COVER SHEET

A S O 9 4 0 0 2 7 3 3

S.E.C. Registration Number

E A S T W E S T B A N K I N G C O R P O R A T I O N

(Company's Full Name)

T H E B E A U F O R T , 5T H A V E N U E C O R .

2 3RD S T . B O N I F A C I O G L O B A L C I T Y ,

T A G U I G C I T Y

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

ATTY. BENEDICTO M. VALERIO, JR

Contact Person

+632 8575-3871

Company Telephone Number

Month Day

SEC Form 20-IS (Definitive)

FORM TYPE

Month Day

Secondary License Type, if Available

M S R D

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

Remarks = pls. Use blank ink for scanning purposes

EAST WEST BANKING CORPORATION
NOTICE OF ANNUAL STOCKHOLDERS MEETING

TO ALL STOCKHOLDERS;

NOTICE IS HEREBY GIVEN that the Annual Stockholders' Meeting of **EAST WEST BANKING CORPORATION** ("EW") will be conducted virtually on Thursday, June 11, 2020 at 8:30 AM at which the following matters shall be taken up:

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of the Minutes of the Annual Stockholders' Meeting held on April 22, 2019
4. Chairman's Report
5. Ratification of the Audited Financial Statements for the year ending 31 December 2019
6. Ratification of the Acts and Resolutions of the Board of Directors and Management
7. Election of the Board of Directors including four (4) Independent Directors
8. Appointment of External Auditor
9. Other Matters
10. Adjournment

Only Stockholders on record at the close of business on May 20, 2020 shall be entitled to notice of and to vote at this meeting.

PLEASE NOTE THAT THE CORPORATION IS NOT SOLICITING PROXIES.

In view of the current circumstances and in support of the efforts to contain the outbreak of the COVID-19 pandemic, stockholders may only attend the meeting by remote communication, by voting *in absentia* or through proxy by appointing the Chairman of the meeting.

Duly accomplished proxies shall be submitted on or before June 5, 2020 to the Office of the Corporate Secretary at Unit 17 F, Petron Mega Plaza 358 Senator Gil Puyat Avenue, Makati City or by email to EW-ASM@eastwestbanker.com. A proxy submitted by a corporation should be accompanied by a Corporate Secretary's certificate quoting the board resolution designating a corporate officer to execute the proxy. In addition to the above requirement for corporations, a proxy form given by a broker or custodian bank in respect of shares of stock carried by such broker or custodian bank for the account of the beneficial owner must be accompanied by a certification under oath stating that the broker or custodian bank has obtained the written consent of the account holder.

The procedures for attending the meeting by remote communication and for casting their votes *in absentia* are set forth in the Information Statement.

ATTY. BENEDICTO M. VALERIO
Corporate Secretary

EXPLANATION OF AGENDA ITEMS

1. **Call to Order**
   Chairman Jonathan T. Gotianun will welcome the stockholders and guests and formally begin the 2020 Annual Stockholders Meeting of the Bank.

2. **Proof of Notice of Meeting**
   The Corporate Secretary will certify that notice of the meeting was duly sent to the stockholders and that a quorum exists for the valid transaction of business.

   Pursuant to Sections 57 and 23 of the Revised Corporation Code and SEC Memorandum Circular No. 6, Series of 2020 which provide for remote attendance and voting in absentia in stockholders' meetings, the Company has set up a system and process to allow stockholders to vote online in absentia on the matters in the agenda. Only stockholders who successfully registered in the stockholder registration system, together with those who voted in absentia or by proxy, will be included in determining the existence of a quorum.

   The following are the procedures for the meeting:

   - Stockholders who wish to appoint the Chairman as proxy may submit the same on or before June 5, 2020 to the Office of the Corporate Secretary at Unit 17 F, Petron Mega Plaza 358 Senator Gil Puyat Avenue, Makati City or by email to EW-ASM@eastwestbanker.com.
   - Stockholders who wish to attend the meeting via remote communication and/or vote in absentia online must register at the following web address: https://shareholders.filinvest.com.ph/EW_SHAREHOLDERSYSTEM. After validation, the stockholders will receive an email with instructions on how to access the voting ballot and the meeting. The details of process are provided in the Information Statement.
   - The votes will be tabulated by the Office of the Corporate Secretary and the stock transfer agent. The results will be reported in the meeting.
   - Any comments and questions on the agenda should be emailed to EW-ASM@eastwestbanker.com on or before June 5, 2020. The Board of Directors and/or officers will endeavor to answer these questions during the meeting. Due to time constraints, any questions that will not be addressed during the meeting may be answered by email.
   - There will be an audio and visual recording of the meeting. A copy of such recorded proceedings will be provided to a stockholder upon request.

3. **Approval of the Minutes of the Annual Meeting of Stockholders on April 22, 2019**
   Stockholders will be asked to approve the minutes of the Stockholders' Meeting held on April 22, 2019, which contain, among others, the (a) annual report to stockholders and approval of financial statements, (b) ratification of all acts of the Board of Directors (c) election of the Board of Directors, (d) appointment of external auditors and other matters.

4. **Chairman's Report**
   The Chairman will present to the stockholders the Bank's activities, business and financial performance, and other relevant data for the preceding year.

5. **Ratification of the Audited Financial Statements for the year ending 31 December 2019**
   Stockholders will be provided information about the financial position, performance and changes in financial position of the Bank.

6. **Ratification of the Acts and Resolutions of the Board of Directors and Management for 2019**
   All acts of the Board of Directors, Executive Committee, Management and other Committees during the year 2019 will be presented to the Stockholders for their approval and ratification.

7. **Election of the Members of the Board of Directors including four (4) Independent Directors to serve for 2020-2021**
   The Chairman will present the nominees for election as members of the Board of Directors, including the independent directors.

8. **Appointment of External Auditors**
   The stockholders will ratify the Audit Committee's and Board's selection of auditors.

9. **Other Matters**
   All matters that arise after the notice, agenda, and information statement have been sent out, may be presented for the consideration of the stockholders.

10. **Adjournment**

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS
INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

[ ] Preliminary Information Statement
[X] Definitive Information Statement

2. Name of Registrant as specified in its charter: **EAST WEST BANKING CORPORATION**

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

4. SEC Identification Number: **ASO94-002733**

5. BIR Tax Identification Code: **003-921-057**

6. Address of principal office: **The Beaufort, 5th Avenue, corner 23rd Street, Fort Bonifacio Global City, Taguig City**

7. Registrant's telephone number, including area code: **+632 8575-3888**

8. Date, time and place of the meeting of security holders
Date: **June 11, 2020**
Time: **8:30 AM**
Place: **No physical meeting, Online web address for registration, remote participation and voting:**
https://shareholders.filinvest.com.ph/EW_SHAREHOLDERSYSTEM

9. Approximate date on which the Information Statement is first to be sent or given to security holders:
On or before May 21, 2020

10. In case of Proxy Solicitations:

EAST WEST BANKING CORPORATION IS NOT SOLICITING PROXIES

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common	**2,249,975,411 shares**

12. Are any or all of registrant's securities listed in a Stock Exchange?

Yes __X__ No _______

The above common shares are listed in the Philippine Stock Exchange (PSE)

PART I.

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. Date, time and place of meeting of security holders

Date: June 11, 2020

Time: 8:30 AM

Place: No physical meeting, Online web address for registration for remote participation and voting: https://shareholders.filinvest.com.ph/EW_SHAREHOLDERSYSTEM

The Bank ensures the integrity and secrecy of voting in absentia and its stockholders in accordance with the Bank's Data Privacy Policies. The Meeting proceedings shall be recorded in audio and video format. A copy of such recorded proceedings will be provided to a stockholder upon request.

Mailing address of principal office: The Beaufort, 5th Avenue, corner 23rd Street, Fort Bonifacio Global City, Taguig City

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

On or before May 21, 2020

East West Banking Corporation is not asking any of its stockholders for a proxy.

Item 2. Dissenters' Right of Appraisal

A stockholder has a right to dissent and demand payment of the fair value of his shares in any of the following instances under Section 80 of The Revised Corporation Code (R.A. 11232): (a) In case an amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence; (b) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets; (c) In case of merger or consolidation; and (d) In case of investment of corporate funds for any purpose other than the primary purpose of the corporation.

Any stockholder who votes against the proposed corporate action may avail himself of the right of appraisal by making a written demand on the Bank within thirty (30) days after the meeting for the payment of the fair value of his shares. In order to perfect such right, the stockholder shall follow the procedures as described under Sections 80 to 85 of The Revised Corporation Code.

There are no matters or proposed corporate actions included in the agenda of the meeting which may give rise to the exercise by a security holder of the right of appraisal

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

No director or officer, or any associate of the foregoing persons, has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon as contained in the agenda of the meeting.

No director has informed the Bank in writing that he intends to oppose any action to be taken as contained in the agenda of the meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

(a) Class of Voting Securities: 2,249,975,411 common shares are entitled to vote on June 11, 2020 Annual Stock Holders Meeting.

(b) Record Date: Only the stockholders of record as of May 20, 2020 are entitled to notice of and to vote at the meeting.

(c) Nomination and Election of Directors and Independent Directors and manner of voting:

In accordance with Sections 22 and 26 of The Revised Corporation Code (R.A. 11232), Section 15 of The General Banking Law (R.A. No. 8791), Section 38 of The Securities Regulation Code, Section 38.1 of the Amended Implementing Rules and Regulations of the Securities Regulation Code, Section X132 and X138 of the Manual of Regulations for Banks and relevant circulars or memoranda, the Bank's Nominations and Corporate Governance Committees adopted rules governing the nomination and election of directors. The rules pertinently state that the nomination forms shall be submitted to any of the members of the Committees or to the Corporate Secretary. The rules likewise state that the Committees shall pre-screen the qualifications of the nominees and prepare a final list of candidates, indicating the nominees for independent directors.

As to the manner of voting, paragraph 2, Section 2, Article II of the Bank's By-Laws provides that during the annual meeting, the stockholders shall elect the members of the Board of Directors and may transact such other business and or consider such other matters about which they have been given prior notice before such meeting. Section 9 Article III of the By-Laws states that each stockholder entitled to vote in a meeting of stockholder may vote by proxy. For this purpose, the proxy instrument must be duly notarized as presented to the Corporate Secretary for inspection and record prior to the opening of said meeting.

Following Section 23 of The Revised Corporation Code, a stockholder entitled to vote shall have the right to vote the number of shares of stock standing in their own names in the stock books of the Bank at the time fixed in the bylaws or where the bylaws are silent, at the time of the election. The said stockholder may: (a) vote such number of shares for as many persons as there are directors to be elected; (b) cumulate said shares and give one (1) candidate as many votes as the number of directors to be elected multiplied by the number of the shares owned; or (c) distribute them on the same principle among as many candidates as may be seen fit: Provided, That the total number of votes cast shall not exceed the number of shares owned by the stockholders as shown in the books of the Bank multiplied by the whole number of directors to be elected.

Stockholders may vote electronically *in absentia* by registering in the online web address https://shareholders.filinvest.com.ph/EW_SHAREHOLDERSYSTEM, subject to validation procedures. A stockholder voting electronically *in absentia* shall be deemed present for purposes of quorum. The detailed instructions for electronic voting *in absentia* are set forth in Annex A

East West Banking Corporation is not asking any of its stockholders for a proxy.

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

Record and beneficial owners holding 5% or more of voting securities as of March 31, 2020:

Title of Class	Name, Address of Record Owner & Relationship with Issuer	Name of Beneficial Owner & Relationship with Record Owner	Citizenship	No. of Shares Held	%
Common	Filinvest Development Corporation 6/F The Beaufort, 5th Ave. cor, 23rd St., Fort Bonifacio Global City, Taguig City (Stockholder)	A.L. Gotianun, Inc. (Parent Corporation of FDC)	Filipino	900,136,017	40.0%
Common	FDC Forex Corporation 6/F The Beaufort, 5th Ave. cor, 23rd St., Fort Bonifacio Global City, Taguig City (Stockholder)	Filinvest Development Corporation (Parent Corporation of EW)	Filipino	851,517,164	37.8%
Common	PCD Nominee Corporation 37th Floor, Tower I, The Enterprise Center,6766 Ayala Ave. corner Paseo de Roxas, Makati City	Various stockholders/clients	Filipino	389,950,163	17.3%
Common	PCD Nominee Corporation 37th Floor, Tower I, The Enterprise Center, 6766 Ayala Ave. corner Paseo de Roxas, Makati City	Various stockholders/clients	Non-Filipino	87,142,292	3.9%

Based on the list provided by the Philippine Depository and Trust Corp. to the Bank's transfer agent, Stock Transfer Service, Inc., as of March 31, 2020, none among the stockholders under the PCD Nominee Corporation holds 5% or more of the Bank's securities.

Filinvest Development Corporation (FDC) is the record and beneficial owner of 40.0% of the outstanding capital stock of the Bank. It is also the beneficial owner – through registered owner FDC Forex Corporation of 37.8% of the shares of the Bank. FDC is majority owned by A.L. Gotianun, Inc. The Bank and FDC's ultimate parent Corporation is A.L. Gotianun, Inc.

Lourdes Josephine Gotianun-Yap is the proxy holder and authorized to vote on behalf of Filinvest Development Corporation and FDC Forex Corporation with 77.9% shareholding in the Corporation.

Except as stated above, the Bank has no knowledge of any person holding more than 5% of the Bank's outstanding shares under a voting trust or similar agreement. The Bank is likewise not aware of any arrangement which may result in a change in control of the Bank, or of any additional shares which the above-listed beneficial or record owners have the right to acquire within thirty (30) days, from options, warrants, rights, conversion privilege or similar obligation, or otherwise.

Directors and Management as of March 31, 2020:

Title of Class	Name	Position	Citizenship	Beneficial/ Record	Percent of Ownership
Common	Jonathan T. Gotianun	Chairman of the Board	Filipino	16,787,856	0.7461%
Common	Antonio C. Moncupa, Jr.	Vice-Chairman, President & CEO	Filipino	5,906,454	0.2507%
Common	Josephine Gotianun-Yap	Director	Filipino	17,440,276	0.7751%
Common	Mercedes T. Gotianun	Director	Filipino	1,320,996	0.0587%
Common	Isabelle Therese G. Yap	Director	Filipino	40,005	0.0018%
Common	Wilson L. Sy	Director	Filipino	712,365	0.0317%

Common	Nelson M. Bona	Director	Filipino	5	0.0000%
Common	Paul A. Aquino	Independent Director	Filipino	60,015	0.0027%
Common	Carlos A. Alindada	Independent Director	Filipino	10	0.0000%
Common	Jose Maria G. Hofileña	Independent Director	Filipino	5	0.0000%
Common	Gregorio U. Kilayko	Independent Director	Filipino	5	0.0000%
		Subtotal		**42,267,992**	**1.8786%**
Common	Jacqueline S. Fernandez	Senior Executive Vice President	Filipino	59,455	0.0026%
Common	Gerardo Susmerano	Senior Executive Vice President	Filipino	750,558	0.0334%
Common	Rafael S. Algarra, Jr.	Senior Executive Vice President	Filipino	185,000	0.0082%
Common	Ivy B. Uy	Senior Vice President	Filipino	299,088	0.0133%
Common	Grace N. Ang	Senior Vice President	Filipino	137,256	0.0061%
		Subtotal		**1,431,357**	**0.0636%**
		Total		**43,699,349**	**1.9422%**

The aggregate shareholdings of all directors and officers as a group is 1.9422%.

Voting trust holders of 5% or more

To the extent known to the Bank, there is no person or group of persons holding more than 5% of the common shares by virtue of a voting trust or similar agreement as there has been no voting trust which has been filed with the Bank and the Securities and Exchange Commission.

Change in Control

There have been no arrangements that have resulted in a change of control of the Bank during the period covered by this report.

Item 5. Directors and Executive Officers

(a) Incumbent Directors

The Registrant is overseen by its Board of Directors (BOD) consisting of seven regular members and four Independent Directors. The members of the Board are elected annually by the stockholders and shall each serve a term of one (1) year until the election and qualification of a new set of BOD. Furthermore, the BOD shall elect among themselves a Chairman and a Vice-Chairman.

The current list of the Bank's members of the Board is as follows:

Name	Age (as of last birthday)	Citizenship
Jonathan T. Gotianun	66	Filipino
Antonio C. Moncupa, Jr.	61	Filipino
Lourdes Josephine Gotianun-Yap	64	Filipino
Mercedes T. Gotianun	91	Filipino
Isabelle Therese G. Yap	31	Filipino
Wilson L. Sy	67	Filipino
Nelson M. Bona	69	Filipino
Paul A. Aquino*	77	Filipino
Carlos R. Alindada*	83	Filipino
Jose Maria G. Hofileña*	58	Filipino
Gregorio U. Kilayko*	65	Filipino

Independent Director

JONATHAN T. GOTIANUN, 66 years old, Filipino
Chairman
Mr. Jonathan Gotianun is concurrently the Chairman of Filinvest Development Corporation, Filinvest Land, Inc., EastWest Rural Bank, Inc., and East West Leasing and Finance Corporation. Prior to his election as Chairman of the Board of EastWest Bank in 2007, he served as Vice-Chairman and director of the Bank since 1994. He is also the Chairman and President of Cotabato Sugar Central Co., Inc., Davao Sugar Central Co., Inc., and High-Yield Sugar Farm Corporation. He is also a director of FDC Utilities, Inc., FDC Misamis Power Corporation, Filinvest Alabang, Inc., FDC Hotels Corp. and East West Ageas Life Insurance Corporation; and a director and President of Pacific Sugar Holdings Corporation. He holds a degree in Commerce from the Santa Clara University in California and a Masters in Management from Northwestern University in Illinois.

ANTONIO C. MONCUPA, JR., 61 years old, Filipino
Vice-Chairman, President and Chief Executive Officer
Mr. Antonio Moncupa, Jr. has been the CEO for EastWest since January 1, 2007. Mr. Moncupa also sits as the Vice-Chairman and director of EastWest Rural Bank, First Vice President and director of the Bankers Association of the Philippines, director of East West Leasing & Finance Corporation, Bancnet, and Philippine Payments Management, Inc. and member of the board of trustees of Philippine Rural Reconstruction Movement and the Polytechnic University of the Philippines. Mr. Moncupa holds a double degree in Economics and Accounting from the De La Salle University, and a Masters in Business Administration from the University of Chicago. He is a certified public accountant. Before joining EastWest, he was EVP and Chief Financial Officer of International Exchange Bank.

LOURDES JOSEPHINE GOTIANUN-YAP, 64 years old, Filipino
Director
Mrs. Lourdes Josephine Gotianun-Yap is the President and Chief Executive Officer of Filinvest Development Corporation and Filinvest Asia Corp. She is the Chairman of the Board; President/CEO of Cyberzone Properties, Inc. She is also the President/CEO of Filinvest Land, Inc.; CEO of Filinvest Alabang, Inc. and Chairman of the Board; President/CEO of Festival Supermall, Inc. Mrs. Yap holds a degree in Business Management from the Ateneo de Manila University and a Masters in Business Administration major in Finance from the University of Chicago. She has been a director of EastWest Bank since August 2000.

MERCEDES T. GOTIANUN, 91 years old, Filipino
Director
Mrs. Mercedes Gotianun is a director, Chairman Emeritus of Filinvest Development Corporation and Chairman of Filinvest Alabang, Inc. She is the Chairman of the Board, President/CEO of Andremerc Holdings Corp., Vice Chairman of Pacific Sugar Holdings Corp., and director of Filinvest Land, Inc., President/CEO, Director of A.L. Gotianun, Inc., Davao Sugar Central Company, Inc., Cotabato Sugar Central Company Inc., High Yield Sugar Farm Corp., and FDC Utilities, Inc. Mrs. Gotianun holds a degree in BS Pharmacy (magna cum laude) from the University of the Philippines. She has been serving as a director of EastWest Bank since 1995.

ISABELLE THERESE G. YAP, 31 years old, Filipino
Director
Ms. Isabelle Therese Yap sits as a director of EastWest Bank starting April 22, 2019. She is also a Special Projects Officer of the Bank. She holds a degree in Business Management, Double Major Finance and

Marketing from Singapore Management University and a Masters in Business Administration from Harvard Business School.

WILSON L. SY, 67 years old, Filipino
Director
Mr. Wilson Sy is the Chairman of Wealth Securities, Inc. He is a director of the Philippine Stock Exchange and served as its Chairman from 1996 to 1998. Currently he is the Chairman of Manila Stock Exchange Foundation. He is the fund manager and director of Philequity Management. He also sits as director for various companies such as Vantage Equities, Vantage Financial Corp., Asian Alliance Holdings Corp. and Xcell Property Ventures. He is also a member of Ateneo de Manila University Board of Trustees. Mr. Sy is a columnist for the business section of The Philippine Star and is the author of the book "Opportunity of a Lifetime." He graduated with a degree in Management Engineering from Ateneo de Manila University. He has been a director of the Bank since April 15, 2016.

NELSON M. BONA, 69 years old, Filipino
Director
Mr. Nelson M. Bona is the Chairman, President and CEO of FDC Forex Corporation. He is a director of Property Maximizer Professional Corporation, Cyberzone Property, Inc., Filinvest Asia Corporation, Timberland Sports and Nature Club, Inc., Filinvest AII Philippines, Inc., Gintong Parisukat Realty & Development, Inc., and Leisurepro, Inc. He serves as the CFO/Treasurer of Filinvest Development Corporation, FCGC Corporation, Home Pro Realty Marketing, Inc., Pacific Sugar Holdings, and Mactan Seascapes Services, Inc. He is also the Compliance Officer of Filinvest Land, Inc. He graduated with a degree in Commerce from University of Santo Tomas, a Masters in Business Administration from De La Salle University and an Advanced Finance Program – Morgan Guaranty from Harvard School of Business. He has been a director of the Bank since February 1, 2020.

PAUL A. AQUINO, 77 years old, Filipino
Independent Director
Mr. Paul Aquino is the President of Keitech Educational Foundation and a Trustee of Tanging Yaman. He is also a director of Sky Cable Inc. and East West Ageas Life Insurance Corporation. Mr. Aquino is formerly the President of Green Core Geothermal, Inc. and Corinthian Securities, Inc. He is a graduate of BS in Electrical Engineering and holds a Masters in Business Administration from Santa Clara University in California. He was conferred Doctor of Management Science (Honoris Causa) by the Philippine School of Business Administration. He has been a Director of the Bank since October 2009.

CARLOS R. ALINDADA, 83 years old, Filipino
Independent Director
Mr. Carlos Alindada is an independent director of Tanduay Distillers, Inc., Bahay Pari Solidaritas Fund, Datem, Inc. and Home Credit Philippines. He is formerly Chairman and Managing Partner of SGV & Co. He graduated with a degree in Accounting from the University of the East, and a Masters in Business Administration in Corporate Finance from New York University. He also pursued an Advance Management Program at Harvard University. Mr. Alindada has been a director of EastWest Bank since April 2002.

JOSE MARIA G. HOFILEÑA, 58 years old, Filipino
Independent Director
Mr. Jose Maria G. Hofileña is currently the director of Vitasoy-URC, Inc. and the Dean of Ateneo de Manila School of Law. He is a former partner in Sycip, Salazar, Hernandez & Gatmaitan. He graduated with a Bachelor

of Arts degree from Ateneo de Manila College of Arts and Sciences, Bachelor of Laws degree from Ateneo de Manila University School of Law, and Master of Laws from Harvard University Law School.

GREGORIO U. KILAYKO, 65 years old, Filipino
Independent Director
Mr. Gregorio U. Kilayko is an independent director of Belle Corporation, SM Prime Holdings, Inc. and Philequity Fund. He is formerly the Country Representative of James Capel Securities (Philippines), Vice Chairman/CEO of Energy Development Corporation (EDC), President of ABN-Amro Securities (Philippines), and Chairman and CEO of ABN-Amro Bank (Philippines). He graduated with a degree in BS Industrial Management Engineering from De La Salle University, Masters in Energy Management and Master in Business Administration from University of Pennsylvania. Mr. Kilayko has been an independent director of the Bank since April 22, 2019.

ATTY. BENEDICTO M. VALERIO, JR., 61 years old, Filipino
Corporate Secretary
Atty. Benedicto M. Valerio, Jr. is actively engaged in the practice of law and specializes in litigation and corporate work. He is currently the Corporate Secretary in Ardent Development Corp., Hospitality Int'l., Inc., Lodging Concepts, Inc., Tribal DDB, Inc., Monserrat Holdings, Inc., Hospitality Innovations,Inc., and East West Ageas Life Insurance Corporation He was Assistant Corporate Secretary of International Exchange Bank from 2001-2006 and also served as its General Counsel. He holds a BS Commerce degree from De La Salle University and Bachelor of Laws from Ateneo de Manila University. He finished his Masters in Business Administration at the Ateneo Graduate School of Business. Atty. Valerio was a Director of EastWest Bank from July 2012 up to April 2017 and its Corporate Secretary since April 2007.

The Bank held its Annual Stockholders Meeting on April 22, 2019.

The Bank held **twelve (12) Regular Board Meetings** from January to December 2019 and **One (1) Organizational Meeting of the Board** held on April 22, 2019 or a **total of thirteen (13) Board Meetings**.

Board of Directors	No. of Meetings Attended/Held	Percent Present
Jonathan T. Gotianun	12	92 %
Antonio C. Moncupa Jr.	12	92 %
L. Josephine Gotianun Yap	11	85 %
Mercedes T. Gotianun	13	100 %
Isabelle Therese G. Yap	9	69 %
Jesus Roberto S. Reyes***	13	100 %
Wilson L. Sy	12	92 %
Paul A. Aquino	13	100 %
Carlos R. Alindada	13	100 %
Jose Maria G. Hofileña**	10	77 %
Gregorio U. Kilayko**	10	77 %
Jose S. Sandejas*	4	31 %

**retired effective April 22, 2019*
***joined April 22, 2019*
****retired effective December 31, 2019*

A certification on the qualifications of the Independent Directors is attached herewith as Annex B.

(b) Executive Officers

The following is the list of Key Executive Officers of the Bank as of March 31, 2020:

Name	Rank	Age (as of last birthday)	Citizenship
Antonio C. Moncupa, Jr.	President & CEO	61	Filipino
Jacqueline S. Fernandez	Senior Executive Vice President	57	Filipino
Gerardo Susmerano	Senior Executive Vice President	55	Filipino
Rafael S. Algarra, Jr.	Senior Executive Vice President	52	Filipino
David T. Escarda	Executive Vice President	56	Filipino
Cecilio Frederick M. Pusag	Executive Vice President	51	Filipino
Ivy B. Uy	Senior Vice President	47	Filipino
Eriberto Luis S. Elizaga	Senior Vice President	56	Filipino
Robert B. Ramos	Senior Vice President	44	Filipino
Salvador R. Serrano	Senior Vice President	53	Filipino
Eloida F. Oquialda	Senior Vice President	57	Filipino
Eleanor B. Rivera	Senior Vice President	53	Filipino
Grace N. Ang	Senior Vice President	44	Filipino

JACQUELINE S. FERNANDEZ, 57 years old, Filipino
Senior Executive Vice President and Head – Consumer Lending
Ms. Fernandez is the Consumer Lending Cluster Head and has been with the Bank since March 16, 2006. She holds over 33 years of banking experience, having served as the Country Credit Head for Consumer Loans and, prior that, the Head of Group Special Assets Management – Corporate Banking for Standard Chartered Bank Philippines. She holds a degree in AB Economics from University of the Philippines Diliman with cum laude honors, and a Masters in Business Administration from the same University.

GERARDO SUSMERANO, 55 years old, Filipino
Senior Executive Vice President and Head – Retail Banking
Mr. Susmerano has been Head of Retail Banking and Operations since September 2006. He is also currently a Director of BANCNET, having held the position since 2012. Mr. Susmerano obtained his Bachelor's Degree in Accounting from the University of Santo Tomas and Master's Degree in Business Administration from the Asian Institute of Management.

RAFAEL S. ALGARRA, JR., 52 years old, Filipino
Senior Executive Vice President and Head – Loans, Wealth and Markets, Treasurer
Mr. Algarra is the Head of Loans, Wealth and Markets and has been with the Bank since August 1, 2017 and has been its Treasurer since September 14, 2017. Mr. Algarra has over 25 years experience in banking from Far East Banking Corporation, Citibank N.A., Standard Chartered Bank, Security Bank and Philippine Commercial Capital, Inc. (PCCI). Notably, he spent 15 of those years as Treasurer/Deputy Treasurer of Security Bank. In 2012, in addition to the Treasury Group of Security Bank, Mr. Algarra also led the Asset Management and Bancassurance Groups. For Asset Management, he oversaw fund management, distribution and product development for Wealth Management. For Bancassurance, whose joint venture with FWD Insurance was led by Mr. Algarra, responsibilities included product development, marketing, and distribution of insurance products. Mr. Algarra was also Managing Director and Chief Financial Officer of PCCI Holdings before joining EastWest. He earned his Master's Degree in Business Administration from the

Asian Institute of Management Philippines and his Bachelor of Science in Management Engineering from the Ateneo de Manila University.

David T. Escarda, 56 years old, Filipino
Executive Vice President and Head – Human Resources Group
David has over 30 years of experience in Human Resources Management obtained from various industries in both domestic and overseas markets. His experience covers working in local, family-owned conglomerates and in multinational, multicultural environments since 1985, having had prior stints in Philip Morris Pakistan, Del Monte Philippines, Nestle Philippines, PT Medifarma Laboratories and PT Darya-Varia Laboratoria in Indonesia, and the National Steel Corporation in Iligan City.

CECILIO FREDERICK M. PUSAG, 51 years old, Filipino
Executive Vice President and Chief Information Officer and Head – Information Technology
Mr. Pusag is an experienced Information Technology executive with a successful track record in the global financial services industry, business process outsourcing, management consulting, and startup environments. He spent 12 years helping build the business process outsourcing industry in the Philippines and was subsequently hired as an Executive Director/CIO for J.P. Morgan Chase Philippines. Prior to joining EastWest Bank, he was a Senior Vice President and the Chief Information Officer of Security Bank. He holds a Bachelor of Science degree in Business Administration/Computer Information Systems from California Polytechnic University - Pomona.

IVY B. UY, 47 years old, Filipino
Senior Vice President and Head - Deputy Branch Banking
Ms. Uy joined the bank in September 2006 as FVP/Division Head for the Central Metro Manila Division, and in 2008 as Deputy Group Head of Branch Banking. Before joining EastWest, she was a Center Head - Manila Area of International Exchange Bank. Ms. Uy holds a degree in Hotel and Restaurant Management from the University of Sto. Tomas and finished a Management Development Program in Asian Institute of Management.

ERIBERTO LUIS S. ELIZAGA, 56 years old, Filipino
Senior Vice President and Head – Corporate Banking Group 1
Mr. Elizaga started his banking career as Financial Analyst at Philippine Commercial International Bank (PCIB). He left PCIB to join Union Bank as an Account Officer for Corporate Banking on February 1993. In March 1996, he joined Standard Chartered as a Relationship Manager for Corporate and Institutional Banking. Mr. Elizaga spent most of his banking career with Security Bank, staying there from March 2000 to August 2014 and holding the positions Auto Finance Unit Head, Makati Banking Center Head, and Corporate Banking Division Team Head. Mr. Elizaga holds a Bachelor of Arts degree in Economics from Ateneo de Manila University, and he also completed Academic Requirements for Masters in Business Administration at Ateneo Graduate School of Business.

ROBERT B. RAMOS, 44 years old, Filipino
Senior Vice President and Trust Officer
Mr. Ramos, a Certified Treasury Professional, Chartered Financial Analyst, and Chartered Alternative Investment Analyst holder, brought over 15 years of extensive experience in Portfolio and Relationship Management, Business Development, and Sales and Marketing. Prior to joining EastWest Bank, he spent over 10 years at Unionbank Philippines where he was able to manage and grow trust assets. Mr. Ramos earned his Bachelor of Science in Management degree with honors at Ateneo de Manila University. He also earned two Masteral degrees in Business Administration and Business Economics from the Asian Institute of

Management and the University of Asia and the Pacific respectively. He also took up the Doctor of Philosophy in Business program at De La Salle University.

SALVADOR R. SERRANO, 53 years old, Filipino
Senior Vice President and Head – Central Branch Operations
Mr. Serrano is currently the Senior Vice President and Head – Central Branch Operations of EastWest Bank. He is also a Certified Public Accountant with over 33 years of experience, the last three decades of which is centered in the banking industry. Prior to joining EastWest, he was the Senior Vice President and Head of Operations for One Network Bank (ONB), a Rural Bank of Banco de Oro (BDO). He also served stints in Security Bank, Asia Trust Bank, Philam Savings Bank, Federal Savings and Mortgage Bank, GE Money Bank, the Philippine Bank of Communications, and BDO. He finished his Bachelor of Science in Commerce, Major in Accounting degree in the University of Sto. Tomas and completed his Masters in Business Administration from De La Salle University.

ELOIDA F. OQUIALDA, 57 years old, Filipino
Senior Vice President and Chief Audit Executive
Ms. Oquialda has more than 26 years of experience auditing universal banks, having been employed previously at the Bank of the Philippine Islands and Rizal Commercial Banking Corporation. She earned her degree in BS Accountancy from Polytechnic University of the Philippines. She is a Certified Public Accountant (CPA), Certified Information Systems Auditor (CISA), Certified Internal Auditor (CIA) and Certified Risk and Information Systems Control (CRISC).

ELEANOR B. RIVERA, 53 years old, Filipino
Senior Vice President and Chief Compliance Officer
A CPA-lawyer, Ms. Bacungan-Rivera has over 20 years of experience in the financial markets area covering specific areas of securities and banking regulation including rule-making and enforcement, product development including regulatory, taxation, underwriting, and distribution of both fixed income and equity securities, and securities market and banking advocacy. Prior to joining EastWest Bank, she was the Managing Director of the Market Regulatory Services Group of the PDS Group tasked to implement the responsibilities of a Self-Regulatory Organization (SRO). She studied in the University of the Philippines – Diliman from elementary to law, graduating cum laude in her accounting undergraduate course.

GRACE N. ANG, 44 years old, Filipino
Senior Vice President & Chief Risk Officer
Ms. Ang has been the Chief Risk Officer of EastWest since August 1, 2008. Before joining EastWest Bank, she was with International Exchange Bank as Senior Manager. She was also appointed as Director of AIG Philam Savings Bank, Inc. from March 12 to September 03, 2009. Ms. Ang holds a degree in Accounting from the De La Salle University and is a Certified Public Accountant.

(c) Nominees for election as Directors and Independent Directors for 2020-2021

The Corporate Governance and Compliance Committee ("CGCC") serves as the Nomination Committee of the Bank. In its meeting held on February 27, 2020, the CGCC has reviewed and evaluated the qualifications of nominated directors (including independent directors) in accordance with the Bank's By-Laws and Manual on Corporate Governance, duly adopted by the Board pursuant to Rule 38.6 of the 2015 RIRR of the Securities Regulation Code and SEC Memorandum Circular No. 16, Series of 2002. The nominees for the independent directors have no relationship / affiliation with FDC and FDC Forex Corp. The CGCC nominees for election as Directors and Independent Directors are enumerated below:

Name	Citizenship	Nominated as	Nominated by	Relationship with Nominees
Jonathan T. Gotianun	Filipino	Director	FDC	Beneficial Owner
Antonio C. Moncupa, Jr.	Filipino	Director	FDC FOREX CORP	Not Related
L. Josephine G. Yap	Filipino	Director	FDC FOREX CORP	Beneficial Owner
Mercedes T. Gotianun	Filipino	Director	FDC	Beneficial Owner
Isabelle Therese G. Yap	Filipino	Director	FDC	Beneficial Owner
Wilson L. Sy	Filipino	Director	FDC	Not Related
Nelson M. Bona	Filipino	Director	FDC	Not Related
Carlos R. Alindada	Filipino	Independent Director	FDC	Not Related
Paul A. Aquino	Filipino	Independent Director	FDC FOREX CORP	Not Related
Jose Maria G. Hofileña	Filipino	Independent Director	FDC FOREX CORP	Not Related
Gregorio U. Kilayko	Filipino	Independent Director	FDC FOREX CORP	Not Related

A certification on the qualifications of the Independent Directors and that none of the above named directors and officers work with the government is attached herewith as Annex B and C, respectively.

The CGCC is composed of Mr. Paul A. Aquino as Chairman, Mr. Jonathan T. Gotianun, and Mr. Jose Maria G. Hofileña, as members.

(d) Involvement in Legal Proceedings

To the best of the Bank's knowledge and belief and after due inquiry, none of the Bank's directors, nominees for election as director, or executive officer have in the five-year period prior to the date of this Report:

1) had any petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within a two-year period of that time;
2) convicted by final judgment in a criminal proceeding, domestic or foreign, or have been subjected to a pending judicial proceeding of a criminal nature, domestic or foreign, excluding traffic violations and other minor offenses;
3) subjected to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting their involvement in any type of business, securities, commodities or banking activities; or
4) found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation and the judgment has not been reversed, suspended, or vacated.

The Bank has been, and may in the future be, implicated in lawsuits in connection with the ordinary course of its business. However, neither the Bank nor any of its subsidiaries have been subject to any order, judgment, or decree, or violated any securities or commodities law for the last five years, or are involved in any litigation or arbitration proceedings that may have, or have had, a material adverse effect on it or its subsidiaries' financial condition, nor, so far as any of them is aware, is any such proceeding pending or threatened.

All legal proceedings involving the Bank are efficiently and competently attended to and managed by a group of eleven (11) in-house counsels who are graduates of reputable law schools in the country. As its external counsels, the Bank retains or engages the services on case to case basis the following respected law firms: Sycip Salazar Hernandez & Gatmaitan Law Office, Angara Abello Concepcion Regala & Cruz, Sobreviñas Hayudini Navarro and San Juan Law Offices, Diaz Del Rosario and Associates, Valerio and Associates, Vera Law Office, Rosete and Associates, Alvarez Nuez Galang and Espina Lopez, Law Firm of Tagamolila Bellones & Margarico, Nietes-Gengos Laborte-Ildesa Panigbatan-Nafarrete Law Offices, Cantago and Partners, Rosal Law Office, Quitain Law Office, Divina Law Offices, Atty. Remie Calatrava, Atty. Filmore Gomos among others.

(e) Significant Employees

No single person is expected to make a significant contribution to the business since the Bank considers the collective efforts of all its employees as instrumental to the overall success of the Bank's performance.

(f) Relationships and Related Transactions

The Bank has several business relationships with related parties. Transactions with such parties are made in the ordinary course of business.

The amounts and the balances arising from the foregoing significant related party transactions of the Bank are as follows (amounts in thousands):

	2019		
Category	Amount/ Volume	Outstanding Balance	Terms and Conditions/Nature
Significant investors:			
Loans receivable	₱–	₱5,621,850	Loans granted with a term of seven years, interest of 4.06%, secured, no impairment
Releases	496,133		
Collections	200,000		
Deposit liabilities	–	380,684	Earns interest at the respective bank deposit rates
Deposits	19,453,783		
Withdrawals	18,749,600		
Accrued interest receivable	–	72,903	Interest income accrued on outstanding loans receivable
Accrued expenses	–	8,084	Payable for management and professional fees paid by FDC (reimbursement for expenses)
Guarantees and commitments	–	6,494	Unused credit line (omnibus facility) with term of 10 months
Interest income	228,219	–	Interest income on loans receivable
Interest expense	76,410	–	Interest expense on deposit liabilities
Key management personnel:			
Deposit liabilities	–	103,285	Earns interest at the respective bank deposit rates
Deposit	1,271,119		
Withdrawal	1,231,326		
Interest expense	7,822	–	Interest expense on deposit liabilities

(Forward)

	2019		
Category	**Amount/ Volume**	**Outstanding Balance**	**Terms and Conditions/Nature**
Other related parties:			
Loans receivable	₱–	₱ 7,626,665	Loans granted with terms ranging from four days to thirteen and a half years, interest ranging from 2.00% to 6.35%, secured by real estate mortgage, no impairment
Releases	19,450		
Collections	200,152		
Receivables purchased	–	130,108	Receivables purchased by the Parent Company from FLI
Deposit liabilities	–	442,477	Earns interest at the respective bank deposit rates
Guarantees and commitments	–	6,906	Unused credit lines
Accrued interest receivable	–	3,681	Interest income accrued on outstanding loans receivable
Accounts receivable	–	–	Receivable from FAI on the sale of land by the Parent Company, payable in 5 years, interest of 6.00% and reimbursement of expenses paid on behalf of EW Ageas Life
Interest income	428,994	–	Interest income on loans receivable
Interest expense	–	–	Interest expense on deposit liabilities
Commission fees	82,973	–	Commission fees received from EW Ageas Life
Service fee expense	123	–	Service fees paid to FLI for account servicing equivalent to 1.12% of loan amounts collected by FLI on behalf of the Parent Company
Rent expense	74,254	–	Rent expenses paid for lease transactions with other related parties such as Filinvest Asia Corporation, FAI and FLI

	2018		
Category	Amount/ Volume	Outstanding Balance	Terms and Conditions/Nature
Significant investors:			
Loans receivable	₱–	₱5,621,850	Loans granted with a term of seven years, interest of 4.06%, secured, no impairment
Releases	3,513,128		
Collections	150,000		
Deposit liabilities	–	3,448,357	Earns interest at the respective bank deposit rates
Deposit	19,199,440		
Withdrawal	19,303,059		
Accrued interest receivable	–	70,368	Interest income accrued on outstanding loans receivable
Accrued expenses	–	7,553	Payable for management and professional fees paid by FDC (reimbursement for expenses)
Guarantees and commitments	–	6,357,295	Unused credit line (omnibus facility) with term of 10 months
Interest income	228,219	–	Interest income on loans receivable
Interest expense	29,781	–	Interest expense on deposit liabilities
Key management personnel:			
Deposit liabilities	–	45,989	Earns interest at the respective bank deposit rates
Deposit	666,933		
Withdrawal	668,373		
Interest expense	271	–	Interest expense on deposit liabilities
Other related parties:			
Loans receivable	₱–	₱ 9,048,750	Loans granted with terms ranging from three months to thirteen and a half years, interest ranging from 2.00% to 6.35%, secured by real estate and chattel mortgage, no impairment
Releases	525,800		
Collections	138		
Receivables purchased	–	153,863	Receivables purchased by the Parent Company from FLI
Deposit liabilities	–	1,608,679	Earns interest at the respective bank deposit rates
Deposit	434,361,757		
Withdrawal	433,554,204		
Guarantees and commitments	–	4,785	Unused credit lines

	2018		
Category	Amount/ Volume	Outstanding Balance	Terms and Conditions/Nature
Accrued interest receivable	–	44,414	Interest income accrued on outstanding loans receivable
Accounts receivable	–	108,315	Receivable from FAI on the sale of land by the Parent Company, payable in 5 years, interest of 6.00% and reimbursement of expenses paid on behalf of EW Ageas Life
Interest income	323,164	–	Interest income on loans receivable
Interest expense	7,165	–	Interest expense on deposit liabilities
Commission fees	58,032	–	Commission fees received from EW Ageas Life
Service fee expense	585	–	Service fees paid to FLI for account servicing equivalent to 1.12% of loan amounts collected by FLI on behalf of the Parent Company
Rent expense	44,334	–	Rent expenses paid for lease transactions with other related parties such as Filinvest Asia Corporation, FAI and FLI

The Group's significant investors pertain to FDC, the immediate Parent Company of the Group, and FDC Forex Corp. (a company under common control of FDC).

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. The Group considers the members of the Management Committee to constitute key management personnel for purposes of PAS 24, Related Party Disclosures. The Group provides banking services to its key management personnel. Other related parties pertain to the Group's affiliates (subsidiaries of FDC).

The Group and the Parent Company had no outright purchases and outright sale of debt securities with significant shareholders and key management personnel in 2019 and 2018.

No specific provision and allowance for loan losses was recognized by the Group for loans to significant investors, key management personnel and other related parties in 2019 and 2018.

The Parent Company's subsidiaries have no transactions with related parties outside of the Group. The transactions disclosed above are the same for the Group and the Parent Company.

Bank Related Party Transactions

Transactions between the Parent Company and its subsidiaries meet the definition of related party transactions. Details of the Parent Company's subsidiaries are disclosed in Note 10 of the 2019 Audited Financial Statements.

In addition to the transactions discussed above, the following are the transactions between the Parent Company and its subsidiaries that are recognized in the Parent Company's statements of financial position and statements of income and eliminated in the consolidated financial statements (amounts in thousands):

	2019		
Category	Amount/ Volume	Outstanding Balance	Terms and Conditions/ Nature
Subsidiaries:			
Receivables purchased	₱ –	₱ 1,977,981	Receivables purchased by the Bank from EWRB (Note 9)
Receivable sold	–	381,995	Employee loans sold by the Bank to EWRB (Note 9)
Accounts receivable	–	9,985	Amount collected by EWRB from borrowers on behalf of the Bank that remained unremitted and other related expenses shouldered by the Bank on behalf of the Subsidiaries
Deposit liabilities	–	21,941,370	Earns interest at the respective bank deposit rates
Deposit	129,333,782		

Withdrawal	128,976,890		
Accounts payable	–	64,519	Cash reloading transactions between EWRB and the Bank
Interest expense	4,275	–	Interest expense on deposits of EWRB and EWIB
Interest income	1,134	–	Interest income on loans and receivable
Service fee expense	30,439	–	Service fees paid to EWRB for account servicing equivalent to 0.37% of loan amounts collected by EWRB on behalf of the Parent Company for the receivables purchased (Note 9) and for collection of credit card payments
Service fee income	776	–	Service fees paid by EWRB for account servicing equivalent to 0.37% of loan amounts collected by the Parent Company on behalf of EWRB for the receivables sold (Note 9)
Commission Expense	228,482	–	Commission expense paid by the Parent Company to QMIS
Rent Income	306	–	Rent of office space leased to subsidiaries

	2018		
Category	Amount/ Volume	Outstanding Balance	Terms and Conditions/ Nature
Subsidiaries:			
Receivables purchased	₱ 1,350,322,	₱ 5,910,021	Receivables purchased by the Bank from EWRB (Note 9)
Receivable sold	181,370	360,428	Employee loans sold by the Bank to EWRB (Note 9)
Accounts receivable	–	202,586	Amount collected by EWRB from borrowers on behalf of the Bank that remained unremitted and other related expenses shouldered by the Bank on behalf of the Subsidiaries
Deposit liabilities	–	265,133	Earns interest at the respective bank deposit rates
Deposit	129,333,782		
Withdrawal	128,976,890		
Accounts payable	–	18,650	Cash reloading transactions between EWRB and the Bank
Interest expense	487	–	Interest expense on deposits of EWRB and EWIB
Interest income	187	–	Interest income on loans and receivable
Service fee expense	47,992	–	Service fees paid to EWRB for account servicing equivalent to 0.37% of loan amounts collected by EWRB on behalf of the Parent Company for the receivables purchased (Note 9) and for collection of credit card payments
Service fee income	673	–	Service fees paid by EWRB for account servicing equivalent to 0.37% of loan amounts collected by the Parent Company on behalf of EWRB for the receivables sold (Note 9)
Commission expense	128,711	–	Commission expense paid by the Parent Company to QMIS
Rent income	306	–	Rent of office space leased to subsidiaries

Remunerations of Directors and other Key Management Personnel

Total remunerations of key management personnel are as follows (amounts in thousands):

	Consolidated			Parent Company		
	2019	2018	2017	**2019**	2018	2017
Short-term employee benefits	**₱270,081**	₱272,208	₱177,685	**₱253,355**	₱252,430	₱159,604
Post employment benefits	**73**	754	20,801	**–**	0	20,801
	₱270,154	₱272,962	₱198,486	**₱253,355**	₱252,430	₱180,405

Remunerations given to directors which were approved by the Board Remuneration Committee amounted to ₱20.8 million in 2019, ₱20.1 million in 2018, and ₱19.1 million in 2017.

