Metrobank

May 6, 2019

Ms. Janet A. Encarnacion
Head, Disclosure Department
The Philippine Stock Exchange, Inc.
6/F PSE Tower
5th Avenue corner 28th Street
Bonifacio Global City, Taguig City

Dear Ms. Encarnacion:

We hereby submit a copy of our SEC Form 17-Q for the period ended March 31, 2019.

Very truly yours,

Marilou C. Bartolome
Senior Vice President/Controller

cc: Philippine Dealing Exchange Corp.
37/F, Tower 1, The Enterprise Center
6766 Ayala Avenue corner Paseo de Roxas
1226 Makati City, Philippines

COVER SHEET

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SEC Registration Number

METROPOLITAN BANK & TRUST COMPANY
AND SUBSIDIARIES

(Company's Full Name)

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

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

Marilou C. Bartolome	898-8805
(Contact Person)	(Company Telephone Number)

1 2	3 1	17-Q		
Month	*Day*	(Form Type)	*Month*	*Day*
(Fiscal Year)			(Annual Meeting)	

NONE

(Secondary License Type, If Applicable)

Corporate Finance Department

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

As of 03.31.19

3,021

Total No. of Stockholders

Domestic | Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

SEC Number 20573
File Number______

METROPOLITAN BANK & TRUST COMPANY

(Company's Full Name)

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

(Company's Address)

898-8805

(Telephone Number)

December 31

(Fiscal year ending)

17-Q

(Form Type)

(Amendment Designation, if applicable)

March 31, 2019

(Period Ended Date)

None

(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1.	For the quarterly period ended	:	**March 31, 2019**
2.	Commission Identification Number	:	**20573**
3.	BIR Tax Identification No.	:	**000-477-863**
4.	Exact name of issuer as specified in its charter	:	**METROPOLITAN BANK & TRUST COMPANY**
5.	Province, country or other jurisdiction of incorporation or organization	:	**Metro Manila, Philippines**
6.	Industry Classification Code	:	(SEC Use Only)
7.	Address of issuer's principal office	:	Metrobank Plaza, Sen. Gil Puyat Avenue, Urdaneta Village, Makati City, Metro Manila
8.	Issuer's telephone number, including area code	:	**(632) 898-8805**

9. Former name, former address and former fiscal year, if changed since last report: **N/A**

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of Each Class	No. of Shares of Common Stock Outstanding	Amount of Debt Outstanding (Unpaid Subscriptions)
Common Shares	**3,980,015,036 shares**	**None**

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

Yes [x]   No [   ]

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

12. Indicate by check mark whether the registrant:

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

Yes [x]   No [   ]

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

Yes [x]   No [   ]

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Attached are the following:

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

Item 2. Management's Discussion and Analysis of Consolidated Financial Position and Results of Operations - Annex 7

PART II - OTHER INFORMATION

I. Control of Registrant

The following stockholders own more than 5% of the total outstanding number of shares issued as of March 31, 2019:

NAME OF STOCKHOLDER	TOTAL NUMBER OF SHARES HELD	PERCENT TO TOTAL NUMBER OF SHARES ISSUED
GT Capital Holdings, Inc.	1,447,016,063	36.36%
PCD Nominee Corporation (Non-Filipino)*	1,179,263,991	29.63%
PCD Nominee Corporation (Filipino)*	696,079,319	17.49%

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

As of March 31, 2019, public ownership on the Bank was at 48.98%. Out of the total shares issued, 29.66% represents foreign ownership.

II. Pending Legal Proceedings

As of March 31, 2019, several suits and claims relating to the Group's lending operations and labor-related cases remain unsettled. In the opinion of management, these suits and claims, if decided adversely, will not involve sums having a material effect on the Group's financial statements.

III. Board Resolutions

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

SIGNATURES

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

METROPOLITAN BANK & TRUST COMPANY
By:

MARILOU C. BARTOLOME
Senior Vice President/Controller

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

May 6, 2019

METROPOLITAN BANK & TRUST COMPANY
AND SUBSIDIARIES

Interim Condensed Consolidated Financial Statements
As of March 31, 2019 (Unaudited) and December 31, 2018 (Audited)
and for the quarters ended March 31, 2019 and 2018 (Unaudited)

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

		(Unaudited)		(Audited)
		March 31, 2019		December 31, 2018
ASSETS				
Cash and Other Cash Items	₱	**23,678**	₱	33,091
Due from Bangko Sentral ng Pilipinas		**225,017**		240,134
Due from Other Banks		**49,873**		45,802
Interbank Loans Receivable and Securities Purchased				
Under Resale Agreements (SPURA)		**42,457**		50,719
Investment Securities at				
Fair Value Through Profit or Loss (FVTPL)		**65,823**		39,689
Fair Value Through Other Comprehensive Income (FVOCI)		**147,693**		111,288
Amortized Cost		**265,093**		265,376
Loans and Receivables		**1,359,769**		1,391,034
Property and Equipment		**25,484**		21,954
Investments in Associates and a Joint Venture		**6,471**		5,947
Goodwill		**5,200**		5,200
Investment Properties		**7,461**		7,500
Deferred Tax Assets		**10,128**		10,238
Other Assets		**19,351**		15,721
	₱	**2,253,498**	₱	2,243,693

LIABILITIES AND EQUITY				
LIABILITIES				
Deposit Liabilities				
Demand	₱	**351,814**	₱	355,473
Savings		**606,418**		609,471
Time		**579,074**		548,019
Long-Term Negotiable Certificates		**43,729**		43,790
		1,581,035		1,556,753
Bills Payable and Securities Sold Under Repurchase Agreements		**235,155**		259,607
Derivative Liabilities		**5,629**		6,537
Manager's Checks and Demand Drafts Outstanding		**6,868**		7,565
Income Taxes Payable		**2,718**		2,830
Accrued Interest and Other Expenses		**8,835**		9,619
Bonds Payable		**30,763**		30,743
Subordinated Debts		**26,628**		26,618
Deferred Tax Liabilities		**346**		357
Non-equity Non-controlling Interest		**6,867**		6,747
Other Liabilities		**51,382**		45,613
		1,956,226		1,952,989
EQUITY				
Equity Attributable to Equity Holders of the Parent Company		**288,702**		282,960
Non-controlling Interest		**8,570**		7,744
		297,272		290,704
	₱	**2,253,498**	₱	2,243,693

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

	(Unaudited) Quarters Ended March 31	
	2019	2018
INTEREST INCOME ON		
Loans and receivables	₱ **23,826**	₱ 18,017
Trading and investment securities	**4,265**	3,878
Deposits with banks and others	**211**	111
	28,302	22,006
INTEREST AND FINANCE CHARGES		
Deposit liabilities	**6,267**	3,981
Bills payable and securities sold under repurchase agreements, bonds payable, subordinated debt and others	**3,934**	1,922
	10,201	5,903
NET INTEREST INCOME	**18,101**	16,103
PROVISION FOR CREDIT AND IMPAIRMENT LOSSES	**2,402**	1,860
NET INTEREST INCOME AFTER PROVISION FOR CREDIT AND IMPAIRMENT LOSSES	**15,699**	14,243
OTHER INCOME		
Service charges, fees and commissions	**3,132**	2,866
Trading and securities and foreign exchange gains - net	**1,451**	679
Miscellaneous	**1,880**	2,444
	6,463	5,989
OTHER EXPENSES		
Compensation and fringe benefits	**5,434**	4,803
Occupancy and equipment-related cost	**453**	734
Miscellaneous	**7,580**	6,713
	13,467	12,250
INCOME BEFORE INCOME TAX	**8,695**	7,982
PROVISION FOR INCOME TAX	**1,765**	1,667
NET INCOME	₱ **6,930**	₱ 6,315
Attributable to :		
Equity holders of the Parent Company	₱ **6,753**	₱ 5,856
Non-controlling interest	**177**	459
	₱ **6,930**	₱ 6,315
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 14 of Annex 5)	₱ **1.70**	₱ 1.81*

* Restated to show the effect of stock rights issued in April 2018

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

	Quarters Ended March 31	
	2019	2018
NET INCOME	₱ **6,930**	₱ 6,315
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified to profit or loss:		
Change in remeasurement gain (loss) on retirement plan	**16**	(2)
Items that may be reclassified to profit or loss:		
Change in net unrealized gain (loss) on FVOCI/AFS investments	**3,485**	(895)
Change in equity in other comprehensive income (loss) of associates	**176**	(86)
Translation adjustment and others	**(25)**	947
Total items that may be reclassified to profit or loss	**3,636**	**(34)**
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD, NET OF TAX	**3,652**	(36)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	₱ **10,582**	₱ 6,279
Total Comprehensive Income attributable to :		
Equity holders of the Parent Company	₱ **9,723**	₱ 5,636
Non-controlling interest	**859**	643
	₱ **10,582**	₱ 6,279

ANNEX 3

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

As of March 31, 2019 and 2018
(In Million Pesos, Except Par Value and Number of Shares)
(Unaudited)

	Common Stock*	Capital Paid in Excess of Par Value	Surplus	Surplus Reserves	Treasury Stocks	Net Unrealized Loss on FVOCI Investments	Equity in Other Comprehensive Income of Associates	Remeasurement Losses on Retirement Plan	Translation Adjustment and Others	TOTAL	Other Equity Reserve	Non-Controlling Interest	Total Equity
Balance, January 1, 2019	**₱79,600**	**₱85,252**	**₱130,550**	**₱1,956**	**(₱67)**	**(₱2,994)**	**(₱27)**	**(₱3,591)**	**(₱7,719)**	**₱282,960**	**₱-**	**₱7,744**	**₱290,704**
Total comprehensive income (loss) for the period	-	-	6,753	-	-	3,428	175	7	(640)	9,723	-	859	10,582
Cash dividends	-	-	(3,980)	-	-	-	-	-	-	(3,980)	-	(33)	(4,013)
Acquisition of Parent Company shares held by mutual fund subsidiary	-	-	-	-	(1)	-	-	-	-	(1)	-	-	(1)
Balance, March 31, 2019	**₱79,600**	**₱85,252**	**₱133,323**	**₱1,956**	**(₱68)**	**₱434**	**₱148**	**(₱3,584)**	**(₱8,359)**	**₱288,702**	**-**	**₱8,570**	**₱297,272**
Balance, January 1, 2018, as previously reported	**₱63,603**	**₱42,139**	**₱116,786**	**₱1,810**	**(₱46)**	**(₱15,804)**	**₱22**	**(₱4,025)**	**(₱2,530)**	**₱201,955**	**(₱7,400)**	**₱9,535**	**₱204,090**
Effect of PFRS 9 adoption	-	-	(5,174)	-	-	15,144	(62)	-	-	9,908	-	(396)	9,512
Balance, January 1, 2018, as restated	**63,603**	**42,139**	**111,612**	**1,810**	**(46)**	**(660)**	**(40)**	**(4,025)**	**(2,530)**	**211,863**	**(7,400)**	**9,139**	**213,602**
Total comprehensive income (loss) for the period	-	-	5,856	-	-	(1,034)	(85)	(39)	938	5,636	-	643	6,279
Transfer to surplus reserves	-	-	(36)	36	-	-	-	-	-	-	-	-	-
Cash dividends	-	-	(3,180)	-	-	-	-	-	-	(3,180)	-	(31)	(3,211)
Disposal of Parent Company shares held by mutual fund subsidiaries	-	-	-	-	1	-	-	-	-	1	-	-	1
Parent Company shares held by a mutual fund subsidiary	-	-	-	-	(8)	-	-	-	-	(8)	-	-	(8)
Balance, March 31, 2018	**₱63,603**	**₱42,139**	**₱114,252**	**₱1,846**	**(₱53)**	**(₱1,694)**	**(₱125)**	**(₱4,064)**	**(₱1,592)**	**₱214,312**	**(7,400)**	**₱9,751**	**₱216,663**

