Group as presented in Exhibit 3.

Others

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

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

Item 6. Executive Compensation

Name and Principal Position	2017 (Estimate)		
	Salary	Bonus	Other Annual Compensation*
1 Arthur Ty Director and Chairman			
2 Fabian S. Dee Director and President			
3 Joshua E. Naing Senior Executive Vice-President			
4 Fernand Antonio A. Tansingco Senior Executive Vice-President			
5 Mary Mylene A. Caparas Executive Vice-President			
Total for the President and four (4) other highest paid executive officers and directors named above	₱146.60 million	₱50.60 million	₱17.20 million
All executive officers and directors as a group unnamed (except the President and four other highly compensated executive officers and directors mentioned above)	₱276.51 million	₱121.68 million	₱42.45 million

Name and Principal Position	2016		
	Salary	Bonus	Other Annual Compensation*
1 Arthur Ty Director and Chairman			
2 Fabian S. Dee Director and President			
3 Joshua E. Naing Senior Executive Vice-President			
4 Fernand Antonio A. Tansingco Senior Executive Vice-President			
5 Mary Mylene A. Caparas Executive Vice-President			
Total for the President and four (4) other highest paid executive officers and directors named above	₱130.72 million	₱43.65 million	₱16.85 million
All executive officers and directors as a group unnamed (except the President and four other highly compensated executive officers and directors mentioned above)	₱249.03 million	₱100.16 million	₱42.59 million

Name and Principal Position	2015		
	Salary	Bonus	Other Annual Compensation*
1 Arthur Ty Director and Chairman			
2 Fabian S. Dee Director and President			
3 Joshua E. Naing Senior Executive Vice-President			
4 Fernand Antonio A. Tansingco Senior Executive Vice-President			
5 Corazon Ma. Therese B. Nepomuceno Executive Vice-President			
Total for the President and four (4) other highest paid executive officers and directors named above	₱111.70 million	₱36.80 million	₱13.97 million
All executive officers and directors as a group unnamed (except the President and four other highly compensated executive officers and directors mentioned above)	₱217.60 million	₱90.07 million	₱47.18 million

* Inclusive of directors' per diem and transportation allowances amounting to ₱37.81 million, ₱36.84 million and ₱36.72 million as of December 31, 2017, 2016, and 2015, respectively, or an average of ₱262,583.33, ₱219,309.52 and ₱204,000.00 per month/per director in 2017, 2016 and 2015, respectively.

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

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

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

Item 7. Independent Public Accountants

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

Ms. Janeth T. Nuñez-Javier, SGV Partner, reviewed/audited the Group's financial statements as of December 31, 2016 and 2015 and for each of the three years ended December 31, 2016. In compliance with the amended SRC Rule 68 (3) (b) (ix), the signing partners are rotated after every five years reckoned from the year 2002.

The Bank intends to retain SGV as its external auditors for the year 2017 and is submitting the same to the stockholders for ratification as endorsed by the Audit Committee with the approval of the Board of Directors.

C. OTHER MATTERS

Proposed Action

1. Approval of the minutes of the annual meeting of stockholders held on April 27, 2016:
 - i. *Call to Order and Certification of Quorum. The meeting was called to order by Chairman Arthur Ty at 3:00 o'clock in the afternoon. The Corporate Secretary, Antonio V. Viray, certified that there were 2,175,228,187 common shares actually present in person or by proxy, out of the 3,180,172,786 common shares outstanding. This constituted 68.4% of the outstanding capital stock.*

- ii. *Approval of the Minutes of the Annual Stockholders' Meeting held on April 29, 2015 via the following:*

RESOLUTION NO. 048-MBTC-SH-2016

RESOLVED, that the Minutes of the Annual Stockholders' Meeting on April 29, 2015 are hereby approved.

- iii. *President's Report on the performance of Metrobank for 2015, as further detailed in the Annual Report for 2015.*

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

- a. *Responsibility for Reviewing Branch Transactions*

In relation to the ongoing investigation by the Senate Blue Ribbon Committee on the US\$81 million withdrawn from a branch of a local bank, Metrobank stockholder Phillip Turner asked how Metrobank ensures that branch transactions are properly reviewed.

In reply, President Fabian S. Dee discussed the Bank's various levels of control in the review of branch transactions. He also mentioned the daily senior management meetings where matters such as significant flow of funds, among other significant transactions, are discussed.

b. *Securing the SWIFT messaging system*

Mr. Turner asked for Mr. Dee's opinion on the reported hacking of the SWIFT messaging system.

President Dee replied that there has been no confirmation of the alleged hacking of the SWIFT messaging account of the Central Bank of Bangladesh. There have been reports that it was not a hacking incident at all but rather, a case of duly-authorized personnel actually accessing the SWIFT account and sending the messages. Metrobank has sufficient maker-checker controls in place to prevent this from happening.

c. *Calamities in Japan: Impact to Business*

Moving on, Mr. Turner referred to the tsunami that hit Japan some years back and the latest earthquake in Southern Japan. It is forecasted that it will take years before operations get back to normal. How will this affect Metrobank's business interests in Japan?

President Dee replied that in terms of credit exposure, as a result of the negative interest rates, most borrowings happen within Japan. Banking businesses outside of Japan are limited to cash management, foreign exchange and treasury transactions. So the risk to Metrobank is limited. There is a possibility though of Japanese manufacturers relocating offshore, to Indonesia, Thailand, Vietnam and the Philippines. This is an opportunity that Metrobank's dedicated Japan Desk can explore.

d. *Insider Trading Policy*

Another stockholder, Mr. Roberto Go, asked for a background on the insider trading policy. President Dee replied that the policy was put in place to ensure proper handling of material non-public information and that no insider with knowledge of such information is able to use it to his advantage. All transactions should be professional, at arm's length and at objective prices.

e. *Whistle Blowing Policy*

Mr. Go then asked whether employees receive monetary reward in relation to the whistle-blowing policy. Mr. Dee replied that the policy extends due recognition to the whistle-blower, not in terms of monetary reward but, rather, a recognition that comes from the heart.

f. *Expression of Support to Metrobank*

Lastly, stockholder Ms. Elvie Estavillo thanked Metrobank's management and staff, and wished that Metrobank continues to be the country's strongest bank.

iv. *Ratification of All Acts and Resolutions of the Board of Directors, Management, Board and Management Committees from April 29, 2015 to April 26, 2016 via the following:*

RESOLUTION NO. 049-MBTC-SH-2016

RESOLVED, that all acts, transactions and resolutions of the Board of Directors, management, board and management committees from April 29, 2015 to April 26, 2016, including among others, the approval of all loans, investments, new Bank products and services and related party transactions, are hereby ratified and confirmed.

v. *Election of Twelve (12) Directors for the Year 2016 - 2017*

Mr. Renato C. Valencia, Chairman of the Nominations Committee, explained that the Nominations Committee and the Corporate Governance and Compensation Committee chaired by Rex C. Drilon II had jointly evaluated the qualifications of all nominees to the Board of Directors, and that the Committees found that the nominees had all the qualifications and none of the disqualifications prescribed by law and regulations, and that out of the twelve(12) nominees, five(5) were nominated as independent directors. Twelve(12) directors were elected for the year 2016-2017:

RESOLUTION NO. 050-MBTC-SH-2016

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

1)	Dr. George S.K. Ty	8)	Mr. Renato C. Valencia*
2)	Mr. Arthur Ty	9)	Mr. Jesli A. Lapus*
3)	Mr. Francisco C. Sebastian.	10)	Mr. Robin A. King *
4)	Mr. Fabian S. Dee	11)	Ms. Rex C. Drilon II*
5)	Mr. Vicente R. Cuna, Jr.	12)	Mr. Francisco F. Del Rosario, Jr.*
6)	Mr. Edmund A. Go		
7)	Mr. Alfred V. Ty		

** Independent directors*

vi. *Election of SGV & Co. as External Auditors via the following:*

RESOLUTION NO. 051-MBTC-SH-2016

RESOLVED, that as recommended by the Audit Committee and approved by the Board of Directors, SGV & Co. is hereby appointed as the External Auditors of Metrobank for the year 2016.

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

2. Ratification of Corporate Acts

The matters for ratification include all acts, transactions and resolutions of the Board of Directors, management and all Committees done in the ordinary course of business from April 27, 2016 until April 25, 2017, including, among others, the approval of loans, investments, new Bank products and services and related party transactions.

3. Election of Directors - Please refer to the list of nominees under Item 5 - "Directors and Executive Officers - Nominee Directors" for details.
4. Election of SGV & Co. as External Auditors – Please refer to the write-up on SGV & Co. under Item 7 – "Independent Public Accountants" for details.

Voting Procedures

1. Majority vote is required for the following:
- Approval of the minutes of the annual meeting of the stockholders held on April 27, 2016
 - Ratification of Corporate Acts
 - Election of External Auditors

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

2. Every stockholder entitled to vote on a particular question or matter involved shall be entitled to one (1) vote for each share of stock in his name. Cumulative voting is allowed provided that the total votes cast by a stockholder shall not exceed the number of shares registered in his name as of the record date multiplied by the number of directors to be elected. Matters submitted to stockholders for ratification shall be decided by the required vote of stockholders present in person or by proxy.
3. Metrobank has not solicited any discretionary authority to cumulative voting.
4. Votes cast at the meeting shall be counted by the Bank's Stock Transfer Agent and validated by SGV & Co.

SIGNATURES

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in Makati City on April 7, 2017.

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

**METROPOLITAN BANK & TRUST
COMPANY**

By:


ANTONIO V. VIRAY
Corporate Secretary

CERTIFICATION OF INDEPENDENT DIRECTORS

SECURITIES AND EXCHANGE COMMISSION
 MAR 23 2017
 MARKET REGULATION DEPT. OF FINANCE

I, **JESLI A. LAPUS**, Filipino, of legal age and a resident of #3 Galaxy St., Bel Air Village, Makati City, after having been sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of Metropolitan Bank & Trust Company and have been its independent director since Aug. 18, 2010.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

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

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Metropolitan Bank & Trust Company, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of *(covered company and its subsidiaries and affiliates)* other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

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

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding. [or I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be)]:

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

CERTIFIED TRUE COPY

 ATTY. JAYMIE LYNN L. PARAFINA-CUEVAS
 NOTARY PUBLIC

6. (For those in government service/affiliated with a government agency or GOCC) I have the required written permission or consent from the (head of agency/department) to be an independent director in Metropolitan Bank & Trust Company, pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and Other SEC issuances.
8. I shall inform the corporate secretary of Metropolitan Bank & Trust Company of any changes in the abovementioned information within five (5) days from its occurrence.

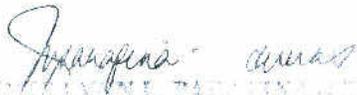
Done, this MAR 22 2017 day of _____ 2017, at Makati City.


JESLI A. LAPUS
 Affiant

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

SUBSCRIBED AND SWORN to before me this _____ day of MAR 22 2017 at _____, affiant personally appeared before me and exhibited to me his Tax Identification No. 117-802-402.

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 Series of 2017.


ATTY. JAYMIE LYNN L. PARAFINA-CUEVAS
 Notary Public for Makati City
 Appointment No. M-82, until December 31, 2018
 18/F Metrobank Plaza, Cor. of Peralta Ave., Makati City
 Roll No. 48376/MCLE Cert. No. 01-0359/02.01.2016
 PTR No. MKT 5946163, 01.04.2017, Makati City
 BIR No. 1052589, 11.18.2017, 18000000

CERTIFIED TRUE COPY

ATTY. JAYMIE LYNN L. PARAFINA-CUEVAS
NOTARY PUBLIC

Annex "B"

CERTIFICATION OF INDEPENDENT DIRECTORS

SECURITIES AND EXCHANGE
COMMISSION
MAR 23 2017
BY: [Signature]
NOTARY DEPT. 3-20

I, **ROBIN A. KING**, Filipino, of legal age and a resident of 7752 Sherwood St. Marcelino Village, Paranaque City, after having been sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of Metropolitan Bank & Trust Company and have been its independent director since Apr. 15, 2011.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

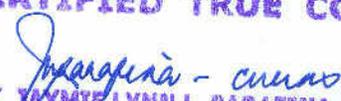
Company/Organization	Position/Relationship	Period of Service
Habitat for Humanity Philippines	Trustee	January 2015 – Present
Price Waterhouse Coopers	Senior Executive Directors	January 2013 – Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Metropolitan Bank & Trust Company, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

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

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding. *[or I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be)]:*

Offense Charged/ Investigated	Tribunal or Agency Involved	Status
Not Applicable		

CERTIFIED TRUE COPY

ATTY. JAYMIE LYNN L. PARAFINA-CUEVAS
NOTARY PUBLIC

6. (For those in government service/affiliated with a government agency or GOCC) I have the required written permission or consent from the (*head of agency/department*) to be an independent director in Metropolitan Bank & Trust Company, pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and Other SEC issuances.
8. I shall inform the corporate secretary of Metropolitan Bank & Trust Company of any changes in the abovementioned information within five (5) days from its occurrence.

MAR 22 2017

Done, this ____ day of ____ 2017, at Makati City.

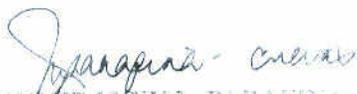

ROBIN A. KING
 Affiant

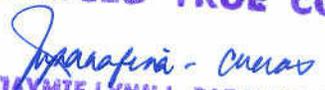
REPUBLIC OF THE PHILIPPINES)
 CITY OF MAKATI)S.S.

MAR 22 2017

SUBSCRIBED AND SWORN to before me this ____ day of _____ at _____, affiant personally appeared before me and exhibited to me his Tax Identification No. 902-405-302.

Doc. No.: 394
 Page No.: 80
 Book No.: 30
 Series of 2017.


 ATTY. JAYMIE LYNN L. PARAFINA-CUEVAS
 Notary Public for the Philippines
 Appointment No. NPS-001-18-00000000-01, 2018
 IS/F Metrobank Tower, 11th Floor, Makati City
 Roll No. 48276-MCLP, Date of Registration: 01 Jul 16
 PTR No. MKT-9910164-01 04/2017 Makati City
 IDP No. 0022447, Date of Issuance: 01 Jul 16

CERTIFIED TRUE COPY

ATTY. JAYMIE LYNN L. PARAFINA-CUEVAS
NOTARY PUBLIC

Annex "C"

SECURITIES AND EXCHANGE COMMISSION
 MAR 23 2017
 STOCK REGISTRATION DEPT
 J. 3170

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **FRANCISCO F. DEL ROSARIO, JR.**, Filipino, of legal age and a resident of Mckinley Hills Drive, Mckinley Hills Subdivision, Fort Bonifacio, Taguig, after having been sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of Metropolitan Bank & Trust Company and have been its independent director since Apr. 15, 2013.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

Company/Organization	Position/Relationship	Period of Service
Management Association of the Philippines	President	2015 – Present
Omnipay Inc.	Director	2014 – Present
DMCI Homes, Inc.	Director	2011 – Present
Mapre Insular Insurance Corporation	Director	2011 – Present
Habitat for Humanity Philippines	Cabinet Member	2009 – Present
ABS-CBN Foundation	Trustee	2007 – Present
PWC Isla Lipana	Senior Executive Director	January 2017

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Metropolitan Bank & Trust Company, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of *(covered company and its subsidiaries and affiliates)* other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

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

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding. *[or I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be)]*:

Offense Charged/ Investigated	Tribunal or Agency Involved	Status
Not Applicable		

CERTIFIED TRUE COPY
Parafina - cuevas
ATTY. JAYMIE LYNN L. PARAFINA-CUEVAS
NOTARY PUBLIC

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **REX C. DRILON II**, Filipino, of legal age and a resident of 11 First Street, St. Ignatius, Quezon City, after having been sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of Metropolitan Bank & Trust Company and have been its independent director since Aug.29, 2012.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

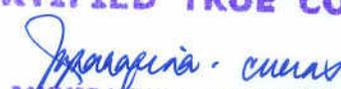
Company/Organization	Position/Relationship	Period of Service
Institute of Corporate Directors	Board Adviser/Fellow	January 2013 – Present
YLD Holdings, Inc.	Chairman	2012 – Present
Keyland Corporation	Chairman	September 2011 – Present
Iloilo Economic Development Foundation	Vice Chairman	May 2011 – Present
National Advisory Group for Police Transformation and Development	Chairman	2011 – Present
Shareholders Association of the Philippines	Member	2010 – Present
Institute for Solidarity in Asia	Trustee	January 2003 – Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Metropolitan Bank & Trust Company, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

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

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding. *[or I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be)]:*

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

CERTIFIED TRUE COPY

ATTY. JAYMIE LYNN L. PARAFINA-CUEVAS
NOTARY PUBLIC

6. (For those in government service/affiliated with a government agency or GOCC) I have the required written permission or consent from the (head of agency/department) to be an independent director in Metropolitan Bank & Trust Company, pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and Other SEC issuances.
8. I shall inform the corporate secretary of Metropolitan Bank & Trust Company of any changes in the abovementioned information within five (5) days from its occurrence.

MAR 30 2017

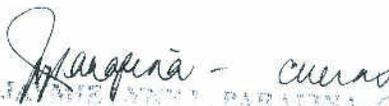
Done, this ____ day of ____ 2017, at Makati City.


REX C. DRILON II
 Affiant

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

SUBSCRIBED AND SWORN to before me this ____ day of MAR 30 2017 at MAKATI CITY, affiant personally appeared before me and exhibited to me his Tax Identification No. 166-840-354.

Doc. No.: 488
 Page No.: 99
 Book No.: 30
 Series of 2017.


 ATTY. JAYMIE LYNN L. PARAFINA-CUEVAS
 Notary Public - Makati City
 Appointment No. 33 (2016) - 01/18/2016
 IEP No. 1052282 (2016) - 01/18/2016, Makati City
 PTR No. MCT 5910165, 01/04/2017, Makati City
 IEP No. 1052282; 11/18/2016; Quezon

CERTIFIED TRUE COPY

ATTY. JAYMIE LYNN L. PARAFINA-CUEVAS
NOTARY PUBLIC

CERTIFICATION OF INDEPENDENT DIRECTOR

I, Edgar O. Chua, Filipino, of legal age and a resident of 52 Prof. H. Rubio Street, Poblacion, Bacoor, Cavite 4102, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of Metropolitan Bank & Trust Company and have been its independent director since N.A.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporation):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Pilipinas Shell Petroleum Corporation	Chairman	Current
Integrated Micro-Electronics, Inc.	Independent Director	Current
Energy Development Corporation	Independent Director	Current
Philippine Business for the Environment	Chairman	Current
Philippine Eagle Foundation	Chairman	Current
Green Army Philippines Network Foundation, Inc.	President	Current
De La Salle University Board	Chairman	Current
De La Salle Science Foundation	Chairman	Current
College of Saint Benilde	Trustee	Current
De La Salle Araneta Salikneta	Trustee	Current
De La Salle National Mission Council	Trustee	Current
Ramon Magasaysay Foundation	Trustee/Vice Chairman	Current
Integrity Initiative	Vice Chairman	Current
Philippine Business for Education	Trustee/Treasurer	Current
Gawad Kalinga Community Development Foundation Inc.	Trustee	Current
Philippine Business for Social Progress	Trustee	Current
Pilipinas Shell Foundation, Inc.	Trustee	Current
Foundation for Rural Electrification for Economic Development (FREED)	Trustee	Current
Philippine Solar Car Challenge Society, Inc.	Trustee	Current
The English-Speaking Union of the Philippines, Inc.	Trustee	Current
Philippine Disaster Relief Foundation	Trustee	Current
Trilateral Commission	Member	Current
ASEAN Business Council	Member	Current
Makati Business Club	Chairman	Current
Energy Council of the Philippines, Inc.	Chairman	Current
Philippine-British Business Council	Vice Chairman	Current
Makati Commercial Estate Association, Inc.	Governor	Current
Employers Confederation of the Philippines	Governor	Current

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3. I possess all the qualification and none of the disqualifications to serve as an Independent Director of Metropolitan Bank & Trust Company, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of Metropolitan Bank & Trust Company, Inc. and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable).

NAME OF DIRECTOR/ OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
N/A		

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding. / I disclose that I am the subject of the following criminal / administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
Graft and corruption case filed before the Office of the Ombudsman by former Customs Commissioner Napoleon Morales, and former Batangas Customs Collector Juan Tan, in connection with PSPC's importation of Catalytic Cracked Gasoline and Light Catalytic Cracked Gasoline (CCG/LCCG) and Alkylate	Office of the Ombudsman	<p>Along with other respondents, filed a Joint Counter-Affidavit on 21 November 2016 and the Complainants filed their Joint Reply Affidavit on 04 January 2017. A Rejoinder Affidavit was filed on 31 January 2017.</p> <p>On 04 January 2017, we filed a Joint Complaint-Affidavit for the purpose of filing criminal complaints for Perjury against Lourdes Aclan, Napoleon Morales & Juan Tan for the false statements indicated in the Graft case which they filed in relation to the supposedly committed crime of Illegal Importation and violation of RA No. 3019; Anti-Graft and Corrupt Practices Act. This is in relation to the PSPC'S importation of Catalytic Cracked Gasoline and Light Catalytic Cracked Gasoline (CCG/LCCG) and Alkylate. Preliminary investigation is ongoing and the respondents filed their Joint Counter-Affidavit on 21 March 2017.</p>

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its implementing Rules and Regulations, Code of Corporate Governance and other SEC Issuances.

CERTIFIED TRUE COPY

[Handwritten Signature]

7. I shall inform the Corporate Secretary of Metropolitan Bank & Trust Company of any changes in the abovementioned information within five days from its occurrence.

APR 05 2017

Done, this _____ day of _____, at _____.



Edgar O. Chua
Affiant

SUBSCRIBED AND SWORN to before me this APR 05 2017 day of _____ at _____, affiant personally appeared before me and exhibited to me his/her Passport No. EC16,0571 issued at DFA MANILA on 11th of July 2014.

Doc. No. 147 ;
Page No. 81 ;
Book No. I ;
Series of 2017.d



ATTY. JANUARY C. PIZARRO
NOTARY PUBLIC, CITY OF MAKATI
APPOINTMENT NO. M136 - UNTIL DECEMBER 31, 2017
7th FLOOR MAIN BUILDING, METROBANK PLAZA
SEN. GIL PUYAT AVENUE, MAKATI CITY 1200
ROLL OF ATTORNEYS NO. 57923
PTR NO. 5330551 (01-07-2016/MAKATI CITY
IDP NO. 0983723 (2016/01-06-2015/BATAAN
MCLE CERTIFICATE NO. V. 0008992; 07-07-2015

CERTIFIED TRUE COPY



METROPOLITAN BANK & TRUST COMPANY

PART I – BUSINESS

DESCRIPTION OF BUSINESS

1. Business Development

Metropolitan Bank & Trust Company (“Metrobank” or “the Bank”) was incorporated on April 6, 1962 by a group of Filipino businessmen to provide financial services to the Filipino-Chinese community. Since its formation, the Bank has diversified its business, and to date provides a broad range of banking and collateral services to all sectors of the Philippine economy.

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

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

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

The original Certification of Incorporation of the Bank was issued by the SEC on April 6, 1962 for a 50-year corporate term. On March 21 and November 19, 2007, the Board of Directors (BOD) of the Bank and the SEC, respectively, approved the extension of its corporate term for another 50 years or up to April 6, 2057.

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

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

2. Business of Registrant

Services/Customers/Clients

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

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

The Bank provides investment banking services through First Metro Investment Corporation (FMIC) and retail banking through the Bank and its subsidiaries Philippine Savings Bank (PSBank) and Metrobank Card Corporation (MCC).

Contribution to Sales/Revenues

The net interest income derived from lending, investment and borrowing activities represents 67.51%, 72.22% and 60.74% of the Group's revenue net of interest and finance charges in 2016, 2015 and 2014, respectively. Other operating income (consisting of service charges, fees and commissions; net trading and securities gains; net foreign exchange gain; gain on sale of investments in an associates; leasing income; profit from assets sold; income from trust operations; dividend income; and miscellaneous income) and share in net income of associates and a joint venture account for 32.49%, 27.78% and 39.26% of the Group's revenue net of interest and finance charges in 2016, 2015 and 2014, respectively.

Contribution of Foreign Offices

The percentage contributions of the Group's offices in Asia, the United States and Europe to the Group's revenue, net of interest and finance charges, and external net operating income for the years 2016, 2015 and 2014 are as follows:

Offices in	Year	Percentage Contribution to	
		Revenue, Net	External Net Operating Income
Asia (Other than Philippines)	2016	2.22	2.33
	2015	2.78	2.76
	2014	2.66	2.62
United States	2016	0.90	0.99
	2015	0.72	0.73
	2014	0.48	0.51
Europe	2016	0.10	0.11
	2015	0.08	0.09
	2014	0.07	0.07

Significant Subsidiaries

1. First Metro Investment Corporation (FMIC)

FMIC is the investment banking arm of the Metrobank Group. It is an investment house incorporated in the Philippines on June 25, 1963 with principal place of business at 45th Floor, GT Tower International, Ayala Avenue corner H.V. Dela Costa Street, Makati City. On September 22, 2000, FMIC was merged with Solidbank Corporation (Solidbank) with Solidbank as the surviving entity and subsequently renamed as First Metro Investment Corporation. FMIC's shares of stock (originally Solidbank) were listed with the PSE on October 25, 1963 and were subsequently delisted effective December 21, 2012. The Company is a 99.24%-owned subsidiary of Metrobank.

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

- Investment Banking Group - manages the investment banking business of the company consisting of debt and equity origination and underwriting, financial advisory, project finance and structured financial solutions, and loan syndication.

Debt & Equity Underwriting - as a leading investment banking institution in the country, FMIC regularly participates in the underwriting of private debt and equity flotation. FMIC's core competence in tapping the

capital market and huge capital accounts, as well as wide distribution capability through the Metrobank branch network, is an enviable advantage that enables FMIC to lead major underwriting activities.

Loan Syndication - syndicated loans remain as one of the primary lending vehicles for borrowers to finance major business operations with heavy financial requirements. Its flexibility and innovative nature make it a highly attractive funding technique for borrowers, applicable over a broad mix of industries. Financial institutions originate and arrange these loans for these large borrowers on a consolidated basis. Since secondary market participation is becoming more and more common-place, smaller capitalized banks are seeking greater return on their assets as they participate in credit previously outside their pricing or relationship reach.

Project Finance - FMIC also advises and arranges the financing of specific projects which require huge capital outlay. Its services in this particular area of investment banking activity normally involve formulating creative strategies and techniques for the structuring of appropriate financial package to address the funding requirements of the project.

Financial Advisory or Consultancy - in addition to extending financial assistance, FMIC renders fee-based advisory (technical and management) services. This covers advice on debt and equity fundraising, capital and corporate restructuring, mergers and acquisitions, asset valuation, and fairness opinion.

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

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

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

Money Market Placements - it offers money market instruments such as treasury bills, fixed income instruments, commercial papers, promissory notes (PNs) and collateralized PNs or repurchase agreements. These are short-term investments with maturities ranging from 1 day to 1 year.

Significant Subsidiaries and Associates of FMIC:

- *First Metro Save and Learn Equity Fund, Inc. (SALEF)*, 24.69% owned by FMIC, was registered in SEC on May 27, 2005 and registered in the Philippine Investment Company Act on September 6, 2005 as an open-end mutual fund primarily engaged in selling its capital and investing the proceeds in selected stocks with strong balance sheets and attractive valuations.
- *First Metro Save and Learn Fixed Income Fund, Inc. (SALFIF)*, 19.50% owned by FMIC, was incorporated in the Philippines on June 3, 2005 and subsequently registered under the Philippine Investment Company Act on September 6, 2005. SALFIF is an open-end mutual fund company engaged in selling its capital to the public and investing the proceeds in selected high grade fixed income generating instruments, such as bonds, commercial papers and other money market instruments. It stands at any time to redeem its outstanding capital stock at net asset value per share.
- *First Metro Save and Learn Balanced Fund, Inc. (SALBF)*, 20.76% owned by FMIC, was incorporated in the Philippines on January 29, 2007 and subsequently registered under the Philippine Investment Company Act last May 10, 2007 to engage in the trading of stocks and fixed income securities.
- *First Metro Securities Brokerage Corporation (FMSBC)*, a wholly-owned subsidiary and the stockbrokerage arm of FMIC. It was incorporated in the Philippines on October 16, 1987 to engage in the trading of or otherwise dealing in stocks, bonds, debentures and other securities or commercial papers and rendering financial advisory services. Serving both institutional and retail clients, it started commercial operations in June 1994. FMSBC is a license trading participant in the PSE. Since October 2006, FMSBC established an online stock trading platform, FirstMetroSec, where clients can trade listed securities online, access timely and accurate market research, and be provided with reliable client support and investor education programs.

- *First Metro Philippine Equity Exchange Traded Fund, Inc. (FMETF)*, 46.16% owned by FMIC, was incorporated on January 15, 2013 and subsequently registered under the Philippine Investment Company Act and the Securities Regulation Code as an open-end investment company engaged in the business of investing, reinvesting and trading in and issuing and redeeming its shares of stock in creation unit in exchange for basket of securities representing an index.
- *PBC Capital Investment Corporation (PBC Capital)*, a wholly-owned subsidiary, was incorporated on March 1, 1996 and started commercial operations on March 8, 1996. Metrobank acquired PBC Capital as part of the acquisition of the Philippine Banking Corporation. It was incorporated primarily to perform basic investment banking activities, such as equity and debt underwriting, loan arrangement and syndication, financial advisory services and other corporate finance work.
- *First Metro Asset Management, Inc. (FAMI)*, was incorporated on April 21, 2005 to manage, provide and render management and technical advice/services for partnerships, corporations and other entities. FAMI is registered and authorized by the SEC to act as an investment company adviser and manager, administrator, and principal distributor of First Metro Save and Learn Fixed Income Fund, Inc., First Metro Save and Learn Equity Fund, Inc., First Metro Save and Learn Balanced Fund, Inc., First Metro Save and Learn Dollar Bond Fund, Inc., First Metro Asia Focus Equity Fund, Inc. and First Metro Philippine Equity Exchange Traded Fund, Inc. FAMI is 70.0% owned by FMIC, while 30.0% is shared equally by the Catholic Educational Association of the Philippine (CEAP) and by the Marist (Marist Brothers) Development Foundation.
- *First Metro Save and Learn Dollar Bond Fund, Inc. (SALDBF)*, formerly First Metro Save and Learn Money Market Fund, Inc., 94.71% owned by FMIC, was incorporated on November 4, 2008. SALDBF is an open-end mutual fund engaged in selling its capital to the public and investing the proceeds in selected high grade stocks and fixed-income securities. It can also redeem its outstanding capital stock at net asset value per share at any time upon redemption of its investors.
- *First Metro Asia Focus Equity Fund, Inc. (FMAFEF)*, a wholly-owned subsidiary, was incorporated on December 23, 2009 to generally engage and to carry on the business of an open-ended investment company in all the elements and details thereof.
- *SBC Properties, Inc. (SPI)*, a wholly-owned subsidiary, was incorporated in the Philippines and was registered with the SEC on June 27, 1997 primarily to engage in the acquisition, development, lease and sale of real properties intended for residential, commercial or industrial use.
- *Prima Ventures Development Corporation (PVDC) (formerly Prima Estate Realty Corporation)*, a holding company, is a wholly-owned subsidiary registered with SEC on January 11, 1979.
- *FMIC Equities, Inc. (FEI)*, a wholly-owned subsidiary, was incorporated on November 9, 2001 to acquire, invest in, own, control, use, lease, sell or otherwise dispose of any and all kinds of property, businesses and enterprises. On February 27, 2012, the BOD of FEI approved the shortening of its corporate life from 50 years to 11 years from the date of its incorporation.
- *Resiliency (SPC), Inc.*, a wholly-owned subsidiary, was registered with the SEC as a financial holding company on June 22, 2009 primarily to engage in the securitization of assets which shall include, but not limited to, receivables, mortgage loans and other debt instruments.
- *Philippine Axa Life Insurance Corporation (“AXA Philippines”) (PALIC)*, 28.18% owned by FMIC, is a life insurance company incorporated in November 1962. Year 2016 is the 16th year of the joint venture between Metrobank and the AXA Group (the world’s largest insurance company). PALIC affirmed its position as a major and formidable player in the life insurance industry. PALIC ranked no. 2 and no. 5 based on premium income and on total assets owned as of December 31, 2015, respectively, based on Insurance Commission statistical reports.
- *Orix Metro Leasing and Finance Corporation (ORIX Metro)*, 20.00% owned by FMIC (see discussion about the Company under Item 2.4, Business of Registrant).
- *Lepanto Consolidated Mining Company (LCMC)*, 14.33% owned by FMIC, was incorporated in 1936 and until 1997 was operating an enargite copper mine located in Mankayan, Benguet. LCMC shifted to gold bullion production in 1997 through its Victoria Project. LCMC continues to produce gold from its Victoria and Teresa operations, both located in Mankayan, Benguet.

- Cathay International Resources Corporation, 34.74% owned by FMIC, was incorporated on April 26, 2005 primarily to acquire by purchase or exchange and use for investment or otherwise sell or transfer properties. It owns Marco Polo Cebu Plaza Hotel.

2. Philippine Savings Bank (PSBank)

PSBank was incorporated on June 30, 1959 to primarily engage in savings and mortgage banking. PSBank is the country's first publicly listed thrift bank. Its principal office is located at the PSBank Center, 777 Paseo de Roxas corner Sedeño Street, Makati City. PSBank is a 82.68% owned subsidiary of Metrobank.

It has outpaced some of its key competitors and is the country's second largest thrift bank in terms of assets. It mainly caters the retail and consumer markets and offers a wide range of products and services such as deposits, loans, treasury and trust. PSBank's network comprises 255 branches and 611 ATMs in strategic locations nationwide.

PSBank has a 40% interest in Sumisho Motor Finance Corporation (SMFC), a joint venture with Sumitomo Corporation of Japan. SMFC is not listed in the stock exchange.

3. Metrobank Card Corporation (A Finance Company) (MCC)

Metrobank Card Corporation (A Finance Company) [MCC] was established in August 1985, known then as Unibancard Corporation. Its maiden product was called Unicard, a single currency credit card accepted in key establishments in the Philippines. Over the years, Unicard evolved from a locally accepted card to an internationally recognized credit card when it rode on the MasterCard scheme in 1994 and the Visa scheme in 1998.

In October 2003, Australia New Zealand Bank (ANZ) entered into a joint venture with the Bank for the cards operation business of MCC. Since then, MCC has launched a steady stream of new products that offer distinct advantages to its customers, such as special installment plans, unmatched perks and privileges, and invitations to exclusive events.

MCC currently offers twelve core-branded credit cards, two co-branded credit cards (one with Toyota Motor Philippines and the other with the Robinsons Retail Group), and the YAZZ Prepaid Card.

MCC's goal is to be the Philippines' leading payment solutions provider.

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

ORIX Metro was incorporated in the Philippines and was registered with the SEC on June 28, 1977. Its primary purpose is to engage in financing by leasing all kinds of real and personal property; extending credit facilities to consumers and enterprises by discounting commercial papers or accounts receivable, or by buying or selling evidences of indebtedness; and underwriting of securities.

On January 12, 2007, the BSP lifted the moratorium on the granting of quasi-banking licenses to investment houses and finance companies. On August 24, 2007, ORIX Metro was authorized by the BSP to engage in quasi-banking functions. ORIX Metro engaged in quasi-banking functions effective January 1, 2008 as agreed to by the BSP subject to certain conditions.

ORIX Metro and its subsidiaries' ultimate Parent Company is Metrobank. As of December 31, 2016, ORIX Metro is 40% and 20% owned by Metrobank and FMIC, respectively. The registered office address of ORIX Metro is at 21st Floor, GT Tower International, Ayala Avenue corner H.V. Dela Costa Street, Makati City.

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

MBCL is a wholly-owned subsidiary of Metrobank established in the People's Republic of China with the approval of China Banking Regulatory Commission (CBRC) on January 14, 2010. Within the territory of China, MBCL may engage in provision of all kinds of foreign exchange services to all types of customers and except for PRC citizens, provide all kinds of Renminbi services to all types of customers, with the business scope to include: accepting deposits; granting short-term, medium-term and long-term loans; handling acceptance and discount of negotiable instruments; buying and selling treasury bonds, financial bonds and other foreign exchange securities (other than stocks); offering L/C services and guarantees; arranging settlements of both domestic and overseas accounts; buying and selling foreign exchange either for itself or on behalf of its

clients; handling insurance business as an agent; undertaking inter-bank borrowing or lending; providing service of safety deposit box; providing credit standing investigation and consultation service; and other business activities as approved by CBRC.

MBCL started its operations on March 2, 2010. Its headquarters is located in Nanjing, Jiangsu Province. It is the first wholly foreign-owned bank incorporated in Jiangsu Province, China. The former Metrobank Shanghai Branch and Pudong Sub-Branch were absorbed by MBCL. At present, MBCL has six (6) branches as follows: MBCL Nanjing Branch, MBCL Shanghai Branch, MBCL Pudong Sub-Branch, MBCL Changzhou Branch, MBCL Quanzhou Branch and MBCL Changzhou Xinbei Sub-Branch.

6. Metropolitan Bank (Bahamas) Limited (Metrobank Bahamas)

This is a wholly-owned subsidiary of Metrobank based in The Bahamas. The registered office of the Bank is located in New Providence Financial Centre, East Bay Street, P.O. Box CR-56766m, Nassau, The Bahamas. It holds 26.74% of the outstanding capital stock of FMIIC based in Hong Kong. It is a limited company incorporated in the Commonwealth of the Bahamas and is licensed under the Banks and Trust Companies Regulation Act 2000 (as amended) to carry on international banking business and by the Securities Commission of The Bahamas under Section 22 of the Securities Act of 1999 (as amended) to provide brokering and related services to international clients.

7. First Metro International Investment Company Limited (FMIIC)

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

8. Metro Remittance (Hong Kong) Limited

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

9. Metro Remittance (Singapore) Pte. Ltd.

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

10. Metro Remittance (USA), Inc. (MR USA)

This is a wholly-owned remittance subsidiary of Metrobank established to pursue the plan of expanding its remittance operations in California, U.S.A.

11. Metro Remittance Center, Inc. (MRCI)

MRCI is a wholly-owned subsidiary of Metrobank incorporated under the General Corporation Law of the State of Delaware on November 12, 1992 for the purpose of providing money transmission services to its clients.

MRCI officially started doing business on February 8, 1997 after obtaining the necessary regulatory approvals. The Company is licensed to do business in New York, New Jersey, Illinois and Nevada. MRCI's main office is located at 69-11 C Roosevelt Avenue, Woodside, New York, 11377. Its subsidiaries are:

- Metro Remittance (Canada), Inc.
The Company was established to further strengthen the Bank's presence and address the remittance needs of the growing number of Filipinos in Canada. Its branches are located in Vancouver and Toronto which opened on August 1 and November 6, 2006, respectively.
- MB Remittance Center Hawaii, Ltd.
The Company, established in 2002 and acquired by MRCI in 2005, provides money transmission services to Filipinos in Hawaii.

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

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

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

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

Distribution Methods of Products and Services

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

1. Branches

Metrobank ended 2016 with 704 branches as compared to 697 in 2015. Selected branches in Metro Manila and the countryside were relocated to maximize visibility and greater reach to its clients. Branch renovations were done and continued to reflect the Bank's customer centric and sales oriented focus to its existing and potential clients.

2. Remittance Centers

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

2016 - New International Remittance Tie-Ups

- | | |
|---|--|
| a. Aussie Forex & Finance Pty Ltd., Australia | e. Remitly, Inc., USA |
| b. BC Remittance Ltd., UK | f. Saudi Investment Bank, Saudi Arabia |
| c. Iyog Venture Money Transfer, New Zealand | g. Shinhan Bank (Manila Branch), Korea |
| d. Pinoy Express Palau, Palau | h. Transfergo Ltd., UK |

2016 – New Local Remittance Tie-Up

- a. Shipping tie-up with Caravel Philippines

3. ATMs

All of Metrobank's 1,695 ATMs are full-featured and allow a wide array of financial and non-financial transactions for its clients and those of Bancnet member banks. Apart from being the first bank to secure EMV-chip (Euro MasterCard VISA) certification in the Philippines, it has deployed 179 Cash Accept Machines to allow clients to make real-time cash deposits to their accounts. We have installed security device in machines, thus providing more secure and convenient solutions to meet its clients' banking needs.

4. Metrophone

Metrophone is the Bank's IVRS (Interactive Voice Response System) banking platform, and one of the first electronic banking channels made available to Metrobank customers. The Bank continues to pursue improvements by exploring the development of more features and functionalities that will further enhance the channel's overall user experience.

5. Mobile Banking

Mobile Banking is an electronic banking channel that caters to feature phones that fill up the majority of the mobile market. It now has its own Apple iOS and Android mobile banking applications for use in the increasingly popular smart phones that have flooded the market.

6. Metrobank*direct*

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

7. E-Government Facilities

- Tax Direct facility is a web based payment facility of Metrobank that allows both retail and corporate clients to pay their tax dues on tax returns filed through the BIR EFPS website.
- Bancnet's eGov Payment facility is a highly convenient online service that allows clients to electronically remit their monthly SSS, Philhealth and PAG-IBIG contributions and loan payments.

Competition

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

As of September 30, 2016, the Philippine commercial banking sector consisted of 41 banks, including 21 foreign bank entities. In terms of classification, there were 21 universal banks and 20 commercial banks.

Of the 21 universal banks, 12 were private domestic banks, three were government banks and six were branches of foreign banks. Of the 20 commercial banks, five were private domestic banks, two were subsidiaries of foreign banks and 13 were branches of foreign banks.

The ten largest commercial banks in the country accounted for over 80% of both total assets and total deposits of the commercial banking system based on published statements of condition as of September 30, 2016.

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

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

Innovations and Promotions

In 2016, Metrobank continued to introduce campaigns and promotions to address the market's needs.

- Metrobank continued to boost its market presence by launching new Home Loan and Car Loan promos. The new Metrobank Home Loan promo, *Great Rates Sale*, had no hidden fees, low amortization and easy application process.
- Hailed as Asian Banker's Auto-loan Product of the Year for 2016, the Metrobank Group rolled out new promos, the Metrobank Car Loan *100 Days of Awesome* which provided borrowers with low monthly amortization with free chattel mortgage fee and free first year insurance, and PSBank's *Triple Auto Treat* which offered one-year free insurance, free chattel mortgage fees and gas allowance. The former also staged

the *#100DaysofAwesome Car Fair* at Le Pavilion wherein Metrobank brought together 13 of the country's sought-after car brands to display their latest models for the clients to test drive.

- Moreover, Metrobank and PSBank introduced their new debit cards with EMV Chip to provide the clients with a more secure alternative to traditional magnetic stripe payment cards. To entice clients to use their debit and prepaid cards, various promotions throughout the year were offered. These included availing of discounts and getting freebies from various merchants as clients use their cards through the merchants' online sites and POS machines.
- Riding with the digital revolution, PSBank allowed clients to apply online for PSBank's Money Market Fund and PSBank Auto Loan with Prime Rebate.
- For its credit card holders, MCC offered premium deals and various treats through its partner merchants with up to 50% discount from top restaurants and hotels. Newly approved and qualified principal cardholders were also awarded with shopping credits which could be used to redeem up to P3,000 worth of National Book Store gift certificates.
- Through a cross-selling arrangement, MCC and Robinsons launched the *Robinsons Credit MasterCard* featuring accumulation of shopping points, 10% rebate on Payday Weekends, exclusive perks and privileges, and purchase of Robinsons Rewards Card at half the price.
- AXA, Interbrand's No. 1 Global Insurance Brand for 8 consecutive years, unveiled their MyAxa mobile app which allowed clients to manage their AXA account wherever they are. Furthermore, the AXA Extensive Medical Coverage Worldwide which had up to ₱150 million annual coverage was introduced in 2016.
- In line with its financial literacy advocacy, FMSBC initiated their Guided Investor, Fearless Trader (G.I.F.T.) Learning Series which involved basic and advanced stock market courses and advanced technical courses.
- Metrobank Trust launched the *Metro World Equity Feeder Fund*, a dollar-denominated equity feeder fund which feeds into INVESTEC'S Global Strategic Equity Fund (GSF). The World Equity Feeder Fund aims to provide long-term capital growth primarily through GSF's investment of shares of companies around the world that are believed to offer above average opportunities for capital gains. Another investment fund launched in 2016 was the *Metro Corporate Bond Fund*, a peso-denominated fund that aims to generate income and capital appreciation by investing in a diversified portfolio of predominantly peso-denominated corporate fixed income securities.

Transactions with and/or Dependence on Related Parties

Transactions with related parties and with certain directors, officers, stockholders and related interests (DOSRI) are discussed in Note 31 of the audited financial statements of the Group as presented in Exhibit 3.

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

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

1. For ATMs: Metrobank Electronic Touch or Metrobank E.T. or Metrobank Debit Card or Metrobank Prepaid Card
2. For credit cards: Metrobank Visa/MasterCard Classic; Visa/MasterCard Gold; Femme Signature Visa/Femme Visa; Platinum Visa MasterCard; World MasterCard; Dollar MasterCard; Metrobank ON Internet MasterCard; M Free MasterCard; M Lite MasterCard; Toyota MasterCard; and Robinsons Classic/Gold MasterCard. Features: Cash2Go; Balance Transfer; Bills2Pay; M Here (Shopping Perks & Privileges); M Swipe (Acquiring); Design My Card; and Rewards.
Prepaid Card: Yazz card
3. For phone banking: Metrophone Banking
4. For internet banking: MetrobankDirect
5. For mobile banking: Metrobank Mobile Banking
6. For remittance services: Metrobank Superbilis Padala, World Cash Card, MetroRemit, PayStation and Collect Anywhere
7. For consumer lending: MetroHome and MetroCar
8. For special current account: MetroChecking Extra, Account One

9. For special savings account for kids below 18 yrs.: Fun Savers Club
10. For Trust products: Metro Money Market Fund; Metro Max-3 Bond Fund; Metro Max-5 Bond Fund; Metro Wealth Builder Fund; Metro Corporate Bond Fund; Metro Balanced Fund; Metro Equity Fund; Metro PSEi Tracker Fund; Metro High Dividend Yield Fund; Metro \$ Money Market Fund; Metro \$ Max-3 Bond Fund; Metro \$ Max-5 Bond Fund; Metro World Equity Feeder Fund; Metro Aspire Bond Fund; Metro Aspire Balanced Fund and Metro Aspire Equity Fund.

Corporate licenses include the following:

1. For Metrobank: expanded commercial banking license, FCDU license, license for trust operations, type 2 limited dealer authority, government securities eligible dealer (GSED) with broker-dealer of securities functions
2. For PSBank: savings bank license, FCDU license, license for trust operations, GSED (non-market maker) as dealer-broker, type 3 limited user authority and quasi-banking license
3. For FMIC: investment house and quasi banking
4. For ORIX Metro: financing company and quasi-banking license
5. For MCC: quasi-banking license, finance company and electronic money issuer license
6. For MBCL: business license to expire on January 13, 2040

All the Bank's trademark registrations, except for Metrobank E.T., are valid for 10 years with expiration dates varying from 2017 to 2018. The Bank closely monitors the renewal dates of registrations to protect and secure its rights to these trademarks. Corporate licenses issued by different regulatory bodies have no specific expiration dates except for the GSED licenses of Metrobank and PSBank which will expire in December 2017.

Government Approval of Principal Products or Services

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

Effect of Existing or Probable Government Regulations

Capital Adequacy

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

The Group complied with BSP issued Circular No. 781, *Basel III Implementing Guidelines on Minimum Capital Requirements*, which provides the implementing guidelines on the revised risk-based capital adequacy framework particularly on the minimum capital and disclosure requirements for universal banks and commercial banks, as well as their subsidiary banks and quasi-banks, in accordance with the Basel III standards. The Circular which became effective January 1, 2014, sets out a minimum Common Equity Tier 1 (CET1) ratio of 6.00% and Tier 1 capital ratio of 7.50% and also introduced a capital conservation buffer of 2.50% comprised of CET1 capital. The existing requirement for Total Capital Adequacy Ratio (CAR) remains unchanged at 10.00% and these ratios shall be maintained at all times.

Further, Basel III requires that existing capital instruments as of December 31, 2010 which do not meet the eligibility criteria for capital instruments under the revised capital framework shall no longer be recognized as capital and capital instruments issued under BSP Circular Nos. 709 and 716 (the circulars amending the definition of qualifying capital particularly on Hybrid Tier 1 and Lower Tier 2 capitals) and before the effectivity of BSP Circular No. 781, are recognized as qualifying capital until December 31, 2015. In addition to changes in minimum capital requirements, this Circular also requires various regulatory adjustments in the calculation of qualifying capital. Qualifying capital and risk-weighted assets (RWA) are computed based on BSP regulations.

As of December 31, 2016 and 2015, the Group has no exposures to securitization structures, contracts that provide credit protection through credit derivatives and investments in other types of structured products. The Group and its individually regulated operations have complied with all externally imposed capital requirements throughout the year.

The issuance of BSP Circular No. 639 covering the Internal Capital Adequacy Assessment Process (ICAAP) in 2009 supplements the BSP's risk-based capital adequacy framework under Circular No. 538. In compliance with this new circular, the Group has adopted and developed its ICAAP framework to ensure that appropriate level and quality of capital are maintained by the Group. Under this framework, the assessment of risks extends beyond the

Pillar 1 set of credit, market and operational risks and onto other risks deemed material by the Group. The level and structure of capital are assessed and determined in light of the Group's business environment, plans, performance, risks and budget; as well as regulatory edicts. BSP requires submission of an ICAAP document every January 31. Pursuant to MB Resolution No. 84 dated January 14, 2015, the deadline for submission of ICAAP documents was amended from January 31 of each year to March 31 effective 2015 (BSP Circular No. 869 dated January 30, 2015).

On October 29, 2014, the BSP issued Circular No. 856 covering the implementing guidelines on the framework for dealing with domestic systemically important banks (DSIBs) in accordance with the Basel III standards. Banks that will be identified as DSIBs shall be required to have higher loss absorbency, on top of the minimum CET1 capital and capital conservation buffer. Compliance with this requirement shall be phased-in starting January 1, 2017, with full compliance on January 1, 2019.

On October 9, 2015, the BSP issued Circular No. 881 covering the implementing guidelines on the Leverage Ratio framework in accordance with the Basel III standards which is designed to act as a supplementary measure to the risk-based capital requirements and shall not be less than 5.00%. Monitoring period has been set every quarter starting December 31, 2014 until December 31, 2016 but extended until December 31, 2017 per BSP Circular No. 943 issued on January 26, 2017.

The Group has taken into consideration the impact of the foregoing requirements to ensure that the appropriate level and quality of capital are maintained on an ongoing basis.

Further, on March 10, 2016, the BSP issued Circular No. 905 which provides the implementing guidelines on Liquidity Coverage Ratio (LCR) and disclosure standards that are consistent with the Basel III framework. The LCR is the ratio of high-quality liquid assets to total net cash outflows which should be no lower than 100.00%. Compliance with the LCR minimum requirement will commence on January 1, 2018 with the prescribed minimum initially set at 90.00% for 2018 and 100.00% required minimum level on January 1, 2019.

Applicable Tax Regulations

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

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

FCDU offshore income (income from non-residents) is tax-exempt while gross onshore income (income from residents) is subject to 10.00% income tax. In addition, interest income on deposit placements with other FCDUs and offshore banking units (OBUs) is taxed at 7.50%. Income derived by the FCDU from foreign currency-denominated transactions with non-residents, OBUs, local commercial banks including branches of foreign banks is tax-exempt while interest income on foreign currency loans from residents other than OBUs or other depository banks under the expanded system is subject to 10.00% income tax.

The applicable taxes and tax rates for the foreign branches of the Bank are discussed in Note 28 of the audited financial statements of the Group as presented in Exhibit 3.

Research and Development Costs

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

Employees

Metrobank had 12,524 employees as of December 31, 2016. By year-end 2017, the Bank projects to have 12,916 employees.

	Officers	Rank and File	Total
As of year-end 2016:			
AVPs and up	393		393
Senior Managers and down	5,439	6,692	12,131
	5,832	6,692	12,524
By year-end 2017 (projected):			
AVPs and up	568		568
Senior Managers and down	5,959	6,389	12,348
	6,527	6,389	12,916

Majority of the registrant's rank and file employees are members of the employees' union. Benefits or incentive arrangements of the rank and file employees are covered by the Collective Bargaining Agreement (CBA) that is effective for three years. The Bank continues to ensure that its employees are properly compensated. The latest CBA that is effective for three years beginning January 2016 will end in December 2018. The Bank has not experienced any labor strikes and the management of the Bank considers its relations with its employees and the Union to be harmonious.

Risk Management

The Group has exposures to the following risks from its use of financial instruments: (a) credit; (b) liquidity; and (c) market risks. Detailed discussions and analysis on Risk Management of the Group are disclosed in Note 4 of the Audited Financial Statements as presented in Exhibit 3.

Risk management framework

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

The AC is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of risk management practices in relation to the risks faced by the Bank. The AC is assisted in these functions by the Internal Audit Group (IAG). IAG undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the AC.

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

Credit Risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties, related groups of borrowers, for market segmentation, and industry concentrations, and by monitoring exposures in relation to such limits. 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 IAG and Risk Management Group (RSK).

Liquidity Risk

Liquidity risk is defined as the current and prospective risk to earnings or capital arising from the Group's inability to meet its obligations when they become due. The Group manages its liquidity risk through analyzing net funding requirements under alternative scenarios, diversification of funding sources and contingency planning. Specifically for the Bank, it utilizes a diverse range of sources of funds, although short-term deposits made with its network of domestic branches comprise the majority of such funding. To ensure that funding requirements are met, the Bank manages its liquidity risk by holding sufficient liquid assets of appropriate quality. It also maintains a balanced loan portfolio that is repriced on a regular basis. Deposits with banks are made on a short-term basis.

In Metrobank, the Treasury Group estimates its cash flow needs based on its actual contractual obligations under normal and extraordinary circumstances. RSK generates Maximum Cumulative Outflow (MCO) reports on a daily basis to estimate short- and long-term net cash flows of the bank under business-as-usual and stress parameters. The Group's financial institution subsidiaries (excluding insurance companies) prepare their respective MCO reports. These are reported to the Bank's ROC monthly.

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. The Bank's market risk originates from its holdings in foreign currencies, debt securities and derivatives transactions. The Bank manages market risk by segregating its statement of financial position into a trading book and a banking book. ALCO, chaired by the Bank's Chairman is the senior review and decision-making body for the management of all related market risks. The Bank enforces a set of risk limits to properly monitor and manage the market risks. The risk limits are approved by the BOD. The RSK serves under the ROC and performs daily market risk analyses to ensure compliance with the Bank's policies. The Bank's Treasury Group manages asset/liability risks arising from both banking book and trading operations in financial markets.

Similarly, the subsidiaries of the Bank independently quantify and manage their respective market risk exposures. Each institution has its respective risk management system and processes in place.

As part of its oversight function, the Bank regularly coordinates with subsidiaries to monitor their compliance to their respective risk tolerances and ensure consistency of risk management practices. Risk aggregation and consolidation of exposures provide senior management with a group-wide market risk profile perspective such as Group Trading VaR and EaR.

Market Risk - Trading Book

In measuring the potential loss in its trading portfolio, the Group uses Value-at-Risk (VaR) as a primary tool. The VaR method is a procedure for estimating portfolio losses exceeding some specified proportion based on a statistical analysis of historical market price trends, correlations and volatilities. VaR estimates the potential decline in the value of a portfolio, under normal market conditions, for a given "confidence level" over a specified holding period. The Bank measures and monitors the VaR daily and this value is compared against the set VaR limit. The limitations of the VaR methodology are recognized by supplementing VaR limits with other position and sensitivity limit structures and by doing stress testing analysis. These processes address potential product concentration risks, monitor portfolio vulnerability and give the management an early advice if an actual loss goes beyond what is deemed to be tolerable to the bank, even before the VaR limit is hit.

Stress testing is performed by the Bank on a quarterly basis, PSBank on monthly basis and FMIC on a daily basis to complement the VaR methodology. The stress testing results of the Bank are reported to the ALCO and subsequently to the ROC and the BOD.

Market Risk - Banking Book

The Bank and subsidiaries have in place their risk management system and processes to independently quantify and manage their respective market risks in the banking book. The Group uses tools or metrics such as Earnings-at-Risk (EaR) and Sensitivity analysis to quantify interest rate risk for banking book or accrual portfolios. EaR measures the decline on the Bank's potential net interest earnings as a result of a change in the level or volatility of interest rates. It is a tool used to evaluate the sensitivity of the accrual portfolio to a change in interest rates in the adverse direction over the next twelve (12) months. The Bank generates and monitors its EaR exposure on a daily basis. On the other hand, the subsidiaries generate their respective EaR reports at least on a monthly basis.

Interest rate risk

EaR is obtained by multiplying the repricing gap for each predefined time bucket by the corresponding change (volatility) in the interest rate and by the time over which the repricing gap is in effect.

The repricing gap is a method that distributes rate-sensitive assets, liabilities, and off-balance sheet positions into predefined time bands, according to their maturity (if fixed rate) or time remaining to their repricing (if floating rate). For rate-sensitive positions that lack definitive repricing dates or maturity dates (e.g. demand and savings deposit accounts), the Bank uses expert judgment, past experience or behavioral patterns to determine the appropriate time band distribution.

The change in interest rate is calculated using historical simulation. It is computed as the 99th percentile rank change in rates if the gap is negative (liability-sensitive) or the 1st percentile rank change in rates if the gap is positive (asset-sensitive).

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. In addition, the BSP requires a 30.00% liquidity reserve on all foreign currency liabilities held in the FCDU. Outside the FCDU, the Group has additional foreign currency assets and liabilities in its foreign branch network. The Group's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines.

PART II – SECURITIES OF THE REGISTRANT

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

Market Information

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

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

YEAR	QUARTER/ PERIOD ENDED	MARKET PRICES			AVERAGE
		HIGH	LOW	CLOSE	
2017	February 27	81.50	80.35	80.95	80.95
2016	March 31	86.49	67.31	82.45	75.84
	June 30	90.35	78.00	90.35	84.85
	September 30	96.90	83.50	85.30	89.97
	December 31	87.20	70.05	72.60	78.40
2015	March 31	98.00	80.51	97.55	91.05
	June 30	99.80	86.00	94.00	93.40
	September 30	93.50	79.95	84.60	86.43
	December 31	87.40	76.55	80.50	82.23

Closing price as of March 20, 2017 was ₱80.0 per share.

Holders

The Bank has 3,126 stockholders as of February 27, 2017.

Top Twenty Stockholders

Following are the top 20 stockholders as of February 27, 2017:

	NAME OF STOCKHOLDER	TOTAL NO. OF COMMON SHARES HELD	PERCENT TO TOTAL NO. OF OUTSTANDING COMMON SHARES
1	PCD Nominee Corporation (Non-Filipino)	968,485,359	30.454
2	GT Capital Holdings, Inc. ^a	841,731,945	26.468
3	PCD Nominee Corporation (Filipino) ^b	487,199,025	15.320
4	Philippine Securities Corp. ^c	139,611,332	4.390
5	Grand Titan Capital Holdings, Inc. ^d	120,656,895	3.794
6	Horizon Royale Holdings, Inc.	88,478,681	2.782
7	Grand Estate Property Corporation	63,523,155	1.997
8	Global Treasure Holdings, Inc. ^e	47,118,120	1.482
9	Ausan Resources Corporation	46,009,171	1.447
10	Nove Ferum Holdings, Inc.	43,234,277	1.359
11	Inter-Par Phils. Res. Corp.	40,851,039	1.285
12	82 Alpha Holdings Corporation	33,558,522	1.055
13	Federal Homes, Inc. ^f	30,800,006	0.969
14	Metrobank Foundation, Inc.	21,042,824	0.662
15	Go, James	20,400,206	0.641
16	Ty, George Siao Kian	13,852,150	0.436
17	Chua, Gabriel	12,146,735	0.382
18	Bloomingtondale Enterprises, Inc.	11,813,942	0.371
19	Neiman Rhodes Holdings, Inc.	11,000,177	0.346
20	Philippine Geiko Holdings, Inc.	10,728,439	0.337

a Inclusive of 34,950,000 shares lodged with PCD Nominee Corporation

b Net of 34,950,000 shares owned by GT Capital Holdings, Inc.; 19,611,332 shares owned by Philippine Securities Corporation; 6,000,000 shares owned by Grand Titan Holdings, Inc.; 1,106,474 shares owned by Global Treasure Holdings, Inc.; 6 shares owned by Federal Homes, Inc.

c Inclusive of 19,611,332 shares lodged with PCD Nominee Corporation

d Inclusive of 6,000,000 shares lodged with PCD Nominee Corporation

e Inclusive of 1,106,474 shares lodged with PCD Nominee Corporation

f Inclusive of 6 shares lodged with PCD Nominee Corporation

As of February 27, 2017, public ownership on the Bank was at 48.984%. Of the total shares issued, 30.496% represents foreign ownership.

Dividends

Except for prior approval by the BSP, there are no restrictions that limit the ability of the Bank to pay cash dividends. Details of cash dividend distribution from 2014 to 2016 follow:

Date of Declaration	Cash Dividend		Date of BSP Approval	Record Date	Payment Date
	Per Share	Amount (In Millions)			
March 16, 2016	₱1.00	₱3,180	n.a.	April 1, 2016	April 8, 2016
January 27, 2015	₱1.00	₱2,745	March 3, 2015	March 26, 2015	March 31, 2015
March 26, 2014	₱1.00	₱2,745	April 15, 2014	May 7, 2014	May 16, 2014

With the issuance of BSP Circular No. 888 dated October 9, 2015, prior BSP approval on dividend payments is no longer required.

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.

The Bank paid the semi-annual coupon amounting to USD5.6 million in 2006 to 2015 after obtaining their respective BSP approvals. Details of approvals and payments from 2014 to 2016 are as follows:

Date of BSP Approval	Date Paid
January 28, 2016	February 16, 2016
July 24, 2015	August 17, 2015
February 9, 2015	February 17, 2015
August 1, 2014	August 15, 2014
February 10, 2014	February 15, 2014

Recent Sales of Unregistered or Exempt Securities

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

Compliance with Lead Practice on Corporate Governance

The Board of Directors

The Board leads in establishing the tone of good governance from the top and in setting corporate values, codes of conduct and other standards of appropriate behavior for itself, the senior management and other employees. It is primarily responsible for approving and overseeing the implementation of the Bank's strategic objectives, risk strategy, corporate governance and corporate values. The Board ensures consistent adoption of corporate governance policies and systems across the Group. Further, the Board is also responsible for monitoring and overseeing the performance of senior management.

The Board is comprised of 12 directors, majority of whom are non-executive directors (7 directors), five (5) of whom or 42% are independent directors. BSP requires a minimum of 20% representation of independent directors in the Board. The Board's composition reflects an appropriate mix with regard to skill representation, board experience, tenure, gender and age.

The independent directors are independent of management and free from any business or other relationship, have not engaged and do not engage in any transaction with the institution or with any of its related companies or with any of its substantial shareholders, whether by themselves or with other persons or through a firm of which he is a partner or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arm's length and could not materially interfere with or influence the exercise of their judgment. The Bank and its independent directors are guided by all the qualifications of an independent director including the limit on the number of companies in a business conglomerate the independent director may be elected, as well as the term limits set forth in SEC regulations, and as adopted in BSP Circular No. 749.

Per Metrobank's By-Laws, directors are elected by the vote of the holders of common stock of the Bank in accordance with Section 24 of the Corporation Code and other pertinent applicable regulations. Any stockholder may submit nominations for directorial positions to the Nominations Committee. The Committee screens the qualifications of the nominees, putting in place screening policies and parameters including alignment with the Bank's strategic directions, to enable it to effectively review the qualifications of the nominees and come up with a Final List of Candidates. The Committee may also make use of external database, e.g. Institute of Corporate Directors or professional search.

All members of the Board are selected based on their qualifications such as integrity/probity, physical/mental fitness, competence, relevant education/financial literacy/training, diligence and knowledge/experience. Only nominees whose names appear in the list are considered for election as director at the annual meeting of the stockholders.

Board Meetings

The Board meets at least once a month. Special meetings may be called at any time by the Chairman, or, in his absence, by the Vice-Chairman, or pursuant to the written request of any four directors. Board-level committees are reconstituted during the organizational meeting of the Board held immediately after the Annual Stockholders' Meeting. The Committees aid the Board in the optimal performance of its functions and responsibilities and have their own charters which set out their mandate, scope and working procedures.

The Office of the Corporate Secretary prepares the agenda and sends out notices and materials at least five business days before the meeting date, prepares and distributes the minutes of the previous meeting and keeps full minutes of all Board and stockholder meetings.

In 2016, the Board had 15 meetings with the incumbent directors attending more than 98% of all meetings. As endorsed by the Corporate Governance and Compensation Committee and approved by the Board of Directors, independent and non-executive directors shall meet at least once a year. In 2016, such meeting was held on June 28, 2016. In addition, Board-level committees (i.e. Related Party Transactions, Audit, Risk Oversight, and Nominations Committee) composed only of independent and non-executive directors regularly meet without the presence of any executive director. On average, each committee meets 12 times a year.

Orientation and Continuing Education

All first-time directors are furnished with a copy of the general responsibility and specific duties and responsibilities of the Board and of a director. Directors are required to certify under oath that they have received copies and fully understand and accept the general responsibility and specific duties. Each director certifies that he or she has all the prescribed qualifications and none of the disqualifications as a director.

All the members of the Board have attended the required annual Corporate Governance Seminar. In maintaining their professional proficiency, the directors continuously seek to enhance their skills, knowledge and understanding of the activities that the Bank is engaged in or intends to pursue as well as the developments in the banking industry including regulatory changes through continuing education or training. A policy on continuing education for directors is in place and the Corporate Secretary maintains the record of trainings attended by each director.

Other Measures Undertaken

1. Corporate Governance Manual

The Corporate Governance Manual serves as reference or guide for the Bank, its subsidiaries and affiliates for the implementation of BSP Circular No. 749 and 757 “Guidelines in Strengthening Corporate Governance in BSP Supervised Financial Institutions”, Circular No. 793 “Amendment to Align the Familial Restrictions Applicable to ‘Independent Director’ with the Existing Provision of the Securities Regulation Code (SRC)”, BSP Memorandum No. 2013-002 “Guidelines in Assessing the Quality of Corporate Governance in BSP-Supervised Financial Institutions”, SEC Memorandum Circular No. 6 Series of 2009 “Revised Code of Corporate Governance” as amended by SEC Memorandum Circular No. 9 Series of 2014, applicable provisions in the BSP Manual of Regulations for Banks (MORB) and other relevant references.

The Manual was revised to include changes in the regulations and approved by the Board on 24 August 2016. To enforce bank-wide compliance, a copy of the Board-approved Manual on Corporate Governance is available in the Bank’s Insight Online (intranet) for easy access by the Board, Management and all employees of the Bank. Likewise, it is posted in the Bank’s website to be accessible by the public.

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

The members of the Board have adopted the Code of Conduct and Ethics for Directors. It describes the behavioral standards expected from a director so that he/she can better understand and meet the expectations and requirements of the organization and regulators.

Included in the Code are the standards of conduct for ensuring the proper discharge of the duties and responsibilities, basic principle that a director should not use his position to make profit or to acquire benefit or advantage for himself and/or his related interests, avoiding situations that would compromise his impartiality; maintaining professional integrity; enhancement of skills, knowledge and understanding of bank activities, etc.

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

These Codes of Conduct aim to instill a commitment and dedication to the virtues of honesty and integrity, together with a high sense of prudence, responsibility and efficiency in the conduct of duties. The Bank is a business community, each Metrobanker belongs to this community where the action of one affects and reflects on the others. It is imperative that directors, officers and employees live by the values that the Bank stands for and reflect these values in their behavior.

To enforce bank-wide compliance, the Bank's Codes of Conduct for directors and employees are posted in the Bank's intranet and the Human Resources Management Group Public Folder for easy access of all directors, officers and employees of the Bank.

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

3. Board Committees

a) Anti-Money Laundering Committee

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

b) Audit Committee

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

c) Corporate Governance and Compensation Committee

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

d) Domestic Equity Investments Committee

The Domestic Equity Investments Committee assists the Board in overseeing the development and maintenance of the Bank's domestic equity investments policy and in monitoring its implementation by Management.

e) Information Technology Steering Committee

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

f) Nominations Committee

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

g) Overseas Banking Committee

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

h) Related Party Transactions Committee

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

i) Risk Oversight Committee

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

j) Trust Committee

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

4. Evaluation System

The Board has created an internal self-rating system and procedures to determine and measure compliance with the Manual on Corporate Governance vis-à-vis good corporate governance principles and practices: (i) Each director self-rates and collectively rates the Board and the President; (ii) Corporate Governance, Audit, Risk Oversight and other Board committees conduct self-rating. When a director or officer has multiple positions in the Group, the Corporate Governance Committee determines whether or not said director or officer is able to and has been adequately carrying out his/her duties.

The results of the annual self-assessment are discussed in the Corporate Governance and Compensation Committee meeting and reported to the Board.