Subsidiaries and Affiliate

The following are the subsidiaries and affiliate of East West Banking Corporation (the Bank) as of December 31, 2019:

Name	Principal Activities	Effective Percentage

		of Ownership
East West Rural Bank, Inc. (EWRB)	Consumer banking	100.00%
East West Insurance Brokerage, Inc. (EWIB)	Non-life insurance brokerage	100.00%
East West Leasing and Finance Corporation (EWLF)	Finance and leasing	100.00%
Quest Marketing and Integrated Services Inc. (QMIS)	Sales and marketing	100.00%
Assurance Solutions Insurance Agency (ASIA)	General insurance and marketing	100.00%
East West Ageas Life Insurance Corporation (EWAL)	Life insurance	50.00%

East West Rural Bank, Inc.

East West Rural Bank, Inc. (formerly Finman Rural Bank, Inc.) was incorporated and registered with Philippine Securities and Exchange Commission (SEC) on November 5, 1997 for the purpose of accumulating deposits and granting loans to various individuals and corporate entities as well as government and private employees. The Bank was granted authority by the Bangko Sentral ng Pilipinas (BSP) to operate as a rural bank and commenced operations in March 1998. Its principal office is located at 3rd and 4th Floors, East West Bank Building, J.P. Laurel Avenue corner Iñigo Street, Bajada, Davao City.

East West Insurance Brokerage, Inc.

East West Insurance Brokerage, Inc. (EWIB) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on July 6, 2015 primarily to act as an insurance broker in soliciting, negotiating, and forwarding applications for fire, marine, engineering, automobiles, trucks and other motor vehicles, aviation and risk management services, mortgage redemption, credit, floater, casualty, accident, health, burglary, rent, disability, life and all other kinds of insurance, and to collect payments of premiums on such policies. On September 23, 2015, EWIB received its license to act as an insurance broker from the Insurance Commission ("IC"). It started its commercial operations in September 24, 2015. Its principal place of business is located at The Beaufort, 5th avenue corner 23rd street, Bonifacio Global City, Taguig City.

East West Leasing and Finance Corporation

East West Leasing and Finance Corporation (EWLF) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on October 6, 2016, primarily to engage in general financing and investment business, with secondary license to operate as a financing company in accordance with the Financing Company Act of 1998 and its implementing rules and regulations. Its place of business is located at The Beaufort, 5th avenue corner 23rd street, Bonifacio Global City, Taguig City.

Quest Marketing and Integrated Services Inc. (formerly known as Price Solutions Philippines, Inc.)

On November 25, 2016, SCMB Overseas Ltd., a wholly owned subsidiary of Standard Chartered Bank (SCB) Philippines, completed the transfer of its 100% ownership of Quest Marketing and Integrated Services Inc. (QMIS) as part of the asset and share transfer agreement by and between SCB Philippines and SCMB. QMIS was registered with the Philippine Securities and Exchange Commission (SEC) on July 17, 2007 primarily to engage in providing sales and marketing services for financial institutions. The principal place of business is at 7th Floor, Global Trade Center, 1024 EDSA, Quezon City.

Assurance Solutions Insurance Agency, Inc.

On November 25, 2016, SCMB Overseas Ltd., a wholly owned subsidiary of Standard Chartered Bank (SCB) Philippines, completed the transfer of its 100% ownership of Assurance Solutions Insurance Agency (ASIA) as part of the asset and share transfer agreement by and between SCB Philippines and SCMB. ASIA was registered the Philippine Securities and Exchange Commission (SEC) on July 17, 2007 primarily to engage in general insurance agency business. The principal place of business is at 5th Floor, 6788 Sky Plaza Building, Ayala Avenue, Makati City.

East West Ageas Life Insurance Corporation
East West Ageas Life Insurance Corporation (EWAL) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on October 20, 2015. EWAL's primary purpose is to undertake and write insurance upon the life of individuals, and every insurance appertaining thereto or connected therewith; to make contracts of insurance providing for all risks, hazards, guarantees and contingencies to which life, accident, or health insurance is applicable; to indemnify against legal liability; to compute endowments and grant, purchase or dispose of annuities; to procure re-insurance of its risks; to issue policies stipulated to be with or without participation in profits; and to purchase for its own benefit any policy of insurance or other obligation as well as claims of policyholders. On December 22, 2015, EWAL obtained from the Insurance Commission a license to operate life insurance business. Its principal place of business is located at One World Place, 32nd Street, Bonifacio Global City, Taguig City.

Item 6. Compensation of Directors and Executive Officers

The following table identifies and summarizes the aggregate compensation of EastWest's CEO and the four most highly compensated executive officers of the Bank in 2018, 2019 and 2020 estimates:

In million pesos:

Name	Year	Salary	Bonus	Others	Total
Antonio C. Moncupa, Jr. Jesus Roberto S. Reyes* Jacqueline Fernandez Gerardo Susmerano Rafael S. Algarra, Jr.	2019	₱77.8	₱76.6	₱-	₱154.5
	2018	₱73.1	₱92.8	₱-	₱165.9
	2017	₱55.1	₱60.7	₱-	₱115.8

**retired effective December 31, 2019*

Aggregate compensation paid to all officers and Directors as a group unnamed (in millions)	2019	₱1,146.9
	2018	₱860.9
	2017	₱638.3

The growth in aggregate compensation of the CEO and the three most highly compensated executive officers of the Bank for 2020 is estimated to be the same as that of the prior year.

There are no actions to be taken as regards any bonus, profit sharing, pension or retirement plan, granting of extension of any option warrant or right to purchase any securities between the Bank and its directors and officers.

Remunerations given to directors which were approved by the Board Remuneration Committee amounted to ₱20.8 million in 2019, ₱20.1 million in 2018 and ₱19.1 million in 2017.

Standard Arrangement
Non-executive directors receive per diem of ₱60,000 per committee and special board meeting and ₱ 120,000 per regular board meeting.

Executive directors do not receive per diem as the same has been considered in their compensation.

Other Arrangement

The Bank has no other arrangement with regard to the remuneration of its existing directors and executive officers aside from the compensation received as stated above.

Item 7. Independent Public Accountants

Sycip Gorres Velayo & Co. (SGV & Co.), a member firm of Ernst & Young Global Limited has been the Bank's independent accountant for 25 years and is again recommended for appointment at the scheduled annual stockholders' meeting.

None of the Bank's external auditors have resigned during the two most recent fiscal years (2019 and 2018) or any interim period. In compliance with SEC Memorandum Circular No. 8, Series of 2003, and Amendments to SRC Rule 68 on the rotation of external auditors or signing partners of a firm every after five (5) years of engagement, Ms. Veronica Mae A. Arce was assigned as the signing partner in 2019, replacing Ms. Josephine Adrienne Abarca who was assigned since 2013. Representatives of SGV & Co. are expected to be present at the meeting to respond to matters relating to the auditors' report on the 2019 financial statements of the Bank that may be pertinently raised during the meeting. Their representative will be given the opportunity to make a statement if they so desire.

The Bank has paid the following fees to SGV & Co relative to the regular and special engagements rendered by the latter that are reasonably related to the performance of the audit or review of the Bank's financial statements:

Fiscal Year	Audit Fees (Group)	Tax and Other Related Fees
2019	₱3,340,988	₱17,052,560
2018	₱3,849,000	₱30,824,538
2017	₱4,185,500	₱4,953,000

The Bank's Audit Committee approves the audit fees and fees for non-audit services of external auditors, if any, as stated in the Audit Charter.

The Audit Committee is composed of Messrs. Carlos Alindada (Chairman), Paul Aquino and Jose Sandejas, who retired on April 22, 2019 and replaced by Gregorio U. Kilayko and Jose Maria G. Hofileña.

Per SGV & Co.'s representation during the Audit Committee meeting on February 20, 2020, they confirm that they did not have any disagreement with Management that could be significant to the Bank's financial statements or their auditor's report. Further, there are no matters that in their professional judgment may reasonably be thought to bear on their independence or that they gave consideration to in reaching the conclusion that independence has not been impaired.

Item 8. Compensation Plans

Not applicable

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9. Authorization or Issuance of Securities Other than for Exchange

There are no matters or actions to be taken up in the meeting with respect to authorization or issuance of securities, other than for Exchange.

Item 10. Modification or Exchange of Securities

There are no matters or actions to be taken up in the meeting with respect to the modification of any class of the Bank's securities or the issuance of authorization for of issuance of one class of the Bank's securities in exchange for outstanding securities of another class.

Item 11. Financial and Other Information

Annex D – Brief Description of the General Nature and Scope of the Business of the Bank
Annex E – Management's Discussion and Analysis
Annex F – 2019 Audited Financial Statements

There were no disagreements with SGV & Co. on accounting and financial disclosures.

The Principal Accountants are expected to be present at the meeting and will have the opportunity to make a statement if they desire to do so. They are also expected to be available to respond to matters relating to the auditors' report on the 2019 financial statements of the Bank that may be pertinently raised during the meeting.

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

There are no matters or actions to be taken up in the meeting with respect to mergers, consolidations, acquisitions and similar matters.

Item 13. Acquisition or Disposition of Property

There are no matters or actions to be taken up in the meeting with respect to material acquisition or disposition of any property by the Bank.

Item 14. Restatement of Accounts

There is no action to be taken with respect to the restatement of any asset, capital, or surplus account of the Corporation.

D. OTHER MATTERS

Item 15. Actions with Respect to Reports

The following are included in the Agenda for the June 11, 2020 Annual Stockholders' Meeting for the approval of the stockholders of the Corporation:

1. Approval of the Minutes of the April 22, 2019 Annual Stockholders' Meeting

   A summary of the minutes of last year's stockholders' meeting is attached herewith as Annex G.

2. Ratification of the Audited Financial Statements for the year ending 31st December 2019

   The Audited Financial Statements for the year ending 31st December 2019 is attached herewith as Annex F.

3. Ratification of the Acts and Resolutions of the Board of Directors and Management for 2019

A list of all legal acts, resolutions and proceedings taken by the Directors and Management will be too voluminous to be included in this report. These pertain to acts which are made in the ordinary course of business and have been subject of disclosures to the Securities and Exchange Commission ("SEC"), the Philippine Stock Exchange ("PSE") and to some extent to the Bangko Sentral ng Pilipinas ("BSP") when applicable. These actions are subjected to the annual review of the BSP and the Bank's external auditor.

4. Election of the Members of the Board of Directors including four (4) Independent Directors to serve for 2020-2021

   Please refer to the list of nominees under Item 5 (c) - "Directors and Executive Officers - Nominee Directors" for details.

5. Appointment of External Auditor

   Please refer to the write-up on SGV & Co. under Item 7 - "Independent Public Accountants" for details.

Item 16. Matters Not Required to be Submitted

All matters or actions that will require the vote of the security holders will be submitted in the meeting.

Item 17. Amendment of Charter, By-laws or Other Documents

There are no matters or actions to be taken up in the meeting with respect to amendment of Charter, By-Laws or other documents.

Item 18. Other Proposed Action

Not applicable.

Item 19. Voting Procedures

In accordance with Sections 22 and 26 of The Revised Corporation Code (R.A. 11232), Section 15 of The General Banking Law (R.A. No. 8791), Section 38 of The Securities Regulation Code, Section 38.1 of the Amended Implementing Rules and Regulations of the Securities Regulation Code, Section X132 and X138 of the Manual of Regulations for Banks and relevant circulars or memoranda, the Bank's Nominations and Corporate Governance Committees adopted rules governing the nomination and election of directors. The rules pertinently state that the nomination forms shall be submitted to any of the members of the Committees or to the Corporate Secretary. The rules likewise state that the Committees shall pre-screen the qualifications of the nominees and prepare a final list of candidates, indicating the nominees for independent directors.

As to the manner of voting, paragraph 2, Section 2, Article II of the Bank's By-Laws provides that during the annual meeting, the stockholders shall elect the members of the Board of Directors and may transact such other business and or consider such other matters about which they have been given prior notice before such meeting. Section 9 Article III of the By-Laws states that each stockholder entitled to vote in a meeting of stockholder may vote by proxy. For this purpose, the proxy instrument must be duly notarized as presented to the Corporate Secretary for inspection and record prior to the opening of said meeting.

Following Section 23 of The Revised Corporation Code, a stockholder entitled to vote shall have the right to vote the number of shares of stock standing in their own names in the stock books of the Bank at the time fixed in the bylaws or where the bylaws are silent, at the time of the election. The said stockholder may: (a) vote such number of shares for as many persons as there are directors to be elected; (b) cumulate said shares and give one (1) candidate as many votes as the number of directors to be elected multiplied by the number of the shares owned; or (c) distribute them on the same principle among as many candidates as may be seen fit: Provided, That the total number of votes cast shall not exceed the number of shares owned by the stockholders as shown in the books of the Bank multiplied by the whole number of directors to be elected.

The Corporate Secretary shall act as the election inspector at the annual stockholders' meeting and shall be authorized to count the votes to be cast.

Item 20. Participation of Stockholders by Remote Communication

In support of the government's efforts to contain the spread of COVID-19 and to ensure the safety and welfare of its stockholders, directors, officers and employees, the Company will dispense with physical attendance of stockholders at the meeting and will allow attendance only by remote communication.

In order for the Company to properly conduct validation procedures, stockholders who wish to participate in the meeting via remote communication and/or vote *in absentia* must register at https://shareholders.filinvest.com.ph/EW_SHAREHOLDERSYSTEM on or before June 1, 2020.

The detailed instructions for electronic voting *in absentia* are set forth in Annex A

PART II.

INFORMATION REQUIRED IN A PROXY FORM

EAST WEST BANKING CORPORATION IS NOT SOLICITING PROXIES

PART III.

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Taguig on May 14, 2020.

By:

ATTY. BENEDICTO M. VALERIO, JR.
Corporate Secretary

ANNEX A

2020 ANNUAL STOCKHOLDERS' MEETING
OF
EAST WEST BANKING CORPORATION

REQUIREMENTS AND PROCEDURE FOR ELECTRONIC VOTING *IN ABSENTIA*
AND
PARTICIPATION BY REMOTE COMMUNICATION

I. REGISTRATION

East West Banking Corporation (the "Corporation") has established a designated website in order to facilitate the registration of and voting *in absentia* by stockholders at the annual meeting, as provided under Sections 23 and 57 of the Revised Corporation Code.

a. Stockholders as of May 20, 2020 ("Stockholders") may register at the web address: https://shareholders.filinvest.com.ph/EW_SHAREHOLDERSYSTEM. The deadline for registration is June 1, 2020.

b. To register, the stockholders are required to provide the following supporting documents:
   i. For Individual Stockholders:
      1. A scanned copy of the stockholder's valid government-issued ID showing photo, signature and personal details, preferably with residential address (in JPG format). The file size should be no larger than 2MB;
      2. A valid and active e-mail address;
      3. A valid and active contact number.
   ii. For Individual Stockholders with Joint Accounts
      1. A scanned copy of an authorization letter signed by all stockholders, identifying who among them is authorized to cast the vote for the account;
      2. A scanned copy of the authorized stockholder's valid government-issued ID showing photo, signature and personal details, preferably with residential address (in JPG format). The file size should be no larger than 2MB;
      3. A valid and active e-mail address;
      4. A valid and active contact number.
   iii. For Individual Stockholders under Broker Accounts
      1. A broker's certification on the stockholder's number of shareholdings;
      2. A scanned copy of the stockholder's valid government-issued ID showing photo, signature and personal details, preferably with residential address (in JPG format). The file size should be no larger than 2MB;
      3. A valid and active e-mail address;
      4. A valid and active contact number.

iv. For Corporate Stockholders
   1. A secretary's certificate attesting to the authority of the representative to vote for, and on behalf of the corporation;
   2. A scanned copy of a valid government-issued ID of the stockholder's representative showing photo, signature and personal details, preferably with residential address (in JPG format). The file size should be no larger than 2MB;
   3. A valid and active e-mail address of the stockholder's representative;
   4. A valid and active contact number of the stockholder's representative.

Important Note: Incomplete or inconsistent information may result in an unsuccessful registration. As a result, stockholders will not be able to access to vote electronically in absentia, but may still vote through a proxy, by submitting a duly accomplished proxy form on or before June 5, 2020.

c. After registration, the Company, together with its stock transfer agent, Stock Transfer Service, Inc. (STSI) will conduct the validation process. Upon validation, the Company will send an email to the stockholder, which shall be sent to the email address of the stockholder indicated in the registration form, containing instructions for voting *in absentia* and remote attendance for the meeting.

II. ELECTRONIC VOTING *IN ABSENTIA*

a. Registered stockholders have until June 5, 2020, 11:59 PM (Philippine time) to cast their votes *in absentia*.

b. All agenda items indicated in the Notice of Meeting will be set out in the digital absentee ballot and the registered stockholder may vote as follows:
   i. For items other than the election of directors, the registered stockholder has the option to vote: For, Against, or Abstain. The vote is considered cast for all the stockholder's shares.
   ii. For the election of directors, the registered stockholder has the option to:
      1. Distribute his votes equally among all the candidates;
      2. Abstain;
      3. Cast such number of votes for each nominee as preferred by the stockholder, provided that the total number of votes cast shall not exceed the number of shares owned, multiplied by the number of directors to be elected. Should the votes cast by the stockholder exceed the number of votes he is entitled to, the votes for each nominee shall be reduced in equal proportion, rounded down to the nearest whole number. Any balance shall be considered abstained.

Once voting on the agenda items is finished, the registered stockholder can proceed to submit the accomplished ballot by clicking the "Submit" button.

c. The Office of the Corporate Secretary of the Company, with the assistance of representatives of the Company's stock transfer agent, Stock Transfer Service, Inc. (STSI), will count and tabulate the votes cast *in absentia* together with the votes cast by proxy.

d. During the meeting, the Corporate Secretary shall report the votes received and inform the stockholders if the particular agenda item is carried or disapproved. The total number of votes cast for each item for approval and/or ratification under the agenda will be shown on the screen.

III. PARTICIPATION BY REMOTE COMMUNICATION

a. Prior to the meeting, the Company will send email instructions to those stockholders who have successfully registered, which shall be sent to the email address of the stockholder indicated in the registration form, on how they can attend the meeting through remote communication and have access to the livestream of the meeting.

b. Only those stockholders who successfully registered in the stockholder registration system, together with the stockholders who voted *in absentia* or by proxy, will be included in determining the existence of a quorum.

c. Stockholders may send any questions and/or comments relating to the agenda on or before June 5, 2020 to EW-ASM@eastwestbanker.com. Questions or comments received on or before June 5, 2020 may be responded to during the meeting. Any questions not answered during the meeting may be answered via email.

d. Stockholders who register and vote on the website for voting *in absentia* are hereby deemed to have given their consent to the collection, use, storing, disclosure, transfer, sharing and general processing of their personal data by the Company and by any other relevant third party for the purpose of electronic voting *in absentia* for the Annual Stockholders' Meeting and for all other purposes for which the stockholder can cast his/her/its vote as a stockholder of the Company. The Bank ensures the integrity and secrecy of voting in absentia and its stockholders in accordance with the Bank's Data Privacy Policies.

For any clarifications, please contact us through EW-ASM@eastwestbanker.com.

ANNEX B – CERTIFICATION ON QUALIFICATION OF INDEPENDENT DIRECTORS

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **Paul A. Aquino** Filipino, of legal age and a resident of
after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of East West Banking Corporation and have been its independent director since 2009.

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

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Sky Cable Inc.	Director	2011
East West Ageas	Director	2015
Tanging Yaman Foundation	Trustee	2004
Keitech Educational Foundation	President Emeritus	2009

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of East West Banking Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am related to the following director/officer/substantial shareholder of East West Banking Corporation and its subsidiaries other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.

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

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

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
N/A	N/A	N/A

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

7. I shall inform the Corporate Secretary of East West Banking Corporation of any changes in the abovementioned information within five days from its occurrence.

Done, this ____________day of ________________, at ____________________.

PAUL A. AQUINO
AFFIANT

SUBSCRIBED AND SWORN to before me this _______ day of MAR 06 2020 at **MAKATI CITY** affiant personally appeared before me and exhibited to me his/her Passport/ID No. ____________ issued at DFA NCR EAST on 13 July 2018.

ATTY. MA. ANNA LOURDES DIMAANO-PAMFILO
NOTARY PUBLIC FOR MAKATI CITY
Appointment No. M-81 until December 31, 2020
Roll No. 38260 / IBP Lifetime No. 07083
PTR No. 8116102 January 2, 2020

Doc. No. 33
Page No. 8
Book No. VII
Series of 2020

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **Carlos R. Alindada** Filipino, of legal age and a resident of ________________________, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of East West Banking Corporation and have been its independent director since 2002.

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

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Home Credit Philippines	Independent Director	2017
Datem, Inc.	Independent Director	2015
SFA Semiconductor Phil., Inc.	Independent Director	2014
Bahay Pari Solidaritas Fund	Independent Director	2010

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of East West Banking Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am related to the following director/officer/substantial shareholder of East West Banking Corporation and its subsidiaries other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.

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

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

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
N/A	N/A	N/A

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

7. I shall inform the Corporate Secretary of East West Banking Corporation of any changes in the abovementioned information within five days from its occurrence.

Done, this _____________ day of ________________, at ____________________.

CARLOS R. ALINDADA
AFFIANT

SUBSCRIBED AND SWORN to before me this _______ day of MAR 05 2020 at MAKATI CITY affiant personally appeared before me and exhibited to me his/her Passport ID No. __________ issued at DFA NCR EAST on 18 January 2018.

Doc. No. 979
Page No. 96
Book No. VI
Series of 2020

ATTY. MA. ANNA LOURDES DIMAANO-PAMFILO
NOTARY PUBLIC FOR MAKATI CITY
Appointment No. M-81 until December 31, 2020
Roll No. 38260 / IBP Lifetime No. 07083
PTR No. 8116102 January 2, 2020

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **Jose Maria G. Hofileña** Filipino, of legal age and a resident of after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of East West Banking Corporation and have been its independent director since 2019.

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

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Ateneo De Manila University School of Law	Dean	2018
VITASOY- URC, Inc.	Director	2016

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of East West Banking Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am related to the following director/officer/substantial shareholder of East West Banking Corporation and its subsidiaries other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.

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

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

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
N/A	N/A	N/A

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

7. I shall inform the Corporate Secretary of East West Banking Corporation of any changes in the abovementioned information within five days from its occurrence.

Done, this ______________ day of ________________, at ____________________.

JOSE MARIA G. HOFILEÑA
AFFIANT

SUBSCRIBED AND SWORN to before me this ________ day of MAR 06 2020 at MAKATI CITY affiant personally appeared before me and exhibited to me his/her Passport ID No. ________ issued at DFA NCR NORTHEAST on 19 January 2019.

Doc. No. 32
Page No. 8
Book No. VII
Series of 2020

ATTY. MA. ANNA LOURDES DIMAANO-PAMFILO
NOTARY PUBLIC FOR MAKATI CITY
Appointment No. M-81 until December 31, 2020
Roll No. 38280 / IBP Lifetime No. 07083
PTR No. 8118102 January 2, 2020

CERTIFICATION OF INDEPENDENT DIRECTOR

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

1. I am a nominee for independent director of East West Banking Corporation and have been its independent director since 2019.

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

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Belle Corporation	Independent Director	2003
SM Prime Holdings, Inc.	Independent Director	2008
Philequity Funds	Independent Director	2013

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of East West Banking Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am related to the following director/officer/substantial shareholder of East West Banking Corporation and its subsidiaries other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.

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

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

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
N/A	N/A	N/A

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

7. I shall inform the Corporate Secretary of East West Banking Corporation of any changes in the abovementioned information within five days from its occurrence.

Done, this ____________ day of ______________, at __________________.

GREGORIO U. KILAYKO
AFFIANT

SUBSCRIBED AND SWORN to before me this _______ day of ____________ at ______________ affiant personally appeared before me and exhibited to me his/her Passport ID No. P9445903A issued at DFA NCR SOUTH on 7 November 2018.

Doc. No.________
Page No. _______
Book No. _______
Series of _______

ANNEX C – CERTIFICATION THAT NONE OF THE DIRECTORS AND OFFICERS WORK WITH THE GOVERNMENT

CERTIFICATION

The undersigned, **BENEDICTO M. VALERIO, JR.,** of legal age, Filipino and residing at No. after being duly sworn, hereby deposes and states, That:

1. He is the Corporate Secretary of **East West Banking Corporation** (the **"Bank"),** a corporation duly organized and existing under and by virtue of Philippine Laws with principal office address at the 5th floor, The Beaufort Tower,, 5th avenue cor. 23rd Streets, Bonifacio Global City, Taguig City;

2. Based on the records of the Bank, none of its Incumbent Directors and Executive Officers are connected and/or are working in the government, to wit:

(a) Incumbent Directors (11)	**(b) Executive Officers (13)**
Jonathan T. Gotianun	Antonio C. Moncupa, Jr.
Antonio C. Moncupa, Jr.	Jacqueline S. Fernandez
Mercedes Tan Gotianun	Gerardo Susmerano
Lourdes Josephine Gotianun Yap	Rafael S. Algarra, Jr.
Isabelle Therese Gotianun Yap	David T. Escarda
Wilson Lim Sy	Cecilio Frederick M. Pusag
Carlos Rolda Alindada	Ivy B. Uy
Paul A. Aquino	Eriberto Luis S. Elizaga
Gregorio Uytiepo Kilayko	Robert B. Ramos
Jose Maria Gomez Hofileña	Salvador R. Serrano
Nelson M. Bona	Eloida F. Oquialda
	Eleanor B. Rivera
	Grace N. Ang

ATTY. BENEDICTO M. VALERIO JR.
Corporate Secretary

SUBSCRIBED AND SWORN TO before me this MAR 05 2020, affiant exhibiting to me his Passport No. issued at DFA NCR SOUTH on January 16, 2019.

Doc. No. 415;
Page No. 04;
Book No. VI;
Series of 2020.

ATTY. MA. ANNA LOURDES DIMAANO-PAMFILO
NOTARY PUBLIC FOR MAKATI CITY
Appointment No. M-81 until December 31, 2020
Roll No. 38260 / IBP Lifetime No. 07083
PTR No. 8116102 January 2, 2020

ANNEX D – Brief Description of the General Nature and Scope of the Business of the Bank

Overview of the Bank

East West Banking Corporation (the "Bank", "EW") is a universal bank in the Philippines that provides a wide array of products and services catering to the financial needs of consumers, middle market corporates, and the mass affluent. Through its vast network of stores nationwide, it offers a wide range of banking products and services, as well as allied financial services: non-life insurance brokerage, bancassurance, and leasing.

EW was registered with the Securities and Exchange Commission ("SEC") as a domestic corporation on March 22, 1994 and was granted authority by the Bangko Sentral ng Pilipinas ("BSP") to operate as a commercial bank under Monetary Board Resolution No. 101 dated July 6, 1994, and commenced operations on July 8, 1994. EastWest was also granted authority by the BSP to operate an expanded foreign currency deposit unit under MB Resolution No. 832 dated August 31, 1994. On July 26, 2012, the Bank received the approval of the BSP to operate as a universal bank under Monetary Board Resolution No. 1696 dated 25 November 2010. EastWest's ultimate parent company is A.L. Gotianun, Inc. EastWest's head office is located at The Beaufort, 5th Avenue corner 23rd Street, Fort Bonifacio Global City, Taguig City.On July 26, 2012, the BSP granted the Bank the authority to operate as a universal bank under Monetary Board Resolution No. 1696 dated November 25, 2010.

EW has been listed on the Philippine Stock Exchange ("PSE") since May 7, 2012. Its market capitalization as of December 31, 2019, was ₱27.1 billion. EW is approximately 77.9% owned by Filinvest Development Corporation ("FDC"). FDC is the listed holding company of the Filinvest Group, one of the largest conglomerates in the Philippines with interests in banking, real estate, hospitality and tourism, power generation and sugar. EW is a majority-owned subsidiary of FDC, incorporated on April 27, 1973, FDC started out as a consumer finance and banking business established by FDC's patriarch, Andrew L. Gotianun, Sr.

On 19 August 2011, EastWest entered into a deed of assignment for the purchase of majority of the outstanding shares and control of Green Bank (A Rural Bank), Inc. ("GBI"). Consequently, GBI became a subsidiary of EastWest. The GBI acquisition enabled EastWest to significantly expand its branch network by adding 46 branches.

On 15 June 2012, the BSP Monetary Board approved the application of EastWest to acquire up to 100.0% of the outstanding shares of Finman Rural Bank, Inc. ("FRBI"), subject to certain conditions, a rural bank engaged in the business of extending credit to farmers, tenants, and rural enterprises. EW subsequently increased its ownership in FRBI to 100.0% through additional share acquisitions and capital contributions in 2012 and 2013. In May 2013, FRBI changed its name to East West Rural Bank, Inc. ("EWRB") and entered into an asset purchase agreement with GBI, effectively consolidating all of the Bank's rural banking business in EWRB.

In May 2013, EWRB and GBI entered into an asset purchase agreement with assumption of liabilities, in which EWRB will acquire selected loan portfolio, licenses for GBI's branches, and various assets necessary for branch business and operations, as well as assume the deposits and other liabilities incidental to the branch business and operations. The transfer of these assets and liabilities took effect on 31 October 2013.

On 17 February 2014, the SEC approved the application of EastWest to change its registration from a Government Securities Eligible Dealer (with Broker/Dealer of securities functions) to an Underwriter of Securities Engaged in Dealing Government Securities (with Broker/Dealer of securities functions), in accordance with the Securities Regulation Code and its implementing rules, as well as, other pertinent laws, rules and regulations applicable, with validity until 31 December 2018.

On March 28 and June 5, 2014, the BSP and the SEC respectively, approved the proposed merger between EW and GBI. On July 31, 2014, the merger between EW and GBI was completed.

On January 29, 2015, the BOD approved the common shares rights offering, subsequently, the BOD approved the application of the bank to list up to 371,574,000 common shares with par value of ₱10 per share to cover its stock rights offering. On May 8, 2015, a total of 371,574,000 common shares were listed at the PSE with ₱10 par value per share. The total proceeds raised by the Bank from the sale of the said shares amounted to P8.0 billion while the net proceeds (after deduction of direct costs related to equity issuance) amounted to ₱7.9 billion.

On May 18, 2015, the BSP approved EastWest's initial equity investment amounting to ₱30.0 million in East West Brokerage, Inc. ("EWIB"), a proposed wholly-owned insurance Brokerage insurance company of EastWest. EWIB was registered with the SEC on July 6, 2015.

On September 21, 2015, the BSP approved the request of the Bank for initial equity investment amounting to ₱500.0 million in East West Ageas Life Insurance Corporation ("EWAL"), a proposed joint venture with Ageas Insurance International N.V. The joint venture company, EWAL, shall be primarily engaged in life insurance business. EWAL was registered with the SEC on October 20, 2015.

On May 6, 2016, EW entered into an asset and share transfer agreement with Standard Chartered Bank ("SCB") and SCMB Overseas Limited for the acquisition of SCB Philippines' retail banking business (including all of SCB Philippines' three branches) and the transfer of 100.0% ownership of the entities, namely: QMIS and ASIA. The acquisition was approved by the BSP on August 8, 2016. On November 25, 2016, after satisfying all the conditions under the asset and share transfer agreement, the transfer of assets and liabilities was completed.

In 2016, the BSP approved and confirmed the initial equity investment in East West Leasing and Finance Corporation ("EWLF") of ₱100.0 million. It was registered with the SEC in October 2016 with secondary license to operate as a financing company in accordance with the Financing Company Act of 1998 and its implementing rules and regulations. The principal place of business of EWLFC is at East West Corporate Center, The Beaufort, 5th Avenue corner 23rd Street, Fort Bonifacio Global City, Taguig City.

On July 13, 2017, the BOD approved the following: (1) the Bank's increase in authorized capital stock from ₱20.0 billion to ₱50.0 billion and (2) the subsequent declaration of a 50% Stock Dividend or 750,000,000 common shares to cover the minimum required subscription and payment for the said increase in authorized capital stock. On April 16, 2018, a total of 749,991,801 common shares were listed at the PSE.

On June 19, 2019, the Philippine Competition Commission ("PCC") approved the Bank's purchase of the dealer-generated auto-lending portfolio held by Philippine Bank of Communications ("PBCom").

Principal Products and Services

The Bank offers a comprehensive range of deposit products, consisting primarily of Peso demand, savings and time deposits. The Bank also offers U.S. dollar and other third currency savings and time deposits. The

Bank's loan offerings include consumer loans – auto, mortgage and personal as well as corporate loans. The Bank also offers payment facilities such as debit, prepaid and credit cards.

EastWest also offers a suite of electronic channels such as internet banking for individuals and corporates, mobile banking, phone banking and ATMs.

Below lists out the various products and services of EastWest:

Deposit Products and Related Services
Savings Accounts: Passbook Savings Account, Passbook Savings Account with Debit Card, Basic Savings, Cool Savers Kiddie Account, ATM Savings Account, ATM Savings Account for SSS Pensioners, Super Saver.

Checking Accounts: Regular Checking Account, ChequeMax, ChequeMax Rewards, Basic Checking.

Time Deposit Accounts: Peso Time Deposit, 5-year Floating Rate Time Deposit, Online Peso Time Deposit.

USD and 3rd Currency Accounts: US Dollar Savings Account, US Dollar Time Deposit, Chinese Yuan Savings and Time Deposit Account, Euro Savings and Time Deposit Account, Japanese Yen Savings and Time Deposit Account, Singapore Dollar Savings and Time Deposit Account, Australian Dollar Savings and Time Deposit Account, British Pound Savings Account, Hongkong Dollar Savings Account, New Zealand Dollar Savings Account.

Debit and Prepaid Cards: Classic Debit Card, General Purpose Prepaid Card, Personal Loan Prepaid Card, Gift Card, Travel Money Card.

Consumer Loans and Related Services
Auto Loan: Auto Loan, Fleet Financing, Refinancing
Home Loan: Top-Up Loan, Home Equity, Home Construct, Reimbursement, Home Acquire/ Condo Acquire, Lot Acquire
Personal Loan
Salary Loan

Credit Cards
Elite Credit Cards: Priority Visa Infinite, Platinum Mastercard, Visa Platinum, EveryDay Titanium Mastercard, Dolce Vita Titanium Mastercard
Credit Cards: Gold and Classic Mastercard, Gold and Classic Visa, Practical Mastercard
Co-brand and Affinity Cards: Singapore Airlines KrisFlyer Mastercard, Hyundai Mastercard, DLSAA Mastercard

Corporate Credit Facilities
Working Capital Loans and Facilities: Short Term Loan, Revolving Promissory Note Facility, Revolving Credit Facility, Trade Check Discounting Facility
Inventory Financing: Floor Stock Revolving Facility
Trade Finance: Domestic Letters of Credit with Trust Receipt Facility, Import Letters of Credit with Trust Receipt Facility, Other Types of Documentary Credits with Trust Receipt Facility, Export Financing Facility, Export Bills Purchase Facility
Guarantees: Standby Letters of Credit (SLBC), Domestic SLBC, Foreign SLBC, Bank Guarantees, Committed Credit Line

Bills Purchase Line: Domestic Bills Purchase Line, Foreign Bills Purchase Line
Term Financing: Term Loans, Project Finance

<u>Hedging Products</u>
Foreign Exchange: Spot, Forwards, FX Swaps

<u>Hedging Products</u>
Fixed Income: Peso Government and Corporate Securities, USD-denominated Government and Corporate Securities

<u>Trust Products</u>
Corporate Solutions: Employee Benefit Trust/Retirement Account, Fund Management
Wealth Management: Personal Management Trust, Investment Management Account
Investment Funds: Peso Money Market Fund, Peso Short Term Fund, Peso Intermediate Term Bond Fund, Peso Long Term Bond Fund, Dollar Intermediate Term Bond Fund, PSEi Tracker Fund, PhilEquity Feeder Fund,
Other Fiduciary: Escrow Agency

<u>Cash Management Services</u>
Collection Services: Auto Debit Arrangement, Bills Collect, Check Collect, Check Warehousing, HMO Collection
Disbursement Services: Check-writing, Deposit Management System, Electronic Invoice Payment & Presentment, Supplier Payments
Liquidity Management Services: Account Sweeping
Payroll Services: Payroll Crediting Services, Payroll Assist, Payroll Timekeeping
Other Services: Government Payments

<u>Small and Medium Enterprise Banking</u>
Revolving Credit Facility
Trade Check Discounting Line
Revolving Promissory Note Line
Term Loan

Distribution Network

EastWest's products and services are made available across multiple distribution and delivery channels. As of December 31, 2019, EastWest has a total of 391 branches, with 212 of these branches in Metro Manila. For the rest of the country, the Bank has 100 branches in other parts of Luzon, 40 branches in Visayas, and 39 branches in Mindanao. ATM network is at 584, composed of 400 on-site ATMs and 184 off-site ATMs.

The Bank's subsidiary rural bank has a total of 76 branches bringing the group branch store network total to 467.

Listed below are the branches of the Parent Bank as of December 31, 2019:

1)	GIL PUYAT AVENUE - Ground Floor, Metro House Bldg., No. 345 Sen. Gil Puyat Ave., Makati City
2)	CUBAO - P. TUAZON AVENUE - Ground Floor, Prince John Condominium, No. 291 P. Tuazon Ave.corner 18th Ave., Cubao, Quezon City
3)	EMERALD - GARNET - Unit G103, Ground Floor, AIC Gold Tower Condominium, F. Ortigas, Jr. Road, corner Garnet and Sapphire Sts., Ortigas Center. Pasig City
4)	LAS PIÑAS - Lot 16B PSD 208390 Alabang Zapote Road Las Piñas City
5)	EDSA - KALOOKAN - No. 490 EDSA, Kalookan City

6)	ROOSEVELT - FRISCO - No. 184 Roosevelt Avenue, San Francisco Del Monte, Quezon City
7)	PASIG - SHAW BLVD - Units A&B Karina Bldg., No. 33 Shaw Blvd., Brgy. San Antonio, District 1, Pasig City
8)	PASIG - KAPASIGAN - A.Mabini St. corner Blumentrit St., Brgy. Kapasigan, Pasig City
9)	AYALA AVENUE - HERRERA - Ground Floor, PBCom Tower, 6795 Ayala Ave. cor. V. Rufino St., (formerly Herrera St.), Salcedo Village, Makati City 1226
10)	TAYTAY - Valley Fair Town Center, Ortigas Avenue Extension, Taytay, Rizal
11)	IMUS - Ground Floor, LDB Bldg., No. 552 Gen. Aguinaldo Highway, Imus City, Cavite
12)	CONGRESSIONAL AVE. - Congressional Ave. Brgy. Bahay Toro Project 8, Quezon City
13)	BETTER LIVING - DOÑA SOLEDAD AVENUE - No. 100 Dona Soledad Avenue, Betterliving Subd.Barangay Don Bosco, Paranaque City 1711
14)	ANONAS - No. 94 Anonas Street corner K-6th, East Kamias, Quezon City
15)	ANTIPOLO - MARCOS HIGHWAY - Ciannat Complex, Marcos Highway Brgy. Mayamot, Antipolo City
16)	PRESIDENT'S AVENUE - No. 35 President's Avenue, BF Homes, Paranaque City 1700
17)	REGALADO - Regalado Ave. cor. Archer St., North Fairview Subdivision, Quezon City
18)	BAGUMBAYAN - 184-B E. Rodriguez, Jr. Avenue, Bagumbayan, Libis, Quezon City
19)	BACOOR - AGUINALDO HIGHWAY - General E. Aguinaldo Highway Talaba Bacoor City Cavite
20)	TANDANG SORA - Lot 80 - A Kalaw Hills Subd. Brgy. Culiat Tandang Sora Quezon City
21)	STO. CRISTO - Unit 108, Sto. Cristo condominium, Sto Cristo corner Ilang-Ilang Sts., San Nicolas, Binondo, Manila
22)	PADRE FAURA - Ground Floor, Units A-D, Metrosquare Bldg. 2, No. 1241 M.H. Del Pilar St. corner Padre Faura St., Ermita, Manila
23)	PASONG TAMO EXT. - Ground Floor, Dacon Bldg., No. 2281 Pasong Tamo Extension, Makati City
24)	QUEZON AVENUE - SCOUT SANTIAGO - Unit No. 2G-7 and 2G-8, Sunshine Boulevard Plaza, No. 1328 Quezon Ave. cor. Scout Santiago St., Brgy. South Triangle, Quezon City
25)	MANDALUYONG - SHAW BLVD - Ground Floor, Unit No. 7, Sunshine Square, Liberty Center, Shaw Blvd., Mandaluyong City
26)	ESCOLTA - Unit 3, Ground Floor, First United Bldg., No. 413 Escolta corner Banquero St., Manila
27)	KATIPUNAN - No. 132 Katipunan Ave., St. Ignatius Village, Quezon city
28)	QUEZON AVENUE - BANAWE - Ground Floor PPSTA 1 Building Quezon Ave. cor. Banawe St., Quezon City
29)	FESTIVAL MALL 1 - Level 2, Unit 2115 - 2118, Festival Supermall Filinvest Corporate City, Alabang Muntinlupa City 1781
30)	ANNAPOLIS - Ground Floor, Unit 1A, The Meriden Condominium Building, Annapolis St. NorthEast, Greenhills San Juan City
31)	BATANGAS CITY - 54-A D. Silang St. cor. Pastor St., Brgy. 14 Poblacion, Batangas City
32)	CEBU - BANILAD - Ground Floor Unit 101 of PDI Condominium Gov. M. Cuenco Ave. corner J. Panis St. Banilad, Cebu City
33)	CEBU - MAGALLANES - Go Quiaco Bldg. Magallanes cor Gonzales Sts, Cebu City
34)	DAVAO - LANANG - Lot 6, Blk 5, Insular Village, Pampanga, Lanang, Davao City
35)	ILOILO - LEDESMA - Sta Cruz Arancillo Bldg., Ledesma corner Fuentes Sts., Iloilo City
36)	DAVAO - STA. ANA - Ground Floor, GH Depot Bldg., Gov. Sales St., Sta. Ana, Davao City
37)	BACOLOD - LACSON - Lacson corner Luzuriaga Sts., Bacolod City
38)	SAN FERNANDO - DOLORES - Felix S. David Bdg., MacArthur Highway, Dolores, San Fernando City, Pampanga
39)	CABANATUAN - MELENCIO - Melencio St. corner Gen. Luna St., Cabanatuan City
40)	LUCENA CITY - Quezon Avenue corner Rosas Street, Barangay 8, Lucena City, Quezon
41)	CALAMBA - Ground Floor, SQA Bldg., Brgy. Uno, Crossing, Calamba City, Laguna
42)	WESTGATE - Westgate, Filinvest Corporate City, Alabang Muntinlupa City 1770
43)	DAGUPAN - PEREZ - Lot 194 D1-A & Lot 194 D1-B, Brgy. Pogo Chico, Perez Blvd, Dagupan City
44)	CAGAYAN DE ORO CITY - VELEZ - Juan Sia Bldg., No. 50 Don Apolinar Velez St. Cagayan de Oro City
45)	ZAMBOANGA CITY - N.S. VALDERROSA - N.S. Valderrosa St. corner Corcuerra St., Zamboanga City
46)	BAGUIO CITY - ABANAO AVE. - One VF Tower, Benjamin Salvosa Drive, Brgy. Rizal Monument, Baguio City
47)	CEBU - N. ESCARIO - Cebu Capitol Commercial Complex Bldg. N. Escario Street, Cebu City
48)	TOMAS MORATO - No. 257 Tomas Morato St. near cor. Scout Fuentabella, Quezon City
49)	NINOY AQUINO AVE. - MIESCOR DRIVE - Unit 707-6 Columbia AirFreight Complex, Miescor Drive, Ninoy Aquino Ave. Brgy. Sto. Niño Paranaque City 1700
50)	PAMPANGA - ANGELES CITY - Antonio Y. Angeles Building, No. 260 Sto. Rosario Street, Brgy. San Jose, Angeles City, Pampanga
51)	VALENZUELA - MARULAS - JLB Enterprises Bldg., KM 12 McArthur Highway, Marulas, Valenzuela City
52)	GREENHILLS - WEST - Ground Floor ALCCO Bldg., Ortigas Avenue Greenhills West, San Juan City
53)	VALERO - Ground Floor, Retail 1B, Paseo Park View Tower 1, 140 Valero St., Salcedo Village, Makati City
54)	SALCEDO - Ground Floor, First Life Center, No. 174 Salcedo St., Legaspi Village, Makati City
55)	MARIKINA - J.P. RIZAL - No. 367 J.P.Rizal St., Sta.Elena, Marikina City
56)	TEKTITE - Ground Floor, East Tower, PSE Center, Exchange Drive, Ortigas Center, Pasig City
57)	FESTIVAL MALL 2 - X-cite Area, Level 1, Festival Supermall, Filinvest Corp. City, Alabang Muntinlupa City 1781
58)	TARLAC - F. TAÑEDO - Mariposa Bldg., F. Tanedo St., Tarlac City
59)	T. ALONZO - No. 623 T. Alonzo St., Brgy. 300, Zone 029, Sta. Cruz, Manila
60)	WEST AVENUE - No. 108 West Avenue corner West Lawin Street, West Triangle, Quezon City