Capital Stock of the Parent Company consists of (Note 10 of Annex 5):
* **COMMON STOCK** at ₱20 par value
Authorized - 4,000,000,000 shares as of March 31, 2019 and 2018, respectively
Issued - 3,980,015,036 and 3,180,172,786 shares as of March 31, 2019 and 2018, respectively

PREFERRED STOCK at ₱20 par value
Authorized - 1,000,000,000 shares

ANNEX 4

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

	(Unaudited)	
	Quarters Ended March 31	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income before income tax	₱ **8,695**	₱ 7,982
Adjustments for :		
Provision for credit and impairment losses	**2,402**	1,860
Trading and securities gain on FVOCI investments	**(50)**	(64)
Depreciation and amortization	**886**	902
Share in net income of associates and a joint venture	**(348)**	(156)
Profits from assets sold	**(119)**	(601)
Net unrealized market valuation loss (gain) on financial assets at FVTPL	**233**	(3,507)
Gain on foreclosure of real estate and chattel	**(140)**	(244)
Amortization of software cost	**144**	124
Accretion of discount on subordinated debt and bonds payable	**30**	11
Dividends	**(34)**	(45)
Changes in operating assets and liabilities:		
Decrease (increase) in the amounts of :		
FVTPL	**(27,676)**	10,079
Loans and receivables	**28,761**	4,777
Other assets	**(3,603)**	(5,252)
Increase (decrease) in the amounts of:		
Deposit liabilities	**24,282**	24,819
Bills payable-deposit liabilities	**(2,681)**	(7,036)
Manager's checks and demand drafts outstanding	**(697)**	(1,678)
Accrued interest and other expenses	**(784)**	(44)
Non-equity non-controlling interest	**120**	(604)
Other liabilities	**2,458**	(12,271)
Net cash used in operations	**31,879**	19,052
Dividends received	**34**	45
Income taxes paid	**(2,050)**	(2,116)
Net cash provided by operating activities	**29,863**	16,981
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
FVOCI investments	**(89,326)**	(29,035)
Investments securities at amortized cost	**(192)**	(13,736)
Property and equipment	**(719)**	(772)
Proceeds from sale of:		
FVOCI investments	**56,915**	34,654
Property and equipment	**133**	285
Investment properties	**338**	749
Liquidating dividends from an associate	**-**	180
Increase in interbank loans receivable and securities purchased under resale agreements	**1,406**	87
Proceeds from maturity of HTC investments	**57**	1,750
Net cash used in investing activities	**(31,388)**	(5,838)
CASH FLOWS FROM FINANCING ACTIVITIES		
Settlements of bills payable	**(1,162,812)**	(1,267,980)
Availments of bills payable and securities sold under repurchase agreement	**1,141,041**	1,237,078
Net proceeds from issuance of shares of stock	**-**	(3,211)
Cash dividends paid	**(4,013)**	-
Proceeds from disposal of Parent Company shares by mutual fund subsidiaries	**-**	1
Acquisition of Parent Company shares by a mutual fund subsidiariy	**(1)**	(8)
Net cash used in financing activities	**(25,785)**	(34,120)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(27,310)**	(22,977)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		
Cash and other cash items	**33,091**	27,631
Due from Bangko Sentral ng Pilipinas	**240,134**	261,959
Due from other banks	**45,808**	31,291
Interbank loans receivable and securities purchased under resale agreements	**39,380**	32,736
	358,413	353,617
CASH AND CASH EQUIVALENTS AT END OF PERIOD		
Cash and other cash items	**23,678**	24,059
Due from Bangko Sentral ng Pilipinas	**225,017**	245,848
Due from other banks	**49,878**	37,230
Interbank loans receivable and securities purchased under resale agreements	**32,530**	23,503
	₱ **331,103**	₱ 330,640

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

1. Corporate Information

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

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

The Bank and its subsidiaries (the Group) are engaged in all aspects of banking, financing, leasing, real estate and stock brokering through a network of over 2,000 local and international branches, subsidiaries, representative offices, remittance correspondents and agencies. The Bank provides services such as deposit products, loans and trade finance, domestic and foreign fund transfers, treasury, foreign exchange, trading and remittances, 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

<u>Basis of Preparation</u>
The accompanying condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. Accordingly, the condensed consolidated financial statements do not include all of the information and disclosures required in the annual audited financial statements and should be read in conjunction with the Groups' annual audited financial statements as at December 31, 2018.

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

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

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

<u>Statement of Compliance</u>
The condensed consolidated financial statements have been prepared in compliance with the Philippine Financial Reporting Standards (PFRS).

<u>Presentation of Financial Statements</u>
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 interim condensed consolidated financial statements include the financial statements of the Bank and of its subsidiaries and are prepared for the same reporting period as the Bank using consistent accounting policies.

The following are the wholly and majority-owned foreign and domestic subsidiaries of the Bank as of March 31, 2019:

Subsidiary	Effective Percentage of Ownership	Country of Incorporation	Functional Currency
Financial Markets:			
Domestic:			
Metrobank Card Corporation (A Finance Company and General Insurance Agency) (MCC)	100.00	Philippines	PHP
First Metro Investment Corporation (FMIC) and Subsidiaries	99.25	Philippines	PHP
Philippine Savings Bank (PSBank)	88.38	Philippines	PHP
ORIX Metro Leasing and Finance Corporation (ORIX Metro) and Subsidiaries	59.85	Philippines	PHP
Foreign:			
Metropolitan Bank (China) Ltd (MBCL)	100.00	China	Chinese Yuan
Metropolitan Bank (Bahamas) Limited (Metrobank Bahamas)**	100.00	The Bahamas	United States Dollar (USD)
First Metro International Investment Company Limited (FMIIC) and Subsidiary	100.00	Hong Kong	Hong Kong Dollar (HKD)
Remittances:			
Metro Remittance (Hong Kong) Limited	100.00	Hong Kong	HKD
Metro Remittance (Singapore) Pte. Ltd.	100.00	Singapore	Singapore Dollar
Metro Remittance (UK) Limited	100.00	United Kingdom	Great Britain Pound
Metro Remittance (USA), Inc. (MR USA)	100.00	United States of America (USA)	USD
Metro Remittance (Japan) Co., Ltd.	100.00	Japan	Japanese Yen
Metro Remittance (Italia), S.p.A. *	100.00	Italy	Euro
Real Estate:			
Circa 2000 Homes, Inc. *	100.00	Philippines	PHP
Others:			
Philbancor Venture Capital Corporation *	60.00	Philippines	PHP
MBTC Technology, Inc. **	100.00	Philippines	PHP

* In process of dissolution.
** In process of liquidation.

Investment in MCC

On October 18, 2017, the Parent Company's BOD approved and the Parent Company has entered into an agreement with its JV partner ANZ Funds Pty. Ltd. (ANZ) to: (a) purchase 20% of MCC for a consideration of ₱7.4 billion upon the approval of the BSP of the transaction, and (b) grant ANZ the option to sell the remaining 20% of MCC to the Parent Company at the same consideration of ₱7.4 billion ("Put Option") which can be exercised at any time within the period beginning July 10, 2018 until September 2018 ("Option Exercise Period"). If in the ordinary course of business, MCC pays dividend to the stockholders during the Option Exercise Period, ANZ will exercise the Put Option by serving an exercise notice ("Exercise Notice") to the Parent Company within ten (10) banking days of receiving that dividend ("Dividend Exercise Period"). If ANZ fails to serve an Exercise Notice by the end of the Dividend Exercise Period, the Put Option is deemed exercised by ANZ on the end of the Dividend Exercise Period. On December 28, 2017, the BSP approved the acquisition of 40% of MCC. With this BSP approval, the purchase of the 20% stake in MCC is deemed completed for accounting purposes and the Parent Company recognized an increase in its investment in MCC in its December 31, 2017 financial statements. This 20% acquisition was completed on January 8, 2018 ("first tranche"). The remaining 20% interest in MCC was completed on September 4, 2018 ("second tranche"). In the consolidated financial statements, the Group recognized equity reserves (included in "Translation adjustment and others") for the difference between the acquisition price and the acquired NCI amounting to ₱4.7 billion (for the first tranche) and ₱5.1 billion (for the second tranche).

On March 13, 2019, the BOD of the Parent Company and MCC approved the proposal to merge MCC into the Parent Company. The proposed transaction will unlock the value of MCC and help realize the following objectives: (1) improve synergy and cross-sell; (2) increase the profitability and improve capital efficiency; and (3) enable the Parent Company to be more competitive in the credit card business. This shall be subject to receipt of regulatory and stockholders' approval.

Investment in PSBank
On January 11, 2019, PSBank concluded its ₱8.0 billion SRO, involving 142,856,925 common shares priced at ₱56.00 per share and listed at the PSE on January 18, 2019. This was approved by the BOD of PSBank on October 15, 2018 and noted by the BSP on October 19, 2018. The Parent Company exercised its rights to purchase thus increasing its ownership in PSBank to 88.38%.

Investment in Metobank Bahamas
On April 17, 2018, Metrobank Bahamas has advised The Central Bank of The Bahamas (CBTB) of its intention to discontinue its operations effective June 30, 2018. On October 11 and 12, 2018, it has surrendered its securities and banking licenses, respectively, to CBTC and has been placed into a voluntary 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. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Control is achieved where the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Consolidation of subsidiaries ceases when control is transferred out of the Group or the Parent Company. The results of subsidiaries acquired or disposed of during the period, if any, are included in the interim condensed consolidated statement of income and interim condensed consolidated statement of comprehensive income from the date of acquisition or up to the date of disposal, as appropriate.

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

When a change in ownership interest in a subsidiary occurs which results in a loss of control over the subsidiary, the Parent Company:
- derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- derecognizes the carrying amount of any non-controlling interest;
- derecognizes the related other comprehensive income recorded in equity and recycles the same to statement of income or retained earnings;
- recognizes the fair value of the consideration received;
- recognizes the fair value of any investment retained;
- recognizes any surplus or deficit in statement of income; and
- reclassifies the Parent Company's share of components' gain (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 36.36% of the total shares of the Bank as of March 31, 2019 and December 31, 2018.

Investments in Associates
On October 7, 2016, the BOD and stockholders of SMBC Metro Investment Corporation (SMBC Metro), an associate, 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 of SMBC Metro and its

application for withdrawal of its secondary license as an Investment House was approved by the SEC on November 25, 2016 and January 31, 2017, respectively. On March 2, 2018, the Board of Liquidating Trustees of SMBC Metro declared the liquidation of its entire paid-up capital to its stockholders on record as of December 31, 2017 due to the expiration of its corporate term on the same date. On March 28, 2018, the Bank received a total amount of ₱180 million representing partial liquidation (Note 11).

Other Equity Reserves

Other equity reserves represents the charge to equity for an obligation of the Group to purchase their own equity instruments for cash which gives rise to a financial liability even if the obligation to purchase is conditional on the counterparty exercising a right to sell.

Non-Controlling Interest

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

Non-equity Non-controlling Interest

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

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

Changes in Accounting Policies

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the audited annual consolidated financial statements as of and for the year ended December 31, 2018, except for the adoption of PFRS 16 *Leases* effective January 1, 2019.

PFRS 16 *Leases*

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. Except for the additional disclosures required, PFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted PFRS 16 using the modified retrospective approach with certain transition reliefs. As of January 1, 2019, adoption of PFRS 16 resulted to an increase in Property and Equipment and Other Liabilities of ₱4.2 billion.