5. Fair Business Transactions

The members of the Board conduct fair business transactions with the Bank and ensure that personal interest does not bias Board decisions. Directors whenever possible, avoid situations that would give rise to a conflict of interest. If transactions with the Bank cannot be avoided, these are done in the regular course of business and upon terms not less favorable to the Bank than those offered to others. Likewise, employees are prohibited from directly or indirectly engaging in any conduct or activity that may directly or indirectly be construed as inconsistent or incompatible with Metrobank's business interests.

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

The Bank has adopted a policy on related party transactions where transactions with related parties are reviewed by a Related Party Transactions Committee, a Board-level Committee, composed of independent directors and require prior written approval of the members of the Board, with the exclusion of the director concerned in case the transaction involves him or his related interests.

6. Policy on Insider Trading

To ensure that the shareholders are afforded protection and that individuals do not benefit from knowledge which is not generally available to the market, Metrobank has instituted its own Insider Trading Policy. The policy covers the standard of conduct applicable to all directors and employees within the Metrobank Group including their immediate family members residing with them in the same household and corporations, other entities and funds subject to their influence or control to the extent that they are considered insiders having access to material nonpublic information about the securities of companies within the Metrobank Group (“Metrobank Group Securities”) as well as the securities of any of their corporate clients and business partners (“Partner’s Securities”).

Following the Securities Regulation Code, it is a crime for a director or employee of a company within the Metrobank Group to do any of the following, directly or indirectly, while in possession of Material Nonpublic Information: (a) to trade Metrobank Group Securities or a Partner’s Securities; and (b) to communicate Material Nonpublic Information about Metrobank Group Securities or any Partner’s Securities to any person whom the director or employee has reason to believe will trade on those securities. Further, information is considered Material Nonpublic if it has not been generally disclosed to the public and, if disclosed, would likely affect the price of the securities whether positively or negatively.

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

7. Whistle Blowing Policy

As a way of strengthening the Bank’s system of integrity, all employees are encouraged to report irregular transactions. Towards this end, the Bank instituted a Whistle Blowing Policy where acts of fraud, malpractice, conflict of interest or violation of internal/regulatory policies, procedures and control may be reported to the Chief Audit Executive.

The Whistle Blowing Policy applies in cases when an employee deems it more prudent to report violations or offenses to another authorized unit/person within the Bank, when the matter which is brought to the attention of the immediate superior is not acted upon in accordance with the standard reporting procedures, or is concealed, or the immediate superior is himself involved in the infraction, or the reporting employee fears reprisal.

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

8. Interest of Stakeholders

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

a) Customer/Creditor’s Welfare

Metrobank measures its success not by numbers but by the success of its customers, the driving force behind everything that the Bank does. The Bank remains anchored on its very purpose of ensuring customer success, by safeguarding its customers’ and creditors’ welfare, fulfilling their needs and by helping them achieve their goals.

As contained in the Bank’s Code of Conduct for Employees, customers are the driving force behind everything we do and their needs are continuously prioritized. Failure to attend promptly to clients’ requests/inquiries and rumor-mongering, gossiping and character assassination of clients are among the examples of non-acceptable behavior under this standard of conduct.

The Bank has also developed its Customer Protection Policy Manual to enumerate the basic principles and ethical business practices that govern the conduct of the Bank in dealing with its customers, setting out the standards of consumer protection in the areas of disclosure and transparency, protection of client information, fair treatment, effective recourse and financial education. It provides assurance that the Bank and its employees comply with consumer protection laws, rules and regulations, thus ensuring that consumer

protection practices are embedded in the Bank's business operations which address and prevent identified risks to the Bank and associated risk of financial harm or loss to its customers. The Manual is created to ensure that customer protection is inherent in the Bank's day-to-day operations, providing the foundation in ensuring the Bank's adherence to customer protection standards of conduct.

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

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

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

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

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

c) Policy on Health, Safety and Welfare of Employees

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

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

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

d) Supplier/Contractor Selection

The Bank also ensures that it maintains policies for supplier and contract selection. The policy on vendor management and outsourcing of banking support and marketing activities provides guidelines on accreditation of service providers as well as monitoring and reviewing their performance. The Bank's Vendor Management Policy provides guidelines in the purchase or acquisition of products or services from vendors and mitigates risks of dealing with unqualified vendors. It shall also ensure that the Bank's vendor management guidelines are compliant with Bangko Sentral ng Pilipinas (BSP) regulations. The Bank also practices the policy of canvassing and bidding services as a basis for the evaluation and approval of the bid process.

e) Environment Protection

Mindful of the impact that its practices may have on the environment, Metrobank is committed to sound environmental stewardship. It consistently strives to look for ways to improve its operations towards the conservation of energy, water and resources. In place are various policies on optimizing the use of paper,

power shutdown of office equipment to minimize resource usage and to save on electricity costs, use of vehicles for carpool and regular maintenance and servicing of vehicles to reduce transportation cost and carbon emissions.

f) Community Interaction

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

9. Corporate Governance Scorecard

The duly accomplished Annual Corporate Governance Report & regular updates submitted to SEC and the ASEAN Corporate Governance Scorecard for publicly listed companies have been posted on the Bank's website.

10. Plans for Improvement of Corporate Governance

Recognizing that the ultimate responsibility for the overall quality of corporate governance rests with the Board, greater weight on the practices and performance of the Board and Senior Management shall be the main focus. The Bank will continue to actively seek ways to adopt best practices in corporate governance.

11. Awards

- Strongest Bank in the Philippines by the Asian Banker
- Best Auto Loan Product by the Asian Banker
- Best Cash Management Mid-Cap Philippines by Asiamoney
- Best Securities House Bank Category by Philippine Dealing Exchange Corp.
- #1 Secondary Trading Gov't. and Corporate Bonds by Asset Asian Awards
- Corporate Governance Award by Institutional Investors Governance Awards

Deviations

This is not applicable to the Bank.

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

Audited Financial Statements

The audited financial statements of the Group and the Bank are presented in Exhibit 3 as an attachment to this report, together with the notarized Statement of Management Responsibility for Financial Statements which was signed by the Chairman, President, Head of Financial and Control Sector, Treasurer and Controller of the registrant.

Statements of Financial Position
(Amounts in millions)

	December 31			Increase (Decrease) 2016 vs. 2015		Increase (Decrease) 2015 vs. 2014	
	2016	2015	2014	Amount	%	Amount	%
Assets							
Cash and Other Cash Items	₱26,553	₱32,536	₱34,943	(₱5,983)	(18.39)	(₱2,407)	(6.89)
Due from Bangko Sentral ng Pilipinas (BSP)	238,806	214,704	215,253	24,102	11.23	(549)	(0.26)
Due from Other Banks	44,315	36,864	38,200	7,451	20.21	(1,336)	(3.50)
Interbank Loans Receivable and Securities Purchased Under Resale Agreements (SPURA)	91,646	36,118	119,839	55,528	153.74	(83,721)	(69.86)
Financial Assets at Fair Value Through Profit of Loss (FVPL)	37,214	48,856	45,935	(11,642)	(23.83)	2,921	6.36
Available-for-Sale (AFS) Investments	316,855	235,158	207,711	81,697	34.74	27,447	13.21
Held-to-Maturity (HTM) Investments	-	208,432	129,076	(208,432)	(100.00)	79,356	61.48
Loans and Receivables	1,060,868	887,202	759,481	173,666	19.57	127,721	16.82
Investments in Associates and a Joint Venture	5,350	5,272	2,589	78	1.48	2,683	103.63
Property and Equipment	21,995	21,670	16,231	325	1.50	5,439	33.51
Investment Properties	8,474	8,195	10,037	279	3.40	(1,842)	(18.35)
Deferred Tax Assets	8,855	8,427	6,831	428	5.08	1,596	23.36
Goodwill	5,200	5,202	5,201	(2)	(0.04)	1	0.02
Other Assets	9,878	12,056	13,213	(2,178)	(18.07)	(1,157)	(8.76)
Total Assets	₱1,876,009	₱1,760,692	₱1,604,540	₱115,317	6.55	₱156,152	9.73

Liabilities and Equity							
Liabilities							
Deposit Liabilities	₱1,389,302	₱1,257,970	₱1,184,454	₱131,332	10.44	₱73,516	6.21
Bills Payable and Securities Sold Under Repurchase Agreements	161,376	176,791	140,399	(15,415)	(8.72)	36,392	25.92
Derivative Liabilities	4,612	4,145	3,071	467	11.27	1,074	34.97
Manager's Checks and Demand Drafts Outstanding	6,932	5,613	4,653	1,319	23.50	960	20.63
Income Taxes Payable	2,185	880	1,191	1,305	148.30	(311)	(26.11)
Accrued Interest and Other Expenses	7,067	8,187	9,874	(1,120)	(13.68)	(1,687)	(17.09)
Bonds Payable	11,498	11,516	11,444	(18)	(0.16)	72	0.63
Subordinated Debts	29,524	29,487	29,452	37	0.13	35	0.12
Deferred Tax Liabilities	312	451	457	(139)	(30.82)	(6)	(1.31)
Non-equity Non-controlling Interest	7,934	9,909	10,124	(1,975)	(19.93)	(215)	(2.12)
Other Liabilities	49,714	52,433	50,636	(2,719)	(5.19)	1,797	3.55
Total Liabilities	1,670,456	1,557,382	1,445,755	113,074	7.26	111,627	7.72

	December 31			Increase (Decrease) 2016 vs. 2015		Increase (Decrease) 2015 vs. 2014	
	2016	2015	2014	Amount	%	Amount	%
Equity							
Equity Attributable to Equity Holders of the Bank							
Common stock	₱63,603	₱63,603	₱54,896	₱-	-	₱8,707	15.86
Hybrid capital securities	-	6,351	6,351	(6,351)	(100.00)	-	-
Capital paid in excess of par value	42,139	42,139	19,312	-	-	22,827	118.20
Surplus reserves	1,653	1,506	1,371	147	9.76	135	9.85
Surplus	101,900	87,497	72,258	14,403	16.46	15,239	21.09
Treasury stock	(485)	(187)	(30)	(298)	(159.36)	(157)	(523.33)
Remeasurement losses on retirement plan	(4,007)	(3,530)	(2,440)	(477)	(13.51)	(1,090)	(44.67)
Net unrealized loss on AFS investments	(10,115)	(4,783)	(2,394)	(5,332)	(111.48)	(2,389)	(99.79)
Equity in other comprehensive income of associates	54	180	260	(126)	(70.00)	(80)	(30.77)
Translation adjustment and others	1,260	983	545	277	28.18	438	80.37
	196,002	193,759	150,129	2,243	1.16	43,630	29.06
Non-controlling Interest	9,551	9,551	8,656	-	-	895	10.34
Total Equity	205,553	203,310	158,785	2,243	1.10	44,525	28.04
Total Liabilities and Equity	₱1,876,009	₱1,760,692	₱1,604,540	₱115,317	6.55	₱156,152	9.73

Statements of Income

Interest Income	₱68,181	₱65,556	₱59,294	₱2,625	4.00	₱6,262	10.56
Interest and Finance Charges	15,235	16,582	13,531	(1,347)	(8.12)	3,051	22.55
Net Interest Income	52,946	48,974	45,763	3,972	8.11	3,211	7.02
Other Operating Income	25,225	18,428	29,131	6,797	36.88	(10,703)	(36.74)
Total Operating Income	78,171	67,402	74,894	10,769	15.98	(7,492)	(10.00)
Total Operating Expenses	51,494	41,931	46,843	9,563	22.81	(4,912)	(10.49)
Income Before Share in Net Income of Associates and a Joint Venture	26,677	25,471	28,051	1,206	4.73	(2,580)	(9.20)
Share in Net Income of Associates and a Joint Venture	261	409	443	(148)	(36.19)	(34)	(7.67)
Income Before Income Tax	26,938	25,880	28,494	1,058	4.09	(2,614)	(9.17)
Provision for Income Tax	6,622	5,237	6,459	1,385	26.45	(1,222)	(18.92)
Net Income	₱20,316	₱20,643	₱22,035	(₱327)	(1.58)	(₱1,392)	(6.32)
Attributable to:							
Equity holders of the Bank	₱18,086	₱18,625	₱20,113	(₱539)	(2.89)	(₱1,488)	(7.40)
Non-controlling interest	2,230	2,018	1,922	212	10.51	96	4.99
	₱20,316	₱20,643	₱22,035	(₱327)	(1.58)	(₱1,392)	(6.32)

Statements of Comprehensive Income

Net Income	₱20,316	₱20,643	₱22,035	(₱327)	(1.58)	(₱1,392)	(6.32)
Other Comprehensive Income (Loss) for the Year, net of tax							
Items that may not be reclassified to profit or loss:							
Change in remeasurement loss on retirement plan	(489)	(1,178)	363	689	58.49	(1,541)	(424.52)
Items that may be reclassified to profit or loss:							
Change in net unrealized loss on AFS investments	(5,464)	(2,397)	(2,015)	(3,067)	(127.95)	(382)	(18.96)
Change in equity in other comprehensive income of associates	(127)	(80)	(12)	(47)	(58.75)	(68)	(566.67)
Translation adjustment and others	(1,076)	430	(112)	(1,506)	(350.23)	542	483.93
	(7,156)	(3,225)	(1,776)	(3,931)	(121.89)	(1,449)	(81.59)
Total Comprehensive Income for the Year	₱13,160	₱17,418	₱20,259	(₱4,258)	(24.45)	(₱2,841)	(14.02)
Attributable to:							
Equity holders of the Bank	₱12,428	₱15,504	₱18,516	(₱3,076)	(19.84)	(₱3,012)	(16.27)
Non-controlling Interest	732	1,914	1,743	(1,182)	(61.76)	171	9.81
	₱13,160	₱17,418	₱20,259	(₱4,258)	(24.45)	(₱2,841)	(14.02)

Key Performance Indicators

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

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

For the Interim Period, January 31, 2017 (unaudited)

Metrobank Group	₱63.64	₱0.36	6.94%	0.74%	3.74%
FMIC (a)	42.80	2.83	1.94%	6.65%	1.61%
PSBank	85.07	0.51	7.25%	0.75%	6.03%
MCC	8.79	4.22	53.18%	9.96%	14.29%

For the Year 2016

Metrobank Group	₱61.75	₱5.61	9.28%	0.99%	3.54%
FMIC (a)	42.45	1.74	3.78%	1.02%	1.40%
PSBank	83.69	10.20	12.50%	1.34%	6.17%
MCC	8.79	3.14	39.63%	7.38%	14.55%

For the Year 2015

Metrobank Group	₱58.97	₱5.86	10.83%	1.11%	3.54%
FMIC (a)	49.62	1.03	2.10%	0.55%	1.35%
PSBank	79.81	9.79	12.74%	1.49%	6.37%
MCC	7.07	2.69	39.33%	5.29%	14.26%

(a) *FMIC and Subsidiaries*

A separate schedule showing financial soundness indicators of the Group as of December 31, 2016 and 2015 is presented in Exhibit "A" as an attachment to this report.

2016 Performance

Financial Position

As of December 31, 2016, the Metrobank Group posted a 6.55% growth in total assets from ₱1.76 trillion as of December 31, 2015 to ₱1.88 trillion. Total liabilities of the Group increased to ₱1.67 trillion from ₱1.56 trillion or 7.26%. Further, equity attributable to equity holders of the Parent Company increased by ₱2.24 billion or 1.16% due to the net effect of the net income reported during the year, higher net unrealized loss recognized on AFS investments, early redemption and coupon payment of HT1 capital securities in February 2016 and declaration of cash dividends.

Cash and Other Cash Items decreased by ₱5.98 billion or 18.39% due to the lower level of cash requirements of the Parent Company and PSBank. Due from BSP which represents 12.73% of the Group's total assets increased by ₱24.10 billion or 11.23% coming from the increase in the balances of demand deposits and placement in overnight deposit facility of the BSP. Due from Other Banks also increased by ₱7.45 billion or 20.21% 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 ₱55.53 billion or 153.74%.

Financial Assets at FVPL consist of held-for-trading (HFT) securities and derivative assets amounting to ₱30.09 billion and ₱7.12 billion, respectively, as of December 31, 2016 and ₱42.91 billion and ₱5.94 billion, respectively, as of December 31, 2015. AFS investments went up by ₱81.70 billion or 34.74% due to various securities acquisitions and reclassification of the remaining balance of HTM investments in accordance with the existing tainting rule under the accounting standard net of disposals during the year. Movements in the AFS investments also resulted in higher treasury notes and bonds, private debt and government bond securities by ₱70.39 billion, ₱15.13 billion and ₱0.85 billion, respectively, and a decline in equity securities by ₱4.88 billion.

Loans and Receivables, representing 56.55% and 50.39% of the Group's total assets as of December 31, 2016 and 2015, respectively, went up by ₱173.67 billion or 19.57% driven by the strong demand for loans from all segments. Asset quality further improved with non-performing loans ratio of 0.94%.

Deferred Tax Assets (DTA) increased by ₱0.43 billion or 5.08% due to movements on temporary tax differences specifically on retirement liabilities. Other Assets consist of, among others, software costs, inter-office float items, creditable withholding tax and miscellaneous assets. The decline of ₱2.18 billion or 18.07% was mainly due to lower inter-office float items offset by the increase in miscellaneous assets.

Deposit liabilities represent 83.17% and 80.77% of the consolidated total liabilities as of December 31, 2016 and 2015, respectively, wherein, low cost deposits represent 60.89% and 55.75% of the Group's total deposits, respectively. The Group's deposit level, sourced by the Bank, PSBank and MBCL reached ₱1.39 trillion as of December 31, 2016, an increase of ₱131.33 billion or 10.44% from ₱1.26 trillion as of December 31, 2015. The increment came from demand deposits by ₱64.48 billion or 27.56% and savings deposits by ₱80.10 billion or 17.13% net of the decline in time deposits by ₱21.89 billion. Moreover, in September 2016, the Bank issued LTNCD amounting to ₱8.65 billion.

Bills Payable and SSURA representing 9.66% and 11.35% of the Group's total liabilities as of December 31, 2016 and 2015, respectively, went down by ₱15.42 billion or 8.72% due to lower balances of borrowings from foreign banks by ₱7.04 billion, deposits substitutes by ₱0.26 billion and SSURA by ₱12.16 billion offset by the increase in borrowings from local banks by ₱4.04 billion. Derivative Liabilities which represent mark-to-market of foreign currency forwards, interest rate swaps, cross currency swaps and foreign currency options with negative fair value increased by ₱0.47 billion or 11.27%.

The increase of ₱1.32 billion or 23.50% in Manager's Checks and Demand Drafts Outstanding resulted from normal banking operations of the Bank and PSBank. Income taxes payable increased by ₱1.31 billion or 148.30% representing additional corporate income tax due for the year. Accrued interest and other expenses payable decreased by ₱1.12 billion or 13.68% due to payment of other bank expenses and decrease in accruals for interests on deposit liabilities and other borrowings. Non-equity Non-controlling Interest representing the portion of net income and net assets of the mutual fund subsidiaries of FMIC not attributed to the Group went down by ₱1.98 billion or 19.93% on account of the net decline in income of these mutual funds. Other Liabilities decreased by ₱2.72 billion or 5.19% primarily due to lower levels of bills purchased contra and marginal deposits offset by the higher balance of accounts payable.

Results of Operations

Net income attributable to equity holders of the Bank amounted to ₱18.09 billion for the year 2016 compared with ₱18.63 billion net income for the year 2015.

Interest income improved by ₱2.63 billion or 4.00% resulting from higher interest income on loans and receivables by ₱7.09 billion driven by the growth on loans net of lower interest income on trading and investment securities by ₱2.47 billion and interbank loans and SPURA by ₱2.09 billion. Meanwhile, the decreases in interest expense on deposit liabilities by ₱1.27 billion and bills payable and SSURA, subordinated debts and other borrowings by ₱0.08 billion accounted for the decline of ₱1.35 billion or 8.12% in interest and finance charges. These resulted in ₱3.97 billion or 8.11% increase net interest income.

Other operating income of ₱25.23 billion improved by ₱6.80 billion or 36.88% from ₱18.43 billion in 2015 due to higher net trading and securities and foreign exchange gains by ₱6.33 billion or 351.75%, fee-based income by ₱0.54 billion or 5.46%, income from trust operations by ₱0.11 billion or 9.45% and miscellaneous income by ₱0.68 billion or 35.28%. On the other hand, for the year 2016, the Group reported a lower profit from disposal of foreclosed properties of ₱0.73 billion compared with ₱1.29 billion in 2015.

Total operating expenses increased by ₱9.56 billion or 22.81% from ₱41.93 billion in 2015 to ₱51.49 billion in 2016 with higher provision for credit and impairment losses by ₱5.28 billion or 256.58% (primarily from the Bank, PSBank and MCC), compensation and fringe benefits by ₱2.36 billion or 14.74%, depreciation and amortization by ₱0.41 billion or 14.28%, occupancy and equipment-related expenses by ₱0.23 billion or 8.76% and miscellaneous expenses by ₱1.46 billion or 11.94% net of the decline in taxes and licenses by ₱0.16 billion or 2.61%. Provision for income tax was higher by ₱1.39 billion from ₱5.24 billion to ₱6.62 billion on account of higher provision for corporate income tax.

Share in net income of associates and a joint venture decreased by ₱0.15 billion or 36.19% due to lower net income of certain associates while income attributable to non-controlling interest went up by ₱0.21 billion or 10.51% with noted improvement on the results of operations of certain majority-owned subsidiaries.

Total comprehensive income went down by ₱4.26 billion from ₱17.42 billion in 2015 to ₱13.16 billion in 2016. The variance was attributed to the lower net income of the Group and the ₱3.93 billion decrease in other comprehensive income particularly on the movement in net unrealized loss on AFS investments. Total comprehensive income attributable to equity holders of the Bank went down to ₱12.43 billion from ₱15.50 billion in 2015.

Market share price was at ₱72.60 from ₱80.50 as of December 31, 2015 with a market capitalization of ₱230.9 billion as at December 31, 2016.

2015 Performance

Financial Position

The Metrobank Group closed the year 2015 with audited consolidated total assets at ₱1.76 trillion up by ₱156.15 billion from ₱1.60 trillion as of December 31, 2014. Consolidated total liabilities likewise increased to ₱1.56 trillion from ₱1.45 trillion as funds sourced from total deposit liabilities and bills payable and securities sold under repurchase agreements (SSURA) increased by ₱73.52 billion and ₱36.39 billion, respectively. Asset quality continues to improve with non-performing loans ratio at a low of 1.0%. Meanwhile, equity attributable to equity holders of the Bank grew by ₱43.63 billion or 29.06% from ₱150.13 billion to ₱193.76 billion.

Cash and Other Cash Items decreased by ₱2.41 billion or 6.89% due to the lower level of cash requirements of the Parent Company and PSBank. Due from BSP which represents 12.19% of the Group's total assets decreased by ₱0.55 billion or 0.26% due to lower balance of SDA maintained with the BSP. Interbank Loans Receivable and SPURA went down by ₱83.72 billion or 69.86% wherein SPURA dropped by ₱94.33 billion while interbank loans receivable increased by ₱10.61 billion.

Financial Assets at FVPL consist of HFT securities and derivative assets amounting to ₱42.91 billion and ₱5.94 billion, respectively, as of December 31, 2015 and ₱42.89 billion and ₱3.04 billion, respectively, as of December 31, 2014. AFS investments went up by ₱27.45 billion or 13.21% due to the net effect of the ₱37.93 billion and ₱1.36 billion increases in treasury notes and bonds and private debt securities, respectively, and the decline in government bonds and equity securities by ₱10.15 billion and ₱1.69 billion, respectively. HTM Investments went up by ₱79.36 billion or 61.48% due to the increases in treasury notes and bonds by ₱73.57 billion, government bonds by ₱4.63 billion and private investments by ₱1.16 billion.

Loans and Receivables, representing 50.39% and 47.33% of the Group's total assets as of December 31, 2015 and 2014, respectively, went up by ₱127.72 billion or 16.82% driven by the strong demand for loans from all segments.

Investments in Associates and a Joint Venture went up by ₱2.68 billion or 103.63% due to the reclassification of the FMIC's investment in Lepanto Consolidated Mining Corporation from AFS investments. Property and Equipment increased by ₱5.44 billion or 33.51% due to acquisition of various furniture and fixtures and the building under construction representing commercial and office spaces located at Bonifacio Global City (BGC), Taguig City. On the other hand, investment properties went down by ₱1.84 billion or 18.35% due to the sustained disposal of foreclosed real estate properties.

Deferred Tax Assets increased by ₱1.60 billion or 23.36% due to movements in the accounts with temporary tax differences. Other Assets consist of, among others, assets held under joint operations, software costs, inter-office float items, creditable withholding tax and miscellaneous assets. The decline of ₱1.16 billion or 8.76% was mainly due to the decrease in miscellaneous assets due to the reclassification of the commercial and office spaces located at BGC to Building under Construction offset by the increases in inter-office float items and software costs.

Deposit liabilities represent 80.77% and 81.93% of the consolidated total liabilities as of December 31, 2015 and 2014, respectively. The Group's deposit level, sourced by the Bank, PSBank and MBCL reached ₱1.26 trillion as of December 31, 2015, an increase of ₱73.52 billion or 6.21% from ₱1.18 trillion as of December 31, 2014. The increment came from demand deposits by ₱46.63 billion and savings deposits by ₱60.82 billion net of the decline in time deposits by ₱33.93 billion. Low cost deposits represent 55.75% and 50.14% of the Group's total deposits as of December 31, 2015 and 2014, respectively.

Bills Payable and SSURA representing 11.35% and 9.71% of the Group's total liabilities as of December 31, 2015 and 2014, respectively, went up by ₱36.39 billion or 25.92%. Higher balances of borrowings from local and foreign banks by ₱0.92 billion and ₱1.33 billion, respectively, deposits substitutes by ₱13.71 billion and SSURA by ₱20.44 billion accounted for the variance. Derivative Liabilities which represent mark-to-market of foreign currency forwards,

interest rate swaps, cross currency swaps and foreign currency options with negative fair value increased by ₱1.07 billion or 34.97%.

The increase of ₱0.96 billion or 20.63% in Manager's Checks and Demand Drafts Outstanding resulted from normal banking operations of the Bank and PSBank. Income taxes payable decreased by ₱0.31 billion or 26.11% due to settlement of the 2014 income tax liabilities in April 2015 net of accrual for 2015. Accrued interest and other expenses payable decreased by ₱1.69 billion or 17.09% mainly due to payment of other bank expenses.

The growth of ₱43.63 billion or 29.06% in equity attributable to equity holders of the Bank was mainly attributable to the issuance of stock rights in April 2015 with total net proceeds of ₱31.54 billion; the ₱18.63 billion net income generated by the Group (excluding non-controlling interest) reduced by the additional ₱2.39 billion net unrealized loss recognized on AFS investments; the additional ₱1.09 billion remeasurement loss recognized on retirement plan; cash dividends payment of ₱2.75 billion; and coupon payment on HT1 capital securities of ₱0.51 billion (USD11.25 million). The ₱0.90 billion or 10.34% increase in non-controlling interest was attributed to the net income generated by the majority-owned subsidiaries and net of cash dividend declared.

Results of Operations

Net income attributable to equity holders of the Bank reached ₱18.63 billion for the year 2015, ₱1.49 billion or 7.40% lower than the ₱20.11 billion net income recorded for the year 2014. The net decrease was attributed to lower other operating income by ₱10.70 billion and share in net income of associates and a joint venture by ₱0.03 billion offset by higher net interest income by ₱3.21 billion and decrease in total operating expenses and provision for income tax by ₱4.91 billion and ₱1.22 billion, respectively.

Interest income improved by ₱6.26 billion or 10.56% resulting from the increases in interest income on loans receivables by ₱4.35 billion (volume driven) and trading and investment securities by ₱2.84 billion net of the decline in interest income on interbank loans and SPURA by ₱1.16 billion. On the other hand, interest expense increased by ₱3.05 billion or 22.55% coming from the increases in interest expense on deposit liabilities by ₱1.86 billion and on bills payable and SSURA, subordinated debts and other borrowings by ₱1.19 billion. These resulted in a 7.02% or ₱3.21 billion growth in net interest income.

Other operating income of ₱18.43 billion was lower by ₱10.70 billion or 36.74% from ₱29.13 billion in 2014. For the year 2015, the Group reported a lower profit from the disposal of foreclosed properties of ₱1.29 billion compared with ₱10.20 billion in 2014 due to last year's profit realized from the sale of bank-owned property and ROPA and divestments of non-core assets. Trading and securities gain of ₱1.28 billion also decreased by ₱2.02 billion from ₱3.3 billion in 2014. Last year's gain realized from the sale of the Bank's 15% and PSBank's 25% ownerships in Toyota Financial Services Philippines Corporation (TFSPC) totaling to ₱0.91 billion and FMIC's 33.33% ownership in Charter Ping An Insurance Corporation (CPAIC) of ₱0.31 billion contributed to the variance in other operating income.

Total operating expenses decreased by ₱4.91 billion or 10.49% from ₱46.84 billion in 2014 to ₱41.93 billion in 2015 with lower provision for credit and impairment losses by ₱2.79 billion or 57.54%, compensation and fringe benefits by ₱1.23 billion or 7.14% and taxes and licenses by ₱0.89 billion or 12.68% offset by the increases in depreciation and amortization by ₱0.31 billion or 12.20%, occupancy and equipment-related expenses by ₱0.15 billion or 6.14% and miscellaneous expenses by ₱0.90 billion or 7.93%.

Share in net income of associates and a joint venture decreased by ₱0.03 billion or 7.67% due to lower net income of certain associates while income attributable to non-controlling interest went up by ₱0.10 billion or 4.99% with noted improvement on the results of operations of certain majority-owned subsidiaries.

Total comprehensive income went down by ₱2.84 billion from ₱20.26 billion in 2014 to ₱17.42 billion in 2015. The variance was attributed to the ₱1.39 billion decrease in the net income of the Group and the ₱1.45 billion decrease in other comprehensive income (resulted from the recognition of additional remeasurement losses on retirement plan). Total comprehensive income attributable to equity holders of the Bank went down to ₱15.50 billion from ₱18.52 billion in 2014.

Market share price as of December 31, 2015 was at ₱80.50 from ₱83.0 in 2014 with a market capitalization of ₱256.0 billion as at December 31, 2015.

Key Variable and Other Qualitative and Quantitative Factors

Plans for 2017

Metrobank's medium term plan centers on expanding market relevance and achieving sustainable growth and profitability. Key strategies include building capacity to increase operational efficiency and enhance customer experience.

Critical elements to achieving these goals are the Bank's people and systems. The Bank continues to improve its talent acquisition and training and development programs, both for its frontline and middle offices.

Customer coverage also plays a key role in improving customer experience. To support this, the Bank continuously pursues process improvement and system upgrades to increase internal efficiency. In recent years, it has expanded its range of service channels from traditional face-to-face banking relations to electronic channels such as ATMs, Cash Accept Machines, mobile applications and online capabilities.

Lastly, focusing on product development will allow the Bank to expand service offerings to new target markets. This should help maximize cross-sell opportunities while providing alternative revenue streams.

Altogether, these elements would improve Metrobank's market standing and enhance its ability to sustain core income growth and deliver sustainable profitability.

Capital position

The Bank will continue to actively improve on the Group's strong capital position. The Bank has benefited from a series of capital markets transactions to raise Tier 1 and Tier 2 capital. The Bank also concluded a series of corporate restructuring measures to prepare for Basel III implementation.

In 2006, the Bank issued US\$125.0 million Hybrid Tier 1 capital security in February and 173,618,400 common shares at ₱38.00 per common share in October. In May 2010, the Bank raised an additional ₱5.0 billion in capital through a private placement of common shares. In January 2011, the Bank raised approximately US\$220.0 million through a rights offer for 200 million common shares at the offer price of ₱50.00 per rights share. In August 2013, the Bank increased its capital stock from ₱50 billion to ₱100 billion and on September 16, 2013, it issued a stock dividend equivalent to 633,415,805 common shares (with a par value of ₱20) that was applied as payment of the required subscription to the increase in capital stock, which further improved the Bank's capital position. In April 2015, the Bank raised approximately ₱32.0 billion through a rights offer for 435,371,720 common shares with par value of ₱20.00 priced at ₱73.50 per share. The newly issued shares were listed on the PSE on April 7, 2015.

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

Basel III penalizes banks for their holdings in non-allied undertakings. As such, during the period 2012-2016, the Group has actively sought to divest itself of such undertakings and strengthen its standing under Basel III. These transactions included the sale of the Bank's ownership in TMPC in tranches between 2012 and 2013 as well as the sale of FMIC's holdings in GBPC in tranches between 2013 and 2016 and FMIC's holdings in Charter Ping An Insurance Corporation in 2014. In 2014, the Bank and PSBank also disposed of its holdings in TFSPC. Altogether, these sales further improved the Bank's CAR position under Basel III. The Group continues to review its holdings in non-allied undertakings and may consider selling additional stakes as necessary.

2016 Economic Performance

The Philippines remained a strong performer in the region, outperforming its ASEAN peers and China, despite slow global growth. The economy grew by 7.1% in the third quarter of 2016, its fastest pace in three years, amid election spending, robust consumption spending, sustained double-digit growth in investment spending, rebound in the agri-sector, and faster expansion of the industry sector.

On the demand side, consumption spending continued to be solid, expanding by 7.3%, supported by positive remittances flows and still low inflation rates. Investment spending resumed its expansions since the first quarter of 2015 amid the strong growth of its construction and durable equipment subsectors. Imports continued to grow faster than exports amid a number of factors – sustained rise in capital goods imports, strong US dollar, and fragile economies of major trading partners. On the supply side, the services and industry sectors still put on solid performances, while the agri sector growth rebounded after five consecutive quarters of contraction on the back of higher output production of its crops, livestock, and poultry subsectors.

Full-year average inflation came in slightly higher at 1.8% from 1.4% in 2015, albeit still lower than the government’s target range of 2% to 4%. Base effects, El Nino phenomenon impact on agricultural products, and volatile global oil prices contributed to the uptick in consumer prices.

The BSP kept policy rates steady throughout the year amid the low inflation environment. The BSP also implemented in June the formal shift in its monetary operations to an interest rate corridor system to guide short-term market rates towards the BSP RRP rate.

The National Government fiscal gap widened to ₱235.2 billion in the January to November period amid the consistent increase in government expenditures. Full-year deficit, however, is still seen to cap the year below the set ceiling of ₱388.9 billion for 2016.

2016 was quite a year for the global economy, with surprises-both good and bad. The global economy continued to grow at a sluggish pace, with most of the growth held back by a number of factors such as structural adjustments in many economies, efforts to reduce overcapacity, geopolitical events, potential policy changes in the US, the FED rate hike in December 2016 and anticipated three more increases in 2017. Emerging economies, like the Philippines, also saw their currencies depreciate and their stock indexes drop amid the still uncertain and volatile global economic backdrop.

Growth prospects for the Philippine economy, however, remain fairly bright given its solid macroeconomic fundamentals. Nevertheless, downside risks-potential stumbling blocks in the Brexit negotiations, sustained slowdown in the Chinese economy, and impact of economic policies of the Trump administration, among others-continue to cast uncertainty over the near-term horizon.

Liquidity

To ensure that funds are more than adequate to meet its obligations, the Bank proactively monitors its liquidity position daily. Based on this system of monitoring, the Bank does not anticipate having any cash flow or liquidity problem within the next twelve months. As of December 31, 2016, the contractual maturity profile shows that the Bank has at its disposal about ₱820.14 billion of cash inflows in the next twelve (12) months from its portfolio of cash, placements with banks, debt securities and receivable from customers. This will cover 69.95% of the ₱1.17 trillion total deposits that may mature during the same period. These cash inflows exclude AFS investments with maturities beyond one (1) year but may easily be liquidated in an active secondary market. Inclusive of these securities, the total financial assets will cover 89.62% of the total deposits that may mature 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

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

On October 17, 2011, a consortium of eight banks including the Bank filed a Petition for Certiorari, Prohibition and/or Mandamus (with Urgent Application for a Temporary Restraining Order (TRO) and/or Writ of preliminary Injunction) with the Supreme Court (SC) against respondents the ROP, Bureau of Internal Revenue (BIR) and its Commissioner,

the Department of Finance and its Secretary and the Bureau of Treasury (BTr) and the National Treasurer, asking the Court to annul BIR Ruling No. 370-2011 which imposes a 20-percent final withholding tax on the 10-year Zero-Coupon Government Bonds (also known as the PEACe bonds) that matured on October 18, 2011 and command the respondents to pay the full amount of the face value of the PEACe Bonds. On October 18, 2011, the SC issued the TRO enjoining the implementation of the said BIR ruling on the condition that the 20-percent final withholding tax be withheld by the petitioner banks and placed in escrow pending resolution of the Petition. The respondents have not complied with the said TRO, i.e., they have not credited the banks' escrow accounts with the amount corresponding to the questioned 20-percent final tax. On January 13, 2015, the Court promulgated a Decision granting the petition. BIR Ruling No. 370-2011 was nullified, and the respondent BTr was ordered to immediately release and pay to the bondholders the amount corresponding to the 20.00% final withholding tax withheld on October 18, 2011. On March 13, 2015, respondents filed a Motion for Reconsideration and Clarification of the Court's Decision. On August 16, 2016, the Court issued a Resolution denying the respondents' Motion for Reconsideration and Clarification, and ordered the respondent BTr to immediately release and pay the bondholders for the 20.00% final withholding tax on the PEACe Bonds, with legal interest of 6.00% per annum from October 19, 2011 until full payment. On October 19, 2016, the respondents' filed a Motion for Leave (i) to File Motion for Partial Reconsideration and (ii) to Admit Motion for Partial Reconsideration of the said Resolution. On November 22, 2016, the Court issued a Resolution denying the said Motion, considering that a second motion for reconsideration is a prohibited pleading under the Rules of Civil Procedure. The Resolution also stated that no further pleadings or motions will be entertained.

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

Material Off-Balance Sheet Transactions, Arrangements or Obligations

The following is a summary of contingencies and commitments of the Group at their peso-equivalent contractual amounts arising from off-balance sheet items as of December 31, 2016 and 2015 (in millions):

	2016	2015
Trust Banking Group accounts	₱427,741	₱357,001
Commitments		
Credit card lines	132,901	97,964
Undrawn – facilities to lend	20,521	18,404
Unused commercial letters of credit	46,678	38,073
Bank guaranty with indemnity agreement	12,045	11,320
Credit line certificate with bank commission	5,322	4,722
Outstanding shipside bonds/airway bills	4,712	2,685
Late deposits/payments received	2,292	1,237
Inward bills for collection	930	715
Outward bills for collection	622	486
Outstanding guarantees	117	109
Confirmed export letters of credits	109	109
Others	12,137	10,801
	₱666,127	₱543,626

Other Relationships of the Registrant with Unconsolidated Entities or Other Persons

The Group has ownership in the following significant unconsolidated entities as of December 31, 2016:

	Effective <u>% of Ownership</u>
Sumisho Motor Financing Corporation*	33.07% **
Northpine Land, Inc.	20.00%
SMBC Metro Investment Corporation	30.00%
Taal Land, Inc.	35.00%
Cathay International Resources Corporation	34.47%
Philippine AXA Life Insurance Corporation	27.96%
Lepanto Consolidated Mining Company	14.22%

* Represents investments in a joint venture of the Group.

** Represents new effective ownership interest of the Bank through PSBank

Material Commitments for Capital Expenditures

In 2016, the Bank incurred about ₱1.64 billion for capital expenditures, of which ₱783 million and ₱857 million were incurred for furniture, fixtures and equipment (including information technology) and land, buildings and leasehold improvements, respectively. Information technology-related expenditures include upgrades of personal computers, central processing units, corporate local area networks and servers. Capital expenditures were sourced from the Bank's working capital.

For the year 2017, the Bank estimates to incur capital expenditures of about ₱5.0 billion, of which ₱3.21 billion is estimated to be incurred for information technology. This amount is not considered material to the Bank's operations.

Significant Elements from Continuing Operations

Standards Issued But Not Yet Effective

Standards issued but not yet effective up to date of issuance of the Group's financial statements are listed in Note 2 of the audited financial statements of the Group as presented in Exhibit 3. The listing consists of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt these standards when they become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on its financial statements. The Group will assess impact of these amendments on its financial position or performance when they become effective.

Information on Independent Accountant

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

SGV Partner	Years Ended December 31
Ms. Janeth T. Nuñez-Javier	2016 and 2015
	2015 and 2014
	2014 and 2013
Mr. Aris C. Malantic	2013 and 2012
	2012 and 2011
	2011 and 2010
	2010 and 2009
	2009 and 2008
Ms. Vicky B. Lee-Salas	2008 and 2007
	2007 and 2006

2. The Bank intends to retain SGV as its external auditors for the year 2017. The external auditors are appointed annually by the registrant's Board of Directors in its organizational meeting held immediately after the Annual Stockholders' Meeting.
3. The aggregate fees billed and paid for each of the last two fiscal years for professional services rendered by the registrant's external auditors are summarized below:

Nature of Services Rendered		Aggregate Fees (in millions)	
		2016	2015
Audit and Audit-Related Fees	Annual audit of the Consolidated, Parent Company and FCDU Financial Statements in connection with statutory and regulatory filings, including the Combined Financial Statements of Trust and Managed Funds Operated by the Trust Banking Group with Supplementary Combining Information; limited review of financial statements based on agreed-upon procedures and issuance of comfort letters relative to the offering of stock rights in 2015	₱11.63	₱25.95
Tax Fees	None	-	-
All Other Fees	Seminars and others	12.13	3.06
Total Fees		₱23.76	₱29.01

Audit Committee's Approval Policies and Procedures for Above Services

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

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

On March 22, 2017, the Board of Directors approved the endorsement of the Audit Committee re-appointing SGV & Co. as the external auditors for 2017. This item is included for ratification by the stockholders during the Annual Stockholders' Meeting on April 26, 2017.

Appointment of Members and Composition of the Audit Committee

The members of the Audit Committee are appointed annually by the Board of Directors of Metrobank. It shall be composed of at least three (3) qualified non-executive directors, and majority of whom shall be independent directors, including the Chairman, who is not the chairman of the board or any other committees. All of the members of the Audit Committee must have relevant background knowledge, skills and/or experience in the areas of accounting, auditing and finance commensurate with the size, complexity of operations and risk profile of the Bank. Metrobank's Audit Committee is composed of the following:

Names of Members	Designation - Audit Committee	Designation - Registrant
Robin A. King	Chairman	Independent Director
Renato C. Valencia	Vice-Chairman	Independent Director
Francisco F. Del Rosario, Jr.	Member	Independent Director
Antonio S. Abacan, Jr.	Adviser	Chairman, Board of Advisers
Cornelio C. Gison	Adviser	Board Adviser

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

1. Recommend the appointment, re-appointment and termination of the independent external auditors based on fair and transparent criteria, which should be approved by the Board and ratified by the shareholders. If the internal/external auditor resigns or communicates an intention to resign, the Audit Committee should follow up the reasons/explanations giving rise to such resignation, and should consider whether it needs to take any action in response to those reasons. For removal of the external auditor, the reasons for removal or change should be disclosed to the regulators and the public through the company website and required disclosures;
2. Discuss and agree to the terms of the engagement letter issued by the external auditor prior to the approval of the engagement, obtain an understanding of the nature, scope and audit approach, set compensation of the external auditor in relation to the scope of its duties upon recommendation of Controller, and ensure coordination where more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
3. Review management representation letters before these are transmitted to the external auditor to ensure that items in the letter are complete and accurate;
4. Review the disposition of the recommendations in the external auditor's management letter;
5. Review independent external auditors' report on the results of the audit of the annual financial statements before these are submitted to the Board of Directors for approval, focusing particularly on any change/s in accounting policies and procedures, major estimates, assumptions and judgmental areas, unusual or complex transactions, significant adjustments, material errors and fraud, going concern assumption, compliance with accounting standards, and compliance with tax, legal and regulatory requirements;
6. Understand and duly assess the external auditor's opinion regarding the capability of the management and the adequacy of accounting/information systems to comply with the financial and prudential reporting responsibilities;
7. Evaluate and determine non-audit work by external auditor and keep under review the non-audit fees paid to the external auditor both in relation to their significance to the total annual income of the external auditor and in relation to the Bank's total expenditure on consultancy and disallow any non-audit work that will conflict with or pose a threat to the independence of the external auditor. The non-audit work, if allowed, should be disclosed in the Annual Report and Annual Corporate Governance Report;
8. Meet with the lead audit partner and other members of the audit team as necessary, without the presence of management, to discuss issues arising from the audit and any other matters that the external auditors may wish to raise with the Audit Committee and vice versa;

9. Review and monitor the overall suitability and effectiveness and conduct regular performance appraisal of external auditors. These involve assessing and monitoring the integrity, independence and objectivity of external auditor, and the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements;
10. Ensure that the external auditors shall have free and full access to all the Bank's records, properties and personnel relevant to the audit activity, and that audit be given latitude in determining the scope, performing work, and communicating results and shall be free from interference by outside parties in the performance of work;
11. Assess the extent of cooperation provided by the management during the conduct of the external audit; and
12. Recommend necessary enhancements in the audit processes.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

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

Material Subsequent Events

1. On January 12, 2017, FMIC paid cash dividends of ₱8.06 per share or equivalent to ₱3.0 billion to all stockholders of record as of December 29, 2016 as discussed in Note 11 of the audited financial statements of the Group as presented in Exhibit 3.
2. On January 17, 2017, SMBC Metro paid 16.67% cash dividends amounting to ₱100.0 million to its stockholders of record as of December 14, 2016 as discussed in Note 11 of the audited financial statements of the Group as presented in Exhibit 3.
3. On January 24, 2017, the BOD of PSBank declared a 7.50% regular cash dividend for the fourth quarter of 2016 amounting to ₱180.2 million or ₱0.75 per share, payable not later than February 24, 2017 to all common stockholders as of record date of February 10, 2017.
4. On January 30, 2017, PSBank issued the first tranche of LTNCDs amounting to ₱3.0 billion with terms of 5 years and 3 months and interest rate of 3.50% per annum payable quarterly as discussed in Note 16 of the audited financial statements of the Group as presented in Exhibit 3.
5. On January 5, 2017, SMBC Metro submitted its application for withdrawal of its secondary license as an Investment House which was approved by the SEC on January 31, 2017 as discussed in Note 11 of the audited financial statements of the Group as presented in Exhibit 3
6. LCMC, an associate of FMIC, disclosed to the PSE that on February 14, 2017, LCMC received a suspension order from the Department of Energy and Natural Resources (DENR) Secretary on its mining operation under Mineral Production Sharing Agreement No.001-90-CAR and is given not more than three months from receipt to implement the appropriate mitigating measures. LCMC will immediately file a Notice of Appeal with the Office of the President wherein pursuant to the Administrative Order No.22, Series of 2011, such filing will stay the execution of the Order, allowing the Company to continue its operations. Further in its disclosure, LCMC maintains that it passed the DENR Mine Audit, as attested by the signed audit report dated August 22, 2016 that states that "The Company substantially complied with the pertinent provisions of the Environmental and Mining laws, rules and regulations, thus, no penalty is recommended by the Team".
7. On February 21, 2017, PSBank redeemed its 2022 Peso Notes amounting to ₱3.0 billion as discussed in Note 20 of the audited financial statements of the Group as presented in Exhibit 3.
8. On February 22, 2017, the BOD of the Bank declared 5.00% cash dividend amounting to ₱3.2 billion or ₱1.00 per share, payable on March 23, 2017 to all stockholders of record as of March 9, 2017, and has authorized the President to change the dates as may be required by exigencies.

Others

As of December 31, 2016, the Group has no significant matters to report on the following:

1. Known trends, events or uncertainties that would have material impact on liquidity and on the sales or revenues.
2. Explanatory comments about the seasonality or cyclical nature of operations.
3. Issuances, repurchases and repayments of debt and equity securities except for the issuance of LTNCD amounting to ₱8.7 billion as discussed in Note 16 and the redemption of the USD125.0 million HT1 Capital Securities as discussed in Note 23 of the audited financial statements of the Group as presented in Exhibit 3.
4. Unusual items as to nature, size or incidents affecting assets, liabilities, equity, net income or cash flows except for the payments of cash dividends and semi-annual coupons on the hybrid capital securities by the Bank as discussed in Notes 23 of the audited financial statements of the Group as presented in Exhibit 3.
5. 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 for the additional investment in PSBank, the buy-back of shares by FMIIC and the status of operations of SMBC Metro as discussed in Note 11 of the audited financial statements of the Group as presented in Exhibit 3.

SEC FORM 17-A (ANNUAL REPORT)

A copy of SEC Form 17-A (2016 Annual Report) will be provided free of charge upon written request addressed to:

**ATTY. LAARNI D. BERNABE
Assistant Corporate Secretary
Metropolitan Bank & Trust Company
11/F Metrobank Plaza, Sen. Gil Puyat Avenue, Urdaneta Village,
Makati City, Metro Manila, Philippines**

PART IV – SIGNATURE

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

This report is signed in the City of Makati on April 7, 2017 . . .

METROPOLITAN BANK & TRUST COMPANY
Registrant

By:


ANTONIO V. VIRAY
Corporate Secretary

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES
FINANCIAL INDICATORS
AS OF DECEMBER 31, 2016 AND 2015

	2016	2015
a) Liquidity Ratio	40.27%	46.16%
b) Loans to Deposits Ratio	76.25%	70.01%
c) Debt to Equity Ratio	852.27%	803.77%
d) Asset to Equity Ratio	957.14%	908.70%
e) Return on Average Equity	9.28%	10.83%
f) Return on Average Assets	0.99%	1.11%
g) Net Interest Margin on Average Earning Assets	3.54%	3.54%
h) Operating Efficiency Ratio	56.48%	59.15%
i) Capital Adequacy Ratio	15.45%	17.75%
j) Common Equity Tier 1 Ratio	12.54%	14.25%

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

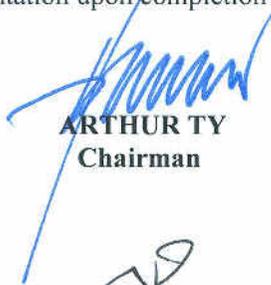
The management of Metropolitan Bank & Trust Company and Subsidiaries (the Group) and of Metropolitan Bank & Trust Company (the Parent Company) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, as of December 31, 2016 and 2015 and for each of the three years in the period ended December 31, 2016, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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



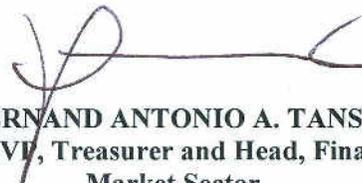
ARTHUR TY
Chairman



FABIAN S. DEE
President



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



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



MARILOU C. BARTOLOME
SVP and Controller

Signed this 22nd day of February, 2017.

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

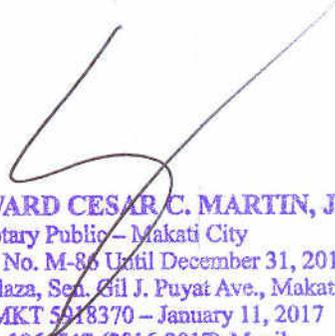
FEB 24 2017

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

Names	Passport No.	Date/Place of Issue	Valid Until
ARTIUR TY	EB7793813	Apr. 4, 2013/DFA Manila	Apr. 3, 2018
FABIAN S. DEL	EB9374579	Oct. 16, 2013/PCG Vancouver	Oct. 15, 2018
JOSHUA E. NAING	EC1638005	Jul. 15, 2014/DFA Manila	Jul. 14, 2019
FERNAND ANTONIO A. TANSINGCO	EB6547601	Oct. 12, 2012/DFA Manila	Oct. 11, 2017
MARILOU C. BARTOLOME	EB9792501	Dec. 11, 2013/DFA Manila	Dec. 10, 2018

Doc. No. 452 ;
Page No. 91 ;
Book No. 6 ;

Series of 2017.


ATTY. EDWARD CESAR C. MARTIN, JR.
Notary Public – Makati City
Appointment No. M-88 Until December 31, 2017
7/F Metrobank Plaza, Sen. Gil J. Puyat Ave., Makati City
PTR No. MKT 5918370 – January 11, 2017
IBP No. 1066547-(2016-2017)-Manila
Roll No. 59281
MCLE Cert. No. V-0001237-December 19, 2013

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

2	0	5	7	3					
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COMPANY NAME

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

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

M	e	t	r	o	b	a	n	k		P	l	a	z	a	,	S	e	n	.	G	i	l	P	u	y	a		
t		A	v	e	n	u	e	,		U	r	d	a	n	e	t	a		V	i	l	l	a	g	e	,	M	a
k	a	t	i		C	i	t	y	,	M	e	t	r	o		M	a	n	i	l	a							

Form Type

A	A	F	S
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Department requiring the report

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Secondary License Type, If Applicable

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COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
https://www.metrobank.com.ph	898-8000	N.A.
No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
3,129		12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ms. Marilou C. Bartolome	marilou.bartolome@metrobank.com.ph	898-8805	09178172814

CONTACT PERSON'S ADDRESS

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

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



INDEPENDENT AUDITOR'S REPORT

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

Report on the Consolidated and Parent Company Financial Statements

Opinion

We have audited the consolidated financial statements of Metropolitan Bank & Trust Company and its subsidiaries (the Group) and the parent company financial statements of Metropolitan Bank & Trust Company (the Parent Company), which comprise the consolidated and parent company statements of financial position as at December 31, 2016 and 2015, and the consolidated and parent company statements of income, consolidated and parent company statements of comprehensive income, consolidated and parent company statements of changes in equity and consolidated and parent company statements of cash flows for each of the three years in the period ended December 31, 2016, and notes to the consolidated and parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2016 and 2015, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2016 in accordance with the accounting principles generally accepted in the Philippines for banks or Philippine GAAP for banks as described in Note 2 to the financial statements.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Parent Company as at December 31, 2016 and 2015, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2016 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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



Key Audit Matters

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

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

Applicable to the audit of the consolidated and Parent Company financial statements

Adequacy of allowance for credit losses on loans and receivables

The Group's loans and receivables consist of corporate and consumer loans including credit card receivables. The appropriateness of the allowance for credit losses on these loans and receivables is a key area of judgment for the management. The Group determines the allowance for credit losses on an individual basis for individually significant loans and receivables, and collectively for loans and receivables that are not individually significant. The identification of impairment and the determination of the recoverable amount are inherently uncertain processes involving various assumptions and factors. This includes the financial condition of the counterparty, estimated future cash flows from the loans and receivables and estimated net selling prices of the collateral. The use of assumptions could produce significantly different estimates of allowance for credit losses. The disclosures in relation to the allowance for credit losses are included in Note 15 to the financial statements.

Audit response

We obtained an understanding of the Group's impairment calculation process and performed tests over relevant controls. For allowance for credit losses calculated on an individual basis, we selected a sample of impaired loans and obtained an understanding of the borrower's business and financial capacity. We also tested the assumptions underlying the impairment identification and quantification of the allowance for credit losses. This was done by assessing whether the forecasted cash flows are based on the borrower's current financial condition, checking the payment history of the borrower including payments made subsequent to yearend, agreeing the value of the collateral to the appraisal reports, checking whether the discount rate represents the original effective interest rate (EIR) or the current EIR of the loan, and re-performing the impairment calculation. For allowance for credit losses calculated on a collective basis, we tested the underlying models and the inputs to those models, such as historical loss rates and net flow rates. This was done by agreeing the details of the loan information used in the calculation of loss rates and net flow rates to the Group's records and subsidiary ledgers, testing the delinquency age buckets of the loans and loan groupings and re-performing the calculation of the allowance for credit losses.



Recoverability of deferred tax assets

The analysis of the recoverability of deferred tax assets was significant to our audit because the assessment process requires significant judgment, and is based on assumptions that are affected by expected future market or economic conditions and the expected performance of the Group and the Parent Company. The disclosures in relation to deferred income taxes are included in Note 28 of the financial statements.

Audit response

We obtained an understanding of the Parent Company and its subsidiaries' deferred income tax calculation process, including the applicable tax regulations. We reviewed the management's assessment on the availability of future taxable income in reference to financial forecast and tax strategies. We evaluated management's forecast by comparing the loan portfolio and deposit growth rates to the historical performance of the Group. We also reviewed the timing of the reversal of future taxable and deductible temporary differences.

Applicable to the audit of the consolidated financial statements

Recoverability of investments in associates and a joint venture

The Group assesses the impairment of its investments in associates and a joint venture whenever events or changes in circumstances indicate that the carrying amount of the investments may not be recoverable. As of December 31, 2016, there has been a significant and prolonged decline in the fair value of its subsidiary's significant associate. The Group performed impairment testing using the investment's value-in-use (VIU). We considered the impairment testing of the Group's investment in this associate as a key audit matter as significant judgment and estimates are involved in the determination of the investment's VIU. The disclosures relating to investments in associates and a joint venture are included in Notes 3 and 11 to the financial statements.

Audit response

We obtained an understanding of the Group's impairment assessment process and the related controls. We discussed the investee's current business performance and prospects and how these were reflected in the Group's VIU calculation with the management. We involved our internal specialist to assist us in evaluating the methodology and calculation of the VIU by comparing the key assumptions – such as the expected production volume and capital expenditures to historical performance and plans of the investee, and the price assumption, exchange rates and long-term growth rate to available industry, economic and financial data including consensus market forecasts. We also tested whether the discount rate used represents current market assessment of risks associated with the investment.



Recoverability of goodwill

As of December 31, 2016, the Group has goodwill amounting to ₱5.2 billion as a result of various business acquisitions, ₱5.0 billion of which came from the acquisition of Solidbank Corporation in 2000 which was merged with First Metro Investment Corporation. Under PFRS, the Group is required to annually test the amount of goodwill for impairment. The Group performed the impairment testing using the VIU. The annual impairment test was significant to our audit because significant judgment and estimates are involved in the determination of the cash generating unit's (CGU's) VIU. The assumptions used in the calculation of VIU are sensitive to estimates of future cash flows from business, discount rate and growth rate used to project the cash flows. The disclosures in relation to goodwill are included in Notes 3 and 11 to the financial statements.

Audit response

We obtained an understanding of the Group's impairment assessment process and the related controls. We involved our internal specialist to evaluate the assumptions and methodology used by the Group, in particular those relating to the forecasted cash flows of the CGU, long term growth rates of the future cash flows and the discount rate used in determining the present value of the future cash flows. Our testing of the assumptions include comparing the growth rate of the future cash flows to the historical performance of the CGU and assessing whether the discount rate used in determining the VIU represents current market assessment of risks associated with the CGU. We discussed with the Group's management the CGU's current business performance and prospects and how these were reflected in the Group's VIU calculation.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016, but does not include the consolidated and parent company financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016 are expected to be made available to us after the date of this auditor's report.

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

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



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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated and parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and parent company financial statements, including the disclosures, and whether the consolidated and parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

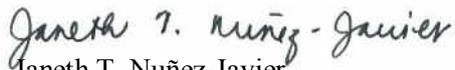
Report on the Supplementary Information Required Under Revenue Regulations No. 19-2011 and 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations No. 19-2011 and 15-2010 in Note 37 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of the Parent Company. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



The engagement partner on the audit resulting in this independent auditor's report is Janeth T. Nuñez-Javier.

SYCIP GORRES VELAYO & CO.



Janeth T. Nuñez-Javier

Partner

CPA Certificate No. 111092

SEC Accreditation No. 1328-AR-1 (Group A),

July 28, 2016, valid until July 28, 2019

Tax Identification No. 900-322-673

BIR Accreditation No. 08-001998-69-2015,

February 27, 2015, valid until February 26, 2018

PTR No. 5908738, January 3, 2017, Makati City

February 22, 2017



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

	Consolidated		Parent Company		January 1, 2015
	December 31		2015		
	2016	2015	2016	2015	(As Restated - Note 2)
ASSETS					
Cash and Other Cash Items	₱26,553	₱32,536	₱23,470	₱28,570	₱30,733
Due from Bangko Sentral ng Pilipinas (Note 16)	238,806	214,704	203,781	185,484	174,259
Due from Other Banks	44,315	36,864	30,101	26,213	25,583
Interbank Loans Receivable and Securities Purchased Under Resale Agreements (Notes 7 and 26)	91,646	36,118	73,094	25,951	108,441
Financial Assets at Fair Value Through Profit or Loss (Note 8)	37,214	48,856	26,766	34,568	29,850
Available-for-Sale Investments (Note 8)	316,855	235,158	253,594	202,312	179,375
Held-to-Maturity Investments (Note 8)	–	208,432	–	175,816	110,777
Loans and Receivables (Note 9)	1,060,868	887,202	844,198	692,404	589,993
Investments in Subsidiaries (Note 11)	–	–	56,627	57,211	55,084
Investments in Associates and a Joint Venture (Note 11)	5,350	5,272	615	639	538
Property and Equipment (Note 10)	21,995	21,670	15,506	15,390	10,456
Investment Properties (Note 12)	8,474	8,195	3,749	4,132	6,229
Deferred Tax Assets (Note 28)	8,855	8,427	6,439	6,284	5,273
Goodwill (Note 11)	5,200	5,202	–	–	–
Other Assets (Note 14)	9,878	12,056	5,275	7,730	9,511
	₱1,876,009	₱1,760,692	₱1,543,215	₱1,462,704	₱1,336,102
LIABILITIES AND EQUITY					
LIABILITIES					
Deposit Liabilities (Notes 16 and 31)					
Demand	₱298,388	₱233,912	₱272,081	₱219,772	₱169,851
Savings	547,685	467,587	522,643	446,734	390,509
Time	520,329	542,221	388,063	425,629	475,818
Long-Term Negotiable Certificates	22,900	14,250	22,900	14,250	14,250
	1,389,302	1,257,970	1,205,687	1,106,385	1,050,428
Bills Payable and Securities Sold Under Repurchase Agreements (Notes 17 and 31)	161,376	176,791	68,865	88,640	62,345
Derivative Liabilities (Note 8)	4,612	4,145	4,547	4,145	3,054
Manager's Checks and Demand Drafts Outstanding	6,932	5,613	5,171	4,264	3,399
Income Taxes Payable	2,185	880	1,177	300	591
Accrued Interest and Other Expenses (Note 18)	7,067	8,187	4,646	5,771	7,514
Bonds Payable (Note 19)	11,498	11,516	–	–	–
Subordinated Debts (Note 20)	29,524	29,487	22,404	22,374	22,344
Deferred Tax Liabilities (Note 28)	312	451	–	–	–
Non-equity Non-controlling Interest (Note 21)	7,934	9,909	–	–	–
Other Liabilities (Note 21)	49,714	52,433	34,716	37,066	36,298
	1,670,456	1,557,382	1,347,213	1,268,945	1,185,973

(Forward)



	Consolidated		Parent Company		
	December 31				January 1,
	2016	2015	2016	2015	2015
				(As Restated - Note 2)	
EQUITY					
Equity Attributable to Equity Holders of the Parent Company					
Common stock (Notes 23 and 31)	₱63,603	₱63,603	₱63,603	₱63,603	₱54,896
Hybrid capital securities (Note 23)	–	6,351	–	6,351	6,351
Capital paid in excess of par value (Note 23)	42,139	42,139	42,139	42,139	19,312
Surplus reserves (Note 24)	1,653	1,506	1,653	1,506	1,371
Surplus (Notes 23 and 24)	101,900	87,497	101,900	87,497	72,258
Treasury stock (Note 23)	(485)	(187)	(485)	(187)	(30)
Remeasurement losses on retirement plan (Note 27)	(4,007)	(3,530)	(4,007)	(3,530)	(2,440)
Net unrealized loss on available-for-sale investments (Note 8)	(10,115)	(4,783)	(10,115)	(4,783)	(2,394)
Equity in other comprehensive income of associates (Note 11)	54	180	54	180	260
Translation adjustment and others (Notes 8 and 11)	1,260	983	1,260	983	545
	196,002	193,759	196,002	193,759	150,129
Non-controlling Interest (Note 8)	9,551	9,551	–	–	–
	205,553	203,310	196,002	193,759	150,129
	₱1,876,009	₱1,760,692	₱1,543,215	₱1,462,704	₱1,336,102

See accompanying Notes to Financial Statements.



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

	Consolidated			Parent Company		
	Years Ended December 31					
	2016	2015	2014	2016	2015 (As Restated - Note 2)	2014
INTEREST INCOME ON						
Loans and receivables (Notes 9 and 31)	₱51,266	₱44,179	₱39,829	₱27,386	₱22,930	₱20,361
Trading and investment securities (Note 8)	15,371	17,838	14,995	12,745	15,282	12,951
Interbank loans receivable and securities purchased under resale agreements (Note 31)	898	2,986	4,145	479	2,657	3,029
Deposits with banks and others	646	553	325	387	297	108
	68,181	65,556	59,294	40,997	41,166	36,449
INTEREST AND FINANCE CHARGES						
Deposit liabilities (Notes 16 and 31)	9,888	11,159	9,299	6,811	8,476	6,588
Bills payable and securities sold under repurchase agreements, bonds payable, subordinated debts and others (Notes 17, 19, 20 and 31)	5,347	5,423	4,232	1,979	2,019	1,263
	15,235	16,582	13,531	8,790	10,495	7,851
NET INTEREST INCOME	52,946	48,974	45,763	32,207	30,671	28,598
Service charges, fees and commissions (Note 31)	10,329	9,794	8,898	3,768	3,592	3,483
Trading and securities gain - net (Notes 8 and 31)	6,122	1,282	3,305	6,154	1,604	699
Foreign exchange gain (loss) - net (Note 31)	2,005	517	(102)	1,533	18	(357)
Leasing (Notes 12, 13 and 31)	2,001	1,970	1,894	220	244	238
Income from trust operations (Notes 24 and 31)	1,274	1,164	1,186	1,251	1,142	1,139
Profit from assets sold (Notes 10 and 12)	732	1,293	10,200	463	1,187	9,815
Dividends (Notes 11 and 31)	151	478	262	17	8	6
Gain on sale of investment in associates (Notes 11 and 31)	-	-	1,225	-	-	353
Miscellaneous (Note 25)	2,611	1,930	2,263	452	520	973
TOTAL OPERATING INCOME	78,171	67,402	74,894	46,065	38,986	44,947
Compensation and fringe benefits (Notes 27 and 31)	18,374	16,014	17,245	12,339	10,469	12,268
Provision for (reversal of) credit and impairment losses (Note 15)	7,342	2,059	4,849	1,174	(2,926)	7
Taxes and licenses	5,997	6,158	7,052	3,317	3,712	4,413
Depreciation and amortization (Notes 10, 12 and 14)	3,290	2,879	2,566	1,515	1,254	1,057
Occupancy and equipment-related cost (Note 13)	2,819	2,592	2,442	1,680	1,510	1,405
Amortization of software costs (Note 14)	474	381	330	141	160	146
Income (loss) attributable to non-equity non-controlling interests (Note 21)	(441)	(336)	1,070	-	-	-
Miscellaneous (Note 25)	13,639	12,184	11,289	8,881	7,716	6,980
TOTAL OPERATING EXPENSES	51,494	41,931	46,843	29,047	21,895	26,276
INCOME BEFORE SHARE IN NET INCOME OF SUBSIDIARIES, ASSOCIATES AND A JOINT VENTURE	26,677	25,471	28,051	17,018	17,091	18,671
SHARE IN NET INCOME OF SUBSIDIARIES, ASSOCIATES AND A JOINT VENTURE (Note 11)	261	409	443	4,958	4,740	5,797
INCOME BEFORE INCOME TAX	26,938	25,880	28,494	21,976	21,831	24,468
PROVISION FOR INCOME TAX (Note 28)	6,622	5,237	6,459	3,890	3,206	4,355
NET INCOME	₱20,316	₱20,643	₱22,035	₱18,086	₱18,625	₱20,113
Attributable to:						
Equity holders of the Parent Company (Note 32)	₱18,086	₱18,625	₱20,113			
Non-controlling Interest (Notes 11 and 21)	2,230	2,018	1,922			
	₱20,316	₱20,643	₱22,035			
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 32)	₱5.61	₱5.86	₱6.88			

See accompanying Notes to Financial Statements.



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

	Consolidated			Parent Company		
	Years Ended December 31					
	2016	2015	2014	2016	2015 (As Restated - Note 2)	2014
Net Income	₱20,316	₱20,643	₱22,035	₱18,086	₱18,625	₱20,113
Other Comprehensive Income (Loss) for the Year, Net of Tax						
Items that may not be reclassified to profit or loss:						
Change in remeasurement loss on retirement plan	(489)	(1,178)	363	(477)	(1,090)	430
Items that may be reclassified to profit or loss:						
Change in net unrealized loss on available-for-sale investments (Note 8)	(5,464)	(2,397)	(2,015)	(5,332)	(2,389)	(1,913)
Change in equity in other comprehensive income of associates (Note 11)	(127)	(80)	(12)	(126)	(80)	(12)
Translation adjustment and others (Notes 8 and 11)	(1,076)	430	(112)	277	438	(102)
	(6,667)	(2,047)	(2,139)	(5,181)	(2,031)	(2,027)
Total Comprehensive Income for the Year	₱13,160	₱17,418	₱20,259	₱12,428	₱15,504	₱18,516
Attributable to:						
Equity holders of the Parent Company	₱12,428	₱15,504	₱18,516			
Non-controlling Interest	732	1,914	1,743			
	₱13,160	₱17,418	₱20,259			

See accompanying Notes to Financial Statements.



METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES

STATEMENTS OF CHANGES IN EQUITY

(In Millions)

Consolidated													
Equity Attributable to Equity Holders of the Parent Company													
	Common Stock (Note 23)	Hybrid Capital Securities (Note 23)	Capital Paid In Excess of Par Value (Note 23)	Surplus Reserves (Note 24)	Surplus (Notes 23 and 24)	Treasury Stock (Note 23)	Remeasurement Losses on Retirement Plan (Note 27)	Net Unrealized Loss on Available- for-Sale Investments (Note 8)	Equity in Other Comprehensive Income of Associates (Note 11)	Translation Adjustment and Others (Notes 8 and 11)	Total	Non-controlling Interest	Total Equity
Balance as at January 1, 2016	₱63,603	₱6,351	₱42,139	₱1,506	₱87,497	(₱187)	(₱3,530)	(₱4,783)	₱180	₱983	₱193,759	₱9,551	₱203,310
Total comprehensive income for the year	-	-	-	-	18,086	-	(477)	(5,332)	(126)	277	12,428	732	13,160
Transfer to surplus reserves	-	-	-	147	(147)	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(3,180)	-	-	-	-	-	(3,180)	(732)	(3,912)
Coupon payment of hybrid capital securities (Note 32)	-	-	-	-	(267)	-	-	-	-	-	(267)	-	(267)
Redemption of hybrid capital securities	-	(6,351)	-	-	(89)	-	-	-	-	-	(6,440)	-	(6,440)
Parent Company shares held by mutual fund subsidiaries	-	-	-	-	-	(298)	-	-	-	-	(298)	-	(298)
Balance as at December 31, 2016	₱63,603	₱-	₱42,139	₱1,653	₱101,900	(₱485)	(₱4,007)	(₱10,115)	₱54	₱1,260	₱196,002	₱9,551	₱205,553
Balance as at January 1, 2015	₱54,896	₱6,351	₱19,312	₱1,371	₱72,258	(₱30)	(₱2,440)	(₱2,394)	₱260	₱545	₱150,129	₱8,656	₱158,785
Total comprehensive income for the year	-	-	-	-	18,625	-	(1,090)	(2,389)	(80)	438	15,504	1,914	17,418
Transfer to surplus reserves	-	-	-	135	(135)	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(2,745)	-	-	-	-	-	(2,745)	(1,019)	(3,764)
Coupon payment of hybrid capital securities (Note 32)	-	-	-	-	(506)	-	-	-	-	-	(506)	-	(506)
Issuance of shares of stock	8,707	-	22,827	-	-	-	-	-	-	-	31,534	-	31,534
Parent Company shares held by mutual fund subsidiaries	-	-	-	-	-	(157)	-	-	-	-	(157)	-	(157)
Balance as at December 31, 2015	₱63,603	₱6,351	₱42,139	₱1,506	₱87,497	(₱187)	(₱3,530)	(₱4,783)	₱180	₱983	₱193,759	₱9,551	₱203,310
Balance as at January 1, 2014	₱54,896	₱6,351	₱19,312	₱1,235	₱55,525	₱-	(₱2,870)	(₱481)	₱272	₱647	₱134,887	₱7,818	₱142,705
Total comprehensive income for the year	-	-	-	-	20,113	-	430	(1,913)	(12)	(102)	18,516	1,743	20,259
Transfer to surplus reserves	-	-	-	136	(136)	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(2,745)	-	-	-	-	-	(2,745)	(905)	(3,650)
Coupon payment of hybrid capital securities (Note 32)	-	-	-	-	(499)	-	-	-	-	-	(499)	-	(499)
Parent Company shares held by a mutual fund subsidiary	-	-	-	-	-	(30)	-	-	-	-	(30)	-	(30)
Balance as at December 31, 2014	₱54,896	₱6,351	₱19,312	₱1,371	₱72,258	(₱30)	(₱2,440)	(₱2,394)	₱260	₱545	₱150,129	₱8,656	₱158,785



Parent Company

	Common Stock (Note 23)	Hybrid Capital Securities (Note 23)	Capital Paid In Excess of Par Value (Note 23)	Surplus Reserves (Note 24)	Surplus (Notes 23 and 24)	Treasury Stock (Note 23)	Remeasurement Losses on Retirement Plan (Note 27)	Net Unrealized Loss on Available- for-Sale Investments (Note 8)	Equity in Other Comprehensive Income of Associates (Note 11)	Translation Adjustment and Others (Notes 8 and 11)	Total Equity
Balance as at January 1, 2016, as previously reported	₱63,603	₱6,351	₱42,139	₱1,506	₱57,605	₱-	(₱2,915)	(₱4,502)	₱-	(₱563)	₱163,224
Effect of change in accounting for equity investments in Separate Financial Statements (PAS 27) (Note 2)	-	-	-	-	29,892	(187)	(615)	(281)	180	1,546	30,535
Balance as at January 1, 2016, as restated	63,603	6,351	42,139	1,506	87,497	(187)	(3,530)	(4,783)	180	983	193,759
Total comprehensive income for the year	-	-	-	-	18,086	-	(477)	(5,332)	(126)	277	12,428
Transfer to surplus reserves	-	-	-	147	(147)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(3,180)	-	-	-	-	-	(3,180)
Coupon payment of hybrid capital securities (Note 32)	-	-	-	-	(267)	-	-	-	-	-	(267)
Redemption of hybrid capital securities	-	(6,351)	-	-	(89)	-	-	-	-	-	(6,440)
Parent Company shares held by mutual fund subsidiaries	-	-	-	-	-	(298)	-	-	-	-	(298)
Balance as at December 31, 2016	₱63,603	₱-	₱42,139	₱1,653	₱101,900	(₱485)	(₱4,007)	(₱10,115)	₱54	₱1,260	₱196,002
Balance as at January 1, 2015, as previously reported	₱54,896	₱6,351	₱19,312	₱1,371	₱45,265	₱-	(₱2,028)	(₱2,609)	₱-	(₱842)	₱121,716
Effect of change in accounting for equity investments in Separate Financial Statements (PAS 27) (Note 2)	-	-	-	-	26,993	(30)	(412)	215	260	1,387	28,413
Balance as at January 1, 2015, as restated	54,896	6,351	19,312	1,371	72,258	(30)	(2,440)	(2,394)	260	545	150,129
Total comprehensive income for the year	-	-	-	-	18,625	-	(1,090)	(2,389)	(80)	438	15,504
Transfer to surplus reserves	-	-	-	135	(135)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(2,745)	-	-	-	-	-	(2,745)
Coupon payment of hybrid capital securities (Note 32)	-	-	-	-	(506)	-	-	-	-	-	(506)
Issuance of shares of stock	8,707	-	22,827	-	-	-	-	-	-	-	31,534
Parent Company shares held by mutual fund subsidiaries	-	-	-	-	-	(157)	-	-	-	-	(157)
Balance as at December 31, 2015	₱63,603	₱6,351	₱42,139	₱1,506	₱87,497	(₱187)	(₱3,530)	(₱4,783)	₱180	₱983	₱193,759
Balance as at January 1, 2014, as previously reported	₱54,896	₱6,351	₱19,312	₱1,235	₱30,903	₱-	(₱2,617)	(₱2,133)	₱-	(₱888)	₱107,059
Effect of change in accounting for equity investments in Separate Financial Statements (PAS 27) (Note 2)	-	-	-	-	24,622	-	(253)	1,652	272	1,535	27,828
Balance as at January 1, 2014, as restated	54,896	6,351	19,312	1,235	55,525	-	(2,870)	(481)	272	647	134,887
Total comprehensive income for the year	-	-	-	-	20,113	-	430	(1,913)	(12)	(102)	18,516
Transfer to surplus reserves	-	-	-	136	(136)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(2,745)	-	-	-	-	-	(2,745)
Coupon payment of hybrid capital securities (Note 32)	-	-	-	-	(499)	-	-	-	-	-	(499)
Parent Company shares held by a mutual fund subsidiary	-	-	-	-	-	(30)	-	-	-	-	(30)
Balance as at December 31, 2014	₱54,896	₱6,351	₱19,312	₱1,371	₱72,258	(₱30)	(₱2,440)	(₱2,394)	₱260	₱545	₱150,129

See accompanying Notes to Financial Statements.



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

	Consolidated			Parent Company		
	Years Ended December 31					
	2016	2015	2014	2016	2015 (As Restated - Note 2)	2014
CASH FLOWS FROM OPERATING ACTIVITIES						
Income before income tax	₱26,938	₱25,880	₱28,494	₱21,976	₱21,831	₱24,468
Adjustments for:						
Provision for (reversal of) credit and impairment losses (Note 15)	7,342	2,059	4,849	1,174	(2,926)	7
Trading and securities gain on available-for-sale investments (Note 8)	(5,144)	(1,430)	(1,862)	(4,693)	(1,301)	(965)
Depreciation and amortization (Notes 10, 12 and 14)	3,290	2,879	2,566	1,515	1,254	1,057
Share in net income of subsidiaries, associates and a joint venture (Note 11)	(261)	(409)	(443)	(4,958)	(4,740)	(5,797)
Profit from assets sold (Notes 10 and 12)	(732)	(1,293)	(10,200)	(463)	(1,187)	(9,815)
Gain on initial recognition of investment properties and chattel properties acquired in foreclosure (Note 25)	(834)	(713)	(748)	(24)	(21)	(54)
Amortization of software costs (Note 14)	474	381	330	141	160	146
Amortization of discount on subordinated debts and bonds payable	20	45	16	31	29	4
Unrealized market valuation gain on financial assets and liabilities at FVPL	(778)	(1,828)	(334)	(802)	(1,847)	(391)
Dividends (Note 11)	(151)	(478)	(262)	(17)	(8)	(6)
Gain on sale of investment in associates (Note 11)	-	-	(1,225)	-	-	(353)
Changes in operating assets and liabilities:						
Decrease (increase) in:						
Financial assets at fair value through profit or loss	12,820	(19)	8,480	8,981	(1,814)	5,305
Loans and receivables	(182,710)	(129,897)	(153,604)	(149,598)	(98,690)	(132,399)
Other assets	2,004	(4,371)	(5,730)	1,603	(3,824)	(5,216)
Increase (decrease) in:						
Deposit liabilities	131,332	73,516	168,186	99,302	55,957	159,674
Bills payable - deposit substitutes	(263)	13,718	(7,489)	-	-	-
Manager's checks and demand drafts outstanding	1,319	960	726	907	865	583
Accrued interest and other expenses	(1,120)	(1,687)	1,367	(1,125)	(1,743)	1,512
Non-equity non-controlling interest	(1,975)	(215)	(244)	-	-	-
Other liabilities	(3,894)	617	8,335	(2,649)	(12)	7,495
Net cash generated from (used in) operations	(12,323)	(22,285)	41,208	(28,699)	(38,017)	45,255
Dividends received	151	478	262	17	8	6
Income taxes paid	(5,884)	(7,150)	(5,608)	(3,168)	(4,508)	(2,971)
Net cash provided by (used in) operating activities	(18,056)	(28,957)	35,862	(31,850)	(42,517)	42,290
CASH FLOWS FROM INVESTING ACTIVITIES						
Acquisitions of:						
Available-for-sale investments	(388,626)	(170,783)	(218,572)	(374,158)	(98,137)	(187,532)
Held-to-maturity investments	-	(79,513)	(106,377)	-	(65,196)	(88,319)
Property and equipment (Note 10)	(3,512)	(3,840)	(3,073)	(1,640)	(1,819)	(1,447)
Additional investments in subsidiaries and associates (Note 11)	-	-	-	(1,611)	(30)	(1,452)
Proceeds from sale of:						
Available-for-sale investments	508,014	140,573	285,284	494,106	74,888	235,636
Held-to-maturity investments (Note 8)	4,745	-	-	4,745	-	-
Property and equipment	331	472	739	147	287	645

(Forward)



	Consolidated			Parent Company		
	Years Ended December 31					
	2016	2015	2014	2016	2015	2014
					(As Restated - Note 2)	
Investments in subsidiaries and associates (Note 11)	₱-	₱-	₱2,812	₱-	₱-	₱788
Investment properties (Note 12)	2,275	4,090	13,412	1,083	3,167	12,495
Cash dividends from investees	23	7	299	1,847	1,824	2,986
Decrease (increase) in interbank loans receivable and securities purchased under resale agreements (Note 26)	(11,192)	3,065	(2,815)	(5,221)	5,228	(2,815)
Proceeds from maturity of held-to-maturity investments	1,221	157	15,727	1,221	157	15,899
Net cash provided by (used in) investing activities	113,279	(105,772)	(12,564)	120,519	(79,631)	(13,116)
CASH FLOWS FROM FINANCING ACTIVITIES						
Settlements of bills payable	(983,550)	(1,275,001)	(1,971,229)	(983,551)	(776,422)	(1,763,584)
Availments of bills payable and securities sold under repurchase agreement	968,398	1,297,675	1,991,913	963,776	802,717	1,779,936
Repayments of subordinated debts (Note 20)	-	-	(4,500)	-	-	(4,500)
Proceeds from issuance of:						
Subordinated debts (Note 20)	-	-	25,315	-	-	22,344
Shares of stock (Note 23)	-	31,534	-	-	31,534	-
Cash dividends paid (Note 23)	(3,160)	(3,764)	(3,650)	(3,180)	(2,745)	(2,745)
Coupon payment of hybrid capital securities (Note 23)	(267)	(506)	(499)	(267)	(506)	(499)
Redemption of hybrid capital securities (Note 23)	(6,440)	-	-	(6,440)	-	-
Acquisition of Parent Company shares by mutual fund subsidiaries (Note 23)	(298)	(157)	(30)	-	-	-
Net cash provided by (used in) financing activities	(25,317)	49,781	37,320	(29,662)	54,578	30,952
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	69,906	(84,948)	60,618	59,007	(67,570)	60,126
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR						
Cash and other cash items	32,536	34,943	29,742	28,570	30,733	26,532
Due from Bangko Sentral ng Pilipinas	214,704	215,253	166,774	185,484	174,259	143,724
Due from other banks	36,864	38,200	26,275	26,213	25,583	8,947
Interbank loans receivable and securities purchased under resale agreements (Note 26)	31,532	112,188	117,175	23,528	100,790	92,036
	315,636	400,584	339,966	263,795	331,365	271,239
CASH AND CASH EQUIVALENTS AT END OF YEAR						
Cash and other cash items	26,553	32,536	34,943	23,470	28,570	30,733
Due from Bangko Sentral ng Pilipinas	238,806	214,704	215,253	203,781	185,484	174,259
Due from other banks	44,315	36,864	38,200	30,101	26,213	25,583
Interbank loans receivable and securities purchased under resale agreements (Note 26)	75,868	31,532	112,188	65,450	23,528	100,790
	₱385,542	₱315,636	₱400,584	₱322,802	₱263,795	₱331,365

OPERATIONAL CASH FLOWS FROM INTEREST

	Consolidated			Parent Company		
	Years Ended December 31					
	2016	2015	2014	2016	2015	2014
Interest paid	₱15,569	₱16,616	₱13,436	₱9,102	₱10,440	₱7,701
Interest received	69,370	64,663	59,389	42,232	40,936	36,654

See accompanying Notes to Financial Statements.



METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

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

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

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

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying financial statements have been prepared on a historical cost basis except for financial assets and financial liabilities at fair value through profit or loss (FVPL) and available-for-sale (AFS) investments that have been measured at fair value.

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

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

Statement of Compliance

The financial statements of the Group have been prepared in compliance with the accounting principles generally accepted in the Philippines for banks or Philippine GAAP for banks. As discussed in Note 8, in 2011, First Metro Investment Corporation (FMIC), a majority-owned subsidiary of the Parent Company, participated in a bond exchange transaction under the liability management exercise of the Philippine Government. The SEC granted an exemptive relief from the existing tainting rule on held-to-maturity (HTM) investments under Philippine Accounting Standard (PAS) 39, *Financial Instruments: Recognition and Measurement*, while the BSP also



provided the same exemption for prudential reporting to the participants. Following this exemption, the basis of preparation of the financial statements of the availing entities shall not be Philippine Financial Reporting Standards (PFRS) but should be the prescribed financial reporting framework for entities which are given relief from certain requirements of the PFRS. Except for the aforementioned exemption which is applied starting 2011, the financial statements of the Group have been prepared in compliance with the PFRS.

The financial statements of the Parent Company have been prepared in compliance with the PFRS.

Presentation of Financial Statements

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

Basis of Consolidation

The consolidated financial statements include the financial statements of the Parent Company and of its subsidiaries and are prepared for the same reporting period as the Parent Company using consistent accounting policies. The following are the wholly and majority-owned foreign and domestic subsidiaries of the Parent Company in 2016 and 2015 (Note 11):

Subsidiary	Country of Incorporation	Effective Percentage of Ownership	Functional Currency
Financial Markets:			
Domestic:			
FMIC and Subsidiaries	Philippines	99.24	PHP
PSBank (75.98% in 2015 – Note 11)	Philippines	82.68	PHP
Metrobank Card Corporation (A Finance Company) (MCC)	Philippines	60.00	PHP
ORIX Metro Leasing and Finance Corporation (ORIX Metro) and Subsidiaries	Philippines	59.85	PHP
Foreign:			
Metropolitan Bank (China) Ltd. (MBCL)	China	100.00	Chinese Yuan
Metropolitan Bank (Bahamas) Limited (Metrobank Bahamas)	The Bahamas	100.00	USD
First Metro International Investment Company Limited (FMIIIC) and Subsidiary (99.85% in 2015 – Note 11)	Hong Kong	100.00	Hong Kong Dollar (HKD)
Remittances:			
Metro Remittance (Hong Kong) Limited (MRHL)	Hong Kong	100.00	HKD
Metro Remittance (Singapore) Pte. Ltd. (MRSPL)	Singapore	100.00	Singapore Dollar
Metro Remittance (UK) Limited (MR UK)	United Kingdom	100.00	Pound
Metro Remittance (USA), Inc. (MR USA)	United States of America (USA)	100.00	USD
Metro Remittance Center, Inc. (MRCI)	USA	100.00	USD
Metro Remittance (Japan) Co. Ltd. (MR Japan)	Japan	100.00	Japanese Yen
Metro Remittance (Italia), S.p.A. (MR Italia)*	Italy	100.00	Euro
Real Estate:			
Circa 2000 Homes, Inc. (Circa)*	Philippines	100.00	PHP
Others:			
Philbancor Venture Capital Corporation (PVCC)*	Philippines	60.00	PHP
MBTC Technology, Inc. (MTI)**	Philippines	100.00	PHP

* In process of dissolution

** In process of liquidation



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

Changes in the Parent Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for within equity. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or 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 recorded in equity and recycles the same to statement of income or retained earnings; (d) recognizes the fair value of the consideration received; (e) recognizes the fair value of any investment retained; (f) recognizes any surplus or deficit in statement of income; and (g) reclassifies the Parent Company's share of components' gains (losses) previously recognized in other comprehensive income (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 26.47% and 25.22% of the total shares of the Parent Company as of December 31, 2016 and 2015, respectively (Note 31).

Non-controlling Interest

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

Non-equity Non-controlling Interest

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

Non-equity non-controlling interest represents the portion of profit or loss and net assets of the consolidated funds not attributed, directly or indirectly, to the Parent Company and are presented separately in the consolidated statement of income and in the liability section in the consolidated statement of financial position.



Changes in Accounting Policies and Disclosures

The Group applied, for the first time, the following applicable new and revised accounting standards. Unless otherwise indicated, these new and revised accounting standards have no impact to the Group. Except for these standards and amended PFRS which were adopted as of January 1, 2016, the accounting policies adopted are consistent with those of the previous financial year.

Amendments

PAS 1, Presentation of Financial Statements - Initiative to improve presentation and disclosure in financial reports

The amendments to PAS 1 further encourage companies to apply professional judgment in determining what information to disclose in their financial statements. It clarifies that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures.

PAS 16, Property, Plant and Equipment and PAS 38, Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization

The revised PAS 16 and PAS 38 both establish the principle for the basis of depreciation and amortization as being the expected pattern of consumption of the future economic benefits of an asset. The amendments to PAS 16 explicitly prohibits revenue-based depreciation of property, plant and equipment while the amendments to PAS 38 introduce a rebuttable presumption that a revenue-based amortization method for intangible assets is inappropriate for the same reason that there are multiple factors that influence revenue and that not all these factors are related to the way the asset is used or consumed.

PFRS 11, Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations

The amendments provide guidance on how to account for acquisition of an interest in a joint operation that constitutes a business, and apply the relevant principles of PFRS 3 and other PFRS in accounting for business combination as well as the disclosures required by such PFRS.

Annual Improvements to PFRSs (2012 - 2014 cycle)

PFRS 7, Financial Instruments: Disclosures - Servicing Contracts

PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is applied such that the assessment of which servicing contracts constitute continuing involvement needs to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

PFRS 7 - Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements

This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

PAS 19, Employee Benefits - Regional Market Issue regarding Discount Rate

This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.



PAS 27, Separate Financial Statements - Equity Method in Separate Financial Statements

The amendments provide entities an option to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. Effective January 1, 2016, the Group retrospectively applied the equity method in accounting for its investments in subsidiaries, associates and a joint venture in its separate financial statements following the guidelines provided by the BSP. As a result of the adoption of the amendments, investments in subsidiaries and investments in associates and a joint venture presented in the statements of financial position increased by ₱30.8 billion and ₱123.8 million, respectively, as of December 31, 2015 and ₱28.8 billion and ₱109.5 million, respectively, as of December 31, 2014; while the related share in net income of subsidiaries, associates and a joint venture presented in the statements of income increased by ₱2.9 billion and ₱2.4 billion in 2015 and 2014, respectively. See statements of changes in equity for the impact of the adoption of this amended standard on the related equity items.

PAS 34, Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'

The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Significant Accounting Policies

Foreign Currency Translation

Transactions and balances

For financial reporting purposes, the foreign currency-denominated monetary assets and liabilities in the RBU are translated in Philippine peso based on the Philippine Dealing System (PDS) closing rate prevailing at the statement of financial position date and foreign currency-denominated income and expenses, at the prevailing exchange rates as at the date of transaction. Foreign exchange differences arising from revaluation and translation of foreign currency-denominated assets and liabilities are credited to or charged against operations in the year in which the rates change.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

FCDU, foreign branches and subsidiaries

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



Fair Value Measurement

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

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

The principal or the most advantageous market must be accessible to the Group.

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

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

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

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

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

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

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

The Group determines the policies and procedures for both recurring fair value measurement, such as financial assets at FVPL, and for non-recurring measurement, such as investment properties.

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



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

Financial Instruments - Initial Recognition and Subsequent Measurement

Date of recognition

Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date. Derivatives are recognized on trade date basis. Deposits, amounts due to banks and customers and loans are recognized when cash is received by the Group or advanced to the borrowers.

Initial recognition of financial instruments

All financial instruments are initially measured at fair value. Except for financial assets and financial liabilities valued at FVPL, the initial measurement of financial instruments includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, HTM investments, AFS investments, and loans and receivables while financial liabilities are classified as financial liabilities at FVPL and financial liabilities carried at amortized cost. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

'Day 1' difference

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

Derivatives recorded at FVPL

The Parent Company and some of its subsidiaries are counterparties to derivative contracts, such as currency forwards, currency swaps, interest rate swaps (IRS), call options, non-deliverable forwards (NDF) and other interest rate derivatives. These derivatives are entered into as a service to customers and as a means of reducing or managing their respective foreign exchange and interest rate exposures, as well as for trading purposes. Such derivative financial instruments are initially recorded at fair value on the date at which the derivative contract is entered into and are subsequently remeasured at fair value. Any gains or losses arising from changes in fair values of derivatives (except those accounted for as accounting hedges) are taken directly to the statement of income and are included in 'Trading and securities gain - net'. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Hedge accounting

For the purpose of hedge accounting, hedges are classified primarily as either: (a) a hedge of the fair value of an asset, liability or a firm commitment (fair value hedge); or (b) a hedge of the exposure to variability in cash flows attributable to an asset or liability or a forecasted transaction (cash flow hedge); or (c) a hedge of a net investment in a foreign operation (net investment hedge). Hedge accounting is applied to derivatives designated as hedging instruments in a fair value, cash flow, or net investment hedge provided certain criteria are met.



At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Cash flow hedge

The effective portion of the gain or loss on the hedging instrument is recognized directly as 'Translation adjustment and others' in the statement of comprehensive income. Any gain or loss in fair value relating to an ineffective portion is recognized immediately in the statement of income.

Amounts recognized as other comprehensive income are transferred to the statement of income when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognized in the statement of comprehensive income are transferred to the statement of income. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognized in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss. If the related transaction is no longer expected to occur, the amount is recognized in the statement of income.

Hedge effectiveness testing

To qualify for hedge accounting, the Group requires that at the inception of the hedge and throughout its life, each hedge must be expected to be highly effective (prospective effectiveness), and demonstrate actual effectiveness (retrospective effectiveness) on an ongoing basis. The documentation of each hedging relationship sets out how the effectiveness of the hedge is assessed. The method that the Group adopts for assessing hedge effectiveness will depend on its risk management strategy.

For prospective effectiveness, the hedging instrument must be expected to be highly effective in offsetting changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated. The Group applies the dollar-offset method using hypothetical derivatives in performing hedge effectiveness testing. For actual effectiveness to be achieved, the changes in fair value or cash flows must offset each other in the range of 80.00% to 125.00%. Any hedge ineffectiveness is recognized in the statement of income.

Embedded derivatives

The Group has certain derivatives that are embedded in host financial (such as structured notes and debt instruments) and non-financial (such as lease and service agreements) contracts. These embedded derivatives include interest rate derivatives in debt instruments which include structured notes and foreign currency derivatives in debt instruments and lease agreements.



Embedded derivatives are bifurcated from their host contracts and carried at fair value with fair value changes being reported through profit or loss, when the entire hybrid contracts (composed of both the host contract and the embedded derivative) are not accounted for as financial assets or liabilities at FVPL, when their economic risks and characteristics are not clearly and closely related to those of their respective host contracts, and when a separate instrument with the same terms as the embedded derivatives would meet the definition of a derivative. The Group assesses whether embedded derivatives are required to be separated from the host contracts when the Group first becomes a party to the contract. Reassessment of embedded derivatives is only done when there are changes in the contract that significantly modifies the contractual cash flows.

Financial assets or financial liabilities held for trading

Financial assets or financial liabilities held for trading are recorded in the statement of financial position at fair value. Changes in fair value relating to the held for trading positions are recognized in 'Trading and securities gain - net'. Interest earned or incurred is recorded in 'Interest income' or 'Interest expense' respectively, while dividend income is recorded in 'Dividends' when the right to receive payment has been established. Included in this classification are debt and equity securities which have been acquired principally for the purpose of selling or repurchasing in the near term.

AFS investments

AFS investments include debt and equity instruments. Equity investments classified under AFS investments are those which are neither classified as held-for-trading (HFT) nor designated at FVPL. Debt securities are those that do not qualify to be classified as HTM investments or loans and receivables, are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS investments are subsequently measured at fair value. The effective yield component of AFS debt securities, as well as the impact of restatement on foreign currency-denominated AFS debt securities, is reported in the statement of income. The unrealized gains and losses arising from the fair valuation of AFS investments are excluded, net of tax, from reported earnings and are included in the statement of comprehensive income as 'Net unrealized gain (loss) on AFS investments'.

When the security is disposed of, the cumulative gain or loss previously recognized in the statement of comprehensive income is recognized as 'Trading and securities gain - net' in the statement of income. Gains and losses on disposal are determined using the average cost method. Interest earned on holding AFS investments are reported as 'Interest income' using the effective interest rate (EIR) method. Dividends earned on holding AFS investments are recognized in the statement of income as 'Dividends' when the right of the payment has been established. The losses arising from impairment of such investments are recognized as 'Provision for credit and impairment losses' in the statement of income.

HTM investments

HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Group's management has the positive intention and ability to hold to maturity. Where the Group sells or reclassifies other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified to AFS investments and the Group would be prohibited from classifying any financial asset under HTM category during the current year and two succeeding years thereafter unless for sales or reclassifications that:

- are so close to maturity or the financial asset's call date (for example, less than three months before maturity) that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;



- occur after the entity has collected substantially all of the financial asset's original principal through scheduled payments or prepayments; or
- are attributable to an isolated event that is beyond the entity's control, is non-recurring and could not have been reasonably anticipated by the entity.

After initial measurement, these investments are subsequently measured at amortized cost using the EIR method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization is included in 'Interest income' in the statement of income. Gains and losses are recognized in statement of income when the HTM investments are derecognized or impaired, as well as through the amortization process. The losses arising from impairment of such investments are recognized in the statement of income under 'Provision for credit and impairment losses'. The effects of revaluation on foreign currency-denominated HTM investments are recognized in the statement of income.

The Group follows Philippine GAAP for banks in accounting for its HTM investments in the consolidated financial statements. Under Philippine GAAP for banks, the gain on exchange on FMIC's participation in the domestic bond exchange was deferred and amortized over the term of new bonds (see Statement of Compliance discussion).

Loans and receivables

This accounting policy relates to the statement of financial position captions 'Due from BSP', 'Due from other banks', 'Interbank loans receivable and securities purchased under resale agreements (SPURA)' and 'Loans and receivables'. These are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as 'other financial assets held for trading', designated as AFS investments or 'financial assets designated at FVPL'.

Loans and receivables include purchases made by MCC's cardholders which are collected on installments and are recorded at the cost of the items purchased plus interest covering the installment period which is initially credited to unearned discount, shown as a deduction from 'Loans and receivables'.

Loans and receivables also include ORIX Metro's lease contracts receivable and notes receivable financed which are stated at the outstanding balance, reduced by unearned lease income and unearned finance income, respectively.

After initial measurement, 'Due from BSP', 'Due from other banks', 'Interbank loans receivable and SPURA' and 'Loans and receivables', are subsequently measured at amortized cost using the EIR method, less allowance for credit losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in 'Interest income' in the statement of income. The losses arising from impairment are recognized in 'Provision for credit and impairment losses' in the statement of income.

Other financial liabilities

Issued financial instruments or their components, which are not designated at FVPL, are classified as liabilities under 'Deposit liabilities', 'Bills payable' or other appropriate financial liability accounts, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number



of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, bills payable and similar financial liabilities not qualified as and not designated at FVPL, are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

Derecognition of Financial Assets and Liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired; or
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risks and rewards of the asset but has transferred the control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group’s continuing involvement in the asset. The extent of the Group’s continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset. When the Group’s continuing involvement takes the form of guaranteeing the transferred asset, the extent of the Group’s continuing involvement is the lower of (i) the amount of the asset and (ii) the maximum amount of the consideration received that the Group could be required to repay (‘the guarantee amount’). When the Group’s continuing involvement takes the form of a written or purchased option (or both) on the transferred asset the extent of the Group’s continuing involvement is the amount of the transferred asset that the Group may repurchase. However, in case of a written put option to an asset that is measured at fair value, the extent of the Group’s continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price. When the Group’s continuing involvement takes the form of a cash-settled option or similar provision on the transferred asset, the extent of the Group’s continuing involvement is measured in the same way as that which results from non-cash settled options.

Financial liabilities

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



Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase at a specified future date ('repos') are not derecognized from the statement of financial position. The corresponding cash received, including accrued interest, is recognized in the statement of financial position as securities sold under repurchase agreements (SSURA) included in 'Bills Payable and SSURA' and is considered as a loan to the Group, reflecting the economic substance of such transaction.

Conversely, securities purchased under agreements to resell at a specified future date ('reverse repos') are not recognized in the statement of financial position. The corresponding cash paid including accrued interest, is recognized in the statement of financial position as SPURA, and is considered a loan to the counterparty. The difference between the purchase price and resale price is treated as interest income and is accrued over the life of the agreement using the EIR method.

Impairment of Financial Assets

The Group assesses at each statement of financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost

For financial assets carried at amortized cost such as loans and receivables, due from other banks, and HTM investments, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. For individually assessed financial assets, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR, adjusted for the original credit risk premium. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

Financial assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment. The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to the statement of income. Interest income continues to be recognized based on the original EIR of the asset. Financial assets, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent period, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. If a future write-off is later recovered, any amounts formerly charged are credited to the 'Provision for credit and impairment losses' in the statement of income.



If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of credit risk characteristics such as industry, collateral type, past-due status and term. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with changes in related observable data from period to period (such as changes in property prices, payment status, or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

The Group also uses the Net Flow Rate method to determine the credit loss rate of a particular delinquency age bucket based on historical data of flow-through and flow-back of loans across specific delinquency age buckets. The allowance for credit losses is determined based on the results of the net flow to write-off methodology. Net flow tables are derived from monitoring of monthly peso movements between different stage buckets, from 1-day past due to 180-day past due. The net flow to write-off methodology relies on the last 12 months of net flow tables to establish a percentage ('net flow rate') of accounts receivable that are current or in any state of delinquency (i.e., 30, 60, 90, 120, 150 and 180 day past due) as of reporting date that will eventually result in write-off. The gross provision is then computed based on the outstanding balances of the receivables as of statement of financial position date and the net flow rates determined for the current and each delinquency bucket. This gross provision is reduced by the estimated recoveries, which are also based on historical data, to arrive at the required allowance for credit losses.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

AFS investments

In case of quoted equity investments classified as 'AFS investments', this would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the statement of income - is removed from the statement of comprehensive income and recognized in the statement of income. Impairment losses on equity investments are not reversed through the statement of income. Increases in fair value after impairment are recognized directly in the statement of comprehensive income.



In case of unquoted equity investments classified as 'AFS investments', the amount of the impairment is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

In case of debt instruments classified as 'AFS investments', impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of 'Interest income' in the statement of income. If subsequently, the fair value of a debt instrument increased and the increase can be objectively related to an event occurring after the impairment loss was recognized in the statement of income, the impairment loss is reversed through the statement of income.

Restructured loans

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews restructured loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR. The difference between the recorded value of the original loan and the present value of the restructured cash flows, discounted at the original EIR, is recognized in 'Provision for credit and impairment losses' in the statement of income.

Revenue Recognition

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The Group concluded that it is acting as a principal in all of its revenue arrangements except for certain trading transactions. The following specific recognition criteria must also be met before revenue is recognized:

Interest income

For all financial instruments measured at amortized cost and interest-bearing financial instruments classified as AFS investments, interest income is recorded at the EIR, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options), including any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses. The adjusted carrying amount is calculated based on the original EIR. The change in carrying amount is recorded as 'Interest income'.

Once the recorded value of a financial asset or group of similar financial assets carried at amortized cost has been reduced due to an impairment loss, interest income continues to be recognized using the original EIR applied to the new carrying amount.

Purchases by credit cardholders, collectible on an installment basis, are recorded at the cost of the items purchased plus a certain percentage of cost. The excess over cost is credited to 'Unearned discount' and is shown as a deduction from 'Loans and receivables' in the consolidated statement of financial position. The unearned discount is taken up to interest income over the installment terms and is computed using the EIR method.



Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

- a. *Fee income earned from services that are provided over a certain period of time*
Fees earned for the provision of services over a period of time are accrued over that period. These fees include investment fund fees, custodian fees, fiduciary fees, commission income, credit related fees, asset management fees, portfolio and other management fees, and advisory fees. Loan commitment fees for loans that are likely to be drawn down are deferred (together with any incremental costs) and recognized as an adjustment to the EIR on the loan.
- b. *Fee income from providing transaction services*
Fees arising from negotiating or participating in the negotiation of a transaction for a third party - such as underwriting fees, corporate finance fees and brokerage fees for the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses - are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria. Loan syndication fees are recognized in the statement of income when the syndication has been completed and the Group retains no part of the loans for itself or retains part at the same EIR as for the other participants.

Leasing income - Finance lease

The excess of aggregate lease rentals plus the estimated residual value over the cost of the leased equipment constitutes the unearned lease income. Residual values represent estimated proceeds from the disposal of equipment at the time lease is estimated. The unearned lease income is amortized over the term of the lease, commencing on the month the lease is executed using the EIR method.

Dividend income

Dividend income is recognized when the Group's right to receive payment is established.

Trading and securities gain - net

Results arising from trading activities include all gains and losses from changes in fair value for financial assets and financial liabilities at FVPL and gains and losses from disposal of financial assets held for trading, AFS and HTM investments.

Rental income

Rental income arising on leased properties is accounted for on a straight-line basis over the lease terms on ongoing leases and is recorded in the statement of income under 'Leasing'.

Discounts earned and awards revenue on credit cards

Discounts are taken up as income, presented under 'Service charges, fees and commissions', upon receipt from member establishments of charges arising from credit availments by the Group's cardholders and other credit companies' cardholders when Group is acting as an acquirer. These discounts are computed based on certain agreed rates and are deducted from amounts remitted to the member establishments. This account also includes interchange income from transactions processed by other acquirers through VISA Inc. (Visa) and MasterCard Incorporated (MasterCard) and service fee from cash advance transactions of cardholders.

MCC operates a loyalty points program which allows customers to accumulate points when they purchase from member establishments using the issued card of MCC. The points can then be redeemed for free products subject to a minimum number of points being obtained. Consideration



received is allocated between the discounts earned, interchange fee and the points earned, with the consideration allocated to the points equal to its fair value. The fair value is determined by applying statistical analysis. The fair value of the points issued is deferred and recognized as revenue when the points are redeemed.

Income on direct financing leases and receivables financed

Income on loans and receivables financed with short-term maturities is recorded in 'Interest income' and is recognized using the EIR method. Interest and finance fees on finance leases and loans and receivables financed with long-term maturities and the excess of the aggregate lease rentals plus the estimated terminal value of the leased equipment over its cost are credited to unearned discount and amortized over the term of the note or lease using the EIR method.

Gain on sale of investment in associate

Upon loss of significant influence over an associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Gain on sale of non-current asset held for sale

The gain or loss arising from the sale of non-current asset held for sale is included in profit or loss when the item is derecognized. The gain or loss arising from the derecognition of non-current asset held for sale is determined as the difference between the net disposal proceeds and its carrying amount on the date of the transaction.

Other income

Income from sale of services is recognized upon rendition of the service. Income from sale of properties is recognized upon completion of the earning process and the collectibility of the sales price is reasonably assured. Revenue on sale of residential and commercial units is recognized only upon completion of the project. Payments received before completions are included under 'Miscellaneous liabilities'.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items, amounts due from BSP and other banks, and interbank loans receivable and SPURA with original maturities of three months or less from dates of placements and that are subject to insignificant risk of changes in value.

Property and Equipment

Land is stated at cost less any impairment in value and depreciable properties including buildings, furniture, fixtures and equipment and leasehold improvements are stated at cost less accumulated depreciation and amortization, and any impairment in value. Such cost includes the cost of replacing part of the property and equipment when that cost is incurred, if the recognition criteria are met but excludes repairs and maintenance costs.

Building under construction (BUC) is stated at cost and includes cost of construction and other direct costs. BUC is not depreciated until such time that the relevant asset is completed and put into operational use.

Depreciation is calculated on the straight-line method over the estimated useful life of the depreciable assets. Leasehold improvements are amortized over the shorter of the terms of the covering leases and the estimated useful lives of the improvements.



The range of estimated useful lives of property and equipment follows:

Buildings	25 to 50 years
Furniture, fixtures and equipment	2 to 5 years
Leasehold improvements	5 to 20 years

The depreciation and amortization method and useful life are reviewed periodically to ensure that the method and period of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income under 'Profit from assets sold' in the year the asset is derecognized.

Investments in Subsidiaries, Associates and a Joint Venture (JV)

Investment in subsidiaries

Subsidiaries pertain to all entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights.

Investment in associates

Associates pertain to all entities over which the Group and the Parent Company have significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Investment in associates is accounted for under the equity method of accounting.

Investment in a JV

A JV is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the JV. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Investment in a JV is accounted for under the equity method of accounting. The Group's investment in a JV represents the 40.00% interest of PSBank in Sumisho Motor Finance Corporation (SMFC).

Upon loss of significant influence over the associate or joint control over the JV, the Group and the Parent Company measure and recognize any retained investment at its fair value. Any difference between the carrying amount of the associate or JV upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in the statement of income.

Under the equity method, investments in associates and a JV are carried in the statement of financial position at cost plus post-acquisition changes in the Group's and Parent Company's share of the net assets of the associate or JV less any impairment in value. Post-acquisition changes in



the share of net assets of the associate or a JV include the share in the: (a) income or losses; and (b) unrealized gain or loss on investment securities, remeasurement of retirement plans and others. Dividends received are treated as a reduction in the carrying values of the investments. Goodwill relating to the associate and a JV is included in the carrying value of the investment and is not amortized. When the Group and Parent Company increase its ownership interest in an associate or a JV that continues to be accounted for under the equity method, the cost for the additional interest is added to the existing carrying amount of the associate or JV and the existing interest in the associate or JV is not remeasured. The share in an associate or a JV's post-acquisition profits or losses is recognized in the statement of income as 'Share in net income of subsidiaries, associates and a joint venture' while its share of post-acquisition movements in the associate or JV's equity reserves is recognized directly in the statement of comprehensive income. When the share of losses in an associate or a JV equals or exceeds its interest in the associate or JV, including any other unsecured receivables, the Group and the Parent Company do not recognize further losses, unless it incurred obligations or made payments on behalf of the associate or JV which is recognized as miscellaneous liabilities. Profits and losses resulting from transactions between the Group or the Parent Company and an associate or JV are eliminated to the extent of the Group or the Parent Company's interest in the associate or JV.

Investments in subsidiaries in the separate financial statements are accounted for under the equity method similarly as investments in associates. Equity in other comprehensive income of subsidiaries and changes therein are included in remeasurement losses on retirement plan, net unrealized loss on AFS investments and translation adjustments and others as appropriate together with the Parent Company in the separate statement of financial position and statement of comprehensive income.

Investment Properties

Investment properties are measured initially at cost, including transaction costs. An investment property acquired through an exchange transaction is measured at fair value of the asset acquired unless the fair value of such an asset cannot be measured in which case the investment property acquired is measured at the carrying amount of asset given up. Foreclosed properties are classified under 'Investment properties' upon: a.) entry of judgment in case of judicial foreclosure; b.) execution of the Sheriff's Certificate of Sale in case of extra-judicial foreclosure; or c.) notarization of the Deed of Dacion in case of dacion in payment (dacion en pago). Subsequent to initial recognition, investment properties are carried at cost less accumulated depreciation (for depreciable investment properties) and impairment in value.

Investment properties are derecognized when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the statement of income under 'Profit from assets sold' in the year of retirement or disposal.

Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance costs, are normally charged to operations in the year in which the costs are incurred. Depreciation is calculated on a straight-line basis using the remaining useful lives from the time of acquisition of the investment properties based on appraisal reports but not to exceed 50 years for buildings and condominium units.



Transfers are made to investment properties when, and only when, there is a change in use evidenced by ending of owner occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use evidenced by commencement of owner occupation or commencement of development with a view to sale.

Interest in Joint Operations

The Group is a party to joint operations whereby it contributed parcels of land for development into residential and commercial units. In respect of the Group's interest in the joint operations, the Group recognizes the following: (a) the assets that it controls and the liabilities that it incurs; and (b) the expenses that it incurs and its share of the income that it earns from the sale of units by the joint operations. The assets contributed to the joint operations are measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale (Note 14).

Chattel Mortgage Properties

Chattel mortgage properties comprise of repossessed vehicles. Chattel mortgage properties are stated at cost less accumulated depreciation and impairment in value. Depreciation is calculated on a straight-line basis using the remaining useful lives from the time of acquisition of the vehicles. The useful lives of chattel mortgage properties are estimated to be 5 years.

Subordinated Notes

Subordinated notes issued by Special Purpose Vehicles (SPV) (presented as 'Investment in SPVs' under 'Other assets') are stated at amortized cost reduced by an allowance for credit losses. The allowance for credit losses is determined based on the difference between the outstanding principal amount and the recoverable amount which is the present value of the future cash flow expected to be received as payment for the subordinated notes.

Intangible Assets

Software costs

Software costs (presented under 'Other assets') are capitalized on the basis of the cost incurred to acquire and bring to use the specific software. These costs are amortized over three to five years on a straight-line basis. Costs associated with maintaining the computer software programs are recognized as expense when incurred. Software costs are carried at cost less accumulated amortization.

Exchange trading right

Exchange trading right (included in 'Miscellaneous assets' presented under 'Other assets') is a result of the PSE conversion plan to preserve access of FMIC's subsidiary to the trading facilities and continue transacting business in the PSE. The exchange trading right has an indefinite useful life as there is no foreseeable limit to the period over which this asset is expected to generate net cash inflows. It is carried at the amount allocated from the original cost to the exchange membership seat (after a corresponding allocation was made to the value of the PSE shares) less any allowance for impairment losses. FMIC's subsidiary does not intend to sell the exchange trading right in the near future.

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. With respect to investments in associates and a JV, goodwill is included in the carrying amounts of the investments. Following initial recognition, goodwill is measured at cost net of impairment losses (see accounting policy on Impairment of Non-financial Assets).



Customized System Development Cost

Customized system development cost consists of payments for customization of various banking systems. This account will be reclassified to appropriate accounts upon completion and will be depreciated and amortized from the time the asset is ready for its intended use (Note 14).

Impairment of Non-financial Assets

Property and equipment, investments in subsidiaries, associates and a JV, investment properties, chattel mortgage properties, and intangible assets with finite useful lives

At each statement of financial position date, the Group assesses whether there is any indication that its non-financial assets may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Group makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use (VIU) and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash generating unit to which it belongs. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to operations in the year in which it arises.

An assessment is made at each statement of financial position date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income. After such a reversal, the depreciation and amortization expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Intangible assets and customized system development cost not yet available for use

Intangible assets with indefinite useful lives such as exchange trading right, goodwill and customized system development cost not yet available for use are tested for impairment annually at statement of financial position date either individually or at the cash generating unit level, as appropriate. Intangible assets with finite lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Goodwill

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the cash generating unit (CGU) (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or group of CGUs) to which goodwill has been allocated, an impairment loss is recognized immediately in the statement of income. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods. The Group performs its impairment test of goodwill annually.



Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- (a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
- (b) a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
- (c) there is a change in the determination of whether fulfillment is dependent on a specified asset;
or
- (d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gives rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

Residual Value of Leased Assets and Deposits on Lease Contracts

The residual value of leased assets, which approximates the amount of guaranty deposit paid by the lessee at the inception of the lease, is the estimated proceeds from the sale of the leased asset at the end of the lease term. At the end of the lease term, the residual value of the leased asset is generally applied against the guaranty deposit of the lessee when the lessee decides to buy the leased asset.

Group as lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to the ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments and included in 'Property and equipment' with the corresponding liability to the lessor included in 'Other liabilities'. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recorded directly to 'Interest expense'.

Capitalized leased assets are depreciated over the shorter of the estimated useful lives of the assets or the respective lease terms, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Leases where the lessor retains substantially all the risk and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognized as an expense in the statement of income on a straight-line basis over the lease term. Contingent rental payables are recognized as expense in the year in which they are incurred.

Group as lessor

Finance leases, where the Group transfers substantially all the risks and benefits incidental to the ownership of the leased item to the lessee, are included in the statement of financial position under 'Loans and receivables'. All income resulting from the receivable is included in 'Interest income' in the statement of income.

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the year in which they are earned.



Retirement Cost

The Group has a non-contributory defined benefit retirement plan except for FMIIC and its subsidiary which follow the defined contribution retirement benefit plan and the Mandatory Provident Fund Scheme (MPFS). The retirement cost of the Parent Company and most of its subsidiaries is determined using the projected unit credit method. Under this method, the current service cost is the present value of retirement benefits payable in the future with respect to services rendered in the current year.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation (DBO) at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

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

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the year in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss. Retirement expense is presented under 'Compensation and fringe benefits' in the statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the DBO, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.



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

Equity

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

Subscriptions receivable pertains to the uncollected portion of the subscribed stocks.

Surplus represents accumulated earnings of the Group less dividends declared.

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

Provisions

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

Contingent Liabilities and Contingent Assets

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

Income Taxes

Current taxes

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



Deferred taxes

Deferred tax is provided on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- a. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- b. In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular income tax, and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward of unused tax credits from MCIT and unused NOLCO can be utilized except:

- a. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- b. In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each statement of financial position date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

Current tax and deferred tax relating to items recognized directly in equity are recognized in other comprehensive income and not in the statement of income.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and deferred taxes relate to the same taxable entity and the same taxation authority.

Earnings Per Share

Basic earnings per share is computed by dividing net income for the year attributable to equity holders of the Parent Company by the weighted average number of common shares outstanding during the year after giving retroactive effect to stock dividends declared and stock rights exercised during the year. The Group does not have dilutive potential common shares.



Dividends on Common Shares

Cash dividends on common shares are recognized as a liability and deducted from the equity when approved by the Board of Directors (BOD) of the Parent Company while stock dividends are deducted from equity when approved by BOD and shareholders of the Parent Company. Dividends declared during the year but are paid or issued after the statement of financial position date are dealt with as a subsequent event.

Coupon Payment on Hybrid Capital Securities

Coupon payment on hybrid capital securities (HT1 Capital) is treated as dividend for financial reporting purposes, rather than interest expense and deducted from equity when due, after the approval by the BOD of the Parent Company and the BSP.

Debt Issue Costs

Issuance, underwriting and other related costs incurred in connection with the issuance of debt instruments are deferred and amortized over the terms of the instruments using the EIR method. Unamortized debt issuance costs are included in the related carrying amount of the debt instrument in the statement of financial position.

Capital Securities Issuance Costs

Issuance, underwriting and other related costs incurred in connection with the issuance of the capital securities are treated as a reduction of equity.

Events after the Statement of Financial Position Date

Post year-end events that provide additional information about the Group's position at the statement of financial position date (adjusting event) are reflected in the financial statements. Post year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 6.

Fiduciary Activities

Assets and income arising from fiduciary activities together with related undertakings to return such assets to customers are excluded from the financial statements where the Parent Company, PSBank and FMIC act in a fiduciary capacity such as nominee, trustee or agent.

Standards Issued but not yet Effective

Standards issued but not yet effective up to the date of the Group's financial statements are listed below. The listing consists of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt these standards when they become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on its financial statements.



Amendments

Effective beginning on or after January 1, 2017

PAS 7, Statement of Cash Flows

The amendments to disclosures require entities to provide information about changes in their financing liabilities. This will help investors to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes such as foreign exchange gains or losses.

PAS 12, Income Taxes - Recognition of Deferred Tax Assets for Unrealized Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted.

New Standards

Effective beginning on or after January 1, 2018

PFRS 9, Financial Instruments (2014 or final version)

PFRS 9 replaces PAS 39, *Financial Instruments: Recognition and Measurement* and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at: (a) amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding; or (b) at fair value through other comprehensive income if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. PFRS 9 introduces the single, forward-looking "expected loss" impairment model, replacing the "incurred loss" impairment model. PFRS 9 also replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing



the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship. The window for early adoption of PFRS 9 was closed by the BSP in its Circular No. 912 issued on May 27, 2016. Retrospective application is required, but comparative information is not compulsory.

The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The adoption will also have an effect on the Group's application of hedge accounting. The Group is in process of assessing the impact of adopting this standard which shall be based on the result of its PFRS 9 conversion project.

Effective beginning on or after January 1, 2019

PFRS 16, Leases

Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements. The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value. Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Group is currently assessing the impact of adopting PFRS 16.

The following amendments to standards issued by the International Accounting Standards Board (IASB) were already adopted by the Financial Reporting Standards Council (FRSC) but are still for approval by the Board of Accountancy.

Effective beginning on or after January 1, 2018

New Standard

PFRS 15, Revenue from Contracts with Customers

PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018.

Amendments

PFRS 2, Share-based Payment, Classification and Measurement of Share-based Payment Transactions

The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based



payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted. The Group is assessing the potential effect of the amendments on its consolidated financial statements.

PFRS 4, Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021. The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9. The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

Deferred effectivity

PFRS 10, Consolidated Financial Statements and PAS 28, Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture. On January 13, 2016, the FRSC postponed the original effective date of January 1, 2016 of the said amendments until the IASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Philippine Interpretation IFRIC 15, Agreements for the Construction of Real Estate

This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the FRSC have deferred the effectivity of this interpretation.

3. Significant Accounting Judgments and Estimates

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



reasonable under the circumstances. The following are the critical judgments and key assumptions that have a significant risk of material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Judgments

a. Consolidation of subsidiaries

The determination whether the Group has control over an investee company requires significant judgment. The Group considers that the following criteria are all met, including: (a) an investor has the power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's return.

In accordance with PFRS 10, the Group included the accounts of First Metro Save and Learn Balance Fund, Inc. (FMSALBF), First Metro Save and Learn Equity Fund, Inc. (FMSALEF), and First Metro Save and Learn Fixed Income Fund (FMSLFIF), collectively the "Funds", in its consolidated financial statements. The Group re-assessed the control conclusion for these Funds. Although the ownership is less than half of the voting power of these investees, the Group has control due to its power to direct the relevant activities of the Funds through First Metro Asset Management Inc. (FAMI), a subsidiary of FMIC, which acts as the fund manager of the Funds. Further, the Group has the exposure to variable returns from its investments and its ability to use its power over the Funds to affect their returns.

b. Existence of significant influence over an associate with less than 20.00% ownership

As discussed in Note 11, there are instances that an investor exercises significant influence even if its ownership is less than 20.00%. The Group applies significant judgment in assessing whether it holds significant influence over an investee and considers the following: (a) representation in the board of directors or equivalent governing body of the investee; (b) participation in policy-making processes, including participation in decisions about dividends or other distributions; (c) material transactions between the investor and the investee; (d) interchange of managerial personnel; (e) joint voting agreement with other investors; or (f) provision of essential technical information.

c. Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, these are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. These judgments may include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives (Note 5).

d. Leases

Operating lease

Group as lessor

The Group has entered into commercial property leases on its investment properties portfolio and over various items of furniture, fixtures and equipment. The Group has determined, based on an evaluation of the terms and conditions of the arrangements (i.e., the lease does not transfer ownership of the asset to the lessee by the end of the lease term, the lessee has no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option is exercisable and the lease term is not for the major part of the asset's economic life), that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.



Group as lessee

The Group has entered into lease on premises it uses for its operations. The Group has determined, based on the evaluation of the terms and conditions of the lease agreement (i.e., the lease does not transfer ownership of the asset to the lessee by the end of the lease term and lease term is not for the major part of the asset's economic life), that the lessor retains all the significant risks and rewards of ownership of these properties.

Finance lease

The Group has determined, based on an evaluation of terms and conditions of the lease arrangements (i.e., present value of minimum lease payments amounts to at least substantially all of the fair value of leased asset, lease term is for the major part of the economic useful life of the asset, and lessor's losses associated with the cancellation are borne by the lessee), that it has transferred all significant risks and rewards of ownership of the properties it leases out on finance leases.

e. Contingencies

The Group is currently involved in legal proceedings. The estimate of the probable cost for the resolution of claims has been developed in consultation with the aid of the outside legal counsel handling the Group's defense in this matter and is based upon an analysis of potential results. It is probable, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to this proceeding (Note 30).

Estimates

a. Credit losses of loans and receivables

The Group reviews its loan portfolios and receivables to assess impairment on a semi-annual basis with updating provisions made during the intervals as necessary based on the continuing analysis and monitoring of individual accounts by credit officers. In determining whether credit losses should be recorded in the statement of income, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates in the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes in the allowance.

In addition to specific allowance against individually significant loans and receivables, the Group also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This collective allowance is based on historical loss experience adjusted on the basis of current historical data for assets with similar credit risk characteristics or using the Net Flow Rate method.

The carrying values of loans and receivables and the related allowance for credit losses of the Group and the Parent Company are disclosed in Note 9. In 2016, 2015 and 2014, provision for (reversal of) credit losses on loans and receivables amounted to ₱7.3 billion, ₱2.1 billion and ₱4.8 billion, respectively, for the Group and ₱1.2 billion, (₱2.9 billion) and ₱7.3 million, respectively, for the Parent Company (Note 15).



As of December 31, 2016 and 2015, allowance for impairment losses on AFS equity securities amounted to ₱294.3 million and ₱481.7 million, respectively, for the Group and ₱160.3 million for the Parent Company. As of December 31, 2016 and 2015, the carrying value of AFS equity securities (included under AFS investments) amounted to ₱782.5 million and ₱5.7 billion, respectively, for the Group and ₱388.2 million and ₱358.2 million, respectively, for the Parent Company (Notes 8 and 15).

b. Recognition of deferred income taxes

Deferred tax assets are recognized for all unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The estimates of future taxable income indicate that certain temporary differences will be realized in the future. The recognized net deferred tax assets and unrecognized deferred tax assets for the Group and the Parent Company are disclosed in Note 28.

c. Present value of retirement liability

The cost of defined retirement pension plan and other post-employment benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and the long-term nature of these plans, such estimates are subject to significant uncertainty. The assumed discount rates were determined using the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as of the statement of financial position date. The present values of the retirement liability of the Group and the Parent Company are disclosed in Note 27.

d. Impairment of non-financial assets

Property and equipment, investments in subsidiaries, associates and a JV, investment properties, software costs and chattel mortgage properties

The Group assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following: a) significant underperformance relative to expected historical or projected future operating results; b) significant changes in the manner of use of the acquired assets or the strategy for overall business; and c) significant negative industry or economic trends.

The Group uses the higher of fair value less costs to sell and VIU in determining recoverable amount. As of December 31, 2016, there has been a significant and prolonged decline in the fair value of an associate. The recoverable amount of the investment in the associate has been determined based on a VIU calculation. Key assumptions in VIU calculation are most sensitive to the following assumptions: (a) production volume; (b) price; (c) exchange rates; (d) capital expenditures and (e) long-term growth rates. Based on the Group's impairment testing, the investment in associate is determined to be not impaired.

The carrying values of the property and equipment, investments in subsidiaries, associates and a JV, investment properties, software costs and chattel mortgage properties of the Group and the Parent Company are disclosed in Notes 10, 11, 12 and 14, respectively.



Goodwill

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or group of CGUs) to which goodwill has been allocated, an impairment loss is recognized immediately in the statement of income. The Group used weighted average cost of capital or cost of equity, as appropriate, of the CGUs, in determining the VIU. Future cash flows from the business are estimated based on the theoretical annual income of the CGUs. Average growth rate was derived based on the historical or industry data as applicable. The recoverable amount of the CGU has been determined based on the higher of the cash generating unit's fair value less cost to sell and VIU calculation using cash flow projections from financial budgets approved by senior management. In 2016 and 2015, the applicable pre-tax discount rates applied to cash flow projections are 14.67% and 13.41%, respectively. Key assumptions in VIU calculation of CGUs are most sensitive to discount rates and growth rates used to project cash flows.

As of December 31, 2016 and 2015, the Group's goodwill amounted to ₱5.2 billion (Note 11).

4. Financial Risk and Capital Management

Introduction

The Group has exposure to the following risks from its use of financial instruments: (a) credit; (b) liquidity; and (c) market risks.

Risk management framework

The 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) and Policy Committee, among others.

The AC is responsible for monitoring compliance with the Parent Company's risk management policies and procedures, and for reviewing the adequacy of risk management practices in relation to the risks faced by the Parent Company. The AC is assisted in these functions by the Internal Audit Group (IAG). IAG undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the AC.

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. 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 composed of the 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, for market segmentation, and industry concentrations, and by monitoring exposures in relation to such limits. 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 IAG and Risk Management Group (RSK).

Management of credit risk

The Group faces potential credit risks every time it extends funds to borrowers, commits funds to counterparties, guarantees the paying performance of its clients, invests funds to issuers (e.g., investment securities issued by either sovereign or corporate entities) or enter into either market-traded or over-the-counter derivatives, either through implied or actual contractual agreements (i.e., on- or off-balance sheet exposures). The Parent Company manages its credit risk at various levels (i.e., strategic level, portfolio level down to individual obligor or transaction) by adopting a credit risk management environment that has the following components:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit/financial assessment, risk grading and reporting and compliance with regulatory requirements;
- Establishment of authorization limits for the approval and renewal of credit facilities;
- Limiting concentrations of exposure to counterparties and industries (for loans), and by issuer (for investment securities);
- Utilizing the Internal Credit Risk Rating System (ICRRS) in order to categorize exposures according to the risk profile. The risk grading system is used for determining impairment provisions against specific credit exposures. The current risk grading framework consists of ten grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation; and
- Monitoring compliance with approved exposure limits.

Borrowers, counterparties or group of related accounts across the Group are aggregated and managed by the Parent Company’s Institutional Banking Sector as the “Control Unit”. Group Limits for conglomerates are set-up and approved to guide subsidiaries and affiliates of the Group. Consolidated exposures are regularly reported to senior management and the ROC.

The ICRRS contains the following:

- a. Borrower Risk Rating (BRR) - an assessment of the credit worthiness of the borrower (or guarantor) without considering the type or amount of the facility and security arrangements. It is an indicator of the probability that a borrower cannot meet its credit obligations when it falls due. The assessment is described below:

Component	Description	Credit Factor Weight
Financial Condition	Refers to the financial condition of the borrower based on audited financial statements as indicated by certain financial ratios. The Financial Factor Evaluation is conducted manually.	40.00%
Industry Analysis	Refers to the prospects of the industry as well as the company’s performance and position in the industry.	30.00%
Management Quality	Refers to the management’s ability to run the company successfully.	30.00%



- b. Facility Risk Factor (FRF) - determined for each individual facility considering the term of the facility, security arrangement and quality of documentation. This factor can downgrade or upgrade the BRR based on the elements relating to cover (collateral including pledged cash deposits and guarantee), quality of documentation and structure of transactions.
- c. Adjusted Borrower Risk Rating - combination of BRR and FRF.

Maximum exposure to credit risk after collateral held or other credit enhancements

An analysis of the maximum credit risk exposure relating to on balance sheet assets is shown below:

	Consolidated							
	2016				2015			
	Carrying Amount	Fair Value of Collateral	Financial Effect of Collateral or Credit Enhancement	Maximum Exposure to Credit Risk	Carrying Amount	Fair Value of Collateral	Financial Effect of Collateral or Credit Enhancement	Maximum Exposure to Credit Risk
SPURA	₱46,831	₱56,672	₱46,795	₱36	₱2,500	₱3,023	₱2,500	₱-
Loans and receivables - net								
Receivables from customers								
Commercial loans	300,464	562,590	226,245	74,219	178,445	300,586	160,564	17,881
Residential mortgage loans	91,641	196,090	91,545	96	84,670	178,061	84,525	145
Auto loans	96,527	154,850	96,070	457	80,788	123,101	80,661	127
Trade loans	27,987	31,188	27,171	816	31,159	30,452	30,293	866
Others	1,239	1,040	993	246	2,687	2,614	2,569	118
	517,858	945,758	442,024	75,834	377,749	634,814	358,612	19,137
Unquoted debt securities	-	-	-	-	350	1,015	350	-
Accrued interest receivable	2,794	4,045	2,567	227	2,313	1,923	1,958	355
Sales contract receivable	156	462	156	-	358	663	351	7
	520,808	950,265	444,747	76,061	380,770	638,415	361,271	19,499
Total	₱567,639	₱1,006,937	₱491,542	₱76,097	₱383,270	₱641,438	₱363,771	₱19,499

	Parent Company							
	2016				2015			
	Carrying Amount	Fair Value of Collateral	Financial Effect of Collateral or Credit Enhancement	Maximum Exposure to Credit Risk	Carrying Amount	Fair Value of Collateral	Financial Effect of Collateral or Credit Enhancement	Maximum Exposure to Credit Risk
Interbank loans receivable and SPURA	₱41,387	₱51,515	₱41,351	₱36	₱471	₱649	₱471	₱-
Loans and receivables - net								
Receivables from customers								
Commercial loans	194,437	464,089	172,050	22,387	154,560	271,127	138,938	15,622
Residential mortgage loans	48,247	109,954	48,151	96	44,529	106,380	44,384	145
Auto loans	28,452	63,964	27,995	457	21,467	49,248	21,341	126
Trade loans	27,987	31,188	27,171	816	31,159	30,452	30,293	866
Others	1,217	1,020	983	234	1,697	1,611	1,579	118
	300,340	670,215	276,350	23,990	253,412	458,818	236,535	16,877
Accrued interest receivable	1,179	955	952	227	1,012	657	656	356
Sales contract receivable	29	83	29	-	167	377	160	7
	301,548	671,253	277,331	24,217	254,591	459,852	237,351	17,240
Total	₱342,935	₱722,768	₱318,682	₱24,253	₱255,062	₱460,501	₱237,822	₱17,240

The maximum exposure to credit risks for the other financial assets is limited to the carrying value as of December 31, 2016 and 2015.



The following tables show the effect of rights of set-off associated with the recognized financial assets and financial liabilities.

Financial assets recognized by type	Gross Carrying Amounts (before offsetting)	Gross Amounts Offset in Accordance with the Offsetting Criteria	Net Amount Presented in Statement of Financial Position	Effect of Remaining Rights of Set-Off (including rights to set-off financial collateral) offsetting criteria		Net Exposure
				Financial Instruments	Fair Value of Financial Collateral	
Consolidated						
2016						
Derivative assets	₱111,574	₱104,613	₱6,961	₱259	₱-	₱6,702
SPURA	46,831	-	46,831	-	46,795	36
	₱158,405	₱104,613	₱53,792	₱259	₱46,795	₱6,738
2015						
Derivative assets	₱115,203	₱109,445	₱5,758	₱405	₱-	₱5,353
SPURA	2,500	-	2,500	-	2,500	-
	₱117,703	₱109,445	₱8,258	₱405	₱2,500	₱5,353
Parent Company						
2016						
Derivative assets	₱111,054	₱104,093	₱6,961	₱259	₱-	₱6,702
SPURA	40,642	-	40,642	-	40,606	36
	₱151,696	₱104,093	₱47,603	₱259	₱40,606	₱6,738
2015						
Derivative assets	₱115,203	₱109,445	₱5,758	₱405	₱-	₱5,353
SPURA	-	-	-	-	-	-
	₱115,203	₱109,445	₱5,758	₱405	₱-	₱5,353
Financial liabilities recognized by type						
Consolidated						
2016						
Derivative liabilities	₱99,767	₱95,184	₱4,583	₱259	₱-	₱4,324
SSURA	51,031	-	51,031	-	50,882	149
	₱150,798	₱95,184	₱55,614	₱259	₱50,882	₱4,473
2015						
Derivative liabilities	₱83,465	₱79,329	₱4,136	₱405	₱-	₱3,731
SSURA	63,187	-	63,187	-	63,187	-
	₱146,652	₱79,329	₱67,323	₱405	₱63,187	₱3,731
Parent Company						
2016						
Derivative liabilities	₱97,103	₱92,586	₱4,517	₱259	₱-	₱4,258
SSURA	47,174	-	47,174	-	47,025	149
	₱144,277	₱92,586	₱51,691	₱259	₱47,025	₱4,407
2015						
Derivative liabilities	₱83,465	₱79,329	₱4,136	₱405	₱-	₱3,731
SSURA	61,187	-	61,187	-	61,187	-
	₱144,652	₱79,329	₱65,323	₱405	₱61,187	₱3,731

Excessive risk concentration

Credit risk concentrations can arise whenever a significant number of borrowers have similar characteristics and are affected similarly by changes in economic or other conditions. The Parent Company analyzes the credit risk concentration to an individual borrower, related group of accounts, industry, internal rating buckets, and security. For risk concentration monitoring purposes, the financial assets are broadly categorized into (1) loans and receivables and (2) trading and financial investment securities. To mitigate risk concentration, the Parent Company constantly checks for breaches in regulatory and internal limits.