61) CEBU – MANDAUE BRIONES HIGHWAY – Kina Building, National Highway, Subangdaku, Mandaue City, Cebu
62) NAGA CITY – Ground Floor, LAM Bldg., No. 19 Peñafrancia Avenue, Zone 1, Brgy. San Francisco, Naga City, Camarines Sur
63) LAOAG CITY – Ground Floor, Puregolds Bldg., Commercial Unit No. 3 & 4 Nolasco St., cor Castro Ave., and J.P. Pizal, Laoag City
64) LA UNION – SAN FERNANDO CITY – Kenny Plaza, Brgy. Catbangen, Quezon Ave. San Fernando La Union
65) COTABATO CITY – No. 31 Quezon Avenue, Poblacion 5, Cotabato City
66) ISABELA – SANTIAGO – Midori Bldg, National Highway, Brgy. Villasis, Santiago City, Isabela 3311
67) NEW MANILA – Ground Floor, AAP Building, No. 683 Aurora Blvd New Manila Quezon City
68) MALABON – RIZAL AVENUE – No. 726 Rizal Ave., Brgy. Tanong, Malabon City
69) INTRAMUROS – Ground Floor, BF Condominium, No. 104 A. Soriano Avenue corner Solana St., Intramuros, Manila
70) BINONDO – Uy Su Bin Bldg., 535-537 Quintin Paredes St., Binondo, Manila
71) GRACE PARK – 8TH AVE. – No. 896 8th Avenue cor. J. Teodoro, Grace Park, Caloocan City
72) DEL MONTE – No. 271 Del Monte cor. Biak na Bato, Quezon City
73) PASEO DE ROXAS – LEGASPI – Ground Floor, 111 Paseo De Roxas Bldg., 111 Paseo de Roxas St. corner Legaspi St., Legaspi Village, Makati City
74) DAVAO – MATINA – Lot 16 Blk 3, McArthur Highway, Matina, Davao City
75) BALIUAG – Donña Remedios Trinidad Highway corner Benigno S. Aquino Ave., Baliuag, Bulacan
76) LIPA CITY – No. 18, Lot 712 ABC, B. Morada Avenue, Lipa City, Batangas
77) PASEO DE ROXAS – PHILAM TOWER – Ground Floor Philamlife Tower, 8767 Paseo de Roxas St., Makati City 1226
78) UN AVENUE – MAGCOOP Bldg., UN Avenue St. near corner A. Mabini St., Ermita, Manila
79) SAN MIGUEL AVE. – Ground Floor, Medical Plaza Building, San Miguel Avenue, Ortigas Center, Pasig City
80) ALABANG – MADRIGAL BUSINESS PARK – Ground Floor CTP Alpha Bldg. Investment Drive Madrigal Business Park, Ayala Alabang, Muntinlupa City
81) CEBU – GRAND CENIA – Grand Cenia Bldg., Archbishop Reyes Avenue, Cebu City
82) THE FORT – MARAJO TOWER – Ground Floor, The Marajo Tower, 26th St. West corner 4th Ave., Fort Bonifacio, Global City Taguig
83) PASO DE BLAS – No. 191 Paso De Blas, Valenzuela City
84) DIVISORIA – No. 802 Ilaya St., Binondo Manila
85) CHINO ROCES – DELA ROSA – Ground Floor, King's Court II Bldg., No. 2129 Don Chino Roces Ave., cor Dela Rosa St., Makati City
86) URDANETA CITY – S&P Bldg., Mc Arthur Highway, Nancayasan, Urdaneta City
87) MALABON – GOV. PASCUAL – Gov. Pascual Ave. Cor. Maria Clara St., Acacia, Malabon City
88) ISABELA – CAUAYAN – Maharlika Highway Cauayan City, Isabela
89) A. BONIFACIO – BALINTAWAK – 659 A. Bonifacio Ave., Balintawak, Quezon City
90) BACLARAN – 2/F, New Galleria Baclaran Shopping Mall, LRT South Terminal, Taft Ave. Extension, Pasay City
91) SOLER – Ground Floor, R & S Tower, No. 941 Soler St., Binondo, Manila
92) PACO – No. 1050 Pedro Gil St., Paco, Manila
93) LEGASPI – RUFINO – Ground Floor, Libran Bldg., Legaspi St. cor. V.A. Rufino Ave., Legaspi Village, Makati City
94) SAN JUAN – EastWest Bank Bldg., F. Blumentritt corner M. Salvador, Barangay San Perfecto, San Juan City
95) OLONGAPO CITY – No. 1215 Rizal Ave., West Tapinac, Olongapo City
96) AYALA AVE. – MAKATI SKY PLAZA – Ground Floor, Makati Sky Plaza Bldg. 6788 Ayala Avenue Makati City
97) CARMONA – Lot 1947-B, Paseo de Carmona Compound, Governor's Drive, Brgy. Maduya, Carmona, Cavite 4116
98) CEBU – LAPU-LAPU – Ground Floor APP Bldg. II, M. L. Quezon National Highway Pusok, Lapu-lapu City
99) C. RAYMUNDO AVENUE – Ground Floor ITSP Building, No. 172 C. Raymundo Ave., Brgy. Maybunga, Pasig City
100) EMERALD – Ground Floor, Unit 103 Hanston Bldg., Don F. Ortigas Jr. Road, Ortigas Center, Pasig City
101) PIONEER – Unit UG-09, Pioneer Pointe Condominium, Pioneer St., Mandaluyong City
102) EVANGELISTA – No. 1806 Evangelista St. corner Hen. Mojica St., Brgy. Bangkal, Makati City
103) ILIGAN CITY – Ground Floor, Party Plaza Bldg., Quezon Ave. Ext., Rabago, Iligan City
104) MALABON – POTRERO – Unit 1 & 2 Mary Grace Bldg. No. 142 Mac Arthur Highway, Potrero, Malabon
105) NOVALICHES – GULOD – Lot 489-B2 Quirino Highway, Brgy. Gulod, Novaliches, Quezon City
106) QUEZON AVENUE – SCOUT ALBANO – Quezon Ave., near cor. Scout Albano, Bgy. South Triangle, Quezon City
107) MANDALUYONG – LIBERTAD – Ground Floor, Units A,B & C, Dr. Aguilar Bldg. No 46 D.M. Guevarra St. cor Esteban St., Brgy. Highway Hills, Mandaluyong City
108) ROXAS BOULEVARD – Ground Floor, DENR Building, No. 1515 Roxas Boulevard, Ermita, Manila
109) NAVOTAS – NORTH BAY – Ground Floor, Unit 2 Melandria III Building, No. 1090 Northbay Blvd., Navotas City
110) MUNTINLUPA – Ground Floor Remenes Center Building, No. 22 National Highway, Putatan, Muntinlupa City 1772
111) BATAAN – BALANGA – Don Manuel Banzon Ave. Cor. Cuaderno St. Dona Fransica Balanga City, Bataan
112) GENERAL SANTOS CITY – Ireneo Santiago Boulevard, General Santos City
113) BUTUAN CITY – J. ROSALES – Ground Floor, Deofevente Bldg., Lot No. 7, Governor J. Rosales Ave., Brgy. Imadejas, Butuan City
114) 168 MALL – 4/f, Unit 4H 09-11, 168 Mall Building 5, Soler St., Binondo, Manila
115) OZAMIZ CITY – Ground Floor Casa Esperanza, Don Anselmo Bernard Ave., Ozamiz City, 7200
116) GENERAL TRIAS – Ground Floor, Unit 102, VCentral Gentri Bldg., Governor's Drive, Manggahan, General Trias, Cavite

117) MAGALLANES VILLAGE - Ground Floor, Unit 102, Tritan Plaza Building, San Antonio St., Paseo De Magallanes, Makati City Philippines, 1232
118) SAN PABLO - Lots 2365 & 3152, J. P. Rizal Avenue, Poblacion, San Pablo City, Laguna
119) ILOILO - IZNART - Ground Floor, B&C Square Bldg., Iznart St. cor. Solis St., Iloilo City
120) THE FORT - BURGOS CIRCLE - Ground Floor Units H & I, Crescent Park Residences, 30th St. cor. 2nd Ave., Bonifacio Global City, Taguig City.
121) CHINO ROCES - BAGTIKAN - Ground Floor, High Pointe Bldg. No. 1184 Chino Roces Ave. near cor. Bagtikan, Brgy. San Antonio, Makati City
122) ANTIPOLO - M.L. QUEZON AVE. - No. 146 M.L.quezon Ave., cor. F. Dimanlig St., San Roque, Antipolo City
123) DON ANTONIO HEIGHTS - Lot 24 Block 7, Holy Spirit Drive, Don Antonio Heights, Brgy. Holy Spirit, Quezon City
124) MARIKINA - GIL FERNANDO AVE. - Gil Fernando Ave. cor. Estrador St., Midtown Phase 1, San Roque, Marikina City
125) BANAWE - N. ROXAS - No. 42 Banawe Ave. cor. Nicanor Roxas, Quezon City
126) BANAWE - SCT. ALCARAZ - Unit ABC Ground Floor No. 740 Banawe Ave. near cor. Scout Alcaraz, Quezon City
127) EDSA - HOWMART - No. 1264 EDSA near corner Howmart Road, Brgy. A. Samson, Quezon City
128) MAYON - No. 170 Mayon Avenue, Quezon City
129) BAESA TOWN CENTER - Baesa Town Center Retail Store #4 232 Quirino Highway Baesa Quezon City
130) E. RODRIGUEZ AVE. - Ground Floor MC Rillo Bldg., No. 1168 E. Rodriguez Ave.,Brgy. Mariana, Quezon City
131) TIMOG AVENUE - Timog Arcade,Timog Avenue cor. Sct. Torillo St., Quezon City
132) PASIG - PASIG BLVD. - corner Pasig Blvd. and Lakeview Drive, Brgy. Bagong Ilog, Pasig City
133) GREENHILLS SHOPPING CENTER - Units G-102B, Greenlanes Arcade., Greenhills Shopping Center, San Juan City
134) WILSON - No. 220-B Wilson St., San Juan City
135) SUCAT - EVACOM - No. 8208 Dr. A. Santos Avenue, Barangay San Isidro, Paranaque City 1700
136) WEST SERVICE ROAD - West Service Road corner Sampaguita Avenue, UPS IV Subd., Paranaque City 1700
137) LAS PIÑAS - BF RESORT - B.F. Resort Drive, Phase IV, BF Resort Village, Las Pinas City 1740
138) SAN PEDRO - National Highway, Brgy. Nueva, San Pedro, Laguna
139) TUGUEGARAO CITY - College Ave. cor Rizal and Bonifacio St., Brgy. 08, Poblacion, Tuguegarao City
140) BAGUIO CITY - SESSION ROAD - Unit B 101 Lopez Bldg Baguio Session
141) CEBU - MANDAUE NORTH ROAD - Ground Floor, ALDO Bldg., North Road, Basak, Mandaue City, Cebu
142) DAVAO - TAGUM - Gaisano Grand ArcadeE, Apokon Road cor. Lapu-Lapu Ext., Brgy. Visayan Village, Tagum City
143) DAVAO - TORIL - Saavedra St., Toril, Davao City
144) BENAVIDEZ - Unit 103, One Corporate Plaza, Benavidez St. Legaspi Village, San Lorenzo, Makati City
145) CITY PLACE SQUARE - 3/F C-P2-3, Cityplace Square, Reina Regente near corner Felipe II St., Binondo, Manila
146) QUIAPO - E&L Haw Dynasty Bldg. No. 502 Evangelista St., cor. P. Paterno St., Quiapo, Manila
147) G. ARANETA AVENUE - Units A & B, Ilo Bldg., No. 195 G. Araneta Ave., Brgy. Santol, Quezon City
148) EASTWOOD CITY - Unit D, Technoplaza One Building, Eastwood City Cyberpark, No. 188 E.Rodriguez Jr. Ave., Bagumbayan, Quezon City
149) MAKATI AVENUE - JUNO - Unit No.2, A and W Building, No. 1 Juno St. cor. Makati Avenue, Brgy. Bel-air, Makati City
150) QUEZON AVENUE - DR. GARCIA SR. - Ground Floor, Kayumanggi Press Bldg., No. 940 Quezon Ave., near cor. Dr. Garcia St., Brgy. Paligsahan Quezon City
151) PASAY - LIBERTAD - Unit 265-E Nemar Building , Libertad St. Pasay City
152) GRACE PARK - 7TH AVE. - Ground Floor, Units 1,2, & 3, No. 330 Rizal Ave. Ext., near cor. 7th Avenue, East Grace Park, Caloocan City
153) RADA - Ground Floor, Unit No. 102, La Maision Rada Condominium Bldg., Rada St., Legaspi Village, Makati City
154) KAMIAS - No. 10 Kamias Rd., cor. Col. Salgado St., Brgy. West Kamias, Quezon City
155) BACOOR - MOLINO - Ground Floor Units 101, 102 & 103 VCENTRAL Mall Molino Bldg., Molino Blvd., Bacoor City, Cavite
156) CEBU - PARK MALL - Alfresco 4, Units 39, 40 & 40a Parkmall, Mandaue City
157) KORONADAL CITY - Ground Floor RCA Building, Gen. Santos Drive, Koronadal City, South Cotabato
158) PAGADIAN CITY - BMD Estate Bldg., F. Pajares cor. Sanson St., Pagadian City, Zamboanga del Sur
159) AYALA AVENUE - SGV1 - SGV 1 Bldg.,6760 Ayala Avenue, Makati City
160) MARIKINA - CONCEPCION - Bayan- Bayanan Ave.,Concepcion, Marikina City
161) UP VILLAGE - No. 65 Maginhawa St., U.P. Village, Diliman, Quezon City
162) BETTER LIVING - PERU - Blk 9, Lot 3 Dona Soledad Ave. cor. Peru St., BetterLiving, Paranaque City
163) LAS PIÑAS - MARCOS ALVAREZ AVENUE - No. 575 Marcos Alvarez Ave., Talon V, Las Pinas
164) ILOCOS SUR - CANDON - Ground Floor, KAMSU Building, Brgy San Jose, Candon City, Ilocos Sur
165) BACOLOD - MANDALAGAN - Lopues Mandalagan Corp. Bldg., Brgy. Mandalagan, Bacolod City
166) J.P. RIZAL - No. 805 J.P. Rizal cor. F. Zobel St., San Miguel Village, Makati City
167) MASANGKAY - 1411-1413 Masangkay St., Tondo, Manila
168) CEBU - A.S. FORTUNA - AYS Bldg., A.S. Fortuna St., Brgy. Banilad, Mandaue City, Cebu
169) CEBU - M. VELEZ - No. 151, M. Velez St., Guadalupe, Cebu City

170) DAVAO - BAJADA - Carolina Uykimpang Bldg., Corner Iñigo St., J.P. Laurel Avenue Davao City
171) DAVAO - C.M. RECTO - P&E Building, Poblacion, Brgy. 035 C.M. Recto Avenue, Davao City
172) EDSA - MUÑOZ - Ground Floor, Lemon Square Bldg., No. 1199 EDSA-Muñoz, Bgry. Katipunan, Quezon City
173) NORTH EDSA - UGF Units 4,5,6&7 EDSA Grand Residences Bldg., EDSA cor. Corregidor St., Quezon City
174) THE FORT - BEAUFORT - Ground Floor, The Beaufort, 5th Avenue Cor. 23rd St. Bonifacio Global City, Taguig City
175) ELCANO - Ground Floor, Elcano Plaza Building, No. 622 ElCano Street, Binondo, Manila
176) JOSE ABAD SANTOS - TAYUMAN - Ground Floor & 2/f, Cada Bldg., No. 1200 Tayuman St., cor. Jose Abad Santos Ave.,Tondo, Manila
177) TOMAS MAPUA - LOPE DE VEGA - Ground Floor & 2/f, Valqua Building., No. 1003 Tomas Mapua St. cor. Lope de Vega St., Sta. Cruz, Manila
178) PASAY - D. MACAPAGAL BLVD. - No. 8 President Diosdado Macapagal Blvd., Pasay City
179) TAFT AVENUE - Philippine Academy of Family Physicians (PAFP) Bldg., No. 2244 Taft Avenue, Manila
180) FAIRVIEW - No. 72 Commonwealth Ave. corner Camaro St., East Fairview. Quezon City
181) GREENHILLS - CONNECTICUT - Ground Floor, Unit B, Fox Square Building, No. 53 Connecticut Street, Northeast Greenhills, San Juan City
182) SUCAT - KINGSLAND - Ground Floor and 2/f, No. 5 & 6, Kingsland Building, Dr. A. Santos Avenue, Sucat, Paranaque City
183) PALAWAN - Rizal Avenue, Brgy. Manggahan, Puerto Princesa City, Palawan
184) PASIG - SANTOLAN - Ground Floor Santolan Bldg., No. 344 A. Rodriguez Avenue, Santolan, Pasig City
185) BONI AVENUE - Lourdes Bldg. II, 667 Boni Ave. Bgy. PlainView Mandaluyong City
186) ANGELES - BALIBAGO - Saver's Mall Bldg. Mac Arthur Highway, Balibago Angeles City
187) MASAMBONG - L.G. Atkimson Bldg., No. 627 Del Monte Ave., Brgy. Masambong, Quezon City
188) BATANGAS - BAUAN - J.P. Rizal Street corner San Agustin Street, Bauan, Batangas
189) MEYCAUAYAN - MALHACAN - Meycauayan Tollgate, Meaycauayan City, Bulacan
190) CEBU - A. C. CORTES - Carlos Perez Building, A.C. Cortes Avenue, Brgy. Ibabao, Mandaue City, Cebu
191) PASIG - ROSARIO - Unit 3, 1866 Ortigas Ave., Ext., Rosario, Pasig City
192) PASIG - VALLE VERDE - No. 102 E. Rodriguez, Jr. Ave., Ugong, Pasig City
193) CEBU - BASAK PARDO - South Point Place Building, N. Bacalso Ave., South Road, Basak Pardo, Cebu City
194) DAVAO - PANABO CITY - Quezon Street, Sto. Niño, Panabo City, Davao del Norte
195) CAGAYAN DE ORO CITY - COGON - De Oro Construction Supply, Inc Bldg., Don Sergio Osmenia St. cor Limketkai Drive Cagayan de Oro City
196) H.V. DELA COSTA - Unit GFC-2, Classica 1 Condominium, No. 112 H.V. Dela Costa St., Salcedo Village, Makati City
197) NOVALICHES - TALIPAPA - Ground Floor, Units C, D, E, F & G No. 526 Quirino Highway, Brgy. Talipapa, Novaliches, Quezon City
198) DASMARIÑAS - Km. 31 Gen. Emelio Aguinaldo Highway, Brgy. Zone 4, Dasmariñas City, Cavite
199) NUEVA ECIJA - SAN JOSE - Paulino Building, Brgy. Aber 1st, Maharlika Road, San Jose, Nueva Ecija
200) VIGAN - Quezon Ave., Vigan City, Ilocos Sur
201) CEBU - JUAN LUNA - Stephen Jo Building, Juan Luna, Cebu City
202) DUMAGUETE CITY - Don Joaquin T. Villegas Bldg., Colon St., Dumaguete City
203) ILOILO - JARO - Jaro Townsquare, Mandaue Foam Building, Quintin Salas, Jaro, Iloilo City
204) SAN LORENZO VILLAGE - A. ARNAIZ AVENUE - The E-Hotels Makati Bldg., No. 906 A. Arnaiz Ave., (formerly Pasay Rd.) San Lorenzo Village, Makati City
205) LAS PIÑAS - ALMANZA - Aurora Arcade Bldg., Alabang Zapote Road, Almanza Uno, Las Pinas City
206) SAN FERNANDO - SINDALAN - T & M Building, Mac Arthur Highway, Brgy. Sindalan, San Fernando, Pampanga
207) BENGUET - LA TRINIDAD - KM 5, Central Pico, La Trinidad, Benguet
208) CEBU - FUENTE OSMEÑA - Ground Floor Cebu Women's Club Building, Fuente Osmeña, Cebu City
209) CEBU - MINGLANILLA - Ground Floor La Nueva - Minglanilla Center, Ward 2, Minglanilla, Cebu 6046
210) BACOLOD - HILADO - Hilado Street, Bacolod City
211) ZAMBOANGA CITY - CANELAR - Printex Bldg., Mayor Jaldon St., Zamboanga City
212) LOYOLA HEIGHTS - KATIPUNAN - Unit 13, Elizabeth Hall Bldg., Lot 1 Blk.41, Katipunan Avenue, Loyola Heights, Quezon City
213) SURIGAO CITY - Ground Floor, EGC Building, Rizal Street, Washington, Surigao City
214) AYALA AVENUE - RUFINO TOWER - Ground Floor, Unit 1, Rufino Bldg., 6784 Ayala Ave. cor. V. A. Rufino St., Makati City
215) 999 SHOPPING MALL - 3/f, Unit 10 & 3C-2, 999 Shopping Mall 2, C.M. Recto Street, Tondo Manila
216) T.M. KALAW - A-1,2,3 & 4 Ditz Bldg., No. 444 T.M. Kalaw St., Ermita, Manila
217) COMMONWEALTH - Ground Floor, Crissant Plaza Bldg., No. 272 Commonwealth Ave., Brgy. Old Balara, Quezon City
218) ROOSEVELT - STO. NIÑO - No. 187 Roosevelt Avenue, Brgy. Sto. Niño, San Francisco Del Monte, Quezon City
219) LAGRO - Lot 2-B-6 Quirino Highway, Lagro, Novaliches, Quezon City
220) GARNET - Unit 102, Prestige Tower, Emerald Ave., Ortigas Center, Pasig City
221) JULIA VARGAS - Ground Floor, Unit 101 One Corporate Centre Office Condominium, Doña Julia Vargas Avenue corner Meralco Avenue, Ortigas Center, Pasig City
222) PAMPANGA - APALIT - Bgy. San Vicente, Apailt, Pampanga

223) PAMPANGA - GUAGUA - Goodluck Bldg., No. 303 Guagua-Sta. Rita Arterial Road, Brgy. San Roque, Guagua, Pampanga
224) CEBU - FREEDOM PARK - CLC Bldg., 280 Magallanes St. near corner Noli Me Tangere, Cebu City
225) MANDALUYONG - WACK-WACK - Ground Floor , Unit JI-E, Jovan Condominium, Shaw Blvd. corner Samat St., Madaluyong City
226) BATANGAS - TANAUAN - No. 98 J.P. Laurel Hi-way, Brgy. Darasa,Tanauan City
227) MINDORO - CALAPAN - Ground Floor Paras Bldg., J.P. Rizal St., Brgy. San Vicente South, Calapan, Oriental Mindoro
228) MAKATI AVENUE - PACIFIC STAR - Ground Floor, Pacific Star Bldg., Sen. Gil Puyat Ave. Makati City
229) LEGASPI - DELA ROSA - Ground Floor, I - Care Bldg., No. 167 Legaspi cor Dela Rosa Sts., Legaspi Village, Makati City
230) DAGUPAN - A.B. FERNANDEZ AVENUE - New Star Bldg. A.B Fernandez Avenue, Dagupan City
231) PANGASINAN - ROSALES - Estrella Compound, Carmen East Rosales, Mac Arthur Highway, Pangasinan
232) BORACAY - Alexandrea Bdlg., Main Road Brgy. Balabag Boracay Island, Malay Aklan
233) CEBU - TALISAY - Paul Sy Bldg., Highway Tabunok, Talisay City, Cebu
234) ORMOC CITY - Ground Floor, Hotel Don Felipe Annex Bldg., Bonifacio St., Ormoc City
235) CAVITE - NAIC - Ibayo Silangan Road cor. Sabang Road, Naic Cavite
236) BATAAN - DINALUPIHAN - Bgy. San Ramon, Dinalupihan, Bataan
237) TARLAC - PANIQUI - No. 130 M.H. Del Pilar St., cor. Mac Arthur Highway, Paniqui, Tarlac City
238) NUEVA VIZCAYA - SOLANO - Maharlika Road, Poblacion, Solano, Nueva Vizcaya
239) TAGBILARAN CITY - Ground Floor, Edificio De Familia E. Gallares Bldg., No. 0160 Calle Gov. Celestino Gallares St., Poblacion 2, Tagbilaran City, Bohol
240) DAVAO - J.P. LAUREL - JP Laurel Avenue, Davao City
241) THE FORT - F1 CENTER - Ground Floor, Unit D, F1 City Center, 32nd Street near corner 5th Avenue, Bonifacio Global City, Taguig City
242) AMORSOLO - QUEENSWAY - Ground Floor, Queensway Building, No.118 Amorsolo St., Legaspi Village, Makati City
243) JUAN LUNA - PRITIL - 1953-1955 Juan Luna St., Tondo, Manila
244) CUBAO - ARANETA CENTER - Ground Floor, Philamlife Building, Aurora Blvd. corner General Araneta Street, Cubao, Quezon City
245) KALENTONG - No. 908 Gen. Kalentong Street, Mandaluyong City
246) ALABANG - ENTRATA - Units G3 & G4, Entrata, Filinvest Corporate City, Alabang, Muntinlupa City
247) BF HOMES - AGUIRRE - No. 327 Aguirre Avenue, BF Homes, Paranaque City
248) SUCAT - KABIHASNAN - Unit 3 & 4 Perry Logistics Center Building, Ninoy Aquino Avenue, Paranaque City
249) CAVITE - TANZA - Antero Soriano Highway, Daang Amaya 2, Tanza, Cavite
250) CEBU - ASIA TOWN IT PARK - Ground Floor, Calyx Center, W. Ginonzon Street corner Abad Street, Asia Town, IT Park, Cebu City
251) GIL PUYAT - DIAN - Ground Floor, Wisma Cyberhub Building, No. 45 Sen. Gil Puyat Ave., Makati City
252) A. BONIFACIO - BALINGASA - Ground Floor, 2/f & 3/f, Units D & E, Winston Building, No. 880 A. Bonifacio Avenue, Brgy. Balingasa, Quezon City
253) VISAYAS AVENUE - Ground Floor, K.L. Group Bldg., Units B, C, & D, No. 15 Visayas Ave., Brgy. Vasra, Quezon City
254) GRACE PARK - 11TH AVE. - Ground Floor, Remcor V Building, Block 172, Lot 5, Rizal Avenue Ext., Caloocan City
255) VALENZUELA - DALANDANAN - Malanday Machinery's Commercial Bldg., No. 212 Km. 15 Mac Arthur Highway, Brgy. Dalandanan, Valenzuela City
256) GREENHILLS - NORTH - Ground Floor, BTTC Bldg., Ortigas Ave. cor. Roosevelt St., Greenhills, San Juan City
257) ALABANG HILLS - Don Gesu Bldg., Don Jesus Blvd., Brgy. Cupang, Muntinlupa City
258) NUEVA ECIJA - GAPAN - TSI Bldg., Jose abad Santos Ave., Sto. Niño, Gapan, Nueva Ecija
259) DAVAO - BUHANGIN - Ground Floor, D3G Bldg., Km. 5 Buhangin Road cor. Gladiola St., Buhangin, Davao City
260) BICUTAN - EAST SERVICE ROAD - Ground Floor, Waltermart Bicutan, East Service Rd., cor. Mañalac Ave., Brgy. San Martin de Porres, Parañaque City
261) BULACAN - PLARIDEL - Lot 1071- A, Daang Maharlika Road, (Prev. Cagayan Valley Road) Banga First, Plaridel Bualacan
262) BUKIDNON - VALENCIA - Tamay Lang Lang Park Lane Bldg., G. La Viña Ave., Poblacion, Valencia City, Bukidnon
263) MARIKINA - PARANG - JNJ Bldg., No. 108 BG Molina St., Parang, Marikina
264) ONGPIN - Ground Floor, Unit G1, Strata Gold Condominium Bldg., No. 738 Ongpin St., Binondo, Manila
265) CAVITE CITY - P. Burgos Ave., Brgy. Caridad, Cavite City
266) YLAYA - PADRE RADA - Josefa Building, No. 981 Ylaya Street corner Padre Rada Street Tondo, Manila
267) BATANGAS - LEMERY - Ground Floor LDMC Building, Ilustre Ave. Brgy. Rizal, Lemery, Batangas
268) LAGUNA - BIÑAN - Ground Floor, Units 1,2,3 & 4, Simrey's Commercial Building, National Highway corner Alma Manzo Road, Brgy. San Antonio, Biñan City, Laguna
269) KALIBO - Roxas Avenue Extension, Kalibo, Aklan
270) DAVAO - DIGOS - Commercial Space-4, Davao RJ and Sons Realty & Trading Corporation Building, V. Sotto Street, Brgy. Zone-1, Digos City, Davao del Sur
271) PEREA - Ground Floor, Greenbelt Mansion, No. 106 Perea Street, Legaspi Village, Makati City
272) BANAWE - KALIRAYA - Titan 168 Building, No. 126 Banawe Street near cor. Kaliraya St., Brgy. Tatalon, Quezon City
273) CAVITE - TRECE MARTIRES - Ground Floor Dionets Commercial Place Building,Trece Martires-Indang Road, Brgy. San Agustin, Trece Martires City, Cavite

274) ROXAS CITY - Corner Roxas Avenue and Osmeña St. (formerly Pavia St.), Roxas City, Capiz
275) TACLOBAN CITY - MARASBARAS - Ground Floor, JGC Bldg., Brgy. 77, Marasbaras, Tacloban City
276) PROJECT 8 - SHORTHORN - Ground Floor, West Star Business Center Bldg., No. 31 Shorthorn St., Brgy. Bahay Toro, Project 8, Quezon City
277) BULACAN - BALAGTAS - Burol 1st, Mc Arthur Highway, Balagtas Bulacan
278) DAVAO - MAC ARTHUR MATINA - BGP Commercial Complex II Bldg., McArthur Highway, Matina, Davao Ctiy
279) GRACE PARK - 3RD AVE. - No. 215 Rizal Avenue Ext. Brgy. 45 Grace Park West, Caloocan City
280) SAN FERNANDO - JOSE ABAD SANTOS - Ground Floor, Units 1A &1B Kingsborough Commercial Center Building, Jose Abad Santos Avenue, San Fernando, Pampanga 2000
281) ILOCOS NORTE - SAN NICOLAS - Barangay 2, San Nicolas, Ilocos Norte
282) PANGASINAN - LINGAYEN - Avenida Rizal East Road, Lingayen, Pangasinan
283) BACOLOD - ARANETA - Unit 1A & 1B Metrodome Building, Araneta - Alunan St. Sincang, Barangay 39, Bacolod City
284) GENERAL LUIS - KAYBIGA - No. 4 Gen. Luis St., Barangay Kaybiga, Caloocan City
285) NAVOTAS - M. NAVAL - No. 895 M. Naval Street, Brgy. Sipac-Almasen, Navotas City
286) CAVITE - SILANG - No. 132 J. P Rizal Street, corner E. Montoya Street, Brgy. San Vicente I, Silang, Cavite
287) BATANGAS - ROSARIO - Rosario-Padre Garcia-Lipa Road, Poblacion Rosario, Batangas
288) JUPITER - PASEO DE ROXAS - No. 30 Jupiter cor. Paseo De Roxas Sts., Brgy. Bel-Air, Makati City
289) DIPOLOG CITY - Ground Floor, Felicidad II Bldg., Quezon Ave., Miputak, Dipolog City
290) GENERAL SANTOS CITY - PIONEER - Pioneer Avenue corner Magsaysay Avenue, General Santos City
291) GIL PUYAT - SALCEDO VILLAGE - Unit 1C, Ground Floor, Country Space 1 Bldg., Gil Puyat Avenue, Makati City
292) BLUMENTRITT - RIZAL AVENUE - No. 2412 Rizal Avenue, Sta. Cruz, Manila
293) JUAN LUNA - BINONDO - No. 580 Juan Luna St., Binondo, Manila
294) E. RODRIGUEZ AVE. - CUBAO - No. 1731 E. Rodriguez Sr. Avenue, Brgy. Pinagkaisahan, Cubao, Quezon City
295) GREENHILLS - PROMENADE - Unit 3, Ground Floor & 2/f Promenade Building, Missouri Street, Greenhills, San Juan City
296) ANTIQUE - SAN JOSE - St. Nicolas Building, T.A. Fornier Street, San Jose, Antique
297) DAVAO - AGDAO - Door 2 & 3 Cabaguio Plaza Bldg., Cabaguio Ave., Agdao, Davao City
298) LEVISTE - Unit Ground B, LPL Mansions Building, 122 L.P. Leviste Street, Salcedo Village Makati City
299) CHINO ROCES - LA FUERZA - Unit/s 10 & 11 La Fuerza Plaza 1, No. 2241 Don Chino Roces Avenue, Makati City
300) PAZ M. GUAZON - Units 5 & 6, Topmark Bldg., No. 1763 Paz M. Guazon Street, Paco, Manila
301) MIA ROAD - Salud-Dizon Building 1, No. 5 MIA Road, Tambo, Parañaque City
302) BATANGAS - NASUGBU - J. P. Laurel Street, Poblacion, Nasugbu, Batangas
303) SORSOGON - Ma. Bensuat T. Dogillo Bldg., Magsaysay St., Poblacion, Sorsogon City
304) MALOLOS - Ground Floor, BUFECO Bldg., No. 1197 Brgy. Sumapang Matanda, Mac Arthur Highway Malolos, Bulacan
305) SUBIC BAY - No. 1109 Rizal Highway, Subic Bay Freeport Zone, Olongapo City
306) ISABELA - ILAGAN - Maharlika Highway corner Florencio Apostol Street, Calamagui 1, Ilagan, Isabela
307) LA UNION - AGOO - Mac Arthur Highway, Barangay San Antonio, Agoo, La Union
308) CATBALOGAN - Curry Avenue corner San Bartolome Street, Catbalogan City, Samar
309) DAVAO - QUIRINO - Centron Building, Quirino Avenue corner General Luna Street, Davao City
310) KIDAPAWAN - Doña Leonila Complex, National Highway, Poblacion, Kidapawan City,North Cotabato
311) VALENZUELA - GEN. T. DE LEON - Ground Floor, Units 4 & 5, Liu Shuang Yu Bldg., No. 3026 Gen. T. De Leon St., Brgy. Gen. T. De Leon, Valenzuela City
312) ILOILO - MOLO - GT Plaza Mall, M.H. del Pilar St., Molo, Iloilo City
313) ALABANG - COMMERCE AVE. - Spectrum Center Block 28, Commerce Ave cor Filinvest Ave., Filinvest City, Alabang, Muntinlupa City
314) NUEVA ECIJA - TALAVERA - Lot No. 269-A Maharlika Road, Poblacion, Talavera, Nueva Ecija
315) SILAY - Rizal Street, Silay City, Negros Occidental
316) DEL MONTE - D. TUAZON - No. 155 Del Monte Ave., Brgy. Manresa, Quezon City
317) PANGASINAN - SAN CARLOS - Palaris St. cor. Jaycees St., San Carlos, Pangasinan
318) DAVAO - MAGSAYSAY - EWB Bldg. Lot 100-C Brgy. 030 Poblacion, R. Magsaysay Ave., Davao City
319) ZAMBALES - IBA - Lot No. 1-A, Zambales - Pangasinan Provincial Road, Brgy. Sagapan, Iba, Zambales
320) CAGAYAN DE ORO - CARMEN - RTS Bldg., Vamenta Blvd., Carmen, Cagayan de Oro City
321) CAGAYAN DE ORO - LAPASAN - Lapasan Highway, Cagayan de Oro City
322) CALOOCAN - A. MABINI - Ground Floor Gee Bee Bldg. No. 428 A. Mabini St., Brgy. 15, Zone 2, Caloocan City
323) TORDESILLAS - Unit 105, Le Metropole Condominium, H.V. Dela Costa cor. and Tordesillas Sts. & Sen. Gil Puyat Ave., Salcedo Village, Makati City
324) TAFT - NAKPIL - RLR Building, No. 1820 Taft Avenue near corner Nakpil Street, Malate, Manila
325) ORTIGAS - ROCKWELL - Unit No. W-01 Tower 1, The Rockwell Business Center, Ortigas Avenue, Pasig City
326) GENERAL SANTOS CITY - CALUMPANG - Calumpang Medical Specialist Building, National Highway, Calumpang, General Santos City

327) BATANGAS - STO. TOMAS - KM 67 Maharlika Highway, Poblacion Sto. Tomas, Batangas
328) PATEROS - M. Almeda corner G. De Borja Street, San Roque, Pateros
329) LAGUNA - CABUYAO - No. 26 J. P. Rizal Street, Poblacion, Cabuyao City, Laguna
330) BULACAN - SAN JOSE DEL MONTE - Dalisay Resort, Gov. F. Halili Avenue, Tungkong Mangga, San Jose del Monte, Bulacan
331) METROPOLITAN AVENUE - Savana Bldg. 3, Metropolitan Avenue corner Venecia St., Bgy. Sta Cruz, Makati City
332) THE FORT - ACTIVE FUN - Active Fun Building, 9th Avenue corner 28th Street, City Center, Bonifacio Global City, Taguig City
333) STA. ROSA - Unit No. 6, Paseo 5 - Paseo de Sta Rosa, Greenfield City, Don Jose, Santa Rosa City, Laguna
334) LAS PIÑAS - J. AGUILAR AVE. - J.Aguilar Avenue corner Casimiro Drive, Brgy. BF International, Las Piñas City, Metro Manila
335) PEDRO GIL - No. 574 Pedro Gil Street, Malate, Manila
336) KAWIT - CENTENNIAL - Centennial Road, Tabon, Kawit, Cavite
337) SAMPALOC - J. FIGUERAS - No. 427-433 J. Figueras Street, Sampaloc, Manila
338) BATANGAS - BALAYAN - Corner Paz St. and Union St., Poblacion, Balayan, Batangas
339) KAMUNING - JPY Bldg, No. 52 Kamuning Road, Brgy Kamuning Quezon City
340) E.ROD. - WELCOME ROTONDA - Ground Floor, AEK Bldg., No. 40 E. Rodriguez Sr. Ave., Brgy. Don Manuel, Quezon City
341) XAVIERVILLE - No. 60 Xavierville Avenue, Xavierville Subdivision, Brgy. Loyola Heights, Quezon City
342) TABACO CITY - Manuel Cea Bldg. I, Santillan St., Poblacion, Tabaco City, Albay
343) BATAAN - MARIVELES - 8th Avenue, Freeport Area of Bataan (FAB), Mariveles, Bataan
344) LEGAZPI CITY - Block 2 Lot 3-B, Landco Business Park, Legazpi City, Albay
345) TIMOG - MOTHER IGNACIA - No. 21 Timog Ave., Brgy. South Triangle, Quezon City 1103
346) AURORA BLVD. - ANONAS - Rosario Building, No. 999 Aurora Blvd., near corner Lauan and Anonas Sts., Bgy. Duyan-duyan, Project 3, Quezon City
347) P. OCAMPO AVENUE - No. 245 P.Ocampo Ave. corner Flordeliz St., Brgy. La Paz, Makati City
348) MONTALBAN - RIZAL - No. 240 E. Rodriguez Hi-way, Manggahan, Rodriguez, Rizal
349) THE FORT - SOUTH OF MARKET - Ground Floor, Units 25 and 26, North Tower, South of Market (SOMA) Building, 26th St. cor. 11th Ave., Bonifacio Global City, Taguig City
350) ORTIGAS - ADB AVENUE - Ground Floor, Units G1 & G2, ADB Avenue Tower, ADB Avenue, Ortigas Center, Pasig City
351) BONI SERRANO AVE. - No. 107 Boni Serrano Avenue, Brgy. Lipunan ng Crame, Quezon City
352) TAYTAY - MANILA EAST - Manila East Road, Brgy. San Juan, Taytay, Rizal
353) PASAY - OCEANAIRE - Ground Floor, Unit No. 108 & 109, Podium Commercial Area, Oceanaire Condominium, Sunrise Drive corner Rd. 23, SM Mall of Asia Complex, Pasay City
354) A.MABINI - R.SALAS - Ground Floor & 2/f, Jesselton Tower No. 1453 A. Mabini St., corner R. Salas St., Brgy. 668, Zone 72, Ermita Manila
355) GIL PUYAT - F.B. HARRISON - No. 131 Gil Puyat Avenue Extension, Brgy 24, Zone 4, Pasay City
356) MAYON - DAPITAN - No. 181 Mayon St. near corner Dapitan St. Brgy. Sta. Teresita, Quezon City
357) KALAYAAN - MATALINO - No. 123 Kalayaan Avenue near corner Matalino St. Brgy. Central Diliman, Quezon City
358) CABANATUAN - MAHARLIKA - Maharlika Highway, Brgy. Dicarma, Cabanatuan City, Nueva Ecija
359) ACROPOLIS - Unit 1B Ground Floor Richmond Centre Building, Lot 46, Block 11, E. Rodriguez Jr. Avenue, Brgy. Bagumbayan, Acropolis, Quezon City
360) LEGASPI - AGUIRRE - Ground Floor, Unit 1-B, The Biltmore, No. 102 Aguirre Street, Legaspi Village, Makati City
361) TARLAC - CONCEPCION - Lot No. 1889, B1,B2,B3, L. Cortez St., San Nicolas, Concepcion, Tarlac
362) BULACAN - STA. MARIA - No. 115 M. De Leon St., Brgy., Poblacion, Sta. Maria, Bulacan
363) TARLAC - MCARTHUR HIGHWAY - Lot No. 27 Block 17, McArthur Highway corner Calle Manuel, San Sebastian Village, Tarlac, Tarlac
364) PANGASINAN - MANGALDAN - Cadastral Lot No. 335 Rizal Ave., Brgy. Poblacion, Mangaldan, Pangasinan
365) BATANGAS CITY - PALLOCAN - Unit Nos. 6, 7, and 8, Mayvel Center Building, Manuela Pastor Avenue, Brgy. Pallocan West, Batangas City
366) DAVAO - DIVERSION ROAD - Unit 4 & 5, Ground Floor D3G Y10 Bldg., C.P. Garcia National Highway, Brgy. Cabantian Davao City
367) PANGASINAN - ALAMINOS - BHF Blue Horizon Bldg., Quezon Ave., Poblacion , Alaminos City, Pangasinan
368) CALAMBA - NATIONAL ROAD - No. 1425 National Road, Brgy. Uno Crossing, Calamba Laguna 4027
369) BACOLOD - EAST - East Two Corporate Center Building, Circumferential Road, Brgy. Villamonte, Bacolod City,
370) BAGUIO - LEGARDA - GF Lindi Hotel, #12 Legarda Road, Baguio City
371) LAGUNA - STA. CRUZ - Sun Moon Arcade Building, No. 129 P. Guevara Ave., Poblacion 2 , Sta Cruz, Laguna
372) QUEZON - CANDELARIA - Corner National Highway and Ona Street, Brgy. Poblacion Candelaria Quezon
373) ILOILO - DIVERSION ROAD - The 21 Avenue Building, Benigno Aquino Avenue, Mandurriao, Iloilo City
374) TACLOBAN CITY - J. ROMUALDEZ - RUL Building, Justice Romualdez St., Brgy.15, Tacloban City
375) BUTUAN - P. BURGOS - Units 1, 2, and 3 Ground Floor FSUU Building, P. Burgos corner San Francisco Streets, Brgy. Sikatuna, Butuan City
376) RIZAL - SAN MATEO - Lot 551-A-8, Gen. Luna St., Brgy. Ampid, San Mateo, Rizal
377) ISABELA - ROXAS - Maharlika Hi-way, Brgy. Bantug, Roxas, Isabela 3320

378) CAVITE - ROSARIO - Lot 616 F1 Gen. Trias Drive, Tejeros Convention, Brgy. Tejero, Rosario, Cavite
379) DAVAO - MA-A - Ground Floor, Rosario Bldg., Don Julian Rodriguez Avenue, Ma-a Road Davao City
380) THE FORT - BGC CORPORATE CENTER - Ground Floor, Unit No. 2, BGC Corporate Center, No. 3030 11th Ave. cor. 30th St., City Center, Bonifacio Global City, Taguig City 1634
381) TACURONG - Tacurong City-Lambayong, National Highway, Tacurong, Sultan Kudarat
382) PAMPANGA - CLARK - Pavilion 16 Berthaphil Clark Center, Jose Abad Santos ave., TFZ Clark SPCL Ecozone, Angeles City, Pampanga
383) ALABANG - FRABELLE - Frabelle Alabang Bldg., 1100 Madrigal Business Park Alabang Zapote Rd Alabang Muntinlupa City
384) THE FORT - B3 BONIFACIO HIGH STREET - Ground Floor, Quadrant 3 Wumaco Bldg. 2, 7th Avenue B3, Bonifacio High Street, Bonifacio Global City, Taguig
385) ORTIGAS - ORIENT SQUARE - Ground Floor, Orient Square Building, Emerald Ave., Ortigas Center, Pasig City
386) TAGAYTAY - Ground Floor, Unit 1001.1, Fora Mall, Emilio Aguinaldo Highway, Brgy. Crossing East, Rotunda, Tagaytay City, Cavite
387) CAGAYAN DE ORO - PUEBLO DE ORO - VLC Tower One, B1 L1, Gran Via St., Pueblo de Oro, Cagayan de Oro City
388) THE FORT - PSE TOWER - One Bonifacio High Street - Philippine Stock Exchange Tower (One BHS - PSE Tower) 5th Avenue cor. 28th Street, Bonifacio Global City, Taguig City
389) FESTIVAL MALL - EXPANSION WING - Space No. 2219.1, Festival Supermall Expansion, Festival Mall Inc., FCC, Alabang-Zapote Road, Muntinlupa City
390) CEBU - SRP IL CORSO - R-160, R-161 Il Corso-Operations, Level 1, Il Corso - Filinvest Lifemall, City de Mare SRP Cebu City 6000
391) GIL PUYAT - WASHINGTON - 100 West Building, 100 Sen. Gil Puyat Ave. corner Washington St., Brgy. Pio del Pilar, Makati City, 1230

Listed below are the branches of EWRB as of December 31, 2019:

1)	PASIG STORE - 360 Dr. Sixto Antonio Avenue, Corner Beverly Hills Street, Caniogan, Pasig City 1606
2)	DAGUPAN STORE - Units L1L & L1M, Ground Floor, Eastgate Plaza Bldg., A.B. Fernandez East Avenue, Brgy. Mayombo, , Dagupan City, Pangasinan, 2400
3)	SAN FERNANDO, LA UNION STORE - Diversion Road, Brgy. Pagdaraoan, San Fernando City, La Union, 2500
4)	BAGUIO STORE - 2F Jose Miguel Bldg. II, Yandoc St., Corner Naguilian Road, Barangay Kayang Extension, Baguio City, 2600
5)	TUGUEGARAO STORE - Don Domingo Street, Brgy. Centro 11, Tuguegarao City, Cagayan Valley, 3500
6)	TARLAC STORE - Silayan Business Center Bldg., Brgy. Santo Cristo, Tarlac City, Tarlac, 2300
7)	SAN FERNANDO STORE - McArthur Highway, Suburbia North Subdivision, Brgy. Maimpis, City of San Fernando, Pampanga, 2000
8)	MEYCAUAYAN STORE - Manila North Road, McArthur Highway, Brgy. Calvario, Meycauayan City, Bulacan
9)	CABANATUAN STORE - Bulanadi Bldg. Maharlika Highway, Brgy. H. Concepcion, Cabanatuan City, Nueva Ecija, 3100
10)	LUCENA STORE - Land Co Bldg., ML Tagarao St., Brgy. 3, Lucena City, Quezon, 4301
11)	STA. ROSA STORE - Hernandez Bldg., National Road , Brgy. Macabling, Sta. Rosa City, Laguna, 4026
12)	CAINTA STORE - Km. 19, Ortigas Ave. Extension, Don Mariano Subd., Brgy. San Juan , Cainta, Rizal, 1900
13)	DASMARINAS STORE - Lot-4, Aguinaldo Highway, Brgy. Salitran, Dasmarinas City, Cavite, 4114
14)	BATANGAS STORE - Ground floor Epicenter, National Highway, Brgy. Balagtas, Batangas City, Batangas, 4200
15)	PUERTO PRINCESA STORE - 201 Whitelines Bldg. , National Highway, Brgy. San Pedro, Puerto Princesa City, Palawan, 5300
16)	LEGAZPI STORE - Door 2 & 3 Bicol Wei Due Fraternity Building, Quezon Ave. Oro Site, Legazpi City, Albay, 4500
17)	NAGA STORE - Door 48 & 49 Crescini Bldg. CBD 2 Triangulo, Naga City, Camarines Sur, 4400
18)	DAET STORE - Blk. 8, Lot-11, FMDC Bldg., Central Plaza Complex, Brgy., Lag-on, Daet, Camarines Norte
19)	IROSIN STORE - M.H. Del Pilar Street, Brgy. San Julian, Irosin, Sorsogon
20)	MASBATE STORE - Door 1 & 2, Sanchez Bldg., Sitio Cagba, Brgy. Tugbo, Masbate City
21)	BACOLOD STORE - R.S. Bldg., Corner Hilado Extension & 6th Sts., Capitol Shopping Center, Lacson, Bacolod City, Negros Occidental, 6100
22)	ILOILO STORE - National Road, Brgy., Tagbak, Jaro, Iloilo City
23)	ROXAS STORE - Unit II, Cler Grand Hotel, Brgy. Lawaan, Roxas City, Capiz, 5800
24)	KABANKALAN STORE - The Crossing, Guazon Street, Brgy. 2 Kabankalan City, Negros Occidental, 6111
25)	SAN CARLOS STORE - Center Mall, F. C. Ledesma Avenue, Brgy. Palampas, San Carlos City, Negros Occidental, 6127
26)	TANJAY STORE (FORMERLY DUMAGUETE STORE) - Magallanes St., Cor. Basa St., Pob.2, Tanjay City, Negros Oriental
27)	MANDAUE STORE - Northside Business Hub, G. Lopez-Jaena Corner, A.P. Cortes St, Brgy. Tipolo, Mandaue City, Cebu, 6014
28)	TAGBILARAN STORE - G/F Sum Bldg.,#29 San Jose Street,Brgy. Bogu Cogon District, Tagbilaran City, Bohol, 6300
29)	CEBU CITY STORE - #36 JEThouse Bldg., Osmeña Blvd.,Brgy. Sambag II, Cebu City
30)	TOLEDO STORE - #4 Ma. Theresa Isabel Bldg., Peňalosa Street, Luray I, Toledo City, Cebu, 6038
31)	BOGO STORE - CPN Bldg. M.H. Del Pilar St. Brgy. Lourdes, Bogo City, Cebu, 6010
32)	CALBAYOG STORE - Corner Orquin Street & Magsaysay Boulevard, Brgy. Balud, Calbayog City
33)	MAASIN STORE - R. Kangleon Cor., Rafols Sts., Brgy. Tunga-tunga Maasin City, Southern Leyte 6600
34)	TACLOBAN STORE - G/F Insular Life Bldg., Avenida-Veteranos Avenue, Brgy. 34, Tacloban City, Leyte, 6500
35)	BAYBAY STORE - Oppura Bldg., M.L. Quezon corner D. Veloso St., Brgy. Poblacion-Zone 9, Baybay, Leyte 6521
36)	ORMOC STORE - Real Street, Cor. San Vidal Brgy. District 21, Ormoc City, Leyte, 6541

37)	PAGADIAN STORE - Vicente Araneta Tolibas Bldg., Jamisola Corner Ariosa St., Santiago Dist., Pagadian City, Zamboanga del Sur, 7016
38)	DIPOLOG STORE - General Luna Street Corner Calibo Street, Dipolog City, Zamboanga del Norte, 7100
39)	IPIL STORE - Gethsemane St., Purok Malipayon, Poblacion Ipil, Zamboanga Sibugay
40)	ZAMBOANGA CITY STORE - Mayor Vitaliano Agan Avenue, Nuñez Extension, Brgy. Camino Nuevo, Zamboanga City.
41)	CAGAYAN DE ORO STORE - Silverdale Building, Capistrano corner Mabini Street, Barangay 14, Cagayan de Oro City, Misamis Oriental, 9000
42)	VALENCIA STORE - LCC Building, Purok 2, Sayre Highway, Poblacion, Valencia City, Bukidnon, 8709
43)	TAGOLOAN STORE - National Highway, Brgy. Poblacion, Tagoloan, Misamis Oriental, 9001
44)	GINGOOG STORE - Doña Graciana St., Brgy. 20, Gingoog City, Misamis Oriental, 9014
45)	MATI STORE - Magricom Bldg. 2, Limatoc Street, Central , Mati City, Davao Oriental, 8200
46)	DAVAO CITY STORE - Uyanguren St., Ramon Magsaysay Avenue, Brgy. 29-C, Davao City, Davao del Sur, 8000
47)	NABUNTURAN STORE - Amatong Bldg., Purok 11 Poblacion, Nabunturan, Compostela Valley, 8800
48)	GENERAL SANTOS STORE - UTD Building, J. Catolico Avenue, Lagao, General Santos City, South Cotabato, 9500
49)	KORONADAL STORE - Purok Mabuhay,Brgy. Zone IV, Koronadal City, South Cotabato, 9506
50)	KABACAN STORE - National Road, Rizal St. Brgy. Poblacion, Kabacan, North Cotabato, 9407
51)	ISULAN STORE - Valdez Bldg. Arcade, National Highway, Brgy. Kalawag II, Isulan, Sultan Kudarat, 9805
52)	BUTUAN STORE - Pareñas Bldg. South Montilla Blvd, Brgy. Golden Ribbon, Butuan City, Agusan del Norte, 8600
53)	SAN FRANCISCO STORE - Quezon Street, Brgy. 2, San Francisco, Agusan del Sur, 8501
54)	SURIGAO CITY STORE - Parkway, Km.2, Brgy. Luna, Surigao City, Surigao del Norte, 8400
55)	KITCHARAO STORE - National Highway, Brgy. Songkoy, Kitcharao, Agusan del Norte, 8609
56)	TANDAG STORE - Pimentel Bldg, Donasco Street, Brgy. Bag-ong Lungsod, Tandag City, Surigao Del Sur, 8300
57)	MANGAGOY STORE - EWRB Building, Espiritu Street, Mangagoy, Bislig City, Surigao del Sur, 8311
58)	DAPA STORE - Mabini Street, Brgy. 11 Poblacion, Dapa, Surigao del Norte, 8417
59)	GUMACA STORE - MAJT Bldg.,Brgy. Pipisik, Gumaca, Quezon, 4307
60)	TANAY STORE - M. H. Del Pilar, Brgy. Plaza Aldea, Tanay, Rizal Province, 1980
61)	NARRA STORE - National Highway, Brgy. Panacan II, Narra, Palawan, 5303
62)	LARENA STORE - GDM Building, Bonifacio Street, North Poblacion, Larena, Siquijor, 6226
63)	TALIBON STORE - G/F Edificio Luciano - Aurorita Bldg., CPG Avenue, Brgy. Poblacion, Talibon, Bohol, 6300
64)	CARCAR STORE - Ramos Bldg. P. Nellas St. Poblacion III, Carcar City, Cebu
65)	CATARMAN STORE - Benpres Building, South Diversion Road, Barangay Macagtas, Catarman, Samar
66)	SOGOD STORE - L. Regis St., Brgy. Zone 5, Sogod, Southern Leyte
67)	MOLAVE STORE - Cinema Building, Zamora Street, Purok Waling-waling, Brgy. Maloloy-on, Molave, Zamboanga del Sur
68)	MARAMAG STORE - Ground Floor, Abao Building, Bonifacio Street, P-1A South Poblacion, Maramag, Bukidnon 8714
69)	TAGUM STORE - KORE Bldg., Purok Doctolero, Brgy. Magugpo East, Tagum City, Davao del Norte, 8100
70)	MIDSAYAP STORE - Crossing Poblacion 8, Midsayap, North Cotabato, 9410
71)	NASIPIT STORE - Roxas St.,Brgy. 4, Nasipit, Agusan Del Norte 8602
72)	CABADBARAN STORE - Rara Corner A. Curato Streets, Brgy. 8 Poblacion, Cabadbaran City, Agusan del Norte, 8605
73)	TRENTO STORE - P-7, Juan Luna Street, Brgy. Poblacion, Trento, Agusan del Sur, 8505
74)	BAYUGAN STORE - Libres Street, Brgy. Taglatawan, Bayugan, Agusan del Sur, 8502
75)	MADRID STORE - Arpilleda Corner Buniel St., Brgy. Quirino, Madrid, Surigao del Sur, 8316
76)	BORONGAN STORE - Doctora Sabate Bldg., Real Street, Brgy. Songco, Borongan City, Eastern Samar, 6800

Employees

As at December 31, 2019, EastWest had 6,317 full-time employees compared to 6,431 in 2018. The following table categorizes EastWest's full-time employees rank, as of December 31, 2019 and 2018:

	2019	**2018**
Executives	243	228
Managers	2,589	2,520
Rank and File	3,485	3,683
Total	**6,317**	**6,431**

The subsidiaries have 1,050 officers/staff, bringing the combined manpower of 7,367.

There is no existing collective bargaining agreement between EastWest and any of its employees, and EastWest's employees are not part of any labor union.

Market Information
The Company will not issue any security other than Common Shares

The common shares of EastWest have been listed on the PSE on May 7, 2012 under the ticker "EW". The table below shows the high and low prices of EastWest shares transacted at the PSE since 2016:

Year 2020	**High**	**Low**
1st Quarter – 2020	7.97	7.53

Year Ended December 31, 2019	**High**	**Low**
1st Quarter – 2019	12.28	12.16
2nd Quarter – 2019	11.68	11.60
3rd Quarter – 2019	12.10	11.94
4th Quarter – 2019	12.18	11.90

Year Ended December 31, 2018	**High**	**Low**
1st Quarter – 2018	18.54	17.98
2nd Quarter – 2018	15.22	14.58
3rd Quarter – 2018	12.92	12.64
4th Quarter – 2018	12.40	11.70

Year Ended December 31, 2017	**High**	**Low**
1st Quarter – 2017	20.75	20.20
2nd Quarter – 2017	29.00	27.90
3rd Quarter – 2017	32.55	31.60
4th Quarter – 2017	32.05	31.75

High and Low price of the Registrant's shares as of May 13, 2020 (last practicable trading day) were ₱7.72 and ₱7.50, respectively.

Holders
EastWest's top 20 shareholders as of March 31, 2020 are as follows:

Name of Stockholder	**Number of Shares**	**Percent**
1. Filinvest Development Corporation	900,136,017	40.01%
2. FDC Forex Corporation	851,517,164	37.85%
3. PCD Nominee Corporation (Filipino)	389,950,163	17.33%
4. PCD Nominee Corporation (Non-Filipino)	87,142,292	3.87%
5. F. Yap Securities Inc.	14,005,600	0.62%
6. Jonathan D. Co	1,200,000	0.05%
7. Berit Holdings Corporation	1,048,410	0.05%
8. Albarracin Trinidad M. Or Albarracin Mario M.	1,000,000	0.04%
9. Teh Alfonso S.	750,000	0.03%
10. Team Gladiola Inc.	745,930	0.03%
11. Susmerano Gerardo	480,000	0.02%

12. Manuel A. Santiago &/Or Ella C. Santiago	330,600	0.01%
13. Sycip Anna Y.	301,875	0.01%
14. Cheng Joshua	150,000	0.01%
15. Miriam Cheng Bona Itf Mark Jericho C. Bona	150,000	0.01%
16. Gotauco Quirino Cheong	131,598	0.01%
17. Uy Ivy B.	112,500	0.01%
18. Tan Catherine L	90,000	0.00%
19. Tan Miguel T	90,000	0.00%
20. Baguyo Dennis Granada	61,000	0.00%
TOTAL	**2,249,393,149**	**99.97%**

Total number of shareholders as of March 31, 2020 is 99, of which 84 are owning at least 100 shares.

Equity Ownership of Foreigners on Common Shares as of March 31, 2020 is as follows:

Nationality	Number of Stockholders	Number of Shares	%
Filipino	94	2,162,461,643	96.11%
Foreign	3	87,151,143	3.87%
American	1	301,875	0.01%
Indian	1	60,750	0.00%
Total	**99**	**2,249,975,411**	**100.00%**

Free Float Level

Based on the Public Ownership Report of the Bank as of March 31, 2020, 20.22% of the total outstanding shares are owned by the public.

Recent Sale of Unregistered Securities

There were no recent sales of unregistered or exempt securities, including issuance of securities constituting an exempt transaction.

Declaration of Dividends

East West Banking Corporation did not declare any cash dividends for the fiscal year 2019 and 2018.

COMPLIANCE WITH CORPORATE GOVERNANCE PRACTICES

The Bank is guided by the Board approved Manual on Corporate Governance which is the framework of rules, systems, and process that governs the performance of the Board of Directors and Management in the performance of their duties and responsibilities. The Manual on Corporate Governance outlines the Board governance processes which defines, among others, the corporate governance, board of directors, nomination and election, meetings, and quorum requirements. The Manual also enumerates the duties expected from the Board members, Board committees, and key officers and employees. It also features a disclosure system which highlights adherence to the principles of transparency, accountability and fairness.

Evaluation System and Compliance

Each Board Committee regularly reports to the Board of Directors. On an annual basis, the Bank also accomplishes and submits to the SEC the Integrated Annual Corporate Governance Report (I-ACGR) to determine extent of compliance with the recommendations provided under the Code of Corporate Governance for Publicly Listed Companies.

In addition to the examination mandated by law or regulation, the corporate governance process is also subjected to the review of Internal Audit Division of the Bank. Review was primarily focused on the execution of BOD's governance responsibilities, appropriateness of BOD and Board-level committees' structure and composition, soundness of existing Board processes (e.g., board meetings and attendance, board diversity, board appointments and re-election, and remuneration matters), adherence to disclosure and transparency requirements, adequacy of internal control system and risk management framework, and active promotion and protection of stakeholders' rights.

The Chief Compliance Officer is tasked with the formulation of specific measures to determine the level of compliance with the Corporate Governance Manual by the Board members, officers and employees. There has been no deviation from the Manual on Corporate Governance standards as of the date of this Report. Any violation of the Bank's Corporate Governance Manual shall subject the responsible officer or employee to the following penalties:

- For a first violation, the responsible officer or employee shall be reprimanded.
- For a second violation, suspension from office shall be imposed. The duration of the suspension shall depend on the gravity of the violation.
- For a third violation, the maximum penalty of removal from office shall be imposed.

Board Committees

To support the effective performance of the Board's functions and fulfill the principles of good corporate governance, the Board created each of the following committees and appointed Board members thereto.

Executive Committee

The Executive Committee is empowered to direct the business of the Bank vested by law in the Board of Directors insofar as such powers and authority may be lawfully delegated to the Executive Committee, including the power to review and approve proposals and transactions related to credit in amounts within the limits of its delegated authority.

The Executive Committee, shall have five (5) regular members and an alternate member that meets weekly or as often as it may be necessary to address all matters referred to it. In 2019, thirty-three (33) regular and special meetings were conducted and attended by at least a majority of the Committee members.

Corporate Governance and Compliance Committee (CGCC)
The Corporate Governance and Compliance Committee leads the Bank and assists the Board of Directors in defining and fulfilling the corporate governance policies and attaining best practices while overseeing the implementation of compliance program, money laundering prevention program and ensuring that regulatory compliance issues are resolved expeditiously. In addition to its governance role, the CGCC also assumes the nomination function whereby it reviews and evaluates the qualifications of all persons nominated to the Board, all direct reports of the CEO and the President, regardless of rank, heads of Governance Units and other positions of the Bank requiring appointment by the Board of Directors. The Committee oversees the annual performance evaluation of the Board, its committees, and individual directors in accordance with the Corporate Governance Manual.

The Committee, composed of three (3) members of the Board of Directors, two of whom are independent directors, including the Chairperson, meets every other month or when necessary. In 2019, twelve (12) meetings (regular and special) were conducted and attended by Committee members.

Related Party Transaction Committee (RPT Committee)
The RPT Committee assists the Board in ensuring that transactions with related parties of the Bank are handled in a sound and prudent manner, with integrity and in compliance with the applicable laws and regulations to protect the interest of depositors, creditors and other stakeholders. It also ensures that related party transactions are conducted on an arm's length basis and that no stakeholder is unduly disadvantaged by such transactions.

The RPT Committee, composed of three (3) members of the Board of Directors, two of whom are independent directors, including the Chairperson, meets every other month or when necessary. In 2019, eight (8) meetings (regular and special) were conducted and attended by Committee members.

Audit Committee
The Audit Committee assists the Board of Directors in overseeing the Bank's financial reporting process, system of internal controls and the process for monitoring compliance with laws and regulations and the code of conduct. It also provides reasonable assurance to the Board on the overall management of risks of the Bank. It is responsible for setting up the Internal Audit Division, and for appointing the Chief Audit Executive and an independent external auditor who both report to the Audit Committee. It monitors and evaluates the effectiveness and accuracy of the internal control system established throughout the Bank, through the Internal Audit Division. The Internal Audit Division provides independent, objective assurance and consulting services designed to add value and improve the Bank's operations. It helps the organization accomplish its objectives by bringing a systematic, disciplined approach in evaluating and improving the effectiveness of risk management, internal control and governance processes. It functionally reports to the Audit Committee and administratively to the CEO. Internal Audit Division is independent to the Bank's other organizational units of as well as of the personnel subject to audit.

The Audit Committee, which consists of four (4) members, three of whom are independent directors, including the Chairman, meets once a month. In 2019, twelve (12) regular meetings were conducted and attended by at least a majority of the Committee members.

Risk Management Committee
The Risk Management Committee (RMC) assists the Board in fulfilling its responsibilities in managing the Bank's risk-taking activities. The RMC reviews and approves principles, policies, strategies, processes and

control frameworks pertaining to risk management. It also recommends to the Board any necessary modifications or amendments to strategies and policies relative to risk management. Its functions include identifying and evaluating the Bank's risk exposures, estimating its impact to the organization and assessing the magnitude, direction and distribution of risks across the Bank, which it uses as basis in determining risk tolerances that it subsequently recommends to the Board for approval. RMC reports to the Board the overall risk exposures as well as the effectiveness of its risk management practices and processes while recommending further policy revisions when necessary. Members of the Committee possess adequate knowledge and understanding of the institution's risk exposures and expertise in developing appropriate risk policies and strategies.

The Risk Management Committee, which meets every month is composed of three (3) members of which two (2) are independent directors, including the Chairperson. In 2019, twelve (12) regular meetings were conducted and attended by at least a majority of the Committee members.

Compensation Committee

The Compensation Committee ensures that the compensation policies and practices are consistent with the corporate culture, strategy and the business environment under which it operates. It evaluates and recommends to the Board incentives and other equity-based plans designed to attract and retain qualified and competent individuals.

The Committee, shall have five (5) members of the Board of Directors that meets at least once a year or when necessary. In 2019, one (1) meeting was conducted and attended by all of the Committee members.

Trust Committee

The Trust Committee assists the Board in fulfilling its responsibilities to oversee the proper management and administration of trust and other fiduciary business. Duly constituted and authorized by the Board, the Committee acts within the sphere of authority as provided in the Bank's By-laws and/or as may be delegated by the Board. It undertakes such responsibilities but not limited to the following:

1) acceptance and closing of trust and other fiduciary accounts;
2) initial review of assets placed under the trustee's fiduciary custody;
3) investment, reinvestment and disposition of funds or property;
4) review and approval of transactions between trust and/or fiduciary accounts; and
5) review of trust and other fiduciary accounts to determine the advisability of retaining or disposing of the trust or fiduciary assets and/or whether the account is being managed in accordance with the instrument creating the trust or other fiduciary relationship.

The Trust Committee also presides over the proper conduct of the Bank's Trust business, periodically reviewing the business development initiatives such as staffing and delineation of responsibility/accountability, proactive development and implementation of strategies for cultivating of revenue streams and cost management, and application and monitoring of the proper performance benchmarks.

The Trust Committee is composed of five (5) members, namely the President, Trust Officer and three directors. It meets once every quarter or more frequently as circumstances may warrant. In 2019, four (4) regular meetings were conducted and attended by at least a majority of the Committee members.

<u>UNDERTAKING</u>

EastWest will provide without charge its Annual Report or SEC Form 17-A to its stockholders upon receipt of a written request addressed to Atty. Benedicto M. Valerio, Jr., Corporate Secretary, at 5th Floor, The Beaufort, 5th Avenue corner 23rd Street, Fort Bonifacio Global City, Taguig City.

ANNEX E – Management's Discussion and Analysis

December 31, 2019 vs. December 31, 2018

Financial Performance Highlights

In 2019, EastWest (the Bank or EW) registered a net income of ₱6.2 billion and a Return on Equity (ROE) of 14%. This was higher by 38% from the previous year's net income of ₱4.5 billion, driven mainly by growth of its core assets, improved margins and higher trading gains.

Net Interest Income (NII) increased by 11% or ₱2.2 billion to ₱21.5 billion as the impact of the higher asset base coupled with improvement in margins became more pronounced during the last quarter of 2019. Net Interest Margin (NIM) ended at 6.9%, compared to the start of the year at 6.4%. During the first nine months of 2019, liquidity was much tighter compared to 2018 which led to funding costs increasing significantly faster than loan yields. While interest income grew by 22% or ₱5.4 billion in the first 9 months of the year, interest expense on the other hand increased by 63% or ₱3.2 billion.

Apart from loans, the Bank grew its investment securities portfolio. The Bank found it appropriate to start building its Fixed Income securities book starting in Q4 2018 when interest rates were relatively high. As the impact of the monetary policy action started to manifest, gains from fixed-income securities increased by ₱1.2 billion, compared to 2018's loss of ₱235.9 million.

Overall, net revenues of the Bank stood at ₱28.7 billion, higher by 13% or ₱3.2 billion. Core income, excluding the volatile trading gains and foreign exchange gains, increased by 9% to ₱27.3 billion from 2018's ₱25.0 billion.

Operating expenses, excluding provisions for losses increased by 8% or ₱1.2 billion to ₱16.4 billion. The biggest increase came mostly from related increase in business – gross receipts tax (GRT), documentary stamp taxes (DST) and Marketing related expenses. Together, they account for ₱430 million of the increase. Compensation expenses also increased by ₱637.2 million or by 13%, mainly from increases in salaries and wages and higher bonus provisions.

The Bank's productivity continued to improve. In the last five years, the Bank's core income has grown at a compounded rate of 14.5%, while operating expenses have grown by a lesser 12.9%, with cost to income ratio in 2019 at 57.2% from 60.0% in 2014. A significant part of the expenses were due to structural increase in taxes.

Total Assets stood at ₱406.4 billion as of end-2019, 11% or ₱39.0 billion higher than last year. Total Deposits grew by 6% or ₱16.5 billion to ₱304.7 billion. CASA increased by ₱41.3 billion or by 28% to ₱ 186.8 billion while Time deposits dropped by 17% or ₱24.8 billion to ₱117.9 billion. The Bank lowered its interest rates on time deposits as CASA increased and as it tapped lower costing alternative sources of funding. Non-deposit based funding increased 72% to₱30.9 billion from ₱18.0 billion in 2018.

All told, net funding increased by ₱29.5 billion (i.e. total liabilities less other liabilities). These funds were deployed mostly in fixed income securities – ₱29.8 billion and loans – ₱21.8 billion which increased by 72% and 9% respectively. These movements account for a significant increase in Net Interest Income and positions the Bank for potential trading revenues as rates are expected to come off as a result of the successful monetary policy adjustments of the BSP to tame inflation.

Starting in May 2018, the BSP started a rate hike cycle that significantly affected the Bank's net interest income until the third quarter of 2019. Most or 73% of EW's loan portfolio, are in consumer loans that are fixed rate. With rates normalizing, and with the improvement in its funding profile, the Bank expects to recover from the margin squeeze and to sustain improvement in net interest margins.

Financial Position

Loans

Total gross loans increased by 9% to ₱269.1 billion, sustaining its growth in consumer loans. Consumer loans, went up by 14% to ₱197.8 billion, expanding across all segments of auto, credit cards, mortgage and personal loans. Excluding DepEd loans, consumer loans grew by 18%. Meanwhile, corporate or middle-market business loans decreased by 3% to ₱71.3 billion as some businesses decided to pay off their loans or hold-off their expansion plans amidst the higher interest rates in 2019.

Securities

The Bank's total securities portfolio registered a significant increase of 72% to ₱70.9 billion as the build-up of the Hold-To-Collect (HTC) securities portfolio continued. This complemented the accrual income earning profile and funding capabilities of the Bank since securities purchased are also used as collateral for its borrowings (repo borrowings). The Bank has remained cautious in securities trading given the volatility in the market, with its trading portfolio accounting only for 24% of the total securities portfolio and only 4% of the Bank's total assets.

Deposits

Deposits stood at ₱304.7 billion as of December 31, 2019, up by 6% from the same period last year. CASA deposits increased by 28% or ₱41.3 billion to ₱186.8 billion while high-cost deposits went down by 17% or ₱24.8 billion to ₱117.9 billion. The growth in CASA and alternative funding sources did not require the acquisition of more term deposits. Further, cost optimization led to more borrowings that off-set the need for higher costing term deposits.

Capital

The Bank's Capital Adequacy Ratio (CAR) under Basel III, remains adequate at 13.0% as of December 31, 2019 while CET-1 ratio stood at 10.4%. The Bank's Tier 1 capital is composed entirely of common equity.

Capital ratios remain virtually unchanged compared to previous year as EW's internal capital generation is sustaining the balance sheet growth. This is despite the shift to the new accounting standards under PFRS16 that effectively added an extra ₱3.3 billion in risk assets for outstanding Lease contracts.

Credit Quality

The Bank's total non-performing loans (NPL) to total gross loans, net of specific allowances stood at 2.9% on December 31, 2019. Through its credit and impairment policy, the Bank ensures that the expected credit losses of its loan portfolio are adequately provisioned for and aligned with regulatory standards.

Result of Operations

Revenues

Revenues rose by 13% to ₱28.7 billion from ₱25.5 billion in the same period last year. Securities and foreign exchange trading gains were at ₱1.4 billion compared to the ₱502.7 million the previous year. Fees and other income, excluding trading gains, increased by 2% to ₱5.8 billion. Net interest income stood at ₱21.5

billion, growing by 11% from last year's ₱19.3 billion. The 22% growth in interest income from earning assets was outpaced by the 63% growth in interest expenses as cost of funding increased sharply driven by the tight liquidity that has since normalized.

Fees and Other Income ex. Trading Income

Fees and other income, excluding trading gains, was at ₱5.8 billion which is 2% higher than the ₱5.7 billion posted in the same period last year. The increase primarily came from higher fees and commissions, growing by 7% or ₱347.9 million to ₱5.2 billion driven by the growth of consumer lending. Other non-interest income, meanwhile, was lower by 27% or ₱227.1 million to ₱601.5 million, mostly due to lower miscellaneous income.

Trading Income/(Loss)

Securities trading and foreign exchange gains were at ₱1.4 billion compared to ₱502.7 million last year. Securities trading gains ended at ₱965.7 million, higher by ₱1.2 billion from losses of ₱235.9 million last year. Foreign Exchange gains ended at ₱427.1 million, lower by ₱311.5 million from ₱738.6 million last year.

Operating Expenses ex. Provisions for Losses

Total operating expenses, excluding provisions for losses, increased by 8% to ₱16.4 billion during the period. Compensation related expenses increased by 13% to ₱5.6 billion, while other operating expenses increased by 5% to ₱10.8 billion in the same period last year driven mainly by higher costs of doing business including gross receipts tax (GRT), documentary stamp taxes (DST) and intensified marketing acquisition campaigns to generate more loans and retail deposits.

Provisions for Losses

Provisions for losses, on the other hand, grew marginally by 3% or by ₱136.5 million to ₱4.0 billion. While loan growth continued to be robust, EW's loan portfolio now has a bigger proportion of seasoned consumer loans. Consumer loans' credit costs tend to occur on the early part of its loan lifecycle. Thus, as the portfolio matures, a good part of the bad loans has been weeded out, resulting in lower provisions. The Bank has been compliant with the Philippine Financial Reporting Standards 9 (PFRS 9) since 2018 and constantly monitors and assesses its provisioning requirements.

Summary of Key Financials and Ratios

Balance Sheet (in Php billions)	**December 31, 2019**	**December 31, 2018**	**YoY Growth %**
Assets	406.4	367.3	11%
Consumer Loans	197.8	173.3	14%
Corporate Loans	71.3	73.5	-3%
Low Cost Deposits (CASA)	186.8	145.5	28%
High Cost Deposits	117.9	142.7	-17%
Capital	49.1	42.7	15%

Profitability (in ₱ millions)	**December 31, 2019**	**December 31, 2018**	**YoY Growth %**
Net Interest Income	21,466.9	19,277.5	11%
Trading Income	1,392.8	502.7	177%
Fees & Other Income	5,838.0	5,717.1	2%

Net Revenues	28,698	25,497	13%
Operating Expenses	16,405.1	15,219.2	8%
Provision for Losses	4,042.5	3,905.9	3%
Provision for Taxes	1,668.6	1,468.2	14%
Net Income After Tax	6,241.9	4,508.1	38%

Key Financial Ratios	December 31, 2019	December 31, 2018	Variance b/(w)
Return on Equity[1]	13.7%	11.0%	2.7%
Return on Assets[2]	1.6%	1.4%	0.2%
Net Interest Margin[3]	6.9%	7.4%	(0.5%)
Cost-to-Income Ratio[4]	57.2%	59.7%	2.5%
Capital Adequacy Ratio[5]	13.0%	12.8%	0.2%

[1] *Net Income divided by average total equity*
[2] *Net Income divided by average total assets*
[3] *Net Interest Income divided by average interest-earning assets*
[4] *Operating expenses divided by net revenues*
[5] *Total qualifying capital divided by total risk-weighted assets*

Business Segment Performance

The Bank's recurring income base continues to expand from its focus on the high margin Consumer Lending/Retail Banking segments. Net interest margin (NIM) remains at an industry leading 6.9% as of reporting period. Fee-based income, likewise, recorded a growth of 7%. This recurring income is largely attributable to the growing customer base and market share of the Bank.

Consumer Lending grew by 14%, driven mainly by auto, mortgage and personal loans. Credit cards, which is the highest contributor to consumer lending's bottom-line, also grew by 14% to end at ₱35.3 billion.

Corporate Banking however, posted a decline of 3% to ₱71.3 billion as higher rates dampened demand for business loans. Unlike Consumer lending, business loans have narrower spreads and are priced according to the prevailing incremental cost of funding. The tight liquidity experienced during the year meant higher repricing rates and consequently deferred borrowing plans or pre-terminations.

December 31, 2018 vs. December 31, 2017

Financial Performance Highlights

The Bank registered a consolidated net income of ₱4.5 billion and an ROE of 11.0% for the period ending December 31, 2018. While ROE remains to be among the highest in the industry, Net income was 11% or ₱542.6 million lower. The lower income was due to several one-off items in 2018, the biggest of which was the reduced income from its wholly-owned subsidiary EW Rural Bank (EWRB), securities trading losses and expenses related to the increase in capital stock and stock dividends. Meanwhile in 2017, we had a gain on capital transaction from our bancassurance joint venture, East West Ageas Life (EWAL). Total after tax impact of all these were at least ₱650 million.

EWRB is primarily into salary loans to public school teachers. Until early June this year, lending to teachers was suspended pending renewal of the agreement with the Department of Education (Dep Ed) on the Automatic Payroll Deduction arrangement. Beginning mid-June, EWRB resumed its lending program to school teachers. While some minor issues on the new rules remain, EWRB expects them to be resolved soon.

Taking out the one-off items, the Bank made substantial progress on its core operating income as it continued to improve its operating leverage. The Bank built a portfolio of Auto, Credit Cards, and Personal Loans that are now on good economic scale. Consumer loans, excluding Dep Ed loans, grew by 16%. This growth on higher yielding assets allowed the Bank to withstand the margin squeeze as deposit costs repriced higher and faster than loans and absorbed the higher transaction taxes and securities trading losses. The industry is having a challenging trading environment this year as both the US and PH interest rates have gone up significantly.

The Bank managed to increase its Net Interest Income by 4% to ₱19.3 billion. Interest expenses increased by 42%, due to higher deposit rates and the generally tighter liquidity. As mentioned, these were more than offset by the growth of its higher-yielding consumer loans. We see margins to eventually normalize the following year. EW continues to strengthen its Business Lending as it prepares for a more significant expansion in order to balance the Bank's economic risk-profile.

Fees and commissions were down by 9% to ₱4.9 billion, largely due to the EWRB's issue mentioned above. Foreign Exchange Trading income was higher by 95% or by ₱359.9 million. This was mainly comprised of income from swaps as we realized gains from our swaps that all matured in December 2018. When the swap opportunities disappear, these would be directed towards investments and money market placements.

Operating Income decreased by only 1% to ₱25.5 billion, mainly on account of the one-off items mentioned above. Core operating income, i.e. without the one-offs, would have increased by 5% or by ₱1.6 billion.

Operating expenses increased by 9% to ₱15.2 billion, mainly due to higher Documentary Stamp Taxes (DST), advertising and training. The estimated impact of the change in DST arising from the TRAIN law amounted to ₱280 million.

The Bank also continued to invest in learning & development projects for its employees to deepen competencies and enhance productivity. It also invested in a major marketing communication campaign as part of its efforts to generate more retail deposits. These two items increased 2018 expenses from the previous year by around ₱370 million.

On the other hand, Provisions for impairment and credit losses was lower by 13% or by ₱558.3 million from the previous year, to end at ₱3.9 billion. This is the result of the natural maturation of the Bank's loan portfolio, where a substantial proportion of loans have a lower probability of default. The Bank has already adopted the Philippine Financial Reporting Standards 9 (PFRS9) effective January 1, 2018.

Total Assets stood at ₱367.3 billion as of December 31, 2018, 16% higher than December 31, 2017. The significantly higher deposit costs pushed the Bank to be more circumspect on its rate sensitive business borrowers. Consumer loans continue to account for 70% of total loans, while business loans are at 30%.

Financial Position

Loans

The Bank sustained its growth in consumer loans, up 8% YoY, driven by the auto, credit cards, mortgage and personal loans. Excluding Dep Ed loans, consumer loans went up by 16%. Business loans also registered a growth of 16% YoY.

Securities

The Bank's Securities portfolio likewise registered a significant increase of 198% YoY as the build-up of the Hold-To-Collect (HTC) portfolio continued. This complemented the accrual income earning profile and funding capabilities since securities purchased were qualified as collateral for its borrowings (Repo Borrowings). The Bank continued to be cautious in Securities Trading given the volatility in the market. The Bank's FVPL securities portfolio was down by 41% YoY to ₱4.3 billion while its HTC portfolio was almost 6x its 2017 level at ₱36.5 billion.

Deposits

Deposits stood at ₱288.2 billion as of December 31, 2018, up by 11% from the same period last year. CASA ratio was lower at 50% as higher interest rates made some customers shift towards higher yielding time deposits. Notwithstanding the marginal growth in deposits, the structural mix of deposits improved as the Bank's customer base gained more retail depositors.

Capital

The Bank's Capital Adequacy Ratio (CAR) under Basel III, remained more than adequate at 12.8% as of December 31, 2018 while Tier-1 ratio stood at 10.3%. The Bank's Tier 1 capital is composed entirely of common equity.

Credit Quality

The Bank's total NPL to total customer loans, net of specific allowances stood at 2.2% on December 31, 2018.

Result of Operations

Revenues

Net Revenues or Operating Income were lower by 1% to ₱25.5 billion from ₱25.7 billion during the same period last year. Trading income was at ₱502.7 million or 34% lower than the ₱760.1 million booked last year. Most of these are foreign exchange gains as securities trading ended the year with losses. Other operating income, exclusive of trading gains decreased by 11% to ₱5.7 billion.

Net Interest Income stood at ₱19.3 billion, 4% or ₱826.9 million higher than the ₱18.5 billion last year due mainly to the increase in consumer loans. The increase was subdued due to higher costs of deposits and lower Dep Ed volume.

Fees & Other Income ex. Trading Income

Other operating income, exclusive of trading gains, was at ₱5.7 billion which is 11% lower than the ₱6.4 billion posted in the same period last year. The decrease primarily came from reduced service fees from Dep Ed loans and new regulations that reduced late payment charges for credit cards. Other non-interest income meanwhile decreased by 25% or ₱271.4 million lower to ₱828.6 million, driven by a one-off gain on capital transaction last year.

Trading Income/(Loss)

Fixed-income securities and foreign exchange trading gains were at ₱502.7 million as compared to the ₱760.1 million booked last year. Securities trading losses amounted to ₱235.9 million from realized losses in the first half of the year when prices were volatile and yields were uncertain. Foreign exchange gains amounted to ₱738.6 million. The sharp increase in foreign exchange gains YoY were driven mainly by third currency swap transactions and increased volume and transactions in Stores.

Operating Expenses

Total Operating Expenses, excluding Provision for impairment and credit losses increased by 9% to ₱15.2 billion during the period. Compensation related expenses increased by 8% to ₱5.0 billion, while Other operating expenses increased by 11% to ₱10.4 billion from ₱9.4 billion in the same period last year driven mainly by increased investments in learning and development, advertising campaign, and one-off expenses related to the increase in authorized capital stock and subsequent listing of the Bank's stock dividends that were used to fund the increase in capital stock.

Summary of Key Financials and Ratios

Balance Sheet (in ₱ billions)	**December 31, 2018**	**December 31, 2017**	**YoY Growth %**
Assets	367.3	317.6	16%
Consumer Loans	173.3	160.0	8%
Corporate Loans	73.5	63.4	16%
Low Cost Deposits (CASA)	145.5	143.4	1%
High Cost Deposits	142.7	115.3	24%
Capital	42.7	39.0	9%

Profitability (in ₱ millions)	**December 31, 2018**	**December 31, 2017**	**YoY Growth %**
Net Interest Income	19,277	18,451	4%
Trading Income	503	760	(34%)
Fees & Other Income	5,717	6,443	(11%)
Net Revenues	25,497	25,654	(1%)
Operating Expenses	15,219	13,982	9%
Provision for Losses	3,906	4,464	(13%)
Provision for Taxes	1,468	1,707	(14%)
Net Income After Tax	4,508	5,051	(11%)

Key Financial Ratios	**December 31, 2018**	**December 31, 2017**	**Variance b/(w)**
Return on Equity	11.0%	13.8%	(2.8%)
Return on Assets	1.4%	1.7%	(0.3%)
Net Interest Margin	7.4%	7.8%	(0.4%)
Cost-to-Income Ratio	60.6%	55.5%	(5.1%)
Capital Adequacy Ratio	12.8%	14.0%	(1.3%)

[1] *Net Income divided by average total equity*
[2] *Net Income divided by average total assets*
[3] *Net Interest Income divided by average interest-earning assets*
[4] *Operating expenses divided by net revenues*
[5] *Total qualifying capital divided by total risk-weighted assets*

Business Segment Performance

The Bank's recurring income base continues to be focused on the high margin Consumer Lending and Retail Banking segments. Net interest margin (NIM) remained to be at an industry leading 7.4% as of December 31, 2018.

Consumer Loans grew by 8% YoY to end at ₱173.3 billion as of December 31, 2018, driven mainly by consumer loan segments of auto, credit cards, mortgage and personal loans even as Dep Ed loans declined by ₱6.5 billion.

Corporate Banking posted an increase of 16% growth to end at ₱73.5 billion as of December 31, 2018. The Bank continues to improve its business lending activities to balance its economic risk profile in light of economic conditions and increasing interest rates by increasing its middle-market business loans.

<u>December 31, 2017 vs. December 31, 2016</u>

Financial Performance Highlights

The Bank's net income as of December 31, 2017 stood at ₱5.1 billion, higher by 48% from the same period last year mainly from increased productivity and lower loan loss provisions. These more than offset the lower trading revenues and the substantial increase in taxes brought by higher taxable income.

Core revenue growth outpaced the growth in expenses, as recurring income (i.e. net revenues less trading income and other one-off items) grew 21% year-on-year. Net Interest Margin (NIM) was at an industry leading level of 7.8% as the Bank retains its consumer focus. NIM after provisions for loan losses, stood at 5.9% as of December 31, 2017.

Total Assets stood at ₱317.7 billion as of December 31, 2017, 9% higher than the previous year. The growth was driven mainly by the 11% increase in customer loans. Consumer loans, which account~~s~~ for 71% of total loans, grew by 17% from year-end 2016. Business loans, on the other hand, declined by 2% from December 31, 2016.

Net Revenues increased by 17% to ₱25.7 billion from ₱21.9 billion, with core recurring earnings at ₱24.2 billion up from ₱20.0 billion in the same period last year. The higher revenues were seen across the different business units - consumer loans and deposits. These, in our view, are the fruits of the expansion program the Bank undertook from 2012 to 2016.

Securities trading gains declined by 48% to ₱381.4 million, while FX gains grew by 114% to ₱378.7 million.

Expenses on the other hand also increased by 19% to ₱14.0 billion. The increase was driven mainly by, manpower costs as the Bank deepened and strengthened its senior management team, as well as increased regulatory costs from higher loan and deposits volumes.

The decrease in provisions for credit losses was due to slower loan growth in 2017 compared to previous years. This resulted to more mature loans remaining on books that attract lower provisions.

Overall, we note that core revenues continue to increase at a faster rate than operating expenses. While competition is showing no sign of abating, our growth numbers indicate that the Bank is making some progress in improving its productivity but has yet to fully leverage its IT and store infrastructure to further improve its competitive position.

The Bank's effort continues to be focused on improving its operating leverage or productivity. Net interest margin after provisions is at 5.9%, still one of the highest, if not the highest in the industry. Therefore, provision cost is not an issue. Rather, it is the cost needed to be spent to generate revenue that is still too high. This is because many of its stores are new and not fully productive yet. The fixed costs associated with the store expansion are already in place while revenues build over time. The Bank is focusing its efforts to sustain the improvement in revenues (while containing the increase in costs) that it has registered the past few years.

Financial Position

Loans

Loans grew slower at 11% from the same period last year as the portion of the older loans booked from previous years are bigger than that of the new loans being booked. The Bank however, remains focused in growing its consumer and mid-market corporate loans. In 2017 though, business loans slowed down that resulted in consumer loans increasing its share of total customer loans at 71%. Consumer loan business grew by 17%, at par with industry growth.

Deposits

Deposits stood at ₱258.7 billion as of December 31, 2017 up by 7.7% from the same period last year. (note, the growth is small despite the expanded store network) CASA which ended at ₱143.4 billion, increased by 11% from the previous year. High cost deposits (inclusive of LTNCDs) also increased by 3.7% to end at ₱ 115.3 billion.

Capital

The Bank's Capital Adequacy Ratio (CAR) under Basel 3, remain more than adequate at 14.0% as of December 31, 2017 while Tier-1 ratio stood at 11.3%. The Bank's Tier 1 capital is composed entirely of common equity.

Credit Quality

Overall NPL ratio improved as the Bank's NPL to Total Customer Loans, net of specific allowances, declined to 1.3%[1] in December 31, 2017 from 2.2%[1] in December 31, 2016. This is mostly due to the write-off of fully provisioned accounts to optimize taxes. Under Philippine law, provisions for doubtful accounts are not tax deductible. Only actual write-offs are.

[1] Non-performing Loans net of specific allowance divided by Total Customer Loans (at Group level)

Result of Operations

Revenues

Net Revenues grew by 17% to ₱25.7 billion from ₱21.9 billion in the same period last year. Net Interest Income stood at ₱18.5 billion, 20% or ₱3.1 billion higher than the ₱15.4 billion posted last year driven by the growth in earning assets. Securities Trading and Foreign Exchange Gains was at ₱760.1 million as compared to the ₱911.5 million gains posted in same period last year.

Other operating income, exclusive of capital and trading gains, increased by 25% to ₱5.8 billion mainly driven by Service charges, fees and commissions.

Fee Income

Service charges, fees and commissions grew by 29% at ₱5.3 billion from ₱4.1 billion last year driven by store transaction and consumer loan-related fees.

Trading Income

Securities trading gains grew by 48% to ₱381.4 million, while FX gains also grew by 114% to ₱378.7 million.