Significant Accounting Policies – Financial Instruments

Fair Value Measurement

The Group measures certain financial instruments, such as, derivatives, at fair value at each statement of financial position date. Also, fair values of financial instruments measured at amortized cost and investment properties are disclosed in Note 4.

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

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

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

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

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

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

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

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

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

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

Classification and Subsequent Measurement
Financial assets are measured at FVTPL unless these are measured at FVOCI or at amortized cost. Financial liabilities are classified as either financial liabilities at FVTPL or financial liabilities at amortized cost. The classification of financial assets depends on the contractual terms and the business model for managing the financial assets. Subsequent to initial recognition, the Group may reclassify its financial assets only when there is a change in its business model for managing these financial assets. Reclassification of financial liabilities is not allowed.

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group’s business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios. If cash flows after initial recognition are realized in a way that is different from the Group’s original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

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

Financial assets at FVTPL
These are recorded in the statements of financial position at fair value with changes in fair value recognized in ‘Trading and securities gain (loss) – net’. Interest earned is recorded in ‘Interest Income’ while dividend income is recorded in ‘Dividends’ when the right to receive payment has been established. Included in this classification are debt and equity securities which have been acquired principally for the purpose of selling or repurchasing in the near term.

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

Investment securities at FVOCI
Investment securities at FVOCI include debt and equity securities. After initial measurement, investment securities at FVOCI are subsequently measured at fair value. The unrealized gains and losses arising from the fair valuation of investment securities at FVOCI are excluded, net of tax ass applicable, from the reported

earnings and are included in the statement of comprehensive income as 'Change in net unrealized loss on investment securities at FVOCI'.

Debt securities at FVOCI are those that meet both of the following conditions: (1) the asset is held within a business model whose objective is to hold the financial assets in order to both collect contractual cash flows and sell financial assets; and (ii) the contractual terms of the financial asset give rise on specified dates to cash flow that are SPPI on the outstanding principal amount. The effective yield component of debt securities at FVOCI, as well as the impact of restatement on foreign currency-denominated debt securities at FVOCI is reported in the statement of income. Interest earned on holding debt securities at FVOCI are reported as 'Interest Income' using the effective interest rate (EIR) method. When the debt securities at FVOCI are disposed of, the cumulative gain or loss previously recognized in the statement of comprehensive income is recognized as 'Trading and securities gain (loss) – net' in the statement of income. The ECL arising from impairment of such investments are recognized in OCI with a corresponding charge to 'Provision for credit and impairment losses' in the statement of income.

Equity securities designated at FVOCI are those that the Group made an irrevocable election to present in OCI the subsequent changes in fair value. Dividends earned on holding equity securities at FVOCI are recognized in the statement of income as 'Dividends' when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery part of the cost of the instrument, in which case, such gains are recorded in OCI. Gains and losses on disposal of these equity securities are never recycled to profit or loss, but the cumulative gain or loss previously recognized in the statement of comprehensive income is reclassified to 'Surplus' or any other appropriate equity account upon disposal. Equity securities at FVOCI are not subject to impairment assessment.

Financial assets at amortized cost

Financial assets at amortized cost are debt financial assets that meet both of the following conditions: (1) these are held within a business model whose objective is to hold the financial assets in order to collect contractual cash flows; and (ii) the contractual terms give rise on specified dates to cash flows that are SPPI on the outstanding principal amount. This accounting policy relates to the statement of financial position captions 'Due from BSP', 'Due from other banks', 'Interbank loans receivable and SPURA', 'Investment securities at amortized cost' and 'Loans and receivables'.

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

Financial liabilities at amortized cost

Issued financial instruments or their components, which are not designated at FVTPL, are classified as liabilities under 'Deposit liabilities', 'Bills payable and securities sold under repurchase agreements (SPURA)', 'Bonds payable' or 'Subordinated debts' or other appropriate financial liability accounts, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

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

Financial guarantees and undrawn loan commitments

The Group issues financial guarantees and loan commitments. Financial guarantees are those issued by the Group to creditors as allowed under existing rules and regulations whereby it guarantees third party obligations by signing as guarantor in the contract/agreement. Undrawn loan commitments and letters of credit are commitments under which over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer. The nominal contractual value of financial guarantees and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded in the statement of financial position. These contracts are in the scope of the expected credit loss (ECL) requirements where the Group estimates the expected portion of the undrawn loan commitments that will be drawn over their expected life. The ECL related to financial guarantees and loan commitments without outstanding drawn amounts is recognized in 'Miscellaneous liabilities' under 'Other liabilities'.

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.

<u>Impairment of Financial Assets</u>
The adoption of PFRS 9 effective January 1, 2018 has changed the Group's loss impairment method on financial assets by replacing PAS 39's incurred loss approach with a forward-looking ECL approach which covers all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts.

Overview of the ECL principles
The ECL allowance is based on the credit losses expected to arise on a 12-month duration if there has been no SICR of the financial asset since origination. Otherwise if a SICR is observed, then the ECL estimation is extended until the end of the life of the financial asset. The 12-month ECL represents the losses that result from default events on a financial asset which may happen within 12 months after the reporting date. The Lifetime ECL on the other hand represents the losses that result from default events on a financial asset which may happen over its life. Both Lifetime ECLs and 12-month ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The major portfolios of financial assets identified upon initial analysis of the Group's credit exposure are loan receivables, treasury accounts, and other receivables. Loan receivables may be availed by specific individuals, corporations or organizations. Hence, these portfolios can be further segmented to commercial and consumer portfolios. After segmentation, financial assets are grouped into Stage 1, Stage 2, and Stage 3 as described below.

Definition of "default" and "cure"
The Group defines a financial instrument as in default, which is fully aligned with the definition of credit impaired, in all cases when the borrower becomes 31 days past due on its contractual payments. As a part of a qualitative assessment of whether a customer is in default, the Group also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted. An instrument is considered to be no longer in default (i.e. to have cured) when it no longer meets any of the default criteria and has exhibited a satisfactory track record.

Treasury exposures are considered in default upon occurrence of a credit event such as but not limited to bankruptcy of counterparty, restructuring, failure to pay on agreed settlement date, or request for moratorium.

SICR
In order to determine whether an instrument is subject to 12-month or Lifetime ECL, the Group assesses whether there has been a SICR since initial recognition. The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in probabilities of default and qualitative factors, including a backstop based on delinquency. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Group's internal credit assessment, the borrower or counterparty is determined to have well-defined credit weaknesses. These may include adverse trends or developments of financial, managerial, economic or political nature, or a significant weakness in collateral. Credit weakness may be manifested by unfavorable record or unsatisfactory characteristics or may only be potential that deserves management's close attention and may lead to significant losses or may result in collection or liquidation of the outstanding loan amount to be highly improbable. For exposures without internal credit grades, if contractual payments are more than a specified days past due threshold, the credit risk is deemed to have increased significantly since initial recognition. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. In subsequent reporting periods, if the credit risk of the financial asset improves such that there is no longer a SICR since initial recognition, the Group shall revert to recognizing a 12-month ECL.

Staging assessment
For non-credit-impaired financial assets:

- Stage 1 is comprised of all non-impaired financial assets which have not experienced a SICR since initial recognition. The Group recognizes a 12-month ECL for Stage 1 financial assets.

- Stage 2 is comprised of all non-impaired financial assets which have experienced a SICR since initial recognition. The Group recognizes a lifetime ECL for Stage 2 financial assets.

For credit-impaired financial assets:
- Financial assets are classified as Stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a financial asset or a portfolio of financial assets. The ECL model requires a lifetime ECL for impaired financial assets.

Financial assets that are credit-impaired on initial recognition are classified as purchased or originated credit-impaired (POCI) assets. These are recorded at fair value at original recognition and interest income is subsequently recognized based on a credit-adjusted EIR. ECL is only recognized or released to the extent that there is a subsequent change in the ECLs. POCI assets pertain to loans purchased by the Parent Company from MBCL.

Assessment of ECL on a collective basis
The Group calculates ECL either on an individual or a collective basis. The Group performs collective impairment by grouping exposures into smaller homogenous portfolios based on a combination of borrower and account characteristics. Accounts with similar risk attributes (i.e. facility, security, credit rating, months-on-books, utilization and collateral type, etc.) are pooled together for calculating provisions based on the ECL models.

ECL parameters and methodologies
ECL is a function of the probability of default (PD), exposure-at-default (EAD), and loss-given default (LGD), with the timing of the loss also considered, and is estimated by incorporating forward-looking economic information and through the use of experienced credit judgement.

The PD represents the likelihood that a credit exposure will not be repaid and will go into default in either a 12-month horizon for Stage 1 or lifetime horizon for Stage 2. The PD for each individual financial asset is modelled based on historical data and is estimated based on current market conditions and reasonable and supportable information about future economic conditions. The Group segmented its credit exposures based on homogenous risk characteristics and developed a corresponding PD methodology for each portfolio. The PD methodology for each relevant portfolio is determined based on the underlying nature or characteristic of the portfolio, behavior of the accounts and materiality of the segment as compared to the total portfolio.

EAD consists of the amortized cost and any accrued interest receivable. For off-balance sheet and undrawn committed amounts, EAD includes a credit conversion factor which is an estimate of any further amount to be drawn at the time of default.

LGD is the amount that may not be recovered in the event of default and is modelled based on historical cash flow recovery and reasonable and supportable information about future economic conditions, where appropriate. LGD takes into consideration the amount and quality of any collateral held.

The Group applies a simplified ECL approach for its accounts receivables wherein the Group uses a provisioning matrix that considers historical changes in the behavior of the portfolio to predict conditions over the span of a given observation period.

MCC offers credit card facilities, in which MCC has the right to cancel and/or reduce the facilities with one-day notice. MCC does not limit its exposure to credit losses to the contractual notice period, but instead, calculates ECL over a period that reflects MCC's expectations of the customers' behavior, their likelihood of default, and MCC's future risk mitigation procedures, which could include reducing or cancelling the facilities. Based on past experience and MCC's expectations, the period over which MCC calculates ECL for these products is two years. The interest rate used to discount the ECL for credit cards is based on interest rates derived using the capital asset pricing model. These rates are also used to discount future recoveries over a period of five years as these cover the cost of securing an equivalent fund.

Forward-looking information
The Group incorporates forward-looking information into both its assessment of whether the credit risk of a financial asset has increased significantly since its initial recognition and its measurement of ECL. A broad range of forward-looking information are considered as economic inputs, such as growth of the gross domestic product, inflation rates, unemployment rates, interest rates and BSP statistical indicators. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

Debt investment securities measured at FVOCI
The ECL for debt securities at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortized cost is recognized in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognized in OCI is recycled to profit or loss upon derecognition of these financial assets.

Restructured Loans
Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews and monitors restructured loans until derecognition to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR. The difference between the recorded value of the original loan and the present value of the restructured cash flows, discounted at the original EIR, is recognized in 'Provision for credit and impairment losses' in the statement of income. Beginning January 1, 2018, when the loan has been restructured but not derecognized, the Group also reassesses whether there has been a SICR and considers whether the assets should be classified as Stage 3. If the restructuring terms are substantially different, the loan is derecognized and a new 'asset' is recognized at fair value using the revised EIR.

Standards Issued but not yet Effective

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

Effective beginning on or after January 1, 2020
Amendments to PFRS 3, *Business Combinations – Definition of a Business*
The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business. An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted. These amendments will apply to future business combinations of the Group.