Concentration of risks of financial assets with credit risk exposure

An analysis of concentrations of credit risk at the reporting date based on carrying amount is shown below:

	Consolidated				Total
	Loans and Receivables	Loans and Advances to Banks*	Trading and Investment Securities**	Others***	
2016					
Concentration by Industry					
Financial and insurance activities	₱66,128	₱374,774	₱47,304	₱144,562	₱632,768
Activities of households as employers and undifferentiated goods and services and producing activities of households for own use	205,048	-	4,013	149	209,210
Manufacturing	186,674	-	1,424	17,385	205,483
Wholesale and retail trade, repair of motor vehicles, motorcycles	175,143	-	722	22,877	198,742
Real estate activities	158,834	-	6,930	518	166,282
Transportation and storage, information and communication	89,947	-	513	2,992	93,452
Electricity, gas, steam and air-conditioning supply and water supply, sewerage, waste management and remediation activities	81,158	-	2,009	1,228	84,395
Construction	34,969	-	169	12,571	47,709
Accommodation and food service activities	21,143	-	101	8	21,252
Agricultural, forestry and fishing	19,744	-	6	503	20,253
Others****	31,759	-	291,172	10,060	332,991
	1,070,547	374,774	354,363	212,853	2,012,537
Less allowance for credit losses	14,426	7	294	10,036	24,763
	₱1,056,121	₱374,767	₱354,069	₱202,817	₱1,987,774
Concentration by Location					
Philippines	₱1,047,160	₱282,327	₱299,720	₱209,940	₱1,839,147
Asia	22,844	67,640	25,471	2,789	118,744
USA	478	10,610	20,111	124	31,323
Europe	43	13,597	5,969	-	19,609
Others	22	600	3,092	-	3,714
	1,070,547	374,774	354,363	212,853	2,012,537
Less allowance for credit losses	14,426	7	294	10,036	24,763
	₱1,056,121	₱374,767	₱354,069	₱202,817	₱1,987,774
2015					
Concentration by Industry					
Financial and insurance activities	₱49,992	₱287,697	₱36,613	₱109,356	₱483,658
Manufacturing	185,768	-	1,867	10,431	198,066
Activities of households as employers and undifferentiated goods and services and producing activities of households for own use	176,923	-	2,873	134	179,930
Wholesale and retail trade, repair of motor vehicles, motorcycles	145,760	-	829	21,458	168,047
Real estate activities	125,300	-	7,522	796	133,618
Electricity, gas, steam and air-conditioning supply and water supply, sewerage, waste management and remediation activities	64,567	-	5,142	1,378	71,087
Transportation and storage, information and communication	49,334	-	1,408	1,065	51,807
Construction	29,519	-	75	8,736	38,330
Accommodation and food service activities	18,693	-	148	53	18,894
Agricultural, forestry and fishing	16,898	-	26	512	17,436
Others****	33,365	-	436,431	16,284	486,080
	896,119	287,697	492,934	170,203	1,846,953
Less allowance for credit losses	12,902	11	488	9,996	23,397
	₱883,217	₱287,686	₱492,446	₱160,207	₱1,823,556

(Forward)



	Consolidated				Total
	Loans and Receivables	Loans and Advances to Banks*	Trading and Investment Securities**	Others***	
Concentration by Location					
Philippines	₱874,982	₱220,420	₱448,531	₱166,856	₱1,710,789
Asia	20,520	41,370	25,886	3,234	91,010
USA	563	11,388	18,076	113	30,140
Europe	53	14,226	264	–	14,543
Others	1	293	177	–	471
	896,119	287,697	492,934	170,203	1,846,953
Less allowance for credit losses	12,902	11	488	9,996	23,397
	₱883,217	₱287,686	₱492,446	₱160,207	₱1,823,556

	Parent Company				Total
	Loans and Receivables	Loans and Advances to Banks*	Trading and Investment Securities**	Others***	
2016					
Concentration by Industry					
Financial and insurance activities	₱65,975	₱306,976	₱34,141	₱11,483	₱418,575
Manufacturing	181,466	–	434	17,385	199,285
Wholesale and retail trade, repair of motor vehicles, motorcycles	158,300	–	58	22,877	181,235
Real estate activities	118,195	–	3,602	507	122,304
Transportation and storage, information and communication	81,919	–	306	2,992	85,217
Activities of households as employers and undifferentiated goods and services and producing activities of households for own use	77,084	–	4,013	149	81,246
Electricity, gas, steam and air-conditioning supply and water supply, sewerage, waste management and remediation activities	78,141	–	513	1,228	79,882
Construction	27,123	–	4	12,515	39,642
Accommodation and food service activities	20,819	–	34	8	20,861
Agricultural, forestry and fishing	15,961	–	6	503	16,470
Others****	21,165	–	237,409	8,986	267,560
	846,148	306,976	280,520	78,633	1,512,277
Less allowance for credit losses	6,697	–	160	10,036	16,893
	₱839,451	₱306,976	₱280,360	₱68,597	₱1,495,384

Concentration by Location					
Philippines	₱839,453	₱240,691	₱229,322	₱75,749	₱1,385,215
Asia	5,928	41,765	22,301	2,762	72,756
USA	690	10,370	19,836	122	31,018
Europe	56	13,552	5,969	–	19,577
Others	21	598	3,092	–	3,711
	846,148	306,976	280,520	78,633	1,512,277
Less allowance for credit losses	6,697	–	160	10,036	16,893
	₱839,451	₱306,976	₱280,360	₱68,597	₱1,495,384

2015					
Concentration by Industry					
Financial and insurance activities	₱49,013	₱237,648	₱24,302	₱11,192	₱322,155
Manufacturing	179,537	–	286	10,431	190,254
Wholesale and retail trade, repair of motor vehicles, motorcycles	132,096	–	28	21,458	153,582
Real estate activities	87,411	–	3,322	784	91,517
Activities of households as employers and undifferentiated goods and services and producing activities of households for own use	66,836	–	2,873	134	69,843

(Forward)



	Parent Company				Total
	Loans and Receivables	Loans and Advances to Banks*	Trading and Investment Securities**	Others***	
Electricity, gas, steam and air-conditioning supply and water supply, sewerage, waste management and remediation activities	₱61,893	₱-	₱530	₱1,378	₱63,801
Transportation and storage, information and communication	44,836	-	180	1,065	46,081
Construction	21,880	-	6	8,682	30,568
Accommodation and food service activities	18,275	-	35	53	18,363
Agricultural, forestry and fishing	13,620	-	3	512	14,135
Others****	18,594	-	381,291	14,888	414,773
	693,991	237,648	412,856	70,577	1,415,072
Less allowance for credit losses	5,572	-	160	9,996	15,728
	₱688,419	₱237,648	₱412,696	₱60,581	₱1,399,344
Concentration by Location					
Philippines	₱690,895	₱186,217	₱373,547	₱67,257	₱1,317,916
Asia	2,285	25,740	20,863	3,209	52,097
USA	758	11,164	18,005	111	30,038
Europe	53	14,235	264	-	14,552
Others	-	292	177	-	469
	693,991	237,648	412,856	70,577	1,415,072
Less allowance for credit losses	5,572	-	160	9,996	15,728
	₱688,419	₱237,648	₱412,696	₱60,581	₱1,399,344

* Comprised of Due from BSP, Due from other banks and Interbank loans receivable and SPURA.

** Comprised of Financial assets at FVPL, AFS investments and HTM investments.

*** Comprised of applicable accounts under Other assets, financial guarantees and loan commitments and other credit related liabilities.

**** Includes government-issued debt securities.

Credit quality per class of financial assets

The credit quality of financial assets is assessed and managed using external and internal ratings.

Loans and receivables

The credit quality is generally monitored using the 10-grade ICRRS which is integrated in the credit process particularly in provision for credit losses. Probability of default (PD) models are used in parallel to the ICRRS. The models are assessed and recalibrated as needed. Validation of the individual borrower's risk rating is performed by the Credit Group to maintain accurate and consistent risk ratings across the credit portfolio. The credit quality with the corresponding ICRRS Grade and description of commercial loans follows:

High Grade

1 - Excellent

An excellent rating is given to a borrower with a very low probability of going into default and with high degree of stability, substance and diversity. Borrower has access to raise substantial amounts of funds through public market at any time; very strong debt service capacity and has conservative balance sheet ratios. Track record in profit terms is very good. Borrower exhibits highest quality under virtually all economic conditions.

2 - Strong

This rating is given to borrowers with low probability of going into default in the coming year. Normally has a comfortable degree of stability, substance and diversity. Under normal market conditions, borrower has good access to public markets to raise funds. Have a strong market and financial position with a history of successful performance. Overall debt service capacity is deemed very strong; critical balance sheet ratios are conservative. Concerned multinationals or local corporations are well capitalized.



Standard Grade

3 - Good

This rating is given to smaller corporations with limited access to public capital markets or to alternative financial markets. Access is however limited to favorable economic and/or market conditions. While probability of default is quite low, it bears characteristics of some degree of stability and substance. However, susceptibility to cyclical changes and more concentration of business risk, by product or market, may be present. Typical is the combination of comfortable asset protection and an acceptable balance sheet structure. Debt service capacity is strong.

4 - Satisfactory

A 'satisfactory' rating is given to a borrower where clear risk elements exist and probability of default is somewhat greater. Volatility of earnings and overall performance: normally has limited access to public markets. Borrower should be able to withstand normal business cycles, but any prolonged unfavorable economic period would create deterioration beyond acceptable levels. Combination of reasonable sound asset and cash flow protection: debt service capacity is adequate. Reported profits in the past year and is expected to report a profit in the current year.

5 - Acceptable

An 'acceptable' rating is given to a borrower whose risk elements are sufficiently pronounced although borrower should still be able to withstand normal business cycles. Any prolonged unfavorable economic and/or market period would create an immediate deterioration beyond acceptable levels. Risk is still acceptable as there is sufficient cash flow either historically or expected for the future; new business or projected finance transaction; an existing borrower where the nature of the exposure represents a higher risk because of extraordinary developments but for which a decreasing risk within an acceptable period can be expected.

Substandard Grade

6 - Watchlist

This rating is given to a borrower that belongs to an unfavorable industry or has company-specific risk factors which represent a concern. Operating performance and financial strength may be marginal and it is uncertain if borrower can attract alternative course of finance. Borrower finds it hard to cope with any significant economic downturn and a default in such a case is more than a possibility. Borrower which incurs net losses and has salient financial weaknesses, reflected on statements specifically in profitability. Credit exposure is not at risk of loss at the moment but performance of the borrower has weakened and unless present trends are reversed, could lead to losses.

7 - Especially Mentioned

This rating is given to a borrower that exhibits potential weaknesses that deserve management's close attention. These potential weaknesses, if left uncorrected, may affect the repayment of the loan and thus, increase credit risk to the Bank.

Impaired

8 - Substandard

These are loans or portions, thereof which appear to involve a substantial and unreasonable degree of risk to the Bank because of unfavorable record or unsatisfactory characteristics. There exists the possibility of future losses to the Bank unless given closer supervision. Borrower has well-defined weaknesses or weaknesses that jeopardize loan liquidation. Such well-defined weaknesses may include adverse trends or development of financial, managerial, economic or political nature, or a significant weakness in collateral.



9 - Doubtful

This rating is given to a nonperforming borrower whose loans or portions thereof have the weaknesses inherent in those classified as Substandard, with the added characteristics that existing facts, conditions, and values make collection or liquidation in full highly improbable and in which substantial loss is probable.

10 - Loss

This rating is given to a borrower whose loans or portions thereof are considered uncollectible or worthless and of such little value that their continuance as bankable assets is not warranted although the loans may have some recovery or salvage value. The amount of loss is difficult to measure and it is not practical or desirable to defer writing off these basically worthless assets even though partial recovery may be obtained in the future.

The credit quality of consumer loan applicants are currently evaluated using PD models.

For booked consumer loans, the description of credit quality is as follows:

High Grade

Good credit rating

This rating is given to a good repeat client with very satisfactory track record of its loan repayment (paid at least 50.00%) and whose account did not turn past due during the entire term of the loan.

Standard Grade

Good

A good rating is given to accounts which did not turn past due for 90 days and over.

Limited

This rating is given to borrowers who have average track record on loan repayment (paid less than 50.00%) and whose account did not turn past due for 90 days and over.

Substandard Grade

Poor

A poor rating is given to accounts who reached 90 days past due regardless of the number of times and the number of months past due.

Poor litigation

This rating is given to accounts that were past due for 180 days and over and are currently being handled by lawyers.

Impaired

Poor repossessed

This rating is given to accounts whose collaterals were repossessed.

Poor written-off

This rating is given to accounts that were recommended for write-off.



Trading and investment securities

In ensuring quality investment portfolio, the Parent Company uses the credit risk rating from the published data providers like Moody's, Standard & Poor's (S&P) or other reputable rating agencies. Presented here is Moody's rating - equivalent S&P rating and other rating agencies applies:

Credit Quality	External Rating								
	Aaa	Aa1	Aa2	A1	A2	A3	Baa1	Baa2	Baa3
High grade	Aaa	Aa1	Aa2	A1	A2	A3	Baa1	Baa2	Baa3
Standard grade	Ba1	Ba2	Ba3	B1	B2				
Substandard grade	B3	Caa1	Caa2	Caa3	Ca	C			
Impaired	D								

The following table shows the credit quality of financial assets:

	Consolidated				
	Loans and Receivables	Loans and Advances to Banks*	Trading and Investment Securities**	Others***	Total
2016					
Neither past due nor impaired	₱1,041,641	₱374,774	₱353,994	₱202,817	₱1,973,226
Past due but not individually impaired	18,018	-	-	-	18,018
Impaired	10,888	-	369	10,036	21,293
Gross	1,070,547	374,774	354,363	212,853	2,012,537
Less allowance for credit losses	14,426	7	294	10,036	24,763
Net	₱1,056,121	₱374,767	₱354,069	₱202,817	₱1,987,774
2015					
Neither past due nor impaired	₱865,278	₱287,697	₱490,792	₱160,207	₱1,803,974
Past due but not individually impaired	16,181	-	-	-	16,181
Impaired	14,660	-	2,142	9,996	26,798
Gross	896,119	287,697	492,934	170,203	1,846,953
Less allowance for credit losses	12,902	11	488	9,996	23,397
Net	₱883,217	₱287,686	₱492,446	₱160,207	₱1,823,556

	Parent Company				
	Loans and Receivables	Loans and Advances to Banks*	Trading and Investment Securities**	Others***	Total
2016					
Neither past due nor impaired	₱838,712	₱306,976	₱280,285	₱68,597	₱1,494,570
Past due but not individually impaired	410	-	-	-	410
Impaired	7,026	-	235	10,036	17,297
Gross	846,148	306,976	280,520	78,633	1,512,277
Less allowance for credit losses	6,697	-	160	10,036	16,893
Net	₱839,451	₱306,976	₱280,360	₱68,597	₱1,495,384
2015					
Neither past due nor impaired	₱683,426	₱237,648	₱412,629	₱60,581	₱1,394,284
Past due but not individually impaired	298	-	-	-	298
Impaired	10,267	-	227	9,996	20,490
Gross	693,991	237,648	412,856	70,577	1,415,072
Less allowance for credit losses	5,572	-	160	9,996	15,728
Net	₱688,419	₱237,648	₱412,696	₱60,581	₱1,399,344

* Comprised of Due from BSP, Due from other banks and Interbank loans receivable and SPURA.

** Comprised of Financial assets at FVPL, AFS investments and HTM investments.

*** Comprised of applicable accounts under Other assets, financial guarantees and loan commitments and other credit related liabilities.



The table below shows the credit quality per class of financial assets that are neither past due nor individually impaired (gross of allowance for credit losses):

	Consolidated				Total
	High Grade	Standard Grade	Substandard Grade	Unrated	
2016					
Loans and advances to banks					
Due from BSP	₱238,806	₱-	₱-	₱-	₱238,806
Due from other banks	40,436	2,450	-	1,436	44,322
Interbank loans receivable and SPURA	82,232	3,254	-	6,160	91,646
	361,474	5,704	-	7,596	374,774
Financial assets at FVPL					
HFT investments					
Debt securities					
Government	3,966	44	-	-	4,010
Private	2,895	400	-	2,034	5,329
Treasury bills	903	-	-	-	903
Treasury notes and bonds	13,346	-	-	-	13,346
Equity securities - quoted	4,197	2,227	58	20	6,502
Derivative assets	673	90	-	6,361	7,124
	25,980	2,761	58	8,415	37,214
AFS investments					
Debt securities					
Government	36,204	1,689	49	3,613	41,555
Private	29,886	9,917	-	3,429	43,232
Treasury bills	199	-	-	-	199
Treasury notes and bonds	230,981	106	-	-	231,087
Subtotal	297,270	11,712	49	7,042	316,073
Equity securities					
Quoted	141	64	-	309	514
Unquoted	-	117	-	76	193
Subtotal	141	181	-	385	707
	297,411	11,893	49	7,427	316,780
Loans and receivables					
Receivables from customers					
Commercial loans	231,787	446,905	62,094	-	740,786
Residential mortgage loans	6,486	78,604	1,470	-	86,560
Auto loans	56,584	26,258	5,299	-	88,141
Trade loans	34,264	-	12	-	34,276
Others	69,329	11,452	230	85	81,096
	398,450	563,219	69,105	85	1,030,859
Unquoted debt securities	-	810	-	119	929
Accrued interest receivable	4,288	2,435	167	179	7,069
Accounts receivable	677	19	-	1,837	2,533
Sales contract receivable	13	121	-	29	163
Other receivables	1	-	-	87	88
	403,429	566,604	69,272	2,336	1,041,641
Others	132,901	26	-	69,890	202,817
	₱1,221,195	₱586,988	₱69,379	₱95,664	₱1,973,226
2015					
Loans and advances to banks					
Due from BSP	₱214,704	₱-	₱-	₱-	₱214,704
Due from other banks	33,995	2,526	-	351	36,872
Interbank loans receivable and SPURA	27,551	2,514	-	6,056	36,121
	276,250	5,040	-	6,407	287,697
Financial assets at FVPL					
HFT investments					
Debt securities					
Government	10,348	3	-	-	10,351
Private	2,604	351	-	768	3,723
Treasury bills	104	-	-	-	104
Treasury notes and bonds	19,511	-	-	-	19,511
Equity securities - quoted	4,446	4,753	-	26	9,225
Derivative assets	755	68	-	5,119	5,942
	37,768	5,175	-	5,913	48,856

(Forward)



	Consolidated				Total
	High Grade	Standard Grade	Substandard Grade	Unrated	
AFS investments					
Debt securities					
Government	₱39,700	₱385	₱50	₱28	₱40,163
Private	13,783	5,312	-	9,003	28,098
Treasury notes and bonds	160,693	-	-	-	160,693
Subtotal	214,176	5,697	50	9,031	228,954
Equity securities					
Quoted	8	780	-	310	1,098
Unquoted	-	3,376	-	76	3,452
Subtotal	8	4,156	-	386	4,550
	214,184	9,853	50	9,417	233,504
HTM investments					
Government	15,463	3,644	-	-	19,107
Private bonds	1,428	3,102	-	-	4,530
Treasury notes and bonds	176,350	8,445	-	-	184,795
	193,241	15,191	-	-	208,432
Loans and receivables					
Receivables from customers					
Commercial loans	181,958	351,673	55,721	-	589,352
Residential mortgage loans	35,630	42,761	1,026	-	79,417
Auto loans	52,198	20,399	100	-	72,697
Trade loans	6,896	25,334	803	-	33,033
Others	68,084	8,283	77	79	76,523
	344,766	448,450	57,727	79	851,022
Unquoted debt securities	716	1,214	-	6	1,936
Accrued interest receivable	6,165	1,597	129	179	8,070
Accounts receivable	1,054	3	13	2,519	3,589
Sales contract receivable	170	1	-	173	344
Other receivables	-	146	-	171	317
	352,871	451,411	57,869	3,127	865,278
Others	97,964	-	-	62,243	160,207
	₱1,172,278	₱486,670	₱57,919	₱87,107	₱1,803,974

	Parent Company				Total
	High Grade	Standard Grade	Substandard Grade	Unrated	
2016					
Loans and advances to banks					
Due from BSP	₱203,781	₱-	₱-	₱-	₱203,781
Due from other banks	29,918	108	-	75	30,101
Interbank loans receivable and SPURA	66,934	-	-	6,160	73,094
	300,633	108	-	6,235	306,976
Financial assets at FVPL					
HFT debt securities					
Government	2,543	13	-	-	2,556
Private	2,315	330	-	1,934	4,579
Treasury bills	166	-	-	-	166
Treasury notes and bonds	12,342	-	-	-	12,342
Derivative assets	673	89	-	6,361	7,123
	18,039	432	-	8,295	26,766
AFS investments					
Debt securities					
Government	16,412	1,213	49	3,613	21,287
Private	24,499	4,605	-	3,429	32,533
Treasury notes and bonds	199,386	-	-	-	199,386
Subtotal	240,297	5,818	49	7,042	253,206
Equity securities					
Quoted	7	-	-	245	252
Unquoted	-	-	-	61	61
Subtotal	7	-	-	306	313
	240,304	5,818	49	7,348	253,519

(Forward)



	Parent Company				Total
	High Grade	Standard Grade	Substandard Grade	Unrated	
Loans and receivables					
Receivables from customers					
Commercial loans	₱231,809	₱403,189	₱61,895	₱–	₱696,893
Residential mortgage loans	1,602	45,365	1,012	–	47,979
Auto loans	2,397	26,252	16	–	28,665
Trade loans	34,264	–	12	–	34,276
Others	20,366	339	137	–	20,842
	290,438	475,145	63,072	–	828,655
Unquoted debt securities	–	–	–	113	113
Accrued interest receivable	3,347	1,484	125	176	5,132
Accounts receivable	–	–	–	1,766	1,766
Sales contract receivable	–	–	–	29	29
Other receivables	–	–	–	3,017	3,017
	293,785	476,629	63,197	5,101	838,712
Others	–	–	–	68,597	68,597
	₱852,761	₱482,987	₱63,246	₱95,576	₱1,494,570
2015					
Loans and advances to banks					
Due from BSP	₱185,484	₱–	₱–	₱–	₱185,484
Due from other banks	26,027	61	–	125	26,213
Interbank loans receivable and SPURA	19,894	–	–	6,057	25,951
	231,405	61	–	6,182	237,648
Financial assets at FVPL					
HFT debt securities					
Government	7,507	2	–	–	7,509
Private	2,128	254	–	686	3,068
Treasury notes and bonds	18,074	–	–	–	18,074
Derivative assets	755	43	–	5,119	5,917
	28,464	299	–	5,805	34,568
AFS investments					
Debt securities					
Government	32,608	385	50	28	33,071
Private	13,180	716	–	9,002	22,898
Treasury notes and bonds	145,984	–	–	–	145,984
Subtotal	191,772	1,101	50	9,030	201,953
Equity securities					
Quoted	8	–	–	223	231
Unquoted	–	–	–	61	61
Subtotal	8	–	–	284	292
	191,780	1,101	50	9,314	202,245
HTM investments					
Government	15,035	–	–	–	15,035
Treasury notes and bonds	160,781	–	–	–	160,781
	175,816	–	–	–	175,816
Loans and receivables					
Receivables from customers					
Commercial loans	155,257	340,418	55,356	–	551,031
Residential mortgage loans	1,384	42,034	836	–	44,254
Auto loans	1,760	19,856	20	–	21,636
Trade loans	6,896	25,334	803	–	33,033
Others	23,784	359	–	–	24,143
	189,081	428,001	57,015	–	674,097
Unquoted debt securities	194	–	–	–	194
Accrued interest receivable	4,980	1,067	127	177	6,351
Accounts receivable	–	–	–	2,596	2,596
Sales contract receivable	–	–	–	162	162
Other receivables	–	–	–	26	26
	194,255	429,068	57,142	2,961	683,426
Others	–	–	–	60,581	60,581
	₱821,720	₱430,529	₱57,192	₱84,843	₱1,394,284

Notes:

1. Accounts are presented gross of allowance for credit losses but net of unearned interest and discount.
2. For classification by grade, refer to Risk Rating Table for Investments (based on Moody's Rating Scale) as guide.



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

	Consolidated		Parent Company	
	2016	2015	2016	2015
Commercial loans	₱1,463	₱2,100	₱1,432	₱1,694
Residential mortgage loans	177	204	21	21
Auto loans	19	45	–	–
Others	76	147	–	–
	₱1,735	₱2,496	₱1,453	₱1,715

Aging analysis of past due but not individually impaired loans and receivables is shown below:

	Consolidated					Total
	Within 30 days	31-60 days	61-90 days	91-180 days	Over 180 days	
2016						
Receivables from customers						
Commercial loans	₱59	₱60	₱47	₱11	₱61	₱238
Residential mortgage loans	2,881	984	304	156	274	4,599
Auto loans	5,000	2,346	1,078	1,147	1,158	10,729
Trade loans	3	11	8	–	–	22
Others	125	686	538	53	405	1,807
Receivables from customers - net of unearned discounts and capitalized interest	8,068	4,087	1,975	1,367	1,898	17,395
Accrued interest receivable	97	54	31	38	53	273
Accounts receivable	9	5	7	290	8	319
Sales contract receivable	8	3	5	2	13	31
	₱8,182	₱4,149	₱2,018	₱1,697	₱1,972	₱18,018
2015						
Receivables from customers						
Commercial loans	₱48	₱45	₱2	₱–	₱53	₱148
Residential mortgage loans	2,953	1,052	405	60	199	4,669
Auto loans	4,447	2,036	879	963	807	9,132
Others	165	626	500	59	332	1,682
Receivables from customers - net of unearned discounts and capitalized interest	7,613	3,759	1,786	1,082	1,391	15,631
Accrued interest receivable	74	44	24	29	34	205
Accounts receivable	7	4	5	276	18	310
Sales contract receivable	8	11	–	–	16	35
	₱7,702	₱3,818	₱1,815	₱1,387	₱1,459	₱16,181
	Parent Company					Total
	Within 30 days	31-60 days	61-90 days	91-180 days	Over 180 days	
2016						
Receivables from customers						
Commercial loans	₱–	₱–	₱1	₱8	₱50	₱59
Residential mortgage loans	–	–	–	–	224	224
Auto loans	–	–	–	–	98	98
Trade loans	3	11	8	–	–	22
Receivables from customers - net of unearned discounts and capitalized interest	3	11	9	8	372	403
Accrued interest receivable	–	–	–	–	3	3
Sales contract receivable	–	–	–	–	4	4
	₱3	₱11	₱9	₱8	₱379	₱410
2015						
Receivables from customers						
Commercial loans	₱–	₱–	₱2	₱–	₱31	₱33
Residential mortgage loans	–	–	–	9	159	168
Auto loans	–	–	–	–	85	85

(Forward)



	Parent Company					Total
	Within 30 days	31-60 days	61-90 days	91-180 days	Over 180 days	
Receivables from customers - net of unearned discounts and capitalized interest	P-	P-	P2	P9	P275	P286
Accrued interest receivable	-	-	-	-	3	3
Sales contract receivable	-	-	-	-	9	9
	P-	P-	P2	P9	P287	P298

The Group holds collateral against loans and receivables in the form of real estate and chattel mortgages, guarantees, and other registered securities over assets. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and are regularly updated according to internal lending policies and regulatory guidelines. Generally, collateral is not held over loans and advances to banks except for reverse repurchase agreements. Collateral usually is not held against investment securities, and no such collateral was held as of December 31, 2016 and 2015.

Liquidity Risk

Liquidity risk is defined as the current and prospective risk to earnings or capital arising from the Group's inability to meet its obligations when they become due.

The Group manages its liquidity risk through analyzing net funding requirements under alternative scenarios, diversification of funding sources and contingency planning.

Specifically for the Parent Company, it utilizes a diverse range of sources of funds, although short-term deposits made with its network of domestic branches comprise the majority of such funding. To ensure that funding requirements are met, the Parent Company manages its liquidity risk by holding sufficient liquid assets of appropriate quality. It also maintains a balanced loan portfolio that is repriced on a regular basis. Deposits with banks are made on a short-term basis.

In the Parent Company, the Treasury Group estimates its cash flow needs based on its actual contractual obligations under normal and extraordinary circumstances. RSK generates Maximum Cumulative Outflow (MCO) reports on a daily basis to estimate short- and long-term net cash flows of the bank under business-as-usual and stress parameters. The Group's financial institution subsidiaries (excluding insurance companies) prepare their respective MCO reports. These are reported to the Parent Company's ROC monthly.

Financial assets

Analysis of equity securities at FVPL into maturity groupings is based on the expected date on which these assets will be realized. For other financial assets, the analysis into maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date or if earlier the expected date the assets will be realized.

Financial liabilities

The maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date. When counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Group can be required to pay.



The table below summarizes the maturity profile of financial instruments and gross-settled derivatives based on contractual undiscounted cash flows.

	Consolidated						Total
	On demand	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Beyond 1 year	
2016							
Financial Assets							
Cash and other cash items	₱26,553	₱-	₱-	₱-	₱-	₱-	₱26,553
Due from BSP	230,106	8,702	-	-	-	-	238,808
Due from other banks	40,028	2,811	1,275	210	7	-	44,331
Interbank loans receivable and SPURA	461	65,247	20,339	4,241	988	422	91,698
Financial assets at FVPL							
HFT investments	99	1,102	30,237	-	-	-	31,438
Derivative assets*							
Trading:							
Receive	-	20,880	8,314	4,230	1,767	4,702	39,893
Pay	-	(20,624)	(8,222)	(4,018)	(1,609)	(3,923)	(38,396)
	-	256	92	212	158	779	1,497
AFS investments	-	3,715	10,430	6,792	10,426	436,569	467,932
Loans and receivables							
Receivables from customers	15,936	192,477	141,479	95,558	63,998	761,472	1,270,920
Unquoted debt securities	-	7	3	11	28	1,751	1,800
Accrued interest receivable	7,120	276	462	48	46	71	8,023
Accounts receivable	3,571	461	55	14	479	22	4,602
Sales contract receivable	13	11	5	7	13	201	250
Other receivables	9	80	-	-	-	-	89
Other assets							
Residual value of leased assets	25	31	41	70	158	678	1,003
Returned checks and other cash items	10	-	105	-	-	-	115
Miscellaneous	12	4	1	5	14	155	191
	₱323,943	₱275,180	₱204,524	₱107,168	₱76,315	₱1,202,120	₱2,189,250
Financial Liabilities							
Non-derivative liabilities							
Deposit liabilities							
Demand	₱298,388	₱-	₱-	₱-	₱-	₱-	₱298,388
Savings	547,685	-	-	-	-	-	547,685
Time	-	277,499	153,653	28,455	27,357	37,709	524,673
LTNCD	-	22	104	222	444	26,503	27,295
	846,073	277,521	153,757	28,677	27,801	64,212	1,398,041
Bills payable and SSURA	-	79,223	30,987	13,724	6,225	32,941	163,100
Manager's checks and demand drafts outstanding	6,932	-	-	-	-	-	6,932
Accrued interest payable	233	215	573	66	222	188	1,497
Accrued other expenses	4,139	90	86	-	5	-	4,320
Bonds payable	-	-	4,994	79	4,017	3,046	12,136
Subordinated debt	-	-	3,344	403	592	31,035	35,374
Other liabilities							
Bills purchased - contra	20,479	-	-	-	-	-	20,479
Accounts payable	3,227	9,279	-	73	159	-	12,738
Marginal deposits	-	-	3,697	-	-	-	3,697
Outstanding acceptances	-	451	386	214	381	8	1,440
Deposits on lease contracts	-	47	57	99	285	887	1,375
Notes payable	-	-	-	-	-	133	133
Dividends payable	-	84	-	-	-	-	84
Miscellaneous	6	1	-	-	-	-	7
	881,089	366,911	197,881	43,335	39,687	132,450	1,661,353
Derivative liabilities*							
Trading:							
Pay	-	35,587	16,965	8,024	4,150	8,468	73,194
Receive	-	(35,266)	(16,682)	(7,467)	(4,082)	(8,298)	(71,795)
	-	321	283	557	68	170	1,399
Loan commitments and financial guarantees	142,810	6,566	20,801	11,983	13,617	5,225	201,002
	₱1,023,899	₱373,798	₱218,965	₱55,875	₱53,372	₱137,845	₱1,863,754



	Consolidated						Total
	On demand	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Beyond 1 year	
2015							
Financial Assets							
Cash and other cash items	₱32,536	₱-	₱-	₱-	₱-	₱-	₱32,536
Due from BSP	214,704	-	-	-	-	-	214,704
Due from other banks	35,652	564	661	-	-	-	36,877
Interbank loans receivable and SPURA	1,514	30,381	3,044	1,579	-	-	36,518
Financial assets at FVPL							
HFT investments	2,821	-	37,758	-	826	-	41,405
Derivative assets*							
Trading:							
Receive	-	23,172	11,661	13,110	4,656	1,077	53,676
Pay	-	(22,958)	(11,557)	(12,889)	(4,508)	(867)	(52,779)
	-	214	104	221	148	210	897
AFS investments	-	358	1,426	872	10,718	274,846	288,220
HTM investments	-	291	277	328	762	333,294	334,952
Loans and receivables							
Receivables from customers	31,078	139,171	129,905	80,668	78,319	586,222	1,045,363
Unquoted debt securities	-	15	420	34	577	2,002	3,048
Accrued interest receivable	7,844	9	232	25	1,102	-	9,212
Accounts receivable	4,961	99	29	5	462	21	5,577
Sales contract receivable	34	3	28	32	77	245	419
Other receivables	245	73	-	-	-	-	318
Other assets							
Returned checks and other cash items							
cash items	20	-	81	-	-	-	101
Residual value of leased assets	11	15	53	74	124	622	899
Miscellaneous	17	1	3	5	9	156	191
	₱331,437	₱171,194	₱174,021	₱83,843	₱93,124	₱1,197,618	₱2,051,237
Financial Liabilities							
Non-derivative liabilities							
Deposit liabilities							
Demand	₱233,912	₱-	₱-	₱-	₱-	₱-	₱233,912
Savings	467,587	-	-	-	-	-	467,587
Time	-	298,776	150,672	40,875	19,814	36,869	547,006
LTNCD	-	22	38	146	293	16,698	17,197
	701,499	298,798	150,710	41,021	20,107	53,567	1,265,702
Bills payable and SSURA	-	115,250	19,129	11,669	15,110	16,746	177,904
Manager's checks and demand drafts outstanding							
drafts outstanding	5,613	-	-	-	-	-	5,613
Accrued interest payable	121	313	532	53	417	394	1,830
Accrued other expenses	4,434	496	127	-	-	-	5,057
Bonds payable	-	-	135	135	271	12,612	13,153
Subordinated debt	-	-	326	385	554	35,845	37,110
Other liabilities							
Bills purchased - contra	23,802	-	-	-	-	-	23,802
Accounts payable	2,617	8,077	-	106	166	-	10,966
Marginal deposits	3	-	189	5,284	-	-	5,476
Outstanding acceptances	-	503	549	120	452	103	1,727
Deposits on lease contracts	-	33	73	96	243	804	1,249
Notes payable	-	-	-	-	-	422	422
Dividends payable	64	-	-	-	-	-	64
Miscellaneous	53	-	-	-	-	-	53
	738,206	423,470	171,770	58,869	37,320	120,493	1,550,128
Derivative liabilities*							
Trading:							
Pay	-	27,960	9,076	9,262	3,601	6,192	56,091
Receive	-	(27,684)	(8,784)	(9,115)	(3,509)	(5,581)	(54,673)
	-	276	292	147	92	611	1,418
Loan commitments and financial guarantees							
guarantees	103,210	5,602	13,305	13,766	14,040	4,285	154,208
	₱841,416	₱429,348	₱185,367	₱72,782	₱51,452	₱125,389	₱1,705,754



	Parent Company						Total
	On demand	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Beyond 1 year	
2016							
Financial Assets							
Cash and other cash items	₱23,470	₱-	₱-	₱-	₱-	₱-	₱23,470
Due from BSP	195,081	8,702	-	-	-	-	203,783
Due from other banks	26,150	2,729	1,229	-	-	-	30,108
Interbank loans receivable and SPURA	461	55,030	14,083	2,602	988	-	73,164
Financial assets at FVPL							
HFT investments	-	-	19,892	-	-	-	19,892
Derivative assets*							
Trading:							
Receive	-	20,880	7,794	4,230	1,767	4,702	39,373
Pay	-	(20,624)	(7,703)	(4,018)	(1,609)	(3,923)	(37,877)
	-	256	91	212	158	779	1,496
AFS investments	-	3,157	6,658	5,339	7,623	354,299	377,076
Loans and receivables							
Receivables from customers	1,580	171,642	130,892	79,569	32,122	547,456	963,261
Unquoted debt securities	-	-	-	-	-	781	781
Accrued interest receivable	5,700	-	-	-	-	-	5,700
Accounts receivable	3,250	-	-	-	-	-	3,250
Sales contract receivable	8	2	3	4	8	13	38
Other receivables	9	3,010	-	-	-	-	3,019
Other assets							
Returned checks and other cash items	-	-	105	-	-	-	105
	₱255,709	₱244,528	₱172,953	₱87,726	₱40,899	₱903,328	₱1,705,143
Financial Liabilities							
Non-derivative liabilities							
Deposit liabilities							
Demand	₱272,081	₱-	₱-	₱-	₱-	₱-	₱272,081
Savings	522,643	-	-	-	-	-	522,643
Time	-	251,326	97,531	20,687	8,664	10,610	388,818
LTNCD	-	22	104	222	444	26,503	27,295
	794,724	251,348	97,635	20,909	9,108	37,113	1,210,837
Bills payable and SSURA	-	48,993	9,996	-	-	10,635	69,624
Manager's checks and demand drafts outstanding	5,171	-	-	-	-	-	5,171
Accrued interest payable	-	107	266	20	217	186	796
Accrued other expenses	2,607	-	-	-	-	-	2,607
Subordinated debt	-	-	241	300	386	24,943	25,870
Other liabilities							
Bills purchased - contra	20,415	-	-	-	-	-	20,415
Accounts payable	-	6,780	-	-	-	-	6,780
Outstanding acceptances	-	451	386	214	381	8	1,440
Marginal deposits	-	-	245	-	-	-	245
	822,917	307,679	108,769	21,443	10,092	72,885	1,343,785
Derivative liabilities*							
Trading:							
Pay	-	35,587	14,367	8,024	4,150	8,468	70,596
Receive	-	(35,266)	(14,018)	(7,467)	(4,082)	(8,298)	(69,131)
	-	321	349	557	68	170	1,465
Loan commitments and financial guarantees	9,910	6,566	20,794	11,964	13,560	5,225	68,019
	₱832,827	₱314,566	₱129,912	₱33,964	₱23,720	₱78,280	₱1,413,269
2015							
Financial Assets							
Cash and other cash items	₱28,570	₱-	₱-	₱-	₱-	₱-	₱28,570
Due from BSP	185,484	-	-	-	-	-	185,484
Due from other banks	25,517	245	456	-	-	-	26,218
Interbank loans receivable and SPURA	-	23,837	1,178	-	959	-	25,974
Financial assets at FVPL							
HFT investments	-	-	27,141	-	-	-	27,141
Derivative assets*							
Trading:							
Receive	-	23,171	11,661	13,110	4,656	1,077	53,675
Pay	-	(22,958)	(11,557)	(12,889)	(4,508)	(867)	(52,779)
	-	213	104	221	148	210	896

(Forward)



	Parent Company							Total
	On demand	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Beyond 1 year		
AFS investments	₱-	₱217	₱1,147	₱750	₱8,523	₱241,486	₱252,123	
HTM investments	-	102	-	-	-	292,378	292,480	
Loans and receivables								
Receivables from customers	1,958	135,706	121,182	68,825	46,775	400,981	775,427	
Unquoted debt securities	-	-	-	-	-	852	852	
Accrued interest receivable	6,935	-	-	-	-	-	6,935	
Accounts receivable	3,989	-	-	-	-	-	3,989	
Sales contract receivable	23	3	28	32	77	30	193	
Other receivables	10	18	-	-	-	-	28	
Other assets								
Returned checks and other cash items	-	-	81	-	-	-	81	
	₱252,486	₱160,341	₱151,317	₱69,828	₱56,482	₱935,937	₱1,626,391	
Financial Liabilities								
Non-derivative liabilities								
Deposit liabilities								
Demand	₱219,772	₱-	₱-	₱-	₱-	₱-	₱219,772	
Savings	446,734	-	-	-	-	-	446,734	
Time	-	268,487	108,132	26,897	12,311	10,846	426,673	
LTNCD	-	22	38	146	293	16,698	17,197	
	666,506	268,509	108,170	27,043	12,604	27,544	1,110,376	
Bills payable and SSURA	-	74,549	2,358	2,364	9,553	-	88,824	
Manager's checks and demand drafts outstanding	4,264	-	-	-	-	-	4,264	
Accrued interest payable	-	108	245	13	387	355	1,108	
Accrued other expenses	3,388	-	-	-	-	-	3,388	
Subordinated debt	-	-	241	300	386	26,145	27,072	
Other liabilities								
Bills purchased - contra	23,749	-	-	-	-	-	23,749	
Accounts payable	-	6,190	-	-	-	-	6,190	
Outstanding acceptances	-	503	549	120	452	103	1,727	
Marginal deposits	-	-	189	-	-	-	189	
	697,907	349,859	111,752	29,840	23,382	54,147	1,266,887	
Derivative liabilities*								
Trading:								
Pay	-	27,960	9,076	9,262	3,601	6,192	56,091	
Receive	-	(27,684)	(8,784)	(9,115)	(3,509)	(5,581)	(54,673)	
	-	276	292	147	92	611	1,418	
Loan commitments and financial guarantees	5,246	5,602	13,297	13,750	13,985	4,285	56,165	
	₱703,153	₱355,737	₱125,341	₱43,737	₱37,459	₱59,043	₱1,324,470	

*Does not include derivatives embedded in financial and non-financial contracts.

Market Risk

Market risk is the possibility of loss to future earnings, fair values or future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchange rates, and other market factors. The Parent Company's market risk originates from its holdings in foreign currencies, debt securities and derivatives transactions. The Parent Company manages market risk by segregating its statement of financial position into a trading book and a banking book. ALCO, chaired by the Parent Company's Chairman is the senior review and decision-making body for the management of all related market risks. The Parent Company enforces a set of risk limits to properly monitor and manage the market risks. The risk limits are approved by the BOD. The RSK serves under the ROC and performs daily market risk analyses to ensure compliance with the Parent Company's policies. The Treasury Group manages asset/liability risks arising from both banking book and trading operations in financial markets.

Similarly, the subsidiaries of the Parent Company independently quantify and manage their respective market risk exposures. Each institution has its respective risk management system and processes in place.



As part of its oversight function, the Parent Company regularly coordinates with subsidiaries to monitor their compliance to their respective risk tolerances and ensure consistency of risk management practices. Risk aggregation and consolidation of exposures provide senior management with a group-wide market risk profile perspective such as Group Trading VaR and EaR.

Market risk - trading book

In measuring the potential loss in its trading portfolio, the Group uses Value-at-Risk (VaR) as a primary tool. The VaR method is a procedure for estimating portfolio losses exceeding some specified proportion based on a statistical analysis of historical market price trends, correlations and volatilities. VaR estimates 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 VaR daily and this value is compared against the set VaR limit.

VaR methodology assumptions and parameters

The Parent Company is using 260-day Historical Simulation Method to compute the VaR. This method assumes that market rates volatility in the future will follow the same movement that occurred within the specified historical period. In calculating VaR, the Parent Company uses a 99.00% confidence level and a one-day holding period. 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.

A summary of the VaR levels of the trading portfolio of the Parent Company appears below:

	Rates and FX	Fixed Income	FX Options
As of December 31, 2016			
December 29	₱117.06	₱121.97	₱0.85
Average	114.91	132.37	7.51
Highest	213.84	363.99	27.72
Lowest	51.49	41.13	0.09
As of December 31, 2015			
December 29	53.63	248.37	11.86
Average	128.05	177.24	12.80
Highest	262.73	418.92	46.82
Lowest	42.01	68.05	0.07

Rates and Foreign Exchange (FX) VaR is the correlated VaR of the following products: FX spot, outright forward, NDF, FX swaps, IRS and cross currency swaps. The Fixed Income VaR is the correlated VaR of these products: peso and foreign currency bonds, bond forwards and credit default swaps (CDS).

Each subsidiary performs daily mark-to-market valuation and VaR calculations for their trading book exposures. Risk exposures are bounded by a system of risk limits and monitoring tools to effectively manage these risks.



The table below summarizes the VaR levels of FMIC and PSBank:

	FMIC			PSBank			FX
	EQUITIES	Bonds		Bonds		FX	
		PHP	USD	PHP	USD		
As of December 31, 2016							
December 29	₱0.000	₱13.681	USD0.004	₱0.004	USD9.817	₱0.176	
Average	7.685	45.604	0.068	15.643	8.912	0.753	
Highest	15.359	166.834	0.194	45.741	24.889	1.249	
Lowest	0.432	2.207	0.000	0.003	0.000	0.018	

	FMIC			PSBank			FX	
	EQUITIES	Bonds		Bonds		FX		
		PHP	USD	PHP	USD			
As of December 31, 2015								
December 29	₱10.46**	₱0.78**	USD0.045**	₱18.866	USD0.142	₱6.705		
Average	₱18.09*	20.02**	₱95.86*	112.13**	USD0.536*	0.045**	12.754	0.077
Highest	32.42*	23.57**	199.04*	185.11**	1.313*	0.122**	56.332	0.268
Lowest	13.32*	10.42**	11.12*	2.89**	0.005*	0.001**	1.331	0.003

* January 1 to May 31 – VaR number is generated using Riskmark system

**June 1 to December 31 – VaR number is generated using MetRisk VaR calculator

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

Stress testing is performed by the Parent Company on a quarterly basis, PSBank on monthly basis and FMIC on a daily basis to complement the VaR methodology. The stress testing results of the Parent Company are reported to the ALCO and subsequently to the ROC and the BOD.

Market risk - banking book

The Parent Company and subsidiaries have in place their risk management system and processes to independently quantify and manage their respective market risks in the banking book. The Group uses tools or metrics such as Earnings-at-Risk (EaR) and Sensitivity analysis to quantify interest rate risk for banking book or accrual portfolios.

EaR measures the decline on the Bank's potential net interest earnings as a result of a change in the level or volatility of interest rates. It is a tool used to evaluate the sensitivity of the accrual portfolio to a change in interest rates in the adverse direction over the next twelve (12) months. The Parent Company generates and monitors its EaR exposure on a daily basis. On the other hand, the subsidiaries generate their respective EaR reports at least on a monthly basis.

EaR methodology assumptions and parameter

EaR is obtained by multiplying the repricing gap for each predefined time bucket by the corresponding change (volatility) in the interest rate and by the time over which the repricing gap is in effect.

The repricing gap is a method that distributes rate-sensitive assets, liabilities, and off-balance sheet positions into predefined time bands, according to their maturity (if fixed rate) or time remaining to their repricing (if floating rate). For rate-sensitive positions that lack definitive repricing dates or maturity dates (e.g. demand and savings deposit accounts), the Parent Company uses expert judgment, past experience or behavioral patterns to determine the appropriate time band distribution.



The change in interest rate is calculated using historical simulation. It is computed as the 99th percentile rank change in rates if the gap is negative (liability-sensitive) or the 1st percentile rank change in rates if the gap is positive (asset-sensitive).

The table below shows the earnings-at-risk profile of the Parent Company and certain subsidiaries as of December 31, 2016 and 2015:

	Parent Company	FMIC	PSBank	MCC	ORIX Metro	Total
2016	(₱5,395.68)	(₱509.00)	(₱1,095.07)	(₱53.07)	(₱2.61)	(₱7,055.43)
2015	(₱2,204.17)	(₱294.00)	(₱577.04)	(₱64.01)	(₱3.11)	(₱3,142.33)

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. In addition, the BSP requires a 30.00% liquidity reserve on all foreign currency liabilities held in the FCDU. Outside the FCDU, the Group has additional foreign currency assets and liabilities in its foreign branch network. The Group's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines.

The following table sets forth, for the year indicated, the impact of reasonably possible changes in the USD exchange rate and other currencies per Philippine peso on pre-tax income and equity:

Currency	Consolidated						Parent Company					
	2016			2015			2016			2015		
	Change in currency rate in %	Effect on profit before tax	Effect on equity	Change in currency rate in %	Effect on profit before tax	Effect on equity	Change in currency rate in %	Effect on profit before tax	Effect on equity	Change in currency rate in %	Effect on profit before tax	Effect on equity
USD	+1.00%	(₱19.79)	(₱2.33)	+1.00%	(₱23.72)	(₱1.55)	+1.00%	(₱23.19)	(₱4.16)	+1.00%	(₱24.26)	(₱1.45)
EUR	+1.00%	11.72	-	+1.00%	(0.09)	-	+1.00%	11.58	-	+1.00%	(0.22)	-
JPY	+1.00%	(14.22)	-	+1.00%	28.25	-	+1.00%	(14.22)	-	+1.00%	28.25	-
GBP	+1.00%	8.04	-	+1.00%	(3.27)	-	+1.00%	8.04	-	+1.00%	(3.27)	-
Others	+1.00%	31.54	-	+1.00%	5.18	-	+1.00%	31.54	-	+1.00%	5.18	-
USD	-1.00%	19.79	2.33	-1.00%	23.72	1.55	-1.00%	23.19	4.16	-1.00%	24.26	1.45
EUR	-1.00%	(11.72)	-	-1.00%	0.09	-	-1.00%	(11.58)	-	-1.00%	0.22	-
JPY	-1.00%	14.22	-	-1.00%	(28.25)	-	-1.00%	14.22	-	-1.00%	(28.25)	-
GBP	-1.00%	(8.04)	-	-1.00%	3.27	-	-1.00%	(8.04)	-	-1.00%	3.27	-
Others	-1.00%	(31.54)	-	-1.00%	(5.18)	-	-1.00%	(31.54)	-	-1.00%	(5.18)	-

Information relating to Parent Company's currency derivatives is included in Note 8. As of December 31, 2016 and 2015, the Parent Company has outstanding foreign currency spot transactions (in equivalent peso amounts) of ₱5.8 billion (sold), and ₱5.5 billion and ₱7.5 billion, respectively (bought).

The impact on the Parent Company's equity already excludes the impact on transactions affecting the profit and loss.

Capital Management

The primary objectives of the Group's capital management are to ensure that it complies with externally imposed capital requirements and maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.



The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital structure, or issue capital securities. No changes were made in the objectives, policies and processes from the previous year.

Regulatory Qualifying Capital

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

The Group complied with BSP issued Circular No. 781, *Basel III Implementing Guidelines on Minimum Capital Requirements*, which provides the implementing guidelines on the revised risk-based capital adequacy framework particularly on the minimum capital and disclosure requirements for universal banks and commercial banks, as well as their subsidiary banks and quasi-banks, in accordance with the Basel III standards. The Circular which became effective January 1, 2014, sets out a minimum Common Equity Tier 1 (CET1) ratio of 6.00% and Tier 1 capital ratio of 7.50% and also introduced a capital conservation buffer of 2.50% comprised of CET1 capital. The existing requirement for Total Capital Adequacy Ratio (CAR) remains unchanged at 10.00% and these ratios shall be maintained at all times.

Further, Basel III requires that existing capital instruments as of December 31, 2010 which do not meet the eligibility criteria for capital instruments under the revised capital framework shall no longer be recognized as capital and capital instruments issued under BSP Circular Nos. 709 and 716 (the circulars amending the definition of qualifying capital particularly on Hybrid Tier 1 and Lower Tier 2 capitals) and before the effectivity of BSP Circular No. 781, are recognized as qualifying capital until December 31, 2015. In addition to changes in minimum capital requirements, this Circular also requires various regulatory adjustments in the calculation of qualifying capital.

The details of CAR, as reported to the BSP, as of December 31, 2016 and 2015 based on Basel III follow:

	Consolidated		Parent Company	
	2016	2015	2016	2015
Tier 1 capital	₱195,947	₱190,265	₱187,400	₱181,062
CET1 Capital	195,947	190,265	187,400	181,062
Less: Required deductions	32,583	32,317	73,598	69,455
Net Tier 1 Capital	163,364	157,948	113,802	111,607
Tier 2 capital	37,895	38,814	30,707	28,977
Total Qualifying Capital	₱201,259	₱196,762	₱144,509	₱140,584

	Consolidated		Parent Company	
	2016	2015	2016	2015
Credit Risk-Weighted Assets	₱1,142,977	₱956,524	₱908,484	₱758,218
Market Risk-Weighted Assets	27,159	29,487	26,846	27,361
Operational Risk-Weighted Assets	132,702	122,471	80,756	73,082
Total Risk-Weighted Assets	1,302,838	1,108,482	1,016,086	858,661
CET1 Ratio*	12.54%	14.25%	11.20%	13.00%
Tier 1 capital ratio	12.54%	14.25%	11.20%	13.00%
Total capital ratio	15.45%	17.75%	14.22%	16.37%

* of which capital conservation buffer in 2016 and 2015 is 6.54% and 8.25%, respectively, for the Group and 5.20% and 7.00%, respectively, for the Parent Company.

Qualifying capital and risk-weighted assets (RWA) are computed based on BSP regulations.



Under Basel III, the regulatory qualifying capital of the Parent Company consists of CET1 capital, which comprises paid-up common stock, additional paid-in capital, retained earnings including current year profit, retained earnings reserves, other comprehensive income (net unrealized gains or losses on AFS securities, cumulative foreign currency translation and remeasurement of net defined benefit liability/asset) and non-controlling interest less required deductions such as unsecured credit accommodations, both direct and indirect, to directors, officers, stockholders and related interests (DOSRI), unsecured loans, other credit accommodations and guarantees granted to subsidiaries, deferred income tax, goodwill, other intangible assets, defined benefit pension fund assets and investments in equity. The other component of regulatory capital is Tier 2 (supplementary) capital, which includes unsecured subordinated debt and general loan loss provision.

RWA consist of total assets less cash on hand, due from BSP, loans covered by hold-out on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits and other non-risk items determined by the Monetary Board (MB) of the BSP.

As of December 31, 2016 and 2015, the Group has no exposures to securitization structures, contracts that provide credit protection through credit derivatives and investments in other types of structured products.

Credit risk mitigants on risk-weighted assets were based on collateralized transactions (margin deposits and hold-out on deposits) as well as guarantees by the Philippine National Government and those guarantors and exposures with highest credit rating.

Standardized credit risk weights were used in the credit assessment of asset exposures. Third party credit assessments were based on the ratings by S&P, Moody's, Fitch and PhilRatings on exposures to Sovereigns, Multilateral Development Banks, Banks, Local Government Units, Government Corporations, and Corporates.

Operational RWA are computed using the Basic Indicator Approach.

The Group and its individually regulated operations have complied with all externally imposed capital requirements throughout the year.

The issuance of BSP Circular No. 639 covering the Internal Capital Adequacy Assessment Process (ICAAP) in 2009 supplements the BSP's risk-based capital adequacy framework under Circular No. 538. In compliance with this, the Group has adopted and developed its ICAAP framework to ensure that appropriate level and quality of capital are maintained by the Group. Under this framework, the assessment of risks extends beyond the Pillar 1 set of credit, market and operational risks and onto other risks deemed material by the Group. The level and structure of capital are assessed and determined in light of the Group's business environment, plans, performance, risks and budget; as well as regulatory edicts. Pursuant to MB Resolution No. 84 dated January 14, 2015, the deadline for submission of ICAAP documents was amended from January 31 of each year to March 31 effective 2015 (BSP Circular No. 869 dated January 30, 2015).

On October 29, 2014, the BSP issued Circular No. 856 covering the implementing guidelines on the framework for dealing with domestic systemically important banks (DSIBs) in accordance with the Basel III standards. Banks that will be identified as DSIBs shall be required to have higher loss absorbency, on top of the minimum CET1 capital and capital conservation buffer. Compliance with this requirement shall be phased-in starting January 1, 2017, with full compliance on January 1, 2019.



On October 9, 2015, the BSP issued Circular No. 881 covering the implementing guidelines on the Leverage Ratio framework in accordance with the Basel III standards which is designed to act as a supplementary measure to the risk-based capital requirements and shall not be less than 5.00%. Monitoring period has been set every quarter starting December 31, 2014 until December 31, 2016 but extended until December 31, 2017 per BSP Circular No. 943 issued on January 26, 2017.

The Group has taken into consideration the impact of the foregoing requirements to ensure that the appropriate level and quality of capital are maintained on an ongoing basis.

Further, on March 10, 2016, the BSP issued Circular No. 905 which provides the implementing guidelines on Liquidity Coverage Ratio (LCR) and disclosure standards that are consistent with the Basel III framework. The LCR is the ratio of high-quality liquid assets to total net cash outflows which should be no lower than 100.00%. Compliance with the LCR minimum requirement will commence on January 1, 2018 with the prescribed minimum initially set at 90.00% for 2018 and 100.00% required minimum level on January 1, 2019.

5. Fair Value Measurement

Financial Instruments

The methods and assumptions used by the Group in estimating the fair value of financial instruments are:

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

Trading and investment securities - Fair values of debt securities (financial assets at FVPL, AFS and HTM investments) 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 investments that are not quoted, the investments are carried at cost less allowance for impairment losses due to the unpredictable nature of future cash flows and the lack of suitable methods of arriving at a reliable fair value.

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

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

Liabilities - Fair values are estimated using the discounted cash flow methodology using the Group's current 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 approximate fair value considering that these are either due and demandable or with short-term maturities.



Non-financial Assets

Investment properties - Fair value of investment properties is determined based on valuations performed by independent and in-house appraisers using valuation technique with significant inputs that are not based on observable market data (Level 3). The valuation of investment properties was based on the Sales Comparison Approach and considered recent sales similar or substitute properties in the same areas where the investment properties are located, taking into account the economic conditions prevailing at the time of the valuation. Other factors considered were the location and shape of the properties, environmental issues, development controls such as the height restrictions, building coverage and floor area ratio restrictions, among others. The fair value of investment properties is based on its highest and best use, which is its current use.

The following tables summarize the carrying amounts and fair values of the financial assets and liabilities, analyzed among those whose fair value is based on:

- Quoted market prices in active markets for identical assets or liabilities (Level 1);
- Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3)

	2016				Total Fair Value
	Carrying Value	Level 1	Level 2	Level 3	
Consolidated					
Assets Measured at Fair Value					
Financial Assets					
Financial assets at FVPL					
HFT investments					
Debt securities					
Government	₱4,010	₱4,010	₱-	₱-	₱4,010
Private	5,329	5,255	74	-	5,329
Treasury bills	903	903	-	-	903
Treasury notes and bonds	13,346	13,346	-	-	13,346
	23,588	23,514	74	-	23,588
Equity securities					
Quoted	6,502	6,502	-	-	6,502
Derivative assets					
Currency forwards	785	-	785	-	785
Interest rate swaps	740	-	740	-	740
Cross currency swaps	5,436	-	5,436	-	5,436
Put option	158	-	158	-	158
Call option	3	-	3	-	3
Embedded derivatives in non-financial contract	2	-	2	-	2
	7,124	-	7,124	-	7,124
	37,214	30,016	7,198	-	37,214
AFS investments					
Debt securities					
Government	41,555	34,298	7,257	-	41,555
Private	43,232	42,654	578	-	43,232
Treasury bills	199	199	-	-	199
Treasury notes and bonds	231,087	231,087	-	-	231,087
	316,073	308,238	7,835	-	316,073
Equity securities					
Quoted	589	589	-	-	589
	316,662	308,827	7,835	-	316,662
	₱353,876	₱338,843	₱15,033	₱-	₱353,876

(Forward)



	2016				Total Fair Value
	Consolidated				
	Carrying Value	Level 1	Level 2	Level 3	
Assets for which Fair Values are Disclosed					
Financial Assets					
Loans and receivables - net					
Receivables from customers					
Commercial loans	₱740,486	₱-	₱-	₱741,445	₱741,445
Residential mortgage loans	91,497	-	-	92,169	92,169
Auto loans	96,844	-	-	113,022	113,022
Trade loans	34,474	-	-	34,474	34,474
Others	81,797	-	-	81,542	81,542
	1,045,098	-	-	1,062,652	1,062,652
Unquoted debt securities	929	-	-	1,001	1,001
Sales contract receivable	160	-	-	198	198
	1,046,187	-	-	1,063,851	1,063,851
Other Assets					
Residual value of leased assets	1,003	-	-	960	960
Miscellaneous	180	-	-	289	289
	1,183	-	-	1,249	1,249
	1,047,370	-	-	1,065,100	1,065,100
Non-Financial Assets					
Investment properties	8,474	-	-	13,429	13,429
	₱1,055,844	₱-	₱-	₱1,078,529	₱1,078,529
Liabilities Measured at Fair Value					
Financial Liabilities					
Financial liabilities at FVPL					
Derivative liabilities					
Currency forwards	₱1,291	₱-	₱1,291	₱-	₱1,291
Bond forwards	27	-	27	-	27
Interest rate swaps	539	-	539	-	539
Cross currency swaps	2,752	-	2,752	-	2,752
Call option	3	-	3	-	3
	₱4,612	₱-	₱4,612	₱-	₱4,612
Liabilities for which Fair Values are Disclosed					
Financial Liabilities					
Deposit liabilities					
Time	₱520,329	₱-	₱-	₱523,919	₱523,919
LTNCD	22,900	21,896	-	-	21,896
Bills payable and SSURA	161,376	-	-	164,593	164,593
Bonds payable	11,498	-	-	11,756	11,756
Subordinated debt	29,524	22,378	-	6,754	29,132
Other liabilities					
Deposits on lease contracts	1,375	-	-	1,233	1,233
	₱747,002	₱44,274	₱-	₱708,255	₱752,529

	2016				Total Fair Value
	Parent Company				
	Carrying Value	Level 1	Level 2	Level 3	
Assets Measured at Fair Value					
Financial Assets					
Financial assets at FVPL					
HFT investments					
Debt securities					
Government	₱2,556	₱2,556	₱-	₱-	₱2,556
Private	4,579	4,579	-	-	4,579
Treasury bills	166	166	-	-	166
Treasury notes and bonds	12,342	12,342	-	-	12,342
	19,643	19,643	-	-	19,643
Derivative assets					
Currency forwards	785	-	785	-	785
Interest rate swaps	739	-	739	-	739
Cross currency swaps	5,436	-	5,436	-	5,436
Put option	158	-	158	-	158
Call option	3	-	3	-	3
Embedded derivatives in non-financial contract	2	-	2	-	2
	7,123	-	7,123	-	7,123
	26,766	19,643	7,123	-	26,766

(Forward)



	2016				
	Parent Company				Total Fair Value
	Carrying Value	Level 1	Level 2	Level 3	
AFS investments					
Debt securities					
Government	₱21,287	₱17,550	₱3,737	₱-	₱21,287
Private	32,533	31,980	553	-	32,533
Treasury notes and bonds	199,386	199,386	-	-	199,386
	253,206	248,916	4,290	-	253,206
Equity securities					
Quoted	327	327	-	-	327
	253,533	249,243	4,290	-	253,533
	₱280,299	₱268,886	₱11,413	₱-	₱280,299
Assets for which Fair Values are Disclosed					
Financial Assets					
Loans and receivables - net					
Receivables from customers					
Commercial loans	₱697,221	₱-	₱-	₱696,087	₱696,087
Residential mortgage loans	48,102	-	-	48,369	48,369
Auto loans	28,763	-	-	28,879	28,879
Trade loans	34,474	-	-	34,474	34,474
Others	20,844	-	-	20,844	20,844
	829,404	-	-	828,653	828,653
Unquoted debt securities	113	-	-	113	113
Sales contract receivable	33	-	-	33	33
	829,550	-	-	828,799	828,799
Non-Financial Assets					
Investment properties	3,749	-	-	6,901	6,901
	₱833,299	₱-	₱-	₱835,700	₱835,700
Liabilities Measured at Fair Value					
Financial Liabilities					
Financial liabilities at FVPL					
Derivative liabilities					
Currency forwards	₱1,226	₱-	₱1,226	₱-	₱1,226
Bond forwards	27	-	27	-	27
Interest rate swaps	539	-	539	-	539
Cross currency swaps	2,752	-	2,752	-	2,752
Call option	3	-	3	-	3
	₱4,547	₱-	₱4,547	₱-	₱4,547
Liabilities for which Fair Values are Disclosed					
Financial Liabilities					
Deposit liabilities					
Time	₱388,063	₱-	₱-	₱388,063	₱388,063
LTNCD	22,900	21,896	-	-	21,896
	410,963	21,896	-	388,063	409,959
Bills payable and SSURA	68,865	-	-	68,709	68,709
Subordinated debt	22,404	22,378	-	-	22,378
	₱502,232	₱44,274	₱-	₱456,772	₱501,046

	2015				
	Consolidated				Total Fair Value
	Carrying Value	Level 1	Level 2	Level 3	
Assets Measured at Fair Value					
Financial Assets					
Financial assets at FVPL					
HFT investments					
Debt securities					
Government	₱10,351	₱9,529	₱822	₱-	₱10,351
Private	3,723	3,675	48	-	3,723
Treasury bills	104	104	-	-	104
Treasury notes and bonds	19,511	19,511	-	-	19,511
	33,689	32,819	870	-	33,689
Equity securities					
Quoted	9,225	9,225	-	-	9,225

(Forward)



	2015				Total Fair Value
	Carrying Value	Level 1	Level 2	Level 3	
Consolidated					
Derivative assets					
Currency forwards	₱769	₱-	₱769	₱-	₱769
Interest rate swaps	421	-	421	-	421
Cross currency swaps	4,568	-	4,568	-	4,568
Put option	149	-	149	-	149
Call option	8	-	8	-	8
Embedded derivatives in:					
Financial contract	24	-	24	-	24
Non-financial contract	3	-	3	-	3
	5,942	-	5,942	-	5,942
	48,856	42,044	6,812	-	48,856
AFS investments					
Debt securities					
Government	40,708	36,155	4,553	-	40,708
Private	28,098	27,433	665	-	28,098
Treasury notes and bonds	160,693	160,604	89	-	160,693
	229,499	224,192	5,307	-	229,499
Equity securities					
Quoted	2,207	2,207	-	-	2,207
	231,706	226,399	5,307	-	231,706
	₱280,562	₱268,443	₱12,119	₱-	₱280,562
Assets for which Fair Values are Disclosed					
Financial Assets					
HTM investments					
Government	₱19,107	₱22,376	₱-	₱-	₱22,376
Private	4,530	4,530	-	-	4,530
Treasury notes and bonds	184,795	179,288	-	-	179,288
	208,432	206,194	-	-	206,194
Loans and receivables - net					
Receivables from customers					
Commercial loans	593,034	-	-	593,938	593,938
Residential mortgage loans	84,520	-	-	85,850	85,850
Auto loans	81,042	-	-	94,394	94,394
Trade loans	32,988	-	-	32,994	32,994
Others	77,102	-	-	79,391	79,391
	868,686	-	-	886,567	886,567
Unquoted debt securities	1,936	-	-	2,035	2,035
Sales contract receivable	365	-	-	386	386
	870,987	-	-	888,988	888,988
Other Assets					
Residual value of leased assets	899	-	-	831	831
Miscellaneous	178	-	-	176	176
	1,077	-	-	1,007	1,007
	1,080,496	206,194	-	889,995	1,096,189
Non-Financial Assets					
Investment properties	8,195	-	-	12,981	12,981
	₱1,088,691	₱206,194	₱-	₱902,976	₱1,109,170
Liabilities Measured at Fair Value					
Financial Liabilities					
Financial liabilities at FVPL					
Derivative liabilities					
Currency forwards	₱730	₱-	₱730	₱-	₱730
Interest rate swaps	952	-	952	-	952
Cross currency swaps	2,454	-	2,454	-	2,454
Call option	9	-	9	-	9
	₱4,145	₱-	₱4,145	₱-	₱4,145
Liabilities for which Fair Values are Disclosed					
Financial Liabilities					
Deposit liabilities					
Time	₱542,221	₱-	₱-	₱545,963	₱545,963
LTNCD	14,250	13,862	-	-	13,862
Bills payable and SSURA	176,791	-	-	173,911	173,911
Bonds payable	11,516	-	-	11,858	11,858
Subordinated debt	29,487	18,757	-	6,909	25,666
Other liabilities					
Deposits on lease contracts	1,249	-	-	1,069	1,069
	₱775,514	₱32,619	₱-	₱739,710	₱772,329



	2015				Total Fair Value
	Carrying Value	Level 1	Level 2	Level 3	
Parent Company					
Assets Measured at Fair Value					
Financial Assets					
Financial assets at FVPL					
HFT investments					
Debt securities					
Government	₱7,509	₱7,509	₱-	₱-	₱7,509
Private	3,068	3,068	-	-	3,068
Treasury notes and bonds	18,074	18,074	-	-	18,074
	28,651	28,651	-	-	28,651
Derivative assets					
Currency forwards	769	-	769	-	769
Interest rate swaps	420	-	420	-	420
Cross currency swaps	4,568	-	4,568	-	4,568
Put option	149	-	149	-	149
Call option	8	-	8	-	8
Embedded derivatives in non-financial contract	3	-	3	-	3
	5,917	-	5,917	-	5,917
	34,568	28,651	5,917	-	34,568
AFS investments					
Debt securities					
Government	33,071	33,041	30	-	33,071
Private	22,898	22,377	521	-	22,898
Treasury notes and bonds	145,985	145,895	90	-	145,985
	201,954	201,313	641	-	201,954
Equity securities					
Quoted	297	297	-	-	297
	202,251	201,610	641	-	202,251
	₱236,819	₱230,261	₱6,558	₱-	₱236,819
Assets for which Fair Values are Disclosed					
Financial Assets					
HTM investments					
Government	₱15,035	₱18,432	₱-	₱-	₱18,432
Treasury notes and bonds	160,781	155,678	-	-	155,678
	175,816	174,110	-	-	174,110
Loans and receivables - net					
Receivables from customers					
Commercial loans	555,790	-	-	554,813	554,813
Residential mortgage loans	44,410	-	-	44,693	44,693
Auto loans	21,713	-	-	21,824	21,824
Trade loans	32,988	-	-	32,994	32,994
Others	24,144	-	-	24,144	24,144
	679,045	-	-	678,468	678,468
Unquoted debt securities	194	-	-	194	194
Sales contract receivable	174	-	-	174	174
	679,413	-	-	678,836	678,836
	855,229	174,110	-	678,836	852,946
Non-Financial Assets					
Investment properties	4,132	-	-	7,487	7,487
	₱859,361	₱174,110	₱-	₱686,323	₱860,433
Liabilities Measured at Fair Value					
Financial Liabilities					
Financial liabilities at FVPL					
Derivative liabilities					
Currency forwards	₱730	₱-	₱730	₱-	₱730
Interest rate swaps	952	-	952	-	952
Cross currency swaps	2,454	-	2,454	-	2,454
Call option	9	-	9	-	9
	₱4,145	₱-	₱4,145	₱-	₱4,145
Liabilities for which Fair Values are Disclosed					
Financial Liabilities					
Deposit liabilities					
Time	₱425,629	₱-	₱-	₱425,629	₱425,629
LTNCD	14,250	13,862	-	-	13,862
	439,879	13,862	-	425,629	439,491
Bills payable and SSURA	88,640	-	-	88,640	88,640
Subordinated debt	22,374	18,757	-	-	18,757
	₱550,893	₱32,619	₱-	₱514,269	₱546,888



When fair values of listed equity and debt securities, as well as publicly traded derivatives at the reporting date are based on quoted market prices or binding dealer price quotations, without any deduction for transaction costs, the instruments are included within Level 1 of the hierarchy. For all other financial instruments, fair value is determined using valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist and other revaluation models.