Operating Costs

Total Operating Expenses, excluding Provision for loan losses, increased by 19% to ₱14.0 billion during the period. Compensation related expenses increased by 15% to ₱4.6 billion. Other Expenses related to business expansion has increased as follows: (i) Taxes and licenses grew by 30% to ₱2.0 billion as a result of growth in revenue base; (ii) Depreciation and Amortization grew by 21% to ₱1.4 billion coming from expansion in business and infrastructure related expenses associated with an expanded store network ; (iii) Rent grew by 9% to ₱952.3 million coming from store upkeep; and (iv) Miscellaneous Expenses grew by 20% to ₱5.0 billion with the growth largely coming from higher Consumer and Stores business.

The increase in operating expenses reflected the growth of the different businesses. Productivity is improving as operating expenses grew at a slower pace than core revenues. This appears to reflect the maturation process of the expansion efforts started in 2012.

Provision for loan losses declined by 22% to ₱4.5 billion on account of adequate loan provisioning particularly in consumer loans.

Summary of Key Financials and Ratios

Balance Sheet (in ₱ billions)	**December 31, 2017**	**December 31, 2016**	**y/y Growth %**
Assets	317.7	291.8	9%
Consumer Loans	160.0	137.2	17%
Corporate Loans	63.4	64.6	(2%)
Low Cost Deposits (CASA)	143.4	129.1	11%
High Cost Deposits	115.3	111.1	4%
Capital	39.0	34.4	13%

Profitability (in ₱ millions)	**December 31, 2017**	**December 31, 2016**	**y/y Growth %**
Net Interest Income	18,451	15,399	20%
Trading Income	760	911	(17%)
Fees & Other Income	6,443	5,621	15%
Operating Expenses	13,982	11,741	19%
Provision for Losses	4,464	5,692	(22%)
Provision for Taxes	1,707	734	133%
Net Income After Tax	5,051	3,408	48%

Key Financial Ratios	**December 31, 2017**	**December 31, 2016**	**Variance b/(w)**
Return on Equity[1]	13.8%	10.4%	3.4%
Return on Assets[2]	1.7%	1.3%	0.4%
Net Interest Margin[3]	7.8%	7.7%	0.1%
Cost-to-Income Ratio[4]	55.5%	53.6%	1.9%
Capital Adequacy Ratio[5]	14.0%	13.4%	0.6%

[1] *Net Income divided by average total equity*

[2] *Net Income divided by average total assets*

[3] *Net Interest Income divided by average interest-earning assets*

[4] *Operating expenses divided by net revenues*

[5] *Total qualifying capital divided by total risk-weighted assets*

Business Segment Performance
The Bank's recurring income base continues to post double-digit growth, coming from the efforts of Consumer Lending, Retail Banking and Corporate Banking business segments. Net interest margin (NIM) continue to be more than double industry average at 7.8% as of December 31, 2017. Service charges, fees and commissions recorded a strong growth of 29% y/y. This recurring income is largely attributable to the growing customer base and strong market share of the Bank in consumer loans.

Corporate Banking declined by 2% year on year. The decrease in corporate loan releases is driven by the effects of thinner spreads in this business segment. The bank chose to get out of some unprofitable loans and reallocate funds to consumer loans where margins are higher.

Consumer Loans grew by 17% y/y, driven mainly by salary loans to teachers, mortgage and auto loans. Credit cards, is flat at 1.1% y/y but remains to be the highest contributor for consumer lending's bottom-line to end at ₱28.4 billion.

Treasury group's contribution to the Bank's bottom line was lower than last year. The Bank posted ₱760.1 million of trading revenues.

On the cost side, the two largest teams in the Bank, Consumer lending and Retail banking, continued to contribute the most to operating expenses. This was largely due to the expanded business of consumer loans and store network.

In summary, Consumer Lending business contributed the most to the Bank's bottom line, which is attributable to the Bank's consumer thrust that established a reliable revenue base mainly from auto loans, credit cards and salary loans to teachers. Retail Banking, while continuing to carry the burden of the expenses brought by the younger stores, is beginning to book earnings that are expected to grow further as they mature.

Other Information:
As of December 31, 2019, EastWest Bank has a total of 391 stores, with 213 of these stores in Metro Manila. For the rest of the country, the Bank has 100 stores in other parts of Luzon, 40 branches in Visayas, and 39 stores in Mindanao. The total ATM network is 584, composed of 400 on-site ATMs and 184 off-site ATMs. Total headcount of EastWest is 6,317.

The Bank's subsidiaries have a total of 76 stores and 1,050 officers/staff, bringing the group store network total to 467 with 584 ATMs and a combined manpower complement of 7,367.

Known trends, demands, commitments, events or uncertainties
There are no known demands, commitments, events or uncertainties that will have a material impact on the Bank's liquidity within the next twelve (12) months.

Events that will trigger direct or contingent financial obligation
There are no events that will trigger direct or contingent financial obligation that is material to the Bank, including any default or acceleration of an obligation.

Material off-balance sheet transactions, arrangements or obligations
There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Bank with unsolicited entities or other persons created during the reporting period other than those disclosed in the financial statements.

Capital Expenditures
The Bank has commitments for capital expenditures mainly for bank's implementation of IT projects. These are not expected to significantly affect the banks cash or liquidity position.

Significant Elements of Income or Loss
Significant elements of the consolidated net income of the Bank for the twelve (12) months ended December 31, 2019 and 2018 came from its continuing operations.

Seasonal Aspects
There are no seasonal aspects that had a material effect on the Bank's financial condition and results of operations.

Vertical and Horizontal Analysis of Material Changes for the Period
The term "material" in this section shall refer to changes or items amounting to five percent (5%) of the relevant accounts or such lower amount, which the Bank deems material on the basis of other factors.

I. **Statements of Financial Position – December 31, 2019 vs. December 31, 2018**

- Due from BSP went down by 15% to ₱34.3 billion due to lower reserve requirements on outstanding deposits as BSP reduced reserve requirements to 14% by year-end from the 18% in the previous year.
- Due from other banks decreased by 67% to ₱3.4 billion due to lower level of placements and working balances with counterparty banks.
- Interbank loans receivable decreased by 54% to ₱2.7 billion as more funds were placed in higher-yielding liquid assets.
- Financial Assets at Fair Value through Profit and Loss increased by 288% to ₱16.8 billion due to movements in the Bank's proprietary trading portfolio.
- Financial Assets at Fair Value through Other Comprehensive Income increased to ₱4.7 billion due to movements in the Bank's proprietary trading portfolio.
- Investment Securities at Amortized Cost increased by 35% to ₱49.4 billion in line with the Bank's strategic direction of improving liquidity profile and accrual income.
- Property and Equipment increased by 105% to ₱5.4 billion due to the adoption of PFRS 16 which resulted in the recognition of right-of-use asset amounting to ₱3.5 billion at the start of the year.
- Deferred Tax Assets increased by 25% to ₱2.8 billion on account of provisions set-up, net of write-offs during the period.
- Bills and acceptance payables increased by 72% to ₱30.9 billion mainly from higher volume of interbank borrowings (including borrowings from BSP OLF) and repo borrowings.
- Accrued Taxes, Interest and Other Expenses increased by 6% to ₱3.0 billion due to accrual of regulatory expenses given higher asset base.
- Cashier's Checks and Demand Draft Payable increased by 47% to ₱1.3 billion on account of higher level of outstanding manager's check issued in line with increased volume of business and payment transactions.

- Income tax payable increased by 168% to ₱595.9 million due to higher taxable income for 2019.
- Other Liabilities decreased by 14% to ₱7.1 billion due to normal timing differences on settlement of various miscellaneous liability accounts.

II. Statements of Financial Position – December 31, 2018 vs. December 31, 2017

- Cash and cash equivalents increased by 7% to ₱7.2 billion due to the usual year-end deposit build-up.
- Due from Other Banks increased by 9% to ₱10.2 billion due to increased levels of placements and balances from counterparty banks.
- Interbank loans receivable decreased by 53% to ₱5.9 billion as more funds were placed in higher-yielding liquid assets.
- Financial Assets at Fair Value through Profit and Loss decreased by 41% to ₱4.3 billion due to movements in the Bank's proprietary trading portfolio.
- Investment Securities at Amortized Cost increased by 464% to ₱36.5 billion in line with the Bank's business models.
- Loans and Receivables increased by 12% to ₱245.9 billion driven mainly by consumer loans.
- Investment in a Joint Venture decreased by 17% to ₱689.5 billion. The decrease represents the proportionate share of the Bank in the net loss of the Joint Venture with Ageas.
- Property and Equipment decreased by 13% to ₱2.7 billion primarily due to depreciation.
- Investment Properties increased by 11% to ₱921.2 million on account of repossessed assets.
- Deferred tax assets increased by 16% to ₱2.3 billion on account of provisions booked during the year.
- Other assets increased by 36% to ₱3.2 billion on account of loan related settlements.
- Deposit liabilities increased by 11% to ₱288.2 billion, largely coming from high-cost deposits.
- Bills and acceptance payables increased three-fold to ₱18.0 billion mainly from higher volume of interbank borrowings (repo).
- Accrued Taxes, Interest and Other Expenses increased by 13% to ₱2.9 billion due to higher level of store transactions.
- Cashier's Checks and Demand Draft Payable decreased by 14% to ₱895.7 million due to the shift to credit-to-account payments
- Income Tax Payable decreased by 5% to ₱222.4 million due to lower taxable income for the period, to be remitted during 2019.
- Other Liabilities increased by 44% to ₱8.3 billion due to higher deferred credits.

III. Statements of Financial Position – December 31, 2017 vs. December 31, 2016

- Due from other banks increased by 34% to ₱9.4 billion due to increased levels of placements and balances with counterparty banks.
- Interbank lending increased by 65% to ₱12.4 billion due to excess liquidity coming from sale of investment securities.
- Financial Assets at Fair Value through Profit and Loss increased by 39% to ₱7.3 billion due to movements in the Bank's proprietary trading portfolio.
- Financial Assets at Fair Value through Other Comprehensive Income decreased by 99% to ₱ 0.002 million as the Bank disposed almost all of its equity securities investments.
- Investment Securities at Amortized Cost decreased by 42% to ₱6.4 billion in line with the Bank's balance sheet business model.

- Loans and Receivables increased by 11% to ₱220.2 billion driven mainly from increase in consumer loans.
- Investment in a Joint Venture account increased by 35% to ₱835.3 million due to the re-measurement of shares in Joint Venture offset by the proportionate share of the Bank in its net loss.
- Property and Equipment decreased by 10.2% to ₱3.0 billion due to depreciation of the Bank's IT and store infrastructure.
- Investment Properties increased by 18.3% to ₱827.6 billion due to repossessed properties.
- Deposit liabilities increased by 8% to ₱258.7 billion, largely coming from CASA growth which is attributable to the expanded store network as well as issuance of ₱10.0 billion Long-Term Negotiable Certificates of Deposits (LTNCDs).
- Bills and acceptance payable increased by 90% to ₱4.2 billion from higher volume of interbank and other borrowings as the bank acquired short-term funding.
- Accrued Taxes, Interest and Other Expenses increased by 36% due to higher level of transactions on account of business expansion.
- Income tax payable decreased by 26% due to higher taxable income during the period.
- Unsecured subordinated debt (UnSD) increased by 25% as the Bank issued ₱1.3 billion BASEL III compliant Tier 2 notes in last 2017.
- Other liabilities decreased by 14% due to the following (1) Bills Purchased – Contra Account decreased by 30% or ₱198.4 million and (2) Miscellaneous liabilities decreased by 38% or ₱753.4 million.

IV. Statement of Income – December 31, 2019 vs. December 31, 2018

- Interest income increased by 22% to ₱29.7 billion primarily due to an increase in lending activities, largely driven by growth in loans and investment securities.
- Interest expense increased by 63% to ₱8.3 billion primarily due to increasing interest rates and growth in high-cost deposits and other borrowings amidst a tight liquidity environment during the first half of 2019.
- Securities trading gains amounted to ₱965.7 million, higher by ₱1.2 billion from the previous year's losses due to fluctuations in market prices that turned favorable to the Bank's position. Foreign exchange gains, on the other hand, were lower by 42% to ₱427.1 million due to the mark-to-market valuations on outstanding third currency swap transactions last year and revaluation losses on outstanding FX position.
- Trust income increased by 37% to ₱70.5 million due to the growth in the Bank's assets under management.
- Loss on sale of assets and foreclosures higher by 42% ending at ₱105.2 million due to lower assets sold for the year.
- Miscellaneous income lower by 25% to ₱636.1 million due mainly to less recoveries from written off assets.
- Compensation and fringe benefits increased by 13% to ₱5.6 billion on account of normal annual increases to compensate for inflation.
- Taxes and licenses increased by 14% to ₱2.7 billion on account of higher transaction taxes or GRT.
- Miscellaneous expenses increased by 7%, due to management and professional fees, other business-related expenses and intensified marketing acquisition campaigns.

V. Statement of Income – December 31, 2018 vs. December 31, 2017

- Interest income increased by 11% to ₱24.4 billion primarily due to increase in lending activities, largely driven by growth in consumer loans.
- Interest expense increased by 42% to ₱5.1 billion primarily due to higher interest rates and higher volume of high-cost deposits and other borrowings.
- Service charges, fees and commissions decreased by 9% to ₱4.9 billion due to lower loan-related fees mainly from the EWRB business and lower late payment charges on credit cards.
- Trading and securities losses amounted to ₱235.9 million due to unfavorable market conditions. Foreign exchange gains were higher by 95% to ₱738.6 million due to bigger foreign exchange swap volume and transactions in stores.
- Trust income increased by 10% to ₱51.3 million due to the growth in the Bank's assets under management.
- Loss on sale of assets decreased by 59% to ₱73.8 million as the Bank improved its disposal strategies, thereby minimizing losses.
- Miscellaneous income increased by 50% to ₱851.1 million due to higher referral income earned on insurance premiums charged through credit cards.
- Manpower costs increased by 8% to ₱5.0 billion on account of expanded business and training programs.
- Taxes and licenses increased by 17%, on account of higher transaction taxes.
- Depreciation and amortization expenses decreased by 9% to ₱1.3 billion, as 2017 included catch-up recognition of depreciation/amortization expenses on fixed assets and projects
- Rent increased by 9%, on account of annual escalation of lease contracts.
- Miscellaneous expenses increased by 11% to ₱5.6 billion, mainly from advertising campaigns.

VI. Statement of Income – December 31, 2017 vs. December 31, 2016

- Interest income increased by 21% to ₽22.0 billion from ₽18.2 billion in the same period last year primarily due to an increase in lending activities, largely driven by growth in auto loans and salary loans to public school teachers.
- Interest expense increased by 27% to ₽3.6 billion due to increasing funding costs.
- Service charges, fees and commissions grew by 29% to ₽5.3 billion from ₽4.1 billion in the same period last year driven by store transaction and consumer loan-related fees.
- Trading and securities gain decreased by 17% as the Bank took advantage of the favorable market conditions during the 2nd half of the year. Foreign exchange gains, increased by 114% year on year.
- Trust income increased by 151% to ₽46.6 million due to migration of SCB's assets under management.
- Miscellaneous income also increased by 22% to ₽564.2 million as the Bank had higher recovery of assets written-off compared to the same period last year.
- Manpower costs continue to rise from ₽4.0 billion last year to ₽4.6 billion this year on account of expanded businesses.
- Taxes and licenses, Depreciation and amortization, Rent expense and Miscellaneous expenses increased by 30%, 21%, 9% and 20%, respectively, on account of business expansion.

ANNEX F – 2019 Audited Financial Statements

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **East West Banking Corporation** (the Bank) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended **December 31, 2019 and 2018**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

JONATHAN T. GOTIANUN
Chairman

ANTONIO C. MONCUPA JR.
Chief Executive Officer

MINDA L. CAYABYAB
Financial Controller

Signed this 2nd day of April, 2020

EAST WEST BANKING CORPORATION
EastWest Bank Corporate Center, The Beaufort, 5th Avenue corner 23rd Street, Fort Bonifacio Global City, Taguig, M.M.
Telephone number 8575-3888 | Email: service@eastwestbanker.com | www.eastwestbanker.com
A member of the F I L I N V E S T Group

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

SEC Registration Number

A	S	0	9	4	-	0	0	2	7	3	3

COMPANY NAME

EAST WEST BANKING CORPORATION
AND SUBSIDIARIES

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

The Beaufort, 5th Avenue
corner 23rd Street, Fort
Bonifacio Global City, Taguig
City

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

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
www.eastwestbanker.com	**575-3888**	
No. of Stockholders	**Annual Meeting (Month / Day)**	**Fiscal Year (Month / Day)**
96	**3rd Friday of April**	**December 31**

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Minda L. Cayabyab	**MLCayabyab@eastwestbanker.com**	**575-3390**	

CONTACT PERSON's ADDRESS

The Beaufort, 5th Avenue cor. 23rd Street, Fort Bonifacio Global City, Taguig City

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

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

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
East West Banking Corporation
East West Corporate Center
The Beaufort, 5th Avenue corner 23rd Street
Fort Bonifacio Global City
Taguig City

Report on the Audit of the Consolidated and Parent Company Financial Statements

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

Adequacy of allowance for credit and impairment losses

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

The disclosures on the details of allowance for credit and impairment losses using the ECL model are included in Notes 3 and 15 to the financial statements.

Audit response

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

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

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

We recalculated impairment provisions on a sample basis. We checked the appropriateness of the transition adjustments and reviewed the completeness of the disclosures made in the financial statements.

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

Adoption of PFRS 16, Leases

Effective January 1, 2019, the Group and the Parent Company adopted PFRS 16, *Leases*, under the modified retrospective approach and resulted in significant changes in the Group's and Parent Company's accounting policy for leases. The Group's and the Parent Company's adoption of PFRS 16 is significant to our audit because the Group and the Parent Company have high volume of lease agreements; the recorded amounts are material to the financial statements; and adoption involves application of significant judgment and estimation in determining the lease term, including evaluating whether the Group and the Parent Company are reasonably certain to exercise options to extend or terminate the lease and determining the incremental borrowing rate. This resulted in the recognition of right of use assets amounting to |₱3.69 billion and ₱3.52 billion for the Group and the Parent Company, respectively, and lease liability amounting to ₱3.66 billion and ₱3.49 billion for the Group and the Parent Company, respectively, as of January 1, 2019 and the recognition of depreciation expense of ₱0.93 billion and ₱0.87 billion for the Group and the Parent Company, respectively, and interest expense of ₱0.27 billion and ₱0.25 billion for the Group and the Parent Company, respectively, for the year ended December 31, 2019.

The disclosures related to the adoption of PFRS 16 are included in Notes 2, 11 and 26 to the financial statements.

Audit response
We obtained an understanding of the Group's and the Parent Company's process in implementing the new standard on leases, including the determination of the population of the lease contracts covered by PFRS 16, the application of the short-term and low value assets exemptions, the selection of the transition approach and any election of available practical expedients.

We tested the completeness of the population of lease agreements by comparing the number of leases per operational report against the master lease schedule. On a test basis, we inspected lease agreements (i.e., lease agreements existing prior to the adoption of PFRS 16 and new lease agreements) from the master lease schedule, identified their contractual terms and conditions, and traced these contractual terms and conditions to the lease calculation prepared by management, which covers the calculation of the financial impact of PFRS 16, including the transition adjustments.

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

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

Other Information

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated and parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and parent company financial statements, including the disclosures, and whether the consolidated and parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance the audit. We remain solely responsible for our audit opinion.

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

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

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

Reports on the Supplementary Information Required Under Bangko Sentral ng Pilipinas (BSP) Circular No. 1074 and Revenue Regulations No. 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under BSP Circular No. 1074 in Notes 36 and Revenue Regulations No. 15-2010 in Note 35 to the financial statements is presented for purposes of filing with the BSP and Bureau of Internal Revenue, respectively, and is not a required part of the basic financial statements. Such information is the responsibility of the management of the Parent Company. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Veronica Mae A. Arce.

SYCIP GORRES VELAYO & CO.

Veronica Arce

Veronica Mae A. Arce
Partner
CPA Certificate No. 0117208
SEC Accreditation No. 1740-A (Group A),
February 7, 2019, valid until February 6, 2022
Tax Identification No. 234-282-413
BIR Accreditation No. 08-001998-135-2018,
December 17, 2018, valid until December 16, 2021
PTR No. 8125206, January 7, 2020, Makati City

February 27, 2020

EAST WEST BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION
(Amounts are presented in thousands of Philippine Pesos)

	Consolidated		Parent Company	
	As of December 31			
	2019	2018	**2019**	2018
ASSETS				
Cash and Other Cash Items	**₱7,454,625**	₱7,185,241	**₱7,354,474**	₱7,097,652
Due from Bangko Sentral ng Pilipinas (Notes 7 and 16)	**34,287,302**	40,481,956	**33,590,486**	39,872,848
Due from Other Banks (Note 7)	**3,403,926**	10,233,240	**3,324,402**	10,087,675
Interbank Loans Receivable	**2,691,882**	5,862,670	**2,691,882**	5,862,670
Financial Assets at Fair Value Through Profit or Loss (FVTPL) (Notes 8 and 17)	**16,840,709**	4,338,794	**16,840,709**	4,338,794
Financial Assets at Fair Value Through Other Comprehensive Income (FVTOCI) (Notes 8 and 17)	**4,650,636**	248,207	**4,650,636**	248,207
Investment Securities at Amortized Cost (Notes 8 and 17)	**49,386,070**	36,510,546	**49,386,070**	36,510,546
Loans and Receivables (Notes 9, 15 and 27)	**267,647,738**	245,869,585	**241,859,400**	222,052,805
Investments in Subsidiaries (Note 10)	–	–	**3,992,449**	3,697,985
Investment in a Joint Venture (Note 10)	**694,114**	689,466	**694,114**	689,466
Property, Equipment and Right-of-Use Assets (Note 11)	**5,436,761**	2,655,809	**5,067,364**	2,389,521
Investment Properties (Notes 12 and 15)	**949,138**	921,153	**947,836**	919,782
Deferred Tax Assets (Note 24)	**2,821,217**	2,265,962	**2,387,704**	2,138,525
Goodwill and Other Intangible Assets (Note 13)	**6,897,500**	6,893,646	**6,856,791**	6,854,827
Other Assets (Notes 14 and 15)	**3,162,671**	3,182,714	**3,086,159**	3,066,562
TOTAL ASSETS	**₱406,324,289**	₱367,338,989	**₱382,730,476**	₱345,827,865

LIABILITIES AND EQUITY				
LIABILITIES				
Deposit Liabilities (Notes 16 and 27)				
Demand	**₱88,757,787**	₱74,793,978	**₱89,587,063**	₱75,162,613
Savings	**98,027,632**	70,733,509	**76,154,416**	51,391,535
Time	**104,605,705**	126,915,196	**104,605,705**	126,915,196
Long-term Negotiable Certificates of Deposits	**13,335,031**	15,797,150	**13,335,031**	15,797,150
	304,726,155	288,239,833	**283,682,215**	269,266,494
Bills and Acceptances Payable (Note 17)	**30,949,753**	17,969,927	**30,949,753**	17,969,927
Accrued Taxes, Interest and Other Expenses (Note 18)	**3,033,033**	2,860,896	**2,753,308**	2,528,401
Cashier's Checks and Demand Draft Payable	**1,320,236**	895,717	**1,320,236**	895,717
Subordinated Debt (Note 19)	**6,219,011**	6,214,479	**4,979,340**	4,975,862
Income Tax Payable	**595,851**	222,410	**486,545**	127,936
Lease Liability (Notes 2 and 26)	**3,302,981**	–	**3,121,443**	–
Other Liabilities (Note 20)	**7,109,936**	8,278,553	**6,370,303**	7,406,354
TOTAL LIABILITIES	**357,256,956**	324,681,815	**333,663,143**	303,170,691
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY				
Common Stock (Note 22)	**22,499,754**	22,499,754	**22,499,754**	22,499,754
Additional Paid in Capital (Note 22)	**5,065,059**	5,065,059	**5,065,059**	5,065,059
Surplus Reserves (Note 28)	**928,708**	921,655	**928,708**	921,655
Surplus (Note 28)	**20,580,707**	14,353,812	**20,580,707**	14,353,812
Fair Value Reserves on Financial Assets at Fair Value Through Other Comprehensive Income (FVTOCI)	**28,328**	(10,293)	**28,328**	(10,293)
Remeasurement Gains (Losses) on Retirement Plans (Note 25)	**(124,788)**	(77,991)	**(124,788)**	(77,991)
Cumulative Translation Adjustment	**89,565**	(94,822)	**89,565**	(94,822)
TOTAL EQUITY	**49,067,333**	42,657,174	**49,067,333**	42,657,174
TOTAL LIABILITIES AND EQUITY	**₱406,324,289**	₱367,338,989	**₱382,730,476**	₱345,827,865

See accompanying Notes to Financial Statements.

EAST WEST BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS OF INCOME

	Consolidated			Parent Company		
	Years Ended December 31					
	2019	2018	2017	**2019**	2018	2017
	(Amounts in Thousands)					
INTEREST INCOME						
Loans and receivables (Notes 9 and 27)	**₱27,242,864**	₱23,108,172	₱21,087,498	**₱25,179,175**	₱21,578,452	₱19,270,469
Financial assets at air value through other comprehensive income and investment securities at amortized cost (Note 8)	**2,037,981**	1,029,352	507,051	**2,037,981**	1,029,352	507,051
Financial assets at fair value through profit or loss (Note 8)	**414,970**	118,827	315,107	**414,970**	118,827	315,107
Due from BSP and other banks and interbank loans receivable (Note 7)	**62,121**	101,759	110,353	**58,830**	100,011	108,830
	29,757,936	24,358,110	22,020,009	**27,690,956**	22,826,642	20,201,457
INTEREST EXPENSE						
Deposit liabilities (Note 16)	**6,798,551**	4,523,538	3,160,777	**5,864,723**	4,016,671	2,833,700
Subordinated debt, bills payable and other borrowings (Notes 17 and 19)	**1,224,863**	557,073	408,602	**1,155,059**	487,242	349,034
Lease liability (Notes 2 and Note 26)	**267,598**	–	–	**252,013**	–	–
	8,291,012	5,080,611	3,569,379	**7,271,795**	4,503,913	3,182,734
NET INTEREST INCOME	**21,466,924**	19,277,499	18,450,630	**20,419,161**	18,322,729	17,018,723
OTHER INCOME						
Service charges, fees and commissions (Note 23)	**5,236,443**	4,888,450	5,342,776	**4,330,952**	4,126,139	3,853,564
Trading and securities gain (loss) (Note 8)	**965,730**	(235,917)	63,973	**965,730**	(235,917)	63,973
Foreign exchange gain	**427,050**	738,597	378,705	**427,050**	738,597	378,705
Loss on asset foreclosure and dacion transactions	**(199,991)**	(212,896)	(236,353)	**(199,991)**	(212,896)	(236,353)
Gain on sale of assets (Notes 9, 11,12 and 14)	**94,840**	139,087	55,892	**94,392**	139,039	53,278
Trust income (Note 28)	**70,535**	51,333	46,759	**70,535**	51,333	46,759
Gain on capital transaction (Note 10)	**–**	–	665,000	**–**	–	665,000
Gain on sale of investment securities at amortized cost (Note 8)	**–**	–	317,443	**–**	–	317,443
Miscellaneous (Note 23)	**636,130**	851,075	568,738	**617,197**	844,764	545,299
TOTAL OPERATING INCOME	**28,697,661**	25,497,228	25,653,563	**26,725,026**	23,773,788	22,706,391
OPERATING EXPENSES						
Compensation and fringe benefits (Notes 25 and 27)	**5,624,044**	4,986,802	4,608,745	**5,199,685**	4,591,278	4,198,748
Provision for impairment and credit losses (Notes 9, 12, 14 and 15)	**4,042,472**	3,905,928	4,464,267	**3,822,366**	3,848,772	4,332,113
Taxes and licenses	**2,655,618**	2,326,683	1,980,710	**2,333,123**	2,053,250	1,729,062
Depreciation and amortization (Notes 11, 12 and 14)	**1,884,149**	1,077,209	1,056,234	**1,720,300**	961,611	939,894
Amortization of intangible assets (Note 13)	**146,676**	188,061	339,874	**143,256**	170,158	325,566
Rent (Note 26)	**107,121**	1,037,898	952,335	**83,986**	958,992	872,943
Miscellaneous (Note 23)	**5,987,527**	5,602,526	5,044,457	**5,657,443**	5,286,481	4,770,978
TOTAL OPERATING EXPENSES	**20,447,607**	19,125,107	18,446,622	**18,960,159**	17,870,542	17,169,304
INCOME BEFORE SHARE IN NET INCOME OF SUBSIDIARIES AND JOINT VENTURE	**8,250,054**	6,372,121	7,206,941	**7,764,867**	5,903,246	5,537,087
SHARE IN NET INCOME OF SUBSIDIARIES (Note 10)	**–**	–	–	**324,331**	241,520	1,181,247
SHARE IN NET LOSS OF A JOINT VENTURE (Note 10)	**(339,482)**	(395,816)	(449,050)	**(339,482)**	(395,816)	(449,050)
INCOME BEFORE INCOME TAX	**7,910,572**	5,976,305	6,757,891	**7,749,716**	5,748,950	6,269,284
PROVISION FOR INCOME TAX (Note 24)	**1,668,634**	1,468,241	1,707,192	**1,507,778**	1,240,886	1,218,585
NET INCOME	**₱6,241,938**	₱4,508,064	₱5,050,699	**₱6,241,938**	₱4,508,064	₱5,050,699
Basic Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 30)	**₱2.77**	₱2.00	₱2.24			
Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 30)	**₱2.77**	₱2.00	₱2.24			

See accompanying Notes to Financial Statements.

EAST WEST BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS OF COMPREHENSIVE INCOME

	Consolidated			Parent Company		
	Years Ended December 31					
	2019	2018	2017	**2019**	2018	2017
	(Amounts in Thousands)					
NET INCOME FOR THE YEAR	**₱6,241,938**	₱4,508,064	₱5,050,699	**₱6,241,938**	₱4,508,064	₱5,050,699
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR, NET OF TAX						
Items that will not be reclassified to profit or loss in subsequent periods:						
Change in remeasurement gains (losses) of retirement liability (Note 25)	**(46,797)**	(110,124)	101,215	**(39,777)**	(109,638)	101,084
Change in fair value reserves on equity securities at FVTOCI (Note 8)	**(5,871)**	(1)	12	**–**	(1)	12
Share in changes in remeasurement gain (loss) of retirement liabilities of subsidiaries (Notes 10 and 25)	**–**	–	–	**(7,020)**	(486)	131
Share in changes in fair value reserves on equity securities of a joint venture (Note 10)		–	–	**(5,871)**	–	–
Items that may be reclassified to profit or loss in subsequent periods:						
Change in fair value reserves on debt securities at FVTOCI (Note 8)	**44,492**	(6,244)	–	**44,492**	(6,244)	–
Cumulative translation adjustment	**184,387**	(98,084)	(95,781)	**184,387**	(98,084)	(95,781)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	**176,211**	(214,453)	5,446	**176,211**	(214,453)	5,446
TOTAL COMPREHENSIVE INCOME, NET OF TAX	**₱6,418,149**	₱4,293,611	₱5,056,145	**₱6,418,149**	₱4,293,611	₱5,056,145

See accompanying Notes to Financial Statements.

EAST WEST BANKING CORPORATION AND SUBSIDIARIES

STATEMENTS OF CHANGES IN EQUITY

Consolidated

Year Ended December 31, 2019

	Equity Attributable to Equity Holders of the Parent Company							
	Common Stock	Additional Paid in Capital	Surplus Reserves	Surplus	Fair Value Reserves on Financial Assets at FVTOCI	Remeasurement Gains (Losses) on Retirement Plan	Cumulative Translation Adjustment	Total Equity
Balance at January 1, 2019	**₱22,499,754**	**₱5,065,059**	**₱921,655**	**₱14,353,812**	**(₱10,293)**	**(₱77,991)**	**(₱94,822)**	**₱42,657,174**
Effect of adoption of PFRS 16 (Note 2)	–	–	–	**(7,990)**	–	–	–	**(7,990)**
Balance at January 1, 2019, as restated	**22,499,754**	**5,065,059**	**921,655**	**14,345,822**	**(10,293)**	**(77,991)**	**(94,822)**	**42,649,184**
Net income	–	–	–	**6,241,938**	–	–	–	**6,241,938**
Other comprehensive income	–	–	–	–	**38,621**	**(46,797)**	**184,387**	**176,211**
Total comprehensive income	–	–	–	**6,241,938**	**38,621**	**(46,797)**	**184,387**	**6,418,149**
Transfer to surplus reserves (Note 28)	–	–	**7,053**	**(7,053)**	–	–	–	–
Appropriations during the year (Note 22)	–	–	–	–	–	–	–	–
Dividends declaration (Note 22)	–	–	–	–	–	–	–	–
Balance at December 31, 2019	**₱22,499,754**	**₱5,065,059**	**₱928,708**	**₱20,580,707**	**₱28,328**	**(₱124,788)**	**₱89,565**	**₱49,067,333**
Balance at January 1, 2018	₱14,999,836	₱5,209,061	₱52,143	₱18,713,129	(₱4,048)	₱32,133	₱3,262	₱39,005,516
Effect of the adoption of PFRS 9 (Note 2)	–	–	–	(497,951)	–	–	–	(497,951)
Balance as at January 1, 2018, as restated	14,999,836	5,209,061	52,143	18,215,178	(4,048)	32,133	3,262	38,507,565
Net income	–	–	–	4,508,064	–	–	–	4,508,064
Other comprehensive income	–	–	–	–	(6,245)	(110,124)	(98,084)	(214,453)
Total comprehensive income	–	–	–	4,508,064	(6,245)	(110,124)	(98,084)	4,293,611
Transfer to surplus reserves (Note 28)	–	–	5,133	(5,133)	–	–	–	–
Appropriations during the year (Note 22)	–	–	864,379	(864,379)	–	–	–	–
Dividends declaration (Note 22)	7,499,918	(144,002)	–	(7,499,918)	–	–	–	(144,002)
Balance at December 31, 2018	₱22,499,754	₱5,065,059	₱921,655	₱14,353,812	(₱10,293)	(₱77,991)	(₱94,822)	₱42,657,174
Balance at January 1, 2017	₱14,999,836	₱5,209,061	₱47,467	₱14,167,106	(₱4,060)	(₱69,082)	₱99,043	₱34,449,371
Net income	–	–	–	5,050,699	–	–	–	5,050,699
Other comprehensive income (loss)	–	–	–	–	12	101,215	(95,781)	5,446
Total comprehensive income	–	–	–	5,050,699	12	101,215	(95,781)	5,056,145
Transfer to surplus reserves (Note 28)	–	–	4,676	(4,676)	–	–	–	–
Dividends declaration (Note 22)	–	–	–	(500,000)	–	–	–	(500,000)
Balance at December 31, 2017	₱14,999,836	₱5,209,061	₱52,143	₱18,713,129	(₱4,048)	₱32,133	₱3,262	₱39,005,516

See accompanying Notes to Financial Statements.

Parent

Year Ended December 31, 2019

	Common Stock	Additional Paid in Capital	Surplus Reserves	Surplus	Fair Value Reserves on Financial Assets at Fair Value Through Other Comprehensive Income	Remeasurement Gains (Losses) on Retirement Plan	Cumulative Translation Adjustment	Total Equity
Balance at January 1, 2019	**₱22,499,754**	**₱5,065,059**	**₱921,655**	**₱14,353,812**	**(₱10,293)**	**(₱77,991)**	**(₱94,822)**	**₱42,657,174**
Effect of Adoption of PFRS 16 (Note 2)	–	–	–	**(7,990)**	–	–	–	**(7,990)**
Balance at January 1, 2019, as restated	**22,499,754**	**5,065,059**	**921,655**	**14,345,822**	**(10,293)**	**(77,991)**	**(94,822)**	**42,649,184**
Net income	–	–	–	**6,241,938**	–	–	–	**6,241,938**
Other comprehensive income	–	–	–	–	**38,621**	**(46,797)**	**184,387**	**176,211**
Total comprehensive income	–	–	–	**6,241,938**	**38,621**	**(46,797)**	**184,387**	**6,418,149**
Transfer to surplus reserves (Note 28)	–	–	**7,053**	**(7,053)**	–	–	–	–
Appropriations during the year (Note 22)	–	–	–	–	–	–	–	–
Dividends declaration (Note 22)	–	–	–	–	–	–	–	–
Balance at December 31, 2019	**₱22,499,754**	**₱5,065,059**	**₱928,708**	**₱20,580,707**	**₱28,328**	**(₱124,788)**	**₱89,565**	**₱49,067,333**
Balance at January 1, 2018	₱14,999,836	₱5,209,061	₱52,143	₱18,713,129	(₱4,048)	₱32,133	₱3,262	₱39,005,516
Effect of the adoption of PFRS 9 (Note 2)	–	–	–	(497,951)	–	–	–	(497,951)
Balance as at January 1, 2018, as restated	14,999,836	5,209,061	52,143	18,215,178	(4,048)	32,133	3,262	38,507,565
Net income	–	–	–	4,508,064	–	–	–	4,508,064
Other comprehensive income	–	–	–	–	(6,245)	(110,124)	(98,084)	(214,453)
Total comprehensive income	–	–	–	4,508,064	(6,245)	(110,124)	(98,084)	4,293,611
Transfer to surplus reserves (Note 28)	–	–	5,133	(5,133)	–	–	–	–
Appropriations during the year (Note 22)	–	–	864,379	(864,379)	–	–	–	–
Dividends declaration (Note 22)	7,499,918	(144,002)	–	(7,499,918)	–	–	–	(144,002)
Balance at December 31, 2018	₱22,499,754	₱5,065,059	₱921,655	₱14,353,812	(₱10,293)	(₱77,991)	(₱94,822)	₱42,657,174
Balance at January 1, 2017	₱14,999,836	₱5,209,061	₱47,467	₱14,167,106	(₱4,060)	(₱69,082)	₱99,043	₱34,449,371
Net income	–	–	–	5,050,699	–	–	–	5,050,699
Other comprehensive income (loss)	–	–	–	–	12	101,215	(95,781)	5,446
Total comprehensive income	–	–	–	5,050,699	12	101,215	(95,781)	5,056,145
Transfer to surplus reserves (Note 28)	–	–	4,676	(4,676)	–	–	–	–
Dividends declaration (Note 22)	–	–	–	(500,000)	–	–	–	(500,000)
Balance at December 31, 2017	₱14,999,836	₱5,209,061	₱52,143	₱18,713,129	(₱4,048)	₱32,133	₱3,262	₱39,005,516

See accompanying Notes to Financial Statements.

EAST WEST BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS OF CASH FLOWS

	Consolidated			Parent Company		
	Years Ended December 31					
	2019	2018	2017	**2019**	2018	2017
	(Amounts in Thousands)					
CASH FLOWS FROM OPERATING ACTIVITIES						
Income before income tax	**₱7,910,572**	₱5,976,305	₱6,757,891	**₱7,749,716**	₱5,748,950	₱6,269,284
Adjustments for:						
Provision for impairment and credit losses (Note 15)	**4,042,472**	3,905,928	4,464,267	**3,822,366**	3,848,772	4,332,113
Depreciation and amortization (Notes 11, 12 and 14)	**1,884,149**	1,077,209	1,056,234	**1,720,300**	961,611	939,894
Share in net loss of a joint venture (Note 10)	**339,482**	395,816	449,050	**339,482**	395,816	449,050
Amortization of intangible assets (Note 13)	**146,676**	188,061	339,874	**143,256**	170,158	325,566
Loss on asset foreclosure and dacion transactions (Note 32)	**199,991**	212,896	236,353	**199,991**	212,896	236,353
Gain on sale of assets (Notes 11, 12 and 14)	**(94,840)**	(139,087)	(55,892)	**(94,391)**	(139,039)	(53,278)
Amortization of debt issuance cost	**14,372**	–	–	**13,318**	–	–
Accretion of lease liabilities	**267,598**	–	–	**252,013**	–	–
Share in net income of subsidiaries (Note 10)	**–**	–	–	**(324,331)**	(241,520)	(1,181,247)
Gain on sale of investment securities at amortized cost (Note 8)	**–**	–	(317,443)	**–**	–	(317,443)
Gain on capital transaction (Note 10)	**–**	–	(665,000)	**–**	–	(665,000)
Changes in operating assets and liabilities:	**–**	–	–	**–**	–	–
Decrease (increase) in the amounts of:	**–**	–	–	**–**	–	–
Loans and receivables	**(28,507,915)**	(40,308,352)	(28,265,622)	**(26,227,448)**	(38,366,467)	(20,376,984)
Financial assets at FVTPL	**(12,501,915)**	(1,602,747)	(2,045,433)	**(12,501,915)**	(1,602,747)	(2,045,433)
Other assets	**(2,309)**	2,199	1,850	**8,025**	1,733	5,018
Increase (decrease) in the amounts of:						
Deposit liabilities	**16,476,482**	31,947,470	18,504,815	**14,405,881**	30,841,843	13,166,177
Cashier's checks and demand draft payable	**424,519**	(144,828)	(18,633)	**424,519**	(144,828)	(18,633)
Accrued taxes, interest and other expenses	**164,006**	331,558	662,409	**216,776**	187,531	590,648
Other liabilities	**(1,168,617)**	2,474,276	(613,856)	**(1,036,051)**	1,895,754	(683,555)
Net cash generated from operations	**(10,405,277)**	4,316,704	490,864	**(10,888,493)**	3,770,463	972,530
Income taxes paid	**(1,733,046)**	(1,538,160)	(1,871,098)	**(1,389,687)**	(1,289,920)	(1,325,553)
Net cash provided by (used in) operating activities	**(12,138,323)**	2,778,544	(1,380,234)	**(12,278,180)**	2,480,543	(353,023)
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sale of:						
Investment properties and other repossessed assets (Notes 12 and 14)	**2,289,904**	2,257,655	2,052,732	**2,289,904**	2,257,655	2,052,732
Financial assets at FVOCI (Note 8)	**614,655**	443,505	–	**614,655**	443,505	–
Property and equipment (Note 11)	**13,467**	27,540	35,253	**9,009**	20,298	32,316
Investment securities at amortized cost (Note 8)	**–**	–	11,756,331	**–**	–	11,756,331
Proceeds from maturity of investment securities at amortized cost	**2,439,729**	–	53,789	**2,439,729**	–	53,789

(Forward)

	Consolidated			Parent Company		
	Years Ended December 31					
	2019	2018	2017	**2019**	2018	2017
	(Amounts in Thousands)					
Acquisitions of:						
Investment securities at amortized cost	**(₱15,315,252)**	(₱22,039,565)	(₱6,835,390)	**(15,315,252)**	(₱22,039,565)	(₱6,835,390)
Financial assets at FVOCI	**(5,055,641)**	(702,000)	–	**(5,055,641)**	(702,000)	–
Property and equipment (Note 11)	**(290,750)**	(341,241)	(368,361)	**(257,936)**	(302,486)	(278,185)
Capitalized software (Note 13)	**(150,530)**	(160,523)	(114,131)	**(145,220)**	(153,181)	(108,159)
Additional capital infusion in a joint venture	**(350,000)**	(250,000)	–	**(350,000)**	(250,000)	–
Net cash transferred from a business combination	–	–	(548,062)	–	–	(548,062)
Net cash provided by (used in) investing activities	**(15,804,418)**	(20,764,629)	6,032,161	**(15,770,752)**	(20,725,774)	6,125,372
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from bills and acceptances payable	**1,006,635,393**	613,830,961	243,061,250	**1,006,635,393**	613,830,961	243,061,250
Payments of bills and acceptances payable	**(993,655,567)**	(600,020,729)	(241,096,150)	**(993,655,567)**	(600,020,729)	(241,096,150)
Payment of lease liability	**(962,655)**	–	–	**(890,495)**		
Payment of direct costs on stock dividend issuance	–	144,000	–	–	144,000	–
Payment of subordinated debt (Note 19)	–	–	–	–	–	–
Dividend paid (Note 22)	–	–	(500,000)	–	–	(500,000)
Issuance of unsecured subordinated debt, net of issuance cost (Note 19)	–	–	1,237,834	–	–	–
Net cash provided by (used in) financing activities	**12,017,171**	13,954,232	2,702,934	**12,089,331**	13,954,232	1,465,100
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(15,925,570)**	(4,031,853)	7,354,861	**(15,959,601)**	(4,290,999)	7,237,449
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR						
Cash and other cash items	**7,185,241**	6,723,320	6,623,761	**7,097,652**	6,690,801	6,511,420
Due from Bangko Sentral ng Pilipinas	**40,481,956**	39,321,213	39,343,143	**39,872,848**	38,792,299	39,019,501
Due from other banks	**10,233,438**	9,362,992	6,970,645	**10,087,675**	9,341,309	6,940,924
Interbank loans receivable	**5,862,670**	12,387,633	7,502,748	**5,862,670**	12,387,633	7,502,748
	63,763,305	67,795,158	60,440,297	**62,920,845**	67,212,042	59,974,593
CASH AND CASH EQUIVALENTS AT END OF YEAR						
Cash and other cash items	**7,454,625**	7,185,241	6,723,320	**7,354,474**	7,097,652	6,690,801
Due from Bangko Sentral ng Pilipinas	**34,287,302**	40,481,956	39,321,213	**33,590,486**	39,872,848	38,792,299
Due from other banks	**3,403,926**	10,233,438	9,362,992	**3,324,402**	10,087,873	9,341,309
Interbank loans receivable	**2,691,882**	5,862,670	12,387,633	**2,691,882**	5,862,670	12,387,633
	₱47,837,735	₱63,763,305	₱67,795,158	**₱46,961,244**	₱62,921,043	₱67,212,042
NET OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDENDS						
Interest received	**₱29,803,501**	₱22,903,190	₱21,972,257	**₱27,728,529**	₱21,330,238	₱20,243,005
Interest paid	**8,625,648**	4,600,953	3,526,487	**7,543,670**	4,114,526	3,155,575
Dividend received	**2,209**	3,777	4,555	**2,209**	3,777	4,555

See accompanying Notes to Financial Statements.

EAST WEST BANKING CORPORATION AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

East West Banking Corporation (EW or the Bank or the Parent Company) is a domestic universal bank which was registered with the SEC on March 22, 1994. The Bank was granted authority by the Bangko Sentral ng Pilipinas (BSP) to operate as a commercial bank and operate an expanded foreign currency deposit unit in 1994. Subsequently in 2012, the Parent Company was authorized by the BSP to operate as a universal bank. The Parent Company's common shares were listed and commenced trading in the Philippine Stock Exchange (PSE) on May 7, 2012 (Note 22).