Amendments to PAS 1, *Presentation of Financial Statements,* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*
The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements. An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective beginning on or after January 1, 2021

PFRS 17, *Insurance Contracts*
PFRS 17 provides updated information about the obligation, risks and performance of insurance contracts, increases transparency in financial information reported by insurance companies, and introduces consistent accounting for all insurance contracts based on a current measurement model. The standard is effective for annual periods beginning on or after January 1, 2021. Early application is permitted but only if the entity also applies PFRS 9 *Financial Instruments* and PFRS 15 *Revenue from Contracts with Customers*.

Deferred effectivity

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

3. Financial Risk Management

Compared with December 31, 2018, there have been no changes in the financial risk exposures that materially affect the financial statements of the Group as of March 31, 2019. The Group has exposures to the following risks from its use of financial instruments: (a) credit; (b) liquidity; and (c) market risks. Related discussions below should be read in conjunction with Note 4, Financial Risk and Capital Management, of the Group's 2018 audited financial statements.

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

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

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

Credit Risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties, related groups of borrowers, for market segmentation, and industry concentrations, and by monitoring exposures in relation to such limits, among others. The same is true for treasury-related activities. Each business unit is responsible for the quality of its credit portfolio and for monitoring and controlling all credit risks in its portfolio. Regular reviews and audits of business units and credit processes are undertaken by RSK and Internal Audit Group, respectively.

Liquidity Risk

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

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

The MCO is generated by distributing the cash flows of the Bank's assets, liabilities and off-balance sheet items to time bands based cash flow expectations such as contractual maturity, nature of the account, behavioral patterns, projections on business strategies, and/or optionality of certain products. The incorporation of behavioral cash flow assumptions and business projections or targets results in a dynamic gap report which realistically captures the behavior of the products and creates a forward-looking cash flow projection.

Cash flows from assets are considered as cash inflows, while cash flows from liabilities are considered cash outflows. The net cash flows are determined for each given time period. If the inflows exceed the outflows, the Group is said to have a positive liquidity gap or excess funds for the given time bucket. Conversely, if the outflows exceed the inflows, the Group is said to have a negative liquidity gap or funding need for the given time bucket.

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

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

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. It is managed by segregating the balance sheet into a trading book and a banking book. ALCO, chaired by the President, is the senior review and decision-making body for the management of all related market risks. A set of risk limits is enforced to properly monitor and manage market risks. The risk limits are approved by the BOD. 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.

As part of group supervision, 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 Value-at-Risk (VaR) and Earnings-at-Risk (EaR).

To the extent possible, the risk management framework used in monitoring and controlling market risk of the Parent Company, are aligned across the Group. While the Parent Company sets the said framework, each institution has its own risk management unit responsible in monitoring the market risk exposure of their institution.

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

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

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

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

Stress testing is performed by the Parent Company on a quarterly basis and the results are reported to the ALCO and, subsequently, to the ROC and BOD. On a Group-wide perspective, stress testing is done, at least, on an annual basis. The results are reported by the Parent Company's Risk Management Group to the BOD through ROC. Furthermore, the results and contagion effects relevant to the specific institution will be reported by the institutions Risk Management Unit to their respective Senior Management and Board-level ROC.

Market Risk - Banking Book
The Parent Company and its Subsidiaries have in place their risk management system and processes to quantify and manage their respective market risks in the banking book.

The Group assesses interest rate risk in the banking book using measurement tools such as Interest Rate Repricing Gap, Earnings-at-Risk (EaR), Delta Economic Value of Equity (ΔEVE) and Sensitivity Analysis.

Interest Rate Repricing Gap is a tool that distributes rate-sensitive assets and liabilities into pre-defined tenor buckets according to time remaining to their maturity (if fixed rate) or repricing (if floating rate). Items lacking definitive repricing schedule (e.g., current and savings account) and items with actual maturities that could vary from contractual maturities (e.g., securities with embedded options) are assigned to repricing tenor buckets based on analysis of historical patterns, past experience and/or expert judgment.

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

EaR methodology assumptions and parameter
The Parent Company and its Subsidiaries calculate EAR using Historical Simulation (HS) approach, with 1 year horizon and using 5 years data. EaR is then derived as the 99th percentile biggest drop in Net interest income (NII).

The Parent Bank generates and monitors daily its EaR exposure. The subsidiaries generate at least monthly their respective EaR reports.

In addition to EAR, the Parent Company uses ΔEVE to measure changes in the net present value of its Banking Book at different interest rates shocks and stress scenarios. It reflects changes in the economic value of equity over the remaining life of the assets and liabilities, i.e. run-off assumption. ΔEVE is calculated by slotting the notional repricing cash flows arising from rate-sensitive assets and liabilities into pre-defined tenor buckets. The present value of the net repricing cash flows is then calculated using various interest rate scenarios prescribed by Basel and internally developed by the Parent Company.

Aside from the EaR and ΔEVE, the Parent Company and its subsidiaries perform regular sensitivity and stress testing analysis on its Banking Book to further broaden its forward looking analysis. This way, management can craft strategies to address and/or arrest probable risks, if necessary.

Foreign currency risk
Foreign exchange risk is the probability of loss to earnings or capital arising from changes in foreign exchange rates. Foreign currency liabilities generally consist of foreign currency deposits in the Group's FCDU account. Foreign currency deposits are generally used to fund the Group's foreign currency-denominated loan and investment portfolio in the FCDU. Banks are required by the BSP to match the foreign currency liabilities with the foreign currency assets held in FCDUs. Per BSP Circular 946, effective January 1, 2018, the liquid asset cover requirements for FCDU/EFCDU liabilities is at zero percent. Further, starting January 1, 2018, UBs/KBs may maintain the foreign currency cover in any foreign currency acceptable with the BSP. Outside the FCDU, the Group has additional foreign currency assets and liabilities in its foreign branch network. The Group's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines.

4. Fair Value Measurement

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

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

Investment securities - Fair values of debt securities (financial assets at FVTPL, FVOCI and at amortized cost) and equity investments are generally based on quoted market prices. Where the debt securities are not quoted or the market prices are not readily available, the Group obtained valuations from independent parties offering pricing services, used adjusted quoted market prices of comparable investments, or applied discounted cash flow methodologies. For equity 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, Foreign Exchange (FX) rates, Credit Default Swap (CDS) rates, FX volatilities and spot and forward FX rates) and are implemented through validated calculation engines.

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

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

Non-financial Asset

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 their current use.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy as described in Note 2, except for those financial assets and financial liabilities whose carrying amount is a reasonable approximation of fair value.

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

	March 31, 2019 (Unaudited)				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Assets Measured at Fair Value					
Financial Assets					
Financial assets at FVTPL					
FVTPL investments					
Debt securities					
Government	₱20,295	₱20,295	₱-	₱-	₱20,295
Private	9,136	9,136	-	-	9,136
Treasury bills	1,024	1,024	-	-	1,024
Treasury notes and bonds	19,252	19,252	-	-	19,252
	49,707	49,707	-	-	49,707
Equity securities					
Quoted	7,013	7,013	-	-	7,013
Derivative assets					
Currency forwards	1,040	-	1,040	-	1,040
Interest rate swaps	680	-	680	-	680
Cross currency swaps	7,376	-	7,376	-	7,376
Put option	2	-	2	-	2
Call option	5	-	5	-	5
	9,103	-	9,103	-	9,103
	65,823	56,720	9,103	-	65,823

	March 31, 2019 (Unaudited)				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
FVOCI investments					
Debt securities					
Government	38,642	38,245	397	-	38,642
Private	43,296	36,065	7,231	-	43,296
Treasury bills	3,225	3,225	-	-	3,225
Treasury notes and bonds	61,345	61,345	-	-	61,345
	146,508	138,880	7,628	-	146,508
Equity securities	1,185	981	204	-	1,185
	147,693	139,861	7,832	-	147,693
	₱213,516	₱196,581	₱16,935	₱-	₱213,516
Assets for which Fair Values are Disclosed					
Financial Assets					
HTC investments					
Government	₱21,784	₱21,528	₱-	₱-	₱21,528
Private	6,034	5,731	-	-	5,731
Treasury bills	176	176	-	-	176
Treasury notes and bonds	237,099	219,558	-	-	219,558
	265,093	246,993	-	-	246,993
Loans and receivables - net					
Receivables from customers					
Commercial loans	946,574	-	-	949,676	949,676
Residential mortgage loans	107,152	-	-	129,639	129,639
Auto loans	117,330	-	-	138,845	138,845
Trade	65,073	-	-	65,073	65,073
Others	105,102	-	-	105,247	105,247
	1,341,231	-	-	1,388,480	1,388,480
Unquoted debt securities	632	-	-	644	644
Sales contract receivable	181	-	-	189	189
	1,342,044	-	-	1,389,313	1,389,313
Other assets					
Residual value of leased assets	1,117	-	-	1,009	1,009
Miscellaneous	178	-	-	249	249
	1,295	-	-	1,258	1,258
	1,608,432	246,993	492	1,390,571	1,637,564
Non-financial assets					
Investment properties	7,461	-	-	13,189	13,189
	₱1,615,893	₱246,993	₱492	₱1,403,760	₱1,650,753
Liabilities Measured at Fair Value					
Financial Liabilities					
Derivative liabilities					
Currency forwards	₱815	₱-	₱815	₱-	₱815
Interest rate swaps	1,695	-	1,695	-	1,695
Cross currency swaps	3,112	-	3,112	-	3,112
Put option	1	-	1	-	1
Call option	6	-	6	-	6
	₱5,629	₱-	₱5,629	₱-	₱5,629
Liabilities for which Fair Values are Disclosed					
Financial Liabilities					
Deposit liabilities					
Time	₱579,074	₱-	₱-	₱581,983	₱581,983
LTNCD	43,729	41,688	-	-	41,688
	622,803	41,688	-	581,983	623,671
Bills payable and SSURA	235,155	-	-	261,805	261,805
Bonds payable	30,763	28,023	-	2,948	30,971
Subordinated debts	26,628	22,261	-	3,568	25,829
Other liabilities					
Notes payable	2,600	-	-	2,852	2,852
Deposits on lease contracts	1,653	-	-	1,381	1,381
	₱919,602	₱91,972	₱-	₱854,537	₱946,509

	December 31, 2018 (Audited)				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets Measured at Fair Value					
Financial Assets					
Financial assets at FVTPL					
HFT investments					
Debt securities					
Private	₱9,257	₱9,257	₱-	₱-	₱9,257
Government	6,247	6,247	-	-	6,247
Treasury notes and bonds	4,285	4,285	-	-	4,285
Treasury bills	2,642	2,642	-	-	2,642
BSP	2	2	-	-	2
	22,433	22,433	-	-	22,433
Equity securities					
Quoted	6,605	6,605	-	-	6,605
Derivative assets					
Cross currency swaps	8,222	-	8,222	-	8,222
Currency forwards	1,223	-	1,223	-	1,223
Interest rate swaps	1,205	-	1,205	-	1,205
Put option	1	-	1	-	1
	10,651	-	10,651	-	10,651
	39,689	29,038	10,651	-	39,689
Investments securities at FVOCI					
Debt securities					
Private	42,369	36,498	5,871	-	42,369
Treasury notes and bonds	40,786	40,786	-	-	40,786
Government	27,004	26,610	394	-	27,004
	110,159	103,894	6,265	-	110,159
Equity Securities	1,129	945	184	-	1,129
	111,288	104,839	6,449	-	111,288
	₱150,977	₱133,877	₱17,100	₱-	₱150,977
Assets for which Fair Values are Disclosed					
Financial Assets					
Investment securities at amortized cost					
Treasury notes and bonds	₱237,464	₱202,537	₱-	₱-	₱202,537
Government	21,823	20,700	-	-	20,700
Private	6,040	5,654	-	-	5,654
Treasury bills	49	49	-	-	49
	265,376	228,940	-	-	228,940
Loans and receivables-net					
Receivables from customers					
Commercial loans	977,404	-	-	975,343	975,343
Auto loans	117,309	-	-	138,227	138,227
Residential mortgage loans	107,079			128,752	128,752
Trade loans	62,786	-	-	62,786	62,786
Others	106,014	-	-	106,910	106,910
	1,370,592	-	-	1,412,018	1,412,018
Unquoted debt securities	632	-	-	635	635
Sales contract receivable	156	-	-	196	196
	1,371,380	-	-	1,412,849	1,412,849
Other assets					
Residual value of leased assets	1,130	-	-	1,006	1,006
Miscellaneous	207	-	-	315	315
	1,337	-	-	1,321	1,321
	1,638,093	228,940	-	1,414,170	1,643,110
Non-financial assets					
Investment properties	7,500	-	-	14,224	14,224
	₱1,645,593	₱228,940	₱-	₱1,428,394	₱1,657,334