Instruments included in Level 3 include those for which there is currently no active market. Input used in estimating fair value of financial instruments carried at amortized cost categorized at Level 3 include applicable risk-free rates and applicable risk premium.

There were no transfers between levels of the fair value hierarchy in 2016 while AFS investments in debt securities amounting to ₱47.1 million was transferred from Level 2 to Level 1 in 2015.

6. Segment Information

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

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

Segment assets are those operating assets that are employed by a segment in its operating activities and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment liabilities are those operating liabilities that result from the operating activities of a segment and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis. Interest income is reported net, as management primarily relies on the net interest income as performance measure, not the gross income and expense. The Group has no significant customers which contributes 10.00% or more of the consolidated revenue net of interest expense. Transactions between segments are conducted at estimated market rates on an arm's length basis. Interest is charged/credited to business segments based on a pool rate which



approximates the cost of funds. The following table presents revenue and income information of operating segments presented in accordance with PFRS and segment assets and liabilities:

	Consumer Banking	Corporate Banking	Investment Banking	Treasury	Branch Banking	Others	Total
2016							
Results of Operations							
Net interest income (expense)							
Third party	₱14,020	₱22,689	₱-	₱12,342	₱1,726	₱2,169	₱52,946
Intersegment	(254)	(8,977)	-	(4,109)	15,123	(1,783)	-
Net interest income after intersegment transactions	13,766	13,712	-	8,233	16,849	386	52,946
Non-interest income	5,660	630	643	6,806	3,532	7,954	25,225
Revenue - net of interest expense	19,426	14,342	643	15,039	20,381	8,340	78,171
Non-interest expense	13,576	2,980	44	1,748	18,581	14,565	51,494
Income (loss) before share in net income of subsidiaries, associates and a JV	5,850	11,362	599	13,291	1,800	(6,225)	26,677
Share in net income of subsidiaries, associates and a JV	-	30	-	-	-	231	261
Provision for income tax	(1,358)	(303)	-	(2,903)	(40)	(2,018)	(6,622)
Non-controlling interest in net income of consolidated subsidiaries	-	-	-	-	-	(2,230)	(2,230)
Net income (loss)	₱4,492	₱11,089	₱599	₱10,388	₱1,760	(₱10,242)	₱18,086
Statement of Financial Position							
Total assets	₱166,374	₱788,813	₱-	₱466,711	₱144,026	₱310,085	₱1,876,009
Total liabilities	₱63,000	₱760,320	₱-	₱480,348	₱227,514	₱139,274	₱1,670,456
Other Segment Information							
Capital expenditures	₱1,000	₱58	₱-	₱130	₱95	₱3,045	₱4,328
Depreciation and amortization	₱499	₱170	₱-	₱12	₱1,249	₱1,834	₱3,764
Provision for credit and impairment losses	₱7,009	(₱233)	₱-	₱-	(₱603)	₱1,169	₱7,342
2015							
Results of Operations							
Net interest income (expense)							
Third party	₱10,287	₱19,170	₱5	₱16,617	₱1,027	₱1,868	₱48,974
Intersegment	(242)	(7,607)	-	(6,054)	15,633	(1,730)	-
Net interest income after intersegment transactions	10,045	11,563	5	10,563	16,660	138	48,974
Non-interest income	4,976	570	682	1,181	3,818	7,201	18,428
Revenue - net of interest expense	15,021	12,133	687	11,744	20,478	7,339	67,402
Non-interest expense	9,184	2,656	(42)	1,612	19,073	9,448	41,931
Income (loss) before share in net income of subsidiaries, associates and a JV	5,837	9,477	729	10,132	1,405	(2,109)	25,471
Share in net income of subsidiaries, associates and a JV	-	20	-	-	-	389	409
Provision for income tax	(1,153)	(233)	-	(3,817)	217	(251)	(5,237)
Non-controlling interest in net income of consolidated subsidiaries	-	-	-	-	-	(2,018)	(2,018)
Net income (loss)	₱4,684	₱9,264	₱729	₱6,315	₱1,622	(₱3,989)	₱18,625
Statement of Financial Position							
Total assets	₱143,962	₱636,495	₱-	₱538,974	₱138,110	₱303,151	₱1,760,692
Total liabilities	₱52,912	₱602,773	₱-	₱551,573	₱213,643	₱136,481	₱1,557,382
Other Segment Information							
Capital expenditures	₱681	₱78	₱-	₱136	₱163	₱3,597	₱4,655
Depreciation and amortization	₱284	₱164	₱-	₱10	₱1,159	₱1,643	₱3,260
Provision for credit and impairment losses	₱3,913	₱94	(₱91)	₱3	₱1,017	(₱2,877)	₱2,059
2014							
Results of Operations							
Net interest income (expense)							
Third party	₱9,183	₱17,004	₱164	₱16,265	₱1,248	₱1,899	₱45,763
Intersegment	(331)	(9,731)	-	(7,834)	20,612	(2,716)	-
Net interest income (expense) after intersegment transactions	8,852	7,273	164	8,431	21,860	(817)	45,763
Non-interest income	5,009	940	408	912	3,886	17,976	29,131
Revenue - net of interest expense	13,861	8,213	572	9,343	25,746	17,159	74,894
Non-interest expense	9,024	2,089	28	1,288	17,898	16,516	46,843
Income before share in net income of subsidiaries, associates and a JV	4,837	6,124	544	8,055	7,848	643	28,051
Share in net income of subsidiaries, associates and a JV	-	77	-	-	-	366	443
Provision for income tax	(946)	(280)	-	(3,475)	201	(1,959)	(6,459)
Non-controlling interest in net income of consolidated subsidiaries	-	-	-	-	-	(1,922)	(1,922)
Net income (loss)	₱3,891	₱5,921	₱544	₱4,580	₱8,049	(₱2,872)	₱20,113
Statement of Financial Position							
Total assets	₱119,790	₱521,546	₱-	₱566,013	₱134,958	₱262,233	₱1,604,540
Total liabilities	₱51,474	₱512,814	₱-	₱545,049	₱204,002	₱132,416	₱1,445,755
Other Segment Information							
Capital expenditures	₱450	₱119	₱-	₱121	₱226	₱2,883	₱3,799
Depreciation and amortization	₱296	₱116	₱-	₱29	₱1,016	₱1,439	₱2,896
Provision for credit and impairment losses	₱4,195	₱43	₱-	₱8	₱858	(₱255)	₱4,849



Non-interest income consists of service charges, fees and commissions, profit from assets sold, trading and securities gain - net, 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, income (loss) attributable to non-equity non-controlling interest and miscellaneous expense.

Geographical Information

The Group operates in four geographic markets: Philippines, Asia other than Philippines, USA and Europe (Note 2). The following tables show the distribution of Group's external net operating income and non-current assets allocated based on the location of the customers and assets, respectively, for the years ended December 31:

	Philippines	Asia (Other than Philippines)	USA	Europe	Total
2016					
Interest income	₱66,653	₱1,490	₱38	₱-	₱68,181
Interest expense	14,463	766	6	-	15,235
Net interest income	52,190	724	32	-	52,946
Non-interest income	23,467	1,012	669	77	25,225
Provision for credit and impairment losses	7,257	85	-	-	7,342
Total external net operating income	₱68,400	₱1,651	₱701	₱77	₱70,829
Non-current assets	₱32,543	₱603	₱13	₱5	₱33,164
2015					
Interest income	₱64,225	₱1,297	₱34	₱-	₱65,556
Interest expense	16,035	541	6	-	16,582
Net interest income	48,190	756	28	-	48,974
Non-interest income	16,801	1,117	454	56	18,428
Provision for credit and impairment losses	1,985	72	2	-	2,059
Total external net operating income	₱63,006	₱1,801	₱480	₱56	₱65,343
Non-current assets	₱31,847	₱644	₱19	₱6	₱32,516
2014					
Interest income	₱57,557	₱1,709	₱28	₱-	₱59,294
Interest expense	12,893	632	6	-	13,531
Net interest income	44,664	1,077	22	-	45,763
Non-interest income	27,834	912	335	50	29,131
Provision for credit and impairment losses	4,689	157	3	-	4,849
Total external net operating income	₱67,809	₱1,832	₱354	₱50	₱70,045
Non-current assets	₱27,851	₱691	₱19	₱5	₱28,566

Non-current assets consist of property and equipment, investment properties, chattel properties acquired in foreclosure, software costs and assets held under joint operations.

7. Interbank Loans Receivable and Securities Purchased Under Resale Agreements

This account consists of:

	Consolidated		Parent Company	
	2016	2015	2016	2015
Interbank loans receivable (Note 31)	₱44,815	₱33,621	₱32,452	₱25,951
SPURA	46,831	2,500	40,642	-
	91,646	36,121	73,094	25,951
Less allowance for credit losses (Note 15)	-	3	-	-
	₱91,646	₱36,118	₱73,094	₱25,951



The outstanding balance of SPURA represents overnight placements with the BSP where the underlying securities cannot be sold or repledged to parties other than the BSP.

8. Trading and Investment Securities

This account consists of:

	Consolidated		Parent Company	
	2016	2015	2016	2015
Financial assets at FVPL (Note 29)	₱37,214	₱48,856	₱26,766	₱34,568
AFS investments (Notes 29 and 31)	316,855	235,158	253,594	202,312
HTM investments	–	208,432	–	175,816
	₱354,069	₱492,446	₱280,360	₱412,696

Financial assets at FVPL consist of the following:

	Consolidated		Parent Company	
	2016	2015	2016	2015
HFT investments (Note 31)				
Debt securities				
Government (Note 17)	₱4,010	₱10,351	₱2,556	₱7,509
Private	5,329	3,723	4,579	3,068
Treasury bills (Note 17)	903	104	166	–
Treasury notes and bonds (Note 17)	13,346	19,511	12,342	18,074
	23,588	33,689	19,643	28,651
Equity securities - quoted	6,502	9,225	–	–
	30,090	42,914	19,643	28,651
Derivative assets	7,124	5,942	7,123	5,917
	₱37,214	₱48,856	₱26,766	₱34,568

Derivative Financial Instruments

The following are fair values of derivative financial instruments of the Parent Company recorded as derivative assets/liabilities, together with the notional amounts. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value are measured. The notional amounts indicate the volume of transactions outstanding as of December 31, 2016 and 2015 and are not indicative of either market risk or credit risk.

	Assets	Liabilities	Notional Amount	Average Forward Rate (in every USD 1)
December 31, 2016				
Freestanding derivatives:				
Currency forwards				
BOUGHT:				
USD	₱573	₱127	USD 977	₱49.3105
CNY	–	2	CNY 563	CNY 0.1422
EUR	–	8	EUR 2	EUR 1.1234
TWD	39	–	TWD 1,551	TWD 0.0316
HKD	0	–	HKD 40	HKD 0.1288
SOLD:				
USD	96	1,076	USD 1,199	₱49.1999
CNY	58	0	CNY 303	CNY 0.1455

(Forward)



	Assets	Liabilities	Notional Amount	Average Forward Rate (in every USD 1)
GBP	₱0	₱-	GBP 0	GBP 1.2518
JPY	10	13	JPY 3,670	JPY 0.0086
EUR	8	-	EUR 4	EUR 1.0614
MXN	-	0	MXN 1	MXN 0.0481
THB	0	-	THB 9	THB 0.0279
SGD	0	0	SGD 4	SGD 0.6902
CHF	0	0	CHF 6	CHF 0.9742
TRY	0	-	TRY 0	TRY 0.2841
AUD	1	-	AUD 14	AUD 0.7223
HKD	-	0	HKD 55	HKD 0.1289
ZAR	0	-	ZAR 2	ZAR 0.0728
Put option purchased warrants	157	-	USD 645	
Interest rate swaps - PHP	141	126	₱35,700	
Interest rate swaps - FX	598	413	USD 2,123	
Cross currency swaps - PHP	40	2,752	₱16,903	
Cross currency swaps - FX	5,383	0	USD 1,099	
Cross currency swaps - EUR	13	-	EUR 4	
Over-the-counter FX options	4	3	USD 461	
Bond forwards	-	27	USD 90	
Embedded derivatives in non-financial contract*	2	-	USD 0	
	₱7,123	₱4,547		
December 31, 2015				
Freestanding derivatives:				
Currency forwards				
BOUGHT:				
USD	₱410	₱115	USD 967	₱46.9406
CNY	-	158	CNY 652	CNY 0.1552
EUR	0	1	EUR 2	EUR 1.1148
TWD	70	-	TWD 1,636	TWD 0.0312
CAD	-	3	CAD 2	CAD 0.7213
SOLD:				
USD	106	441	USD 1,094	₱47.0101
CNY	180	-	CNY 681	CNY 0.1558
GBP	0	0	GBP 6	GBP 1.4924
JPY	0	5	JPY 2,584	JPY 0.0083
EUR	1	2	EUR 9	EUR 1.0918
THB	0	0	THB 150	THB 0.0277
SGD	2	-	SGD 21	SGD 0.7107
TRY	-	0	TRY 0	TRY 0.3356
AUD	-	5	AUD 15	AUD 0.7207
HKD	-	0	HKD 101	HKD 0.1290
Put option purchased warrants	149	-	USD 645	
Interest rate swaps - PHP	154	265	₱40,706	
Interest rate swaps - FX	266	687	USD 1,955	
Cross currency swaps	4,563	1	USD 1,083	
Cross currency swaps - PHP	5	2,453	₱19,444	
Over-the-counter FX options	8	9	USD 158	
Embedded derivatives in non-financial contract*	3	-	USD 0	
	₱5,917	₱4,145		

*Non-financial host contracts include foreign currency derivatives with average notional amounts of USD1,532 and USD1,497 per month as of December 31, 2016 and 2015, respectively (with maturities until 2021).

The Group's derivative assets include embedded call option in a financial contract amounting to ₱15.9 thousand and ₱24.6 million as of December 31, 2016 and 2015, respectively, and swaps amounting to ₱0.5 million as of December 31, 2016.



Derivatives Designated as Accounting Hedges

MCC had a cross currency swap agreement with a certain bank to hedge the foreign exchange and interest rate risks arising from its dollar-denominated loan with the same bank which was paid off on December 21, 2015. Under the agreement, MCC, on a quarterly basis, pays fixed annual interest rate of 5.45% in 2015 and from 5.25% to 5.50% in 2014, on the peso principal and receives floating interest at 3 months London interbank offered rate (LIBOR) on the USD principal. As of December 31, 2014, the swaps which are designated as hedging instruments under cash flow hedges have an aggregate positive fair value of ₱10.6 million. MCC assessed the hedge relationship of the swaps and the hedged loans as highly effective. The effective fair value changes on the swaps that were deferred in equity under 'Translation adjustment and others' as of December 31, 2014 amounted to ₱2.7 million. This is to recognize the offsetting effect of the change in fair value of the swaps and that of the hedged loans in the statement of income due to movements in the foreign exchange rates. No hedge ineffectiveness was recognized in profit or loss 2014.

AFS investments consist of the following:

	Consolidated		Parent Company	
	2016	2015	2016	2015
Debt securities:				
Government (Notes 17 and 19)	₱41,555	₱40,714	₱21,287	₱33,071
Private	43,232	28,098	32,533	22,898
Treasury bills	199	—	—	—
Treasury notes and bonds (Note 17)	231,087	160,693	199,386	145,985
	316,073	229,505	253,206	201,954
Equity securities:				
Quoted (Note 11)	671	2,476	406	376
Unquoted	405	3,665	142	142
	1,076	6,141	548	518
	317,149	235,646	253,754	202,472
Less allowance for impairment losses (Note 15)	294	488	160	160
	₱316,855	₱235,158	₱253,594	₱202,312

The movements in net unrealized losses, including share in net unrealized gains (losses) of subsidiaries (Note 11), presented under equity in the statements of financial position are as follows:

	Consolidated		Parent Company	
	2016	2015	2016	2015 (As Restated - Note 2)
Balance at the beginning of year	₱4,783	₱2,386	₱4,783	₱2,394
Unrealized loss (gain) recognized in other comprehensive income	315	899	634	1,020
Amounts realized in profit or loss	5,144	1,430	4,693	1,301
	10,242	4,715	10,110	4,715
Tax (Note 28)	5	68	5	68
Balance at end of year	₱10,247*	₱4,783*	₱10,115	₱4,783

*Includes share of non-controlling interest amounting to ₱132.5 million and ₱0.4 million as of December 31, 2016 and 2015, respectively



As of December 31, 2016 and 2015, AFS investments include floating and fixed rate private notes with total carrying value of USD11.1 million (with peso equivalent of ₱553.3 million and ₱521.6 million, respectively) which are pledged by the Parent Company's New York Branch in compliance with the regulatory requirements of the Federal Deposit Insurance Corporation (FDIC) and the Office of the Controller of the Currency (OCC) in New York.

AFS investments also include US Treasury notes with carrying value of USD1.0 million (with peso equivalent of ₱59.4 million as of December 31, 2016) which are pledged by MR USA to the State Treasury Office pursuant to the California Financial Code and in accordance with the requirements of the California Department of Business Oversight relative to its license as a transmitter of money. These were previously classified under HTM investments with carrying value of ₱47.7 million as of December 31, 2015.

In August 2014, the Parent Company and FMIC participated in a bond exchange transaction affecting HFT and AFS investments and received 10-year Benchmark bonds with coupon of 4.125% and face value of ₱13.3 billion and ₱10.2 billion, respectively, at a price equivalent to the ratio of the Eligible Bond Repurchase Price to the New Benchmark Bond Issue Price for every ₱1.00 principal amount of each series of Eligible Bonds offered. The Parent Company and FMIC realized net trading loss of ₱9.0 thousand and ₱80.4 million, respectively.

In September 2015, the Parent Company and its subsidiaries, FMIC and PSBank, participated in a bond exchange transaction affecting HFT and AFS investments and received 10-year and 25-year Benchmark bonds with coupon of 3.625% and 4.625%, respectively, and face value of ₱16.0 billion and ₱15.0 billion, respectively, at a price equivalent to the ratio of Eligible Bond Repurchase Price to the New Benchmark Bond Issue Price for every ₱1.00 principal amount of each series of Eligible Bonds offered. The Parent Company, FMIC and PSBank realized net trading gain of ₱32.9 million, ₱0.9 million and ₱4.4 million, respectively. Further, the Parent Company and FMIC also subscribed to new 10-year Benchmark bonds for cash amounting to ₱878.0 million and ₱307.0 million, respectively.

HTM investments consist of the following:

As of December 31, 2015	Consolidated	Parent Company
Government bonds (Notes 17 and 19)	₱19,107	₱15,035
Treasury notes and bonds (Note 17)	184,795	160,781
Private bonds	4,530	-
	₱208,432	₱175,816

In 2016, the Parent Company disposed portion of its HTM investments and reclassified the remaining HTM investments to AFS investments in accordance with the existing tainting rule under PAS 39. Total trading gains on disposal of certain HTM investments including portion of the reclassified portfolio amounted to USD86.7 million (peso equivalent of ₱4.1 billion) and included under 'Trading and securities gain - net'. Further, the entire HTM investments portfolio of the subsidiaries was reclassified to AFS investments and carried at fair value. As of December 31, 2016, the market value of the remaining reclassified investments amounted to ₱201.2 billion and ₱160.8 billion for the Group and Parent Company, respectively, with net unrealized loss amounting to ₱5.5 billion and ₱4.8 billion, for the Group and the Parent Company, respectively, included in 'Net unrealized loss on available-for-sale investments'.



Bond Exchange Transaction

In July 2011, the Department of Finance and the Bureau of Treasury embarked on a Liability Management exercise through the exchange of eligible fixed income government bonds for a new 10-year bonds (due 2022) or 20-year bonds (due 2031) wherein the proceeds of a simultaneous issuance of additional new 20-year bonds were used to buy back Eligible bonds via Tender Offer. Given the existing tainting rule on HTM investment under PAS 39, the SEC granted an exemptive relief from the tainting rule subject to, among others, (a) proper disclosures to the SEC; (b) Day 1 profit or loss shall not be recognized and any unrealized gains or losses shall be amortized over the term of the new benchmark bonds; (c) basis of preparation of the financial statements shall not be PFRS but should be the prescribed financial reporting framework for entities which are given relief from certain requirements of the PFRS; and (d) appropriate clearance shall be obtained from the BSP. In October 2011, the BSP through Circular 738 issued exemption from tainting provision for prudential reporting on certain securities booked under HTM category which are covered by an offer and accepted tender offer pursuant to liability management transactions of the Republic of the Philippines (ROP), among others.

In July 2011, given its nature of business, FMIC participated in the domestic bond exchange covering its ₱3.0 billion eligible government bonds classified as HTM investments to extend the bond holdings (from maturity date of December 16, 2020 to July 19, 2031) and benefit from the higher yields (from 5.875% to 8.00%). FMIC has complied with the disclosure and other requirements of the SEC as follows: total HTM investments portfolio of FMIC before and after the exchange remain the same while the gain on exchange of ₱14.5 million is deferred and amortized over the term of the new bonds; and as disclosed in Note 2, the related financial statements of the Group have been prepared in accordance with Philippine GAAP for banks.

Reporting under PFRS

As of December 31, 2015, had the Group accounted for the transaction under PFRS, the entire HTM investments portfolio of the Group covered by the tainting period under the bond exchange, with amortized cost of ₱35.9 billion would have been reclassified to AFS investments and carried at fair value with net unrealized gain of ₱3.8 billion being recognized in other comprehensive income.

Interest income on trading and investment securities consists of:

	Consolidated			Parent Company		
	2016	2015	2014	2016	2015	2014
Financial assets at FVPL	₱1,110	₱1,740	₱1,799	₱853	₱1,299	₱1,409
AFS investments	6,875	7,473	8,883	5,634	6,481	7,660
HTM investments	7,386	8,625	4,313	6,258	7,502	3,882
	₱15,371	₱17,838	₱14,995	₱12,745	₱15,282	₱12,951

In 2016, 2015 and 2014, foreign currency-denominated trading and investment securities bear nominal annual interest rates ranging from 0.29% to 11.63%, 0.31% to 11.63% and 0.39% to 10.63%, respectively, for the Group and the Parent Company while peso-denominated trading and investment securities bear nominal annual interest rates ranging from 1.63% to 14.38%, 1.63% to 14.38% and 1.63% to 18.25%, respectively, for the Group and from 1.63% to 13.75%, 2.13% to 13.75% and 1.63% to 18.25%, respectively, for the Parent Company.



Trading and securities gain - net consists of:

	Consolidated			Parent Company		
	2016	2015	2014	2016	2015	2014
HFT investments	(₱718)	(₱1,261)	₱1,790	(₱260)	(₱824)	₱33
AFS investments	5,144	1,430	1,862	4,693	1,301	965
HTM investments	1,014	-	-	1,014	-	-
Derivative assets/liabilities - net	682	1,113	(347)	707	1,127	(299)
	₱6,122	₱1,282	₱3,305	₱6,154	₱1,604	₱699

Trading gains on AFS investments include realized gains/losses previously reported in other comprehensive income.

9. Loans and Receivables

This account consists of:

	Consolidated		Parent Company	
	2016	2015	2016	2015
Receivables from customers (Note 31):				
Commercial loans	₱747,885	₱599,540	₱700,916	₱558,435
Auto loans	98,883	82,025	28,765	21,745
Residential mortgage loans	92,431	85,520	48,531	44,839
Trade loans	34,745	33,262	34,745	33,262
Others	85,454	80,350	20,883	24,184
	1,059,398	880,697	833,840	682,465
Less unearned discounts and capitalized interest	3,076	2,414	195	187
	1,056,322	878,283	833,645	682,278
Unquoted debt securities:				
Government	85	570	85	148
Private	1,230	1,752	413	432
	1,315	2,322	498	580
Accrued interest receivable (Note 31)	8,023	9,212	5,700	6,935
Accounts receivable (Note 31)	9,349	9,562	7,997	7,974
Sales contract receivable	196	407	36	181
Other receivables (Note 31)	89	318	3,019	28
	1,075,294	900,104	850,895	697,976
Less allowance for credit losses (Note 15)	14,426	12,902	6,697	5,572
	₱1,060,868	₱887,202	₱844,198	₱692,404

Receivables from customers consist of:

	Consolidated		Parent Company	
	2016	2015	2016	2015
Loans and discounts	₱1,008,148	₱824,788	₱782,229	₱626,268
Less unearned discounts and capitalized interest	3,076	2,414	195	187
	1,005,072	822,374	782,034	626,081
Customers' liabilities under letters of credit (LC)/trust receipts	31,068	32,352	31,068	32,352
Bills purchased (Note 21)	20,182	23,557	20,543	23,845
	₱1,056,322	₱878,283	₱833,645	₱682,278

Receivables from customers - others of the Group include credit card receivables, notes receivables financed and lease contract receivables amounting to ₱50.6 billion, ₱5.4 billion and ₱5.3 billion, respectively, as of December 31, 2016 and ₱42.3 billion, ₱4.8 billion and ₱4.7 billion, respectively, as of December 31, 2015.



As of December 31, 2016 and 2015, other receivables include dividends receivable of ₱32.5 million and ₱167.7 million, respectively, for the Group and ₱30.0 million and ₱18.0 million, respectively, for the Parent Company (Note 31).

Interest income on loans and receivables consists of:

	Consolidated			Parent Company		
	2016	2015	2014	2016	2015	2014
Receivables from customers	₱38,053	₱32,366	₱28,810	₱26,165	₱21,588	₱18,871
Receivables from cardholders	9,339	8,272	7,415	–	–	–
Lease contract receivables	2,493	1,947	1,556	–	–	–
Customer liabilities under LC/trust receipts	769	833	752	769	833	752
Restructured loans	115	194	202	81	139	150
Unquoted debt securities and others	497	567	1,094	371	370	588
	₱51,266	₱44,179	₱39,829	₱27,386	₱22,930	₱20,361

Interest income on unquoted debt securities and others include interest accreted on impaired receivables in accordance with PAS 39 and interest income on sales contract receivable.

BSP Reporting

As of December 31, 2016 and 2015, 83.00% and 81.83% of the total receivables from customers of the Group, respectively, are subject to periodic interest repricing. In 2016 and 2015, the remaining peso receivables from customers earn annual fixed interest rates ranging from 2.91% to 42.00%, while foreign currency-denominated receivables from customers earn annual fixed interest rates ranging from 1.42% to 36.00% and from 1.34% to 36.00%, respectively.

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

	Consolidated				Parent Company			
	2016		2015		2016		2015	
	Amount	%	Amount	%	Amount	%	Amount	%
Secured by:								
Other securities	₱187,823	17.73	₱148,163	16.82	₱187,823	22.53	₱148,163	21.71
Chattel	121,797	11.50	99,465	11.29	27,670	3.32	21,496	3.15
Real estate	96,763	9.13	99,479	11.30	65,018	7.80	63,720	9.34
Deposit hold-out	20,993	1.98	16,288	1.85	18,489	2.22	15,974	2.34
Equity securities	12,170	1.15	14,381	1.63	2,224	0.27	3,264	0.48
Others	7,994	0.75	8,258	0.94	351	0.04	2,296	0.33
	447,540	42.24	386,034	43.83	301,575	36.18	254,913	37.35
Unsecured	611,858	57.76	494,663	56.17	532,265	63.82	427,552	62.65
	₱1,059,398	100.00	₱880,697	100.00	₱833,840	100.00	₱682,465	100.00

Information on the concentration of credit as to industry of receivables from customers, gross of unearned discount and capitalized interest, follows:

	Consolidated				Parent Company			
	2016		2015		2016		2015	
	Amount	%	Amount	%	Amount	%	Amount	%
Activities of households as employers and undifferentiated goods and services and producing activities of households for own use	₱201,832	19.05	₱173,457	19.70	₱75,283	9.03	₱64,986	9.52
Manufacturing	186,228	17.58	185,257	21.04	180,861	21.69	178,936	26.22
Wholesale and retail trade, repair of motor vehicles, motorcycles	175,713	16.59	146,546	16.64	158,076	18.96	131,903	19.33
Real estate activities	157,803	14.90	123,874	14.07	117,557	14.10	86,959	12.74
Transportation and storage, information and communication	90,308	8.52	50,632	5.75	81,468	9.77	44,462	6.52

(Forward)



	Consolidated				Parent Company			
	2016		2015		2016		2015	
	Amount	%	Amount	%	Amount	%	Amount	%
Electricity, gas, steam and air-conditioning supply and water supply, sewerage, waste management and remediation activities	₱79,639	7.52	₱63,668	7.23	₱77,155	9.25	₱61,273	8.98
Financial and insurance activities	62,949	5.94	45,833	5.20	61,003	7.32	46,138	6.76
Construction	35,395	3.34	29,804	3.38	27,095	3.25	21,847	3.20
Accommodation and food service activities	21,106	1.99	18,521	2.10	20,786	2.49	18,247	2.67
Agricultural, forestry and fishing	19,974	1.88	17,258	1.96	15,931	1.91	13,589	1.99
Others	28,451	2.69	25,847	2.93	18,625	2.23	14,125	2.07
	₱1,059,398	100.00	₱880,697	100.00	₱833,840	100.00	₱682,465	100.00

The BSP considers that concentration of credit exists when total loan exposure to a particular industry or economic sector exceeds 30.00% of total loan portfolio except for thrift banks.

Non-performing loans (NPLs) included in the total loan portfolio of the Group and the Parent Company, as reported to the BSP, are presented below in compliance with BSP Circular No. 772:

	Consolidated		Parent Company	
	2016	2015	2016	2015
Gross NPLs	₱9,953	₱8,666	₱3,683	₱2,533
Less allowance for credit losses	8,764	7,562	4,668	3,732
	₱1,189	₱1,104	(₱985)	(₱1,199)

Under banking regulations, NPLs shall, as a general rule, refer to loan accounts whose principal and/or interest is unpaid for thirty (30) days or more after due date or after they have become past due in accordance with existing rules and regulations. This shall apply to loans payable in lump sum and loans payable in quarterly, semi-annual, or annual installments, in which case, the total outstanding balance thereof shall be considered non-performing.

In the case of receivables that are payable in monthly installments, the total outstanding balance thereof shall be considered non-performing when three (3) or more installments are in arrears. In the case of receivables that are payable in daily, weekly, or semi-monthly installments, the total outstanding balance thereof shall be considered non-performing at the same time that they become past due in accordance with existing BSP regulations, i.e., the entire outstanding balance of the receivable shall be considered as past due when the total amount of arrearages reaches 10.00% of the total receivable balance. Restructured receivables which do not meet the requirements to be treated as performing receivables shall also be considered as NPLs.

10. Property and Equipment

The composition of and movements in this account follow:

	Consolidated					Total
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Improvements	Building Under Construction	
2016						
Cost						
Balance at beginning of year	₱5,896	₱8,436	₱18,490	₱3,809	₱4,692	₱41,323
Additions	7	145	2,475	100	785	3,512
Disposals	(15)	–	(1,421)	(10)	–	(1,446)
Reclassification/others	–	450	(17)	131	(668)	(104)
Balance at end of year	5,888	9,031	19,527	4,030	4,809	43,285

(Forward)



	Consolidated					
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Improvements	Building Under Construction	Total
Accumulated depreciation and amortization						
Balance at beginning of year	₱-	₱4,332	₱12,957	₱2,338	₱-	₱19,627
Depreciation and amortization	-	442	2,150	396	-	2,988
Disposals	-	-	(1,276)	(3)	-	(1,279)
Reclassification/others	-	(3)	16	(85)	-	(72)
Balance at end of year	-	4,771	13,847	2,646	-	21,264
Allowance for impairment losses (Note 15)	-	24	2	-	-	26
Net book value at end of year	₱5,888	₱4,236	₱5,678	₱1,384	₱4,809	₱21,995
2015						
Cost						
Balance at beginning of year	₱5,768	₱7,930	₱17,361	₱3,204	₱294	₱34,557
Additions	128	70	2,737	187	718	3,840
Disposals	-	(10)	(1,501)	(19)	-	(1,530)
Reclassification/others	-	446	(107)	437	3,680	4,456
Balance at end of year	5,896	8,436	18,490	3,809	4,692	41,323
Accumulated depreciation and amortization						
Balance at beginning of year	-	3,950	12,338	2,012	-	18,300
Depreciation and amortization	-	382	1,887	336	-	2,605
Disposals	-	(4)	(1,343)	(14)	-	(1,361)
Reclassification/others	-	4	75	4	-	83
Balance at end of year	-	4,332	12,957	2,338	-	19,627
Allowance for impairment losses (Note 15)	-	24	2	-	-	26
Net book value at end of year	₱5,896	₱4,080	₱5,531	₱1,471	₱4,692	₱21,670

	Parent Company					
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Improvements	Building Under Construction	Total
2016						
Cost						
Balance at beginning of year	₱4,453	₱6,888	₱10,437	₱2,260	₱4,692	₱28,730
Additions	7	60	783	5	785	1,640
Disposals	(15)	-	(898)	-	-	(913)
Reclassification/others	-	447	1	185	(668)	(35)
Balance at end of year	4,445	7,395	10,323	2,450	4,809	29,422
Accumulated depreciation and amortization						
Balance at beginning of year	-	3,784	8,253	1,279	-	13,316
Depreciation and amortization	-	389	798	252	-	1,439
Disposals	-	-	(836)	-	-	(836)
Reclassification/others	-	(2)	13	(38)	-	(27)
Balance at end of year	-	4,171	8,228	1,493	-	13,892
Allowance for impairment losses (Note 15)	-	24	-	-	-	24
Net book value at end of year	₱4,445	₱3,200	₱2,095	₱957	₱4,809	₱15,506
2015						
Cost						
Balance at beginning of year	₱4,452	₱6,444	₱10,208	₱1,834	₱294	₱23,232
Additions	1	6	1,080	14	718	1,819
Disposals	-	(4)	(744)	(17)	-	(765)
Reclassification/others	-	442	(107)	429	3,680	4,444
Balance at end of year	4,453	6,888	10,437	2,260	4,692	28,730
Accumulated depreciation and amortization						
Balance at beginning of year	-	3,455	8,177	1,120	-	12,752
Depreciation and amortization	-	331	668	173	-	1,172
Disposals	-	(4)	(649)	(14)	-	(667)
Reclassification/others	-	2	57	-	-	59
Balance at end of year	-	3,784	8,253	1,279	-	13,316
Allowance for impairment losses (Note 15)	-	24	-	-	-	24
Net book value at end of year	₱4,453	₱3,080	₱2,184	₱981	₱4,692	₱15,390

Building under construction pertains to bank premises yet to be completed and used by the Parent Company. This includes cost of properties amounting to ₱4.5 billion, consisting of commercial and office spaces located at Bonifacio Global City, Taguig City, purchased from Bonifacio Landmark Realty and Development Corp. (BLRDC), a jointly controlled entity of GT Capital through Federal Land, Inc. (FLI), a related party.



As of December 31, 2016 and 2015, the cost of fully depreciated property and equipment still in use amounted to ₱7.7 billion and ₱7.9 billion, respectively, for the Group and ₱5.7 billion and ₱5.9 billion, respectively, for the Parent Company.

In January 2014, the BOD of the Parent Company, upon the endorsement of the Related Party Transactions Committee (RPTC), has approved the sale of a bank owned property to FLI, a related party. This property, consisting of a vacant commercial lot located at the Metropolitan Park, Pasay City, was sold at ₱856.4 million and recognized a gain on sale of ₱274.3 million included in 'Profit from assets sold'. This transaction has been presented and vetted through the RPTC and the valuation of the properties was based on the sales comparison approach which was used by the independent external appraisal firms to provide a reasonable basis for comparison. Other factors that were considered in the valuation were the location and shape of the properties, environmental issues, development controls such as the height restrictions, building coverage and floor area ratio restrictions, among others (Note 31).

11. Investments in Subsidiaries, Associates and a Joint Venture

Investments in subsidiaries consist of:

	2016	2015 (As Restated - Note 2)	January 1, 2015 (As Restated - Note 2)
Acquisition cost			
FMIC	₱11,751	₱11,751	₱11,751
MBCL	10,079	10,079	10,079
PSBank	5,237	3,626	3,626
Circa	837	837	837
ORIX Metro	265	265	265
MCC	214	214	214
MTI	200	200	200
MR USA	158	158	158
MRCI	131	131	131
MR Japan	102	102	72
MR Italia	66	66	66
MR UK	31	31	31
MRHL	26	26	26
MRSPL	17	17	17
FMIIC	12	12	12
Metrobank Bahamas	8	8	8
PVCC	5	5	5
	29,139	27,528	27,498
Accumulated equity in net income:			
Balance at beginning of year	28,611	25,663	23,060
Share in net income	4,922	4,704	5,721
Dividends	(4,802)	(1,817)	(3,118)
Others	-	61	-
Balance at end of year	28,731	28,611	25,663

(Forward)



	2016	2015 (As Restated - Note 2)	January 1, 2015 (As Restated - Note 2)
Equity in net unrealized gain (loss) on AFS investments	(₱1,689)	(₱107)	₱472
Equity in net unrealized gain on remeasurement of retirement plan and translation adjustment and others	222	743	942
Excess of share in net losses of subsidiaries over cost (Note 21)	224	436	509
Carrying value			
FMIC	20,040	23,136	23,065
MBCL	11,425	11,631	11,417
PSBank	16,264	14,701	13,603
Circa	-	-	-
ORIX Metro	2,328	1,892	1,571
MCC	5,272	4,179	3,949
MTI	14	14	13
MR USA	61	62	61
MRCI	-	-	-
MR Japan	56	49	33
MR Italia	-	-	-
MR UK	47	49	42
MRHL	163	153	139
MRSPL	277	249	212
FMIIC	237	483	460
Metrobank Bahamas	438	608	514
PVCC	5	5	5
	₱56,627	₱57,211	₱55,084

As of December 31, 2016 and 2015, the following subsidiaries have material non-controlling interests:

	Country of Incorporation	Principal Activities	Effective Ownership of Non-Controlling Interest	
			2016	2015
ORIX Metro	Philippines	Leasing, Finance	40.15%	40.15%
MCC	Philippines	Credit Card Services	40.00%	40.00%
PSBank	Philippines	Banking	17.32%	24.02%

The following table presents financial information of subsidiaries with material non-controlling interests as of December 31, 2016 and 2015.

	2016			2015		
	PSBank	MCC	ORIX Metro	PSBank	MCC	ORIX Metro
Statement of Financial Position						
Total assets	₱196,886	₱61,446	₱36,798	₱169,331	₱52,372	₱28,770
Total liabilities	176,779	52,659	30,977	150,156	45,298	24,040
Non-controlling interest	3,496	3,515	2,347	4,606	2,830	1,903
Statement of Income						
Gross income	15,304	14,017	4,697	13,321	12,616	4,051
Operating income	12,494	12,647	4,018	10,800	11,398	3,515
Net income	2,451	3,143	1,092	2,351	2,686	892
Net income attributable to NCI	519	1,257	438	565	1,074	358
Total comprehensive income	1,652	3,089	1,090	2,166	2,605	850



	2016			2015		
	PSBank	MCC	ORIX Metro	PSBank	MCC	ORIX Metro
Statement of Cash Flows						
Net cash provided by (used in) operating activities	(P23,449)	P6,432	P915	(P2,830)	(P507)	(P2,448)
Net cash provided by (used in) investing activities	25,229	(693)	(1,476)	(13,668)	(437)	(1,025)
Net cash provided by (used in) financing activities	885	(4,843)	1,519	3,597	(236)	4,646
Net increase (decrease) in cash and cash equivalents	2,665	896	958	(12,901)	(1,180)	1,173
Cash and cash equivalents at beginning of year	19,453	8,677	4,427	32,355	9,857	3,255
Cash and cash equivalents at end of year	22,118	9,573	5,385	19,454	8,677	4,428

On January 31, 2013, the BSP approved the Parent Company's request to establish a remittance company in Yokohama, Japan with an initial capital infusion of USD2.5 million. The first tranche amounting to JPY100.0 million or USD1.0 million and the second and third tranches amounting to JPY75.0 million or USD0.7 million each were contributed in May 2013, September 2014 and September 2015, respectively.

On July 29, 2016, the Parent Company purchased 16,093,618 shares of PSBank (11,492,811 shares from FMIC and its subsidiaries and 4,600,807 shares from PSBank Retirement Fund - Note 31) at a price of P100 per share or a total amount of P1.6 billion thereby increasing its ownership in PSBank from 75.98% to 82.68% (Note 2). This additional investment was approved by the BSP on May 31, 2016.

On August 11, 2016, FMIIC executed the buy-back of the outstanding shares, out of its capital, held by FMIC and Metrobank Bahamas, representing their respective 20.00% and 26.74%, at approximately HKD1.59 per share or a total consideration of HKD111.4 million. Before the execution of said transaction, FMIIC was 53.26% owned by the Parent Company, 20.00% by FMIC and 26.74% by Metrobank Bahamas (Note 2).

Investments in associates and a JV consist of:

	Consolidated		Parent Company		
	2016	2015	2016	2015	January 1, 2015
			(As Restated - Note 2)	(As Restated - Note 2)	(As Restated - Note 2)
Acquisition cost:					
Lepanto Consolidated Mining Company (LCMC) (14.22% owned)	P2,292	P2,292			
SMFC* (33.07%** owned in 2016 and 30.39% owned in 2015)	800	800			
Northpine Land, Inc. (NLI) (20.00% owned)	232	232	P232	P232	P232
SMBC Metro Investment Corporation (SMBC Metro) (30.00% owned)	180	180	180	180	180
Taal Land Inc. (TLI) (35.00% owned)	178	178	178	178	178
Cathay International Resources Corporation (CIRC) (34.74% owned)	175	175			
Philippine AXA Life Insurance Corporation (PALIC) (27.96% owned)	172	172			
Others	33	33			
	4,062	4,062	590	590	590
Accumulated equity in net income:					
Balance at beginning of year	1,103	719	117	106	53
Share in net income	261	409	36	36	76
Dividends	(55)	(25)	(55)	(25)	(23)
Balance at end of year	1,309	1,103	98	117	106
Equity in other comprehensive income	54	182	2	7	4
Allowance for impairment losses (Note 15)	(75)	(75)	(75)	(75)	(162)
Carrying value					
LCMC	2,134	2,255			
SMFC	720	689			
NLI	376	363	376	363	348
SMBC Metro	223	260	223	260	261
TLI	16	16	16	16	(71)
CIRC	202	209			
PALIC	1,653	1,458			
Others	26	22			
	P5,350	P5,272	P615	P639	P538

* Represents investment in a JV of the Group.

** Represents new effective ownership interest of the Parent Company through PSBank.



As of December 31, 2016 and 2015, carrying amount of goodwill of the Group amounted to ₱5.2 billion.

Investment in SMBC Metro

On October 7, 2016, the BOD and stockholders of SMBC Metro in separate meetings approved the shortening of its corporate term until December 31, 2017 through an amendment of its Articles of Incorporation (AOI). On the same date, the BOD approved the closing of its business operations effective December 31, 2016. The amended AOI was approved by the SEC on November 25, 2016.

Investment of FMIC in LCMC

FMIC owns 14.33% in LCMC and did not avail of its entitlement on LCMC stock rights offering to its stockholders as disclosed by LCMC with the PSE on October 31, 2014. With this strategic decision, the Group has lost its significant influence and reclassified its investment in LCMC to AFS investments without any gain or loss, carried at fair market value of ₱1.6 billion as of December 31, 2014. Starting in July 2015, FMIC has the ability to exercise significant influence through a 5-year agreement with Philex Mining Corporation to jointly vote their 18.6% ownership. As such, FMIC reclassified its ownership in LCMC from AFS investment to equity investment in associate without any gain or loss.

Investment in Toyota Financial Services Philippines Corporation (TFSPC)

In August 2014, the respective BODs of the Parent Company and PSBank on separate meetings, upon the endorsement of their respective RPTCs, have approved the sale of the Parent Company's 15.00% and PSBank's 25.00% ownerships in TFSPC to GT Capital, a stockholder with significant influence, for an aggregate price of ₱2.1 billion. This transaction has been presented and vetted through joint meetings held by the RPTCs of the Parent Company and PSBank. The amount was based on an independent valuation report which was subjected to a third party fairness opinion. The divestment of TFSPC shares was in line with their capital planning initiatives under the new Basel III regime. This transaction resulted in a gain of ₱0.9 billion for the Group and ₱0.4 billion for the Parent Company in 2014 included under 'Gain on sale of investment in associates' in the statement of income.

Investment of FMIC in Charter Ping An Insurance Corporation (CPAIC)

In January 2014, FMIC sold its 33.33% ownership in CPAIC to GT Capital at a consideration of ₱712.0 million which resulted in a gain of ₱313.9 million, included under 'Gain on sale of investment in associates'.

The following tables present financial information of significant associates and a JV as of and for the years ended:

	Statement of Financial Position		Statement of Income and Other Comprehensive Income				
	Total Assets	Total Liabilities	Gross Income	Operating Income (Loss)	Net Income (Loss)	Other Comprehensive Income	Total Comprehensive Income
December 31, 2016							
PALIC	₱97,300	₱91,440	₱10,088	₱1,783	₱1,130	(₱123)	₱1,007
LCMC	8,960	3,036	1,432	(651)	(624)	-	(624)
NLI	2,895	1,152	306	90	94	3	97
SMFC	2,607	789	597	111	86	3	89
CIRC	2,467	1,597	291	4	3	-	3
SMBC Metro	772	104	102	61	51	(16)	35
TLI	48	0	1	1	1	-	1



	Statement of Financial Position		Statement of Income and Other Comprehensive Income				
	Total Assets	Total Liabilities	Gross Income	Operating Income (Loss)	Net Income (Loss)	Other Comprehensive Income	Total Comprehensive Income
December 31, 2015							
PALIC	₱80,047	₱74,935	₱7,172	₱1,907	₱1,384	(₱358)	₱1,026
LCMC	16,994	9,567	1,216	(841)	(859)	281	(578)
NLI	2,262	575	242	153	108	1	109
SMFC	1,888	159	444	50	50	4	54
CIRC	2,815	1,947	676	2	2	2	4
SMBC Metro	868	74	105	68	50	10	60
TLI	48	0	1	1	1	-	1

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

	2016	2015
PALIC		
Cash and cash equivalents	₱4,104	₱2,040
Loans and receivables - net	2,501	784
Financial assets at FVPL	819	3,329
AFS investments	11,414	8,062
Investment in unit-linked funds	49	50
Property and equipment	397	199
LCMC		
Inventories	290	520
Investments and advances	961	567
Mine exploration cost	755	6,521
Property, plant and equipment - net	5,758	6,974
CIRC		
Cash and cash equivalents	56	612
Receivables - net	257	224
Investment properties - net	615	373
NLI		
Cash and cash equivalents	240	353
Real estate properties	1,901	1,379
Receivables - net	737	513
SMFC		
Cash and cash equivalents	57	65
Receivables - net	2,416	1,700
SMBC Metro		
Cash and cash equivalents	495	245
AFS investments	66	211
Receivables - net	145	376
TLI		
Cash and cash equivalents	48	47

Dividends declared by investee companies of the Parent Company follow:

Subsidiary/Associate	Date of Declaration	Per Share	Total Amount	Date of BSP Approval	Record Date	Payment Date
2016						
Subsidiaries						
Cash Dividend						
FMIC	December 19, 2016	₱8.06	₱3,003	a/	December 29, 2016	Note 35a
MCC	August 8, 2016	1.40	1,400	a/	August 7, 2016	August 10, 2016
PSBank	January 19, 2016	0.75	180	a/	February 1, 2016	February 19, 2016
PSBank	April 26, 2016	0.75	180	a/	May 11, 2016	May 26, 2016
PSBank	July 22, 2016	0.75	180	a/	August 8, 2016	August 22, 2016
PSBank	October 21, 2016	0.75	180	a/	November 9, 2016	November 21, 2016
Metrobank Bahamas	August 26, 2016	USD 1.64	USD 8	Not required	April 27, 2016	December 15, 2016



Subsidiary/Associate	Date of Declaration	Per Share	Total Amount	Date of BSP Approval	Record Date	Payment Date
Stock Dividend						
ORIX Metro	March 30, 2016	₱100.00	₱625	a/	September 30, 2015	June 9, 2016
ORIX Metro Associates	October 26, 2016	100.00	599	a/	October 26, 2016	November 29, 2016
Cash Dividend						
NLI	April 1, 2016	3.07	21	Not required	December 31, 2015	April 1, 2016
NLI	April 1, 2016	3.50	16	Not required	December 31, 2015	April 1, 2016
SMBC Metro	August 12, 2016	10.00	60	Not required	August 12, 2016	September 19, 2016
SMBC Metro	December 14, 2016	16.67	100	Not required	December 14, 2016	Note 35b
2015						
Subsidiaries						
Cash Dividend						
MCC	June 3, 2015	2.16	2,164	July 10, 2015	July 16, 2015	August 6, 2015
PSBank	January 22, 2015	0.75	180	March 3, 2015	March 30, 2015	April 17, 2015
PSBank	April 28, 2015	0.75	180	June 5, 2015	July 14, 2015	July 28, 2015
PSBank	July 28, 2015	0.75	180	September 23, 2015	October 26, 2015	November 11, 2015
PSBank	October 29, 2015	0.75	180	a/	November 16, 2015	November 27, 2015
Stock Dividend						
ORIX Metro Associates	October 29, 2015	100.00	474	a/	October 29, 2015	January 15, 2016
Cash Dividend						
NLI	February 25, 2015	2.84	35	Not required	December 31, 2014	March 3, 2015
NLI	December 10, 2015	2.97	36	Not required		
SMBC Metro	December 11, 2015	10.00	60	Not required	December 11, 2015	January 25, 2016

a/ No longer required in accordance with BSP Circular No. 888 dated October 9, 2015.

Dividends declared by significant investee companies of FMIC follow:

Subsidiary/Associate	Date of Declaration	Per Share	Total Amount	Date of BSP Approval	Record Date	Payment Date
2016						
Subsidiaries						
Cash Dividend						
FAMI	December 6, 2016	₱13.80	₱15	Not required	December 15, 2016	December 29, 2016
Associates						
Stock Dividend						
ORIX Metro	March 30, 2016	100.00	625	a/	September 30, 2015	May 31, 2016
ORIX Metro	November 23, 2016	100.00	599	a/	October 26, 2016	January 31, 2017
2015						
Subsidiaries						
Cash Dividend						
FAMI	September 18, 2015	₱62.50	₱25	Not required	August 30, 2015	September 15, 2015
FMSBC*	September 30, 2015	66.70	113	Not required	September 30, 2015	October 30, 2015
FMSBC*	November 27, 2015	59.18	100	Not required	November 18, 2015	February 16, 2016
PBCCIC**	December 15, 2015	18.33	55	Not required	December 15, 2015	January 15, 2016
Associates						
Stock Dividend						
ORIX Metro	October 29, 2015	100.00	474	a/	October 29, 2015	January 15, 2016

* First Metro Securities Brokerage Corporation

** PBC Capital Investment Corporation

a/ No longer required in accordance with BSP Circular No. 888 dated October 9, 2015.

12. Investment Properties

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

	Consolidated					
	2016			2015		
	Land	Buildings and Improvements	Total	Land	Buildings and Improvements	Total
Cost						
Balance at beginning of year	₱6,859	₱4,798	₱11,657	₱9,016	₱4,667	₱13,683
Additions	941	869	1,810	385	713	1,098
Disposals	(1,053)	(613)	(1,666)	(2,518)	(586)	(3,104)
Reclassification/others	(35)	5	(30)	(24)	4	(20)
Balance at end of year	6,712	5,059	11,771	6,859	4,798	11,657

(Forward)



	Consolidated					
	2016			2015		
	Land	Buildings and Improvements	Total	Land	Buildings and Improvements	Total
Accumulated depreciation and amortization						
Balance at beginning of year	₱-	₱1,508	₱1,508	₱-	₱1,524	₱1,524
Depreciation and amortization	-	157	157	-	151	151
Disposals	-	(168)	(168)	-	(168)	(168)
Reclassification/others	-	(5)	(5)	-	1	1
Balance at end of year	-	1,492	1,492	-	1,508	1,508
Allowance for impairment losses (Note 15)						
Balance at beginning of year	1,800	154	1,954	1,896	226	2,122
Provision for (reversal of) impairment loss	(1)	84	83	(38)	1	(37)
Disposals	(144)	(74)	(218)	(80)	(75)	(155)
Reclassification/others	(13)	(1)	(14)	22	2	24
Balance at end of year	1,642	163	1,805	1,800	154	1,954
Net book value at end of year	₱5,070	₱3,404	₱8,474	₱5,059	₱3,136	₱8,195

	Parent Company					
	2016			2015		
	Land	Buildings and Improvements	Total	Land	Buildings and Improvements	Total
Cost						
Balance at beginning of year	₱4,457	₱2,214	₱6,671	₱6,532	₱2,380	₱8,912
Additions	246	156	402	52	121	173
Disposals	(669)	(318)	(987)	(2,129)	(291)	(2,420)
Reclassification/others	9	(37)	(28)	2	4	6
Balance at end of year	4,043	2,015	6,058	4,457	2,214	6,671
Accumulated depreciation and amortization						
Balance at beginning of year	-	1,111	1,111	-	1,170	1,170
Depreciation and amortization	-	67	67	-	74	74
Disposals	-	(129)	(129)	-	(134)	(134)
Reclassification/others	-	(5)	(5)	-	1	1
Balance at end of year	-	1,044	1,044	-	1,111	1,111
Allowance for impairment losses (Note 15)						
Balance at beginning of year	1,366	62	1,428	1,448	65	1,513
Disposals	(144)	(5)	(149)	(80)	(5)	(85)
Reclassification/others	(13)	(1)	(14)	(2)	2	-
Balance at end of year	1,209	56	1,265	1,366	62	1,428
Net book value at end of year	₱2,834	₱915	₱3,749	₱3,091	₱1,041	₱4,132

As of December 31, 2016 and 2015, foreclosed investment properties still subject to redemption period by the borrowers amounted to ₱537.8 million and ₱1.1 billion, respectively, for the Group and ₱338.0 million and ₱221.7 million, respectively, for the Parent Company.

As of December 31, 2016 and 2015, aggregate market value of investment properties amounted to ₱13.4 billion and ₱13.0 billion, respectively, for the Group and ₱6.9 billion and ₱7.5 billion, respectively, for the Parent Company, of which the aggregate market value of investment properties determined by independent external appraisers amounted to ₱9.2 billion and ₱9.5 billion, respectively, for the Group and ₱6.9 billion and ₱7.4 billion, respectively, for the Parent Company. Information about the fair value measurement of investment properties are also presented in Note 5.

Rental income on investment properties (included in 'Leasing income' in the statement of income) in 2016, 2015 and 2014 amounted to ₱69.8 million, ₱88.2 million and ₱87.9 million, respectively, for the Group and ₱4.4 million, ₱22.5 million and ₱34.5 million, respectively, for the Parent Company.

Direct operating expenses on investment properties that generated rental income (included under 'Litigation expenses') in 2016, 2015 and 2014 amounted to ₱4.7 million, ₱6.1 million and ₱4.3 million, respectively, for the Group and ₱1.1 million, ₱1.0 million and ₱2.3 million,



respectively, for the Parent Company. Direct operating expenses on investment properties that did not generate rental income (included under ‘Litigation expenses’) in 2016, 2015 and 2014 amounted to ₱128.4 million, ₱205.3 million and ₱274.0 million, respectively, for the Group and ₱91.3 million, ₱113.8 million and ₱195.0 million, respectively, for the Parent Company (Note 25).

Net gains from sale of investment properties (included in ‘Profit from assets sold’ in the statement of income) in 2016, 2015 and 2014 amounted to ₱613.4 million, ₱1.0 billion and ₱9.0 billion, respectively, for the Group and ₱345.6 million, ₱1.0 billion and ₱8.9 billion, respectively, for the Parent Company (Note 31).

In 2014, the BOD of the Parent Company, upon the endorsement of the RPTC, has approved the sale of real and other properties acquired (ROPA) to FLI, a related party, consisting of lots located at Bonifacio Global City and Ortigas Center, Pasig City at total price of ₱9.3 billion and ₱1.8 billion, respectively. In 2015 and 2014, the Parent Company recognized a gain on sale totaling to ₱0.6 billion on the sale of lots located at Ortigas Center, Pasig City and ₱8.1 billion on the sale of lots located at Bonifacio Global City, respectively. These transactions have been presented and vetted through the RPTC. The valuations of the properties were based on sales comparison approach which was used by the independent external appraisal firms to provide a reasonable basis for comparison. Other factors that were considered in the valuations were the location and shape of the properties, environmental issues, development controls such as the height restrictions, building coverage and floor area ratio restrictions among others (Note 31).

13. Long-term Leases

The Parent Company leases the premises occupied by some of its branches (about 40.34% and 40.75% of the branch sites as of December 31, 2016 and 2015, respectively, are Parent Company-owned). Also, some of its subsidiaries lease the premises occupied by their Head Offices and most of their branches. The lease contracts are for periods ranging from 1 to 25 years and are renewable at the Group’s option under certain terms and conditions. Various lease contracts include escalation clauses, most of which bear an annual rent increase of 5.00% to 10.00%. As of December 31, 2016 and 2015, the Group has no contingent rent payable.

Rent expense (included in ‘Occupancy and equipment-related cost’ in the statement of income) in 2016, 2015 and 2014 amounted to ₱2.2 billion, ₱1.9 billion and ₱1.8 billion, respectively, for the Group and ₱1.2 billion, ₱1.0 billion and ₱922.9 million, respectively, for the Parent Company.

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

	Consolidated		Parent Company	
	2016	2015	2016	2015
Within one year	₱1,077	₱1,111	₱602	₱462
After one year but not more than five years	2,997	2,834	1,693	1,256
More than five years	951	1,060	343	285
	₱5,025	₱5,005	₱2,638	₱2,003

The Group has entered into commercial property leases on its investment property portfolio, consisting of the Group’s available office spaces and ROPA and finance lease agreements over various items of machinery and equipment which are non-cancelable and have remaining non-cancelable lease terms between 1 and 20 years. In 2016, 2015 and 2014, leasing income amounted to ₱2.0 billion, ₱2.0 billion and ₱1.9 billion respectively, for the Group and ₱220.5 million, ₱244.4 million and ₱238.0 million, respectively, for the Parent Company.



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

	Consolidated		Parent Company	
	2016	2015	2016	2015
Within one year	₱1,721	₱1,164	₱81	₱105
After one year but not more than five years	2,228	853	61	73
More than five years	6	6	6	2
	₱3,955	₱2,023	₱148	₱180

14. Other Assets

This account consists of:

	Consolidated		Parent Company	
	2016	2015	2016	2015
Investment in SPV	₱8,857	₱8,857	₱8,857	₱8,857
Interoffice float items	2,330	5,482	2,346	5,047
Software costs - net	1,640	1,732	560	1,092
Creditable withholding tax	1,316	1,622	814	1,105
Residual value of leased assets	1,003	899	-	-
Chattel properties acquired in foreclosure - net	687	518	28	22
Prepaid expenses	600	382	118	74
Documentary and postage stamps on hand	373	266	330	202
Assets held under joint operations	368	401	368	401
Returned checks and other cash items	115	101	105	81
Retirement asset*	63	17	17	17
Miscellaneous	3,240	2,552	2,432	1,563
	20,592	22,829	15,975	18,461
Less allowance for impairment losses (Note 15)	10,714	10,773	10,700	10,731
	₱9,878	₱12,056	₱5,275	₱7,730

* Pertains to retirement asset of a foreign branch and a subsidiary.

Investment in SPVs represents subordinated notes issued by Cameron Granville 3 Asset Management, Inc. and LNC 3 Asset Management, Inc. with face amount of ₱9.4 billion and ₱2.6 billion, respectively. These notes are non-interest bearing and payable over five (5) years starting April 1, 2006, with rollover of two (2) years at the option of the note issuers. These were received by the Parent Company on April 1, 2006 in exchange for the subordinated note issued by Asia Recovery Corporation (ARC) in 2003 with face amount of ₱11.9 billion. The subordinated note issued by ARC represents payment on the non-performing assets (NPAs) sold by the Parent Company to ARC in 2003. The related deed of absolute sale was formalized on September 17, 2003 and approved by the BSP on November 28, 2003, having qualified as a true sale. As of December 31, 2016 and 2015, the estimated fair value of the subordinated notes, which is the present value of the estimated cash flows from such notes (derived from the sale of the underlying collaterals of the NPAs, net of the payment to senior notes by the SPV) amounted to nil, after deducting allowance for impairment losses of ₱8.8 billion.



Movements in software costs account follow:

	Consolidated		Parent Company	
	2016	2015	2016	2015
Cost				
Balance at beginning of year	₱3,710	₱2,892	₱2,133	₱1,602
Additions	816	815	40	528
Others	(401)	3	(400)	3
Balance at end of year	4,125	3,710	1,773	2,133
Accumulated amortization				
Balance at beginning of year	1,978	1,590	1,041	866
Amortization	474	381	141	160
Others	33	7	31	15
Balance at end of year	2,485	1,978	1,213	1,041
Net book value at end of year	₱1,640	₱1,732	₱560	₱1,092

Movements in chattel properties acquired in foreclosure follow:

	Consolidated		Parent Company	
	2016	2015	2016	2015
Cost				
Balance at beginning of year	₱639	₱569	₱40	₱57
Additions	2,044	1,694	20	14
Disposals/others	(1,862)	(1,624)	(8)	(31)
Balance at end of year	821	639	52	40
Accumulated depreciation and amortization				
Balance at beginning of year	110	105	15	17
Depreciation and amortization	145	123	9	8
Disposals/others	(130)	(118)	(3)	(10)
Balance at end of year	125	110	21	15
Allowance for impairment losses (Note 15)				
Balance at beginning of year	11	12	3	3
Provision for impairment loss	1	2	-	-
Disposals	(3)	(3)	-	-
Balance at end of year	9	11	3	3
Net book value at end of year	₱687	₱518	₱28	₱22

Assets held under joint operations are parcels of land and former branch sites of the Parent Company which were contributed to separate joint operations with FLI and Federal Land Orix Corporation (Notes 26 and 31). These are carried at costs which are lower than the net realizable values.

Miscellaneous account includes a receivable from a third party of ₱425.7 million pertaining to the final tax withheld on Poverty Eradication and Alleviation Certificates (PEACE) bonds which matured on October 18, 2011 (Note 30). This also includes payments for customization of various banking systems amounting to ₱1.0 billion and ₱0.2 billion as of December 31, 2016 and 2015, respectively.



15. Allowance for Credit and Impairment Losses

Changes in the allowance for credit and impairment losses follow:

	Consolidated		Parent Company	
	December 31			
	2016	2015	2016	2015
Balance at beginning of year:				
Due from other banks	₱8	₱-	₱-	₱-
Interbank loans receivable (Note 7)	3	4	-	-
AFS investments (Note 8)				
Debt securities				
Government	6	3	-	-
Equity securities				
Quoted	269	313	79	81
Unquoted	213	213	81	81
Loans and receivables (Note 9)	12,902	16,450	5,572	8,955
Investments in associates (Note 11)	75	162	75	162
Property and equipment (Note 10)	26	26	24	24
Investment properties (Note 12)	1,954	2,122	1,428	1,513
Other assets* (Note 14)	10,784	10,791	10,734	10,735
	26,240	30,084	17,993	21,551
Provisions for (reversal of) credit and impairment losses	7,342	2,059	1,174	(2,926)
Accounts written off/others	(6,226)	(5,903)	(243)	(632)
Balance at end of year:				
Due from other banks	7	8	-	-
Interbank loans receivable (Note 7)	-	3	-	-
AFS investments (Note 8)				
Debt securities				
Government	-	6	-	-
Equity securities				
Quoted	82	269	79	79
Unquoted	212	213	81	81
Loans and receivables (Note 9)	14,426	12,902	6,697	5,572
Investments in associates (Note 11)	75	75	75	75
Property and equipment (Note 10)	26	26	24	24
Investment properties (Note 12)	1,805	1,954	1,265	1,428
Other assets* (Note 14)	10,723	10,784	10,703	10,734
	₱27,356	₱26,240	₱18,924	₱17,993

* Allowance for credit and impairment losses of other assets include allowance on investments in SPVs, chattel mortgage properties and miscellaneous assets.

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

	Consolidated			Parent Company		
	December 31					
	2016	2015	2014	2016	2015	2014
Due from other banks	(₱1)	₱2	₱-	₱-	₱-	₱-
Interbank loans receivable	(3)	(1)	2	-	-	-
AFS investments	(5)	2	(4)	-	-	-
Loans and receivables	7,295	2,091	4,820	1,174	(2,926)	7
Investments in associates and joint venture	(28)	-	-	-	-	-
Investment properties	83	(37)	29	-	-	-
Chattel properties acquired in foreclosure	1	2	2	-	-	-
	₱7,342	₱2,059	₱4,849	₱1,174	(₱2,926)	₱7



With the foregoing level of allowance for credit and impairment losses, management believes that the Group has sufficient allowance to take care of any losses that the Group may incur from the non-collection or non-realization of its receivables and other risk assets.

A reconciliation of the allowance for credit losses by class of loans and receivables is as follows:

Consolidated								
	Commercial Loans	Residential Mortgage Loans	Auto Loans	Trade Loans	Others	Subtotal	Other Receivables*	Total
Balance at January 1, 2016	₱5,014	₱999	₱788	₱274	₱2,522	₱9,597	₱3,305	₱12,902
Provisions (reversals) during the year	427	(66)	3,046	-	4,044	7,451	(156)	7,295
Accounts written off/others	(160)	1	(1,808)	(4)	(3,853)	(5,824)	53	(5,771)
Balance at December 31, 2016	₱5,281	₱934	₱2,026	₱270	₱2,713	₱11,224	₱3,202	₱14,426
Individual impairment	₱3,682	₱728	₱-	₱253	₱131	₱4,794	₱2,692	₱7,486
Collective impairment	1,599	206	2,026	17	2,582	6,430	510	6,940
	₱5,281	₱934	₱2,026	₱270	₱2,713	₱11,224	₱3,202	₱14,426
Gross amount of loans individually determined to be impaired	₱4,748	₱1,265	₱-	₱446	₱1,608	₱8,067	₱2,821	₱10,888
Balance at January 1, 2015	₱8,173	₱1,043	₱851	₱238	₱2,535	₱12,840	₱3,610	₱16,450
Provisions (reversals) during the year	(2,727)	69	1,081	-	3,633	2,056	35	2,091
Accounts written off/others	(432)	(113)	(1,144)	36	(3,646)	(5,299)	(340)	(5,639)
Balance at December 31, 2015	₱5,014	₱999	₱788	₱274	₱2,522	₱9,597	₱3,305	₱12,902
Individual impairment	₱2,827	₱738	₱-	₱179	₱133	₱3,877	₱2,584	₱6,461
Collective impairment	2,187	261	788	95	2,389	5,720	721	6,441
	₱5,014	₱999	₱788	₱274	₱2,522	₱9,597	₱3,305	₱12,902
Gross amount of loans individually determined to be impaired	₱8,533	₱1,446	₱-	₱229	₱1,421	₱11,629	₱3,031	₱14,660

Parent Company								
	Commercial Loans	Residential Mortgage Loans	Auto Loans	Trade Loans	Others	Subtotal	Other Receivables*	Total
Balance at January 1, 2016	₱2,483	₱428	₱9	₱274	₱39	₱3,233	₱2,339	₱5,572
Provisions (reversals) during the year	1,165	-	-	-	-	1,165	9	1,174
Accounts written off/others	(146)	-	(8)	(3)	-	(157)	108	(49)
Balance at December 31, 2016	₱3,502	₱428	₱1	₱271	₱39	₱4,241	₱2,456	₱6,697
Individual impairment	₱3,093	₱269	₱-	₱254	₱39	₱3,655	₱2,350	₱6,005
Collective impairment	409	159	1	17	-	586	106	692
	₱3,502	₱428	₱1	₱271	₱39	₱4,241	₱2,456	₱6,697
Gross amount of loans individually determined to be impaired	₱3,772	₱328	₱-	₱447	₱41	₱4,588	₱2,438	₱7,026
Balance at January 1, 2015	₱5,693	₱428	₱11	₱238	₱39	₱6,409	₱2,546	₱8,955
Provisions (reversals) during the year	(2,926)	-	-	-	-	(2,926)	-	(2,926)
Accounts written off/others	(284)	-	(2)	36	-	(250)	(207)	(457)
Balance at December 31, 2015	₱2,483	₱428	₱9	₱274	₱39	₱3,233	₱2,339	₱5,572
Individual impairment	₱2,071	₱289	₱-	₱179	₱35	₱2,574	₱2,192	₱4,766
Collective impairment	412	139	9	95	4	659	147	806
	₱2,483	₱428	₱9	₱274	₱39	₱3,233	₱2,339	₱5,572
Gross amount of loans individually determined to be impaired	₱7,209	₱417	₱-	₱229	₱41	₱7,896	₱2,371	₱10,267

* Allowance for credit losses on other receivables include allowance on unquoted debt securities, accounts receivables, accrued interest receivable, sales contract receivable and deficiency judgment receivable.