As of December 31, 2019 and 2018, the Parent Company is effectively 77.85% and 77.28%, respectively owned by Filinvest Development Corporation (FDC). The Parent Company's ultimate parent company is A.L. Gotianun, Inc. The Parent Company's head office is located at East West Corporate Center, The Beaufort, 5th Avenue corner 23rd Street, Fort Bonifacio Global City, Taguig City.

Through its network of 467 and 466 branches as of December 31, 2019 and 2018, respectively, the Bank and its subsidiaries (the Group) provide a wide range of financial services to consumer and corporate clients, which includes deposit-taking, loan and trade finance, treasury, trust services, credit cards, cash management, custodial services, insurance services and leasing and finance.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on a historical cost basis except for financial assets at fair value through profit or loss (FVTPL), financial assets at fair value through other comprehensive income (FVTOCI) and derivative financial instruments that have been measured at fair value. The financial statements are presented in Philippine peso and all values are rounded to the nearest thousand except when otherwise indicated.

The financial statements of the Parent Company include the accounts maintained in the Regular Banking Unit (RBU) and Foreign Currency Deposit Unit (FCDU). The functional currency of the RBU and the FCDU is the Philippine peso and United States dollar (USD), respectively. For financial reporting purposes, FCDU accounts and foreign currency-denominated accounts in the RBU are translated into their equivalents in Philippine peso, which is the Parent Company's presentation currency (accounting policy on Foreign Currency Transactions and Translation). The financial statements individually prepared for these units are combined after eliminating inter-unit accounts.

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The functional currency of all subsidiaries and the joint venture is the Philippine peso.

Statement of Compliance

The accompanying financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Presentation of Financial Statements
The Group presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non-current) is presented in Note 21.

Basis of Consolidation
The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company using consistent accounting policies. The following are the wholly-owned subsidiaries of the Parent Company as of December 31, 2019 and 2018:

		Effective Percentage of Ownership	
	Principal Activities	**2019**	2018
East West Rural Bank, Inc. (EWRB)	Consumer banking	**100.00**	100.00
East West Insurance Brokerage, Inc. (EWIB)	Non-life insurance brokerage	**100.00**	100.00
Quest Marketing and Integrated Services, Inc. (QMIS)	Sales and marketing	**100.00**	100.00
Assurance Solutions Insurance Agency (ASIA)*	General insurance and marketing	**100.00**	100.00
East West Leasing and Finance Corporation (EWLFC)*	Finance and leasing	**100.00**	100.00

** Non-operational since 2017*

All significant intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in the consolidated financial statements.

The subsidiaries are fully consolidated from the date of acquisition, being the date on which the Parent Company obtains control and continues to be consolidated until the date when control ceases. Control is achieved when the Parent Company is exposed, or has rights, to variable return from its involvement with an entity and has the ability to affect those returns through its power over the entity. The Parent Company has power over the entity when it has existing rights that give it the current ability to direct relevant activities (i.e., activities that significantly affect the entity's returns). Consolidation of subsidiaries ceases when control is transferred out of the Parent Company. The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of income from the date of acquisition or up to the date of disposal, as appropriate.

Adoption of New and Amended PFRS

(a) Standards effective in 2019 that are Relevant to the Group

The accounting policies adopted are consistent with those of the previous financial year, except that the Group's has adopted the following new accounting pronouncements starting January 1, 2019:

- PFRS 16, *Leases*
  PFRS 16 supersedes PAS 17, *Leases*, Philippine Interpretation IFRIC 4, *Determining whether an Arrangement contains a Lease*, Philippine Interpretation SIC-15, *Operating Leases-Incentives and Philippine Interpretation* SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.* The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the balance sheet.

  Lessor accounting under PFRS 16 is substantially unchanged from the accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

On January 1, 2019, the Group adopted PFRS 16 following the modified retrospective approach. Under the modified retrospective approach, the Group did not restate prior-period comparative financial statements which remain to be reported under PAS 17. Therefore, some accounts in the comparative financial statements are not comparable to the information presented for 2019.

The Group elected to use the following transition practical expedients:

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

The reconciliation of the operating lease commitments to the total gross lease payments used in the measurement of the lease liabilities follows:

	Consolidated	Parent Company
Operating lease commitments as at December 31, 2018 (Note 26)	₱4,705,579	₱4,512,835
Less: Commitments relating to short-term leases and leases of low-value assets	(87,380)	(87,380)
Operating lease commitments, excluding those commitments relating to short-term leases and leases of low-value assets	4,618,199	4,425,455
Weighted average incremental borrowing rate at January 1, 2019	7.68%	7.60%
Discounted operating lease commitments/ Lease liability recognized as at January 1, 2019	**₱3,660,409**	**₱3,491,089**

The Group has lease contracts for office branches, warehouses, spaces for Automated Teller Machines (ATMs), and office equipment. Before the adoption of PFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. All leases (as lessee) were classified as operating leases. In an operating lease, the leased property was not capitalized, and the lease payments were recognized as rent expense under 'Rent' in the statement of income on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognized under 'Prepaid expenses' lodged in 'Other assets', and 'Accrued other expenses' lodged in 'Accrued taxes, interest and other expenses', respectively.

Upon adoption of PFRS 16, the Group applied a single recognition and measurement approach for all leases (as lessee) except for short-term leases and leases of low-value assets. The Group recognized lease liabilities representing lease payments and right-of-use assets (ROU) representing the right to use the underlying assets. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate (IBR) at the date of initial application. ROU assets were recognized based on the amount equal to the lease liabilities adjusted for any related prepaid and accrued lease payments previously recognized.

The effect of adopting PFRS 16 on the statement of financial position as at January 1, 2019 follow:

Increase (Decrease)	Consolidated	Parent Company
Assets		
ROU assets under 'Property, Equipment and Right-of-Use Assets' (Note 11)	₱3,687,043	₱3,517,723
Prepaid rent under 'Other assets'	(34,765)	(34,765)
Deferred tax assets - net	(7,990)	(7,990)
	₱3,644,288	₱3,474,968
Liabilities and Equity		
Lease liability (Note 26)	₱3,660,409	₱3,491,089
Accrued rent	(8,131)	(8,131)
Retained earnings	(7,990)	(7,990)
	₱3,644,288	₱3,474,968

Other than the ₱7.99 million adjustment to beginning retained earnings, the adoption of PFRS 16 did not have any material impact on equity on January 1, 2019, since the Group elected to measure the right-of-use assets at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet immediately before the date of initial application.

The carrying amounts and the movements during the period of the Group and the Parent Company's ROU asset and lease liabilities are presented in Notes 11 and 26, respectively.

Set out below are the amounts recognized in the statement of income of the Group and the Parent Company for the period ended December 31, 2019:

	Consolidated	Parent Company
Depreciation expense of ROU assets (Note 11)	₱932,522	₱865,644
Interest expense on lease liabilities (Note 26)	267,598	252,013
Rent expense on short-term leases and leases of low-value assets	107,121	83,986
Total amounts recognized in the statement of income	₱1,307,241	₱1,201,643

- IFRIC-23, *Uncertainty over Income Tax Treatments*

  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes*, and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The interpretation specifically addresses the following:
  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - How an entity considers changes in facts and circumstances

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

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

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

  Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

  These amendments had no impact on the consolidated financial statements of the Group as it does not have instruments with prepayment features.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

  The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

  - Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event

  - Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

  The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

The amendments had no impact on the consolidated financial statements of the Group as it did not have any plan amendments, curtailments, or settlements during the period.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

  The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

  The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

  These amendments had no impact on the consolidated financial statements as the Group does not have long-term interests in its associate and joint venture.

- *Annual Improvements to PFRSs* 2015-2017 Cycle

  - Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements*, *Previously Held Interest in a Joint Operation*

    The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

    A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

    An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where joint control is obtained.

  - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

    The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments had no impact on the consolidated financial statements of the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

  The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

  An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

  Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

(b) Standards Issued but not yet Effective

There are new PFRS, amendments, interpretation and annual improvements, to existing standards effective for annual periods subsequent to 2019, which were adopted by the Financial Reporting Standards Council (FRSC). The Group will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group's financial statements:

Effective beginning on or after January 1, 2020:

- Amendments to PFRS 3, *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 added 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 these amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

  These amendments will apply on 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*. The standard is a comprehensive new accounting standard for insurance contracts covering recognition, measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements, and PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*. The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the FRSC deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes 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.

<u>Cash and Cash Equivalents</u>
For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items, amounts due from Bangko Sentral ng Pilipinas (BSP) and other banks, and interbank loans and receivable (IBLR) with original maturities of three months or less from dates of placements and that are subject to insignificant risks of changes in value. Due from BSP includes the statutory reserves required by the BSP which the Group considers as cash equivalents wherein withdrawals can be made to meet the Group's cash requirements as allowed by the BSP.

Foreign Currency Transactions and Translation

Transactions and balances

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

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

FCDU

As at the reporting date, the assets and liabilities of the FCDU of the Parent Company are translated into the Parent Company's presentation currency (the Philippine Peso) at PDS closing rate prevailing at the statement of financial position date, and their income and expenses are translated at Bankers Association of the Philippines (BAP) weighted average rate for the year. Exchange differences arising on translation are taken to the statement of comprehensive income under 'Cumulative translation adjustment'. Upon actual remittance of FCDU profits to RBU, the deferred cumulative amount recognized in the statement of comprehensive income is recognized in the statement of income.

Fair Value Measurement

The Group measures certain financial instruments such as financial assets at FVTPL, financial assets at FVTOCI and derivative financial instruments at fair value at each statement of financial position date. Also, fair values of financial instruments carried at amortized cost and investment properties carried at cost are measured for disclosure purposes.

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. 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.

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.

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 statement of financial position date.

External appraisers are involved for valuation of significant non-financial 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 (Note 5).

Financial Instruments - Initial Recognition and Subsequent Measurement
Date of recognition
The Group recognizes financial instruments when, and only when, the Group becomes a party to the contractual terms of the financial instruments.

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, i.e., the date that an asset is delivered to or by the Group. Settlement date accounting refers to (a) the recognition of an asset on the day it is received by the Group, and (b) the derecognition of an asset and recognition of any gain or loss on disposal on the day that it is delivered by the Group. Securities transactions and related commission income and expense are recorded also on a settlement date basis. Deposits, amounts due to banks and customers, and loans and receivables are recognized when cash is received by the Group or advanced to the borrowers.

Derivatives are recognized on trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. Trade date accounting refers to (a) the recognition of an asset to be received and the liability to pay for it on the trade date, and (b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

'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, Reclassification and Measurement of Financial Assets and Financial Liabilities
For purposes of classifying financial assets, an instrument is an ‘equity instrument’ if it is a non-derivative instrument and meets the definition of ‘equity’ for the issuer (under PAS 32, *Financial Instruments: Presentation*). All other non-derivative financial instruments are investments in ‘debt instruments’.

Under PFRS 9, the classification of a financial asset depends on the characteristics of its contractual cash flows and the business model under which the asset is held.

Contractual cash flow characteristics test
The Group assesses the contractual terms of financial assets to identify whether they meet the ‘solely payments of principal and interest’ (SPPI) test. Principal, for the purpose of this test, is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset.

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

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 basis lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Business model assessment
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-on-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity’s key management personnel
- The risks that affect the performance of the business model, and the financial assets held within that business model) and, in particular, the way those risks are managed
- How managers of the business are compensated
- The expected frequency, value and timing of sales are also important aspects of the Group’s assessment.

The business model assessment is based on reasonably expected scenarios without taking ‘worst case’ or ‘stress case’ scenarios into account. 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.

Financial assets at amortized cost
Financial assets are measured at amortized cost if both of the following conditions are met:

- the contractual terms of the instrument give rise on specified dates to cash flows that are SPPI on the principal amount outstanding; and
- the asset is held within the Group’s business model whose objective is to hold assets in order to collect contractual cash flows.

Financial assets meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method less any allowance for credit losses, with the calculated interest recognized as Interest income in the statement of income. The Group classified 'Cash and other cash items', 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Investment securities at amortized cost', 'Loans and receivables as financial assets at amortized cost' and other financial assets (i.e., security deposits, downpayment/advance payments to suppliers and returned cash and other cash items) under 'Other assets'.

The Group may irrevocably elect at initial recognition to classify a financial asset that meets the amortized cost criteria above as at FVTPL if that designation eliminates or significantly reduces an accounting mismatch that would arise had the financial asset been measured at amortized cost. As of December 31, 2019 and 2018, the Group has not made such designation.

Financial assets at FVTOCI
Financial assets at FVTOCI include debt and equity securities.

Debt securities at FVTOCI
Debt securities at FVTOCI are those that meet both of the following conditions:
- the contractual terms of the financial asset give rise to cash flows that are SPPI on the outstanding principal amount;
- the asset is held within a business model whose objective is both to sell or hold the financial asset in order to both collect contractual cash flows.

Debt securities at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for sale or disposal costs. Gains and losses arising from changes in fair value are recognized in other comprehensive income as 'Change in net unrealized gains (losses) on debt securities at FVTOCI'. The effective yield component and foreign exchange gains (losses) of debt securities at FVTOCI are reported on the statement of income. The ECL arising from impairment of such investments are recognized in OCI with a corresponding charge to 'Provision on credit and impairment losses' in the statement of income.

On derecognition, cumulative gains or losses previously recognized in OCI are reclassified from OCI to profit or loss.

Equity securities at FVTOCI
Equity securities designated as at FVTOCI are those that the Group made an irrevocable election to present in OCI the subsequent changes in fair value. The designation is made on instrument-by-instrument basis. Equity securities at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for sale or disposal costs. Gains and losses arising from changes in fair value are recognized in other comprehensive income as 'Change in fair value reserves on equity securities at FVTOCI. When the asset is disposed of, the cumulative gain or loss previously recognized in 'Change in fair value reserves on equity securities at FVTOCI is not reclassified to profit or loss, but is reclassified directly to 'Surplus'. Equity securities at FVTOCI are not subject to impairment assessment.

Dividends earned on holding these equity instruments are recognized in the statement of income when the Group's right to receive the dividends is established, unless the dividends clearly represent recovery of a part of the cost of the investment. Dividends earned are recognized in the statement of income under 'Miscellaneous income'.

Financial assets at FVTPL
Debt instruments that do not meet the amortized cost or FVTOCI criteria, or that meet the criteria but the Group has chosen to designate as at FVTPL at initial recognition, are measured at fair value through profit or loss. Equity investments are classified as at FVTPL, unless the Group designates an investment that is not held for trading as at FVTOCI at initial recognition. Derivative assets classified as at FVTPL are those that are not designated under hedge accounting treatment.

The Group's financial assets at FVTPL include government securities, private bonds, equity securities held for trading purposes and derivative assets.

Financial assets at FVTPL are initially measured at fair value without considering transaction costs. Subsequently, Financial assets at FVTPL are re-measured fair value, and fair value gains and losses on these instruments are recognized as 'Trading and securities gain' in the statement of income. Interest earned on these investments is reported in the statement of income under 'Interest income' while dividend income is reported in the statement of income under 'Miscellaneous income' when the right of payment has been established. Quoted market prices, when available, are used to determine the fair value of these financial instruments. If quoted market prices are not available, their fair values are estimated based on inputs provided by the BSP, Bureau of Treasury and investment bankers. For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques.

The fair value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the PDS closing rate at the statement of financial position date. The foreign exchange component forms part of its fair value gain or loss. For financial assets classified as at FVTPL, the foreign exchange component is recognized in the statement of income. For equity financial assets designated as at FVTOCI, any foreign exchange component is recognized in OCI. For foreign currency-denominated debt instruments classified as at amortized cost and as at FVTOCI, the foreign exchange gains and losses are determined based on the amortized cost of the asset and are recognized in the statement of income.

Reclassification of financial assets
Subsequent to initial recognition, the Group may reclassify financial assets only if the objective of its business model for managing those financial assets changes.

The Group is required to reclassify the following financial assets:
- from amortized cost or FVTOCI to FVTPL, if the objective of the business model changes so that the amortized cost or FVTOCI criteria are no longer met
- from FVTPL to amortized cost or FVTOCI, if the objective of the business model changes so that the amortized cost or FVTOCI criteria start to be met and the characteristics of the instruments contractual cash flows are SPPI
- from amortized cost to FVTOCI if the business model changes so that the objective becomes both to collect contractual cash flows and to sell or from FVTOCI to amortized cost if the business model becomes solely for the collection of contractual cash flows.

Reclassification of financial assets designated as at FVTPL or equity financial assets at FVTOCI at initial recognition is not permitted.

A change in the Group's business model must be effected before the reclassification date. The reclassification date is the beginning of the reporting period following the change in the business model.

Financial liabilities at FVTPL
Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or is designated as at FVTPL.
A financial liability is held for trading if:
- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Management may designate a financial liability at FVTPL upon initial recognition when the following criteria are met, and designation is determined on an instrument by instrument basis:
- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognizing gains or losses on them on a different basis; or
- The liabilities are part of a group of financial liabilities which are managed, and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows, or it is clear, with little or no analysis, that it would not be separately recorded.

As of December 31, 2019 and 2018, the Group's financial liabilities at FVTPL include derivative liabilities.

Financial liabilities at amortized cost
Issued financial instruments or their components, which are not designated as at FVTPL, are classified as financial liabilities at amortized cost under Deposit liabilities, Bills and acceptances payable, Subordinated debt 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.

Financial liabilities are initially measured at cost plus transaction costs. Subsequently, these financial instruments are measured at amortized cost using the effective interest method, except for:

a. financial liabilities at FVTPL which are measured at fair value; and
b. financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.

Amortized cost is calculated by taking into account any discount or premium on the issuance and fees that are an integral part of the Effective Interest Rate (EIR).

Impairment of Financial Assets
PFRS 9 requires the Group to record ECL for all loans and other debt financial assets not classified as at FVTPL, together with irrevocable loan commitments and financial guarantee contracts.

Expected credit loss methodology
ECL represent credit losses that reflect an unbiased and probability-weighted amount which is based on reasonable and supportable information about past events, current conditions and forecasts of future economic conditions, and the time value of money. The objective of the new impairment model is to record lifetime losses on all financial instruments which have experienced a significant increase in credit risk (SICR) since their initial recognition. As a result, ECL allowances are now measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a SICR since initial recognition (General Approach). The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the next 12 months after the reporting date. Lifetime ECLs are credit losses that result from all possible default events over the expected life of a financial instrument.

Staging assessment
For non-credit-impaired financial instruments:
- Stage 1 is comprised of all non-impaired financial instruments which have not experienced SICR since initial recognition. The Group recognizes a 12-month ECL for Stage 1 financial instruments.
- Stage 2 is comprised of all non-impaired financial instruments which have experienced SICR since initial recognition, evidenced by missed payments (for monthly amortizing exposures) and/or the significant increase in the likelihood of default. The Group recognizes a lifetime ECL for Stage 2 financial instruments.

For credit-impaired financial instruments:
- Financial instruments 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 the financial asset. The ECL model requires that lifetime ECL be recognized for credit-impaired financial instruments.

For the movement of accounts to better stages (i.e. from Stage 2 or 3 to Stage 1 or 2):
- Financial instruments are moved to better stages when there is significant improvement to the credit risk such that the criteria for assessment of the better stage are met and there is consistent evidence of good credit behavior by the borrower.

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 initial 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.

Definition of "default" and "cure"
For the calculation of ECL, 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: 1) 91 days past due for amortizing exposures; or 2) non-collection of full amounts at maturity date for non-amortizing loans or bullet-payment loans. 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 likelihood of non-payment when an account is under litigation. 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., cured) when it no longer meets any of the default criteria and there is sufficient evidence to support full collection thru payments received for at least 6 months.

Credit risk at initial recognition
The Group has an internal credit assessment process to determine the credit risk of exposures at initial recognition. The Group has separate models for its key portfolios in which the customers are rated using internal credit rating grades. The models incorporate both qualitative and quantitative information.

Significant increase in credit risk (SICR)
The Group monitors all assets subject to ECL. In order to determine whether an instrument or a portfolio of instruments is subject to 12-month ECL or lifetime ECL, the Group assesses whether there has been a SICR since initial recognition. A set of defined empirical-based rules and expert judgment that discriminate good and bad credit make up the SICR model. For corporate loans and investments to debt-type instruments, accounts are considered to have a SICR if the equivalent Probability of default (PD) exceeds the Group's set threshold. The Group also considers an account to have a SICR if contractual payments are more than thirty (30) days past due or the account is considered "watchlist".

Restructuring
In certain circumstances, the Group modifies the original terms and conditions of a credit exposure to create a new loan agreement or payment schedule. The modifications can be given depending on the borrower's or counterparty's current or expected financial difficulty. The modifications may include, but are not limited to, change in interest rate and terms, principal amount, maturity date, date and amount of periodic payments and accrual of interest and charges. Accounts subjected to distressed restructuring with indications of unlikeliness to pay are categorized as impaired accounts and are initially moved to Stage 3.

Assessment of ECL on a collective basis
The Group calculates ECL either on an individual or 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 attributes (i.e., type of facility) are pooled together for calculating provisions based on the ECL models.

ECL parameters and methodologies
ECL is a function of the PD, Exposure at default (EAD) and Loss given default (LGD), with consideration for the expected timing of the loss, and is estimated by incorporating forward-looking economic information through the use of statistical techniques and/or experienced credit judgment.

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 within the remaining life of the exposure for Stage 2. The PD for each individual instrument is modelled based on historical data and is adjusted for 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 characteristics of the portfolio, behavior of the accounts and materiality of the portfolio as compared to the total portfolio.

EAD is modelled on historical data and represents an estimate of the outstanding amount of credit exposure at the time a default may occur. For off-balance sheet and undrawn amounts from irrevocable committed credit lines, EAD includes an estimate of any further amounts to be drawn at the time of default (i.e., credit conversion factor). LGD is the amount that may not be recovered in the event of default and is modelled based on historical net cash flow recoveries from collections and the sale of foreclosed assets.

Economic overlays
The Group incorporates economic overlays into its assessment of SICR and its measurement of ECL. A broad range of economic overlays are considered as economic inputs, such as GDP growth, inflation rates, unemployment rates and interest rates. 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 these, quantitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

The Group's loans and receivables consists of different portfolios, such as auto, corporate, credit card receivables, mortgage loans, as well as other receivables (e.g., personal, branch, emerging enterprise lending, and Department of Education (DepEd) loans). In compliance with PFRS 9, the Group has developed ECL parameters and methodologies for each portfolio, using historical data as well as forward-looking inputs and assumptions.

Undrawn Loan Commitments
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 undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded in the statement of financial position. Starting January 1, 2018, these contracts are in the scope of the ECL requirements where the Group estimates the expected portion of the undrawn loan commitments that will be drawn over their expected life. The ECL related to financial guarantees and undrawn amounts of irrevocable loan commitments is recognized in 'Other liabilities'.

Financial guarantees
Financial guarantees are initially recognized at fair value. Subsequent to initial recognition, the Group's liability under each financial guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the income statement and the amount of related ECL.

Policies applicable prior to January 1, 2018
The Group assesses at each statement of financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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

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

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

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

Restructured loans
Loan restructuring may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews restructured loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subjected 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 impairment and credit losses' in the statement of income.

Derecognition of Financial Assets and Financial Liabilities

Financial assets

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

- the rights to receive cash flows from the asset have expired or transferred;
- 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 risk 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 over the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial assets are written off either partially or fully only when the Group has stopped pursuing the recovery.

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 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 a loan to the Group, reflecting the economic substance of such transaction.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset, and the net amount reported in the statement of financial position if there is a currently enforceable legal right to set off the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Property and Equipment

Land is stated at cost less any impairment in value and depreciable properties including buildings, leasehold improvements and furniture, fixtures and equipment are stated at cost less accumulated depreciation and amortization, and any impairment in value.

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the assets to their working condition and location for their intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs, and maintenance are normally charged against operations in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of the assets. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any accumulated impairment in value are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives (EUL) of the property, equipment and ROU assets.

	Group	Parent
Buildings	25-40 years	30-40 years
Major furniture, fixtures and equipment	3-5 years	3-5 years
ROU asset	2-5 years	2-5 years

The EUL of the vaults of EWRB is 20 years. The cost of the leasehold improvements is amortized over the shorter of the covering lease term or the EUL of the improvements of 10 years.

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

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

Investment Properties

Investment properties are measured initially at cost, including transaction costs. An investment property acquired through an exchange transaction is measured at the fair value of the asset acquired unless the fair value of such an asset cannot be measured in which case the investment property acquired is measured at the carrying amount of the asset given up. Foreclosed properties are recorded as 'Investment properties' upon: (a) entry of judgment in case of judicial foreclosure; (b) execution of the Sheriff's Certificate of Sale in case of extra-judicial foreclosure; or (c) notarization of the Deed of Dacion in case of dation in payment (dacion en pago). Subsequent to initial recognition, depreciable investment properties are carried at cost less accumulated depreciation and any impairment in value. Investment properties comprise completed property and property under construction or re-development (land, buildings and malls) that are held to earn rentals or capital appreciation or both and that are not occupied by the Company. Investment properties also include right-of-use assets involving real properties that are subleased to other entities.

For those right-of-use assets that qualify as investment properties, i.e., those land and buildings that are subleased by the Company, these are classified under investment properties in accordance with paragraph 48 of PFRS 16. Consistent with the Company's policy regarding the measurement of investment properties, these assets are subsequently measured at cost less amortization and impairment in value.

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

Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance costs, are normally charged to income in the period in which the costs are incurred.

Depreciation is calculated on a straight-line basis using the remaining useful lives from the time of acquisition of the investment properties but not to exceed 10 years for both buildings and condominium units.

Foreclosed properties of land or building are classified under Investment properties from foreclosure date.

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

Other repossessed assets
Other repossessed assets comprise of repossessed vehicles which are measured at cost less accumulated depreciation and impairment. Depreciation is calculated on a straight-line basis using the remaining useful life from the time of acquisition of the asset. The useful life of other repossessed assets is estimated to be five (5) years.

The carrying values of other properties acquired are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amounts (see accounting policy on Impairment of Nonfinancial Assets).

Business Combinations
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed in the statement of income.

When the Group acquires a business, it assesses the financial assets acquired and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognized in accordance with PFRS 9 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in the statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognized as a result. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

Investments in Subsidiaries

Investments in subsidiaries in the Parent Company's separate financial statements are accounted for under the equity method.

Under the equity method, an investment in subsidiary is carried in the statement of financial position at cost plus post-acquisition changes in the Parent Company's share of the net assets of the subsidiary. Post-acquisition changes in the share of net assets of the subsidiaries include the share in the: (a) income or losses; and (b) remeasurement of retirement plans. Dividends received are treated as a reduction in the carrying amount of the investments. The statement of income reflects the share of the results of operations of the subsidiary. Where there has been a change recognized directly in the equity of the subsidiary, the Parent Company recognizes its share of any changes and thus, when applicable, discloses in the statement of changes in equity. If the Parent Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Parent Company discontinues recognizing its share in further losses.

Investment in a Joint Venture

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investment in a joint venture is accounted for using the equity method. Under the equity method, the investment in a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the joint venture since the acquisition date. The statement of income reflects the Group's share of the results of operations of the joint venture. Any change in OCI of the investee is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the joint venture, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity.

Unrealized gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture. The aggregate of the Group's share of profit or loss of a joint venture is shown on the face of the statement of income and represents profit or loss after tax.

On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in a joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in a joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, and then recognizes the loss as 'Share in net income (loss) of joint venture' in the statement of income.

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

The financial statements of the joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Intangible Assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value at the date of acquisition. Following initial recognition, intangible assets, excluding goodwill and branch licenses, are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each statement of financial position date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of income.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually or more frequently, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of income when the asset is derecognized.

Intangible assets include goodwill, branch licenses, customer relationship, core deposits and capitalized software (Note 13).

Goodwill
Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Branch licenses
Branch licenses are determined to have indefinite useful lives. These are tested for impairment annually either individually or at the CGU level. Such intangible assets are not amortized. The useful life is reviewed annually to determine whether indefinite useful life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Customer relationship and core deposits
Customer relationship and core deposits are the intangible assets acquired by the Group through business combination. These intangible assets are initially measured at their fair value at the date of acquisition. The fair value of these intangible assets reflects expectations about the probability that the expected future economic benefits embodied in the asset will flow to the Group.

Following initial recognition, customer relationship and core deposits are measured at cost less accumulated amortization and any accumulated impairment losses. Customer relationship related to the credit cards business is amortized on a straight-line basis over its useful life of 40 years while the customer relationship related to the auto loans business and core deposits are amortized on a straight-line basis over its useful life of 13 and 10 years, respectively (Note 13).

Capitalized software
Capitalized software acquired separately is measured at cost on initial recognition. Following initial recognition, capitalized software is carried at cost less accumulated amortization and any accumulated impairment losses. The capitalized software is amortized on a straight-line basis over its estimated useful life of 5-10 years.

Card Acquisition Costs
Card acquisition costs represent capitalized commissions paid to third-party brokers for successfully originated credit card accounts, which are amortized over two years, the average relationship life with customers.

Impairment of Nonfinancial Assets
An assessment is made at each statement of financial position date whether there is any indication of impairment of property and equipment, investment properties, other repossessed assets and intangible assets, or whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated at the higher of the

asset's value in use or its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged against the statement of income in the period in which it arises, unless the asset is carried at a revalued amount in which case the impairment loss is charged against the revaluation increment of the said asset.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is credited to current operations, unless the asset is carried at a revalued amount in which case the reversal of the impairment loss is credited to the revaluation increment of the said asset.

The following criteria are also applied in assessing impairment of specific assets:

Property and equipment, investment properties and other repossessed assets
The carrying values of the property and equipment and investment properties are reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets or CGUs are written down to their recoverable amounts.

Goodwill
Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or group of CGUs) to which goodwill has been allocated, an impairment loss is recognized immediately in the statement of income. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods.

Branch licenses
Branch licenses are tested for impairment annually at the statement of financial position date either individually or at the CGU level, as appropriate.

Other intangible assets
Other intangible assets such as customer relationship, core deposits and capitalized software are assessed for impairment whenever there is an indication that they may be impaired.

<u>Revenue Recognition</u>
Revenue is recognized to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received. Revenue from contracts with customers is recognized upon transfer of services to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services.

The following specific recognition criteria must also be met before revenue is recognized:

Service charges and penalties

Applicable beginning January 1, 2018
Service charges and penalties earned over a period of time are accrued over that period as the customer simultaneously receives and consumes the benefits provided by the Group. Service charges and penalties are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised services to a customer and excludes amounts collected on behalf of third parties.

Applicable prior to January 1, 2018
Service charges and penalties are recognized only upon collection or accrued when there is a reasonable degree of certainty as to its collectability.

Customer loyalty programmes

Applicable beginning January 1, 2018
Award credits under customer loyalty programmes are accounted for as a separately identifiable component of the transaction in which they are granted. The Parent Company allocates a portion of the consideration received from interchange from credit cards to the reward points. This allocation is based on the estimated stand-alone selling prices. The amount allocated to the customer loyalty program is deferred, and is recognized as revenue when loyalty points are redeemed or the likelihood of the customer redeeming the loyalty points becomes remote. Income generated from customer loyalty programmes is recognized as part of 'Service charges, fees and commissions' in the statement of income.

Applicable prior to January 1, 2018
Award credits under customer loyalty programmes are accounted for as a separately identifiable component of the transaction in which they are granted. The fair value of the consideration received in respect of the initial sale is allocated between the award credits and the other components of the sale. Income generated from customer loyalty programmes is recognized as part of 'Service charges, fees and commissions' in the statement of income.

Interest income
For all financial instruments measured at amortized cost and debt instruments classified as financial assets at FVTOCI, interest income is recorded at the effective interest rate (EIR), which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses. The adjusted carrying amount is calculated based on the original EIR. The change in the carrying amount is recorded as interest income. Once the recorded value of a financial asset or group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original EIR applied to the new carrying amount.

Beginning January 1, 2018, when a financial asset becomes credit-impaired and is, therefore, classified as Stage 3, interest income is calculated by applying the EIR to the net amortized cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis. Under PAS 39, once the recorded value of a financial asset or group of similar financial assets carried at amortized cost has been reduced due to an impairment loss, interest income continues to be recognized using the original EIR applied to the new carrying amount.

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

Commissions earned on credit cards
Commissions earned on credit cards are taken up as income upon receipt from member establishments of charges arising from credit availments by credit cardholders. These commissions are computed based on certain agreed rates and are deducted from amounts remittable to member establishments.

Purchases by credit cardholders, collectible on an installment basis, are recorded at the cost of the items purchased plus certain percentage of cost. The excess over cost is credited to Unearned discount and is shown as a deduction from Loans and receivables in the statement of financial position.

The unearned discount is taken to income over the installment terms and is computed using the effective interest method.

Gain on sale of assets
Income from sale of assets include any gains or losses on the retirement or disposal of property and equipment, investment properties, and other repossessed assets. The gain or loss arising from the derecognition is recognized in the statement of income in the year of retirement or disposal.

Other income
Income from sale of services or properties is recognized when control of the such services or properties are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

<u>Expense Recognition</u>
Expenses are recognized in the statement of income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized in the statement of income:

- on the basis of a direct association between the costs incurred and the earning of specific items of income;
- on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or
- immediately when the expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the statement of financial position as an asset.

Expenses in the statement of income are presented using the nature of expense method. General and administrative expenses are cost attributable to administrative and other business activities of the Group.

Leases

Policies applicable beginning January 1, 2019
The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets
The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized adjusted by lease payments made at or before the commencement date and lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the depreciable assets. The depreciation expense is presented under 'Depreciation and Amortization' in the statement of income.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Impairment of Nonfinancial Assets.

Lease liabilities
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of ATM sites (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of ATM sites that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognized as expense on a straight-line basis over the lease term.

Group as a lessor
Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising from leased properties is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Policies applicable prior to January 1, 2019
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A reassessment is made after inception of the lease only if one of the following applies:

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

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

Group as lessee
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the statement of income on a straight-line basis over the lease term. Contingent rents are recognized as an expense in the period in which they are incurred.

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

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

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

Defined benefit costs comprise the following:

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

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the statement of income. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the statement of income.

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

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

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Termination benefit
Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes the related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee leave entitlement
Employee entitlement to annual leave is recognized as a liability when the employees render the services that increase their annual leave entitlement. The cost of accumulating annual leave is measured as the additional amount that the Group expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period.

Provisions and Contingencies
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at pre-tax rate that reflects current market assessments of the time value of money and where, appropriate, the risk specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as Interest expense in the statement of income.

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

Debt Issue Costs
Issuance, underwriting and other related expenses incurred in connection with the issuance of debt instruments (other than debt instruments designated at FVTPL) are deferred and amortized over the terms of the instruments using the effective interest method. Unamortized debt issuance costs are included in the measurement of the related carrying value of the debt instruments in the statement of financial position.

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

Deferred taxes
Deferred tax is provided, using the balance sheet liability method, on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from the excess of Minimum Corporate Income Tax (MCIT) over the regular income tax and unused Net Operating Loss Carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward of unused tax credits from excess MCIT and unused NOLCO can be utilized. Deferred tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss.

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

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

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

Equity

Capital stock is measured at par value for all shares issued. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

When the shares are sold at a premium, the difference between the proceeds and the par value is credited to Additional paid in capital account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Group, the shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Direct cost incurred related to the equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are charged to 'Additional paid in capital' account. If additional paid-in capital is not sufficient, the excess is charged against 'Surplus'.

Surplus represents accumulated earnings of the Group less dividends declared.

Dividends on Common Shares

Dividends on common shares are recognized as a liability and deducted from equity when declared and approved by the Board of Directors (the Board or BOD) of the Parent Company and approved by the BSP. Dividends for the year that are declared and approved after the statement of financial position date, if any, are dealt with as an event after the financial reporting date and disclosed accordingly.

Earnings Per Share (EPS)

Basic EPS is determined by dividing the net income for the year attributable to common shares by the weighted average number of common shares outstanding during the year while diluted EPS is computed by dividing net income for the year attributable to common shares by the weighted average number of outstanding and dilutive potential common shares. Basic and diluted EPS are given retroactive adjustments for any stock dividends declared and stock rights exercised in the current year, if any. The Group does not have dilutive potential common shares.

Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is one that provides products or services within a particular economic environment that is subject to risks and returns that are different from those segments operating in other economic environments.

The Group's operations are organized according to the nature of products and services provided. Financial information on business segments is presented in Note 6.

Events after the Financial Reporting Date

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

Fiduciary Activities

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

3. Significant Accounting Judgments and Estimates

The preparation of the Group's financial statements in compliance with PFRS requires the management to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the financial statements as these become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

Unless otherwise stated, below significant judgements and estimates apply as of and for the years ended December 31, 2019, 2018 and 2017:

Judgments

a) *Determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates – Applicable beginning January 1, 2019*

   Upon adoption of the Interpretation, the Group has assessed whether it has any uncertain tax position. The Group applies significant judgement in identifying uncertainties over its income tax treatments. The Group determined, based on its tax compliance review, that it is probable that its income tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. Accordingly, the interpretation did not have an impact on the consolidated financial statements of the Group.

b) *Determination of the lease term for lease contracts with renewal and termination options (Bank as a lessee – Applicable beginning January 1, 2019)*

   The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

   The Group has several lease contracts that include extension and termination options, the Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization of the leased asset).

Upon adoption of PFRS 16, the Group determined that generally, the options to extend or terminate the lease to extend or terminate the lease are not included in the determination of the lease term. These optional periods are not enforceable, as the Group cannot enforce the extension of the lease without the agreement from the lessor, and therefore, the Group does not have the right to use the asset beyond the non-cancellable period.

c) *Contingencies*
The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsels handling the Group's defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that these proceedings will have a material adverse effect on its financial position.

It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (Note 29).

d) *Evaluation of business model in managing financial assets and sale of investment securities at amortized cost*
The Group manages its financial assets based on business models that maintain adequate level of financial assets to match expected cash outflows and maintain adequate level of high-quality liquid assets while maintaining a strategic portfolio of financial assets for investment and trading activities consistent with its risk appetite.

The Group's business model allows for financial assets to be held to collect contractual cash flows even when sales of certain financial assets occur. PFRS 9, however, emphasizes that if more than infrequent and more than insignificant sales are made out of a portfolio of financial assets carried at amortized cost, the entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Group considers the following:
- sales or derecognition of debt instrument under any of the circumstances spelled out under the relevant BSP Circulars on PFRS 9;
- sales in preparation for funding a potential aberrant behavior in the depositors' withdrawal pattern triggered by news of massive withdrawals or massive withdrawal already experienced by other systemically important banks in the industry;
- sales attributable to an anticipated or in reaction to major events in the local and/or international arena that may adversely affect the collectability of the debt instrument and seen to prospectively affect adversely the behavior of deposits or creditors;
- sales attributable to a change in the Group's strategy based on the final version of PFRS 9; and
- sales that the Asset-Liability Management Committee (ALCO) deems appropriate to be consistent with managing the Group's balance sheet based upon but are not limited to the set risk limits and target ratios that have been approved by the BOD.

e) *Testing the cash flow characteristics of financial assets*
In determining the classification of financial assets under PFRS 9, the Group assesses whether the contractual terms of these financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows

(unless it is a variable interest rate that represents time value of money and credit risk) does not meet the amortized cost criteria.

f) *Determination of joint control over EW Ageas Life*
Control is presumed to exist when an investor 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. On the other hand, joint control is presumed to exist when the investors contractually agree on the sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Based on the provisions of the joint venture arrangement between the Parent Company and Ageas (Note 10), both parties have to agree in order for any resolution to be passed relating to the joint venture entity's relevant activities. This joint arrangement is classified as a joint venture since the parties have rights to the net assets of the joint venture entity.

Estimates

a) *Estimating the incremental borrowing rate – Applicable beginning January 1, 2019*
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR for lease liabilities is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment. The IBR therefore reflects what the Parent Company and EWRB 'would have to pay', which requires estimation where no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Parent Company and EWRB estimate their respective IBRs for lease liabilities using observable inputs (by reference to prevailing risk-free rates) adjusted to take into account the entity's credit risk (i.e., credit spread).

The carrying amount of the lease liabilities as of December 31, 2019 is disclosed in Note 26.

b) *Fair values of derivatives*
Management applies valuation techniques to determine the fair value of derivatives that are not quoted in active market. Valuation techniques are used to determine fair values which are validated and periodically reviewed by qualified independent personnel. All models are reviewed before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practicable, the models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to develop estimates and assumptions. Changes in assumptions about these factors could affect reported fair values of derivatives. The Group uses judgements to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

Fair value measurements of financial instruments (including derivatives) as of December 31, 2019 and 2018 are disclosed in Note 5.

c) *Expected credit losses on financial assets*

Applicable Beginning January 1, 2018
The measurement of credit losses under PFRS 9 across all categories of financial assets requires significant judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a SICR. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and interdependencies. Significant elements of the models include, among others:

- segmenting the Group's credit risk exposures;
- the Group's definition of default;
- determining the method to estimate ECL;
- identifying exposures with significant deterioration in credit quality;
- determining assumptions to be used in the ECL model such as the counterparty credit risk rating;
- the expected life of the financial asset and expected recoveries from defaulted accounts; and
- incorporating forward-looking information (called overlays) in calculating ECL.

Applicable prior to January 1, 2018

The Group reviews its loans and receivables and investment portfolios at each statement of financial position date to assess whether impairment loss should be recorded in the statement of income, i.e., whether there is objective evidence of impairment on the receivables. Judgment by management is required in the estimation of the amount of future cash flows when determining the impairment loss. Such estimates are based on assumptions about a number of factors (e.g., financial condition of the borrowers, estimated future cash flows from loans, and estimated net selling prices of the collateral) and actual results may differ, resulting in future changes to the allowance.

In addition to specific allowance against individually significant loans and receivables, the Group also provides a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted.

The carrying values of loans and receivables and the related allowance are disclosed in Notes 9 and 15, while the carrying values of debt financial assets and the related are disclosed in Notes 8 and 15

d) *Impairment of non-financial assets (excluding goodwill)*

The Group assesses impairment on non-financial assets and considers the following impairment indicators:

- significant underperformance relative to historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

The Group recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. Except for investment properties where recoverable amount is determined based on fair value less cost to sell, the recoverable amount of all other non-financial assets is determined based on the assets' value in use computation which considers the present value of estimated future cash flows expected to be generated from the continued use of the asset. The Group is required to make estimates and assumptions that can materially affect the carrying amount of the asset being assessed.

The carrying values of the investment properties, and intangible assets (excluding goodwill), and other non-financial assets recorded in 'Other Assets' of the Group and the Parent Company are disclosed in Notes 12, 13, and 14.

e) *Impairment of goodwill*
The Group determines whether goodwill is impaired at least on an annual basis. Goodwill is written down for impairment where the net present value of the forecasted future cash flows from the CGU is insufficient to support its carrying value. The Group has used the cost of equity as the discount rate for the value in use (VIU) computation. The Group determined the cost of equity using the capital asset pricing model.

The recoverable amount of the CGU has been determined based on a VIU calculation using cash flow projections from financial budgets approved by the BOD covering a five-year period. Future cash flows from the CGU are estimated based on the theoretical annual income of the CGU. Average growth rate was derived from the average increase in annual income during the last 5 years. The discount rate applied reflects the current market assessment of the risk specific to each CGU. Key assumptions in VIU calculation of CGUs are most sensitive to the following assumptions: a) interest margin; b) discount rates; c) market share during the budget period; and d) projected growth rates used to extrapolate cash flows beyond the budget period.

The carrying value of goodwill of the Group are disclosed in Note 13.

f) *Recognition of deferred tax assets*
Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable income will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Key assumptions used in forecast of future taxable income include loan portfolio and deposit growth rates.

The Group believes it will be able to generate sufficient taxable income in the future to utilize its deferred tax assets. Taxable income is sourced mainly from interest income, and earnings from service charges, fess, commissions and trust activities

The recognized and unrecognized net deferred tax assets of the Group and of the Parent Company are disclosed in Note 24.

g) *Retirement obligation*
The cost of defined benefit retirement plans, and the present value of the defined benefit obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. In determining the appropriate discount rate, management considers the interest rates of government bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the Philippines and is modified accordingly with estimates of mortality improvements. Future salary increases, and pension increases are based on historical annual merit, market and promotional increase and future inflation rates.

The present value of the defined benefit obligation of the Group and of the Parent Company and details about the assumptions used are disclosed in Note 25.

4. **Financial Risk Management Objectives and Policies**

Risk Management
To ensure that corporate goals and objectives, and business and risk strategies are achieved, the Parent Company utilizes a risk management process that is applied throughout the organization in executing all business activities. Employees' functions and roles fall into one of the three categories where risk must be managed: business units, operating units and governance units.

The Parent Company's activities are principally related to the use of financial instruments and are exposed to credit risk, liquidity risk, operational risk and market risk, the latter being subdivided into trading and non-trading risks. Forming part of a coherent risk management system are the risk concepts, control tools, analytical models, statistical methodologies, historical researches and market analysis, which are being employed by the Parent Company. These tools support the key risk process that involves identifying, measuring, controlling and monitoring risks.

Risk Management Structure

a. Board of Directors (BOD)
The Parent Company's risk culture is practiced and observed across the Group, putting the prime responsibility on the BOD. It establishes the risk culture and the risk management organization and incorporates the risk process as an essential part of the strategic plan of the Group. The BOD approves the Parent Company's articulation of risk appetite which is used internally to help management understand the tolerance for risk in each of the major risk categories, its measurement and key controls available that influence the Parent Company's level of risk taking. All risk management policies and policy amendments, risk-taking limits such as but not limited to credit and trade transactions, market risk limits, counterparty limits, trader's limits and activities are based on the Parent Company's established approving authorities which are approved by the Parent Company's BOD. At a high level, the BOD also approves the Parent Company's framework for managing risk.

b. Executive Committee
This is a BOD level committee, which reviews the bankwide credit strategy, profile and performance. It approves the credit risk-taking activities based on the Parent Company's established approving authorities and likewise reviews and endorses credit-granting activities, including the Internal Credit Risk Rating System.