	December 31, 2018 (Audited)				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Liabilities Measured at Fair Value					
Financial Liabilities					
Financial liabilities at FVTPL					
Derivative liabilities					
Cross currency swaps	₱3,857	₱-	₱3,857	₱-	₱3,857
Currency forwards	1,388	-	1,388	-	1,388
Interest rate swaps	1,290	-	1,290	-	1,290
Put option	2	-	2	-	2
Non-equity non-controlling interest	6,747	-	6,747	-	6,747
	₱13,284	₱-	₱13,284	₱-	₱13,284
Liabilities for which Fair Values are Disclosed					
Financial Liabilities					
Deposit liabilities					
Time	₱548,019	₱-	₱-	₱548,837	₱548,837
LTNCD	43,790	40,354	-	-	40,354
	591,809	40,354		548,837	589,191
Bills payable and SSURA	259,607	-	-	273,567	273,567
Bonds payable	30,743	28,023	-	2,944	30,967
Subordinated debts	26,618	22,047	-	3,356	25,403
Other liabilities					
Notes payable	2,600	-	-	2,575	2,575
Deposits on lease contract	1,643	-	-	1,376	1,376
	₱913,020	₱90,424	₱-	₱832,655	₱923,079

5. **Segment Information**

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

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

Segment assets are those operating assets that are employed by a segment in its operating activities and that are either directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment liabilities are those operating liabilities that result from the operating activities of a segment and that are either directly attributable to the segment or can be allocated to the segment on a reasonable basis. Interest income is reported net, as management primarily relies on the net interest income as performance measure, not the gross interest income and interest expense. The Group has no significant customers which contributes 10.00% or more of the consolidated revenue net of interest expense. Transactions between segments are conducted at estimated market rates on an arm's length basis. Interest is charged/credited to business segments based on a pool rate which may vary from period to period and which approximates the cost of funds. The following table presents revenue and income information of operating segments presented in accordance with PFRS and segment assets and liabilities as of and for the periods ended March 31, 2019 and 2018.

	Consumer Banking	**Corporate Banking**	**Investment Banking**	**Treasury**	**Branch Banking**	**Others**	**Total**
Period Ended March 31, 2019 (Unaudited)							
Results of Operations							
Net interest income (expense)							
Third party	**₱4,247**	**₱13,191**	**₱-**	**₱1,592**	**(₱1,593)**	**₱664**	**₱18,101**
Intersegment	**(160)**	**(10,588)**	**-**	**1,208**	**9,540**	**-**	**-**
Net interest income after intersegment transaction	**4,087**	**2,603**	**-**	**2,800**	**7,947**	**664**	**18,101**
Non-interest income	**1,637**	**369**	**75**	**1,012**	**1,231**	**1,791**	**6,115**
Revenue - net of interest expense	**5,724**	**2,972**	**75**	**3,812**	**9,178**	**2,455**	**24,216**
Non-interest expense	**3,736**	**1,707**	**6**	**519**	**6,150**	**3,751**	**15,869**
Income (loss) before share in net income of associates and a joint venture	**1,988**	**1,265**	**69**	**3,293**	**3,028**	**(1,296)**	**8,347**
Share in net income of associates and a joint venture	**-**	**23**	**-**	**-**	**-**	**325**	**348**
Provision for income tax	**(503)**	**(80)**	**-**	**(696)**	**(44)**	**(442)**	**(1,765)**
Non-controlling interest in net income of consolidated subsidiaries	**-**	**-**	**-**	**-**	**-**	**(177)**	**(177)**
Net income (loss)	**₱1,485**	**₱1,208**	**₱69**	**₱2,597**	**₱2,984**	**(₱1,590)**	**₱6,753**
Statement of Financial Position							
Total assets	**₱184,861**	**₱1,043,310**	**₱-**	**₱531,222**	**₱147,171**	**₱346,934**	**₱2,253,498**
Total liabilities	**₱67,359**	**₱993,215**	**₱-**	**₱538,212**	**₱243,383**	**₱114,057**	**₱1,956,226**
Other Segment Information							
Capital expenditures	**₱101**	**₱8**	**₱-**	**₱21**	**₱34**	**₱642**	**₱806**
Depreciation and amortization	**₱182**	**₱31**	**₱-**	**₱15**	**₱438**	**₱668**	**₱1,334**
Provision for credit and impairment losses	**₱1,800**	**₱419**	**₱-**	**₱-**	**₱139**	**₱44**	**₱2,402**

	Consumer Banking	Corporate Banking	Investment Banking	Treasury	Branch Banking	Others	Total
Period Ended March 31, 2018 (Unaudited)							
Results of Operations							
Net interest income (expense)							
Third party	₱5,375	₱8,502	₱-	₱2,330	(₱833)	₱729	₱16,103
Intersegment	(85)	(5,934)	-	(1,580)	8,302	(703)	–
Net interest income after intersegment transaction	5,290	2,568	-	750	7,469	26	16,103
Non-interest income	1,642	150	28	706	1,165	2,142	5,833
Revenue - net of interest expense	6,932	2,718	28	1,456	8,634	2,168	21,936
Non-interest expense	3,610	991	3	522	5,733	3,251	14,110
Income (loss) before share in net income of associates and a joint venture	3,322	1,727	25	934	2,901	(1,083)	7,826
Share in net income of associates and a joint venture	-	15	-	-	-	141	156
Provision for income tax	(510)	(105)	-	(692)	(10)	(350)	(1,667)
Non-controlling interest in net income of consolidated subsidiaries	-	–	-	-	–	(459)	(459)
Net income (loss)	₱2,812	₱1,637	₱25	₱242	₱2,891	(₱1,751)	₱5,856
Statement of Financial Position							
Total assets	₱201,861	₱924,552	₱-	₱437,691	₱146,776	₱354,805	₱2,065,685
Total liabilities	₱72,946	₱897,494	₱-	₱462,695	₱225,401	₱190,486	₱1,849,022
Other Segment Information							
Capital expenditures	₱103	₱33	₱-	₱9	₱8	₱693	₱846
Depreciation and amortization	₱149	₱35	₱-	₱5	₱413	₱424	₱1,026
Provision for credit and impairment losses	₱1,744	₱32	₱-	₱-	₱72	₱12	₱1,860

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

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

As of March 31, 2019 and December 31, 2018, total outstanding LTNCDs of the Group amounted to ₱43.73 billion and ₱43.79 billion, respectively. Significant terms of the LTNCDs issued by the Parent Company have been disclosed in the 2018 audited financial statements.

7. Securities Sold Under Repurchase Agreement

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

	March 31, 2019 (Unaudited)		December 31, 2018 (Audited)	
	Transferred Securities	**SSURA**	Transferred Securities	SSURA
Investment securities at				
Amortized cost	**₱103,770**	**₱73,562**	₱111,504	₱70,217
FVOCI	**22,814**	**18,390**	32,166	25,030
FVTPL	**6,430**	**6,073**	-	-
	₱133,014	**₱98,025**	₱143,670	₱95,247

8. Bonds Payable

This account consists of the following scripless fixed rate bonds:

				Carrying value	
Issue Date	Maturity Date	Interest Rate	Face Value	**March 31, 2019 (Unaudited)**	December 31, 2018 (Audited)
Parent Company					
November 9, 2018	November 9, 2020	7.15%	₱10,000	**₱9,945**	₱9,922
December 17, 2018	November 9, 2020	7.15%	18,000	**17,900**	17,904
			28,000	**27,845**	27,826
FMIC					
August 10, 2012	August 10, 2019	5.75%	2,920	**2,918**	2,917
			₱30,920	**₱30,763**	₱30,743

Significant terms of the bonds issued have been disclosed in the 2018 audited financial statements.

9. Subordinated Debts

Details of the Group's subordinated debt follow:

			March 31, 2019 (Unaudited)		December 31, 2018 (Audited)	
	Maturity Date	**Face Value**	**Carrying Value**	**Market Value**	Carrying Value	Market Value
Parent Company						
2024	June 27, 2024	₱16,000	**₱15,994**	**₱15,931**	₱15,987	₱15,813
2025	August 8, 2025	6,500	**6,487**	**6,330**	6,484	6,234
PSBank-2024	August 23, 2024	3,000	**2,982**	**2,387**	2,982	2,243
MCC-2023	December 20, 2023	1,170	**1,165**	**1,181**	1,165	1,113
		₱26,670	**₱26,628**	**₱25,829**	₱26,618	₱25,403

On February 13, 2019, the BOD of the Parent Company approved the exercise of the call option on June 27, 2019 of the Parent Company's ₱16.0 billion 2024 Peso Notes in accordance with its terms and conditions.

Significant terms of the Peso Notes outstanding as of December 31, 2018 have been disclosed in the 2018 audited financial statements.

10. Capital Stock

The movement in issued shares follows:

	Shares		Amount	
	March 31, 2019	**December 31, 2018**	**March 31, 2019**	**December 31, 2018**
Authorized				
Common stock - ₱20.00 par value	**4,000,000,000**	4,000,000,000		
Preferred stock - ₱20.00 par value	**1,000,000,000**	1,000,000,000		
Common stock issued and outstanding				
Balance at beginning of the year	**3,980,015,036**	3,180,172,786	**₱79,600**	₱63,603
Issuance of stock rights	**-**	799,842,250	**-**	15,997
Balance at the end of the period	**3,980,015,036**	3,980,015,036	**₱79,600**	₱79,600

As of March 31, 2019 and December 31, 2018, treasury shares totaling 811,250 and 825,000, respectively, represent shares of the Parent Company held by mutual fund subsidiary of FMIC.

On January 17, 2018, the BOD of the Parent Company approved the SRO by way of issuance of up to a maximum of 819,827,214 common shares to raise additional capital of up to ₱60.0 billion. This was noted by the BSP with the issuance of a letter of no objection to the Rights Issue on January 29, 2018. On April 4, 2018, following the regulatory approvals, the Parent Company concluded the ₱60 billion SRO, involving 799,842,250 common shares with par value of ₱20.00 priced at ₱75.00 per share and listed on the PSE on April 12, 2018. Transaction costs on SRO amounting to ₱878.2 million were charged against 'Capital paid in excess of par value'.