Movements in the allowance for impairment losses on AFS investments and other assets follow:

	Consolidated				Parent Company			
	AFS Investments			Total	AFS Investments			Total
	Debt Securities	Equity Securities	Other Assets**		Debt Securities	Equity Securities	Other Assets**	
Balance at January 1, 2016	₱6	₱482	₱10,784	₱11,272	₱-	₱160	₱10,734	₱10,894
Provisions for (reversals of) impairment losses	(5)	-	1	(4)	-	-	-	-
Reclassifications/reversals/others	(1)	(188)	(62)	(251)	-	-	(31)	(31)
Balance at December 31, 2016	₱-	₱294	₱10,723	₱11,017	₱-	₱160	₱10,703	₱10,863
Balance at January 1, 2015	₱3	₱526	₱10,791	₱11,320	₱-	₱162	₱10,735	₱10,897
Provisions for impairment losses	2	-	2	4	-	-	-	-
Disposals	-	(2)	(1)	(3)	-	(2)	(1)	(3)
Reclassifications/reversals/others	1	(42)	(8)	(49)	-	-	-	-
Balance at December 31, 2015	₱6	₱482	₱10,784	₱11,272	₱-	₱160	₱10,734	₱10,894

** Allowance for impairment losses of other assets include allowance on investments in SPVs, chattel mortgage properties and miscellaneous assets.

16. Deposit Liabilities

Long-Term Negotiable Certificates of Deposit (LTNCD)

On September 18, 2014, the BSP approved the issuance of the Parent Company of up to ₱20.0 billion LTNCD. The subsequent amendment on the issuance was also approved by the BSP on October 14, 2014. The Parent Company issued the first tranche amounting to ₱8.0 billion on October 24, 2014 at a rate of 4.00% per annum, payable quarterly, with a tenor of 5.5 years and maturing on April 24, 2020 while the second tranche amounting to ₱6.25 billion was issued on November 21, 2014 with a rate of 4.25% per annum, payable quarterly, with a tenor of 7 years and maturing on November 22, 2021. The minimum investment size for the LTNCD is ₱50,000 with increments of ₱50,000 thereafter.

Further, on August 12, 2016, the BSP authorized the Parent Company to issue up to ₱20.0 billion LTNCD in one or multiple tranches issued over a period of one year. The Parent Company issued the first tranche amounting to ₱8.65 billion on September 19, 2016 at a rate of 3.50% per annum, payable quarterly, with a tenor of 7 years and maturing on September 19, 2023. Subject to BSP Rules, the Parent Company has the option to pre-terminate the LTNCDs as a whole but not in part, prior to maturity and on any interest payment date at face value plus accrued interest covering the accrued and unpaid interest. The minimum investment size for the LTNCD is ₱50,000 with increments of ₱50,000 thereafter.

On December 8, 2016, the BSP authorized PSBank to issue LTNCDs up to ₱10.0 billion through one or more tranches over a period of one year (Note 35d).

Of the total interest-bearing deposit liabilities of the Group as of December 31, 2016 and 2015, 35.59% and 40.81%, respectively, are subject to periodic interest repricing. In 2016, 2015 and 2014, the remaining peso deposit liabilities earn annual fixed interest rates ranging from 0.00% to 6.59%, while the remaining foreign currency-denominated deposit liabilities earn annual fixed interest rates ranging from 0.00% to 2.75%, from 0.00% to 2.75%, and from 0.00% to 4.25%, respectively.



Interest expense on deposit liabilities consists of:

	Consolidated			Parent Company		
	2016	2015	2014	2016	2015	2014
Demand	₱661	₱529	₱443	₱495	₱378	₱285
Savings	1,167	999	881	1,050	906	805
Time	7,389	9,050	7,883	4,595	6,611	5,406
LTNCD	671	581	92	671	581	92
	₱9,888	₱11,159	₱9,299	₱6,811	₱8,476	₱6,588

Reserve Requirement

Effective reserve week starting May 30, 2014, non-FCDU deposit liabilities of the Parent Company and deposit substitutes of FMIC, ORIX Metro and MCC are subject to required reserves equivalent to 20.00% from the previous 18.00%. On the other hand, non-FCDU deposit liabilities of PSBank are subject to required reserves equivalent to 8.00% from the previous 6.00%. The required reserves shall be kept in the form of deposits maintained in the Demand Deposit Accounts (DDAs) with the BSP and any government securities which are previously used as compliance until they mature. The Parent Company, PSBank, FMIC, MCC and ORIX Metro were in compliance with such regulations as of December 31, 2016 and 2015.

The total liquidity and statutory reserves (under Due from BSP account), as reported to the BSP, are as follows:

	2016	2015
Parent Company	₱195,081	₱185,484
PSBank	12,034	10,341
MCC	8,891	7,636
Orix Metro	4,916	3,840
FMIC	4,191	6,600
	₱225,113	₱213,901

17. Bills Payable and Securities Sold Under Repurchase Agreements

This account consists of borrowings from:

	Consolidated		Parent Company	
	2016	2015	2016	2015
Deposit substitutes	₱65,489	₱65,752	₱-	₱-
Local banks	32,891	28,852	9,770	8,215
Foreign banks	11,965	19,000	11,921	19,238
SSURA	51,031	63,187	47,174	61,187
	₱161,376	₱176,791	₱68,865	₱88,640

Interbank borrowings with foreign and local banks are mainly short-term borrowings. Deposit substitutes pertain to borrowings from the public of FMIC, ORIX Metro and MCC (Note 16).



The following are the carrying values of government debt securities (Note 8) pledged and transferred under SSURA transactions of the Group and the Parent Company:

	Consolidated				Parent Company			
	2016		2015		2016		2015	
	Transferred Securities	SSURA						
HFT investments	₱8,576	₱8,376	₱867	₱798	₱8,576	₱8,376	₱867	₱798
AFS investments	51,863	42,655	23,707	21,617	47,378	38,798	23,040	21,034
HTM investments	–	–	46,629	40,772	–	–	44,867	39,355
	₱60,439	₱51,031	₱71,203	₱63,187	₱55,954	₱47,174	₱68,774	₱61,187

The Group's peso borrowings are subject to annual fixed interest rates ranging from 0.06% to 6.34%, from 0.06% to 6.21% and from 0.20% to 5.88% in 2016, 2015 and 2014, respectively, while the Group's foreign currency-denominated borrowings are subject to annual fixed interest rates ranging from 0.32% to 3.25%, from 0.19% to 4.65% and from 0.15% to 4.30% in 2016, 2015 and 2014, respectively.

Interest expense on bills payable (included in the 'Interest expense on bills payable and SSURA, bonds payable, subordinated debts and others' in the statements of income) in 2016, 2015 and 2014 amounted to ₱2.8 billion, ₱2.9 billion and ₱2.1 billion, respectively, for the Group and ₱593.4 million, ₱662.2 million and ₱208.2 million, respectively, for the Parent Company.

18. Accrued Interest and Other Expenses

This account consists of:

	Consolidated		Parent Company	
	2016	2015	2016	2015
Accrued interest (Note 31)	₱1,497	₱1,830	₱796	₱1,108
Accrued other expenses	5,570	6,357	3,850	4,663
	₱7,067	₱8,187	₱4,646	₱5,771

Accrued other expenses include accruals for compensation and fringe benefits, rentals, percentage and other taxes, professional fees, advertising and information technology expenses and other expenses.

19. Bonds Payable

This account represents scrippless fixed rate corporation bonds issued by FMIC as follows:

Issue Date	Maturity Date	Interest Rate	Redemption Period	Face Value	Carrying Value	
					2016	2015
November 25, 2011	February 25, 2017	5.675%	after 4 th year	₱5,000	₱4,857	₱4,863
August 10, 2012	November 10, 2017	5.500%	after 4 th year	4,000	3,850	3,867
August 10, 2012	August 10, 2019	5.750%	after 5 th year	3,000	2,791	2,786
				₱12,000	₱11,498	₱11,516

These bonds were issued in principal amounts of ₱50,000 and in multiples of ₱5,000 in excess of ₱50,000 with an option to redeem in whole, but not in part, on any quarterly interest payment after the fourth or fifth anniversary of the issue date at 102.00% of its face value plus accrued interest. These are exempt securities pursuant to certain provisions of the Securities Regulation Code and are covered by deed of assignments on government securities held in trust by a collateral agent which shall have aggregate market value of 100.00% of the issued amount, otherwise, additional government securities shall be offered to increase and maintain the cover at 100.00%.



The carrying amount of government securities assigned as collateral classified under AFS investments amounted to ₱12.5 billion and ₱0.8 billion, as of December 31, 2016 and 2015, respectively, and under HTM investments with carrying value of ₱11.9 billion and with market value of ₱11.8 billion as of December 31, 2015.

As of December 31, 2016 and 2015, FMIC has complied with the terms of the issuance.

Interest expense on bonds payable (included in 'Interest expense on bills payable and SSURA, bonds payable, subordinated debts and others' of the Group) in 2016, 2015 and 2014 amounted to ₱661.3 million, ₱659.5 million and ₱666.1 million, respectively.

20. Subordinated Debts

This account consists of the following Peso Notes:

	Maturity Date	Face Value	Carrying Value		Market Value	
			2016	2015	2016	2015
Parent Company						
2024	June 27, 2024	₱16,000	₱15,937	₱15,915	₱15,930	₱12,574
2025	August 8, 2025	6,500	6,467	6,459	6,448	6,183
		22,500	22,404	22,374	22,378	18,757
PSBank – 2022	February 20, 2022	3,000	2,981	2,978	3,204	3,328
PSBank – 2024	August 23, 2024	3,000	2,977	2,974	2,310	2,318
MCC – 2023	December 20, 2023	1,170	1,162	1,161	1,240	1,263
		₱29,670	₱29,524	₱29,487	₱29,132	₱25,666

On April 15, 2013, the BOD of the Parent Company approved the issuance of Basel III - compliant Tier 2 capital notes up to USD500 million in one or more tranches, issued as part of the Parent Company's regulatory capital compliance in accordance with Basel III capital guidelines of the BSP and to proactively manage its capital base for growth and refinancing of maturing capital securities. The issuance was approved by the BSP on July 26, 2013 and the amendment to the terms and conditions on January 30, 2014. Specifically, the BSP approved the issuance of up to USD500 million equivalent in either USD or PHP or combination in one or more tranches over the course of one (1) year.

Peso Notes issued by the Parent Company are unsecured and subordinated obligations and will rank pari passu and without any preference among themselves and at least equally with all other present and future unsecured and subordinated obligations of the Parent Company. The Notes qualify as Tier 2 capital pursuant to BSP Circular No. 781 (Basel III), BSP Circular No. 826 on risk disclosure requirements for the loss absorption features of capital instruments, and other related circulars and issuances of the BSP. These Peso Notes have a term of 10.25 and 11 years and are redeemable at the option of the Parent Company (but not the holders) on the call option date in whole but not in part at redemption price equal to 100.00% of the principal amount together with accrued and unpaid interest on the call option date, upon prior approval of the BSP and at least 30-banking day prior written notice to the Noteholders of record, subject to the following conditions: (1) the capital adequacy of the Issuer is at least equal to the required minimum ratio; (2) the note is simultaneously replaced with the issues of new capital which are neither smaller in size nor lower in quality than the original issue.



Furthermore, upon the occurrence of a Tax Redemption Event or a Regulatory Redemption Event, the Parent Company may, upon prior approval of the BSP and at least a 30-banking day prior written notice to the Noteholders on record, redeem all and not less than all of the outstanding Notes prior to the stated maturity by paying the Noteholder the Redemption Option Amount which, (a) in the case of a Tax Redemption Event is an amount equal to 100.00% of the face value of the Note plus accrued Interest at the Interest Rate relating to the then current Interest Period up to but excluding the date of such redemption, and (b) in the case of a Regulatory Redemption Event is an amount equal to 101.00% of the face value of the Note plus accrued Interest at the Interest Rate relating to the then current Interest Period up to but excluding the date of such redemption (the "Redemption Option Date").

The Notes have a loss absorption feature which are subject to a Non-Viability Write-Down in case of the occurrence of a Non-Viability Trigger Event, subject to certain conditions as set out in "Terms and Conditions of the Notes - Loss Absorption Measure", when the Issuer is considered non-viable as determined by the BSP. Non-Viability is defined as a deviation from a certain level of CET1 Ratio or the inability of the Issuer to continue business (closure) or any other event as determined by the BSP, whichever comes earlier. A Non-Viability Trigger Event shall be deemed to have occurred if the BSP notifies the Issuer in writing that it has determined that a: (i) a Write-Down (as defined in "Terms and Conditions of the Notes") of the Notes and other capital instruments of the Issuer is necessary because, without such Write-Down, the Issuer would become non-viable, (ii) public sector injection of capital, or equivalent support, is necessary because, without such injection or support, the Issuer would become non-viable, or (iii) Write-Down of the Notes and other capital instruments of the Issuer is necessary because, as a result of the closure of the Issuer, the Issuer has become non-viable.

Each Noteholder may not exercise or claim any right of set-off in respect of any amount owed to it by the Parent Company arising under or in connection with the Peso Notes and to the fullest extent permitted by applicable law, waive and be deemed to have waived all such rights of set-off. These Notes are not deposits and are not insured by the Philippine Deposit Insurance Corporation (PDIC).

Specific terms of these Basel III - compliant Notes follow:

2024 Peso Notes - issued on March 27, 2014 at 100.00% of the principal amount of ₱16.0 billion

- Bear interest at 5.375% per annum from March 27, 2014 to but excluding June 27, 2019. Interest will be payable quarterly in arrears on March 27, June 27, September 27 and December 27 of each year, commencing on June 27, 2014. Unless the Notes are previously redeemed, the initial interest rate will be reset at the equivalent of the five-year PDST-F as of reset date plus a spread of 1.51% per annum and such interest will be payable commencing on June 27, 2019 (call option date) up to and including June 27, 2024.

2025 Peso Notes - issued on August 8, 2014 at 100.00% of the principal amount of ₱6.5 billion

- Bear interest at 5.25% per annum from August 8, 2014 to but excluding August 8, 2020. Interest will be payable quarterly in arrears on February 8, May 8, August 8 and November 8 of each year, commencing on November 8, 2014. Unless the Notes are previously redeemed, the initial interest rate will be reset at equivalent of the five-year PDST-R2 as of reset date plus a spread of 1.67% per annum and such interest will be payable commencing on August 8, 2020 (call option date) up to and including August 8, 2025.



MCC

2023 Peso Notes - issued on December 20, 2013 at 100.00% of the principal amount of ₱1.2 billion

- Bear interest at 6.21% per annum payable quarterly in arrears every 20th of March, June, September and December each year, commencing on March 20, 2014.
- Basel III - compliant unsecured subordinated notes qualified as Tier 2 capital as approved by the BSP on February 17, 2013.
- In case of insolvency or liquidation of MCC, the notes will be subordinated in the right of payment of principal and interest to all depositors and other creditors of MCC, except those creditors expressed to rank equally with, or behind holders of the notes.
- If a non-viability trigger event occurs, MCC shall immediately write down some or all of the notes in accordance with the BSP's determination.
- Subject to the written approval of the BSP, MCC may redeem all and not less than the entire outstanding 2023 Notes, at a redemption price equal to the face value together with the accrued and unpaid interest based on the interest rate.

PSBank

2022 Peso Notes - issued on February 20, 2012 at 100.00% of the principal amount of ₱3.0 billion

- Bear interest at 5.75% per annum from and including February 20, 2012 but excluding February 20, 2017 which is payable quarterly in arrears every May 20, August 20, November 20 and February 20, commencing on February 20, 2012.
- Constitute direct, unconditional, and unsecured obligations of PSBank and claim in respect of the 2022 Notes shall be at all times pari passu and without any preference among themselves.
- Subject to satisfaction of certain regulatory approval requirements, PSBank may redeem all and not less than the entire outstanding 2022 Notes, at a redemption price equal to the face value together with accrued and unpaid interest based on the interest rate.

On September 8, 2016, the BSP approved the exercise by PSBank of the call option on the unsecured subordinated debt – Tier 2 Notes issued in 2012 amounting to ₱3.0 billion on February 21, 2017.

2024 Peso Notes - issued on May 23, 2014 at 100.00% of the face value of ₱3.0 billion

- Bear interest at the rate 5.50% per annum for the first 5 years and 3 months. Interest will be payable quarterly in arrears on August 23, November 23, February 23 and May 23 of each year, commencing on August 23, 2014. Unless the Notes are previously redeemed, the initial interest rate will be reset at the equivalent of the five-year PDST-F as of reset date plus a spread of 1.4438% per annum.
- Basel III - compliant unsecured subordinated notes qualified as Tier 2 capital as approved by the BSP on April 14, 2014.
- May be redeemed by PSBank in full, but not in part, on the call option date upon prior approval of the BSP and subject to certain conditions.
- May be redeemed by PSBank in full, but not in part, upon the occurrence of a Tax Redemption or Regulatory Redemption Event prior to maturity by paying the Holders the following:
 - a) In the case of a Tax Redemption Event, 100.00% of the face value of the Note plus accrued interest
 - b) In the case of a Regulatory Redemption Event, 101.00% of the face value of the Note plus accrued interest.
- Have a loss absorption feature which means the Notes are subject to a Non-Viability Write-Down in case of the occurrence of a Non-Viability Trigger Event, subject to certain conditions.



As of December 31, 2016 and 2015, the Parent Company, PSBank and MCC are in compliance with the terms and conditions upon which these subordinated notes have been issued.

In 2016, 2015 and 2014, interest expense on subordinated debt included in ‘Interest expense on bills payable and SSURA, bonds payable, subordinated debts and others’ amounted to ₱1.7 billion, ₱1.6 billion and ₱1.3 billion (including amortization of debt issue cost and premium of ₱38.0 million, ₱35.5 million and ₱27.0 million), respectively, for the Group, and ₱1.2 billion, ₱1.2 billion and ₱0.9 billion (including amortization of debt issue cost and premium of ₱30.9 million, ₱29.2 million and ₱22.0 million), respectively, for the Parent Company.

21. Non-equity Non-controlling Interest and Other Liabilities

Non-equity non-controlling interest arises when mutual funds are consolidated and where the Group holds less than 100.00% of the investment in these funds. When this occurs, the Group acquires a liability in respect of non-controlling interests in the funds of which the Group has control. Such non-controlling interests are distinguished from equity non-controlling interests in that the Group does not hold an equity stake in such funds. Further, income or loss attributable to non-equity non-controlling interests is presented as part of ‘Operating expenses’ in the statements of income.

Other liabilities consist of:

	Consolidated		Parent Company	
	2016	2015	2016	2015
Bills purchased - contra (Note 9)	₱20,479	₱23,802	₱20,415	₱23,749
Accounts payable	12,738	10,966	6,780	6,190
Retirement liability (Note 27)	4,703	4,401	3,556	3,004
Marginal deposits	3,697	5,476	245	189
Outstanding acceptances	1,440	1,727	1,440	1,727
Deposits on lease contracts	1,375	1,249	–	–
Deferred revenues	1,319	1,099	57	28
Other credits	1,146	954	554	484
Withholding taxes payable	538	606	302	383
Miscellaneous (Note 11)	2,279	2,153	1,367	1,312
	₱49,714	₱52,433	₱34,716	₱37,066

Deferred revenues include deferral and release of MCC’s loyalty points program transactions and membership fees and dues.

As of December 31, 2016 and 2015, miscellaneous liabilities of the Group include dividends payable amounting to ₱84.1 million and ₱63.8 million, respectively, and notes payable amounting to ₱125.0 million and ₱398.1 million, respectively.



22. Maturity Profile of Assets and Liabilities

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

	Consolidated					
	2016			2015		
	Due Within One Year	Due Beyond One Year	Total	Due Within One Year	Due Beyond One Year	Total
Financial Assets - at gross						
Cash and other cash items	₱26,553	₱-	₱26,553	₱32,536	₱-	₱32,536
Due from BSP	238,806	-	238,806	214,704	-	214,704
Due from other banks	44,322	-	44,322	36,872	-	36,872
Interbank loans receivable and SPURA (Note 7)	91,224	422	91,646	36,121	-	36,121
Financial assets at FVPL (Note 8)	37,214	-	37,214	48,856	-	48,856
AFS investments (Note 8)	31,613	285,536	317,149	13,092	222,554	235,646
HTM investments (Note 8)	-	-	-	125	208,307	208,432
Loans and receivables (Note 9)						
Receivables from customers	482,888	576,510	1,059,398	442,966	437,731	880,697
Unquoted debt securities	392	923	1,315	1,317	1,005	2,322
Accrued interest receivable	7,952	71	8,023	9,212	-	9,212
Accounts receivable	4,580	22	4,602	5,577	-	5,577
Sales contract receivable	36	160	196	160	247	407
Other receivables	89	-	89	318	-	318
Other assets (Note 14)						
Investments in SPVs	8,857	-	8,857	8,857	-	8,857
Interoffice float items	2,330	-	2,330	5,482	-	5,482
Residual value of leased asset	325	678	1,003	602	297	899
Other investments	-	26	26	-	26	26
Miscellaneous	36	581	617	35	582	617
	<u>977,217</u>	<u>864,929</u>	<u>1,842,146</u>	<u>856,832</u>	<u>870,749</u>	<u>1,727,581</u>
Non-Financial Assets - at gross						
Investments in associates (Note 11)	-	5,425	5,425	-	5,347	5,347
Property and equipment (Note 10)	-	43,285	43,285	-	41,323	41,323
Investment properties (Note 12)	-	11,771	11,771	-	11,657	11,657
Deferred tax assets (Note 28)	-	8,855	8,855	-	8,427	8,427
Goodwill (Note 11)	-	5,200	5,200	-	5,202	5,202
Assets held under joint operations (Note 14)	-	368	368	-	401	401
Retirement asset (Note 14)	-	63	63	-	17	17
Accounts receivable (Note 9)	-	4,747	4,747	-	3,985	3,985
Other assets (Note 14)	2,404	7,543	9,947	2,371	6,258	8,629
	<u>2,404</u>	<u>87,257</u>	<u>89,661</u>	<u>2,371</u>	<u>82,617</u>	<u>84,988</u>
	<u>₱979,621</u>	<u>₱952,186</u>	<u>1,931,807</u>	<u>₱859,203</u>	<u>₱953,366</u>	<u>1,812,569</u>
Less:						
Unearned discounts and capitalized interest (Note 9)			3,076			2,414
Accumulated depreciation and amortization (Notes 10, 12 and 14)			25,366			23,223
Allowance for credit and impairment losses (Note 15)			27,356			26,240
			<u>₱1,876,009</u>			<u>₱1,760,692</u>
Financial Liabilities						
Deposit liabilities						
Demand	₱298,388	₱-	₱298,388	₱233,912	₱-	₱233,912
Savings	547,685	-	547,685	467,587	-	467,587
Time	488,199	32,130	520,329	509,443	32,778	542,221
LTNCD	-	22,900	22,900	-	14,250	14,250
	<u>1,334,272</u>	<u>55,030</u>	<u>1,389,302</u>	<u>1,210,942</u>	<u>47,028</u>	<u>1,257,970</u>
Bills payable and SSURA (Note 17)	129,720	31,656	161,376	163,137	13,654	176,791
Derivative liabilities	4,612	-	4,612	4,145	-	4,145
Manager's checks and demand drafts outstanding	6,932	-	6,932	5,613	-	5,613
Accrued interest and other expenses	5,629	188	5,817	6,824	-	6,824
Bonds payable (Note 19)	8,708	2,790	11,498	-	11,516	11,516
Subordinated debts (Note 20)	2,976	26,548	29,524	-	29,487	29,487
Other liabilities (Note 21)						
Bills purchased - contra	20,479	-	20,479	23,802	-	23,802
Accounts payable	12,738	-	12,738	10,966	-	10,966
Marginal deposits	3,697	-	3,697	5,476	-	5,476
Outstanding acceptances	1,432	8	1,440	1,624	103	1,727
Deposits on lease contracts	488	887	1,375	829	420	1,249
Dividends payable	84	-	84	64	-	64
Miscellaneous	-	125	125	-	398	398
	<u>1,531,767</u>	<u>117,232</u>	<u>1,648,999</u>	<u>1,433,422</u>	<u>102,606</u>	<u>1,536,028</u>

(Forward)



	Consolidated					
	2016			2015		
	Due Within One Year	Due Beyond One Year	Total	Due Within One Year	Due Beyond One Year	Total
Non-Financial Liabilities						
Retirement liability (Note 27)	₱-	₱4,703	₱4,703	₱-	₱4,401	₱4,401
Income taxes payable	2,185	-	2,185	880	-	880
Accrued interest and other expenses	1,250	-	1,250	1,363	-	1,363
Withholding taxes payable (Note 21)	538	-	538	606	-	606
Deferred tax and other liabilities (Notes 21 and 28)	3,389	1,458	4,847	2,790	1,405	4,195
Non-equity non-controlling interest	-	7,934	7,934	-	9,909	9,909
	7,362	14,095	21,457	5,639	15,715	21,354
	₱1,539,129	₱131,327	₱1,670,456	₱1,439,061	₱118,321	₱1,557,382
	Parent Company					
	2016			2015 (As Restated - Note 2)		
	Due Within One Year	Due Beyond One Year	Total	Due Within One Year	Due Beyond One Year	Total
Financial Assets - at gross						
Cash and other cash items	₱23,470	₱-	₱23,470	₱28,570	₱-	₱28,570
Due from BSP	203,781	-	203,781	185,484	-	185,484
Due from other banks	30,101	-	30,101	26,213	-	26,213
Interbank loans receivable and SPURA (Note 7)	73,094	-	73,094	25,951	-	25,951
Financial assets at FVPL (Note 8)	26,766	-	26,766	34,568	-	34,568
AFS investments (Note 8)	23,153	230,601	253,754	10,982	191,490	202,472
HTM investments (Note 8)	-	-	-	102	175,714	175,816
Loans and receivables (Note 9)						
Receivables from customers	414,826	419,014	833,840	372,196	310,269	682,465
Unquoted debt securities	386	113	499	386	194	580
Accrued interest receivable	5,700	-	5,700	6,935	-	6,935
Accounts receivable	3,250	-	3,250	3,989	-	3,989
Sales contract receivable	24	12	36	136	45	181
Other receivables	3,018	-	3,018	28	-	28
Other assets (Note 14)						
Investments in SPVs	8,857	-	8,857	8,857	-	8,857
Interoffice float items	2,346	-	2,346	5,047	-	5,047
Miscellaneous	-	426	426	-	426	426
	818,772	650,166	1,468,938	709,444	678,138	1,387,582
Non-Financial Assets - at gross						
Investment in subsidiaries (Note 11)	-	56,627	56,627	-	57,211	57,211
Investments in associates (Note 11)	-	690	690	-	714	714
Property and equipment (Note 10)	-	29,422	29,422	-	28,730	28,730
Investment properties (Note 12)	-	6,058	6,058	-	6,671	6,671
Deferred tax assets (Note 28)	-	6,439	6,439	-	6,284	6,284
Assets held under joint operations (Note 14)	-	368	368	-	401	401
Retirement asset (Note 14)	-	17	17	-	17	17
Accounts receivable (Note 9)	-	4,747	4,747	-	3,985	3,985
Other assets (Note 14)	1,367	3,831	5,198	1,462	3,310	4,772
	1,367	108,199	109,566	1,462	107,323	108,785
	₱820,139	₱758,365	1,578,504	₱710,906	₱785,461	1,496,367
Less:						
Unearned discounts and capitalized interest (Note 9)			195			187
Accumulated depreciation and amortization (Notes 10, 12 and 14)			16,170			15,483
Allowance for credit and impairment losses (Note 15)			18,924			17,993
			₱1,543,215			₱1,462,704
Financial Liabilities						
Deposit liabilities						
Demand	₱272,081	₱-	₱272,081	₱219,772	₱-	₱219,772
Savings	522,643	-	522,643	446,734	-	446,734
Time	377,771	10,292	388,063	415,392	10,237	425,629
LTNCD	-	22,900	22,900	-	14,250	14,250
	1,172,495	33,192	1,205,687	1,081,898	24,487	1,106,385
Bills payable and SSURA (Note 17)	58,927	9,938	68,865	88,640	-	88,640
Derivative liabilities	4,547	-	4,547	4,145	-	4,145

(Forward)



	Parent Company					
	2016			2015 (As Restated - Note 2)		
	Due Within One Year	Due Beyond One Year	Total	Due Within One Year	Due Beyond One Year	Total
Manager's checks and demand drafts outstanding	₱5,171	₱-	₱5,171	₱4,264	₱-	₱4,264
Accrued interest and other expenses	3,217	186	3,403	4,497	-	4,497
Subordinated debts (Note 20)	-	22,404	22,404	-	22,374	22,374
Other liabilities (Note 21)						
Bills purchased - contra	20,415	-	20,415	23,749	-	23,749
Accounts payable	6,780	-	6,780	6,190	-	6,190
Marginal deposits	245	-	245	189	-	189
Outstanding acceptances	1,432	8	1,440	1,624	103	1,727
	1,273,229	65,728	1,338,957	1,215,196	46,964	1,262,160
Non-Financial Liabilities						
Retirement liability (Note 27)	-	3,556	3,556	-	3,004	3,004
Income taxes payable	1,177	-	1,177	300	-	300
Accrued interest and other expenses	1,243	-	1,243	1,274	-	1,274
Withholding taxes payable (Note 21)	302	-	302	383	-	383
Other liabilities (Note 21)	1,424	554	1,978	1,340	484	1,824
	4,146	4,110	8,256	3,297	3,488	6,785
	₱1,277,375	₱69,838	₱1,347,213	₱1,218,493	₱50,452	₱1,268,945

23. Capital Stock

This account consists of (amounts in millions, except par value and number of shares):

	Shares		Amount	
	2016	2015	2016	2015
Authorized				
Preferred stock – ₱20.00 par value	1,000,000,000	1,000,000,000		
Common stock – ₱20.00 par value	4,000,000,000	4,000,000,000		
Common stock issued and outstanding				
Balance at beginning of year	3,180,172,786	2,744,801,066	₱63,603	₱54,896
Issuance of stock rights	-	435,371,720	-	8,707
Balance at end of year	3,180,172,786	3,180,172,786	63,603	63,603
HT1 Capital	-	-	-	6,351
	3,180,172,786	3,180,172,786	₱63,603	₱69,954

As of December 31, 2016 and 2015, treasury shares totaling 5,980,412 and 2,058,912, respectively, represent shares of the Parent Company held by FMIC's mutual fund subsidiaries (Notes 2 and 31).

On March 15, 2013, the BOD of the Parent Company approved (a) the amendment of the Articles of Incorporation (AOI) for the purpose of increasing the authorized capital stock and (b) the declaration of 30.00% stock dividend, which were ratified by the stockholders representing at least 2/3 of the outstanding capital stock on April 15, 2013. These were subsequently approved by the BSP on May 15, 2013 while the SEC approved the amended AOI on August 13, 2013.

Following this, the authorized capital stock of the Parent Company increased from ₱50.0 billion to ₱100.0 billion consisting of 4.0 billion Common Shares and 1.0 billion Preferred Shares, both with par value of ₱20 per share. Preferred Shares are non-voting except as provided by law; have preference over Common Shares in the distribution of dividends; subject to such terms and conditions as may be determined by the BOD and to the extent permitted by applicable law, may or may not be redeemable; and shall have such other features as may be determined by the BOD at the time of issuance. Further, the 30.00% stock dividend equivalent to 633.4 million common shares amounting to ₱12.7 billion represents at least the minimum 25.00% subscribed and paid-up capital for the increase in the authorized capital stock referred to above. As delegated by the BOD, the President fixed the record and payment dates on September 3 and 16, 2013, respectively. On September 10, 2013, the PSE approved the listing of additional 633,415,805 common shares and on September 16, 2013, the Parent Company issued the stock dividend and paid the cash equivalent of the related fractional shares.



On January 21, 2015, the Parent Company's BOD approved the Stock Rights Offer (SRO) by way of issuance from the unissued portion of the authorized capital stock. This was noted by BSP with the issuance of a letter of no objection to the Rights Issue on February 17, 2015. On February 24, 2015, the SEC confirmed the exemption of the proposed issuance of ₱32.0 billion worth of common shares from the registration requirements under Section 8 of the Securities Regulation Code. On February 25, 2015, the PSE approved the listing of up to 500.0 million common shares to cover the SRO to all stockholders of record as of March 18, 2015. On April 7, 2015, following regulatory approvals, the Parent Company concluded the ₱32.0 billion SRO, involving 435,371,720 common shares with par value of ₱20.00 priced at ₱73.50 per share and listed with the PSE on the same date. The difference between the issued price and the par value is recognized as 'Capital paid in excess of par value'.

All issued and outstanding shares of the Parent Company are listed with the PSE (Note 1). As of December 31, 2016 and 2015, there are 3,129 and 3,159 holders, respectively, of the listed shares of the Parent Company, with share price closed at ₱72.60 and ₱80.50 a share, respectively. The history of share issuances during the last ten years follows:

Year	Issuance	Listing Date	Number of Shares Issued
2015	Stock rights	April 7, 2015	435,371,720
2013	Stock dividend	September 16, 2013	633,415,049
2011	Stock rights	January 24, 2011	200,000,000
2006	Public offering	October 26, 2006	173,618,400

HT1 Capital represents USD125.0 million, 9.00% non-cumulative step-up callable perpetual capital securities with liquidation preference of USD100,000 per capital security issued by the Parent Company on February 15, 2006 pursuant to a trust deed with The Bank of New York (Trustee) and listed with the Singapore Exchange Securities Trading Limited. The HT1 Capital is governed by English law except on certain clauses in the Trust Deed which are governed by Philippine law. On February 16, 2016, the Parent Company redeemed its USD125.0 million HT1 Capital Securities as approved by its BOD and the BSP on June 17, 2015 and October 22, 2015, respectively. Basic features of the HT1 Capital follow:

- Coupons - bear interest at 9.00% per annum payable semi-annually in arrear from (and including) February 15, 2006 to (but excluding) February 15, 2016, and thereafter at a rate, reset and payable quarterly in arrear, of 6.10% per annum above the then prevailing LIBOR for three-month USD deposits. Under certain conditions, the Parent Company is not obliged to make any coupon payment if the BOD of the Parent Company, in its absolute discretion, elects not to make any coupon payment in whole or in part.
- Coupon Payment Dates - payable on February 15 and August 15 in each year, commencing on August 15, 2006 (in respect of the period from (and including) February 15, 2006 to (but excluding) August 15, 2006 and ending on February 15, 2016 (first optional redemption date); thereafter coupon amounts will be payable (subject to adjustment for days which are not business days) on February 15, May 15, August 15 and November 15 in each year commencing on May 15, 2016.
- Dividend and Capital Stopper - in the event that any coupon payment is not made, the Parent Company: (a) will not declare or pay any distribution or dividend or make any other payment on, and will procure that no distribution or dividend or other payment is made on any junior share capital or any parity securities; or (b) will not redeem, purchase, cancel, reduce or



otherwise acquire any junior share capital or any parity securities. Such dividend and capital stopper shall remain in force so as to prevent the Parent Company from undertaking any such declaration, payment or other activity unless and until payment is made to the holders in an amount equal to the unpaid amount, if any, of coupon payments in respect of coupon periods in the 12 months including and immediately preceding the date such coupon payment was due, and the BSP does not otherwise object.

- Redemption
 - may be redeemed at the option of the Parent Company (but not the holders) under optional redemption, tax event call, and regulatory event call, subject to limitation of the terms of the issuance.
 - may not be redeemed (i) for so long as the dividend and capital stopper is in force; and (ii) without the prior written approval of the BSP which, as of February 8, 2006, is subject to the following conditions: (a) the Parent Company's capital adequacy must be at least equal to the BSP's minimum capital ratio; and (b) the HT1 Capital are simultaneously replaced with the issue of new capital which is neither smaller in size nor lower in quality than the original issue.

The HT1 Capital is unsecured and subordinated to the claims of senior creditors. In the event of the dissolution or winding-up of the Parent Company, holders will be entitled, subject to satisfaction of certain conditions and applicable law, to receive a liquidation distribution equivalent to the liquidation preference. Also, the HT1 Capital is not treated as deposit and is not guaranteed or insured by the Parent Company or any of its related parties or the PDIC and these may not be used as collateral for any loan availments. The Parent Company or any of its subsidiaries may not at any time purchase HT1 Capital except as permitted under optional redemption, tax event call, and regulatory event call as described in the terms of issuance. The HT1 Capital is sold to non-U.S. persons outside the United States pursuant to Regulation under the U.S. Securities Act of 1933, as amended, and represented by a global certificate registered in the name of a nominee of, and deposited with, a common depository for Euroclear and Clearstream.

The Parent Company paid the semi-annual coupon amounting to USD5.6 million from 2006 to 2016 after obtaining their respective BSP approvals. Details of approvals and payments from 2014 to 2016 are as follows:

<u>Date of BSP Approval</u>	<u>Date Paid</u>
January 28, 2016	February 16, 2016
July 24, 2015	August 17, 2015
February 9, 2015	February 17, 2015
August 1, 2014	August 15, 2014
February 10, 2014	February 15, 2014

Details of the Parent Company's cash dividend distributions from 2014 to 2016 follow:

<u>Date of Declaration</u>	<u>Per Share</u>	<u>Total Amount</u>	<u>Date of BSP Approval</u>	<u>Record Date</u>	<u>Payment Date</u>
March 16, 2016	₱1.00	₱3,180	a/	April 1, 2016	April 8, 2016
January 27, 2015	1.00	2,745	March 3, 2015	March 26, 2015	March 31, 2015
March 26, 2014	1.00	2,745	April 15, 2014	May 7, 2014	May 16, 2014
January 23, 2013	1.00	2,111	February 8, 2013	March 8, 2013	April 3, 2013

a/ No longer required in accordance with BSP Circular No. 888 dated October 9, 2015.

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



24. Surplus Reserves

This account consists of:

	2016	2015
Reserve for trust business (Note 29)	₱1,215	₱1,090
Reserve for self-insurance	438	416
	₱1,653	₱1,506

In compliance with existing BSP regulations, 10.00% of the Parent Company's income from trust business is appropriated to surplus reserves. This yearly appropriation is required until the surplus reserve for trust business equals 20.00% of the Parent Company's regulatory net worth.

Reserve for self-insurance represents the amount set aside to cover losses due to fire, defalcation by and other unlawful acts of the Parent Company's personnel or third parties.

25. Miscellaneous Income and Expenses

In 2016, 2015 and 2014, miscellaneous income includes gain on initial recognition of investment properties and other non-financial assets amounting to ₱834.4 million, ₱713.4 million and ₱748.5 million, respectively, for the Group and ₱24.2 million, ₱21.4 million and ₱53.6 million, respectively, for the Parent Company; recovery on charged-off assets amounting to ₱774.0 million, ₱722.2 million and ₱562.6 million, respectively, for the Group and ₱28.3 million, ₱10.2 million and ₱10.5 million, respectively, for the Parent Company; and information technology and other fees amounting to ₱354.0 million, ₱432.8 million and ₱326.1 million, respectively, for the Parent Company (Note 31).

Miscellaneous expenses consist of:

	Consolidated			Parent Company		
	2016	2015	2014	2016	2015	2014
Insurance	₱2,832	₱2,712	₱2,317	₱2,203	₱2,140	₱1,823
Security, messengerial and janitorial	2,265	2,117	2,016	1,830	1,651	1,628
Advertising	1,499	920	738	803	216	66
Information technology (Note 31)	809	827	644	581	621	451
Litigation (Note 12)	644	640	678	249	291	395
Supervision fees	616	573	507	516	469	424
Management and professional fees	600	775	548	351	567	298
Communications	600	603	567	84	62	43
Repairs and maintenance	557	591	580	286	301	265
Entertainment, amusement and representation (EAR) (Note 28)	505	290	320	461	246	284
Transportation and travel	501	463	442	344	315	307
Stationery and supplies used	426	490	536	264	319	338
Others (Note 31)	1,785	1,183	1,396	909	518	658
	₱13,639	₱12,184	₱11,289	₱8,881	₱7,716	₱6,980



26. Notes to Statements of Cash Flows

The amounts of interbank loans receivable and securities purchased under agreements to resell considered as cash and cash equivalents follow:

	Consolidated			Parent Company		
	2016	2015	2014	2016	2015	2014
Interbank loans receivable and SPURA	₱91,646	₱36,118	₱119,839	₱73,094	₱25,951	₱108,441
Interbank loans receivable and SPURA not considered as cash and cash equivalents	(15,778)	(4,586)	(7,651)	(7,644)	(2,423)	(7,651)
	₱75,868	₱31,532	₱112,188	₱65,450	₱23,528	₱100,790

Significant non-cash transactions of the Group and the Parent Company include reclassification of remaining HTM investments to AFS investments in 2016 as discussed in Note 8; foreclosures of properties or additions to investment and chattel properties as disclosed in Notes 12 and 14, respectively; accrual of cash dividends from subsidiaries and SMBC Metro as disclosed in Notes 11 and 31; reclassification of investment in LCMC in 2015 and 2014 (Note 11); reclassifications of building under construction (Note 10); and reclassification of assets held under joint operations amounting to ₱0.5 million to investment properties in 2014.

27. Retirement Plan and Other Employee Benefits

The Parent Company and most of its subsidiaries have funded non-contributory defined benefit retirement plan covering all their respective permanent and full-time employees. Benefits are based on the employee's years of service and final plan salary.

For employees of the Parent Company, retirement from service is compulsory upon the attainment of the 55th birthday or 30th year of service, whichever comes first.

Under the existing regulatory framework, Republic Act (RA) 7641 (Retirement Pay Law) requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan. The Parent Company and most of its subsidiaries meet the minimum retirement benefit specified under RA 7641.

The principal actuarial assumptions used in determining retirement liability of the Parent Company and significant subsidiaries are shown below:

	Parent Company	FMIC	PSBank	MCC	ORIX Metro
As of January 1, 2016					
Average remaining working life	10 years	7 to 10 years	12 years	12 years	13 to 27 years
Discount rate	4.79%	4.93% to 5.08%	5.01%	5.23%	4.59% to 5.56%
Future salary increases	8.00%	5.00%	5.00%	8.70%	8.00%
As of January 1, 2015					
Average remaining working life	8 years	7 to 10 years	9 years	10 years	22 to 42 years
Discount rate	4.32%	4.42% to 4.65%	4.55%	4.80%	4.92% to 5.50%
Future salary increases	8.00%	10.00%	8.00%	9.00%	8.00%



Discount rates used in computing for the present value of the DBO of the Parent Company and significant subsidiaries as of December 31, 2016 and 2015 follow:

	Parent Company	FMIC	PSBank	MCC	ORIX Metro
2016	5.11%	5.11% to 5.49%	5.31%	4.84%	3.89% to 5.36%
2015	4.79%	4.93% to 5.08%	5.01%	5.23%	4.59% to 5.56%

Net retirement liability included in 'Other liabilities' as of December 31, 2016 and 2015 amounted to ₱4.7 billion and ₱4.4 billion, respectively, for the Group and ₱3.6 billion and ₱3.0 billion, respectively, for the Parent Company (Note 21).

The fair value of plan assets by each class as at the end of the reporting year are as follows:

	Consolidated		Parent Company	
	2016	2015	2016	2015
Cash	₱33	₱-	₱-	₱-
Due from BSP	602	548	-	186
Deposit in banks	251	130	98	51
	886	678	98	237
Financial assets at FVPL				
Equity securities	17	185	-	169
Debt securities	62	-	-	-
Unit investment trust fund and others	468	-	464	-
Total financial assets at FVPL	547	185	464	169
AFS investments - net				
Quoted debt instruments				
Private	1,441	964	817	826
Government	8,433	7,916	7,691	7,314
	9,874	8,880	8,508	8,140
Equity securities				
Quoted	2,439	2,677	2,355	2,144
Unquoted	213	213	13	13
	2,652	2,890	2,368	2,157
Investment funds	382	166	234	28
Total AFS investments	12,908	11,936	11,110	10,325
Loans and discounts - net	71	72	71	72
Other receivables - net	142	143	128	128
Liabilities	(23)	(11)	-	(7)
Total assets	₱14,531	₱13,003	₱11,871	₱10,924

Changes in net defined benefit liability of funded funds in 2016 are as follows:

Consolidated	Present Value of DBO	Fair Value of Plan Assets	Net retirement liability/(asset)
January 1, 2016	₱17,404	(₱13,003)	₱4,401
Net Benefit Cost in Consolidated Statement of Income			
Current service cost	1,448	-	1,448
Past service cost	3	-	3
Net interest	831	(627)	204
Sub-total	2,282	(627)	1,655
Benefits paid	(845)	845	-
Remeasurement in Other Comprehensive Income			
Return on plan assets (excluding amount included in net interest)	-	360	360

(Forward)



Consolidated	Present Value of DBO	Fair Value of Plan Assets	Net retirement liability/(asset)
Actuarial changes arising from experience adjustments	₱1,896	₱-	₱1,896
Actuarial changes arising from changes in financial/demographic assumptions	(1,549)	(1)	(1,550)
Sub-total	347	359	706
Contributions paid	-	(2,105)	(2,105)
December 31, 2016	₱19,188	(₱14,531)	₱4,657

Parent Company	Present Value of DBO	Fair Value of Plan Assets	Net retirement liability/(asset)
January 1, 2016	₱13,928	(₱10,924)	₱3,004
Net Benefit Cost in Consolidated Statement of Income			
Current service cost	1,081	-	1,081
Net interest	667	(523)	144
Sub-total	1,748	(523)	1,225
Benefits paid	(705)	705	-
Remeasurement in Other Comprehensive Income			
Return on plan assets (excluding amount included in net interest)	-	326	326
Actuarial changes arising from experience adjustments	1,817	-	1,817
Actuarial changes arising from changes in financial/demographic assumptions	(1,361)	-	(1,361)
Sub-total	456	326	782
Contributions paid	-	(1,455)	(1,455)
December 31, 2016	₱15,427	(₱11,871)	₱3,556

Changes in net defined benefit liability of funded funds in 2015 are as follows:

Consolidated	Present Value of DBO	Fair Value of Plan Assets	Net retirement liability/(asset)
January 1, 2015	₱15,206	(₱11,653)	₱3,553
Net Benefit Cost in Consolidated Statement of Income			
Current service cost	1,269	-	1,269
Past service cost	55	-	55
Net interest	657	(506)	151
Sub-total	1,981	(506)	1,475
Benefits paid	(939)	939	-
Remeasurement in Other Comprehensive Income			
Return on plan assets (excluding amount included in net interest)	-	519	519
Actuarial changes arising from experience adjustments	1,507	-	1,507
Actuarial changes arising from changes in financial/demographic assumptions	(351)	4	(347)
Sub-total	1,156	523	1,679
Contributions paid	-	(2,306)	(2,306)
December 31, 2015	₱17,404	(₱13,003)	₱4,401



Parent Company	Present Value of DBO	Fair Value of Plan Assets	Net retirement liability/(asset)
January 1, 2015	₱12,400	(₱9,834)	₱2,566
Net Benefit Cost in Consolidated			
Statement of Income			
Current service cost	934	–	934
Net interest	527	(421)	106
Sub-total	1,461	(421)	1,040
Benefits paid	(762)	762	–
Remeasurement in Other Comprehensive			
Income			
Return on plan assets (excluding amount included in net interest)	–	435	435
Actuarial changes arising from experience adjustments	1,078	–	1,078
Actuarial changes arising from changes in financial/demographic assumptions	(249)	–	(249)
Sub-total	829	435	1,264
Contributions paid	–	(1,866)	(1,866)
December 31, 2015	₱13,928	(₱10,924)	₱3,004

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the retirement benefit obligation as of December 31, 2016 and 2015, assuming all other assumptions were held constant:

	Parent Company	FMIC	PSBank	MCC	Orix Metro
As of December 31, 2016					
Discount rate					
+100 basis points (bps)	₱14,460	₱258	₱2,032	₱859	₱282
- 100 bps	16,513	296	2,444	1,094	371
Salary increase rate					
+100 bps	16,414	298	2,461	1,065	366
- 100 bps	14,528	256	2,014	878	286
Turnover rate					
+50 bps	–	–	–	896	–
+300 bps	15,093	–	–	–	–
- 25 bps	–	–	–	1,008	–
- 300 bps	15,720	–	–	–	–
As of December 31, 2015					
Discount rate					
+100 bps	13,279	351	1,911	727	239
- 100 bps	14,698	417	2,098	926	316
Salary increase rate					
+100 bps	14,758	414	2,151	897	311
- 100 bps	13,171	354	1,914	750	242
Turnover rate					
+300 bps	13,595	–	–	–	–
- 300 bps	14,312	–	–	–	–

The Group and Parent Company expect to contribute to the defined benefit retirement plans the required funding for normal cost in 2017 amounting to ₱1.6 billion and ₱1.2 billion, respectively.



The average duration of the DBO of the Group as of December 31, 2016 and 2015 are as follows:

	Parent Company	FMIC	PSBank	MCC	ORIX Metro
2016	11.98 years	12.56 to 18.70 years	16.49 years	16.79 years	12.90 to 17.30 years
2015	12.70 years	14.47 to 21.84 years	16.75 years	17.44 years	12.70 to 17.60 years

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

	Parent Company	FMIC	PSBank	MCC	Orix Metro
As of December 31, 2016					
Less than 1 year	₱1,730	₱27	₱147	₱24	₱4
More than 1 year to 5 years	6,590	135	661	152	15
More than 5 years to 10 years	11,596	219	1,365	447	158
More than 10 years to 15 years	8,195	221	2,014	1,227	–
More than 15 years to 20 years	6,661	184	1,954	1,733	–
More than 20 years	9,180	278	4,096	1,922	–
As of December 31, 2015					
Less than 1 year	1,147	33	212	36	5
More than 1 year to 5 years	7,094	150	669	178	2
More than 5 years to 10 years	11,167	236	1,267	434	96
More than 10 years to 15 years	8,190	417	1,754	1,172	–
More than 15 years to 20 years	6,680	379	1,584	1,708	–
More than 20 years	8,130	695	3,347	1,711	–

In addition, the Parent Company has a Provident Plan which is a supplementary contributory retirement plan to and forms part of the main plan, the Retirement Plan, for the exclusive benefit of eligible employees of the Parent Company in the Philippines. Based on the provisions of the plan, upon retirement or resignation, a member shall be entitled to receive as retirement or resignation benefits 100.00% of the accumulated value of the personal contribution plus a percentage of the accumulated value arising from the Parent Company's contributions in accordance with the completed number of years serviced. The Parent Company's contribution to the Provident Fund in 2016 and 2015 amounted to ₱249.0 million and ₱224.4 million, respectively.

As of December 31, 2016 and 2015, the retirement fund of the Parent Company's employees amounting to ₱11.9 billion and ₱10.9 billion, respectively, is being managed by the Parent Company's Trust Banking Group (as defined in the trust agreement), which has a Trust Committee that is mandated to approve, the plan, trust agreement, investment plan, including any amendments or modifications thereto, and other activities of the retirement plan. Certain members of the BOD of the Parent Company are represented in the Trust Committee. Directors' fees and bonuses of the Parent Company in 2016, 2015 and 2014 amounted to ₱59.4 million, ₱61.2 million and ₱49.3 million, respectively, while, officers' compensation and benefits of the Parent Company aggregated to ₱6.8 billion, ₱6.2 billion and ₱5.7 billion, respectively.

28. Income and Other Taxes

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



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

FCDU offshore income (income from non-residents) is tax-exempt while gross onshore income (income from residents) is subject to 10.00% income tax. In addition, interest income on deposit placements with other FCDUs and offshore banking units (OBUs) is taxed at 7.50%. Income derived by the FCDU from foreign currency-denominated transactions with non-residents, OBUs, local commercial banks including branches of foreign banks is tax-exempt while interest income on foreign currency loans from residents other than OBUs or other depository banks under the expanded system is subject to 10.00% income tax.

Following are the applicable taxes and tax rates for the foreign branches of the Parent Company:

Foreign Branches	Tax Rates
USA - New York (NY) Branch	20.00% income tax; business taxes - 0.01% (NY City)
Japan - Tokyo and Osaka Branches	23.90% income tax; various rates for business taxes - income tax, local business, sheet value and sheet capital allocations
Korea - Seoul and Pusan Branches	20.00% income tax; 0.50% education tax
Taiwan - Taipei Branch	17.00% income tax; 5.00% gross business receipts tax; 5.00% VAT

The provision for income tax consists of:

	Consolidated			Parent Company		
	2016	2015	2014	2016	2015	2014
Current:						
Final tax	P3,235	P3,895	P3,607	P2,509	P3,323	P2,919
RCIT*	3,779	2,036	2,392	1,382	129	692
MCIT	-	324	4	-	324	4
	7,014	6,255	6,003	3,891	3,776	3,615
Deferred*	(392)	(1,018)	456	(1)	(570)	740
	P6,622	P5,237	P6,459	P3,890	P3,206	P4,355

* Includes income taxes of foreign subsidiaries.

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

	Consolidated		Parent Company	
	2016	2015	2016	2015
Deferred tax asset on:				
Allowance for credit and impairment losses	P6,215	P6,328	P4,310	P4,588
Retirement liability	1,408	1,284	1,094	921
Unamortized past service cost	969	911	860	867
Accumulated depreciation of investment properties	380	386	284	303
Unrealized losses	308	305	294	305
Deferred membership/awards	189	124	-	-
Others	411	376	117	106
	9,880	9,714	6,959	7,090
Deferred tax liability on:				
Unrealized gains	367	571	293	548
Unrealized gain on initial measurement of investment properties	580	563	227	258
Others	78	153	-	-
	1,025	1,287	520	806
Net deferred tax assets	P8,855	P8,427	P6,439	P6,284



Components of net deferred tax liabilities of the Group follow:

	2016	2015
Deferred tax asset on:		
Retirement liability	₱20	₱56
Allowance for credit and impairment losses	–	31
Unamortized past service cost	–	13
Others	154	127
	174	227
Deferred tax liability on:		
Leasing income differential between finance and operating lease method	467	437
Unrealized gain	19	34
Others	–	207
	486	678
Net deferred tax liabilities	₱312	₱451

As of December 31, 2016 and 2015, no deferred tax asset was recognized on the following temporary differences: (a) allowance for credit and impairment losses amounting to ₱4.1 billion and ₱2.5 billion, respectively, for the Group and ₱3.5 billion and ₱1.7 billion, respectively, for the Parent Company; (b) NOLCO of ₱1.2 billion and ₱1.3 billion, respectively, for the Group and ₱220.2 million and ₱234.4 million, respectively, for the Parent Company; (c) MCIT of ₱16.4 million and ₱38.3 million, respectively, for the Group and ₱9.9 million and ₱9.7 million, respectively, for the Parent Company; and (d) others amounting to ₱10.7 thousand and ₱2.3 million, respectively, for the Group. The Group believes that it is not reasonably probable that the tax benefits of these temporary differences will be realized in the future.

There are no income tax consequences attaching to the payment of dividends by the Group to the shareholders of the Group.

Details of the excess MCIT credits follow:

Inception Year	Consolidated				Parent Company			
	Amount	Used/Expired	Balance	Expiry Year	Amount	Used/Expired	Balance	Expiry Year
2013	₱25	₱25	₱–	2016	₱3	₱3	₱–	2016
2014	4	–	4	2017	4	–	4	2017
2015	10	–	10	2018	3	–	3	2018
2016	3	–	3	2019	3	–	3	2019
	₱42	₱25	₱17		₱13	₱3	₱10	

Details of the NOLCO follow:

Inception Year	Consolidated				Parent Company			
	Amount	Used/Expired	Balance	Expiry Year	Amount	Used/Expired	Balance	Expiry Year
2013	₱374	₱374	₱–	2016				
2014	335	–	335	2017				
2015	566	29	537	2018	₱234	₱14	₱220	2018
2016	301	–	301	2019				
	₱1,576	₱403	₱1,173		₱234	₱14	₱220	



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

	Consolidated			Parent Company		
	2016	2015	2014	2016	2015 (As Restated - Note 2)	2014
Statutory income tax rate	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%
Tax effect of:						
Tax-paid and tax-exempt income	(13.15)	(10.56)	(16.49)	(11.84)	(9.38)	(10.77)
Non-deductible interest expense	4.90	6.62	6.98	3.39	4.52	3.45
Non-recognition of deferred tax asset	(2.44)	(2.29)	(1.03)	(2.52)	(2.61)	(1.45)
FCDU income	(3.30)	(0.84)	(0.94)	(3.10)	(0.89)	(1.32)
Others - net	8.57	(2.69)	4.15	1.77	(6.95)	(2.11)
Effective income tax rate	24.58%	20.24%	22.67%	17.70%	14.69%	17.80%

29. Trust Operations

Properties held by the Parent Company and certain subsidiaries in fiduciary or agency capacity for their customers are not included in the accompanying statements of financial position since these are not resources of the Parent Company and its subsidiaries (Note 30).

In compliance with current banking regulations relative to the Parent Company and certain subsidiaries' trust functions, government securities with the following total face values are deposited with the BSP.

	Consolidated		Parent Company	
	2016	2015	2016	2015
HFT investments	₱-	₱33	₱-	₱-
AFS investments	5,072	5,040	5,000	5,000
	₱5,072	₱5,073	₱5,000	₱5,000

30. Commitments and Contingent Liabilities

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

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

	Consolidated		Parent Company	
	2016	2015	2016	2015
Trust Banking Group accounts (Note 29)	₱427,741	₱357,001	₱422,812	₱351,878
Commitments				
Credit card lines	132,901	97,964	-	-
Undrawn - facilities to lend	20,521	18,404	20,521	18,404
Unused commercial letters of credit (Note 31)	46,678	38,073	45,725	37,262
Bank guaranty with indemnity agreement (Note 31)	12,045	11,320	12,045	11,320
Credit line certificate with bank commission	5,322	4,722	5,322	4,722
Outstanding shipside bonds/airway bills (Note 31)	4,712	2,685	4,712	2,685
Late deposits/payments received	2,292	1,237	2,229	1,180
Inward bills for collection	930	715	929	713
Outward bills for collection	622	486	622	485
Outstanding guarantees (Note 31)	117	109	117	109
Confirmed export letters of credits	109	109	97	68
Others	12,137	10,801	5,550	405
	₱666,127	₱543,626	₱520,681	₱429,231



On October 17, 2011, a consortium of eight banks including the Parent Company filed a Petition for Certiorari, Prohibition and/or Mandamus (with Urgent Application for a Temporary Restraining Order (TRO) and/or Writ of preliminary Injunction) with the Supreme Court (SC) against respondents the ROP, Bureau of Internal Revenue (BIR) and its Commissioner, the Department of Finance and its Secretary and the Bureau of Treasury (BTr) and the National Treasurer, asking the Court to annul BIR Ruling No. 370-2011 which imposes a 20-percent final withholding tax on the 10-year Zero-Coupon Government Bonds (also known as the PEACe bonds) that matured on October 18, 2011 and command the respondents to pay the full amount of the face value of the PEACe Bonds. On October 18, 2011, the SC issued the TRO enjoining the implementation of the said BIR ruling on the condition that the 20-percent final withholding tax be withheld by the petitioner banks and placed in escrow pending resolution of the Petition. The respondents have not complied with the said TRO, i.e., they have not credited the banks' escrow accounts with the amount corresponding to the questioned 20-percent final tax. On January 13, 2015, the Court promulgated a Decision granting the petition. BIR Ruling No. 370-2011 was nullified, and the respondent BTr was ordered to immediately release and pay to the bondholders the amount corresponding to the 20.00% final withholding tax withheld on October 18, 2011. On March 13, 2015, respondents filed a Motion for Reconsideration and Clarification of the Court's Decision. On August 16, 2016, the Court issued a Resolution denying the respondents' Motion for Reconsideration and Clarification, and ordered the respondent BTr to immediately release and pay the bondholders for the 20.00% final withholding tax on the PEACe Bonds, with legal interest of 6.00% per annum from October 19, 2011 until full payment. On October 19, 2016, the respondents' filed a Motion for Leave (i) to File Motion for Partial Reconsideration and (ii) to Admit Motion for Partial Reconsideration of the said Resolution. On November 22, 2016, the Court issued a Resolution denying the said Motion, considering that a second motion for reconsideration is a prohibited pleading under the Rules of Civil Procedure. The Resolution also stated that no further pleadings or motions will be entertained. To date, entry of judgment is yet to be received.

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

31. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions or if they are subjected to common control or common significant influence such as subsidiaries and associates of subsidiaries or other related parties. Related parties may be individuals or corporate entities and are classified as entities with significant influence, subsidiaries, associates, other related parties and key personnel (Notes 2 and 11).

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



The Parent Company has a Related Party Transactions Committee (RPTC) and a Related Party Transactions Management Committee (RPTMC), both of which are created to assist the BOD in ensuring that transactions with related parties are reviewed to assess risks and are subjected to appropriate restrictions to ensure that these are conducted at arm's-length terms and that corporate or business resources of the Parent Company are not misappropriated or misapplied. After appropriate review, RPTC and RPTMC 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 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 of the parties involved in the transaction or relationship; (b) terms of the transaction or relationship 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 or relationship; (d) approximate monetary value of the transaction and the approximate monetary value of the related party's interest in the transaction; (e) valuation methodology used and alternative approaches to valuation of the transaction; (f) information concerning potential counterparties in the transaction; (g) description of provisions or limitations imposed as a result of entering into the transaction; (h) whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the transaction; (i) impact to a director's independence; (j) extent that such transaction or relationship would present an improper conflict of interest; and (k) the availability of other sources of comparable products or services. Further, no director or officer participates in any discussion of a related party transaction for which he, she, or any member of his or her immediate family is a related party, except in order to provide material information on the related party transaction to RPTC.

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

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



The following table shows information relating to the loans, other credit accommodations and guarantees classified as DOSRI accounts:

	Consolidated		Parent Company	
	2016	2015	2016	2015
Total outstanding DOSRI accounts	₱4,205	₱6,713	₱2,270	₱4,944
Percent of DOSRI accounts granted prior to effectivity of BSP Circular No. 423 to total loans	0.00%	0.00%	0.00%	0.00%
Percent of DOSRI accounts granted after effectivity of BSP Circular No. 423 to total loans	0.40%	0.76%	0.27%	0.72%
Percent of DOSRI accounts to total loans	0.40%	0.76%	0.27%	0.72%
Percent of unsecured DOSRI accounts to total DOSRI accounts	13.97%	14.04%	8.65%	13.17%
Percent of past due DOSRI accounts to total DOSRI accounts	0.00%	5.68%	0.00%	0.00%
Percent of non-accruing DOSRI accounts to total DOSRI accounts	0.00%	5.68%	0.00%	0.00%

BSP Circular No. 560 provides the rules and regulations that govern loans, other credit accommodations and guarantees granted to subsidiaries and affiliates of banks and quasi-banks. Under the said Circular, 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% of the net worth of the lending bank/quasi-bank, provided that the unsecured portion of which shall not exceed 5.00% of such net worth. Further, the total outstanding loans, credit accommodations and guarantees to all subsidiaries and affiliates shall not exceed 20.00% of the net worth of the lending bank/quasi-bank; and the subsidiaries and affiliates of the lending bank/quasi-bank are not related interest of any director, officer and/or stockholder of the lending institution, except where such director, officer or stockholder sits in the BOD or is appointed officer of such corporation as representative of the bank/quasi-bank as reported to the BSP. As of December 31, 2016 and 2015, 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 7.14% and 2.57%, respectively, of the Parent Company's net worth.

Further, BSP issued Circular No. 654 that allows a separate individual limit to loans of banks/quasi-banks to their subsidiaries and affiliates engaged in energy and power generation, i.e., a separate individual limit of twenty-five (25.00%) of the net worth of the lending bank/quasi-bank: provided, that the unsecured portion thereof shall not exceed twelve and one-half percent (12.50%) of such net worth: provided further, that these subsidiaries and affiliates are not related interests of any of the director, officer and/or stockholder of the lending bank/quasi-bank; 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 of December 31, 2016 and 2015, the total outstanding loans, other credit accommodations and guarantees to each of the Parent Company's subsidiaries and affiliates engaged in energy and power generation did not exceed 25.00% of the Parent Company's net worth, as reported to the BSP, and the unsecured portion did not exceed 12.50% of such net worth.

Total interest income on the DOSRI loans in 2016, 2015 and 2014 amounted to ₱124.3 million, ₱107.2 million and ₱117.0 million, respectively, for the Group and ₱88.6 million, ₱55.6 million and ₱56.5 million, respectively, for the Parent Company.