All credit proposals beyond the credit approving limit of the Loan and Investments Committee passes through this committee for final approval.

c. Loan and Investments Committee
This committee is headed by the Chairman of the Parent Company whose primary responsibility is to oversee the Parent Company's credit risk-taking activities and overall adherence to the credit risk management framework, review business/credit risk strategies, quality and profitability of the Parent Company's credit portfolio and recommend changes to the credit evaluation process, credit risk acceptance criteria and the minimum and target return per credit or investment transaction. All credit risk-taking activities based on the Parent Company's established approving authorities are evaluated and approved by this committee. It establishes an infrastructure by ensuring business units have the right systems and, adequate and competent manpower support to effectively manage its credit risk.

d. Asset-Liability Management Committee (ALCO)
ALCO, a management level committee, meets on a weekly basis and is responsible for the overall management of the Parent Company's market, liquidity, and financial position related risks. It monitors the Parent Company's liquidity position and reviews the impact of strategic decisions on liquidity. It is responsible for managing liquidity risks and ensuring exposures remain within established tolerance levels. The ALCO's primary responsibilities include, among others, (a) ensuring that the Parent Company and each business unit holds sufficient liquid assets of appropriate quality and in appropriate currencies to meet short-term funding and regulatory requirements, (b) managing financial position and ensuring that business strategies are consistent with its liquidity, capital and funding strategies, (c) establishing asset and/or liability pricing policies that are consistent with the financial position objectives, (d) recommending market and liquidity risk limits to the Risk Management Committee and BOD, and (e) approving the assumptions used in contingency and funding plans. It also reviews cash flow forecasts, stress testing scenarios and results, and implements liquidity limits and guidelines.

e. Risk Management Committee (RMC)
RMC is a BOD level committee that convenes monthly and is primarily responsible to assist the BOD in managing the Parent Company's risk-taking activities. This is performed by the committee by institutionalizing risk policies and overseeing the Parent Company's risk management system. It develops and recommends risk appetite and tolerances for the Parent Company's major risk exposures to the BOD. Risk management principles, strategies, framework, policies, processes, and initiatives and any modifications and amendments thereto are reviewed and approved by RMC. It oversees and reports to the BOD the effectiveness of the risk management system, overall risk profile, and compliance with the risk appetite and tolerances that the BOD approved.

f. Risk Management Subcommittee (RMSC)
RMSC is a management level committee that convenes, at least four times in a year, and is responsible to assist RMC in fulfilling its responsibilities in managing the Parent Company's risk-taking activities. This is performed by the committee by implementing the risk management principles, strategies, framework, policies, processes, and initiatives across the Parent Company. It leads the effective conduct of risk and capital management. It oversees and directs the management of the Parent Company's overall risk profile. The committee likewise oversees risk incidents, control gaps, and control deficiencies and management actions in implementing the corresponding corrective actions.

g. Audit Committee (Audit Com)
The Audit Com assists the BOD in fulfilling its responsibilities for overseeing senior management in establishing and maintaining an adequate, effective and efficient internal control framework. It ensures that systems and processes are designed to provide reasonable assurance in areas including reporting, monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of operations, and safeguarding of assets. It is tasked to discuss with management the Parent Company's major risk exposures and ensures accountability on the part of management to monitor and control such exposures including the Parent Company's risk assessment and risk management policies. The Audit Com oversees the internal audit function and is responsible for monitoring and reviewing its effectiveness while ensuring its independence.

h. Corporate Governance and Compliance Committee (CGCC)
The CGCC leads the Parent Company in defining and fulfilling the corporate governance policies and attaining best practices while overseeing the implementation of the Parent Company's compliance program, money laundering and terrorist financing prevention program and ensuring that regulatory compliance issues are resolved expeditiously. In addition to its governance role,

the CGCC also assumes the nomination function whereby it reviews and evaluates the qualifications of all persons nominated to the BOD, all direct reports of the President and Chief Executive Officer (CEO), Heads of Governance Units regardless of rank, and other positions of the Parent Company requiring appointment by the BOD. The committee oversees the annual performance evaluation of the BOD, its committees, and individual directors and conducts an annual self-evaluation of its performance as prescribed under and in accordance with the Corporate Governance Manual and Securities and Exchange Commission (SEC) Code of Corporate Governance for Publicly Listed Companies.

i. Related Party Transactions (RPT) Committee
The RPT Committee assists the BOD in ensuring that the transactions with related parties of the Parent Company are handled in a sound and prudent manner, with integrity and in compliance with the applicable laws and regulations to protect the interest of depositors, creditors and other stakeholders. It also ensures that related party transactions are conducted on an arm's length basis and that no stakeholder is unduly disadvantaged by such transactions.

j. Asset Impairment Committee (AIC)
AIC is a management level committee that convenes at least two times in a year and shall officially represent the Parent Company's source of experienced credit judgement insofar as the asset impairment exercise is concerned. This experienced credit judgment is tapped to provide guidance under the following, but not limited to, conditions: 1) The result of the calculation is assessed to be unreasonable that it is considered as not fairly representative of the Parent Company's historical experience, current, and prospective credit condition or other conditions deemed relevant in reasonably determining the Parent Company's assets' recoverable value; 2) There is an adverse change in the prevailing or foreseen prospective economic condition relative to the embedded presumption in the existing impairment framework; and 3) The data set in the calculation parameters is not available or insufficient to complete the calculation.

k. Risk Management Division (RMD)
RMD performs an independent risk governance function within the Parent Company. RMD is tasked with identifying, measuring, controlling and monitoring existing and emerging risks inherent in the Parent Company's overall portfolio (on- or off-balance sheet). RMD develops and employs risk assessment tools to facilitate risk identification, analysis and measurement. It is responsible for developing and implementing the framework for policies and practices to assess and manage enterprise-wide market, credit, operational, and all other risks of the Parent Company.

It also develops and endorses risk tolerance limits for BOD approval, as endorsed by the RMC, and monitors compliance with approved risk tolerance limits. Finally, it regularly apprises the BOD, through the RMC, the results of its risk monitoring.

l. Internal Audit (IA)
IA provides an independent assessment of the adequacy of the Parent Company's internal controls, risk management, governance framework and execution/operational practices. Internal audit activities are conducted in accordance with the International Standards for the Professional Practice of Internal Auditing (ISPPIA) and the Code of Ethics. IA has adopted a risk assessment methodology, which provides a sound basis in the selection of areas of coverage and frequency of audit for the preparation of the annual audit plan. IA employs a risk-based audit approach that examines both the adequacy of the policies and the Parent Company's compliance with the procedures while assuring audit coverage of the areas identified as representing the greatest current risk. It discusses the results of assessments with management, and reports its findings and recommendations to the Audit Com. IA's activities are suitably designed to provide the BOD

with reasonable assurance that significant financial and operating information is materially complete, reliable and accurate; internal resources are adequately protected; and employee performance is in compliance with the Parent Company's policies, standards, procedures and applicable laws and regulations.

m. Compliance Division
Compliance Division is vested with the responsibility of overseeing the design of the Parent Company's Compliance Program and coordinating its effective implementation towards the sound management of Business and Compliance Risks. It also manages the implementation of the Money Laundering and Terrorist Financing Program. Its mandate is to ensure that the Parent Company is compliant with relevant and applicable laws, rules, regulations, codes of conduct and standards of good practice while avoiding an overly risk-averse environment that inhibits business growth. It serves as the Parent Company's central point of contact with banking regulators.

The major risk types identified by the Group are disclosed in the following section:

Credit Risk
Credit risk refers to the potential loss of earnings or capital arising from an obligor/s, customer/s or counterparty's failure to perform and/or to meet the terms of any contract with the Group. Credit risks may last for the entire tenor and set at the full amount of a transaction and in some cases, may exceed the original principal exposures. The risk may arise from lending, trade financing, trading, investments and other activities undertaken by the Group. To identify and assess this risk, the Group has: 1) approval process per borrower or business and/or product segment; and 2) structured and standardized credit rating for corporate, credit cards, auto and mortgage loans, and risk acceptance criteria for other consumer loans. For large corporate credit transactions, the Parent Company has a comprehensive procedure for credit evaluation, risk assessment and well-defined concentration limits, which are established for each type of borrower. The Group's credit risk is managed at the portfolio level, which may be on an overall or by product perspective.

Credit Concentration
Excessive concentration of lending plays a significant role in the weakening of asset quality. The Group reduces this risk by diversifying its loan portfolios across various sectors and borrowers. The Group believes that good diversification across economic sectors and geographic areas, among others, will enable it to ride through business cycles without causing undue harm to its asset quality.

The Group's loan portfolio is in line with the Group's policy of not having significant concentrations of exposure to specific industries or group of borrowers. Management of risk concentration is by client/counterparty, by industry sector, and by geographical location. For risk concentration monitoring purposes, the financial assets are broadly categorized into loans and receivables, loans and advances to banks, and investment securities. The Group ensures compliance with BSP's limit on exposure to any single person or group of connected persons by closely monitoring large exposures and top 20 borrowers for both single and group accounts.

Aside from ensuring compliance with BSP's limit on exposures to any single person or group of connected persons, it is the Parent Company's policy to keep the expected loss (determined based on the credit risk rating of the account) of large exposure accounts to, at most, one and a half percent (1.50%) of their aggregate outstanding balance. This is to maintain the quality of the Group's large exposures. With this, accounts with better risk grades are given priority in terms of being granted a bigger share in the Group's loan facilities.

Aligned with the Manual of Regulations for Banks definition, the Group considers its loan portfolio concentrated if it has exposures of more than thirty percent (30.00%) to an industry.

Credit Concentration Profile as of December 31, 2019 and 2018

Maximum exposure to credit risk

The tables below provide the analysis of the maximum exposure to credit risk of the Group and the Parent Company's financial instruments, excluding those where the carrying values are reflected in the statement of financial position and related notes already represent the financial instrument's maximum exposure to credit risk, before and after taking into account collateral held or other credit enhancement (in millions):

	Consolidated							
	2019				2018			
	Maximum Exposure to Credit Risk [A]	Fair Value of Collateral [B]	Financial Effect of Collateral [C]	Net Exposure [D] = [A] – [C]	Maximum Exposure to Credit Risk [A]	Fair Value of Collateral [B]	Financial Effect of Collateral [C]	Net Exposure [D] = [A] – [C]
Loans and receivables:								
Receivables from customers*								
Corporate lending	₱70,659	₱58,920	₱9,687	₱60,972	₱72,933	₱24,959	₱8,173	₱64,760
Consumer lending	190,054	126,481	98,515	91,539	166,855	95,420	70,161	96,694
	₱260,713	₱185,401	₱108,202	₱152,511	₱239,788	₱120,379	₱ 78,334	₱ 161,454

**Excludes unamortized premium*

	Parent Company							
	2019				2018			
	Maximum Exposure to Credit Risk [A]	Fair Value of Collateral [B]	Financial Effect of Collateral [C]	Net Exposure [D] = [A] – [C]	Maximum Exposure to Credit Risk [A]	Fair Value of Collateral [B]	Financial Effect of Collateral [C]	Net Exposure [D] = [A] – [C]
Loans and receivables:								
Receivables from customers*								
Corporate lending	₱70,580	₱58,920	₱9,687	₱60,893	₱72,849	₱24,959	₱8,173	₱64,676
Consumer lending	162,959	126,481	98,515	64,444	142,409	95,363	70,107	72,302
	₱233,539	₱185,401	₱108,202	₱125,337	₱215,258	₱120,322	₱78,280	₱136,978

**Excludes unamortized premium*

Credit risk, in respect of derivative financial products, is limited to those with positive fair values which are included under financial assets at FVTPL (Note 5). As a result, the maximum credit risk is limited to the amounts on the statements of financial position plus commitments to customers such as unused commercial letters of credit, outstanding guarantees and others as disclosed in Note 36 to the financial statements.

For off-balance sheet items, the figures presented below as reported to BSP summarize the Group's and the Parent Company's maximum exposure to credit risk (amounts in millions):

	2019					2018				
	Notional Principal Amount	Credit Conversion Factor	Credit Equivalent Amount	Credit Risk Mitigation	Net Credit Exposure	Notional Principal Amount	Credit Conversion Factor	Credit Equivalent Amount	Credit Risk Mitigation	Net Credit Exposure
Off-balance sheet items*										
Direct credit substitutes	₱889	100%	₱889	₱–	₱889	₱762	100%	₱762	₱–	₱762
Transaction-related contingencies	2,338	50%	1,169	–	1,169	2,075	50%	1,038	–	1,038
Trade-related contingencies arising from movement of goods and commitments with an original maturity of up to one (1) year										
Guarantees	5,637	20%	1,127	–	1,127	4,010	20%	802	–	802
Letters of credit	1,865	20%	373	–	373	2,249	20%	450	–	450
	₱10,729		₱3,558	₱–	₱3,558	₱9,096		₱3,052	₱–	₱3,052

*For all other off-balance sheet exposures (see Note 29), credit conversion factor is 0.00%.

Collateral and other credit enhancements

Collaterals are taken into consideration during the loan application process as they offer an alternative way of collecting from the client should a default occur. The percentage of loan value attached to the collateral offered is part of the Group's lending guidelines. Such percentages take into account safety margins for foreign exchange rate exposure/fluctuations, interest rate exposure, and price volatility.

Collaterals are valued according to existing credit policy standards and, following the latest appraisal report, serve as the basis for the amount of the secured loan facility. Premium security items are collaterals that have the effect of reducing the estimated credit risk for a facility. The primary consideration for enhancements falling under such category is the ease of converting them to cash.

The Group is not permitted to sell or re-pledge the collateral in the absence of default by the owner of the collateral. It is the Group's policy to dispose foreclosed assets in an orderly fashion. The proceeds of the sale of the foreclosed assets, included under 'Investment Properties', are used to reduce or repay the outstanding claim. In general, the Group does not occupy repossessed properties for business use.

As part of the Group's risk control on security/collateral documentation, standard documents are made for each security type and deviation from the pro-forma documents are subject to legal review prior to implementation.

Credit collaterals profile
The table below provides the collateral profile of the outstanding loan portfolio of Group and the Parent Company:

	Consolidated				Parent Company			
	2019		2018		**2019**		2018	
	Gross Amount	**%**	Gross Amount	%	**Gross Amount**	**%**	Gross Amount	%
Loans secured by:								
Chattel	**₱97,766,172**	**36.33**	₱76,929,965	31.18	**₱97,501,762**	**40.10**	₱76,929,965	34.53
Real estate	**29,913,466**	**11.12**	26,084,403	10.57	**29,844,796**	**12.28**	26,064,028	11.70
Others*	**7,213,909**	**2.68**	17,354,964	7.04	**7,213,908**	**2.97**	17,104,795	7.67
	134,893,547	**50.13**	120,369,332	48.79	**134,560,466**	**55.35**	120,098,788	53.90
Unsecured	**134,211,748**	**49.87**	126,363,591	51.21	**108,568,056**	**44.65**	102,706,591	46.10
	₱269,105,295	**100.00**	₱246,732,923	100.00	**₱243,128,522**	**100.00**	₱222,805,379	100.00

**Consists of government securities, corporate bonds, shares of stock, hold-out on deposits, assignment of receivables etc.*

As for the computation of credit risk weights, hold-out on deposits with the Parent Company, Home Guaranty cover, and Philippine sovereign guarantees are the only credit risk mitigants considered as eligible.

Large exposures and top 20 borrowers
The table below summarizes the top 20 borrowers and large exposures of the Group and the Parent Company:

	2019			
	Top 20 Borrowers		**Large Exposures***	
	Single Borrowers	**Group Borrowers**	**Single Borrowers**	**Group Borrowers**
Aggregate Exposure (in billions)	**₱30.00**	**₱35.00**	**₱17.66**	**₱23.16**
Composite Risk Rating	**2.95**	**3.24**	**2.07**	**2.54**
Total Credit Loss/Aggregate Exposure	**1.09%**	**1.19%**	**0.83%**	**0.94%**

**Large exposures refer to exposures to a counterparty or a group of related counterparties equal to or greater than 5.00% of the Parent Company's qualifying capital.*

	2018			
	Top 20 Borrowers		Large Exposures*	
	Single Borrowers	Group Borrowers	Single Borrowers	Group Borrowers
Aggregate Exposure (in billions)	₱30.83	₱36.06	₱17.99	₱25.07
Composite Risk Rating	2.92	3.19	1.93	2.64
Total Credit Loss/Aggregate Exposure	0.97%	1.08%	0.29%	0.84%

**Large exposures refer to exposures to a counterparty or a group of related counterparties equal to or greater than 5.00% of the Parent Company's qualifying capital.*

The credit exposures, after due consideration of the allowed credit enhancements, are considered to be the maximum credit exposure to any client or counterparty.

Concentration by industry

An analysis of concentration of credit risk for financial assets (grossed up for any allowance for credit losses and unearned premiums) of the Group and the Parent Company by industry as of December 31, 2019 and 2018 is shown below:

	Consolidated 2019					
	Loans and Receivables		Loans and Advances to	Investment	Other Financial	
	Amount	%	Banks*	Securities**	Assets***	Total
Private households with employed persons	₱143,790,034	55.15	₱–	₱–	₱–	₱143,790,034
Government and foreign sovereign	–	0.00	–	58,794,838	–	58,794,838
Financial intermediaries	10,873,160	4.17	40,383,203	402,301	–	51,658,664
Wholesale and retail trade, repair of motor vehicles	41,179,879	15.8	–	–	–	41,179,879
Real estate, renting and business activity	28,079,403	10.77	–	22,007	–	28,101,410
Electricity, gas, steam and air-conditioning supply	7,327,647	2.81	–	9,403,667	–	16,731,314
Manufacturing	9,098,860	3.49	–	130	–	9,098,990
Accommodation and food service activities	3,245,335	1.24	–	–	–	3,245,335
Transportation and storage	2,663,253	1.02	–	–	–	2,663,253
Construction	2,120,126	0.81	–	–	–	2,120,126
Other service activities	1,726,380	0.66	–	–	–	1,726,380
Holding	–	0.00	–	1,736,451	–	1,736,451
Agriculture, fisheries and forestry	895,037	0.34	–	–	–	895,037
Administrative and support service activities	742,479	0.28	–	–	–	742,479
Others****	8,972,035	3.46	–	520,286	471,074	9,963,395
	260,713,628	100.00	40,383,203	70,879,680	471,074	372,447,585
Allowance for credit losses (Note 15)	6,241,306		93	2,265	–	6,243,664
Total	₱254,472,322		₱40,383,110	₱70,877,415	₱471,074	₱366,203,921

* Includes Due from BSP, Due from Other Banks and IBLR.
** Includes financial assets at FVTPL, financial assets at FVOCI and investment securities at amortized cost.
*** Includes other financial assets presented under 'Other assets' and commitments and contingent accounts
**** Includes Arts and recreation activities, mining and quarrying, human health and social activities, education, and information and communication.

	Consolidated 2018					
	Loans and Receivables		Loans and Advances to	Investment	Other Financial	
	Amount	%	Banks*	Securities**	Assets***	Total
Private households with employed persons	₱149,908,516	62.52	₱–	₱–	₱–	₱149,908,516
Government and foreign sovereign	–	0.00	–	27,292,353	–	27,292,353
Financial intermediaries	9,123,464	3.80	56,578,064	422,666	–	66,124,194
Real estate, renting and business activity	25,621,211	10.68	–	–	–	25,621,211
Wholesale and retail trade, repair of motor vehicles	23,878,879	9.96	–	–	–	23,878,879
Electricity, gas, steam and air-conditioning supply	8,289,398	3.46	–	10,862,162	–	19,151,560
Manufacturing	9,064,981	3.78	–	–	–	9,064,981
Accommodation and food service activities	2,836,975	1.18	–	–	–	2,836,975
Transportation and storage	–	0	–	–	–	–
Construction	2,789,923	1.16	–	–	–	2,789,923
Other service activities	1,981,153	0.83	–	18,401	–	1,999,554
Holding	–	0.00	–	1,978,060	–	1,978,060
Agriculture, fisheries and forestry	1,039,881	0.43	–	–	–	1,039,881
Administrative and support service activities	1,059,402	0.44	–	–	–	1,059,402
Others****	4,193,941	1.75	–	526,800	497,659	5,218,400
	239,787,724	100.00	56,578,064	41,100,442	497,659	337,963,889
Allowance for credit losses (Note 15)	5,926,031		198	2,895	–	5,929,124
	₱233,861,693		₱56,577,866	₱41,097,547	₱497,659	₱332,034,765

* Includes Due from BSP, Due from Other Banks and IBLR.
** Includes financial assets at FVTPL, financial assets at FVOCI and investment securities at amortized cost.
*** Includes other financial assets presented under 'Other assets' and commitments and contingent accounts
**** Includes Arts and recreation activities, mining and quarrying, human health and social activities, education, and information and communication.

	Parent Company 2019					
	Loans and Receivables*		Loans and Advances to	Investment	Other Financial	
	Amount	%	Banks*	Securities**	Assets***	Total
Private households with employed persons	₱143,790,034	61.57	₱–	₱–	₱–	₱143,790,034
Government and foreign sovereign	–	0.00	–	58,794,838	–	58,794,838
Financial intermediaries	9,835,732	4.21	39,606,863	402,301	–	49,844,896
Real estate, renting and business activity	28,062,885	12.02	–	22,007	–	28,084,892
Wholesale and retail trade, repair of motor vehicles	20,818,121	8.91	–	–	–	20,818,121
Electricity, gas, steam and air-conditioning supply	7,322,815	3.14	–	9,403,667	–	16,726,482
Manufacturing	9,093,953	3.89	–	130	–	9,094,083
Accommodation and food service activities	3,245,335	1.39	–	–	–	3,245,335
Transportation and storage	2,663,253	1.14	–	–	–	2,663,253
Construction	2,116,689	0.91	–	–	–	2,116,689
Holdings	–	0.00	–	1,736,451	–	1,736,451
Other service activities	1,725,386	0.74	–	–	–	1,725,386
Agriculture, fisheries and forestry	882,341	0.38	–	–	–	882,341
Administrative and support service activities	742,479	0.32	–	–	–	742,479
Others****	3,239,705	1.38	–	520,286	467,813	4,227,804
	233,538,728	100.00	39,606,863	70,879,680	467,813	344,493,084
Allowance for credit losses (Note 15)	5,788,737		93	2,265	–	5,791,095
Total	₱227,749,991		₱39,606,770	₱70,877,415	₱467,813	₱338,701,989

* *Includes Due from BSP, Due from Other Banks and IBLR.*
** *Includes financial assets at FVTPL, financial assets at FVOCI and investment securities at amortized cost.*
*** *Includes other financial assets presented under 'Other assets' and commitments and contingent accounts*
**** *Includes Arts and recreation activities, mining and quarrying, human health and social activities, education, and information and communication.*

	Parent Company 2018					
	Loans and Receivables*		Loans and Advances to	Investment	Other Financial	
	Amount	%	Banks**	Securities***	Assets****	Total
Private households with employed persons	₱125,329,092	55.36	₱–	₱–	₱–	₱125,329,092
Government and foreign sovereign	–	0.00	–	27,292,353	–	27,292,353
Financial intermediaries	9,123,464	4.03	55,823,391	411,666	–	65,358,521
Real estate, renting and business activity	25,621,211	11.32	–	–	–	25,621,211
Wholesale and retail trade, repair of motor vehicles	23,878,879	10.55	–	–	–	23,878,879
Electricity, gas, steam and air-conditioning supply	8,289,398	3.66	–	10,874,162	–	19,163,560
Manufacturing	9,064,981	4.00	–	–	–	9,064,981
Accommodation and food service activities	2,836,975	1.25	–	–	–	2,836,975
Construction	2,789,923	1.23	–	–	–	2,789,923
Holding	–	0.00	–	1,978,060	–	1,978,060
Other service activities	1,981,153	0.88	–	18,401	–	1,999,554
Agriculture, fisheries and forestry	1,279,432	4.57	–	–	–	1,279,432
Administrative and support service activities	1,059,402	0.47	–	–	–	1,059,402
Others****	4,003,794	2.68	–	525,800	495,756	5,025,350
	215,257,704	100.00	55,823,391	41,100,442	495,756	312,677,293
Allowance for credit losses (Note 15)	5,515,615		198	2,895	–	5,518,708
	₱209,742,089		₱55,823,193	₱41,097,547	₱495,756	₱307,158,585

* *Includes Due from BSP, Due from Other Banks and IBLR.*
** *Includes financial assets at FVTPL, financial assets at FVOCI and investment securities at amortized cost.*
*** *Includes other financial assets presented under 'Other assets' and commitments and contingent accounts*
**** *Includes Arts and recreation activities, mining and quarrying, human health and social activities, education, and information and communication.*

Geographic Segmentation

The distribution of the Group's and Parent Company's financial assets by geographic region as of December 31, 2019 and 2018 follows:

	Consolidated 2019				
	Loans and Receivables	Loans and Advances to Banks*	Investment Securities**	Other Financial Assets***	Total
Philippines	₱260,713,628	₱37,142,557	₱50,453,061	₱371,620	₱348,680,866
Asia (excluding Philippines)	–	346,745	15,677,122	–	16,023,867.05
Australia	–	82,377	–	–	82,376.61
Europe	–	297,885	404,213	99,454	801,552.23
North America	–	–	2,364,038	–	2,364,038
South America	–	–	–	–	–
USA	–	2,513,639	1,981,246	–	4,494,885.19
	260,713,628	40,383,203	70,879,680	471,074	372,447,585
Allowance for credit losses (Note 15)	6,241,306	93	2,265		6,243,664
	₱254,472,322	₱40,383,110	₱70,877,415	₱471,074	₱366,203,921

* *Includes Due from BSP, Due from Other Banks and IBLR.*
** *Includes financial assets at FVTPL, financial assets at FVOCI and investment securities at amortized cost.*
*** *Includes other financial assets presented under 'Other assets'*

	Consolidated 2018				
	Loans and Receivables	Loans and Advances to Banks*	Investment Securities**	Other Financial Assets***	Total
Philippines	₱239,787,724	₱41,660,242	₱24,772,311	₱320,098	₱306,540,375
Asia (excluding Philippines)	–	1,485,373	12,158,127	–	13,643,500
Australia	–	181,552	–	–	181,552
Europe	–	334,667	–	177,561	512,228
North America	–	–	2,117,891	–	2,117,891
South America	–	–	–	–	–
USA	–	12,916,230	2,052,113	–	14,968,343
	239,787,724	56,578,064	41,100,442	497,659	337,963,889
Allowance for credit losses (Note 15)	5,926,031	198	2,895	–	5,929,124
	₱233,861,693	₱56,577,866	₱41,097,547	₱497,659	₱332,034,765

* *Includes Due from BSP, Due from Other Banks and IBLR.*
** *Includes financial assets at FVTPL, financial assets at FVOCI and investment securities at amortized cost.*
*** *Includes other financial assets presented under 'Other assets'*

	Parent Company 2019				
	Loans and Receivables	**Loans and Advances to Banks***	**Investment Securities****	**Other Financial Assets*****	**Total**
Philippines	**₱233,538,728**	**₱36,366,217**	**₱50,453,061**	**₱368,359**	**₱320,726,365**
Asia (excluding Philippines)	**–**	**346,745**	**15,677,122**	**–**	**16,023,867**
Australia	**–**	**82,377**	**–**	**–**	**82,377**
Europe	**–**	**297,885**	**404,213**	**99,454**	**801,552**
North America	**–**	**–**	**2,364,038**	**–**	**2,364,038**
South America	**–**	**–**	**–**	**–**	**–**
USA	**–**	**2,513,639**	**1,981,246**	**–**	**4,494,885**
	233,538,728	**39,606,863**	**70,879,680**	**467,813**	**344,493,084**
Allowance for credit losses (Note 15)	**5,788,737**	**93**	**2,265**	**–**	**5,791,095**
	₱227,749,991	**₱39,606,770**	**₱70,877,415**	**₱467,813**	**₱338,701,989**

* *Includes Due from BSP, Due from Other Banks and IBLR.*
** *Includes financial assets at FVTPL, financial assets at FVOCI and investment securities at amortized cost.*
*** *Includes other financial assets presented under 'Other assets'*

	Parent Company 2018				
	Loans and Receivables	Loans and Advances to Banks*	Investment Securities**	Other Financial Assets***	Total
Philippines	₱215,257,704	₱40,905,569	₱24,772,311	₱318,195	₱281,253,779
Asia (excluding Philippines)	–	1,485,373	12,158,127	–	13,643,500
Australia	–	181,552	–	–	181,552
Europe	–	334,667	–	177,561	512,228
North America	–	–	2,117,891	–	2,117,891
South America	–	–	–	–	–
USA	–	12,916,230	2,052,113	–	14,968,343
	215,257,704	55,823,391	41,100,442	495,756	312,677,293
Allowance for credit losses (Note 15)	5,515,615	198	2,895	–	5,518,708
	₱209,742,089	₱55,823,193	₱41,097,547	₱495,756	₱307,158,585

* *Includes Due from BSP, Due from Other Banks and IBLR.*
** *Includes financial assets at FVTPL, financial assets at FVOCI and investment securities at amortized cost.*
*** *Includes other financial assets presented under 'Other assets'*

The following summarizes the Group's credit risk management practices and the relevant quantitative and qualitative financial information regarding the credit exposures according to the Group's portfolios:

Internal Credit Risk Rating System

Beginning January 1, 2018, the Parent Company's employs a credit scoring system for borrowers to assess risks relating to the borrower and the loan exposure. Borrower risk is evaluated by considering (a) quantitative factors, such as financial condition and (b) qualitative factors, such as management quality and industry outlook.

The Parent Company's new rating system assesses default risk based on financial profile, management capacity, industry performance, and other factors deemed relevant. Credit rating that exceeds the defined threshold, thus signaling significant risk, among other account-level profile and performance factors, define whether the accounts are classified in either Stage 1, Stage 2, or Stage 3 per PFRS 9 loan impairment standards.

The credit rating for each borrower is reviewed annually. A more frequent review is warranted in cases where the borrower has a higher risk profile or when there are extraordinary or adverse developments affecting the borrower, the industry and/or the Philippine Economy.

The consumer loan portfolio of the Group is composed of the following product lines: credit cards, auto, mortgage, salary, personal and branch loans. Each of these products has established credit risk guidelines and systems for managing credit risk across all business. For credit cards, auto and mortgage loans, application and behavioral scoring models are in place that primarily consider demographic variables and payment behavior, respectively, for the assessment of the likelihood of default by the borrower. For the other consumer loans, minimum risk acceptance criteria were set for each portfolio according to the nature of the product and the target market and is used for the evaluation of the credit quality of borrowers at origination.

For purposes of comparison of different exposure types, the credit portfolios (corporate and consumer) of the Parent Company are benchmarked against marketable corporate debt securities (using the Standard & Poor's (S&P) global study on corporate exposures) based on credit risk rating and corresponding PDs.

The Parent Company assigns credit risk using the following credit score master scale:

Credit quality	Description	Credit rating
Investment Grade	These accounts are of the highest quality and are likely to meet financial obligations.	AAA to AA+ AA AA- A+ A A- BBB+ BBB
Standard Grade	These accounts may be vulnerable to adverse business, financial and economic conditions but are expected to meet financial obligations.	BBB- BB+ BB BB- B+ B B-
Substandard Grade	These accounts are vulnerable to non-payment but for which default has not yet occurred.	CCC+ to C-
Non-Performing	These refer to accounts which are in default or those that demonstrate objective evidence of impairment.	Default

External Ratings

The Group also uses external ratings, such as S&P's, Moody's, and Fitch, to evaluate its counterparties and in its assignment of credit risk weights to its banking book exposures. Transactions falling under this category are normally of the following nature: placements with other banks, money market lending, debt security investments, and to some extent, equity security investments.

Credit rating grades of gross carrying amounts of financial assets

The credit quality by class of the Group's loans and receivables (gross of allowance for credit losses and unamortized premium) as of December 31, 2019 and 2018 are as follows:

	2019			
	Gross carrying amount			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Corporate loans*				
Investment Grade	**₱9,554,163**	**₱71,285**	**₱–**	**₱9,625,448**
Standard Grade	**2,228,579**	**54,802,909**	**–**	**57,031,488**
Non-Performing	**–**	**–**	**4,002,312**	**4,002,312**
	11,782,742	**54,874,194**	**4,002,312**	**70,659,248**
Auto loans				
Investment Grade	**9,281,738**	**60,515**	**–**	**9,342,253**
Standard Grade	**62,358,272**	**14,583,686**	**–**	**76,941,958**
Substandard Grade	**–**	**3,370,718**	**–**	**3,370,718**
Non-Performing	**–**	**–**	**4,340,568**	**4,340,568**
	71,640,010	**18,014,919**	**4,340,568**	**93,995,497**
Credit cards				
Investment Grade	**6,879,207**	**7,870**	**–**	**6,887,077**
Standard Grade	**18,017,352**	**6,562,449**	**–**	**24,579,801**
Substandard Grade	**218,026**	**2,189,419**	**–**	**2,407,445**
Non-Performing	**–**	**–**	**1,389,553**	**1,389,553**
	25,114,585	**8,759,738**	**1,389,553**	**35,263,876**
Mortgage loans				
Standard Grade	**17,430,632**	**3,060,111**	**–**	**20,490,743**
Substandard Grade	**–**	**812,807**	**–**	**812,807**
Non-Performing	**–**	**–**	**970,893**	**970,893**
	17,430,632	**3,872,918**	**970,893**	**22,274,443**
Other Consumer Loans**				
Investment Grade	**189,825**	**1,889**	**–**	**191,714**
Standard Grade	**31,688,818**	**1,986,460**	**–**	**33,675,278**
Substandard Grade	**1,733,997**	**91,727**	**–**	**1,825,724**
Non-Performing	**–**	**–**	**2,827,848**	**2,827,848**
	33,612,640	**2,080,076**	**2,827,848**	**38,520,564**
Unquoted Debt Securities				
Non-Performing			**344,188**	**344,188**
	–	**–**	**344,188**	**344,188**
Other receivables***				
Investment Grade	**441,122**	**1,560**	**–**	**442,682**
Standard Grade	**1,146,002**	**1,401,154**	**–**	**2,547,156**
Substandard Grade	**86,083**	**621,618**	**–**	**707,701**
Non-Performing	**–**	**–**	**1,889,932**	**1,889,932**
	1,673,207	**2,024,332**	**1,889,932**	**5,587,471**
Total	**₱161,253,816**	**₱89,626,177**	**₱15,765,294**	**₱266,645,287**

**Include Corporate loans and emerging enterprise loans*

***Include Branch loans, DepEd loans, Employee loans, Salary loans, Personal loans,*

**** Include Accrued interest receivables, Accounts receivables and Sales contract receivables.*

	2018			
	Gross carrying amount			
	Stage 1	Stage 2	Stage 3	Total
Corporate loans*				
Investment Grade	₱43,915,940	₱2,411,668	₱–	₱46,327,608
Standard Grade	583,449	25,314,187	–	25,897,636
Non-Performing	–	–	708,121	708,121
	44,499,389	27,725,855	708,121	72,933,365
Auto loans				
Investment Grade	6,720,140	537,268	–	7,257,408
Standard Grade	47,873,590	14,389,374	–	62,262,964
Substandard Grade	1,109,281	4,020,393	–	5,129,674
Non-Performing	–	–	3,147,676	3,147,676
	55,703,011	18,947,035	3,147,676	77,797,722
Credit cards				
Investment Grade	355,076	5,937	–	361,013
Standard Grade	19,521,196	4,656,198	–	24,177,394
Substandard Grade	670,295	4,477,202	–	5,147,497
Non-Performing	–	–	1,254,595	1,254,595
	20,546,567	9,139,337	1,254,595	30,940,499
Mortgage loans				
Standard Grade	16,015,679	2,668,758	–	18,684,437
Substandard Grade	9,611	865,060	–	874,671
Non-Performing	–	–	731,750	731,750
	16,025,290	3,533,818	731,750	20,290,858
Other Consumer Loans**				
Investment Grade	122,302	2,876	–	125,178
Standard Grade	31,786,165	1,448,573	–	33,234,738
Substandard Grade	843,897	56,261	–	900,158
Non-Performing	–	–	3,565,206	3,565,206
	32,752,364	1,507,710	3,565,206	37,825,280
Unquoted Debt Securities				
Non-Performing	–	–	341,890	341,890
	–	–	341,890	341,890
Other receivables***				
Investment Grade	883,839	31,177	–	915,016
Standard Grade	533,380	795,907	–	1,329,287
Substandard Grade	31,164	1,074,183	–	1,105,347
Non-Performing	–	–	2,737,004	2,737,004
	1,448,383	1,901,267	2,737,004	6,086,654
Total	₱170,975,004	₱62,755,022	₱12,486,242	₱246,216,268

**Include Corporate loans and emerging enterprise loans*
***Include Branch loans, DepEd loans, Employee loans, Salary loans, Personal loans,*
**** Include Accrued interest receivables, Accounts receivables and Sales contract receivables.*

The credit quality by class of the Parent Company's loans and receivables (gross of allowance for credit losses and unamortized premium) as of December 31, 2019 and 2018 are as follows:

	2019			
	Gross carrying amount			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Corporate loans*				
Investment Grade	**₱9,554,163**	**₱71,285**	**₱–**	**₱9,625,448**
Standard Grade	**2,228,579**	**54,802,909**	**–**	**57,031,488**
Non-Performing	**–**	**–**	**3,923,176**	**3,923,176**
	11,782,742	**54,874,194**	**3,923,176**	**70,580,112**
Auto loans				
Investment Grade	**9,281,738**	**60,515**	**–**	**9,342,253**
Standard Grade	**62,358,272**	**14,583,686**	**–**	**76,941,958**
Substandard Grade	**–**	**3,370,718**	**–**	**3,370,718**
Non-Performing	**–**	**–**	**4,340,568**	**4,340,568**
	71,640,010	**18,014,919**	**4,340,568**	**93,995,497**

(Forward)

	2019			
	Gross carrying amount			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Credit cards				
Investment Grade	**₱6,879,207**	**₱7,870**	**₱–**	**₱6,887,077**
Standard Grade	**18,017,352**	**6,562,449**	**–**	**24,579,801**
Substandard Grade	**218,026**	**2,189,419**	**–**	**2,407,445**
Non-Performing	**–**	**–**	**1,389,553**	**1,389,553**
	25,114,585	**8,759,738**	**1,389,553**	**35,263,876**
Mortgage loans				
Standard Grade	**17,430,632**	**3,060,111**	**–**	**20,490,743**
Substandard Grade	**–**	**812,807**	**–**	**812,807**
Non-Performing	**–**	**–**	**970,893**	**970,893**
	17,430,632	**3,872,918**	**970,893**	**22,274,443**
Other Consumer Loans**				
Investment Grade	**19,119**	**599**	**–**	**19,718**
Standard Grade	**8,809,887**	**271,553**	**–**	**9,081,440**
Substandard Grade	**1,203,379**	**68,212**	**–**	**1,271,591**
Non-Performing	**–**	**–**	**1,052,051**	**1,052,051**
	10,032,385	**340,364**	**1,052,051**	**11,424,800**
Unquoted Debt Securities				
Non-Performing	**–**	**–**	**334,188**	**334,188**
	–	**–**	**334,188**	**334,188**
Other receivables***				
Investment Grade	**436,609**	**1,554**	**–**	**438,163**
Standard Grade	**1,131,715**	**1,315,018**	**–**	**2,446,733**
Substandard Grade	**69,439**	**543,570**	**–**	**613,009**
Non-Performing	**–**	**–**	**1,787,547**	**1,787,547**
	1,637,763	**1,860,142**	**1,787,547**	**5,285,452**
Total	**₱137,638,117**	**₱87,722,275**	**₱13,797,976**	**₱239,158,368**

**Include Corporate loans and emerging enterprise loans*
***Include Branch loans, DepEd loans, Employee loans, Salary loans, Personal loans,*
**** Include Accrued interest receivables, Accounts receivables and Sales contract receivables.*

	2018			
	Gross carrying amount			
	Stage 1	Stage 2	Stage 3	Total
Corporate loans*				
Investment Grade	₱43,915,940	₱2,411,668	₱–	₱46,327,608
Standard Grade	558,512	25,314,187	–	25,872,699
Non-Performing	–	–	648,372	648,372
	44,474,452	27,725,855	648,372	72,848,679
Auto loans				
Investment Grade	6,720,140	537,268	–	7,257,408
Standard Grade	47,873,590	14,389,374	–	62,262,964
Substandard Grade	1,109,281	4,020,393	–	5,129,674
Non-Performing	–	–	3,147,676	3,147,676
	55,703,011	18,947,035	3,147,676	77,797,722
Credit cards				
Investment Grade	355,076	5,937	–	361,013
Standard Grade	19,521,196	4,656,198	–	24,177,394
Substandard Grade	670,295	4,477,202	–	5,147,497
Non-Performing	–	–	1,254,595	1,254,595
	20,546,567	9,139,337	1,254,595	30,940,499
Mortgage loans				
Standard Grade	16,015,679	2,668,758	–	18,684,437
Substandard Grade	9,611	865,060	–	874,671
Non-Performing	–	–	731,750	731,750
	16,025,290	3,533,818	731,750	20,290,858

(Forward)

	2018			
	Gross carrying amount			
	Stage 1	Stage 2	Stage 3	Total
Other Consumer Loans**				
Investment Grade	₱11,411	₱830	₱–	₱12,241
Standard Grade	11,521,123	460,710	–	11,981,833
Substandard Grade	–	–	–	–
Non-Performing	–	–	1,385,872	1,385,872
	11,532,534	461,540	1,385,872	13,379,946
Unquoted Debt Securities				
Non-Performing	–	–	341,890	341,890
	–	–	341,890	341,890
Other receivables***				
Investment Grade	883,413	31,177	–	914,590
Standard Grade	474,430	740,961	–	1,215,391
Substandard Grade	8,082	990,858	–	998,940
Non-Performing	–	–	2,660,083	2,660,083
	1,365,925	1,762,996	2,660,083	5,789,004
Total	₱149,647,779	₱61,570,581	₱10,170,238	₱221,388,598

**Include Corporate loans and emerging enterprise loans*
***Include Branch loans, DepEd loans, Employee loans, Salary loans, Personal loans,*
**** Include Accrued interest receivables, Accounts receivables and Sales contract receivables.*

The credit quality by class of the Group's financial assets other than loans and receivables (gross of allowance for credit losses) as of December 31, 2019 and 2018 are as follows:

	2019			
	Gross carrying amount			
Credit Score	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Due from BSP				
Investment Grade	**₱34,287,302**	**₱–**	**₱–**	**₱34,287,302**
	34,287,302	**–**	**–**	**34,287,302**
Due from other banks				
Investment Grade	**3,404,019**	**–**	**–**	**3,404,019**
	3,404,019	**–**	**–**	**3,404,019**
IBLR				
Investment Grade	**2,691,882**	**–**	**–**	**2,691,882**
	2,691,882	**–**	**–**	**2,691,882**
Financial assets at FVTPL				
Investment Grade	**16,840,709**	**–**	**–**	**16,840,709**
	16,840,709	**–**	**–**	**16,840,709**
Financial assets at FVTOCI				
Investment Grade	**4,650,636**	**–**	**–**	**4,650,636**
	4,650,636	**–**	**–**	**4,650,636**
Investment securities at amortized cost				
Investment Grade	**48,820,301**	**–**	**–**	**48,820,301**
Standard Grade	**–**	**568,034**		**568,034**
	48,820,301	**568,034**	**–**	**49,388,335**
Other financial assets*				
Non-Performing	**–**	**–**	**471,074**	**471,074**
	–	**–**	**471,074**	**471,074**
Total	**₱110,694,849**	**₱568,034**	**₱471,074**	**₱111,733,957**

**Includes security deposits, derivative assets, downpayments and advanced payments, returned cash and other cash items (RCOCI)*

Credit Score	2018 Gross carrying amount Stage 1	Stage 2	Stage 3	Total
Due from BSP				
Investment Grade	₱40,481,956	₱–	₱–	₱40,481,956
	40,481,956	–	–	40,481,956
Due from other banks				
Investment Grade	10,118,636	–	–	10,118,636
Standard Grade	78,635	36,167	–	114,802
	10,197,271	36,167		10,233,438
IBLR				
Investment Grade	5,862,670	–	–	5,862,670
	5,862,670	–	–	5,862,670
Financial assets at FVTPL				
Investment Grade	4,338,794	–	–	4,338,794
	4,338,794	–	–	4,338,794
Financial assets at FVTOCI				
Investment Grade	248,207	–	–	248,207
	248,207	–	–	248,207
Investment securities at amortized cost				
Investment Grade	4,161,409	–	–	4,161,409
Standard Grade	31,911,062	440,970	–	32,352,032
	36,072,471	440,970	–	36,513,441
Other financial assets&				
Non-Performing	–	–	497,659	497,659
	–	–	497,659	497,659
Total	₱97,201,369	₱477,137	₱497,659	₱98,176,165

**Includes security deposits, derivative assets, downpayments and advanced payments, returned cash and other cash items (RCOCI)*

The credit quality by class of the Parent Company's financial assets other than loans and receivables (gross of allowance for credit losses) as of December 31, 2019 and 2018 are as follows:

Credit Score	**2019 Gross carrying amount Stage 1**	**Stage 2**	**Stage 3**	**Total**
Due from BSP				
Investment Grade	**₱33,590,486**	**₱–**	**₱–**	**₱33,590,486**
	33,590,486	**–**	**–**	**33,590,486**
Due from other banks				
Investment Grade	**3,324,495**	**–**	**–**	**3,324,495**
	3,324,495	**–**	**–**	**3,324,495**
IBLR				
Investment Grade	**2,691,881**	**–**	**–**	**2,691,881**
	2,691,881	**–**	**–**	**2,691,881**
Financial assets at FVTPL				
Investment Grade	**16,840,709**	**–**	**–**	**16,840,709**
	16,840,709	**–**	**–**	**16,840,709**
Financial assets at FVTOCI				
Investment Grade	**4,650,636**	**–**	**–**	**4,650,636**
	4,650,636	**–**	**–**	**4,650,636**
Investment securities at amortized cost				
Investment Grade	**48,820,301**	**–**	**–**	**48,820,301**
Standard Grade	**–**	**568,034**		**568,034**
	48,820,301	**568,034**	**–**	**49,388,335**
Other financial assets*				
Non-Performing	**–**	**–**	**467,813**	**467,813**
	–	**–**	**467,813**	**467,813**
Total	**₱109,918,508**	**₱568,034**	**₱467,813**	**₱110,954,355**