Details of the Bank's cash dividend distributions in 2019 and 2018 follow:

Date of Declaration	Per Share	Total Amount (In Millions)	Record date	Payment date
February 13, 2019	₱1.00	₱3,980	March 1, 2019	March 14, 2019
February 21, 2018	₱1.00	₱3,180	March 8, 2018	March 16, 2018

On February 13, 2019, the BOD of the Parent Company approved the increase in the authorized capital stock of the Parent Company from ₱100.0 billion to ₱140.0 billion and the declaration of a 13% stock dividend equivalent to 517,401,955 shares amounting to ₱10.3 billion representing the minimum 25% subscription and paid-up capital for the increase in the authorized capital stock. These shall be subject to receipt of regulatory approvals and stockholders' approval during the Annual Stockholders' Meeting scheduled on April 24, 2019.

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

Significant information on capital issuances have been disclosed in the 2018 audited financial statements.

11. Related Party Transactions

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

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

The Parent Company has a RPTC and a Related Party Transactions Management Committee (RPTMC), both of which are created to assist the BOD in ensuring that transactions with related parties are reviewed to assess risks and are subjected to appropriate restrictions to ensure that these are conducted at arm's-length terms and that corporate or business resources of the Parent Company are not misappropriated or misapplied. After appropriate review, RPTMC (through RPTC) and RPTC disclose all information and endorses to the BOD with recommendations, the proposed related party transactions. The members of the RPTC are appointed annually by the BOD, composed of at least three (3) Board non-executive members, two (2) of whom should be independent directors, including the Chairperson. Currently, RPTC is composed of three (3) independent directors (including the Committee's Chairman); the head of Internal Audit Group (as Resource Person); and the Compliance Officer (as the Committee Secretary) and meets 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 others sources of comparable products or services. Further, no director or officer participates in any discussion of a related party transaction for which he, she, or any member of his or her immediate family is a related party, except in order to provide material information on the related party transaction to RPTC.

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

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

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 and requires that the total outstanding loans, other credit accommodations and guarantees to each of the bank's/quasi-bank's subsidiaries and affiliates shall not exceed 10.00% 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 March 31, 2019 and December 31, 2018, the total outstanding loans, other credit accommodations and guarantees to each of the Parent Company's subsidiaries and affiliates did not exceed 10.00% of the Parent Company's net worth, and the unsecured portion did not exceed 5.00% of such net worth and the total outstanding loans, other credit accommodations and guarantees to all such subsidiaries and affiliates represent 17.85% and 17.61%, respectively, of the Parent Company's net worth.

Further, BSP issued Circular No. 654 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 March 31, 2019 and December 31, 2018, the Parent Company has no subsidiaries and affiliates engaged in energy and power generation.

Details on significant related party transactions of the Group as of March 31, 2019, December 31 and March 31, 2018 follow (transactions with subsidiaries have been eliminated in the interim condensed consolidated financial statement):

Category	Amount	Terms and Conditions/Nature
Transactions Affecting Statements of Financial Position		
March 31, 2019 (Unaudited)		
Entity with Significant Influence Over the Group		
Outstanding Balance:		
Deposit liabilities*	**₱1,406**	With annual fixed interest rates ranging from 0.00% to 4.00% including time deposits with maturity terms from 7 to 30 days
Bills payable*	**205**	Peso borrowings subject to annual fixed interest rates ranging from 5.5% to 5.75% with maturity terms of 30 to 33 days
Volume:		
Deposit liabilities	**926**	Generally similar to terms and conditions above
Bills payable	**1**	Generally similar to terms and conditions above
Subsidiaries		
Outstanding Balance:		
Interbank loans receivable*	**₱4,115**	Peso and foreign currency-denominated lending which earn annual fixed interest rates ranging from 0.30% to 5.19% with maturity terms from 3 to 181 days with minimal expected credit loss
Receivables from customers*	**17,403**	Unsecured, with minimal expected credit loss With annual fixed interest rates from 3.74% to 5.89% and maturity terms from 3 days to 3 years

Category	Amount	Terms and Conditions/Nature
Accounts receivable	**489**	Non-interest bearing receivables on service fees, underwriting fees, remittance, rental fees and common use service area fees
Derivative assets	**269**	Swaps bought with various terms
Deposit liabilities*	**2,671**	With annual fixed interest rates ranging from 0.00% to 1.25% including time deposits with maturity terms from 3 to 31 days
Bills payable*	**80**	Peso borrowings subject to annual fixed interest rates ranging from 3.42% to 6.00% with maturity terms from 30 to 185 days
Bonds payable*	**81**	Issued by FMIC with interest rate of 5.75% and maturity term of 5 years
Treasury stock	**68**	Parent Company's shares held by FMIC's mutual fund subsidiary
Dividends declared	**311**	Dividend declared by PSBank and MB Bahamas
Volume:		
Interbank loans receivable	**(519)**	Generally similar to terms and conditions above
Receivables from customers	**3,718**	Generally similar to terms and conditions above
Accounts receivable	**156**	Generally similar to terms and conditions above
Deposit liabilities	**(604)**	Generally similar to terms and conditions above
Bills payable	**(47)**	Generally similar to terms and conditions above
Contingent		
Derivatives	**9,324**	Swap bought with various terms
Securities transactions		
Purchases	**1,675**	Outright purchases of investment securities at FVTPL and FVOCI
Sales	**3,648**	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	**6,814**	Outright purchases of foreign currency
Sell	**4,957**	Outright sale of foreign currency
Associates		
Outstanding Balance:		
Receivable from customers*	**₱772**	Unsecured with minimal expected credit loss and annual fixed interest rates ranging from 4.33% to 6.18% and maturity terms from 90 to 360 days
Accounts Receivable	**2**	Non-interest bearing receivable on rental fees
Deposit liabilities*	**1,204**	With annual fixed interest rates ranging from 0.00% to 6.13% including time deposits with maturity terms from 30 days to 45 days
Volume:		
Receivables from customers	**69**	Generally similar to terms and conditions above
Deposit liabilities	**368**	Generally similar to terms and conditions above
Securities transactions		
Outright sales	**440**	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Sell	**10**	Outright sale of foreign currency
Other Related Parties		
Outstanding Balance:		
Receivables from customers*	**₱28,377**	Secured - ₱5.3 billion and unsecured - ₱23.1 billion, with minimal expected credit loss and with annual fixed interest rates ranging from 3.88% to 6.50% and maturity terms from 25 days to 5 years
Accounts receivable	**3**	Credit card receivables; current/non-revolving
Assets held under joint operations	**219**	Parcels of land and former branch sites of the Parent Company contributed to joint operations
Deposit liabilities*	**13,953**	With annual fixed rates ranging from 0.00% to 6.00% including time deposits with maturity terms from 5 to 358 days
Bills payable*	**21**	Peso-denominated borrowings with annual fixed interest rates of 5.75% and maturity terms from 31 to 34 days
Contingent		
Unused commercial LCs	**48**	LC transactions with various terms
Volume:		
Receivables from customers	**(1,095)**	Generally similar to terms and conditions above
Deposit liabilities	**132**	Generally similar to terms and conditions above
Bills payable	**(30)**	Generally similar to terms and conditions above
Securities transactions		
Outright sales	**49**	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	**53**	Outright purchases of foreign currency
Sell	**617**	Outright sale of foreign currency

Category	Amount	Terms and Conditions/Nature
Key Personnel		
Outstanding Balance:		
Receivables from customers	**₱89**	Secured - ₱66.1 million, unsecured - ₱22.7 million, no impairment. With annual fixed interest rate ranging from 0.00% to 10.00% and maturity terms from 1 to 15 years
Deposit liabilities	**189**	With various terms and with minimum annual interest rate of 0.00%
Volume:		
Receivables from customers	**4**	Generally similar to terms and conditions above
Deposit liabilities	**23**	Generally similar to terms and conditions above
December 31, 2018 (Audited)		
Entity with Significant Influence Over the Group		
Outstanding Balance:		
Deposit liabilities*	**₱480**	With annual fixed interest rates ranging from 0.00% to 4.00% including time deposits with maturity terms from 21 to 30 days
Bills payable*	**204**	Peso borrowings subject to annual fixed interest rate ranging from 4.25% to 4.38% with maturity term of 45 days
Volume:		
Deposit liabilities	**464**	Generally similar to terms and conditions above
Bills payable	**204**	Generally similar to terms and conditions above
Subsidiaries		
Outstanding Balance:		
Interbank loans receivable*	**₱4,634**	Foreign currency-denominated lending which earn annual fixed interest rates ranging from 2.61% to 3.54% with maturity terms from 32 days to 184 days with minimal expected credit loss
Receivables from customers*	**13,685**	Unsecured, with expected credit loss of ₱3.0 million; with annual fixed interest rates ranging from 3.43% to 5.45% and maturity terms from 5 days to 3 years
Accounts receivable	**333**	Non-interest bearing receivables on service fees, underwriting fees, remittance, rental fees and common use service area fees
Derivative assets	**118**	Fair value of forward and swaps bought with various terms
Deposit liabilities*	**3,275**	With annual fixed interest rates ranging from 0.00% to 1.25% including time deposits with maturity terms from 5 to 31 days
Bills payable*	**127**	Peso borrowings subject to annual fixed interest rates ranging from 4.00% to 6.25% with maturity terms from 30 to 185 days
Bonds payable*	**81**	Issued by FMIC with interest rate of 5.75% and maturity term of 5 years
Treasury stock	**67**	Parent Company’s shares held by FMIC’s mutual fund subsidiary
Dividends declared	**2,255**	Dividends declared by PSBank, MCC and MB Bahamas
Volume:		
Interbank loans receivable	**1,195**	Generally similar to terms and conditions above
Receivables from customers	**13,450**	Generally similar to terms and conditions above
Accounts receivable	**(167)**	Generally similar to terms and conditions above
Deposit liabilities	**(3,936)**	Generally similar to terms and conditions above
Bills Payable	**(761)**	Generally similar to terms and conditions above
Treasury stock	**10**	Proceeds from disposal of Parent Company’s shares held by FMIC’s mutual fund subsidiaries
Contingent		
Derivatives	**989**	Swap bought with various terms
Securities transactions		
Purchases	**7,040**	Outright purchases of investment securities at FVTPL and FVOCI
Sales	**13,715**	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	**43,162**	Outright purchases of foreign currency
Sell	**37,744**	Outright sale of foreign currency

Category	Amount	Terms and Conditions/Nature
Associates		
Outstanding Balance:		
Receivable from customers *	**₱703**	Unsecured with expected credit loss of ₱0.01 million; with annual fixed interest rate ranging from 4.33% to 6.18% and maturity terms from 346 to 360 days
Accounts receivable	**2**	Non-interest bearing receivable on rental fees
Investment in associates	**180**	Liquidating dividends from SMBC Metro
Deposit liabilities*	**836**	With annual fixed interest rates ranging from 0.00% to 3.38% including time deposits with maturity terms from 31 to 36 days
Dividends declared	**10**	Dividends declared by NLI
Volume:		
Receivable from customers	**703**	Generally similar to terms and conditions above
Deposit liabilities	**(289)**	Generally similar to terms and conditions above
Securities transactions		
Outright sales	**1,561**	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	**1,924**	Outright purchases of foreign currency
Sell	**1,054**	Outright sale of foreign currency
Other Related Parties		
Outstanding Balance:		
Receivables from customers*	**₱29,472**	Secured - ₱5.2 billion and unsecured - ₱24.2 billion, with expected credit loss of ₱3.1 million; with annual fixed interest rates ranging from 3.88% to 6.00% and maturity terms from 14 days to 5 years
Accounts receivable	**3**	Credit card receivables, current and non-revolving
Assets held under joint operations	**219**	Parcels of land and former branch sites of the Parent Company contributed to joint operations
Deposit liabilities*	**13,821**	With annual fixed rates ranging from 0.00% to 4.00% including time deposits with maturity terms from 6 to 359 days
Bills payable*	**51**	Peso-denominated borrowings subject to annual fixed interest rates ranging from 2.25% to 4.00% with maturity terms from 90 to 122 days
Volume:		
Receivable from customers	**9,769**	Generally similar to terms and conditions above
Accounts receivable	**(1)**	Generally similar to terms and conditions above
Deposit liabilities	**(13,149)**	Generally similar to terms and conditions above
Bills payable	**(146)**	Generally similar to terms and conditions above
Contingent		
Others	**3**	Bank guaranty with indemnity agreement
Securities transactions		
Outright sales	**219**	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	**422**	Outright purchases of foreign currency
Sell	**967**	Outright sale of foreign currency
Key Personnel		
Outstanding Balance:		
Receivables from customers	**₱85**	Secured - ₱59.5 million unsecured - ₱25.1 million, no impairment, with annual fixed interest rates ranging from 0.00% to 10.00% and maturity terms from 1 to 15 years
Deposit liabilities	**166**	With various terms and with minimum annual interest rates ranging from 0.00% to 6.00%, with interest of ₱0.7 million
Volume:		
Receivables from customers	**9**	Generally similar to terms and conditions above
Deposit liabilities	**2**	Generally similar to terms and conditions above