Details on significant related party transactions of the Group and the Parent Company follow (transactions with subsidiaries have been eliminated in the consolidated financial statements):

Category	Consolidated	
	Amount	December 31, 2016 Terms and Conditions/Nature
Entities with Significant Influence		
<u>Outstanding Balance:</u>		
Deposit liabilities*	₱2,135	With annual fixed interest rate of 1.75% including time deposits with maturity term of 30 days (Note 16)
Bills payable*	303	Peso borrowing subject to annual fixed interest rate of 2.00% with maturity term of 17 days (Note 17)
<u>Amount/Volume:</u>		
Deposit liabilities	(4,249)	Generally similar to terms and conditions above
Miscellaneous income	327	Other income from sale of securities of FMIC
Service charges, fees and commissions	444	FMIC's advisory and underwriting fees charged to GT Capital
Interest expense	46	Interest expense on deposit liabilities and bills payable (Note 16)
Outright sale of securities	3,259	Outright sale of AFS investments of FMIC
Subsidiaries		
<u>Outstanding Balance:</u>		
Interbank loans receivable*	₱6,094	Foreign currency-denominated lending which earn annual fixed interest rates ranging from 0.97% to 2.90% with maturity terms from 14 days to 372 days, no impairment (Note 7)
Receivables from customers*	2,364	Unsecured with no impairment With annual fixed interest rates ranging from 2.45% to 2.80% and maturity terms from 6 days to 275 days (Note 9)
Accounts receivable	337	Outstanding remittance receivables, service fees, rental fees and common use service area fees, non-interest bearing
Other receivables	2,980	Dividends receivable from FMIC (Notes 9 and 11)
Derivative assets	66	Fair value of forward leg swap bought and forward exchange sold with various terms
Deposit liabilities*	4,778	With annual fixed interest rates ranging from 0.00% to 1.75% including time deposits with maturity terms from 5 days to 364 days (Note 16)
Bills payable	7	Peso borrowings subject to annual fixed interest rates ranging from 1.13% to 1.25% with maturity terms from 15 days to 17 days (Note 17)
Bonds payable*	520	Issued by FMIC with interest rates ranging from 1.38% to 5.75% with maturity terms from 42 days to 7 years (Note 19)
Treasury stock	485	Parent Company's shares held by FMIC's mutual fund subsidiaries (Note 23)
<u>Amount/Volume:</u>		
Interbank loans receivable	4,681	Generally similar to terms and conditions above
Receivables from customers	(929)	Generally similar to terms and conditions above
Accounts receivable	58	Generally similar to terms and conditions above
Deposit liabilities	(492)	Generally similar to terms and conditions above
Bills payable	(4,412)	Generally similar to terms and conditions above
Bonds payable	70	Generally similar to terms and conditions above
Interest income	111	Income on receivables from customers (Note 9) and interbank loans receivables (Note 7)
Service charges, fees and commissions	88	Income from transactional fees
Trading and securities gain - net	48	Net gain from securities transactions; includes gain on sale of PSBank shares by FMIC (Note 11)
Foreign exchange gain - net	69	Net gain from foreign exchange transactions
Leasing income	84	Income from leasing agreements with various lease terms
Miscellaneous income	600	Information technology and other fees; gain on buy back of shares
Interest expense	92	Interest expense on deposit liabilities, bills payable and bonds payable (Notes 16 and 17)
Miscellaneous expense	126	Management and other professional fees and merchant discount (Note 25)
Dividends declared	4,802	Dividends declared by PSBank, MCC, Metrobank Bahamas and FMIC (Note 11)
Contingent		
Derivatives	2,668	Outright forward exchange sold and swap bought with various terms

(Forward)



Consolidated		
December 31, 2016		
Category	Amount	Terms and Conditions/Nature
Securities transactions		
Purchases	₱53,716	Outright purchases of HFT securities and AFS investments
Sales	56,565	Outright sale of HFT securities and AFS investments
Foreign currency		
Buy	46,284	Outright purchases of foreign currency
Sell	40,745	Outright sale of foreign currency
Associates		
Outstanding Balance:		
Accounts receivable	₱1	Rental fees, non-interest bearing
Other receivables	30	Dividends receivable from SMBC Metro (Notes 9 and 11)
Deposit liabilities*	751	With annual fixed interest rates ranging from 0.00% to 1.25% including time deposits with maturity terms from 5 days to 63 days (Note 16)
Amount/Volume:		
Accounts receivable	1	Generally similar to terms and conditions above
Deposit liabilities	(1,037)	Generally similar to terms and conditions above (Note 16)
Trading and securities gain - net	3	Net gain from securities transactions
Foreign exchange loss - net	(3)	Net loss from foreign exchange transactions
Leasing income	20	Income from leasing agreements with various lease terms
Interest expense	4	Interest expense on deposit liabilities (Note 16)
Dividends declared	55	Dividends declared by NLI and SMBC Metro (Note 11)
Securities transactions		
Outright purchases	680	Outright purchases of HFT securities and AFS investments
Outright sales	1,500	Outright sale of HFT securities and AFS investments
Foreign currency		
Buy	680	Outright purchases of foreign currency
Sell	1,802	Outright sale of foreign currency
Other Related Parties		
Outstanding Balance:		
Receivables from customers*	₱8,178	Secured - ₱3.3 billion and unsecured - ₱4.9 billion, no impairment With annual fixed interest rates ranging from 1.50% to 8.50% and maturity terms from 30 days to 5 years (Note 9)
Accounts receivable	3	Credit card receivables, non-interest bearing
Assets held under joint operations	368	Parcels of land and former branch sites of the Parent Company contributed to joint operations (Note 14)
Deposit liabilities*	20,406	With annual fixed interest rates ranging from 0.00% to 2.38% including time deposits with maturity terms from 5 days to 365 days (Note 16)
Bills payable*	714	Peso-denominated borrowings subject to annual fixed interest rates ranging from 1.25% to 2.25% with maturity terms from 17 days to 183 days (Note 17)
Amount/Volume:		
Receivables from customers	(1,738)	Generally similar to terms and conditions above
Accounts receivable	1	Generally similar to terms and conditions above
Deposit liabilities	4,276	Generally similar to terms and conditions above
Bills payable	(2,525)	Generally similar to terms and conditions above
Interest income	223	Interest income on receivables from customers (Note 9)
Foreign exchange loss - net	(17)	Net loss from foreign exchange transactions
Leasing income	19	Income from leasing agreements with various lease terms
Interest expense	292	Interest expense on deposit liabilities (Note 16) and bills payable (Note 17)
Contingent		
Unused commercial LCs	68	LC transactions with various terms
Others	3	Bank guaranty with indemnity agreement
Securities transactions		
Outright purchases	404	Outright purchases of HFT securities and AFS investments
Outright sales	4,671	Outright sale of HFT securities and AFS investments
Foreign currency		
Buy	83	Outright purchases of foreign currency
Sell	73,761	Outright sale of foreign currency

(Forward)



Consolidated		
December 31, 2016		
Category	Amount	Terms and Conditions/Nature
Key Personnel		
<u>Outstanding Balance:</u>		
Receivables from customers	₱80	Secured - ₱55.9 million and unsecured - ₱24.5 million, no impairment With annual fixed interest rates ranging from 0.00% to 10.00% and maturity terms from 2 years to 15 years (Note 9)
Deposit liabilities	173	With various terms and with minimum annual interest rate of 0.00% (Note 16)
<u>Amount/Volume:</u>		
Receivables from customers	(2)	Generally similar to terms and conditions above
Deposit liabilities	38	Generally similar to terms and conditions above
Interest income	4	Interest income on receivables from customers (Note 9)
<hr/>		
Consolidated		
December 31, 2015		
Category	Amount	Terms and Conditions/Nature
Entities with Significant Influence		
<u>Outstanding Balance:</u>		
Deposit liabilities*	₱6,384	With annual fixed interest rates ranging from 0.00% to 2.50% including time deposits with maturity terms from 21 days to 38 days (Note 16)
<u>Amount/Volume:</u>		
Receivables from customers	(402)	Secured - ₱280.0 million and unsecured - ₱122.4 million, no impairment Settlement of short-term loan with interest rate of 3.25% subject to regular repricing with maturity terms from 31 days to 91 days (Note 9)
Deposit liabilities	6,035	Generally similar to terms and conditions above
Interest expense	7	Interest expense on deposit liabilities (Note 16)
Foreign currency Sell	6	Outright sale of foreign currency
<hr/>		
Subsidiaries		
<u>Outstanding Balance:</u>		
Interbank loans receivable*	₱1,413	Foreign currency-denominated lending which earn annual fixed interest rates ranging from 1.71% to 2.01% with maturity terms from 99 days to 373 days, no impairment (Note 7)
Receivables from customers*	3,043	Unsecured with no impairment With annual fixed interest rates ranging from 2.25% to 5.59% and maturity terms from 2 days to 5 years (Note 9)
Accounts receivable	279	Outstanding remittance receivables, credit card receivables and rental fees, non-interest bearing
Deposit liabilities*	5,270	With annual fixed interest rates ranging from 0.00% to 1.25% including time deposits with maturity terms from 6 days to 270 days (Note 16)
Bills payable*	4,419	Peso and foreign currency-denominated borrowings subject to annual fixed interest rates ranging from 0.19% to 2.50% with maturity terms from 1 day to 45 days (Note 17)
Bonds payable*	450	Issued by FMIC with interest rates ranging from 5.50% to 5.75% with maturity terms from 2 years to 5 years, covered by deed of assignments on government securities (Note 19)
Treasury stock	187	Parent Company's shares held by FMIC's mutual fund subsidiaries (Note 23)
<u>Amount/Volume:</u>		
Interbank loans receivable	(350)	Generally similar to terms and conditions above
Receivables from customers	196	Generally similar to terms and conditions above
Deposit liabilities	(62)	Generally similar to terms and conditions above
Bills payable	1,627	Generally similar to terms and conditions above
Bonds payable	(60)	Generally similar to terms and conditions above
Interest income	97	Income on receivables from customers (Note 9) and interbank loans receivables (Note 7)
Service charges, fees and commissions	40	Income from transactional fees
Trading and securities loss - net	(14)	Net loss from securities transactions
Foreign exchange gain - net	210	Net gain from foreign exchange transactions

(Forward)



Consolidated		
December 31, 2015		
Category	Amount	Terms and Conditions/Nature
Leasing income	₱87	Income from leasing agreements with various lease terms
Miscellaneous income	433	Information technology and other fees
Interest expense	47	Interest expense on deposit liabilities, bills payable and bonds payable (Notes 16 and 17)
Miscellaneous expense	49	Call center services and other fees (Note 25)
Dividends declared	1,817	Dividends declared by PSBank and MCC (Note 11)
Securities transactions		
Purchases	51,123	Outright purchases of HFT securities and AFS investments
Sales	50,340	Outright sale of HFT securities and AFS investments
Foreign currency		
Buy	43,072	Outright purchases of foreign currency
Sell	38,624	Outright sale of foreign currency
Other transaction		
Underwriting/Arranging agreement	102	Arranging and underwriting fee of FMIC relative to the Parent Company's SRO in 2015
Associates		
<u>Outstanding Balance:</u>		
Other receivables	₱18	Dividend receivable from SMBC Metro
Deposit liabilities*	1,788	With annual fixed interest rates ranging from 0.00% to 1.75% including time deposits with maturity terms from 7 days to 90 days (Note 16)
<u>Amount/Volume:</u>		
Deposit liabilities	74	Generally similar to terms and conditions above (Note 16)
Bills payable	(1)	Settlement of peso-denominated borrowings subject to annual fixed interest rate of 0.63% with maturity term of 91 days (Note 17)
Foreign exchange gain - net	2	Income from foreign exchange transactions
Leasing income	19	Income from leasing agreements with various lease terms
Interest expense	2	Interest expense on deposit liabilities (Note 16)
Dividends declared	25	Dividends declared by NLI and SMBC Metro (Note 11)
Securities transactions		
Outright purchases	406	Outright purchases of HFT securities and AFS investments
Outright sales	1,183	Outright sale of HFT securities and AFS investments
Foreign currency		
Buy	48	Outright purchases of foreign currency
Sell	271	Outright sale of foreign currency
Other Related Parties		
<u>Outstanding Balance:</u>		
Receivables from customers*	₱9,916	Secured - ₱9.6 billion and unsecured - ₱270.5 million, no impairment With annual fixed interest rates ranging from 3.00% to 10.37% and maturity terms from 30 days to 12 years (Note 9)
Accounts receivable	2	Credit card receivables, non-interest bearing
Building under construction	4,547	Commercial and office spaces located at Bonifacio Global City, Taguig City purchased from BLRDC (Note 10)
Assets held under joint operations	401	Parcels of land and former branch sites of the Parent Company contributed to joint operations (Note 14)
Deposit liabilities*	16,130	With annual fixed interest rates ranging from 0.00% to 2.55% including time deposits with maturity terms from 6 days to 367 days (Note 16)
Bills payable*	3,239	Peso-denominated borrowings subject to annual fixed interest rates ranging from 1.63% to 5.54% with maturity terms from 28 days to 5 years (Note 17)
<u>Amount/Volume:</u>		
Receivables from customers	(2,102)	Generally similar to terms and conditions above
Deposit liabilities	(7,090)	Generally similar to terms and conditions above
Bills payable	(254)	Generally similar to terms and conditions above
Interest income	833	Interest income on receivables from customers (Note 9)
Foreign exchange loss - net	(25)	Net loss from foreign exchange transactions
Leasing income	22	Income from leasing agreements with various lease terms
Profit from assets sold	603	Gain on sale of investment properties to FLI (Notes 10 and 12)
Interest expense	165	Interest expense on deposit liabilities (Note 16) and bills payable (Note 17)

(Forward)



Category	Consolidated	
	December 31, 2015	
	Amount	Terms and Conditions/Nature
Contingent		
Unused commercial LCs	₱113	LC transactions with various terms
Others	2	Bank guaranty with indemnity agreement
Securities transactions		
Outright purchases	43	Outright purchases of HFT securities and AFS investments
Outright sales	144	Outright sale of HFT securities and AFS investments
Foreign currency		
Buy	465	Outright purchases of foreign currency
Sell	39,794	Outright sale of foreign currency
Key Personnel		
Outstanding Balance:		
Receivables from customers	₱82	Secured - ₱58.2 million and unsecured - ₱23.6 million, no impairment, with annual fixed interest rates ranging from 0.00% to 10.00% and maturity terms from 2 years to 15 years (Note 9)
Deposit liabilities	135	With various terms and with minimum annual interest rate of 0.00% (Note 16)
Amount/Volume:		
Receivables from customers	(8)	Generally similar to terms and conditions above
Deposit liabilities	27	Generally similar to terms and conditions above
Interest income	5	Interest income on receivables from customers (Note 9)

Category	Parent Company	
	December 31, 2016	
	Amount	Terms and Conditions/Nature
Entities with Significant Influence		
Outstanding Balance:		
Deposit liabilities*	₱2,135	With annual fixed interest rate of 1.75% including time deposits with maturity term of 30 days (Note 16)
Amount/Volume:		
Deposit liabilities	(4,249)	Generally similar to terms and conditions above
Interest expense	38	Interest expense on deposit liabilities (Note 16)
Subsidiaries		
Outstanding Balance:		
Interbank loans receivable*	₱6,094	Foreign currency-denominated lending which earn annual fixed interest rates ranging from 0.97% to 2.90% with maturity terms from 14 days to 372 days, no impairment (Note 7)
Receivables from customers*	2,364	Unsecured with no impairment With annual fixed interest rates ranging from 2.45% to 2.80% and maturity terms from 6 days to 275 days (Note 9)
Accounts receivable	294	Outstanding information technology fees and remittance receivable, non-interest bearing
Other receivables	2,880	Dividends receivable from FMIC (Note 9)
Derivative assets	66	Fair value of forward leg swap bought and forward exchange sold with various terms
Deposit liabilities*	3,672	With annual fixed interest rates ranging from 0.00% to 1.25% including time deposits with maturity terms from 5 days to 364 days (Note 16)
Treasury stock	485	Parent Company's shares held by FMIC's mutual fund subsidiaries (Note 23)
Amount/Volume:		
Interbank loans receivable	4,681	Generally similar to terms and conditions above
Receivables from customers	(929)	Generally similar to terms and conditions above
Accounts receivable	17	Generally similar to terms and conditions above
Deposit liabilities	(1,530)	Generally similar to terms and conditions above
Bills payable	(3,876)	Foreign currency-denominated borrowings subject to annual fixed interest rates ranging from 0.19% to 2.50% with maturity terms from 1 day to 33 days (Note 17)
Interest income	108	Income on receivables from customers and interbank loans receivables
Service charges, fees and commissions	35	Income from transactional fees
Trading and securities gain - net	141	Net gain from securities transactions
Foreign exchange gain - net	69	Net gain from foreign exchange transactions

(Forward)



Parent Company		
December 31, 2016		
Category	Amount	Terms and Conditions/Nature
Leasing income	₱34	Income from leasing agreements with various lease terms
Miscellaneous income	354	Information technology and other fees (Note 25)
Interest expense	37	Interest expense on deposit liabilities, bills payable and interbank loans payable (Notes 16 and 17)
Miscellaneous expense	126	Management and other professional fees and merchant discount
Dividends declared	4,802	Dividends declared by PSBank, MCC, Metrobank Bahamas and FMIC (Note 11)
Contingent		
Derivatives	2,668	Outright forward exchange sold and swap bought with various terms
Securities transactions		
Purchases	44,108	Outright purchases of HFT securities and AFS investments
Sales	46,036	Outright sale of HFT securities and AFS investments
Foreign currency		
Buy	46,284	Outright purchases of foreign currency
Sell	40,745	Outright sale of foreign currency
Associates		
<u>Outstanding Balance:</u>		
Other receivables	₱30	Dividends receivable from SMBC Metro (Note 9)
Deposit liabilities*	739	With annual fixed interest rates ranging from 0.00% to 1.13% including time deposits with maturity terms from 5 days to 63 days (Note 16)
<u>Amount/Volume:</u>		
Deposit liabilities	(1,044)	Generally similar to terms and conditions above
Trading and securities gain - net	3	Net gain from securities transactions
Foreign exchange loss - net	(3)	Net loss from foreign exchange transactions
Leasing income	8	Income from leasing agreements with various lease terms
Interest expense	4	Interest expense on deposit liabilities
Dividends declared	55	Dividends declared by NLI and SMBC Metro (Note 11)
Securities transactions		
Outright purchases	680	Outright purchases of HFT securities and AFS investments
Outright sales	1,500	Outright sale of HFT securities and AFS investments
Foreign currency		
Buy	680	Outright purchases of foreign currency
Sell	1,802	Outright sale of foreign currency
Other Related Parties		
<u>Outstanding Balance:</u>		
Receivables from customers*	₱8,175	Secured - ₱3.3 billion and unsecured - ₱4.9 billion, no impairment With annual fixed interest rates ranging from 1.50% to 5.29% and maturity terms from 30 days to 5 years (Note 9)
Assets held under joint operations	368	Parcels of land and former branch sites of the Parent Company contributed to joint operations (Note 14)
Deposit liabilities*	13,777	With annual fixed interest rates ranging from 0.00% to 2.38% including time deposits with maturity terms from 5 days to 365 days (Note 16)
<u>Amount/Volume:</u>		
Receivables from customers	(1,036)	Generally similar to terms and conditions above
Deposit liabilities	1,769	Generally similar to terms and conditions above
Interest income	223	Interest income on receivables from customers
Foreign exchange loss - net	(17)	Net loss from foreign exchange transactions
Leasing income	19	Income from leasing agreements with various lease terms
Interest expense	50	Interest expense on deposit liabilities (Note 16)
Contingent		
Unused commercial LCs	68	LC transactions with various terms
Others	3	Bank guaranty with indemnity agreement
Securities transactions		
Outright purchases	143	Outright purchases of HFT securities and AFS investments
Sales	3,825	Outright sale of HFT securities and AFS investments
Foreign currency		
Buy	83	Outright purchases of foreign currency
Sell	73,761	Outright sale of foreign currency

(Forward)



Parent Company		
December 31, 2016		
Category	Amount	Terms and Conditions/Nature
Key Personnel		
<u>Outstanding Balance:</u>		
Receivables from customers	₱62	Secured - ₱50.9 million and unsecured - ₱10.7 million, no impairment With annual fixed interest rates ranging from 0.00% to 10.00% and maturity terms from 5 years to 15 years (Note 9)
Deposit liabilities	173	With various terms and with minimum annual interest rate of 0.00% (Note 16)
<u>Amount/Volume:</u>		
Receivables from customers	3	Generally similar to terms and conditions above
Deposit liabilities	38	Generally similar to terms and conditions above
Interest income	2	Interest income on receivables from customers (Note 9)

Parent Company		
December 31, 2015		
Category	Amount	Terms and Conditions/Nature
Entities with Significant Influence		
<u>Outstanding Balance:</u>		
Deposit liabilities*	₱6,384	With annual fixed interest rates ranging from 0.00% to 2.50% including time deposits with maturity terms from 21 days to 38 days (Note 16)
<u>Amount/Volume:</u>		
Receivables from customers	(402)	Secured - ₱280.0 million and unsecured - ₱122.4 million, no impairment Settlement of short-term loan with interest rate of 3.25% subject to regular repricing with maturity terms from 31 days to 91 days (Note 9)
Deposit liabilities	6,035	Generally similar to terms and conditions above
Interest expense	7	Interest expense on deposit liabilities (Note 16)
Foreign currency Sell	6	Outright sale of foreign currency
Subsidiaries		
<u>Outstanding Balance:</u>		
Interbank loans receivable*	₱1,413	Foreign currency-denominated lending which earn annual fixed interest rates ranging from 1.71% to 2.01% with maturity terms from 99 days to 373 days, no impairment (Note 7)
Receivables from customers*	3,043	Unsecured with no impairment With annual fixed interest rates ranging from 2.25% to 5.59% and maturity terms from 2 days to 5 years (Note 9)
Accounts receivable	277	Outstanding information technology fees and remittance receivable, non-interest bearing
Deposit liabilities*	5,202	With annual fixed interest rates ranging from 0.00% to 1.25% including time deposits with maturity terms from 6 days to 270 days (Note 16)
Bills payable*	3,876	Foreign currency-denominated borrowings subject to annual fixed interest rates ranging from 0.19% to 2.50% with maturity terms from 1 day to 33 days (Note 17)
Treasury stock	187	Parent Company's shares held by FMIC's mutual fund subsidiaries (Note 23)
<u>Amount/Volume:</u>		
Interbank loans receivable	(350)	Generally similar to terms and conditions above
Receivables from customers	196	Generally similar to terms and conditions above
Deposit liabilities	(41)	Generally similar to terms and conditions above
Bills payable	1,435	Generally similar to terms and conditions above
Interest income	86	Income on receivables from customers and interbank loans receivables
Service charges, fees and commissions	35	Income from transactional fees
Trading and securities loss - net	(23)	Net loss from securities transactions
Foreign exchange gain - net	210	Net gain from foreign exchange transactions
Leasing income	32	Income from leasing agreements with various lease terms
Miscellaneous income	433	Information technology and other fees (Note 25)

(Forward)



Parent Company		
December 31, 2015		
Category	Amount	Terms and Conditions/Nature
Interest expense	₱34	Interest expense on deposit liabilities, bills payable and interbank loans payable (Notes 16 and 17)
Miscellaneous expense	49	Call center services and other fees (Note 25)
Dividends declared	1,817	Dividends declared by PSBank and MCC (Note 11)
Securities transactions		
Purchases	34,205	Outright purchases of HFT securities and AFS investments
Sales	32,315	Outright sale of HFT securities and AFS investments
Foreign currency		
Buy	43,072	Outright purchases of foreign currency
Sell	38,624	Outright sale of foreign currency
Other transaction		
Underwriting/Arranging agreement	102	Arranging and underwriting fee of FMIC relative to the Parent Company's SRO in 2015
<hr/>		
Associates		
<u>Outstanding Balance:</u>		
Other receivables	₱18	Dividend receivable from SMBC Metro
Deposit liabilities*	1,783	With annual fixed interest rates ranging from 0.00% to 1.25% including time deposits with maturity terms from 7 days to 90 days (Note 16)
<u>Amount/Volume:</u>		
Deposit liabilities	149	Generally similar to terms and conditions above
Leasing income	8	Income from leasing agreements with various lease terms
Interest expense	1	Interest expense on deposit liabilities
Dividends declared	25	Dividends declared by NLI and SMBC Metro (Note 11)
Securities transactions		
Outright purchases	337	Outright purchases of HFT securities and AFS investments
Outright sales	572	Outright sale of HFT securities and AFS investments
Foreign currency		
Buy	48	Outright purchases of foreign currency
Sell	271	Outright sale of foreign currency
<hr/>		
Other Related Parties		
<u>Outstanding Balance:</u>		
Receivables from customers*	₱9,211	Secured - ₱9.0 billion and unsecured - ₱251.8 million, no impairment With annual fixed interest rates ranging from 3.00% to 10.37% and maturity terms from 30 days to 12 years (Note 9)
Building under construction	4,547	Commercial and office spaces located at Bonifacio Global City, Taguig City purchased from BLRDC (Note 10)
Assets held under joint operations	401	Parcels of land and former branch sites of the Parent Company contributed to joint operations (Note 14)
Deposit liabilities*	12,008	With annual fixed interest rates ranging from 0.00% to 2.55% including time deposits with maturity terms from 6 days to 367 days (Note 16)
<u>Amount/Volume:</u>		
Receivables from customers	(1,976)	Generally similar to terms and conditions above
Deposit liabilities	(5,439)	Generally similar to terms and conditions above
Interest income	757	Interest income on receivables from customers
Foreign exchange loss - net	(25)	Net loss from foreign exchange transactions
Leasing income	21	Income from leasing agreements with various lease terms
Profit from assets sold	603	Gain on sale of investment properties to FLI (Notes 10 and 12)
Interest expense	7	Interest expense on deposit liabilities (Note 16)
Contingent		
Unused commercial LCs	113	LC transactions with various terms
Others	2	Bank guaranty with indemnity agreement
Foreign currency		
Buy	465	Outright purchases of foreign currency
Sell	39,794	Outright sale of foreign currency
<hr/>		
Key Personnel		
<u>Outstanding Balance:</u>		
Receivables from customers	₱59	Secured - ₱47.0 million and unsecured - ₱11.8 million, no impairment, with annual fixed interest rates ranging from 0.00% to 10.00% and maturity terms from 5 years to 15 years (Note 9)
Deposit liabilities	135	With various terms and with minimum annual interest rate of 0.00% (Note 16)

(Forward)



Category	Parent Company	
	December 31, 2015	
Amount/Volume:	Amount	Terms and Conditions/Nature
Receivables from customers	(₱3)	Generally similar to terms and conditions above
Deposit liabilities	27	Generally similar to terms and conditions above
Interest income	2	Interest income on receivables from customers (Note 9)

*including accrued interest

On December 23, 2016, the Parent Company acquired from MBCL, through bidding which was held on October 24, 2016 in Nanjing, China, selected loans amounting to RMB161.9 million (equivalent to ₱1.2 billion). This transaction has been reviewed and endorsed by the Overseas Banking Committee and RPTC in separate meetings held in September 2016 and approved by the Parent Company's BOD and noted by the BSP on September 26, 2016 and October 27, 2016, respectively. In addition, this transaction has been approved by the required regulators in China. As of December 31, 2016, the Parent Company recognized allowance for credit losses of ₱1.2 billion on these loans.

As of December 31, 2016 and 2015, government bonds (classified under AFS investments) with total face value of ₱50.0 million are pledged by PSBank to the Parent Company to secure the latter's payroll account with the PSBank. Also, the Parent Company has assigned to PSBank government securities (classified under AFS investments) with total face value of ₱3.0 billion to secure PSBank deposits to the Parent Company.

Receivables from customers and deposit liabilities and their related statement of financial position and statement of income accounts resulted from the lending and deposit-taking activities of the Group and the Parent Company. Together with the sale of investment properties, borrowings, contingent accounts including derivative transactions, outright purchases and sales of HFT securities and AFS investments, foreign currency buy and sell, leasing of office premises, securing of insurance coverage on loans and property risk, and other management services rendered, these are conducted in the normal course of business, at arm's-length transactions and are generally settled in cash. The amounts and related volumes and changes are presented in the summary above. Terms of receivables from customers, deposit liabilities and borrowings are disclosed in Notes 9, 16 and 17, respectively, while other related party transactions above have been referred to their respective note disclosures.

The compensation of the key management personnel of the Group and the Parent Company follows:

	Consolidated			Parent Company		
	2016	2015	2014	2016	2015	2014
Short-term employee benefits	₱2,572	₱2,197	₱2,091	₱1,865	₱1,546	₱1,418
Post-employment benefits	129	193	125	42	93	69
	₱2,701	₱2,390	₱2,216	₱1,907	₱1,639	₱1,487

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 ₱58.5 million, ₱54.1 million and ₱41.6 million in 2016, 2015 and 2014, respectively. As of December 31, 2016 and 2015, the Parent Company sold securities totaling ₱1.7 billion and ₱2.6 billion, respectively, to its related party retirement plans and recognized net trading loss of ₱0.1 million and gain of ₱0.3 million, respectively. The



Parent Company also purchased securities totaling ₱288.9 million and ₱612.4 million as of December 31, 2016 and 2015, respectively. Further, as of December 31, 2016 and 2015, the total outstanding deposit liabilities of the Group to these related party retirement funds amounted to ₱403.6 million and ₱279.5 million, respectively. Interest expense on deposit liabilities amounted to ₱1.3 million, ₱0.7 million and ₱0.8 million in 2016, 2015 and 2014, respectively.

As of December 31, 2016 and 2015, the related party retirement plans also hold investments in the equity shares of various companies within the Group amounting to ₱380.6 million and ₱850.4 million, respectively, with unrealized trading gains of ₱28.6 million and ₱313.4 million, respectively, and investments in mutual funds and trust funds of various companies within the Group amounting to ₱412.2 million and ₱183.4 million, respectively, with unrealized trading gains of ₱1.4 million and ₱1.7 million, respectively. As of December 31, 2016, 2015 and 2014, dividend income recognized from these securities amounted to ₱6.9 million, ₱17.3 million and ₱10.5 million, respectively, and realized trading gains amounting to ₱262.8 million - Note 11, ₱14.7 million and ₱16.2 million, respectively.

32. Financial Performance

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

	2016	2015	2014
a. Net income attributable to equity holders of the Parent Company	₱18,086	₱18,625	₱20,113
b. Share of hybrid capital securities holders	(267)	(506)	(499)
c. Net income attributable to common shareholders	17,819	18,119	19,614
d. Weighted average number of outstanding common shares of the Parent Company, including effect of stock rights issued in 2015 (Note 23)	3,176	3,092	2,849
e. Basic/diluted earnings per share (c/d)	₱5.61	₱5.86	₱6.88

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

	Consolidated			Parent Company		
	2016	2015	2014	2016	2015 (As Restated - Note 2)	2014
Return on average equity	9.28%	10.83%	14.11%	9.28%	10.83%	14.11%
Return on average assets	0.99%	1.11%	1.35%	1.20%	1.33%	1.64%
Net interest margin on average earning assets	3.54%	3.54%	3.73%	2.72%	2.79%	2.99%



33. Foreign Exchange

PDS closing rates as of December 31 and PDSWAR for the year ended December 31 are as follows:

	2016	2015	2014
PDS Closing	₱49.72	₱47.06	₱44.72
PDSWAR	47.48	45.50	44.39

34. Other Matters

The Group has no significant matters to report in 2016 on the following:

- a. Known trends, events or uncertainties that would have material impact on liquidity and on the sales or revenues.
- b. Explanatory comments about the seasonality or cyclicity of operations.
- c. Issuances, repurchases and repayments of debt and equity securities except for the issuance of LTNCD amounting to ₱8.7 billion as discussed in Note 16 and the redemption of the USD125.0 million HT1 Capital Securities as discussed in Note 23.
- d. Unusual items as to nature, size or incidents affecting assets, liabilities, equity, net income or cash flows except for the payments of cash dividends and semi-annual coupons on the hybrid capital securities by the Parent Company as discussed in Note 23; and
- e. Effect of changes in the composition of the Group during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations except for the additional investment in PSBank, the buy-back of shares by FMIIC and the status of operations of SMBC Metro as discussed in Note 11.

35. Subsequent Events

- a. On January 12, 2017, FMIC paid cash dividends of ₱8.06 per share or equivalent to ₱3.0 billion to all stockholders of record as of December 29, 2016 (Note 11).
- b. On January 17, 2017, SMBC Metro paid 16.67% cash dividends amounting to ₱100.0 million to its stockholders of record as of December 14, 2016 (Note 11).
- c. On January 24, 2017, the BOD of PSBank declared a 7.50% regular cash dividend for the fourth quarter of 2016 amounting to ₱180.2 million or ₱0.75 per share, payable not later than February 24, 2017 to all common stockholders as of record date of February 10, 2017.
- d. On January 30, 2017, PSBank issued the first tranche of LTNCDs amounting to ₱3.0 billion with terms of 5 years and 3 months and interest rate of 3.50% per annum payable quarterly (Note 16).



- e. As discussed in Note 11, on January 5, 2017, SMBC Metro submitted its application for withdrawal of its secondary license as an Investment House which was approved by the SEC on January 31, 2017.
- f. LCMC, an associate of FMIC, disclosed to the PSE that on February 14, 2017, LCMC received a suspension order from the Department of Energy and Natural Resources (DENR) Secretary on its mining operation under Mineral Production Sharing Agreement No.001-90-CAR and is given not more than three months from receipt to implement the appropriate mitigating measures. LCMC will immediately file a Notice of Appeal with the Office of the President wherein pursuant to the Administrative Order No.22, Series of 2011, such filing will stay the execution of the Order, allowing the Company to continue its operations. Further in its disclosure, LCMC maintains that it passed the DENR Mine Audit, as attested by the signed audit report dated August 22, 2016 that state that “The Company substantially complied with the pertinent provisions of the Environmental and Mining laws, rules and regulations, thus, no penalty is recommended by the Team”.
- g. On February 21, 2017, PSBank redeemed its 2022 Peso Notes amounting to ₱3.0 billion as discussed in Note 20.
- h. On February 22, 2017, the BOD of the Parent Company declared 5.00% cash dividend amounting to ₱3.2 billion or ₱1.00 per share, payable on March 23, 2017 to all stockholders of record as of March 9, 2017, and has authorized the President to change the dates as may be required by exigencies.

36. Approval of the Release of the Financial Statements

The accompanying financial statements of the Group and of the Parent Company were authorized for issue by the BOD on February 22, 2017.

37. Report on the Supplementary Information Required Under Revenue Regulations (RR) No. 19-2011 and 15-2010

Supplementary Information Under RR No. 19-2011

In addition to the required supplementary information under RR No. 15-2010, the BIR issued RR No. 19-2011 which requires companies to disclose certain information in their respective notes to financial statements. For the taxable year ended December 31, 2016, the Parent Company reported the following revenues and expenses for income tax purposes:

Revenues

Services/operations	₱25,555
<hr/>	
Non-operating and taxable other income:	
Service charges, fees and commissions	₱3,518
Trading and securities gain	1,992
Income from trust operations	1,251
Profit from assets sold	463
Others	1,060
	<hr/>
	₱8,284
	<hr/>



Expenses

Cost of services:	
Compensation and fringe benefits	₱6,683
Others	6,236
	<hr/>
	₱12,919

Itemized deductions:	
Compensation and fringe benefits	₱5,048
Taxes and licenses	2,984
Security, messengerial and janitorial	1,746
Rent	1,139
Depreciation	1,113
Advertising and publicity	795
Communication, light and water	508
Information technology	478
EAR	415
Transportation and travel	322
Management and professional fees	299
Repairs and maintenance	272
Bad debts	21
Others	1,788
	<hr/>
	₱16,928

Supplementary Information Under RR No. 15-2010

On November 25, 2010, the BIR issued RR No. 15-2010 to amend certain provisions of RR No. 21-2002 which provides that starting 2010, the notes to financial statements shall include information on taxes, duties and license fees paid or accrued during the taxable year.

The Parent Company reported the following types of taxes for the year ended December 31, 2016 included under 'Taxes and licenses' account in the statement of income:

GRT	₱1,639
DST	1,436
Local taxes	113
Real estate tax	65
Others	64
	<hr/>
	₱3,317

Details of total withholding taxes remitted for the taxable year December 31, 2016 follow:

Taxes withheld on compensation	₱2,309
Final withholding taxes	1,619
Expanded withholding taxes	226
	<hr/>
	₱4,154

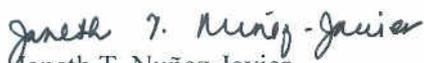


INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Metropolitan Bank & Trust Company and Subsidiaries (the Group) as at December 31, 2016 and 2015 and for each of the three years in the period ended December 31, 2016, included in this Form Definitive IS, and have issued our report thereon dated February 22, 2017. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.


Janeth T. Nuñez-Javier

Partner

CPA Certificate No. 111092

SEC Accreditation No. 1328-AR-1 (Group A),

July 28, 2016, valid until July 28, 2019

Tax Identification No. 900-322-673

BIR Accreditation No. 08-001998-69-2015,

February 27, 2015, valid until February 26, 2018

PTR No. 5908738, January 3, 2017, Makati City

February 22, 2017



**METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2016**

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Metropolitan Bank & Trust Company and Subsidiaries
Schedule A - Financial Assets
December 31, 2016

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes in ₱	Amount shown in the balance sheet (in ₱ millions)	Valued based on market quotation at end of reporting period (in ₱ millions)	Income received and accrued (in ₱ millions)
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVPL)				
<i>Held-for-Trading (HFT) Securities</i>				
<i>Debt Securities</i>				
ACFXBOND2017	1,000,000.00	1	1	
ACFXBOND2021	11,500,000.00	12	12	
ACFXBOND2023	13,550,000.00	13	13	
ACFXBOND2027	36,629,000.00	41	41	
AEV2FXBD2020	4,400,000.00	4	4	
AEVFXBND2020	4,000,000.00	4	4	
AEVFXBND2022	22,110,000.00	23	23	
AEVFXBND2023	1,000,000.00	1	1	
AEVFXBND2027	49,351,000.00	55	55	
AGIPM - 6 1/2 08/18/17	508,536,160.00	520	520	
ALI2FXBD2022	8,500,000.00	9	9	
ALI2FXBD2025	137,134,000.00	138	138	
ALIFXBND2019	12,032,256.00	12	12	
ALIFXBND2020	30,060,000.00	31	31	
ALIFXBND2022	1,652,000.00	2	2	
ALIFXBND2024	323,445,000.00	330	330	
ALIFXBND2025	54,856,000.00	57	57	
ALIFXBND2026	28,750,000.00	29	29	
ALIFXBND2033	40,400,000.00	46	46	
APCFXBND2021	24,900,000.00	26	26	
APCFXBND2026	10,229,000.00	10	10	
BDOPM21 - 2.625 10/24/2021	126,686,560.00	123	123	
CHIFXBND2021	1,100,000.00	1	1	
EDC 6.5 - 01/20/2021	115,897,320.00	128	128	
EDCFXBND2023	20,000,000.00	21	21	
EDCPM 21	7,607,160.00	8	8	
EK6905963	24,860,000.00	25	25	
FDCFXBND2024	30,480,000.00	33	33	
FIRPAC 19	15,860,680.00	17	17	
FIRPAC 2017 - 7 3/8 07/24/17	7,458,000.00	8	8	
FIRPAC 2019 - 6.0 06/28/19	137,376,360.00	144	144	
FIRPAC 2023 - 4.500 04/16/2023	994,400.00	1	1	
FLIFXBND2020	140,000.00	0	0	
FLIFXBND2021	15,750,000.00	16	16	
FLIFXBND2022	206,941,000.00	214	214	
FLIFXBND2023	7,000,000.00	7	7	
FLIFXBND2024	150,000.00	0	0	
FLIFXBND2025	50,000.00	0	0	
GLOFXBND2023	68,590,000.00	71	71	
GTCFXBND2019	2,460,000.00	2	2	
GTCFXBND2020	4,211,000.00	4	4	
GTCFXBND2021	21,150,000.00	21	21	
GTCFXBND2023	54,620,000.00	53	53	
GTCFXBND2024	9,550,000.00	10	10	
HOUSEFBD2020	58,800,000.00	60	60	
HUWHY - 3.2500% 11/08/2022	6,463,600.00	7	7	
ICTPM - 4.625 01/16/2023	85,568,120.00	86	86	
ICTPM - 4.875 12/29/49 CORP	10,441,200.00	10	10	
ICTPM - 5.8750 09/17/2025	150,204,120.00	158	158	
ICTPM 4.875 49	24,362,800.00	23	23	
ICTPM 6.25 - 05/29/2049	497,200.00	1	1	
ICTSI - 7 3/8 03/17/20	83,529,600.00	94	94	
INDON 3 3/4 06/14/28	10,302,336.00	10	10	
INDON 3.70 - 01/08/2022	3,977,600.00	4	4	
INDON 4.125 - 01/15/2025	2,088,240.00	2	2	
INDON 4.35 - 01/08/2027	9,944,000.00	10	10	
INDON 4.625 4/15/2043	4,474,800.00	4	4	
INDON 5.125 - 01/15/2045	3,480,400.00	3	3	
INDON 5.25 - 01/08/2047	5,220,600.00	5	5	
INDON 5.875 01/15/2024	9,944,000.00	11	11	
INDON 6.625 02/17/2037	2,486,000.00	3	3	
INDON 8.5 10/12/35	2,237,400.00	3	3	
INDON 2.875 - 07/08/2021	2,861,760.00	3	3	
INDON 2018 6.875 1/17/2018	2,436,279.90	3	3	
INDON 3.375 - 07/30/2025	2,705,664.00	3	3	
INDON 5 3/8 - 10/17/2023	6,911,080.00	7	7	
JGSFXBND2019	53,450,000.00	54	54	
JGSFXBND2021	163,405,000.00	168	168	
JGSFXBND2024	50,000.00	0	0	
KOREA - 4.1250 06/10/2044	6,463,600.00	7	7	
KSA 2.375 - 10/26/21 CORP	7,259,120.00	7	7	
KSA 3.25 - 10/26/26 CORP	4,723,400.00	4	4	
KSA 4.50 - 10/26/46 CORP	12,181,400.00	12	12	
MAJAPAHIT HOLDING BV - 7.25 6/28/2017	89,496,000.00	92	92	

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			market quotation at end of reporting period (in P millions)	
MAJAPAHIT HOLDING BV - 8 08/07/2019	447,480.00		1	1
MEGPM - 4.250 04/17/2023	19,937,720.00		20	20
MEGPM - 6.75 4/15/2018	211,310,000.00		220	220
MEGPM 18	15,413,200.00		16	16
MERFXBND2020	32,490,000.00		32	32
MNTCFXBD2021	6,850,000.00		7	7
NATL POWER CORP - 9.625 5/15/28	994,400.00		2	2
ODB - RRGB 2.75 06/04/2023	293,596,600.00		291	291
PCORFXBD2021	32,510,000.00		32	32
PCORFXBD2023	735,000.00		1	1
PERTIJ PT - 5.25 5/23/2021	9,944,000.00		10	10
PERTIJ PT - 5.625 5/20/2043	9,645,680.00		9	9
PERTIJ PT 4.875 - 5/3/2022	14,965,720.00		15	15
PERTIJ PT 6 - 5/3/2042	6,960,800.00		7	7
PGASIJ - 5.125 05/16/2024	1,988,800.00		2	2
PIBD0317E212	10,700,000.00		11	11
PIBD0517G705	12,755,000.00		13	13
PIBD0518E723	16,608,687.00		16	16
PIBD0520H735	1,247,100,000.00	1,230	1,230	1,230
PIBD0717C493	240,264,900.00		243	243
PIBD0717J502	783,000.00		1	1
PIBD0718H511	1,600,000.00		2	2
PIBD0719D531	18,620,000.00		19	19
PIBD0719H555	6,000,000.00		6	6
PIBD0719K560	1,776,000.00		2	2
PIBD0721C574	119,756,900.00		118	118
PIBD0723D588	849,178,260.00		824	824
PIBD1017H447	11,000,000.00		11	11
PIBD1018A451	10,270,000.00		11	11
PIBD1019B485	9,300,000.00		10	10
PIBD1020B508	5,820,000.00		6	6
PIBD1020L525	16,500,000.00		17	17
PIBD1021D531	5,000,000.00		5	5
PIBD1024H595	33,495,641.99		32	32
PIBD1025I608	505,394,307.00		475	475
PIBD2023B048	2,000,000.00		3	3
PIBD2024H086	1,700,000.00		2	2
PIBD2026A122	1,000,000.00		1	1
PIBD2026L139	1,000,000.00		1	1
PIBD2031G171	88,672,188.00		114	114
PIBD2032B183	1,000,000.00		1	1
PIBD2032I195	17,750,000.00		19	19
PIBD2033C206	438.00		0	0
PIBD2531A032	6,000,000.00		9	9
PIBD2531J042	340,000.00		0	0
PIBD2532K057	12,480,000.00		16	16
PIBD2534K062	100,000.00		0	0
PIBD2535I071	5,350,000.00		7	7
PIBD2535L086	8,128,605.00		11	11
PIBD2536I097	921,000.00		1	1
PIBD2537H103	3,640,000.00		4	4
PIBD2540I116	31,251,205.00		30	30
PIBL0316L085	427,000.00		0	0
PIBL0616H056	491,000.00		0	0
PIBL0616I064	423,187,000.00		422	422
PIBL0616J072	119,309,000.00		119	119
PIBL0616K089	557,826.00		1	1
PIBL1216A015	1,060,300.00		1	1
PIBL1216D049	455.00		0	0
PIBL1216E057	600,000.00		1	1
PIBL1216G073	30,973,732.00		31	31
PIBL1216H081	3,041,254.00		3	3
PIBL1216I099	463,490.00		0	0
PIBL1216J105	197,187,820.00		194	194
PIID0717H026	32,757,300.00		33	33
PIID1020H015	7,603,000.00		8	8
PIID1021C027	17,766,000.00		20	20
PIID1021J039	11,363,000.00		12	12
PIID1023H046	26,413,350.00		25	25
PIID1026I057	555,372,500.00		515	515
PIID1526J019	52,816,000.00		58	58
PIID1527C023	450,000.00		0	0
PIID2032C014	7,332,000.00		8	8
PIID2537J015	55,504,291.00		61	61
PLBIII 4.875 - 10/01/2024	4,972,000.00		5	5
PLBIJ 4.25 5/05/25 CORP	4,972,000.00		5	5
PLNIJ - 7 3/4 01/20/2020	397,760.00		0	0
PLNIJ 2042 - 5.25 10/24/2042	3,977,599.77		4	4
PSAL0717D019	117,239,900.00		119	119
PSALM -7.250 05/27/2019	96,605,960.00		107	107
RCBPM - 3.45 02/02/21	13,175,800.00		13	13
RCBPM - 4.25 01/22/2020	220,408,760.00		229	229

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REP. OF INDONESIA - 5.25 1/17/2042	8,601,560.13	9	9	
REPUBLIC OF INDONESIA SOVEREIGN BONDS - 11.625% 3/04/2019	894,960.00	1	1	
RLCFXBND2022	2,772,000.00	3	3	
ROCKFXBD2021	5,645,500.00	6	6	
ROP 2024 - 4.2 01/21/2024	263,565,720.22	283	283	
ROP 2037 - 5 01/13/2037	6,563,040.00	7	7	
ROP 41 - 3.7 03/01/41	5,121,160.00	5	5	
ROP2019N 8.375 06/17/2019	497,200,000.00	576	576	
ROP2019 9.875 1/15/2019	583,016,720.00	679	679	
ROP2021 4.00 1/15/2021	251,086,000.00	267	267	
ROP2024 9.5 10/21/2024	99,440.00	0	0	
ROP2032 6.375 1/15/2032	2,983,213.29	4	4	
ROP2034 6.375 10/23/2034	2,635,160.00	3	3	
ROP2040 3.95 01/20/2040	10,192,599.90	10	10	
SECBPM - 3.95 02/03/2020	84,225,679.77	87	87	
SECBPM 20	26,500,760.00	27	27	
SMB 10-22	240,144,000.00	259	259	
SMB2FXBD2019	43,435,000.00	45	45	
SMBFXBND2017	2,500,000.00	3	3	
SMBFXBND2021	29,890,000.00	31	31	
SMBFXBND2024	9,630,000.00	10	10	
SMCGPFB2026	2,000,000.00	2	2	
SMCPM - 4.875 04/26/2023	100,185,800.00	98	98	
SMIC - 5.5% 10/13/2017	55,040,040.00	56	56	
SMICFXBD	193,288,000.00	212	212	
SMICFXBD2019	43,350,000.00	45	45	
SMICFXBD2021	27,630,000.00	29	29	
SMICFXBD2022	17,250,000.00	19	19	
SMICFXBD2023	159,320,000.00	161	161	
SMICFXBD2024	8,390,000.00	9	9	
SMPH2FXBD2021	116,071,000.00	116	116	
SMPHFXBD2020	44,894,800.00	46	46	
SMPHFXBD2021	10,500,000.00	10	10	
SMPHFXBD2024	1,600,000.00	2	2	
SMPHFXBD2025	96,719,000.00	99	99	
SMPHFXBD2026	3,674,000.00	3	3	
SMPM - 4.25% 10/17/2019	4,972,000.00	5	5	
SMPM - 4.875% 06/10/2024	72,094,000.00	74	74	
SMPM 19	11,684,200.00	12	12	
SMPM 24	23,766,160.00	24	24	
T 1 5/8 - 2/15/26 GOVT	0.65	0	0	
TELFXBND2021	22,580,000.00	23	23	
TELFXBND2024	1,000,000.00	1	1	
TRAVEL CP - 6.9 11/03/2017	327,505,640.00	338	338	
US TBILL - 01/05/2017	166,313,400.00	166	166	
US TRY - 10 YR 2.00 11/15/2016-11/15/2026	9,446,800,000.00	9,053	9,053	
US TRY - 10YR 3.125 05/16/2011 - 5/15/2021	0.73	0	0	
US TRY - 5 YR 1.750 11/30/2021	248,600,000.00	246	246	
US718286BF38	209,818,400.00	238	238	
US718286BG11	4,972,000.00	6	6	
US718286BK23	669,728,405.30	714	714	
US718286BN61	298,320,000.00	352	352	
US718286BW60	49,720,000.00	56	56	
VIETNAM 4.80 - 11/19/2024	3,530,120.00	3	3	
Total HFT Debt Securities		23,588	23,588	1,110
Equity Securities				
2GO GROUP, INC.	7,536,700	58	58	
ABOITIZ EQUITY VENTURES, INC.	4,871,080	345	345	
ABOITIZ POWER CORPORATION	5,346,700	223	223	
ALFM GROWTH FUND	20	0	0	
ALFM MONEY MARKET FUND	34	0	0	
ALFM PESO BOND FUND	15	0	0	
ALFM PHIL. STOCK INDEX FUND	6	0	0	
ALLIANCE GLOBAL GROUP, INC.	1,147,200	15	15	
ARTHALAND CORP. PREFERRED SHARES (B)	2,000	0	0	
AYALA CORPORATION	678,220	495	495	
AYALA LAND, INC.	16,987,300	544	544	
BANK OF THE PHILIPPINE ISLANDS	501,060	44	44	
BDO UNIBANK, INC.	434,960	49	49	
CENTURY PACIFIC FOOD, INC.	14,345,600	232	232	
D & L INDUSTRIES, INC.	26,401,800	301	301	
DMCI HOLDINGS, INC.	1,009,100	13	13	
EMPERADOR INC.	822,200	6	6	
ENERGY DEVELOPMENT CORPORATION	2,430,300	12	12	
FIRST GEN CORPORATION	330,500	7	7	
GLOBE TELECOM, INC.	7,550	11	11	
GT CAPITAL HOLDINGS, INC.	317,725	404	404	
GT CAPITAL PERPETUAL PREFERRED SHARES (A)	9,000	9	9	
GT CAPITAL PERPETUAL PREFERRED SHARES (B)	11,000	11	11	
INTERNATIONAL CONTAINER TERMINAL SERVICES, INC.	413,020	30	30	
JG SUMMIT HOLDINGS, INC.	2,432,780	165	165	

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JOLLIBEE FOODS CORPORATION	217,820	42	42	
LT GROUP, INC.	754,100	9	9	
MANILA ELECTRIC COMPANY	1,773,710	470	470	
MEGAWIDE CONSTRUCTION CORPORATION	6,500,500	96	96	
MEGAWORLD CORPORATION	3,011,000	11	11	
METRO PACIFIC INVESTMENTS CORPORATION	51,872,500	345	345	
METRO RETAIL STORES GROUP, INC.	4,910,900	20	20	
PAMI EQUITY INDEX FUND	109	0	0	
PAMI HORIZON FUND	1,424	0	0	
PETRON CORPORATION	16,062,800	160	160	
PHILAM FUND	632	0	0	
PHILAM MANAGED INCOME FUND	77,828	0	0	
PHILAM STRATEGIC GROWTH FUND	40	0	0	
PHIEQUITY DIV YIELD FUND	4,249	0	0	
PHILEQUITY FUND	148	0	0	
PHILEQUITY PESO BOND FUND	1,160	0	0	
PHILEQUITY PSE INDEX FUND	1,096	0	0	
PHILIPPINE LONG DISTANCE TELEPHONE COMPANY	29,420	40	40	
PUREGOLD PRICE CLUB, INC.	7,403,900	289	289	
ROBINSONS LAND CORPORATION	5,494,100	143	143	
ROBINSONS RETAIL HOLDNGS, INC.	4,224,040	314	314	
SAN MIGUEL CORPORATION	97,970	9	9	
SECURITY BANK CORPORATION	119,420	23	23	
SEMIRARA MINING AND POWER CORPORATION	78,260	10	10	
SHAKEYS PIZZA ASIA VENTURES, INC.	4,607,900	53	53	
SL INDEX FUND	5,404	0	0	
SL MONEY MARKET	4,312	0	0	
SM INVESTMENTS CORPORATION	939,729	616	616	
SM PRIME HOLDINGS, INC.	17,606,900	499	499	
SUN LIFE PROSPERITY BALANCED FUND	1,438	0	0	
SUNLIFE PROSPERITY BOND FUND, INC.	1,860	0	0	
SUN LIFE PROSPERITY GS FUND, INC.	3,311	0	0	
SUN LIFE PROSPERITY PHILIPPINE EQUITY FUND, INC.	1,344	0	0	
UNIVERSAL ROBINA CORPORATION	1,631,480	267	267	
XURPAS INC.	11,453,250	92	92	
OTHERS	197,562	20	20	
Total HFT Equity Securities		6,502	6,502	111
Total HFT Securities		30,090	30,090	1,221
Derivative Assets				
CURRENCY FORWARDS:				
BOUGHT				
USD	16,925,328,977.31	573	573	
TWD	2,380,566,707.40	39	39	
HKD	256,392,000.00	0	0	
SOLD				
USD	23,310,039,026.46	96	96	
CNY	2,082,774,300.00	58	58	
GBP	11,749,504.70	0	0	
JPY	94,085,510.19	10	10	
EUR	213,317,111.30	8	8	
THB	12,713,198.37	0	0	
SGD	74,487.44	0	0	
CHF	48,616,400.00	0	0	
TRY	5,342,762.00	0	0	
AUD	506,099,483.33	1	1	
ZAR	7,247,800.00	0	0	
PUT OPTION PURCHASED WARRANTS	32,066,466,520.00	157	157	
INTEREST RATE SWAPS	82,047,802,000.00	740	740	
CROSS CURRENCY SWAPS	56,307,712,783.41	5,436	5,436	
PUT OPTION	11,247,918,198.44	1	1	
CALL OPTION	5,023,187,597.43	3	3	
EMBEDDED DERIVATIVE IN NON-FINANCIAL CONTRACT	5,712,353.71	2	2	
Total Derivative Assets		7,124	7,124	-
TOTAL FINANCIAL ASSETS AT FVPL		37,214	37,214	1,221

AVAILABLE-FOR-SALE (AFS) INVESTMENTS

Debt Securities

ABNANV - 5 03/21/2019	178,544,500.00	185	185
ABNANV 4 1/4 - 2/2/17	472,340,000.00	473	473
ACAFFP- 2 5/8 10/03/2018	124,300,000.00	125	125
ACFXBOND2017	10,000,000.00	10	10
ACFXBOND2021	61,790,000.00	66	66
ACFXBOND2027	75,000,000.00	83	83
AEVFXBND2020	39,550,000.00	39	39
AEVFXBND2023	19,100,000.00	19	19
AGI 17 - XS0533657440	323,180,000.00	331	331
AGRBK - 2 1/8 10/20/18	12,430,000.00	12	12
AGRBK - 2 3/4 10/20/20	12,430,000.00	12	12
ALI	200,000,000.00	209	209
ALIFXBND2019	105,130,000.00	109	109

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ALIFXBND2022	152,150,000.00	160	160	
ALIFXBND2024	154,599,000.00	158	158	
ALIFXBND2025	9,500,000.00	10	10	
ALIFXBND2026	230,000,000.00	230	230	
AP21R19	210,000,000.00	216	216	
APCFXBND2021	113,250,000.00	116	116	
APCFXBND2026	103,000,000.00	104	104	
AXSBIN - 5 1/8 09/05/2017	424,360,200.00	432	432	
BAC - 2.00 01/11/2018	74,580,000.00	75	75	
BAC - 3 7/8 03/22/2017	546,920,000.00	550	550	
BAC - 3.30 01/11/2023	248,600,000.00	248	248	
BAC - 4.75 04/03/2017	156,096,000.00	158	158	
BAC - 5.75 12/01/2017	248,600,000.00	257	257	
BAC - 6.00 09/01/2017	497,200,000.00	511	511	
BAC FLOAT - 03/22/2018	24,860,000.00	25	25	
BACR - 2 03/16/2018	248,600,000.00	248	248	
BACR - 2 3/4 11/08/19	850,709,200.00	847	847	
BANK OF AMERICA	546,920,000.00	553	553	
BANK OF AMERICA CORP.	24,860,000.00	25	25	
BBRIJ 2.95 03/28/18 CORP	487,007,400.00	487	487	
BCHINA - 2 1/8 01/23/2017	646,360,000.00	646	646	
BCHINA - 3.50 05/15/2017	357,865,000.00	354	354	
BDOPM21 - 2.625 10/24/2021	372,900,000.00	362	362	
BFCM - 2 1/2 10/29/2018	218,768,000.00	220	220	
BNP 1 3/8 03/17/2017	731,232,040.00	731	731	
CCB - 1.50 02/11/2020	156,096,000.00	159	159	
CENTRAL GOVERNMENT BOND (A01106)	15,352,000.00	15	15	
CENTRAL GOVERNMENT BOND (A97103)	76,760,000.00	78	78	
CGB 2.36 08/18/2021	78,730,300.00	74	74	
CHI21R19	800,000,000.00	795	795	
CHINA AGRICULTURE DEVELOPMENT BANK	357,865,000.00	356	356	
CHINA DEVELOPMENT BANK	1,789,325,000.00	1,814	1,814	
CHINA EXPORT IMPORT BANK	501,011,000.00	503	503	
CHINA GOVERNMENT BOND - 3.1 06/29/2022	143,146,000.00	138	138	
CHINA RAILWAY	214,719,000.00	214	214	
CITIGROUP - 1 3/4 05/01/2018	223,740,000.00	223	223	
CITIGROUP 1.35% 03/10/2017	795,520,000.00	796	796	
CITIGRP - 2.38 06/22/2017	169,160,000.00	171	171	
CITNAT - 3 5/8 01/14/17	198,880,000.00	199	199	
CREDIT SUISSE NY - 1 3/8 05/26/2017	994,400,000.00	994	994	
DBP 5.5% - 03/25/2021	149,160,000.00	165	165	
EIBKOR - 0.45 03/14/2017	422,900,000.00	423	423	
EIBKOR - 4.625 02/20/2017	260,160,000.00	261	261	
EIBKOR 0 - 01/14/2017	24,860,000.00	25	25	
EIBKOR 0.31 09/25/17 CORP	634,350,000.00	635	635	
EIBKOR 0.37 09/25/18 CORP	634,350,000.00	635	635	
EIBMAL 2.875 - 12/14/2017	280,371,080.00	282	282	
EXIMCH - 3.35 06/18/2017	107,359,500.00	106	106	
EXIMCH 3.625 - 07/31/2024	24,860,000.00	25	25	
FDCFBND2024	93,000,000.00	101	101	
FED REP OF BRAZIL - 2.625 01/05/2023	745,800,000.00	662	662	
FIRPAC 2019 - 6.0 06/28/19	49,720,000.00	52	52	
FIRST GULF BANK - 5.00 04/01/2019	38,208,523.00	39	39	
FIRST PACIFIC 19 - XS0798486543	129,272,000.00	135	135	
FIRST PACIFIC 20 - XS0544536047	119,328,000.00	128	128	
FLIFXBND2019	40,000,000.00	41	41	
FLIFXBND2020	25,000,000.00	26	26	
FLIFXBND2021	150,000,000.00	153	153	
FLIFXBND2023	500,000.00	0	0	
FLIFXBND2024	303,550,000.00	306	306	
GOLDMAN SACHS - 2.90 07/19/2018	98,942,800.00	100	100	
GOLDMAN SACHS - 6.15 04/01/2018	348,040,000.00	366	366	
GOLDMAN SACHS - 7 1/2% 2/15/19	248,600,000.00	275	275	
GTCFBND2019	4,600,000.00	5	5	
GTCFBND2020	3,020,000.00	3	3	
GTCFBND2021	69,815,000.00	69	69	
GTCFBND2023	44,044,000.00	42	42	
GTCFBND2024	8,200,000.00	8	8	
GTPPA	35,000,000.00	36	36	
ICBCAS - 2.1% 03/03/2017	24,860,000.00	25	25	
ICICI BANK LTD DUBAI - 4.80 05/22/2019	64,636,000.00	68	68	
ICTPM - 4.625 01/16/2023	281,763,240.00	284	284	
ICTSI - 20 XS0493501125	24,860,000.00	28	28	
ICTSI 23 - XS0875298191	248,600,000.00	251	251	
ICTSI 25 - XS0972298300	198,880,000.00	209	209	
INDON 0.83 6/21/2019	1,903,050,000.00	1,901	1,901	
INDON 2 5/8 06/14/23	645,717,120.00	648	648	
INDON 4.125 - 01/15/2025	497,200,000.00	493	493	
INDON 5.875 01/15/2024	1,243,000,000.00	1,368	1,368	
INDON 2.875 - 07/08/2021	1,300,800,000.00	1,356	1,356	
INDON 3.375 - 07/30/2025	231,698,496.00	237	237	
INDON 5 3/8 - 10/17/2023	497,200,000.00	538	538	

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INTNED - 2.05 08/17/2018	64,636,000.00	65	65	
INTNED - 3.750 03/07/2017	968,048,400.00	972	972	
JGS	1,000,000,000.00	1,007	1,007	
JGS08-19	300,000,000.00	302	302	
JGSFXBND2019	5,000,000.00	5	5	
JGSPM - 4.375% 01/23/2023	850,609,760.00	866	866	
JPM - 1.32 02/09/2017	84,580,000.00	85	85	
KBANK - 3 1/2 10/25/2019	174,020,000.00	179	179	
KDB - 3.5 08/22/2017	497,200,000.00	503	503	
KEB - 2.50 06/12/2019	24,860,000.00	25	25	
KEBHNB - 4 1/4 6/14/2017	248,600,000.00	251	251	
KOOKMIN - 1.760670 01/27/2017	646,360,000.00	646	646	
KORGAS 2.25 - 07/25/2017 CORP	444,994,000.00	446	446	
KSA 2.375 - 10/26/21 CORP	198,880,000.03	193	193	
LLOYDS - 1.75 05/14/2018	192,118,080.00	191	191	
LLOYDS - 4.2 03/28/2017	149,010,840.00	150	150	
MAJAPAHIT HOLDING BV	99,300,380.20	111	111	
MAJAPAHIT HOLDING BV - 7.25 6/28/2017	231,645,480.00	237	237	
MAJAPAHIT HOLDING BV - 8 08/07/2019	722,431,600.00	810	810	
MAYMK 0.397 4/27/18 CORP	634,350,000.00	630	630	
MEGPM - 6.75 4/15/2018	76,717,960.00	80	80	
MERFXBND2020	2,597,210,000.00	2,559	2,559	
MERFXBND2025	1,799,400,000.00	1,733	1,733	
MIZUHO - 1.8 03/26/2018	176,506,000.00	176	176	
MIZUHO - 2.45 04/16/2019	99,440,000.00	100	100	
MIZUHO - 2.55 03/17/2017	933,244,400.00	935	935	
MNTC	670,300,000.00	672	672	
MNTCFXBD2021	300,000.00	0	0	
MORGAN STANLEY - 5.95% 12/28/2017	99,440,000.00	103	103	
MQGAU - 1.65 03/24/2017	292,105,000.00	292	292	
MQGAU - 3 12/03/2018	147,618,680.00	150	150	
MQGAU - 5 02/22/2017	531,606,240.00	534	534	
MQGAU -2.6 06/24/2019	318,953,800.00	320	320	
MS 0.557 - 05/22/2018	845,800,000.00	848	848	
MUFG - 1.2 03/10/2017	348,040,000.00	348	348	
MUFG - 1.7 03/05/2018	248,600,000.00	248	248	
MUFG - 2.35 02/23/2017	64,636,000.00	65	65	
MUFG - 2.35 09/08/2019	101,776,840.00	102	102	
MUFG - 2.7 09/09/2018	139,216,000.00	141	141	
NAB - 1.3 01/20/2017	211,450,000.00	212	212	
NBADUH - 5 03/07/2018	143,549,778.00	146	146	
NDASS 0.288 05/26/2017	465,190,000.00	465	465	
NEW ARGENT 8.28% 12/31/2033	46,421,229.65	49	49	
NFA	3,486,420,000.00	3,613	3,613	
NFAB1018A016	500,000,000.00	518	518	
ODTB1023L018	124,797,200.00	122	122	
PCOR	35,000,000.00	35	35	
PCOR 21 R19	140,000,000.00	140	140	
PERTIJ PT 4.875 - 5/3/2022	49,720,000.00	51	51	
PETBRA - 5.375 01/27/2021	397,760,000.00	386	386	
PGASIJ - 5.125 05/16/2024	99,440,000.00	102	102	
PIBD0317E212	32,000,000.00	32	32	
PIBD0517G705	4,834,044,000.00	4,868	4,868	
PIBD0518E723	7,481,905,000.00	7,386	7,386	
PIBD0520H735	1,105,000,000.00	1,090	1,090	
PIBD0717C493	2,997,262,000.00	3,027	3,027	
PIBD0718H511	13,705,000.00	14	14	
PIBD0719G547	400,000,000.00	410	410	
PIBD0719K560	1,405,124,000.00	1,416	1,416	
PIBD0721C574	1,756,616,000.00	1,728	1,728	
PIBD0723D588	2,975,000,000.00	2,888	2,888	
PIBD1018A451	1,683,585,000.00	1,723	1,723	
PIBD1019B485	100,000,000.00	107	107	
PIBD1020L525	601,590,000.00	637	637	
PIBD1021D531	1,995,000,000.00	2,145	2,145	
PIBD1021K551	4,350,000,000.00	4,505	4,505	
PIBD1022G545	2,369,838,270.00	2,539	2,539	
PIBD1022H562	400,000,000.00	401	401	
PIBD1022I570	100,000.00	0	0	
PIBD1022L585	19,250,000,000.00	18,963	18,963	
PIBD1024H595	7,324,834,760.00	7,057	7,057	
PIBD1025I608	470,216,886.00	442	442	
PIBD2017D011	422,520,000.00	435	435	
PIBD2023E054	575,000,000.00	757	757	
PIBD2024K091	65,000,000.00	96	96	
PIBD2025J116	62,900,000.00	91	91	
PIBD2026A122	984,653,000.00	1,317	1,317	
PIBD2026L139	245,460,000.00	300	300	
PIBD2027I140	363,250,000.00	463	463	
PIBD2028L151	1,070,000,000.00	1,455	1,455	
PIBD2030E166	4,230,000,000.00	5,586	5,586	
PIBD2031G171	10,678,565,272.00	13,703	13,703	

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PIBD2032B183	2,918,000,000.00	3,146	3,146	
PIBD2032I195	1,294,000,000.00	1,406	1,406	
PIBD2033C206	6,873,941,300.00	6,038	6,038	
PIBD2530G029	400,000,000.00	654	654	
PIBD2531A032	1,000,000,000.00	1,542	1,542	
PIBD2531J042	120,000,000.00	167	167	
PIBD2532K057	2,603,000,000.00	3,434	3,434	
PIBD2534K062	234,000,000.00	328	328	
PIBD2535I071	4,526,000,000.00	5,791	5,791	
PIBD2535L086	12,530,626,472.00	16,350	16,350	
PIBD2536I097	6,990,677,000.00	8,730	8,730	
PIBD2537H103	295,200,000.00	323	323	
PIBD2540I116	75,592,769.00	72	72	
PIBL1216D049	30,000,000.00	30	30	
PIBL1216F065	10,000,000.00	10	10	
PIID0717H026	17,200,000.00	18	18	
PIID1020L525	3,475,000.00	4	4	
PIID1021C027	2,350,000,000.00	2,596	2,596	
PIID1021J039	50,000,000.00	52	52	
PIID1023H046	8,527,395,000.00	7,879	7,879	
PIID1026I057	30,948,885,000.00	28,677	28,677	
PIID1526J019	2,508,455,000.00	2,773	2,773	
PIID1527C023	2,940,000,000.00	3,086	3,086	
PIID2032C014	28,840,953,000.00	31,266	31,266	
PIID2537J015	15,736,069,068.00	17,352	17,352	
PLBIJ 4.25 5/05/25 CORP	99,440,000.00	94	94	
PLNIJ - 7 3/4 01/20/2020	298,320,000.00	335	335	
PSAL0717D019	1,500,000,000.00	1,519	1,519	
QATAR 4.50 - 01/20/2022	248,600,000.00	266	266	
QTELQD 3.25 - 02/21/2023	149,160,000.00	146	146	
RABOBK - 7 1/4 04/20/2018	107,126,700.00	113	113	
RABOBK 1.142 05/25/2017	169,160,000.00	170	170	
RCBC - 5.25 01/31/2017	286,337,480.00	287	287	
RCBPM - 3.45 02/02/21	28,141,520.00	28	28	
ROCKFXBD2021	2,002,000,000.00	2,047	2,047	
ROP BOND 17/12	19,821,888.32	20	20	
ROP BOND 21	9,910,944.16	11	11	
ROP2019N 8.375 06/17/2019	1,021,497,400.00	1,184	1,184	
ROP2021 4.00 1/15/2021	248,600,000.00	264	264	
ROP2024 NEW 7.5 9/25/2024	330,339,680.00	422	422	
SBIIN 3.25 - 04/18/2018	149,160,000.00	151	151	
SDBC 2017 - 3.45 - 01/16/2017	28,629,200.00	29	29	
SDBC 2018 - 3.60 11/13/2018	357,865,000.00	351	351	
SECBPM - 3.95 02/03/2020	135,685,880.00	141	141	
SHINHAN - 0.39 11/13/2017	422,900,000.00	424	424	
SHINHAN FLOAT	24,860,000.00	25	25	
SHINHAN FLOAT - 04/08/2017	99,440,000.00	99	99	
SINOCH - 3.55 05/13/2017	28,629,200.00	28	28	
SINOPC - 3.1250% 04/24/2023	248,600,000.00	242	242	
SM21R19	300,000,000.00	314	314	
SM24R21	200,000,000.00	204	204	
SMB	200,000,000.00	209	209	
SMBFXBND2021	1,000,000,000.00	1,044	1,044	
SMICFXBD2021	5,000,000.00	5	5	
SMICFXBD2022	137,000,000.00	151	151	
SMICFXBD2023	30,000,000.00	30	30	
SMICFXBD2024	4,600,000.00	5	5	
SMPH	250,000,000.00	226	226	
SMPHFXBD2020	61,900,000.00	64	64	
SMPHFXBD2021	150,000,000.00	148	148	
SMPHFXBD2024	100,600,000.00	101	101	
SMPHFXBD2026	50,000,000.00	45	45	
SOCGEN - 0.369 06/13/2017	169,160,000.00	169	169	
STANLN - 2.1 08/19/2019	348,040,000.00	344	344	
SUMIBK - 1.8 07/18/2017	122,808,400.00	123	123	
SUMIBK - 2.5 07/19/2018	596,640,000.00	601	601	
SUMIBK - 2.65 01/12/2017	74,580,000.00	75	75	
SUMIBK - 1.95 07/23/2018	201,366,000.00	201	201	
T 1 1/2 - 08/15/2026	3,729,000,000.00	3,414	3,414	
TRAVEL CP - 6.9 11/03/2017	248,600,000.00	256	256	
UOBSP FLOAT - 2.37 09/11/2018	70,989,663.19	71	71	
US TREASURY BILL	198,880,000.00	199	199	
US718286AL15	248,600,000.00	360	360	
US718286AP29	497,200,000.00	763	763	
US718286AY36R	397,760,000.00	626	626	
US718286BB24	1,553,302,520.00	2,181	2,181	
US718286BB24R	298,320,000.00	419	419	
US718286BD89	1,791,660,200.00	2,273	2,273	
US718286BD89R	497,200,000.00	631	631	
US718286BG11	845,240,000.00	1,086	1,086	
US718286BG11R	745,800,000.00	970	970	
US718286BW60	745,352,520.00	841	841	

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US718286BZ91 R	149,160,000.00	147	147	
US718286CA32	99,440,000.00	95	95	
US71828AY36	3,123,609,280.00	4,911	4,911	
US-TREASURY NOTE	50,515,520.00	51	51	
USY20721BG36	497,200,000.00	493	493	
USY20721BH19	497,200,000.00	538	538	
USY20721BN86	338,543,480.00	349	349	
USY20721BP35	49,720,000.00	55	55	
WFC FLOAT - 6/15/2017	74,580,000.00	75	75	
WOORIB 2.875 10/02/2018	149,160,000.00	151	151	
WSTP - 1.2 05/19/2017	497,200,000.00	497	497	
WSTP - 1.63 01/27/2017	1,014,960,000.00	1,016	1,016	
XS0843919480	304,783,600.00	312	312	
XS0875298191	99,440,000.00	101	101	
XS0914313357	989,428,000.00	984	984	
XS0972298300	795,520,000.00	839	839	
XS1074049534	247,108,400.00	255	255	
OTHERS	198.88	0	0	
Total AFS Debt Securities		316,073	316,073	6,875

Equity Securities

Quoted

ABOITIZ EQUITY VENTURES	127,330	9	9	
ALABANG COUNTRY CLUB (A)	8	30	30	
ALTAVISTA GOLF (B)	2	1	1	
APEX MINING CORPORATION (A)	70,000	0	0	
ATLAS MINING CORPORATION (A)	1,605,381	24	24	
ATLAS MINING CORPORATION (B)	95,900	1	1	
AYALA CORPORATION	15,000	11	11	
AYALA LAND, INC.	660,000	21	21	
BAGUIO COUNTRY CLUB	8	14	14	
BENPRES HOLDINGS (LOPEZ HOLDINGS)	71,000	1	1	
CALATAGAN GOLF CLUB (A)	1	0	0	
CAMP JOHN HAY GOLF CLUB	2	0	0	
CANLUBANG GOLF & COUNTRY CLUB (A)	1	1	1	
CAPITOL HILLS GOLF & COUNTRY	6	0	0	
CEBU COUNTRY CLUB	3	15	15	
CEMEX HOLDINGS PHILIPPINES, INC.	60,000	1	1	
CENTURY PACIFIC FOOD, INC.	300,000	5	5	
CLUB FILIPINO	3	1	1	
D & L INDUSTRIES, INC.	517,800	6	6	
EAGLE RIDGE & COUNTRY CLUB (A)	1	0	0	
EVERCREST GOLF CLUB (A)	1	0	0	
FOREST HILLS GOLF AND COUNTRY CLUB (C)	3	0	0	
GT CAPITAL HOLDINGS, INC.	15,385	20	20	
ILOILO GOLF & COUNTRY CLUB	1	0	0	
JOLLIBEE FOODS CORPORATION	118,000	23	23	
LUISITA GOLF & COUNTRY CLUB (B)	11	2	2	
MAKATI SPORTS CLUB (A)	6	2	2	
MAKATI SPORTS CLUB (B)	1	0	0	
MANILA GOLF CLUB (CORP)	3	126	126	
MANILA POLO CLUB	5	65	65	
MANILA SOUTHWOODS (A)	5	4	4	
MEGAWIDE CONSTRUCTION CORPORATION	680,000	10	10	
MERALCO	9,045	0	0	
METRO PACIFIC INVESTMENTS CORP.	1,801,200	12	12	
METROPOLITAN CLUB, INC. (A)	1	0	0	
ORCHARD GOLF AND COUNTRY CLUB (A)	1	0	0	
ORCHARD GOLF AND COUNTRY CLUB (C)	1	0	0	
ORCHARD GOLF CLUB (C)	2	0	0	
PHIL NATIONAL CONSTRUCTION CORP.	727	0	0	
PHILEX MINING CORPORATION (A)	167,162	1	1	
PHILEX MINING CORPORATION (B)	81	0	0	
PHILIPPINE COLUMBIAN ASSOCIATION	2	0	0	
PLDT (COMMON)	1,972	3	3	
PLDT (PREFERRED)	429,515	5	5	
PLDT (PT&T)	350	0	0	
PLDT COMM ENERGY VENTURES-PREFERRED (PILTEL)	3,105	0	0	
PSE	239,999	57	57	
PUEBLO DE ORO GOLF & COUNTRY CLUB	1	0	0	
PUERTO AZUL	1	0	0	
QUEZON CITY SPORTS CLUB (A)	2	1	1	
RIVIERA GOLF & COUNTRY CLUB (A)	2	0	0	
RIVIERA GOLF AND COUNTRY CLUB (B)	1	0	0	
RIVIERA GOLF & COUNTRY CLUB (C)	2	0	0	
RIVIERA GOLF CLUB SHARES CLASS (C)	1	0	0	
ROBINSONS RETAIL HOLDINGS, INC.	279,260	21	21	
ROCKWELL CLUB (A)	2	1	1	
SAN MIGUEL CORPORATION (A)	46,553	4	4	
SHAKEY'S PIZZA ASIA VENTURES, INC.	1,215,000	14	14	
SHERWOOD HILLS (C)	1	0	0	
SHERWOOD HILLS (D)	2	0	0	

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SM INVESTMENTS CORPORATION	40,100	26		26	
SM PRIME HOLDINGS	150,000	4		4	
SPLENDIDO GOLF CLUB	7	1		1	
STA.ELENA GOLF CLUB INC.(A)	1	3		3	
SUBIC BAY GOLF & COUNTRY CLUB	1	0		0	
SUBIC BAY YACHT CLUB (SBYC) (CORP)	11	2		2	
SUBIC BAY YACHT CLUB (SBYC) (IND)	2	0		0	
TAGAYTAY HIGHLANDS	1	1		1	
TAGAYTAY MIDLANDS	2	1		1	
VALLE VERDE COUNTRY CLUB (CORP)	4	2		2	
VALLEY GOLF AND COUNTRY CLUB	5	1		1	
WACK-WACK GOLF CLUB	1	20		20	
OTHERS	150,205	16		16	
		589		589	13
Unquoted					
ALABANG COUNTRY CLUB (B)	2	2		2	
APO GOLF CLUB	1	0		0	
ASEAN FINANCE CORPORATION	200,000	0		0	
BANCNET	99,998	10		10	
BAP CREDIT GUARANTY	1	0		0	
BATULAO RESORT	2	0		0	
BONIFACIO LAND CORP.	246,901	99		99	
CATHAY INSURANCE CO., INC.	20,526	0		0	
CITY SPORTS CEBU	1	0		0	
CITY SPORTS CLUB	1	0		0	
CLASS A JAKA HOLDING PROJ	1	1		1	
FILSYN CORPORATION	916	0		0	
GLOBAL BUSINESS HOLDINGS INC.	18,855	16		16	
HONDA PHILIPPINES, INC.	122,054	1		1	
INTL. SPORTS DEV. CORP	2	0		0	
LAGOS DELA SIERRA	225,000	0		0	
LGU GUARANTEE CORP.	200,000	20		20	
MAKATI EXECUTIVE CENTER, INC.	1	0		0	
MAKATI SPORTS CLUB (A)	1	0		0	
MAYNILAD WATER SERVICES	524,000	0		0	
MONDRAGON INTERNATIONAL	1,728,529	0		0	
NEGROS NAVIGATION CORP	2,493,985	0		0	
ONE CORPORATE SHARE - TOWER CLUB INC	1	1		1	
PHIL. CENTRAL DEPOSITORY	10,228	1		1	
PHILIPPINE CLEARING HOUSE CORP.	105,000	13		13	
PHILIPPINE DEALING SYSTEM HOLDINGS	146,309	17		17	
PICOP RESOURCES	48,800,000	0		0	
PLDT	69,800	1		1	
RETELCO	850	0		0	
SAGARA METRO PLASTIC	10,000	0		0	
SICOGON CLUB	1	0		0	
SOUTH COTABATO GOLF & COUNTRY CLUB	1	0		0	
SPLENDIDO TAAL GOLF	4	3		3	
TAGAYTAY HIGHLANDS INTERNATIONAL GOLF CLUB, INC.	2	2		2	
TOWER CLUB, INC.	1	1		1	
TRANS UNION	1	5		5	
TRUST INTERNATIONAL PAPER CORP.	272,727	0		0	
UNIVERSAL LEISURE CLUB	1	0		0	
VICTORIAS MILLING	1	0		0	
XAVIER ESTATES SPORTS & COUNTRY CLUB	1,547,027	0		0	
		193		193	28
Total AFS Equity Securities			782	782	41
TOTAL AFS INVESTMENTS			316,855	316,855	6,916
LOANS AND RECEIVABLES - UNQUOTED DEBT SECURITIES					
GLOBAL ISPAT HOLDINGS INC A	45,370,899.03	0		0	
GLOBAL ISPAT HOLDINGS INC B	482,897,914.44	0		0	
GUARANTEED INVESTMENT CERTIFICATE	3,701,060.00	4		4	
GUARANTEED INVESTMENT CERTIFICATE	1,850,530.00	2		2	
GUARANTEED INVESTMENT CERTIFICATE	925,265.00	1		1	
HOME FUNDING SPC, INC.	27,367,254.33	27		27	
MANILA WATER COMPANY, INC.	487,500,000.00	487		544	
MEGAWIDE	122,500,000.00	123		125	
METRO RAIL TRANSIT III SERIES 3	740,609,989.24	85		85	
RCBC	200,000,000.00	200		213	
UNQUOTED DEBT SECURITIES		929		1,001	497

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES
Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties
and Principal Stockholders (Other Than Related Parties)
December 31, 2016

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Amounts Collected	Amounts Written Off	Current	Not Current	Balance at End of Period
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NOT APPLICABLE

Note: Transactions to these parties are made in the ordinary course of business.