Category	Amount	Terms and Conditions/Nature
Transactions Affecting Statements of Income		
March 31, 2019 (Unaudited) - Amount		
Entity with Significant Influence Over the Group		
Interest expense	**₱3**	Interest expense on deposit liabilities and bills payable
Subsidiaries		
Interest income	**₱191**	Interest income on receivables from customers and interbank loans receivables
Service charges, fees and commissions	**11**	Income on transactional fees, including underwriting fees
Trading and securities gain - net	**2**	Net gain from securities transactions
Foreign exchange gain - net	**44**	Net gain from foreign exchange transactions
Leasing income	**14**	Income from leasing agreements with various lease terms
Miscellaneous income	**95**	Information technology and other fees
Interest expense	**6**	Interest expense on deposit liabilities, bills payable and bonds payable
Associates		
Interest income	**₱9**	Income on receivables from customers
Leasing income	**5**	Income from leasing agreements with various lease terms
Interest expense	**1**	Interest expense on deposit liabilities
Other Related Parties		
Interest income	**₱263**	Interest income on receivables from customers
Foreign exchange gain -net	**1**	Net gain from foreign exchange transactions
Leasing income	**5**	Income from leasing agreements with various lease terms
Interest expense	**225**	Interest expense on deposit liabilities and bills payable
Key Personnel		
Interest income	**₱1**	Interest income on receivables from customers
March 31, 2018 (Unaudited) - Amount		
Entity with Significant Influence Over the Group		
Interest expense	**₱5**	Interest expense on deposit liabilities and bills payable
Subsidiaries		
Interest income	**₱41**	Interest income on receivables from customers and interbank loans receivables
Service charges, fees and commissions	**13**	Income on transactional fees
Trading and securities gain - net	**9**	Net gain from securities transactions
Foreign exchange gain - net	**13**	Net gain from foreign exchange transactions
Leasing income	**35**	Income from leasing agreements with various lease terms
Dividends declared	**149**	Dividend declared by PSBank
Miscellaneous income	**62**	Information technology and other fees
Interest expense	**6**	Interest expense on deposit liabilities, bills payable and bonds payable
Associates		
Leasing income	**₱19**	Income from leasing agreements with various lease terms
Other Related Parties		
Interest income	**₱146**	Interest income on receivables from customers
Leasing income	**6**	Income from leasing agreements with various lease terms
Interest expense	**201**	Interest expense on deposit liabilities and bills payable
Key Personnel		
Interest income	**₱1**	Interest income on receivables from customers

* including accrued interest

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

As of March 31, 2019 and December 31, 2018, government bonds with total face value of ₱60.0 million classified as 'Investment securities at amortized cost' are pledged by PSBank to the Parent Company to secure the latter's payroll account with PSBank. Also, as of March 31, 2019 and December 31, 2018, the Parent Company has assigned to PSBank government securities with total face value of ₱3.1 billion and ₱4.0 billion, respectively, (classified as 'Investment securities at amortized cost') to secure PSBank deposits to the Parent Company.

Transactions with retirement plans

Under PFRS, certain post-employment benefit plans are considered as related parties. The Parent Company has business relationships with a number of related party retirement plans pursuant to which it provides trust and management services to these plans. Certain trustees of the plans are either officers or directors of the Parent Company and/or the subsidiaries. Income earned by the Parent Company from such services amounted to ₱22.2 million and ₱18.3 million in March 31, 2019 and 2018, respectively. As of March 31, 2019 and 2018, the Parent Company sold securities totaling 2.6 billion and 197.7 million, respectively, to its related party retirement plans and recognized ₱17.0 million trading loss, respectively and has also purchased securities totaling 562.7 million and 21.2 million as of March 31, 2019 and 2018, respectively. Further, as of March 31, 2019 and December 31, 2018, the total outstanding deposit liabilities of the Group to these related party retirement funds amounted to ₱1.3 billion and ₱433.6 million, respectively. Interest expense on deposit liabilities amounted to ₱15.6 million and ₱5.5 million in March 31, 2019 and 2018, respectively.

As of March 31, 2019 and December 31, 2018, the related party retirement plans also hold investments in the equity shares of various companies within the Group amounting to ₱258.2 million and ₱196.3 million, respectively, with unrealized trading losses of ₱15.9 million and ₱14.3 million, respectively, and investments in mutual funds and trust funds of various companies within the Group amounting to ₱2.4 billion and ₱2.0 billion, respectively, with unrealized trading gains of ₱53.6 million and ₱48.7 million, respectively. As of March 31, 2019 and 2018 realized net trading gains amounted to ₱25.2 million and to ₱6.9 million, respectively.

12. 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 interim condensed consolidated financial statements. No material losses are anticipated to be recognized as a result of these transactions.

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

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
Trust Banking Group accounts	**₱441,247**	₱429,162
Commitments		
Credit card lines	**193,605**	188,211
Undrawn - facilities to lend	**23,395**	6,890
Unused commercial letters of credit	**43,479**	43,051
Outstanding shipside bonds/airway bills	**14,273**	6,350
Bank guaranty with indemnity agreement	**10,715**	11,708
Credit line certificate with bank commission	**5,518**	5,509
Inward bills for collection	**1,010**	1,141
Late deposits/payments received	**981**	1,376
Outward bills for collection	**867**	747
Outstanding guarantees	**139**	209
Confirmed export letters of credits	**134**	235
Others	**11,542**	9,080
	₱746,905	₱703,669

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

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

13. Financial Performance

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

	For the Period Ended March 31		For the Year Ended December 31, 2018
	2019	2018	
	(Unaudited)		(Audited)
a. Net income attributable to equity holders of the Parent Company	**₱6,753**	₱5,856	₱22,008
b. Weighted average number of outstanding common shares of the Parent Company	**3,979**	3,244*	3,776
c. Basic/diluted earnings per share (a/b)	**₱1.70**	₱1.81*	₱5.83

* Restated to show the effect of stock rights granted and exercised in April 2018.

As of March 31, 2019 and 2018 and December 31, 2018, there were no outstanding dilutive potential common shares.

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

	For the Period Ended March 31		For the Year Ended December 31, 2018
	2019	2018	
	(Unaudited)		(Audited)
Return on average equity (1)	**9.45%**	11.26%	9.08%
Return on average assets (2)	**1.20%**	1.13%	1.02%
Net interest margin on average earning assets (3)	**3.84%**	3.75%	3.82%

(1) Net income attributable to equity holders of the Parent Company for the period divided by average total equity attributable to the Parent Company
(2) Net income attributable to equity holders of the Parent Company for the period divided by average total assets
(3) Net interest income for the period divided by average interest-earning assets

14. **Other Matters**

The Group has no significant matters to report on the following during the period ended March 31, 2019:

a. Known trends, events or uncertainties that would have material impact on liquidity and on the sales or revenues;
b. Explanatory comments about the seasonality or cyclicality of interim operations;
c. Issuances, repurchases and repayments of debt and equity securities;
d. Unusual items as to nature, size or incidents affecting assets, liabilities, equity, net income or cash flows except for the payments of cash dividends by the Bank as discussed in Note 10; and
e. Effect of changes in the composition of the Group during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations except as discussed in Note 2.

15. **Subsequent Event**

a. On April 11, 2019, the Parent Company issued ₱17.5 billion fixed rate bonds with an issue price at 100% face value, at a rate of 6.3% per annum, payable quarterly, with a tenor of three years maturing on April 22, 2022.

b. On April 15, 2019, the BOD of PSBank declared a 7.5% regular cash dividend for the first quarter of 2019 amounting to ₱287.33 million or ₱0.75 per share, payable on May 15, 2019 to all stockholders of record as of May 3, 2019.

c. On April 15, 2019 during the PSBank's Annual Stockholders' Meeting, the stockholders representing at least two-thirds (2/3) of the outstanding capital stock approved the increase in authorized capital stock from Php4.25 billion to Php6.0 billion.

d. On April 24, 2019 during the Parent Company's Annual Stockholders' Meeting, the stockholders representing at least 2/3 of the outstanding capital stock ratified the following: (1) Merger of MCC into Metrobank (Note 2); (2) Declaration of 13% stock dividends (Note 10) and (3) Amendment of Articles of Incorporation to increase the authorized capital stock from Php100 billion to Php140 billion (Note 10).

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES
FINANCIAL INDICATORS
AS OF AND FOR THE PERIOD ENDED MARCH 31, 2019 AND 2018

		2019	2018
a)	Liquidity Ratio	36.37%	36.10%
b)	Loans to Deposits Ratio	86.31%	81.02%
c)	Debt to Equity Ratio	677.60%	862.77%
d)	Asset to Equity Ratio	780.56%	963.87%
e)	Return on Average Equity	9.45%	11.26%
f)	Return on Average Assets	1.20%	1.13%
g)	Net Interest Margin on Average Earning Assets	3.84%	3.75%
h)	Operating Efficiency Ratio	55.61%	55.84%
i)	Capital Adequacy Ratio	17.38%	14.53%
j)	Common Equity Tier 1 Ratio	14.99%	11.96%

METROPOLITAN BANK & TRUST COMPANY
SEC FORM 17 – Q
FOR THE PERIOD ENDED MARCH 31, 2019

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

Key Performance Indicators

Financial Ratios

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

	For the Period Ended March 31, 2019 (Unaudited)				
	Group	**Metrobank**	**FMIC**	**PSBank**	**MCC**
Earnings per share	₱1.70	₱1.70	₱0.65	₱1.68	₱1.14
Return on equity	9.45%	9.13%	5.41%	8.94%	29.74%
Return on assets	1.20%	1.44%	1.79%	1.08%	5.58%
Operating efficiency ratio	55.61%	58.87%	75.25%	62.15%	30.69%
Non-performing loans ratio	1.55%	1.12%	Nil	3.07%	1.71%

	For the Period Ended March 31, 2018 (Unaudited)				
	Group	**Metrobank**	**FMIC**	**PSBank**	**MCC**
Earnings per share	₱1.81*	₱1.81*	₱0.43	₱1.61*	₱1.13
Return on equity	11.26%	11.13%	2.26%	10.84%	34.15%
Return on assets	1.13%	1.38%	0.63%	1.10%	6.13%
Operating efficiency ratio	55.84%	60.46%	83.89%	63.04%	42.22%
Non-performing loans ratio	1.08%	0.66%	Nil	2.16%	1.64%

* *Restated to show the effect of stock rights issued in 2018 and 2019 for the Bank and PSBank, respectively.*

Earnings Per Share
Basic earnings per share (EPS) is computed by dividing the net income by the weighted average number of common shares outstanding after giving retroactive effect to stock dividends declared, stock rights exercised and stock splits made during the period, if any. As of March 31, 2019 and 2018, the Parent Company had no shares of stock that had a dilutive effect on its basic earnings per share.

The decrease in the Group's EPS from ₱1.81 to ₱1.70 was due to the net effect of higher net income attributable to the equity holders of the Parent Company from ₱5.86 billion for the quarter ended March 31, 2018 to ₱6.75 billion for the same period in 2019.

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

ROE of the Group for the quarter ended March 31, 2019 was lower at 9.45% compared with 11.26% for the same period in 2018 due to the net effect of the 15.32% increase in the net income attributable to equity holders of the Parent Company and the 37.33% increase in the average equity primarily on account of the ₱59.1 billion net proceeds from the stock rights issued by the Parent Company on April 12, 2018.

Return on Assets

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

ROA went up to 1.20% for the quarter ended March 31, 2019 from 1.13% for the same quarter in 2018 as a result of the 15.32% increase in net income attributable to the equity holders of the Parent Company and the 8.47% increase in the average total assets.

Operating Efficiency Ratio

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

For the quarter ended March 31, 2019, the Group's operating efficiency ratio went down to 55.61% from 55.84% for the same period in 2018 resulting from higher operating income by 10.39% compared with the 9.93% increase in operating expenses.

Non-Performing Loans Ratio

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

As of March 31, 2019 and 2018, NPL ratio of the Group was at 1.55% and 1.08%, respectively.

Liquidity

To ensure that funds are more than adequate to meet its obligations, the Bank proactively monitors its liquidity position daily. Based on this system of monitoring, the Bank does not anticipate having any cash flow or liquidity problem within the next twelve months. As of March 31, 2019, the contractual maturity profile shows that the Bank has at its disposal about ₱928.7 billion of cash inflows in the next twelve months from its portfolio of cash, placements with banks, debt securities and receivable from customers. This will cover 70.05% of the ₱1.3 trillion total deposits maturing during the same period. These cash inflows exclude securities in FVOCI with maturities beyond one year but may easily be liquidated in an active secondary market. Inclusive of these securities, the total financial assets will cover 77.83% of the total deposits maturing during the same period. On the other hand, historical balances of deposits showed that no substantial portion has been withdrawn in one year.

Events That Will Trigger Material Direct or Contingent Financial Obligation

These events are discussed in Annex 5 under Note 12 - Commitments and Contingent Liabilities of the General Notes to the Interim Condensed Consolidated Financial Statements.

Material Off-Balance Sheet Transactions, Arrangements or Obligations

The summary of contingencies and commitments at their peso-equivalent contractual amounts arising from off-balance sheet items are discussed in Annex 5 under Note 12 - Commitments and Contingent Liabilities of the General Notes to the Interim Condensed Consolidated Financial Statements. Likewise, the summary of obligations are discussed in Note 6 - LTNCD; Note 8 - Bonds Payable; Note 9 - Subordinated Debts and Note 10 - Capital Stock.

Material Commitments for Capital Expenditures

For the year 2019, the Bank estimates to incur capital expenditures of about ₱2.0 to ₱4.0 billion**,** of which 50% is estimated to be incurred for information technology.

Material Events or Uncertainties

The registrant has nothing to report on the following for the period ended March 31, 2019:

1. Any known trends or demands, commitments, events or uncertainties that will have a material impact on liquidity or that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations, except as disclosed in Annex 5 under Note 14 - Other Matters; and Note 15 - Subsequent Events of the General Notes to the Interim Condensed Consolidated Financial Statements;

2. Any seasonal aspects that had a material effect on the financial condition or results of operations; and

3. Any significant element of income or loss that did not arise from continuing operations.

Material Changes in Financial Statements Accounts

Financial Condition

March 31, 2019 (Unaudited) vs. December 31, 2018 (Audited)

The Metrobank Group posted unaudited consolidated total assets of ₱2.25 trillion and consolidated total liabilities of ₱1.96 trillion as of March 31, 2019. Compared with the audited figures as of December 31, 2018, total assets and total liabilities went up by ₱9.81 billion or 0.44% and total liabilities by ₱3.24 billion or 0.17%. Moreover, equity attributable to equity holders of the Parent Company was higher by ₱5.74 billion or 2.03% from ₱282.96 billion to ₱288.70 billion.

Cash and Other Cash Items decreased by ₱9.41 billion or 28.45% due to the lower level of cash requirements of the Parent Company and PSBank compared with that of year-end due to the holiday seasons. Due from BSP which represents 9.99% of the Group's total assets went down by ₱15.12 billion or 6.30% due to lower reserve requirement. Due from Other Banks increased by ₱4.07 billion or 8.89% as a result of the net movements in the balances maintained with various local and foreign banks. Interbank Loans Receivable and SPURA went down by ₱8.26 billion or 16.29% due to the net effect of the ₱20.54 billion decrease in interbank loans receivable and the ₱12.29 billion increase in SPURA.

Total investment securities which consisted of FVTPL, FVOCI and securities at amortized cost and which represents 21.24% and 18.56% of the Group's total assets as of March 31, 2019 and December 31, 2018, respectively, went up by ₱62.26 billion or 14.95%. FVTPL securities consist of HFT securities and derivative assets amounting to ₱56.72 billion and ₱9.10 billion, respectively, as of March 31, 2019 and ₱29.04 billion and ₱10.65 billion, respectively, as of December 31, 2018. The ₱36.41 billion increase in FVOCI securities was due to the net effect of the increases in investments in government bonds (₱32.20 billion) and treasury bills (₱3.23 billion) and the ₱0.93 billion decrease in private bonds.

Loans and Receivables representing 60.34% and 62.0% of the Group's total assets as of March 31, 2019 and December 31, 2018, respectively, went down by ₱31.27 billion or 2.25% due to lower corporate loans. Investments in Associates and a Joint Venture went up by ₱0.52 billion or 8.81% due to higher share in net income of associates of FMIC.

Property and equipment increased by ₱3.53 billion or 16.08% from ₱21.95 billion to ₱25.48 billion due to the adoption of PFRS 16 which requires recognition by lessees of the assets and related liabilities for most leases on their balance sheets and subsequently depreciates the lease assets and recognizes interest on the lease liabilities in their profit or loss. The adoption of PFRS 16 resulted in the recognition of right-of-use asset classified under "Property and Equipment" and lease liability classified under "Other Liabilities" amounting to ₱4.2 billion. As of March 31, 2019, outstanding balances of these accounts amounted to ₱3.66 billion and ₱3.86 billion, respectively.

Other Assets increased by ₱3.63 billion or 23.09% from ₱15.72 billion to ₱19.35 billion primarily due to the increases in miscellaneous assets (which include the funding for retirement) and prepaid expenses.

Deposit liabilities represent 80.82% and 79.71% of the consolidated total liabilities as of March 31, 2019 and December 31, 2018, respectively, wherein low cost deposits represent 60.61% and 61.98% of the Group's total deposits, respectively. The Group's deposit level, sourced mainly by the Bank, PSBank and MBCL reached ₱1.58 trillion as of March 31, 2019, an increase of ₱24.28 billion or 1.56% from the December 31, 2018 level.

Bills Payable and SSURA representing 12.02% and 13.29% of the Group's total liabilities as of March 31, 2019 and December 31, 2018, respectively, went down by ₱24.45 billion or 9.42% due to settlement of borrowings with the BSP and other local banks and lower deposit substitutes while SSURA totaling to ₱98.02 billion increased by ₱2.78 billion. Derivative Liabilities representing the mark-to-market of foreign currency forwards and swaps, interest rate swaps, cross currency swaps and foreign currency options with negative fair value decreased by ₱0.91 billion or 13.89%. The decrease of ₱0.70 billion or 9.21% in Manager's Checks and Demand Drafts Outstanding resulted from normal banking operations of the Bank and PSBank. Accrued Interest and Other Expenses went down by ₱0.78 billion or 8.15% due to decreases in accruals of other bank expenses and interests on deposit liabilities.

Other Liabilities increased by ₱5.77 billion or 12.65% primarily due to increases in miscellaneous liabilities (₱2.25 billion) and marginal deposits (₱2.20 billion) net of the decrease in bills purchased contra (₱1.53billion).

The ₱0.83 billion or 10.67% increase in equity of non-controlling interest was attributed to the net income generated by the majority-owned subsidiaries for the period ended March 31, 2019 and the increase in additional paid-in capital due to the stock right issuance of PSBank. Equity attributable to equity holders of the Parent Company increased by ₱5.74 billion or 2.03% mainly due to the net effect of the net income reported during the period, improvement in net unrealized gain on FVOCI and the ₱3.98 billion cash dividends declared and paid during the period.

Results of Operations

<u>Quarter Ended March 2019 vs. Quarter Ended March 2018 (Unaudited)</u>

Unaudited net income attributable to equity holders of the Parent Company reached ₱6.75 billion for the quarter ended March 31, 2019, ₱0.90 billion or 15.32% higher compared with the ₱5.86 billion net income reported for the same quarter of the previous year.

Interest income improved by ₱6.30 billion or 28.61% due mainly to the higher interest income on loans and receivables by ₱5.81 billion and the ₱0.39 billion increase in interest income on trading and investment securities. Meanwhile, the increases in interest expense on deposit liabilities by ₱2.29 billion or 57.42% and interest expense on borrowings by ₱2.01 billion or 104.68% accounted for the ₱4.30 billion or 72.81% increase in interest expense. These resulted in a ₱2.0 billion or 12.41% improvement in net interest income.

Other operating income went up by ₱0.47 billion or 7.91% from ₱5.99 billion for the first quarter of 2018 to ₱6.46 billion for the same quarter this year. The variance was due to the increases in net trading and securities and foreign exchange gain by ₱0.77 billion or 113.70% and fee-based income by ₱0.27 billion or 9.28% net of the decrease in miscellaneous income by ₱0.56 billion or 23.08%. Provision for credit and impairment losses for the first quarter of 2019 was at ₱2.40 billion compared with ₱1.86 billion for the same period in 2018 or increased by ₱0.54 billion or 29.14%. Total operating expenses increased by ₱1.22 billion or 9.93% as a result of the increases in compensation and fringe benefits by ₱0.63 billion or 13.14% and miscellaneous expenses by ₱0.87 billion or 12.92% while occupancy and equipment-related expenses decreased by ₱0.28 billion or 38.28%. Provision for income tax was higher by ₱0.10 billion or 5.88% due to net movements in deferred income tax, corporate and final taxes.

Income attributable to non-controlling interests went down to ₱0.18 billion from ₱0.46 billion or by ₱0.28 billion or 61.44% due to decrease in ownership of minority particularly on MCC and PSBank.

Total comprehensive income went up by ₱4.30 billion from ₱6.28 billion income for the first quarter of 2018 to ₱10.58 billion for the same period in 2019 mainly due to the net effect of the increase in net income; improvement on the net unrealized gain recognized this year on FVOCI investments; and the decrease in translation adjustments and others. As a result, total comprehensive income attributable to equity holders of the Parent Company went up to ₱9.72 billion or by ₱4.09 billion from ₱5.64 billion in 2018.

METROPOLITAN BANK & TRUST COMPANY
(CONSOLIDATED)

AGING OF ACCOUNTS RECEIVABLE
(IN MILLIONS)
AS OF MARCH 31, 2019

NO. OF DAYS OUTSTANDING		AMOUNT
1-90	₱	3,629
91-180		196
181-360		3,931
OVER 360		3,731
GRAND TOTAL	₱	11,487