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES

Schedule C - Amounts Receivable from Related Parties which are Eliminated During the Consolidation of Financial Statements

December 31, 2016

(In ₱ Millions)

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions		Current	Not Current	Balance at End of Period
			Amounts Collected	Amounts Written-Off			
First Metro Investment Corporation	3,691	25,325	25,271	-	3,745	-	3,745
Metrobank Card Corporation	2,872	5,109	7,135	-	846	-	846
Metropolitan Bank (China) Ltd.	942	27,586	23,180	-	5,348	-	5,348
ORIX METRO Leasing and Finance Corporation	241	5,013	3,737	-	1,517	-	1,517
Philippine Savings Bank	24	2,093	2,080	-	37	-	37
Remittance Centers:							
Metro Remittance Center, Inc.	180	2,654	2,618	-	216	-	216
Metro Remittance (Singapore) Pte. Ltd.	36	286	317	-	5	-	5
Metro Remittance (USA), Inc.	37	506	512	-	31	-	31
Metro Remittance (UK) Limited	-	244	227	-	17	-	17
Metro Remittance (Japan) Co. Limited	-	6	6	-	-	-	-
Others	13	145	145	-	13	-	13
Total	8,036	68,967	65,228	-	11,775	-	11,775

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES

Schedule D - Intangible Assets - Other Assets

December 31, 2016

(In ₱ Millions)

Description	Beginning Balance	Additions at Cost	Charged to Cost and Expenses	Charged to Other Accounts	Other Changes Additions (Deductions)	Ending Balance
Software Costs	1,732	816	(474)	-	(434)	1,640
Goodwill	5,202	-	-	-	(2)	5,200

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES
Schedule E - Long Term Debt
December 31, 2016

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet	Interest Rates	Maturity Dates
<i>Subordinated Debt</i>					
2023 Peso Notes issued December 20, 2013	1,170		1,163	6.210%	December 20, 2023
2024 Peso Notes issued May 23, 2014	3,000		2,981	5.500%	August 23, 2024
2024 Peso Notes issued March 27, 2014	16,000		15,937	5.375%	June 27, 2024
2025 Peso Notes issued August 8, 2014	6,500		6,467	5.250%	August 8, 2025
<i>Total Subordinated Debt</i>	26,670		26,548		
<i>Bills Payable</i>					
Local Banks	960		960	6.146%	April 27, 2017
Local Banks	12		12	4.800%	February 23, 2018
Local Banks	8		8	4.620%	March 16, 2018
Local Banks	3		3	4.800%	March 26, 2018
Local Banks	13		13	4.750%	March 27, 2018
Local Banks	199		200	4.000%	July 19, 2018
Local Banks	448		449	3.100%	July 21, 2018
Local Banks	100		100	4.000%	August 6, 2018
Local Banks	150		150	4.000%	August 13, 2018
Local Banks	199		200	4.000%	August 17, 2018
Local Banks	100		100	3.950%	August 31, 2018
Local Banks	697		699	4.625%	September 21, 2018
Local Banks	797		798	3.750%	September 30, 2018
Local Banks	488		489	3.875%	December 14, 2018
Local Banks	215		108	3.000%	December 27, 2018
Local Banks	196		196	5.259%	April 22, 2019
Local Banks	550		550	5.260%	April 22, 2019
Local Banks	100		100	5.333%	April 22, 2019
Local Banks	1,920		1,920	6.337%	April 29, 2019
Local Banks	600		600	5.270%	May 13, 2019
Local Banks	2,486		2,486	2.781%	September 16, 2019
Local Banks	500		500	4.750%	August 18, 2020
Local Banks	980		980	5.526%	April 21, 2021
Local Banks	1,000		1,000	4.740%	May 20, 2021
Local Banks	300		300	4.650%	August 12, 2021
	13,021		12,921		
Foreign Banks	4,972		4,972	2.669%	September 17, 2018
Foreign Banks	174		174	3.250%	February 4, 2019
Foreign Banks	2,480		2,480	3.763%	December 2, 2019
	7,626		7,626		

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES
Schedule E - Long Term Debt
December 31, 2016

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet	Interest Rates	Maturity Dates
Deposit Substitutes	5		5	2.380%	January 2, 2018
Deposit Substitutes	2		2	3.600%	January 3, 2018
Deposit Substitutes	15		15	2.250%	January 3, 2018
Deposit Substitutes	10		10	2.375%	January 3, 2018
Deposit Substitutes	17		17	3.125%	January 4, 2018
Deposit Substitutes	1		1	2.375%	January 4, 2018
Deposit Substitutes	2		2	2.500%	January 4, 2018
Deposit Substitutes	1		1	2.750%	January 4, 2018
Deposit Substitutes	5		5	2.380%	January 8, 2018
Deposit Substitutes	93		93	3.875%	January 8, 2018
Deposit Substitutes	7		7	3.125%	January 8, 2018
Deposit Substitutes	11		11	2.750%	January 8, 2018
Deposit Substitutes	70		70	3.875%	January 9, 2018
Deposit Substitutes	4		4	3.125%	January 9, 2018
Deposit Substitutes	27		27	3.875%	January 11, 2018
Deposit Substitutes	32		32	2.750%	January 11, 2018
Deposit Substitutes	70		70	3.250%	January 12, 2018
Deposit Substitutes	5		5	2.380%	January 15, 2018
Deposit Substitutes	108		108	3.875%	January 15, 2018
Deposit Substitutes	37		37	3.125%	January 15, 2018
Deposit Substitutes	8		8	2.750%	January 15, 2018
Deposit Substitutes	13		13	2.750%	January 16, 2018
Deposit Substitutes	4		4	3.125%	January 18, 2018
Deposit Substitutes	5		5	3.975%	January 22, 2018
Deposit Substitutes	184		184	3.875%	January 22, 2018
Deposit Substitutes	30		30	3.125%	January 22, 2018
Deposit Substitutes	28		28	2.750%	January 22, 2018
Deposit Substitutes	34		34	3.875%	January 23, 2018
Deposit Substitutes	16		16	2.750%	January 23, 2018
Deposit Substitutes	7		7	3.875%	January 25, 2018
Deposit Substitutes	70		70	3.875%	January 29, 2018
Deposit Substitutes	18		18	3.125%	January 29, 2018
Deposit Substitutes	8		8	2.750%	January 29, 2018
Deposit Substitutes	36		36	3.875%	January 30, 2018
Deposit Substitutes	2		2	3.125%	February 1, 2018
Deposit Substitutes	59		59	2.750%	February 1, 2018
Deposit Substitutes	129		129	3.875%	February 5, 2018
Deposit Substitutes	5		5	3.125%	February 5, 2018
Deposit Substitutes	2		2	3.875%	February 6, 2018
Deposit Substitutes	2		2	3.800%	February 6, 2018
Deposit Substitutes	25		25	3.875%	February 8, 2018
Deposit Substitutes	6		6	2.750%	February 8, 2018
Deposit Substitutes	20		20	2.630%	February 9, 2018

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES
Schedule E - Long Term Debt
December 31, 2016

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet	Interest Rates	Maturity Dates
Deposit Substitutes	117		117	3.875%	February 12, 2018
Deposit Substitutes	27		27	2.750%	February 12, 2018
Deposit Substitutes	52		52	3.875%	February 13, 2018
Deposit Substitutes	5		5	3.875%	February 15, 2018
Deposit Substitutes	5		5	3.750%	February 15, 2018
Deposit Substitutes	1		1	3.875%	February 15, 2018
Deposit Substitutes	2		2	3.125%	February 15, 2018
Deposit Substitutes	2		2	2.625%	February 15, 2018
Deposit Substitutes	11		11	2.750%	February 15, 2018
Deposit Substitutes	46		46	3.750%	February 19, 2018
Deposit Substitutes	2		2	4.000%	February 19, 2018
Deposit Substitutes	4		4	3.750%	February 19, 2018
Deposit Substitutes	3		3	3.125%	February 19, 2018
Deposit Substitutes	3		3	2.625%	February 19, 2018
Deposit Substitutes	3		3	2.750%	February 19, 2018
Deposit Substitutes	17		17	3.750%	February 20, 2018
Deposit Substitutes	22		22	3.750%	February 22, 2018
Deposit Substitutes	9		9	2.625%	February 22, 2018
Deposit Substitutes	10		10	2.750%	February 22, 2018
Deposit Substitutes	38		38	3.750%	February 26, 2018
Deposit Substitutes	5		5	2.625%	February 26, 2018
Deposit Substitutes	11		11	3.750%	March 1, 2018
Deposit Substitutes	12		12	2.625%	March 1, 2018
Deposit Substitutes	97		97	2.750%	March 1, 2018
Deposit Substitutes	10		10	2.500%	March 2, 2018
Deposit Substitutes	30		30	2.630%	March 5, 2018
Deposit Substitutes	86		86	3.750%	March 5, 2018
Deposit Substitutes	3		3	3.125%	March 5, 2018
Deposit Substitutes	6		6	2.625%	March 5, 2018
Deposit Substitutes	10		10	2.750%	March 5, 2018
Deposit Substitutes	1		1	3.750%	March 6, 2018
Deposit Substitutes	4		4	2.625%	March 6, 2018
Deposit Substitutes	11		11	3.750%	March 8, 2018
Deposit Substitutes	22		22	2.750%	March 8, 2018
Deposit Substitutes	42		42	3.750%	March 12, 2018
Deposit Substitutes	3		3	3.125%	March 12, 2018
Deposit Substitutes	32		32	2.750%	March 12, 2018
Deposit Substitutes	38		38	3.750%	March 13, 2018
Deposit Substitutes	2		2	2.750%	March 13, 2018
Deposit Substitutes	1		1	3.125%	March 14, 2018
Deposit Substitutes	5		5	2.625%	March 14, 2018
Deposit Substitutes	10		10	2.750%	March 14, 2018
Deposit Substitutes	85		85	2.750%	March 15, 2018
Deposit Substitutes	2		2	3.750%	March 15, 2018

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES
Schedule E - Long Term Debt
December 31, 2016

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet	Interest Rates	Maturity Dates
Deposit Substitutes	101		101	3.750%	March 19, 2018
Deposit Substitutes	6		6	3.125%	March 19, 2018
Deposit Substitutes	3		3	2.625%	March 19, 2018
Deposit Substitutes	12		12	2.750%	March 19, 2018
Deposit Substitutes	20		20	2.600%	March 21, 2018
Deposit Substitutes	3		3	2.625%	March 21, 2018
Deposit Substitutes	4		4	2.750%	March 21, 2018
Deposit Substitutes	5		5	2.875%	March 22, 2018
Deposit Substitutes	34		34	3.750%	March 23, 2018
Deposit Substitutes	18		18	2.750%	March 26, 2018
Deposit Substitutes	23		23	3.750%	March 26, 2018
Deposit Substitutes	12		12	2.625%	March 26, 2018
Deposit Substitutes	62		62	2.750%	March 26, 2018
Deposit Substitutes	86		86	3.750%	March 27, 2018
Deposit Substitutes	5		5	2.625%	March 27, 2018
Deposit Substitutes	15		15	2.750%	March 27, 2018
Deposit Substitutes	70		70	3.750%	March 28, 2018
Deposit Substitutes	5		5	2.750%	March 28, 2018
Deposit Substitutes	33		33	3.750%	March 29, 2018
Deposit Substitutes	10		10	2.650%	March 30, 2018
Deposit Substitutes	25		25	2.750%	March 30, 2018
Deposit Substitutes	36		36	3.750%	April 2, 2018
Deposit Substitutes	7		7	3.125%	April 2, 2018
Deposit Substitutes	7		7	2.625%	April 3, 2018
Deposit Substitutes	58		58	2.750%	April 3, 2018
Deposit Substitutes	2		2	2.625%	April 4, 2018
Deposit Substitutes	20		20	3.125%	April 5, 2018
Deposit Substitutes	3		3	2.625%	April 5, 2018
Deposit Substitutes	5		5	2.750%	April 5, 2018
Deposit Substitutes	24		24	3.750%	April 10, 2018
Deposit Substitutes	5		5	2.625%	April 10, 2018
Deposit Substitutes	13		13	3.125%	April 11, 2018
Deposit Substitutes	11		11	3.750%	April 12, 2018
Deposit Substitutes	41		41	3.125%	April 12, 2018
Deposit Substitutes	1		1	2.625%	April 12, 2018
Deposit Substitutes	36		36	3.750%	April 16, 2018
Deposit Substitutes	2		2	2.625%	April 16, 2018
Deposit Substitutes	21		21	2.750%	April 16, 2018
Deposit Substitutes	11		11	2.625%	April 17, 2018
Deposit Substitutes	1		1	2.625%	April 18, 2018
Deposit Substitutes	3		3	3.750%	April 19, 2018
Deposit Substitutes	11		11	3.125%	April 19, 2018
Deposit Substitutes	2		2	2.625%	April 19, 2018
Deposit Substitutes	84		84	2.750%	April 19, 2018

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES
Schedule E - Long Term Debt
December 31, 2016

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet	Interest Rates	Maturity Dates
Deposit Substitutes	25		25	3.125%	April 20, 2018
Deposit Substitutes	72		72	3.750%	April 23, 2018
Deposit Substitutes	34		34	3.125%	April 23, 2018
Deposit Substitutes	10		10	2.625%	April 23, 2018
Deposit Substitutes	13		13	2.750%	April 23, 2018
Deposit Substitutes	1		1	3.750%	April 24, 2018
Deposit Substitutes	7		7	2.625%	April 24, 2018
Deposit Substitutes	9		9	2.750%	April 24, 2018
Deposit Substitutes	3		3	3.125%	April 25, 2018
Deposit Substitutes	5		5	2.750%	April 25, 2018
Deposit Substitutes	5		5	3.750%	April 26, 2018
Deposit Substitutes	10		10	3.125%	April 26, 2018
Deposit Substitutes	4		4	2.625%	April 26, 2018
Deposit Substitutes	6		6	3.750%	April 30, 2018
Deposit Substitutes	5		5	3.125%	April 30, 2018
Deposit Substitutes	15		15	3.750%	May 2, 2018
Deposit Substitutes	34		34	3.125%	May 2, 2018
Deposit Substitutes	3		3	2.625%	May 2, 2018
Deposit Substitutes	19		19	2.750%	May 2, 2018
Deposit Substitutes	8		8	3.750%	May 3, 2018
Deposit Substitutes	4		4	2.750%	May 3, 2018
Deposit Substitutes	32		32	3.750%	May 7, 2018
Deposit Substitutes	3		3	3.125%	May 7, 2018
Deposit Substitutes	3		3	2.625%	May 7, 2018
Deposit Substitutes	8		8	2.750%	May 7, 2018
Deposit Substitutes	14		14	2.625%	May 8, 2018
Deposit Substitutes	32		32	3.750%	May 10, 2018
Deposit Substitutes	15		15	3.125%	May 10, 2018
Deposit Substitutes	5		5	2.625%	May 10, 2018
Deposit Substitutes	237		237	3.250%	May 11, 2018
Deposit Substitutes	60		60	3.750%	May 14, 2018
Deposit Substitutes	57		57	3.125%	May 14, 2018
Deposit Substitutes	4		4	2.625%	May 14, 2018
Deposit Substitutes	2		2	2.750%	May 14, 2018
Deposit Substitutes	100		100	2.630%	May 15, 2018
Deposit Substitutes	5		5	2.625%	May 15, 2018
Deposit Substitutes	3		3	3.125%	May 16, 2018
Deposit Substitutes	7		7	2.625%	May 16, 2018
Deposit Substitutes	59		59	2.750%	May 16, 2018
Deposit Substitutes	98		98	3.750%	May 21, 2018
Deposit Substitutes	2		2	3.125%	May 21, 2018
Deposit Substitutes	2		2	2.625%	May 21, 2018
Deposit Substitutes	17		17	2.750%	May 21, 2018
Deposit Substitutes	8		8	3.125%	May 23, 2018

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES
Schedule E - Long Term Debt
December 31, 2016

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet	Interest Rates	Maturity Dates
Deposit Substitutes	3		3	2.625%	May 23, 2018
Deposit Substitutes	31		31	2.750%	May 23, 2018
Deposit Substitutes	28		28	3.750%	May 24, 2018
Deposit Substitutes	10		10	3.125%	May 24, 2018
Deposit Substitutes	1		1	2.625%	May 24, 2018
Deposit Substitutes	42		42	3.750%	May 28, 2018
Deposit Substitutes	13		13	3.125%	May 28, 2018
Deposit Substitutes	1		1	2.625%	May 28, 2018
Deposit Substitutes	20		20	2.750%	May 28, 2018
Deposit Substitutes	4		4	2.625%	May 29, 2018
Deposit Substitutes	76		76	2.750%	May 29, 2018
Deposit Substitutes	65		65	3.750%	May 31, 2018
Deposit Substitutes	20		20	3.125%	May 31, 2018
Deposit Substitutes	3		3	2.625%	May 31, 2018
Deposit Substitutes	2		2	3.750%	June 1, 2018
Deposit Substitutes	33		33	3.750%	June 4, 2018
Deposit Substitutes	71		71	3.125%	June 4, 2018
Deposit Substitutes	3		3	2.750%	June 5, 2018
Deposit Substitutes	9		9	2.750%	June 6, 2018
Deposit Substitutes	4		4	2.625%	June 7, 2018
Deposit Substitutes	10		10	2.750%	June 7, 2018
Deposit Substitutes	9		9	3.750%	June 8, 2018
Deposit Substitutes	16		16	3.750%	June 11, 2018
Deposit Substitutes	12		12	3.125%	June 11, 2018
Deposit Substitutes	5		5	2.625%	June 11, 2018
Deposit Substitutes	10		10	2.750%	June 11, 2018
Deposit Substitutes	4		4	3.750%	June 13, 2018
Deposit Substitutes	20		20	3.200%	June 13, 2018
Deposit Substitutes	15		15	3.125%	June 14, 2018
Deposit Substitutes	61		61	3.750%	June 18, 2018
Deposit Substitutes	12		12	3.125%	June 18, 2018
Deposit Substitutes	10		10	2.750%	June 18, 2018
Deposit Substitutes	9		9	2.625%	June 19, 2018
Deposit Substitutes	107		107	2.750%	June 19, 2018
Deposit Substitutes	2		2	3.750%	June 20, 2018
Deposit Substitutes	28		28	2.750%	June 20, 2018
Deposit Substitutes	116		116	3.125%	June 20, 2018
Deposit Substitutes	82		82	3.750%	June 21, 2018
Deposit Substitutes	29		29	3.125%	June 21, 2018
Deposit Substitutes	69		69	3.750%	June 25, 2018
Deposit Substitutes	6		6	3.125%	June 25, 2018
Deposit Substitutes	10		10	3.125%	June 27, 2018
Deposit Substitutes	26		26	3.750%	June 28, 2018
Deposit Substitutes	5		5	3.125%	June 28, 2018

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES
Schedule E - Long Term Debt
December 31, 2016

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet	Interest Rates	Maturity Dates
Deposit Substitutes	41		41	3.750%	July 2, 2018
Deposit Substitutes	4		4	3.125%	July 4, 2018
Deposit Substitutes	6		6	3.125%	July 5, 2018
Deposit Substitutes	5		5	3.750%	July 9, 2018
Deposit Substitutes	10		10	3.125%	July 9, 2018
Deposit Substitutes	50		50	3.250%	July 11, 2018
Deposit Substitutes	38		38	3.750%	July 12, 2018
Deposit Substitutes	28		28	3.125%	July 12, 2018
Deposit Substitutes	6		6	3.125%	July 16, 2018
Deposit Substitutes	137		137	3.125%	July 18, 2018
Deposit Substitutes	25		25	3.250%	July 20, 2018
Deposit Substitutes	1		1	3.750%	July 23, 2018
Deposit Substitutes	16		16	3.125%	July 23, 2018
Deposit Substitutes	2		2	3.125%	July 25, 2018
Deposit Substitutes	25		25	3.750%	July 26, 2018
Deposit Substitutes	17		17	3.125%	July 26, 2018
Deposit Substitutes	15		15	3.750%	July 30, 2018
Deposit Substitutes	5		5	3.125%	July 30, 2018
Deposit Substitutes	10		10	2.750%	August 2, 2018
Deposit Substitutes	5		5	3.750%	August 2, 2018
Deposit Substitutes	10		10	3.125%	August 2, 2018
Deposit Substitutes	12		12	3.750%	August 6, 2018
Deposit Substitutes	58		58	3.125%	August 6, 2018
Deposit Substitutes	16		16	3.125%	August 9, 2018
Deposit Substitutes	6		6	3.750%	August 13, 2018
Deposit Substitutes	2		2	3.850%	August 13, 2018
Deposit Substitutes	20		20	3.750%	August 14, 2018
Deposit Substitutes	75		75	3.125%	August 14, 2018
Deposit Substitutes	2		2	3.125%	August 15, 2018
Deposit Substitutes	10		10	3.000%	August 16, 2018
Deposit Substitutes	11		11	3.725%	August 20, 2018
Deposit Substitutes	29		29	3.000%	August 20, 2018
Deposit Substitutes	3		3	3.725%	August 22, 2018
Deposit Substitutes	15		15	3.000%	August 22, 2018
Deposit Substitutes	19		19	3.750%	August 27, 2018
Deposit Substitutes	1		1	2.625%	August 27, 2018
Deposit Substitutes	30		30	2.875%	August 27, 2018
Deposit Substitutes	10		10	3.000%	August 27, 2018
Deposit Substitutes	12		12	3.750%	August 28, 2018
Deposit Substitutes	2		2	3.250%	September 3, 2018
Deposit Substitutes	22		22	3.750%	September 3, 2018
Deposit Substitutes	1		1	2.875%	September 3, 2018
Deposit Substitutes	65		65	3.000%	September 3, 2018
Deposit Substitutes	3		3	3.000%	September 5, 2018

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES
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December 31, 2016

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet	Interest Rates	Maturity Dates
Deposit Substitutes	7		7	3.750%	September 6, 2018
Deposit Substitutes	13		13	3.750%	September 10, 2018
Deposit Substitutes	1		1	2.875%	September 10, 2018
Deposit Substitutes	14		14	3.000%	September 10, 2018
Deposit Substitutes	1		1	3.750%	September 12, 2018
Deposit Substitutes	14		14	3.750%	September 17, 2018
Deposit Substitutes	2		2	2.875%	September 17, 2018
Deposit Substitutes	7		7	3.750%	September 20, 2018
Deposit Substitutes	8		8	2.875%	September 20, 2018
Deposit Substitutes	22		22	3.000%	September 20, 2018
Deposit Substitutes	3		3	3.375%	September 24, 2018
Deposit Substitutes	20		20	3.750%	September 24, 2018
Deposit Substitutes	8		8	3.000%	September 24, 2018
Deposit Substitutes	8		8	2.875%	September 26, 2018
Deposit Substitutes	14		14	3.000%	September 27, 2018
Deposit Substitutes	39		39	3.750%	October 1, 2018
Deposit Substitutes	6		6	2.875%	October 1, 2018
Deposit Substitutes	17		17	3.000%	October 1, 2018
Deposit Substitutes	20		20	3.750%	October 2, 2018
Deposit Substitutes	3		3	2.875%	October 3, 2018
Deposit Substitutes	10		10	3.000%	October 3, 2018
Deposit Substitutes	35		35	3.125%	October 3, 2018
Deposit Substitutes	7		7	3.750%	October 4, 2018
Deposit Substitutes	5		5	2.875%	October 4, 2018
Deposit Substitutes	1		1	3.000%	October 4, 2018
Deposit Substitutes	1		1	3.375%	October 8, 2018
Deposit Substitutes	4		4	3.750%	October 8, 2018
Deposit Substitutes	2		2	2.875%	October 8, 2018
Deposit Substitutes	1		1	3.750%	October 10, 2018
Deposit Substitutes	2		2	3.000%	October 10, 2018
Deposit Substitutes	1		1	2.875%	October 11, 2018
Deposit Substitutes	6		6	2.875%	October 15, 2018
Deposit Substitutes	5		5	2.875%	October 17, 2018
Deposit Substitutes	15		15	3.000%	October 17, 2018
Deposit Substitutes	5		5	2.875%	October 18, 2018
Deposit Substitutes	11		11	3.750%	October 22, 2018
Deposit Substitutes	5		5	2.875%	October 22, 2018
Deposit Substitutes	13		13	3.000%	October 22, 2018
Deposit Substitutes	14		14	3.750%	October 23, 2018
Deposit Substitutes	2		2	3.750%	October 24, 2018
Deposit Substitutes	5		5	2.875%	October 24, 2018
Deposit Substitutes	13		13	3.000%	October 24, 2018
Deposit Substitutes	3		3	3.750%	October 29, 2018
Deposit Substitutes	16		16	2.875%	October 29, 2018

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES
Schedule E - Long Term Debt
December 31, 2016

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet	Interest Rates	Maturity Dates
Deposit Substitutes	26		26	2.750%	November 5, 2018
Deposit Substitutes	3		3	3.375%	November 5, 2018
Deposit Substitutes	46		46	3.750%	November 5, 2018
Deposit Substitutes	61		61	3.000%	November 5, 2018
Deposit Substitutes	1		1	3.750%	November 6, 2018
Deposit Substitutes	5		5	3.000%	November 7, 2018
Deposit Substitutes	2		2	3.750%	November 8, 2018
Deposit Substitutes	2		2	2.875%	November 8, 2018
Deposit Substitutes	7		7	3.000%	November 8, 2018
Deposit Substitutes	22		22	3.750%	November 12, 2018
Deposit Substitutes	1		1	2.875%	November 12, 2018
Deposit Substitutes	8		8	3.000%	November 12, 2018
Deposit Substitutes	3		3	2.875%	November 14, 2018
Deposit Substitutes	10		10	2.750%	November 15, 2018
Deposit Substitutes	2		2	2.875%	November 19, 2018
Deposit Substitutes	7		7	3.000%	November 19, 2018
Deposit Substitutes	30		30	3.750%	November 26, 2018
Deposit Substitutes	1		1	2.875%	November 26, 2018
Deposit Substitutes	5		5	3.000%	November 26, 2018
Deposit Substitutes	45		45	3.750%	November 29, 2018
Deposit Substitutes	15		15	3.850%	November 29, 2018
Deposit Substitutes	29		29	3.750%	November 29, 2018
Deposit Substitutes	8		8	2.875%	November 29, 2018
Deposit Substitutes	30		30	3.000%	November 29, 2018
Deposit Substitutes	5		5	2.875%	December 3, 2018
Deposit Substitutes	5		5	3.750%	December 4, 2018
Deposit Substitutes	10		10	3.000%	December 4, 2018
Deposit Substitutes	1		1	2.875%	December 5, 2018
Deposit Substitutes	1		1	3.500%	December 10, 2018
Deposit Substitutes	1		1	3.750%	December 10, 2018
Deposit Substitutes	40		40	3.000%	December 13, 2018
Deposit Substitutes	8		8	2.875%	December 17, 2018
Deposit Substitutes	22		22	2.875%	January 3, 2019
Deposit Substitutes	8		8	3.000%	January 3, 2019
Deposit Substitutes	6		6	3.750%	January 7, 2019
Deposit Substitutes	1		1	2.875%	January 7, 2019
Deposit Substitutes	1		1	3.750%	January 8, 2019
Deposit Substitutes	2		2	3.750%	January 10, 2019
Deposit Substitutes	6		6	3.750%	January 14, 2019
Deposit Substitutes	1		1	3.750%	January 21, 2019
Deposit Substitutes	8		8	3.750%	January 28, 2019
Deposit Substitutes	1		1	3.750%	January 29, 2019
Deposit Substitutes	26		26	3.750%	February 4, 2019
Deposit Substitutes	22		22	3.750%	February 11, 2019

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES
Schedule E - Long Term Debt
December 31, 2016

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet	Interest Rates	Maturity Dates
Deposit Substitutes	1		1	3.750%	February 14, 2019
Deposit Substitutes	12		12	3.750%	February 18, 2019
Deposit Substitutes	5		5	3.750%	February 19, 2019
Deposit Substitutes	5		5	3.750%	February 21, 2019
Deposit Substitutes	20		20	3.750%	February 25, 2019
Deposit Substitutes	6		6	3.750%	February 28, 2019
Deposit Substitutes	30		30	3.750%	March 4, 2019
Deposit Substitutes	11		11	3.750%	March 7, 2019
Deposit Substitutes	15		15	3.750%	March 11, 2019
Deposit Substitutes	16		16	3.750%	March 14, 2019
Deposit Substitutes	20		20	3.875%	March 15, 2019
Deposit Substitutes	4		4	3.750%	March 18, 2019
Deposit Substitutes	100		100	3.800%	March 25, 2019
Deposit Substitutes	1		1	3.625%	March 25, 2019
Deposit Substitutes	100		100	3.800%	March 25, 2019
Deposit Substitutes	5		5	3.750%	March 25, 2019
Deposit Substitutes	4		4	3.750%	March 28, 2019
Deposit Substitutes	22		22	3.750%	April 2, 2019
Deposit Substitutes	26		26	3.625%	April 4, 2019
Deposit Substitutes	5		5	3.625%	April 8, 2019
Deposit Substitutes	3		3	3.625%	April 11, 2019
Deposit Substitutes	4		4	3.625%	April 18, 2019
Deposit Substitutes	3		3	3.625%	April 22, 2019
Deposit Substitutes	17		17	3.625%	April 25, 2019
Deposit Substitutes	29		29	3.625%	April 29, 2019
Deposit Substitutes	2		2	3.625%	May 2, 2019
Deposit Substitutes	7		7	3.625%	May 6, 2019
Deposit Substitutes	2		2	3.625%	May 9, 2019
Deposit Substitutes	10		10	3.625%	May 13, 2019
Deposit Substitutes	14		14	3.625%	May 16, 2019
Deposit Substitutes	4		4	3.625%	May 20, 2019
Deposit Substitutes	8		8	3.625%	May 23, 2019
Deposit Substitutes	6		6	3.625%	May 27, 2019
Deposit Substitutes	1		1	3.625%	May 30, 2019
Deposit Substitutes	33		33	3.625%	June 3, 2019
Deposit Substitutes	1		1	3.500%	June 6, 2019
Deposit Substitutes	3		3	3.625%	June 6, 2019
Deposit Substitutes	3		3	3.625%	June 10, 2019
Deposit Substitutes	23		23	3.625%	June 13, 2019
Deposit Substitutes	32		32	3.625%	June 17, 2019
Deposit Substitutes	54		54	3.625%	June 20, 2019
Deposit Substitutes	24		24	3.625%	June 24, 2019
Deposit Substitutes	51		51	3.625%	June 25, 2019
Deposit Substitutes	6		6	3.625%	June 27, 2019

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES
Schedule E - Long Term Debt
December 31, 2016

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet	Interest Rates	Maturity Dates
Deposit Substitutes	66		66	3.625%	July 1, 2019
Deposit Substitutes	52		52	3.750%	July 8, 2019
Deposit Substitutes	3		3	3.625%	July 15, 2019
Deposit Substitutes	75		75	3.625%	July 18, 2019
Deposit Substitutes	11		11	3.625%	July 22, 2019
Deposit Substitutes	10		10	3.625%	July 25, 2019
Deposit Substitutes	4		4	3.625%	July 29, 2019
Deposit Substitutes	10		10	3.625%	July 30, 2019
Deposit Substitutes	8		8	3.375%	August 5, 2019
Deposit Substitutes	17		17	3.375%	August 8, 2019
Deposit Substitutes	1		1	3.750%	August 12, 2019
Deposit Substitutes	1		1	3.375%	August 12, 2019
Deposit Substitutes	2		2	3.750%	August 13, 2019
Deposit Substitutes	1		1	3.375%	August 15, 2019
Deposit Substitutes	3		3	3.250%	August 19, 2019
Deposit Substitutes	6		6	3.250%	August 22, 2019
Deposit Substitutes	4		4	3.250%	August 26, 2019
Deposit Substitutes	14		14	3.375%	August 26, 2019
Deposit Substitutes	1		1	3.250%	August 29, 2019
Deposit Substitutes	2		2	3.250%	September 2, 2019
Deposit Substitutes	5		5	3.250%	September 5, 2019
Deposit Substitutes	5		5	3.375%	September 5, 2019
Deposit Substitutes	4		4	3.250%	September 16, 2019
Deposit Substitutes	3		3	3.375%	September 16, 2019
Deposit Substitutes	14		14	3.250%	September 19, 2019
Deposit Substitutes	5		5	3.250%	September 23, 2019
Deposit Substitutes	3		3	3.375%	September 26, 2019
Deposit Substitutes	2		2	3.250%	September 30, 2019
Deposit Substitutes	8		8	3.375%	September 30, 2019
Deposit Substitutes	3		3	3.250%	October 3, 2019
Deposit Substitutes	15		15	3.375%	October 3, 2019
Deposit Substitutes	12		12	3.250%	October 7, 2019
Deposit Substitutes	3		3	3.375%	October 7, 2019
Deposit Substitutes	13		13	3.250%	October 10, 2019
Deposit Substitutes	6		6	3.375%	October 10, 2019
Deposit Substitutes	5		5	3.250%	October 14, 2019
Deposit Substitutes	13		13	3.250%	October 17, 2019
Deposit Substitutes	4		4	3.250%	October 21, 2019
Deposit Substitutes	5		5	3.375%	October 21, 2019
Deposit Substitutes	5		5	3.500%	October 21, 2019
Deposit Substitutes	12		12	3.250%	October 24, 2019
Deposit Substitutes	20		20	3.375%	October 24, 2019
Deposit Substitutes	9		9	3.250%	October 28, 2019
Deposit Substitutes	10		10	3.375%	October 28, 2019

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES
Schedule E - Long Term Debt
December 31, 2016

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet	Interest Rates	Maturity Dates
Deposit Substitutes	2		2	3.375%	November 4, 2019
Deposit Substitutes	6		6	3.250%	November 7, 2019
Deposit Substitutes	7		7	3.375%	November 7, 2019
Deposit Substitutes	6		6	3.250%	November 11, 2019
Deposit Substitutes	5		5	3.375%	November 11, 2019
Deposit Substitutes	14		14	3.250%	November 14, 2019
Deposit Substitutes	7		7	3.250%	November 25, 2019
Deposit Substitutes	3		3	3.250%	November 28, 2019
Deposit Substitutes	19		19	3.375%	November 28, 2019
Deposit Substitutes	1		1	3.750%	December 2, 2019
Deposit Substitutes	10		10	3.375%	December 2, 2019
Deposit Substitutes	2		2	3.250%	December 5, 2019
Deposit Substitutes	1		1	3.750%	December 9, 2019
Deposit Substitutes	1		1	3.375%	December 9, 2019
Deposit Substitutes	10		10	3.375%	December 12, 2019
Deposit Substitutes	6		6	3.875%	January 6, 2020
Deposit Substitutes	5		5	3.250%	January 6, 2020
Deposit Substitutes	35		35	3.375%	January 6, 2020
Deposit Substitutes	1		1	3.875%	January 7, 2020
Deposit Substitutes	7		7	3.375%	February 3, 2020
Deposit Substitutes	25		25	3.875%	February 10, 2020
Deposit Substitutes	1		1	3.875%	March 5, 2020
Deposit Substitutes	2		2	3.875%	March 16, 2020
Deposit Substitutes	1		1	3.875%	March 24, 2020
Deposit Substitutes	8		8	3.875%	April 28, 2020
Deposit Substitutes	8		8	3.875%	May 27, 2020
Deposit Substitutes	5		5	3.875%	June 16, 2020
Deposit Substitutes	15		15	3.875%	June 29, 2020
Deposit Substitutes	4		4	4.000%	August 5, 2020
Deposit Substitutes	1,231		1,231	4.000%	August 12, 2020
Deposit Substitutes	63		63	4.125%	August 25, 2020
Deposit Substitutes	165		165	4.000%	August 31, 2020
Deposit Substitutes	2		2	4.125%	September 2, 2020
Deposit Substitutes	6		6	4.125%	September 8, 2020
Deposit Substitutes	5		5	4.125%	September 9, 2020
Deposit Substitutes	3		3	4.125%	September 10, 2020
Deposit Substitutes	2		2	4.125%	September 21, 2020
Deposit Substitutes	1		1	4.125%	October 26, 2020
Deposit Substitutes	10		10	4.125%	October 27, 2020
Deposit Substitutes	20		20	4.250%	December 1, 2020
Deposit Substitutes	7		7	4.125%	December 2, 2020
Deposit Substitutes	3		3	4.125%	February 10, 2021
Deposit Substitutes	1		1	4.125%	March 9, 2021
Deposit Substitutes	3		3	4.125%	March 15, 2021

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES
Schedule E - Long Term Debt
December 31, 2016

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet	Interest Rates	Maturity Dates
Deposit Substitutes	1		1	4.125%	March 17, 2021
Deposit Substitutes	14		14	4.125%	April 7, 2021
Deposit Substitutes	6		6	4.125%	April 12, 2021
Deposit Substitutes	1		1	4.175%	April 12, 2021
Deposit Substitutes	5		5	4.125%	April 12, 2021
Deposit Substitutes	1		1	4.125%	April 14, 2021
Deposit Substitutes	8		8	4.125%	April 19, 2021
Deposit Substitutes	5		5	4.125%	April 23, 2021
Deposit Substitutes	7		7	4.125%	April 26, 2021
Deposit Substitutes	3		3	4.125%	May 4, 2021
Deposit Substitutes	1		1	4.125%	May 5, 2021
Deposit Substitutes	1		1	4.125%	May 17, 2021
Deposit Substitutes	27		27	4.125%	May 26, 2021
Deposit Substitutes	1		1	4.125%	May 31, 2021
Deposit Substitutes	2		2	4.125%	June 2, 2021
Deposit Substitutes	1		1	4.125%	June 7, 2021
Deposit Substitutes	13		13	4.125%	June 9, 2021
Deposit Substitutes	30		30	4.125%	June 14, 2021
Deposit Substitutes	1		1	4.125%	June 21, 2021
Deposit Substitutes	10		10	4.125%	June 24, 2021
Deposit Substitutes	20		20	4.125%	June 30, 2021
Deposit Substitutes	3		3	4.125%	July 12, 2021
Deposit Substitutes	6		6	4.125%	July 14, 2021
Deposit Substitutes	3		3	4.125%	July 19, 2021
Deposit Substitutes	12		12	4.125%	July 28, 2021
Deposit Substitutes	1		1	4.125%	August 2, 2021
Deposit Substitutes	13		13	4.125%	August 3, 2021
Deposit Substitutes	2		2	4.250%	August 3, 2021
Deposit Substitutes	7		7	4.125%	August 4, 2021
Deposit Substitutes	2		2	4.125%	August 9, 2021
Deposit Substitutes	23		23	4.125%	August 10, 2021
Deposit Substitutes	1		1	4.125%	August 11, 2021
Deposit Substitutes	8		8	4.000%	August 16, 2021
Deposit Substitutes	5		5	4.125%	August 16, 2021
Deposit Substitutes	11		11	4.000%	August 23, 2021
Deposit Substitutes	2		2	3.750%	August 25, 2021
Deposit Substitutes	5		5	4.000%	August 25, 2021
Deposit Substitutes	1		1	3.750%	August 26, 2021
Deposit Substitutes	1		1	3.750%	August 30, 2021
Deposit Substitutes	15		15	4.000%	August 30, 2021
Deposit Substitutes	12		12	4.000%	September 1, 2021
Deposit Substitutes	10		10	4.000%	September 6, 2021
Deposit Substitutes	18		18	4.000%	September 7, 2021
Deposit Substitutes	8		8	3.750%	September 9, 2021

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES
Schedule E - Long Term Debt
December 31, 2016

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet	Interest Rates	Maturity Dates
Deposit Substitutes	1		1	3.750%	September 14, 2021
Deposit Substitutes	4		4	3.750%	September 15, 2021
Deposit Substitutes	16		16	4.000%	September 20, 2021
Deposit Substitutes	2		2	3.750%	September 29, 2021
Deposit Substitutes	5		5	4.000%	September 29, 2021
Deposit Substitutes	5		5	3.750%	October 4, 2021
Deposit Substitutes	250		250	4.000%	October 4, 2021
Deposit Substitutes	5		5	3.750%	October 5, 2021
Deposit Substitutes	1		1	3.750%	October 11, 2021
Deposit Substitutes	1		1	3.750%	October 12, 2021
Deposit Substitutes	4		4	4.000%	October 12, 2021
Deposit Substitutes	1		1	3.750%	October 18, 2021
Deposit Substitutes	88		88	4.000%	October 25, 2021
Deposit Substitutes	1		1	3.750%	November 2, 2021
Deposit Substitutes	1		1	3.750%	November 3, 2021
Deposit Substitutes	6		6	4.063%	November 8, 2021
Deposit Substitutes	1		1	3.750%	November 15, 2021
Deposit Substitutes	10		10	4.000%	November 15, 2021
Deposit Substitutes	2		2	3.750%	November 22, 2021
Deposit Substitutes	10		10	4.000%	November 23, 2021
Deposit Substitutes	1		1	4.000%	November 29, 2021
Deposit Substitutes	4		4	3.875%	December 6, 2021
Deposit Substitutes	15		15	4.000%	December 6, 2021
Deposit Substitutes	30		30	4.000%	December 7, 2021
Deposit Substitutes	6		6	3.875%	December 13, 2021
Deposit Substitutes	25		25	4.000%	December 13, 2021
Deposit Substitutes	2		2	3.875%	December 15, 2021
Deposit Substitutes	15		16	5.125%	September 14, 2022
Deposit Substitutes	8		8	5.125%	September 21, 2022
Deposit Substitutes	5		5	5.125%	November 3, 2022
Deposit Substitutes	1		1	5.125%	November 7, 2022
Deposit Substitutes	4		4	5.125%	November 14, 2022
Deposit Substitutes	15		15	5.125%	December 1, 2022
Deposit Substitutes	2		2	5.125%	January 16, 2023
Deposit Substitutes	25		25	5.250%	January 24, 2023
Deposit Substitutes	23		23	5.250%	January 25, 2023
Deposit Substitutes	1		1	5.250%	January 26, 2023
Deposit Substitutes	9		9	5.250%	January 30, 2023
Deposit Substitutes	3		3	5.250%	February 6, 2023
Deposit Substitutes	5		5	5.125%	February 13, 2023
Deposit Substitutes	25		25	5.125%	March 2, 2023
Deposit Substitutes	1		1	5.125%	March 15, 2023
Deposit Substitutes	4		4	5.125%	March 16, 2023
Deposit Substitutes	2		2	5.125%	March 28, 2023

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES
Schedule E - Long Term Debt
December 31, 2016

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet	Interest Rates	Maturity Dates
Deposit Substitutes	1		1	5.000%	April 5, 2023
Deposit Substitutes	1		1	5.000%	April 13, 2023
Deposit Substitutes	7		7	5.000%	April 27, 2023
Deposit Substitutes	4		4	5.000%	May 4, 2023
Deposit Substitutes	4		4	5.000%	May 17, 2023
Deposit Substitutes	1		1	5.000%	June 1, 2023
Deposit Substitutes	6		6	5.000%	June 14, 2023
Deposit Substitutes	6		6	5.000%	June 15, 2023
Deposit Substitutes	6		6	5.000%	June 21, 2023
Deposit Substitutes	2		2	5.000%	July 20, 2023
Deposit Substitutes	6		6	5.000%	July 27, 2023
Deposit Substitutes	5		5	5.000%	August 3, 2023
Deposit Substitutes	1		1	5.000%	August 9, 2023
Deposit Substitutes	4		4	5.000%	August 10, 2023
Deposit Substitutes	5		5	4.125%	August 24, 2023
Deposit Substitutes	1		1	4.125%	August 28, 2023
Deposit Substitutes	3		3	4.125%	September 20, 2023
Deposit Substitutes	1		1	4.125%	September 26, 2023
Deposit Substitutes	4		4	4.375%	September 26, 2023
Deposit Substitutes	4		4	4.125%	October 9, 2023
Deposit Substitutes	4		4	4.375%	October 11, 2023
Deposit Substitutes	4		4	4.375%	October 16, 2023
Deposit Substitutes	2		1	4.125%	November 21, 2023
Deposit Substitutes	1		1	4.125%	November 23, 2023
Deposit Substitutes	7		7	4.125%	November 27, 2023
	<u>11,108</u>		<u>11,109</u>		
Total Bills Payable	<u>31,755</u>		<u>31,656</u>		
Other Liabilities					
Bonds Payable - Fixed Rate Corporate Bonds	<u>3,000</u>		<u>2,790</u>	5.7500%	August 10, 2019
	<u>61,425</u>		<u>60,994</u>		

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES
Schedule F - Indebtedness to Related Parties (Long-Term Loans from Related Companies)
December 31, 2016

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

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES
Schedule G - Guarantees of Securities of Other Issuers
December 31, 2016

Name of Issuing Entity of Securities Guaranteed by the Company for which this Statement is Filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by Person for which this Statement is Filed	Nature of Guarantee
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NOT APPLICABLE

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES
Schedule H - Capital Stock
December 31, 2016

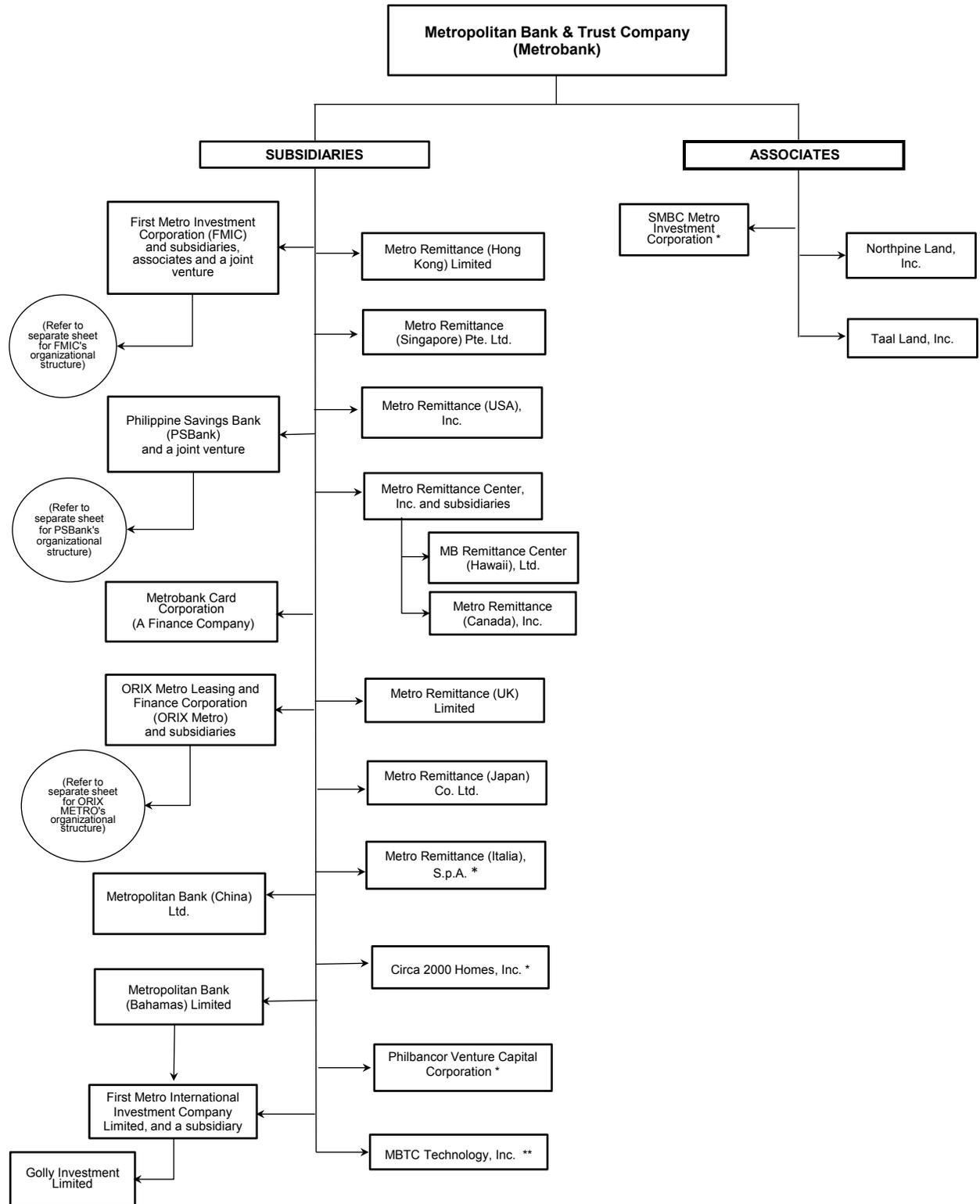
Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Authorized						
Preferred stock - P20 par value	1,000,000,000					
Common stock - P20 par value	4,000,000,000					
Issued and outstanding						
Common stock - P20 par value		3,180,172,786		1,585,952,876	36,075,525	1,558,144,385

METROPOLITAN BANK & TRUST COMPANY
SURPLUS AVAILABLE FOR DIVIDENDS *
AS OF DECEMBER 31, 2016
(In ₱ Millions)

UNAPPROPRIATED SURPLUS, BEGINNING AS PREVIOUSLY PRESENTED	₱	57,605
Add: Effect of change in accounting for equity investments in separate financial statements (PAS 27)		29,892
UNAPPROPRIATED SURPLUS, BEGINNING AS RESTATED		87,497
Adjustments:		
Less: Non-actual/unrealized income net of tax:		
Accumulated share in net income of subsidiaries, associates and joint venture - net of dividends		29,892
Fair value adjustments (mark-to-market gains)		625
Recognized deferred tax asset		4,928
Unrealized gains on foreclosure of investment properties - net of accumulated depreciation		688
		36,133
UNAPPROPRIATED SURPLUS AS ADJUSTED TO AVAILABLE FOR DIVIDEND DISTRIBUTION AT BEGINNING OF YEAR		51,364
Add: Net income actually earned/realized during the year:		
Net income during the year closed to Surplus		18,086
Less: Non-actual/unrealized income net of tax:		
Fair value adjustment (mark-to-market gains)		1,641
Unrealized gains on foreclosure of investment properties - net of accumulated depreciation		3
Equity in net income of subsidiaries, associates and a joint venture-net of dividends		101
		1,745
Net income actually earned during the year		16,341
Less:		
Dividend declarations during the year		3,180
Appropriations of Retained Earnings during the year		147
Others (Coupon payment and redemption of hybrid capital securities)		356
		3,683
UNAPPROPRIATED SURPLUS AVAILABLE FOR DIVIDENDS, END	₱	64,022

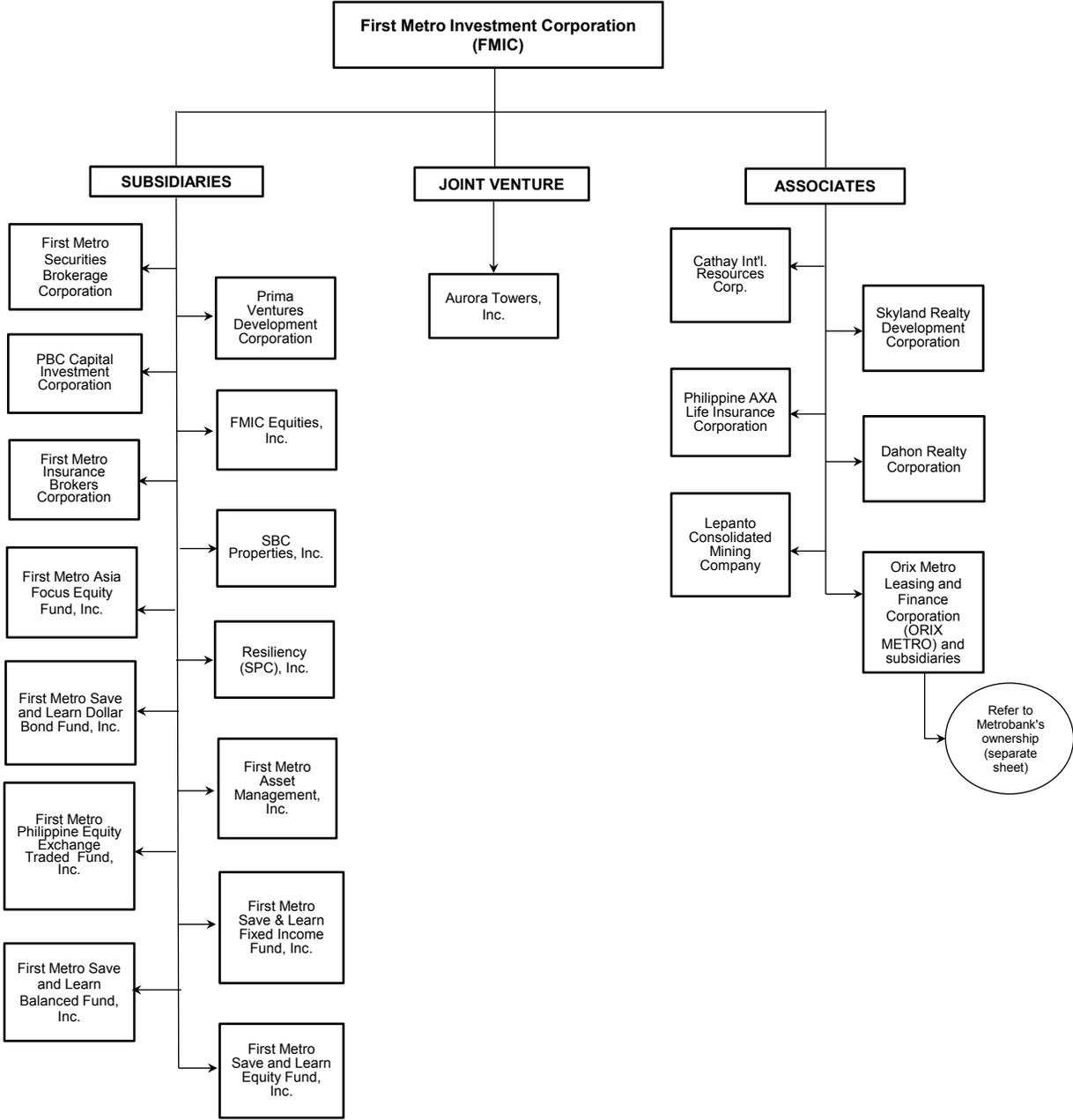
* The computation of surplus available for dividend declaration in accordance with SEC Memorandum Circular No. 11 issued in December 2008 differs to a certain extent from the computation following Bangko Sentral ng Pilipinas guidelines.

**Metropolitan Bank & Trust Company
Subsidiaries and Associates
As of December 31, 2016**

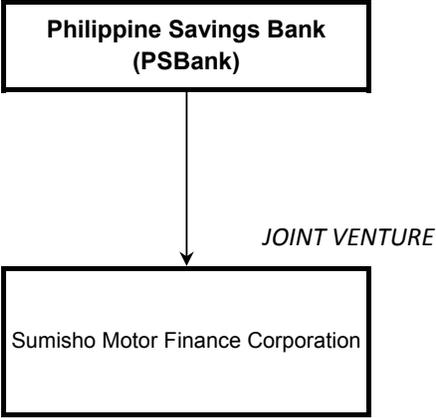


* In process of dissolution
** In process of liquidation

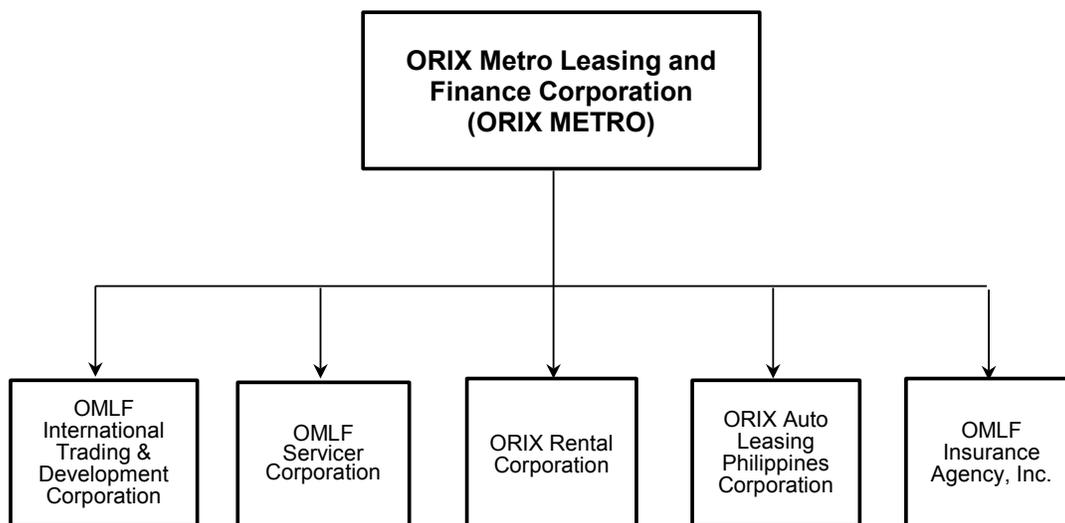
**First Metro Investment Corporation
Subsidiaries, Joint Venture and
Associates**



**Philippine Savings Bank
Joint Venture
As of December 31, 2016**



ORIX Metro Leasing and Finance Corporation (ORIX METRO)
Subsidiaries
As of December 31, 2016



Metropolitan Bank & Trust Company and Subsidiaries
Schedule of All the Effective Standards and Interpretations
December 31, 2016

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1: Additional Exemption for First-time Adopters			✓
	Amendments to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendment to PFRS 1: Meaning of Effective PFRSs			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendment to PFRS 2: Definition of Vesting Condition			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions			✓ Effective (January 1, 2018)*
PFRS 3 (Revised)	Business Combinations	✓		
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination	✓		
	Amendment to PFRS 3: Scope Exceptions for Joint Arrangements			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts			✓ Effective (January 1, 2018)*
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
	Amendment to PFRS 5: Changes in methods of disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓ Effective 01/01/18	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 7: Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in PFRS 9		✓ Effective 01/01/18	
	Amendments to PFRS 7: Servicing Contracts and Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		
PFRS 9	PFRS 9, Financial Instruments		Effective 01/01/18 (Not early adopted)	
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Transition Guidance	✓		
	Amendments to PFRS 10: Investment Entities			✓
	Amendments to PFRS 10: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture		**	
	Amendments to PFRS 10: Investment Entities: Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements	✓		
	Amendments to PFRS 11: Transition Guidance	✓		
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations	✓		
PFRS 12	Disclosures of Interests in Other Entities	✓		
	Amendments to PFRS 12: Transition Guidance	✓		
	Amendments to PFRS 12: Investment Entities	✓		
	Amendments to PFRS 12: Investment Entities Applying the Consolidation Exception			✓
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short-term Receivables and Payables	✓		
	Amendment to PFRS 13: Portfolio Exception			✓
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers		Effective January 1, 2018*	
	Amendments to PFRS 15, Clarifications to PFRS 15		Effective January 1, 2018*	
PFRS 16	Leases		Effective 01/01/19	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1 (Revised): Disclosure Initiative	✓		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative		Effective January 1, 2017 (Not early adopted)	
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PAS 12	Income Taxes	✓		
	Amendments to PAS 12: Deferred Tax: Recovery of Underlying Assets			✓
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses		Effective January 1, 2017 (Not early adopted)	
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Revaluation Method – Proportionate Restatement of Accumulated Depreciation on Revaluation			✓
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
	Amendments to PAS 16, Agriculture: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contribution	✓		
	Amendments to PAS 19: Discount Rate: Regional Market Issue	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments for investment entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PAS 28 (Amended): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture		**	
	Amendments to PAS 28 (Amended): Investment Entities: Applying the Consolidation Exception		✓	
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
	Amendment to PAS 34: Disclosure of information 'Elsewhere in the Interim financial report'			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38 : Revaluation Method – Proportionate Restatement Of Accumulated Amortization			✓
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	✓		
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39: Financial Guarantee Contracts			✓
	Amendments to PAS 39: Reclassification of Financial Assets	✓		
	Amendments to PAS 39: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendment to PAS 39: Embedded Derivatives	✓		
	Amendment to PAS 39: Eligible Hedged Items	✓		
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
	Amendments to PAS 39: Hedge Accounting			✓
PAS 40	Investment Property	✓		
	Amendments to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-Occupied Property	✓		
PAS 41	Agriculture			✓
	Amendments to PAS 41, Agriculture: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives	✓		
	Amendments to Philippine Interpretation IFRIC-9: Embedded Derivatives	✓		
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes	✓		
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement	✓		
IFRIC 16	Hedges of a net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies	✓		
SIC-7	Introduction of the Euro	✓		
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes- Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

* Subject to approval by the Board of Accountancy

** Original effective date of January 1, 2016 of the amendment was postponed by the FRSC on January 13, 2016, until the IASB has completed its broader review of the research project on equity accounting.

Standards and Interpretations applicable to annual periods beginning on or after January 1, 2017 (where early application is allowed) will be adopted by the Group as they become effective.