**Includes security deposits, derivative assets, downpayments and advanced payments, returned cash and other cash items (RCOCI)*

Credit Score	2018 Gross carrying amount Stage 1	Stage 2	Stage 3	Total
Due from BSP				
Investment Grade	₱39,872,848	₱–	₱–	₱39,872,848
	39,872,848	–	–	39,872,848
Due from other banks				
Investment Grade	9,973,071	–	–	9,973,071
Standard Grade	78,635	36,167	–	114,802
	10,051,706	36,167		10,087,873
IBLR				
Investment Grade	5,862,670	–	–	5,862,670
	5,862,670	–	–	5,862,670
Financial assets at FVTPL				
Investment Grade				
Standard Grade	4,338,794	–	–	4,338,794
	4,338,794	–	–	4,338,794
Financial assets at FVTOCI				
Investment Grade	248,207	–	–	248,207
	248,207	–	–	248,207
Investment securities at amortized cost				
Investment Grade	4,161,409	440,970	–	4,602,379
Standard Grade	31,911,062	–	–	31,911,062
	36,072,471	440,970	–	36,513,441
Other financial assets*				
Non-Performing	–	–	495,756	495,756
	–	–	495,756	495,756
Total	96,446,696	477,137	495,756	97,419,589

**Includes security deposits, derivative assets, downpayments and advanced payments, returned cash and other cash items (RCOCI)*

Analysis of movements of gross carrying amounts

The movements in the Group's total loans and receivables (excluding unamortized premium and allowance for credit and impairment losses) in 2019 and 2018 follow:

	2019 **Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at beginning of year	**₱170,975,004**	**₱62,755,022**	**₱12,486,242**	**₱246,216,268**
Newly originated assets that remained in Stage 1 as at December 31, 2019	**88,804,240**	**–**	**–**	**88,804,240**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	**–**	**39,585,980**	**4,928,556**	**44,514,536**
Movements in receivable balance	**(69,623,600)**	**(35,070,326)**	**(4,789,223)**	**(109,483,149)**
Write-offs (Note 15)	**–**	**–**	**(3,386,116)**	**(3,386,116)**
Transfers from Stage 1	**(37,073,103)**	**32,893,909**	**4,179,194**	**–**
Transfers from Stage 2	**7,863,069**	**(10,879,365)**	**3,016,296**	**–**
Transfers from Stage 3	**308,206**	**340,957**	**(649,163)**	**–**
Others	**–**	**–**	**(20,492)**	**(20,492)**
Balance at end of year	**₱161,253,816**	**₱89,626,177**	**₱15,765,294**	**₱266,645,287**

	2018			
	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of year	₱140,993,732	₱66,080,465	₱12,576,416	₱219,650,613
Newly originated assets that remained in Stage 1 as at December 31, 2018	102,241,678	–	–	102,241,678
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2018	–	38,247,884	4,364,206	42,612,090
Movements in receivable balance	(71,598,288)	(39,848,063)	(4,461,058)	(115,907,409)
Write-offs (Note 15)	–	–	(3,309,482)	(3,309,482)
Transfers from Stage 1	(17,632,389)	16,080,572	1,551,817	–
Transfers from Stage 2	16,372,451	(18,131,531)	1,759,080	–
Transfers from Stage 3	597,820	325,695	(923,515)	–
Others	–	–	928,778	928,778
Balance at end of year	₱170,975,004	₱62,755,022	₱12,486,242	₱246,216,268

The breakdown of the total gross carrying amounts of the Group's loans and receivables (before taking into account any allowance for credit and impairment losses, and unamortized premium) in 2019 and 2018 is as follows:

	2019			
	Gross carrying amount			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Corporate loans*				
Balance at beginning of year	**₱44,499,389**	**₱27,725,855**	**₱708,121**	**₱72,933,365**
Newly originated assets that remained in Stage 1 as at December 31, 2019	**9,661,527**	**–**	**–**	**9,661,527**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	**–**	**32,310,377**	**1,019,914**	**33,330,291**
Movements in receivable balance	**(23,201,266)**	**(21,976,984)**	**(87,685)**	**(45,265,935)**
Write-offs (Note 15)	**–**	**–**	**–**	**–**
Transfers from Stage 1	**(19,677,647)**	**17,442,939**	**2,234,708**	**–**
Transfers from Stage 2	**500,739**	**(628,412)**	**127,673**	**–**
Transfers from Stage 3	**–**	**419**	**(419)**	**–**
	11,782,742	**54,874,194**	**4,002,312**	**70,659,248**
Auto loans				
Balance at beginning of year	**55,703,011**	**18,947,035**	**3,147,676**	**77,797,722**
Newly originated assets that remained in Stage 1 as at December 31, 2019	**37,045,472**	**–**	**–**	**37,045,472**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	**–**	**2,974,896**	**685,001**	**3,659,897**
Movements in receivable balance	**(15,244,675)**	**(7,571,699)**	**(1,347,740)**	**(24,164,114)**
Write-offs (Note 15)	**–**	**–**	**(343,480)**	**(343,480)**
Transfers from Stage 1	**(11,946,498)**	**11,312,699**	**633,799**	**–**
Transfers from Stage 2	**6,054,127**	**(7,652,763)**	**1,598,636**	**–**
Transfers from Stage 3	**28,573**	**4,751**	**(33,324)**	**–**
	71,640,010	**18,014,919**	**4,340,568**	**93,995,497**
Credit cards				
Balance at beginning of year	**20,546,567**	**9,139,337**	**1,254,595**	**30,940,499**
Newly originated assets that remained in Stage 1 as at December 31, 2019	**8,438,224**	**–**	**–**	**8,438,224**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	**–**	**2,399,833**	**2,517,334**	**4,917,167**
Movements in receivable balance	**(2,727,506)**	**(3,320,805)**	**(687,780)**	**(6,736,091)**
Write-offs (Note 15)	**–**	**–**	**(2,295,923)**	**(2,295,923)**
Transfers from Stage 1	**(1,240,877)**	**895,888**	**344,989**	**–**
Transfers from Stage 2	**90,831**	**(356,770)**	**265,939**	**–**
Transfers from Stage 3	**7,346**	**2,255**	**(9,601)**	**–**
	25,114,585	**8,759,738**	**1,389,553**	**35,263,876**

(Forward)

	2019			
	Gross carrying amount			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Mortgage loans				
Balance at beginning of year	**₱16,025,290**	**₱3,533,818**	**₱731,750**	**₱20,290,858**
Newly originated assets that remained in Stage 1 as at December 31, 2019	**4,640,968**	**–**	**–**	**4,640,968**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	**–**	**61,303**	**10,552**	**71,855**
Movements in receivable balance	**(1,945,746)**	**(555,659)**	**(227,808)**	**(2,729,213)**
Write-offs (Note 15)	**–**	**–**	**(25)**	**(25)**
Transfers from Stage 1	**(2,337,252)**	**2,233,310**	**103,942**	**–**
Transfers from Stage 2	**995,831**	**(1,406,797)**	**410,966**	**–**
Transfers from Stage 3	**51,541**	**6,943**	**(58,484)**	**–**
	17,430,632	**3,872,918**	**970,893**	**22,274,443**
Other consumer loans**				
Balance at beginning of year	**32,752,364**	**1,507,710**	**3,565,206**	**37,825,280**
Newly originated assets that remained in Stage 1 as at December 31, 2019	**27,516,265**	**–**	**–**	**27,516,265**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	**–**	**1,606,616**	**406,197**	**2,012,813**
Movements in receivable balance	**(25,444,991)**	**(1,338,294)**	**(1,317,940)**	**(28,101,225)**
Write-offs (Note 15)	**–**	**–**	**(732,569)**	**(732,569)**
Transfers from Stage 1	**(1,506,687)**	**673,657**	**833,030**	**–**
Transfers from Stage 2	**110,607**	**(402,734)**	**292,127**	**–**
Transfers from Stage 3	**185,082**	**33,121**	**(218,203)**	**–**
	33,612,640	**2,080,076**	**2,827,848**	**38,520,564**
Unquoted debt securities classified as loans and receivables				
Balance at beginning of year	**–**	**–**	**341,890**	**341,890**
Newly originated assets that remained in Stage 1 as at December 31, 2019	**–**	**–**	**–**	**–**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	**–**	**–**		
Movements in receivable balance	**–**	**–**	**2,298**	**2,298**
Write-offs (Note 15)	**–**	**–**	**–**	**–**
Transfers from Stage 1	**–**	**–**	**–**	**–**
Transfers from Stage 2	**–**	**–**	**–**	**–**
Transfers from Stage 3	**–**	**–**	**–**	**–**
	–	**–**	**344,188**	**344,188**
Other receivables***				
Balance at beginning of year	**1,448,383**	**1,901,267**	**2,737,004**	**6,086,654**
Newly originated assets that remained in Stage 1 as at December 31, 2019	**1,501,784**	**–**	**–**	**1,501,784**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	**–**	**232,955.13**	**289,557.84**	**522,513**
Movements in receivable balance	**(1,059,416)**	**(306,885)**	**(1,122,568)**	**(2,488,869)**
Write-offs (Note 15)	**–**	**–**	**(14,119)**	**(14,119)**
Transfers from Stage 1	**(364,142)**	**335,416**	**28,726**	**–**
Transfers from Stage 2	**110,934**	**(431,889)**	**320,955**	**–**
Transfers from Stage 3	**35,664**	**293,468**	**(329,132)**	**–**
Others	**–**	**–**	**(20,492)**	**(20,492)**
	1,673,207	**2,024,332**	**1,889,932**	**5,587,471**
Total	**₱161,253,816**	**₱89,626,177**	**₱15,765,294**	**₱266,645,287**

**Include Corporate loans and emerging enterprise loans*
***Include Branch loans, DepEd loans, Employee loans, Salary loans and Personal loans*
****Include Accrued interest receivables, Accounts receivables and Sales contract receivables.*

	2018			
	Gross carrying amount			
	Stage 1	Stage 2	Stage 3	Total
Corporate loans*				
Balance at beginning of year	₱23,094,858	₱38,681,901	₱563,051	₱62,339,810
Newly originated assets that remained in Stage 1 as at December 31, 2019	28,055,547	–	–	28,055,547
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	22,333,323	229,913	22,563,236
Movements in receivable balance	(18,606,280)	(21,013,856)	(405,092)	(40,025,228)
Write-offs (Note 15)	–	–	–	–
Transfers from Stage 1	(662,812)	486,024	176,788	–
Transfers from Stage 2	12,618,076	(12,761,537)	143,461	–
Transfers from Stage 3	–	–	–	–
	44,499,389	27,725,855	708,121	72,933,365
Auto loans				
Balance at beginning of year	51,647,534	11,116,603	3,343,717	66,107,854
Newly originated assets that remained in Stage 1 as at December 31, 2019	26,265,766	–	–	26,265,766
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	5,211,600	359,470	5,571,070
Movements in receivable balance	(11,758,466)	(6,684,620)	(1,480,888)	(19,923,974)
Write-offs (Note 15)	–	–	(222,994)	(222,994)
Transfers from Stage 1	(12,564,824)	12,095,112	469,712	–
Transfers from Stage 2	2,073,687	(2,876,458)	802,771	–
Transfers from Stage 3	39,314	84,798	(124,112)	–
	55,703,011	18,947,035	3,147,676	77,797,722
Credit cards				
Balance at beginning of year	18,670,128	8,126,101	1,571,575	28,367,804
Newly originated assets that remained in Stage 1 as at December 31, 2019	20,850,713	–	–	20,850,713
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	5,261,405	1,510,775	6,772,180
Movements in receivable balance	(16,526,270)	(5,669,122)	(149,057)	(22,344,449)
Write-offs (Note 15)	–	–	(2,705,749)	(2,705,749)
Transfers from Stage 1	(3,883,811)	3,352,147	531,664	–
Transfers from Stage 2	1,328,410	(1,943,026)	614,616	–
Transfers from Stage 3	107,397	11,832	(119,229)	–
	20,546,567	9,139,337	1,254,595	30,940,499
Mortgage loans				
Balance at beginning of year	14,794,271	2,728,178	590,852	18,113,301
Newly originated assets that remained in Stage 1 as at December 31, 2019	4,456,477	–	–	4,456,477
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	2,158,087	53,166	2,211,253
Movements in receivable balance	(2,985,286)	(1,250,320)	(254,567)	(4,490,173)
Write-offs (Note 15)	–	–	–	–
Transfers from Stage 1	(285,306)	–	285,306	–
Transfers from Stage 2	–	(164,312)	164,312	–
Transfers from Stage 3	45,134	62,185	(107,319)	–
	16,025,290	3,533,818	731,750	20,290,858
Other consumer loans**				
Balance at beginning of year	31,261,135	5,047,249	5,411,554	41,719,938
Newly originated assets that remained in Stage 1 as at December 31, 2019	21,393,719	–	–	21,393,719
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	1,477,555	402,093	1,879,648
Movements in receivable balance	(20,383,232)	(5,011,172)	(1,392,882)	(26,787,286)
Write-offs (Note 15)	–	–	(380,739)	(380,739)
Transfers from Stage 1	(129,609)	45,144	84,465	–
Transfers from Stage 2	204,437	(213,412)	8,975	–
Transfers from Stage 3	405,914	162,346	(568,260)	–
	32,752,364	1,507,710	3,565,206	37,825,280

(Forward)

	2018			
	Gross carrying amount			
	Stage 1	Stage 2	Stage 3	Total
Unquoted debt securities classified as loans and receivables				
Balance at beginning of year	₱–	₱–	₱403,288	₱403,288
Newly originated assets that remained in Stage 1 as at December 31, 2019	–	–	–	–
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	–	(61,398)	(61,398)
Movements in receivable balance	–	–	–	–
Write-offs (Note 15)	–	–	–	–
Transfers from Stage 1	–	–	–	–
Transfers from Stage 2	–	–	–	–
Transfers from Stage 3	–	–	–	–
	–	–	341,890	341,890
Other receivables***				
Balance at beginning of year	1,525,806	380,433	692,379	2,598,618
Newly originated assets that remained in Stage 1 as at December 31, 2019	1,219,456	–	–	1,219,456
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	1,805,914	1,808,789	3,614,703
Movements in receivable balance	(1,338,754)	(218,973)	(717,174)	(2,274,901)
Write-offs (Note 15)	–	–	–	–
Transfers from Stage 1	(106,027)	102,145	3,882	–
Transfers from Stage 2	147,841	(172,786)	24,945	–
Transfers from Stage 3	61	4,534	(4,595)	–
Others	–	–	928,778	928,778
	1,448,383	1,901,267	2,737,004	6,086,654
Total	₱170,975,004	₱62,755,022	₱12,486,242	₱246,216,268

**Include Corporate loans and emerging enterprise loans*
***Include Branch loans, DepEd loans, Employee loans, Salary loans and Personal loans*
****Include Accrued interest receivables, Accounts receivables and Sales contract receivables.*

The movements in the Parent Company's total loans and receivables (excluding unamortized premium and allowance for credit and impairment losses) in 2019 and 2018 follow:

	2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance at beginning of year	**₱149,647,779**	**₱61,570,581**	**₱10,170,238**	**₱221,388,598**
Newly originated assets that remained in Stage 1 as at December 31, 2019	**68,566,082**	**–**	**–**	**68,566,082**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	**–**	**38,079,516**	**4,552,656**	**42,632,172**
Movements in receivable balance	**(52,247,336)**	**(34,217,037)**	**(3,702,530)**	**(90,166,903)**
Write-offs (Note 15)	**–**	**–**	**(3,241,089)**	**(3,241,089)**
Transfers from Stage 1	**(36,266,612)**	**32,575,211**	**3,691,401**	**–**
Transfers from Stage 2	**7,793,792**	**(10,605,461)**	**2,811,669**	**–**
Transfers from Stage 3	**144,412**	**319,465**	**(463,877)**	**–**
Others	**–**	**–**	**(20,492)**	**(20,492)**
Balance at end of year	**₱137,638,117**	**₱87,722,275**	**₱13,797,976**	**₱239,158,368**

	2018			
	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of year	₱120,386,155	₱66,780,695	₱12,202,578	₱199,369,428
Newly originated assets that remained in Stage 1 as at December 31, 2018	82,153,718	–	–	82,153,718
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2018	–	36,770,274	3,859,317	40,629,591
Movements in receivable balance	(51,749,939)	(40,260,620)	(6,521,514)	(98,532,073)
Write-offs (Note 15)	–	–	(3,160,844)	(3,160,844)
Transfers from Stage 1	(17,509,702)	16,036,240	1,473,462	–

(Forward)

	2018			
	Stage 1	Stage 2	Stage 3	Total
Transfers from Stage 2	₱16,171,278	(₱17,922,283)	₱1,751,005	₱–
Transfers from Stage 3	196,269	166,275	(362,544)	–
Others	–	–	928,778	928,778
Balance at end of year	₱149,647,779	₱61,570,581	₱10,170,238	₱221,388,598

The breakdown of the total gross carrying amounts of the Parent Company's loans and receivables (before taking into account any allowance for credit and impairment losses and unamortized premium) in 2019 and 2018 is as follows:

	2019			
	Gross carrying amount			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Corporate loans*				
Balance at beginning of year	**₱44,474,452**	**₱27,725,855**	**₱648,372**	**₱72,848,679**
Newly originated assets that remained in Stage 1 as at December 31, 2019	**9,648,297**	**–**	**–**	**9,648,297**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	**–**	**32,310,377**	**1,019,914**	**33,330,291**
Movements in receivable balance	**(23,163,099)**	**(21,976,984)**	**(107,072)**	**(45,247,155)**
Write-offs (Note 15)	**–**	**–**	**–**	**–**
Transfers from Stage 1	**(19,677,647)**	**17,442,939**	**2,234,708**	**–**
Transfers from Stage 2	**500,739**	**(628,412)**	**127,673**	**–**
Transfers from Stage 3	**–**	**419**	**(419)**	**–**
	11,782,742	**54,874,194**	**3,923,176**	**70,580,112**
Auto loans				
Balance at beginning of year	**55,703,011**	**18,947,035**	**3,147,676**	**77,797,722**
Newly originated assets that remained in Stage 1 as at December 31, 2019	**37,045,472**	**–**	**–**	**37,045,472**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	**–**	**2,974,896**	**685,001**	**3,659,897**
Movements in receivable balance	**(15,244,675)**	**(7,571,699)**	**(1,347,740)**	**(24,164,114)**
Write-offs (Note 15)	**–**	**–**	**(343,480)**	**(343,480)**
Transfers from Stage 1	**(11,946,498)**	**11,312,699**	**633,799**	**–**
Transfers from Stage 2	**6,054,127**	**(7,652,763)**	**1,598,636**	**–**
Transfers from Stage 3	**28,573**	**4,751**	**(33,324)**	**–**
	71,640,010	**18,014,919**	**4,340,568**	**93,995,497**
Credit cards				
Balance at beginning of year	**20,546,567**	**9,139,337**	**1,254,595**	**30,940,499**
Newly originated assets that remained in Stage 1 as at December 31, 2019	**8,438,224**	**–**	**–**	**8,438,224**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	**–**	**2,399,833**	**2,517,334**	**4,917,167**
Movements in receivable balance	**(2,727,506)**	**(3,320,805)**	**(687,780)**	**(6,736,091)**
Write-offs (Note 15)	**–**	**–**	**(2,295,923)**	**(2,295,923)**
Transfers from Stage 1	**(1,240,877)**	**895,888**	**344,989**	**–**
Transfers from Stage 2	**90,831**	**(356,770)**	**265,939**	**–**
Transfers from Stage 3	**7,346**	**2,255**	**(9,601)**	**–**
	25,114,585	**8,759,738**	**1,389,553**	**35,263,876**
Mortgage loans				
Balance at beginning of year	**16,025,290**	**3,533,818**	**731,750**	**20,290,858**
Newly originated assets that remained in Stage 1 as at December 31, 2019	**4,640,968**	**–**	**–**	**4,640,968**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	**–**	**61,303**	**10,552**	**71,855**
Movements in receivable balance	**(1,945,746)**	**(555,659)**	**(227,808)**	**(2,729,213)**
Write-offs (Note 15)	**–**	**–**	**(25)**	**(25)**
Transfers from Stage 1	**(2,337,252)**	**2,233,310**	**103,942**	**–**
Transfers from Stage 2	**995,831**	**(1,406,797)**	**410,966**	**–**
Transfers from Stage 3	**51,541**	**6,943**	**(58,484)**	**–**
	17,430,632	**3,872,918**	**970,893**	**22,274,443**

(Forward)

	2019			
	Gross carrying amount			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Other consumer loans**				
Balance at beginning of year	**₱11,532,534**	**₱461,540**	**₱1,385,872**	**₱13,379,946**
Newly originated assets that remained in Stage 1 as at December 31, 2019	**7,373,572**	**–**	**–**	**7,373,572**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	**–**	**130,451**	**85,705**	**216,156**
Movements in receivable balance	**(8,239,991)**	**(485,293)**	**(226,501)**	**(8,951,785)**
Write-offs (Note 15)	**–**	**–**	**(593,089)**	**(593,089)**
Transfers from Stage 1	**(704,943)**	**355,584**	**349,359**	**–**
Transfers from Stage 2	**43,117**	**(133,649)**	**90,532**	**–**
Transfers from Stage 3	**28,096**	**11,731**	**(39,827)**	**–**
	10,032,385	**340,364**	**1,052,051**	**11,424,800**
Unquoted debt securities classified as loans and receivables				
Balance at beginning of year	**–**	**–**	**341,890**	**341,890**
Newly originated assets that remained in Stage 1 as at December 31, 2019	**–**	**–**	**–**	**–**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	**–**	**–**		
Movements in receivable balance	**–**	**–**	**(7,702)**	**(7,702)**
Write-offs (Note 15)	**–**	**–**	**–**	**–**
Transfers from Stage 1	**–**	**–**	**–**	**–**
Transfers from Stage 2	**–**	**–**	**–**	**–**
Transfers from Stage 3	**–**	**–**	**–**	**–**
	–	**–**	**334,188**	**334,188**
Other receivables***				
Balance at beginning of year	**1,365,925**	**1,762,996**	**2,660,083**	**5,789,004**
Newly originated assets that remained in Stage 1 as at December 31, 2019	**1,419,549**	**–**	**–**	**1,419,549**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	**–**	**202,656**	**234,150**	**436,806**
Movements in receivable balance	**(926,319)**	**(306,597)**	**(1,097,927)**	**(2,330,843)**
Write-offs (Note 15)	**–**	**–**	**(8,572)**	**(8,572)**
Transfers from Stage 1	**(359,395)**	**334,791**	**24,604**	**–**
Transfers from Stage 2	**109,147**	**(427,070)**	**317,923**	**–**
Transfers from Stage 3	**28,856**	**293,366**	**(322,222)**	**–**
Others	**–**	**–**	**(20,492)**	**(20,492)**
	1,637,763	**1,860,142**	**1,787,547**	**5,285,452**
	₱137,638,117	**₱87,722,275**	**₱13,797,976**	**₱239,158,368**

**Include Corporate loans and emerging enterprise loans*
***Include Branch loans, DepEd loans, Employee loans, Salary loans and Personal loans*
****Include Accrued interest receivables, Accounts receivables and Sales contract receivables.*

	2018			
	Gross carrying amount			
	Stage 1	Stage 2	Stage 3	Total
Corporate loans*				
Balance at beginning of year	₱22,538,224	₱38,681,901	₱563,051	₱61,783,176
Newly originated assets that remained in Stage 1 as at December 31, 2019	28,055,547	–	–	28,055,547
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	22,333,323	229,913	22,563,236
Movements in receivable balance	(18,074,583)	(21,013,856)	(464,841)	(39,553,280)
Write-offs (Note 15)	–	–	–	–
Transfers from Stage 1	(662,812)	486,024	176,788	–
Transfers from Stage 2	12,618,076	(12,761,537)	143,461	–
Transfers from Stage 3	–	–	–	–
	44,474,452	27,725,855	648,372	72,848,679

(Forward)

	2018			
	Gross carrying amount			
	Stage 1	Stage 2	Stage 3	Total
Auto loans				
Balance at beginning of year	₱51,647,534	₱11,116,603	₱3,343,717	₱66,107,854
Newly originated assets that remained in Stage 1 as at December 31, 2019	26,265,766	–	–	26,265,766
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	5,211,600	359,470	5,571,070
Movements in receivable balance	(11,758,466)	(6,684,620)	(1,480,888)	(19,923,974)
Write-offs (Note 15)	–	–	(222,994)	(222,994)
Transfers from Stage 1	(12,564,824)	12,095,112	469,712	–
Transfers from Stage 2	2,073,687	(2,876,458)	802,771	–
Transfers from Stage 3	39,314	84,798	(124,112)	–
	55,703,011	18,947,035	3,147,676	77,797,722
Credit cards				
Balance at beginning of year	18,670,128	8,126,101	1,571,575	28,367,804
Newly originated assets that remained in Stage 1 as at December 31, 2019	20,850,713	–	–	20,850,713
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	5,261,405	1,510,775	6,772,180
Movements in receivable balance	(16,526,270)	(5,669,122)	(149,057)	(22,344,449)
Write-offs (Note 15)	–	–	(2,705,749)	(2,705,749)
Transfers from Stage 1	(3,883,811)	3,352,147	531,664	–
Transfers from Stage 2	1,328,410	(1,943,026)	614,616	–
Transfers from Stage 3	107,397	11,832	(119,229)	–
	20,546,567	9,139,337	1,254,595	30,940,499
Mortgage loans				
Balance at beginning of year	14,794,271	2,728,178	590,852	18,113,301
Newly originated assets that remained in Stage 1 as at December 31, 2019	4,456,477	–	–	4,456,477
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	2,158,087	53,166	2,211,253
Movements in receivable balance	(2,985,286)	(1,250,320)	(254,567)	(4,490,173)
Write-offs (Note 15)	–	–	–	–
Transfers from Stage 1	(285,306)	–	285,306	–
Transfers from Stage 2	–	(164,312)	164,312	–
Transfers from Stage 3	45,134	62,185	(107,319)	–
	16,025,290	3,533,818	731,750	20,290,858
Other consumer loans**				
Balance at beginning of year	11,512,810	5,761,657	4,892,011	22,166,478
Newly originated assets that remained in Stage 1 as at December 31, 2019	1,318,258	–	–	1,318,258
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	2,878	3,254	6,132
Movements in receivable balance	(1,296,756)	(5,300,960)	(3,281,105)	(9,878,821)
Write-offs (Note 15)	–	–	(232,101)	(232,101)
Transfers from Stage 1	(4,072)	586	3,486	–
Transfers from Stage 2	2,102	(2,962)	860	–
Transfers from Stage 3	192	341	(533)	–
	11,532,534	461,540	1,385,872	13,379,946
Unquoted debt securities classified as loans and receivables				
Balance at beginning of year	–	–	393,288	393,288
Newly originated assets that remained in Stage 1 as at December 31, 2019	–	–	–	–
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	–	(51,398)	(51,398)
Movements in receivable balance	–	–	–	–
Write-offs (Note 15)	–	–	–	–
Transfers from Stage 1	–	–	–	–
Transfers from Stage 2	–	–	–	–
Transfers from Stage 3	–	–	–	–
	–	–	341,890	341,890

	2018			
	Gross carrying amount			
	Stage 1	Stage 2	Stage 3	Total
Other receivables* **				
Balance at beginning of year	₱1,223,188	₱366,255	₱848,084	₱2,437,527
Newly originated assets that remained in Stage 1 as at December 31, 2019	1,206,957	–	–	1,206,957
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	1,802,981	1,702,739	3,505,720
Movements in receivable balance	(1,108,578)	(341,742)	(839,658)	(2,289,978)
Write-offs (Note 15)	–	–	–	–
Transfers from Stage 1	(108,877)	102,371	6,506	–
Transfers from Stage 2	149,003	(173,988)	24,985	–
Transfers from Stage 3	4,232	7,119	(11,351)	–
Others	–	–	928,778	928,778
	1,365,925	1,762,996	2,660,083	5,789,004
Total	₱149,647,779	₱61,570,581	₱10,170,238	₱221,388,598

**Include Corporate loans and emerging enterprise loans*
***Include Branch loans, DepEd loans, Employee loans, Salary loans and Personal loans*
****Include Accrued interest receivables, Accounts receivables and Sales contract receivables.*

Credit Risk Weighting as of December 31, 2019, and 2018

Total credit risk exposure after risk mitigation

The table below shows the different credit risk exposures of the Group and of the Parent Company after credit risk mitigation, by risk weight applied in accordance with BSP Circular No. 538:

	Consolidated							
	2019							
	Capital	Risk Buckets						
	Deduction	0%	20%	50%	75%	100%	150%	Total
Credit risk exposure after risk mitigation								
On-balance sheet assets	**₱11,609,246**	**₱57,435,164**	**₱6,210,279**	**₱39,773,465**	**₱14,761,346**	**₱235,077,023**	**₱9,593,811**	**₱362,851,088**
Off-balance sheet assets	–	–	–	–	–	**3,557,318**	–	**3,557,318**
Counterparty in the banking book (derivatives and repo-style transactions)	–	–	–	**6,765,843**	–	–	–	**6,764,843**
Counterparty in the trading book (derivatives and repo-style transactions)	–	–	–	–	–	–	–	–
Credit-linked notes in the banking book	–	–	–	–	–	–	–	–
Securitization exposures	–	–	–	–	–	–	–	–
	11,609,246	**57,435,164**	**6,210,279**	**46,539,308**	**14,761,346**	**238,634,341**	**9,593,811**	**373,173,249**
Credit Risk Weighted Assets	**₱–**	**₱–**	**₱1,242,056**	**₱23,269,654**	**₱11,071,010**	**₱238,634,341**	**₱14,390,717**	**₱288,607,277**

	Consolidated							
	2018							
	Capital	Risk Buckets						
	Deduction	0%	20%	50%	75%	100%	150%	Total
Credit risk exposure after risk mitigation								
On-balance sheet assets	₱10,081,365	₱54,696,997	₱13,560,929	₱32,978,620	₱12,814,255	₱216,587,746	₱8,695,975	₱339,334,531
Off-balance sheet assets	–	–	–	–	–	–	–	–
Counterparty in the banking book (derivatives and repo-style transactions)	–	–	–	–	–	–	–	–
Counterparty in the trading book (derivatives and repo-style transactions)	–	–	–	–	–	–	–	–
Credit-linked notes in the banking book	–	–	–	–	–	–	–	–
Securitization exposures	–	–	–	–	–	–	–	–
	10,081,365	54,696,997	13,560,929	32,978,620	12,814,255	216,587,746	8,695,975	339,334,522
Credit Risk Weighted Assets	₱–	₱–	₱2,712,186	₱16,489,310	₱9,610,691	₱216,587,746	₱13,043,963	₱258,443,896

	Parent Company 2019							
	Capital	Risk Buckets						
	Deduction	0%	20%	50%	75%	100%	150%	Total
Credit risk exposure after risk mitigation								
On-balance sheet assets	₱13,872,545	₱56,639,974	₱6,207,698	₱39,773,465	₱14,758,120	₱211,515,466	₱7,755,980	₱336,650,703
Off-balance sheet assets	–	–	–	–	–	3,557,318	–	3,557,318
Counterparty in the banking book (derivatives and repo-style transactions)	–	–	–	6,764,843	–	–	–	6,764,843
Counterparty in the trading book (derivatives and repo-style transactions)	–	–	–	–	–	–	–	–
Credit-linked notes in the banking book	–	–	–	–	–	–	–	–
Securitization exposures	–	–	–	–	–	–	–	–
	13,872,545	56,639,974	6,207,698	46,538,308	14,758,120	215,072,784	7,755,980	346,972,864
Credit Risk Weighted Assets	₱–	₱–	₱1,241,540	₱23,269,154	₱11,068,590	₱215,072,784	₱11,633,970	₱₱262,286,038

	Parent Company 2018							
	Capital	Risk Buckets						
	Deduction	0%	20%	50%	75%	100%	150%	Total
Credit risk exposure after risk mitigation								
On-balance sheet assets	₱13,462,964	₱54,015,994	₱13,545,234	₱32,978,630	₱12,814,255	₱193,634,472	₱7,671,811	₱314,660,396
Off-balance sheet assets	–	–	–	–	–	–	–	–
Counterparty in the banking book (derivatives and repo-style transactions)	–	–	–	–	–	–	–	–
Counterparty in the trading book (derivatives and repo-style transactions)	–	–	–	–	–	–	–	–
Credit-linked notes in the banking book	–	–	–	–	–	–	–	–
Securitization exposures	–	–	–	–	–	–	–	–
	13,462,964	54,015,994	13,545,234	32,978,630	12,814,255	193,634,472	7,671,811	314,660,396
Credit Risk Weighted Assets	₱–	₱–	₱2,709,047	₱16,489,315	₱9,610,691	₱193,634,472	₱11,507,717	₱233,951,242

Liquidity Risk

Liquidity risk is the risk that sufficient funds are unavailable to adequately meet all maturing liabilities, including demand deposits and off-balance sheet commitments. The main responsibility of daily asset liability management lies with the Parent Company's Treasury Group, specifically the Liquidity Desk, which are tasked to manage the balance sheet and have thorough understanding of the risk elements involved in the respective businesses. Only the Parent Company and EWRB are potentially exposed to liquidity risk exposures, where their liquidity risk management are monitored by their respective ALCOs. Resulting analysis of the balance sheet along with the recommendation is presented during the weekly ALCO meeting where deliberations, formulation of actions and decisions are made to minimize risk and maximize returns. Discussions include actions taken in the previous ALCO meeting, economic and market status and outlook, liquidity risk, pricing and interest rate structure, limit status and utilization. To ensure that both the Parent Company and EWRB have sufficient liquidity at all times, the respective ALCO formulates a contingency funding plan which sets out the amount and the sources of funds (such as unutilized credit facilities) available to both entities and the circumstances under which such funds will be used.

By way of the Maximum Cumulative Outflow (MCO) limit, the Group is able to manage its long-term liquidity risks by placing a cap on the outflow of cash on a cumulative basis. The Group takes a multi-tiered approach to maintaining liquid assets. The Group's principal source of liquidity is comprised of Cash and other cash items, Due from BSP, Due from other banks and IBLR with maturities of less than one year. In addition to regulatory reserves, the Parent Company maintains a sufficient level of secondary reserves in the form of liquid assets such as short-term trading and investment securities that can be realized quickly.

Analysis of financial assets and liabilities by remaining contractual maturities
The tables below show the maturity profile of the financial assets and liabilities of the Group and of the Parent Company, based on its internal methodology that manages liquidity based on combined behavioral assumptions and contractual undiscounted cash flows:

	Consolidated						
	2019						
	On demand	Up to 1 month	>1 to 3 months	>3 to 6 months	>6 to 12 months	Beyond 1 year	Total
Financial Assets							
Cash and cash equivalents*	**₱47,930,735**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱47,930,735**
Investments and trading securities**	**–**	**16,798,853**	**4,767,752**	**965,046**	**1,917,694**	**76,637,754**	**101,087,099**
Loans and receivables***	**–**	**38,312,283**	**28,706,658**	**25,139,779**	**36,810,868**	**176,038,512**	**305,008,100**
Other assets	**–**	**202,744**	**–**	**–**	**–**	**268,330**	**471,074**
	₱47,930,735	**₱55,313,880**	**₱33,474,410**	**₱26,104,825**	**₱38,728,562**	**₱252,944,596**	**₱454,497,008**
Financial Liabilities							
Deposit liabilities****	**₱186,785,419**	**₱41,474,984**	**₱33,948,750**	**₱3,016,758**	**₱10,414,946**	**₱50,579,214**	**₱326,220,071**
Bills and acceptances payable	**36,823**	**29,950,625**	**979,817**	**–**	**–**	**–**	**₱30,967,265**
Subordinated debt	**–**	**5,000,000**	**17,188**	**17,188**	**34,375**	**1,714,063**	**6,782,814**
Lease liability	**–**	**95,882**	**181,290**	**269,204**	**506,353**	**2,834,572**	**3,887,301**
Other liabilities	**135,461**	**642,712**	**–**	**–**	**4,138,426**	**42,570**	**4,959,169**
Contingent liabilities*****	**–**	**2,620,104**	**662,157**	**929,804**	**1,828,252**	**–**	**6,040,317**
	₱186,957,703	**₱79,784,307**	**₱35,789,202**	**₱4,232,954**	**₱16,922,352**	**₱55,170,419**	**₱378,856,937**

* Consist of cash and cash other items, due from BSP, due from other banks and IBLR
** Consist of financial assets at FVTPL, investment securities at amortized cost, financial assets at FVTOCI and interest receivables from investment securities at amortized cost
*** Consist of loans and receivables, sales contract receivables, bills purchased, accrued interest receivables, accounts receivables, and unearned discounts classified as financial assets
**** Consist of demand and savings deposit, time certificate of deposit, long term negotiable certificates of deposit and interest payable for these deposit liabilities
***** Consists of stand-by letters of credit and forecasted utilization from credit cards lines

	Consolidated						
	2018						
	On demand	Up to 1 month	>1 to 3 months	>3 to 6 months	>6 to 12 months	Beyond 1 Year	Total
Financial Assets							
Cash and cash equivalents*	₱63,925,280	₱–	₱–	₱–	₱–	₱–	₱63,925,280
Investments and trading securities**	–	4,297,290	–	848,483	205,062	55,363,145	60,713,980
Loans and receivables***	–	28,139,474	26,088,504	24,859,831	31,102,365	169,308,836	279,499,010
Other assets	–	212,221	–	–	–	285,438	497,659
	₱63,925,280	₱32,648,985	₱26,088,504	₱25,708,314	₱31,307,427	₱224,957,419	₱404,635,929
Financial Liabilities							
Deposit liabilities****	₱145,527,487	₱55,557,971	₱57,731,075	₱903,873	₱1,807,600	₱31,978,442	₱293,506,449
Bills and acceptances payable	895,717	19,401,414	32,679	9,234	–	–	20,339,044
Subordinated debt	–	–	–	–	–	6,238,617	6,238,617
Other liabilities	154,375	628,519	–	–	4,243,093	43,519	5,069,506
Contingent liabilities*****	–	1,793,831	–	–	–	–	1,793,831
	₱146,577,579	₱77,381,735	₱57,763,754	₱913,107	₱6,050,693	₱38,260,578	₱326,947,447

* Consist of cash and cash other items, due from BSP, due from other banks and IBLR
** Consist of financial assets at FVTPL, investment securities at amortized cost, financial assets at FVTOCI and interest receivables from investment securities at amortized cost
*** Consist of loans and receivables, sales contract receivables, bills purchased, accrued interest receivables, accounts receivables, unearned discounts and other assets classified as financial assets
**** Consist of demand and savings deposit, time certificate of deposit, long term negotiable certificates of deposit and interest payable for these deposit liabilities
***** Consists of stand-by letters of credit and interest rate swap receivables

	Parent Company						
	2019						
	On demand	**Up to 1 month**	**>1 to 3 months**	**>3 to 6 months**	**>6 to 12 months**	**Beyond 1 year**	**Total**
Financial Assets							
Cash and cash equivalents*	**₱46,413,873**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱46,413,873**
Investments and trading securities**	**–**	**16,798,853**	**4,767,752**	**965,046**	**1,917,694**	**76,637,754**	**101,087,099**
Loans and receivables***	**–**	**37,353,958**	**26,829,878**	**22,346,587**	**31,261,862**	**156,680,035**	**274,472,320**
Other assets	**–**	**202,743**	**–**	**–**	**–**	**265,070**	**467,813**
	₱46,413,873	**₱54,355,554**	**₱31,597,630**	**₱23,311,633**	**₱33,179,556**	**₱233,582,859**	**₱422,441,105**
Financial Liabilities							
Deposit liabilities****	**₱165,741,479**	**₱41,474,984**	**₱33,948,750**	**₱3,016,758**	**₱10,414,946**	**₱50,579,214**	**₱305,176,132**
Bills and acceptances payable	**36,823**	**29,950,625**	**979,817**	**–**	**–**	**–**	**30,967,265**
Subordinated debt	**–**	**5,000,000**	**–**	**–**	**–**	**–**	**5,000,000**
Lease liability		**85,797**	**171,189**	**254,053**	**476,051**	**2,674,581**	**3,661,671**
Other liabilities	**111,694**	**546,084**	**–**	**–**	**3,542,869**	**42,572**	**4,243,219**
Contingent liabilities*****	**–**	**2,620,104**	**662,157**	**929,804**	**1,828,252**	**–**	**6,040,317**
	₱165,889,996	**₱79,677,594**	**₱35,761,913**	**₱4,200,615**	**₱16,262,118**	**₱53,296,367**	**₱355,088,604**

* Consist of cash and cash other items, due from BSP, due from other banks and IBLR
** Consist of financial assets at FVTPL, investment securities at amortized cost, financial assets at FVTOCI and interest receivables from investment securities at amortized cost
*** Consist of loans and receivables, sales contract receivables, bills purchased, accrued interest receivables, accounts receivables, unearned discounts and other assets classified as financial assets
**** Consist of demand and savings deposit, time certificate of deposit, long term negotiable certificates of deposit and interest payable for these deposit liabilities
***** Consists of stand-by letters of credit and interest rate swap receivables

	Parent Company						
	2018						
	On demand	Up to 1 month	>1 to 3 months	>3 to 6 months	>6 to 12 months	Beyond 1 year	Total
Financial Assets							
Cash and cash equivalents*	₱62,881,364	₱–	₱–	₱–	₱–	₱–	₱62,881,364
Investments and trading securities**	–	4,297,290	–	848,483	205,062	55,363,145	60,713,980
Loans and receivables***	–	27,215,159	24,269,497	22,162,571	25,670,619	151,695,287	251,013,133
Other assets	–	212,893	–	–	–	282,863	495,756
	₱62,881,364	₱31,725,342	₱24,269,497	₱23,011,054	₱25,875,681	₱207,341,295	₱375,104,233
Financial Liabilities							
Deposit liabilities****	₱126,554,148	₱55,557,971	₱57,731,075	₱903,873	₱1,807,600	₱31,978,442	₱274,533,110
Bills and acceptances payable	895,717	19,401,414	32,679	9,234			20,339,044
Subordinated debt	–	–	–	–	–	5,000,000	5,000,000
Other liabilities	154,510	619,132	–	–	3,402,260	42,321	4,218,223
Contingent liabilities*****	–	1,793,831	–	–	–	–	1,793,831
	₱127,604,375	₱77,372,348	₱57,763,754	₱913,107	₱5,209,860	₱37,020,763	₱305,884,208

* Consist of cash and cash other items, due from BSP, due from other banks and IBLR
** Consist of financial assets at FVTPL, investment securities at amortized cost, financial assets at FVTOCI and interest receivables from investment securities at amortized cost
*** Consist of loans and receivables, sales contract receivables, bills purchased, accrued interest receivables, accounts receivables, unearned discounts and other assets classified as financial assets
**** Consist of demand and savings deposit, time certificate of deposit, long term negotiable certificates of deposit and interest payable for these deposit liabilities
***** Consists of stand-by letters of credit and interest rate swap receivables

The Parent Company manages liquidity by maintaining sufficient liquid assets in the form of cash and cash equivalents, investment securities and loan receivables. As of December 31, 2019, and 2018, ₱117.79 billion (42.92%) and ₱96.31 billion (38.99%) respectively, of the Parent Company's total gross loans and receivables had remaining maturities of less than one (1) year. The total portfolio of trading and investment securities is comprised mostly of sovereign-issued securities that have high market liquidity. With the above presented liquidity profile, the Group remains to be inhibited from liquidity risk that it cannot adequately manage.

Market Risk
Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, and equity prices. The Parent Company treats exposures to market risk as either for trading or accrual or balance sheet exposure. The market risk for the trading portfolio is measured using Value at Risk (VaR). Interest rate risk of accrual portfolios in the Banking Book are measured using Earnings at Risk (EaR).

Market risk in the trading book
The BOD has set limits on the level of market risk that may be accepted. VaR limits are applied at the instrument level and approved by the BOD based on, among other things, a business unit's capacity to manage price risks, the size and distribution of the aggregate exposure to price risks and the expected return relative to price risks.

The Parent Company applies the VaR methodology to assess the market sensitive positions held for trading and to estimate the potential economic loss based on parameters and assumptions. VaR is a method used in measuring market risk by estimating the potential negative change in the market value of a portfolio at a given confidence level and over a specified time horizon.

Objectives and limitations of the VaR Methodology
The Parent Company uses the VaR model of Bloomberg Portfolio Analytics using one-year historical data set to assess possible changes in the market value of the fixed income, equities, and foreign exchange trading portfolio. VaR for the US treasury futures is measured using Historical Simulation using an internally developed Excel spreadsheet. The interest rate swaps (IRS) and foreign exchange (FX) forwards (outright and forward leg of FX Swaps) trading portfolio's interest rate risk is measured using Monte Carlo VaR using OPICS Risk Plus. The VaR models are designed to measure market risk in a normal market environment. The use of VaR has limitations because correlations and volatilities in market prices are based on historical data and VaR assumes that future price movements will follow a statistical distribution. Due to the fact that VaR relies heavily on historical data to provide information and may not clearly predict the future changes and modifications of the risk factors, the probability of large market moves may be underestimated.

VaR may also be under or overestimated due to assumptions placed on risk factors and the relationship between such factors for specific instruments. Even though positions may change throughout the day, VaR only represents the risk of the portfolio at the close of each business day, and it does not account for any losses that may occur beyond the specified confidence level.

In practice, actual trading results will differ from the VaR calculation and the calculation does not provide a meaningful indication of profits and losses in stressed market conditions. To determine the reliability of the VaR model, actual outcomes are monitored through hypothetical and actual backtesting to test the accuracy of the VaR model.

Stress testing provides a means of complementing VaR by simulating the potential loss impact on market risk positions from extreme market conditions, such as risk factor movements based on historical financial market stress conditions and scenarios adopted from the uniform stress testing framework of the BSP.

VaR assumptions
The VaR that the Parent Company uses is premised on a 99.99% confidence level that this potential loss estimate is not expected to be exceeded if the current market risk positions were to be held unchanged for a given holding period. Foreign exchange and US Treasury Futures VaR is measured using one (1) day holding period while fixed income VaR has a holding period of five (5) days. Furthermore, the Parent Company's equity and IRS trading positions are assumed to be closed out in

ten (10) days. The use of a 99.99% confidence level means that within the set time horizon, losses exceeding the VaR figure should occur, on average, not more than once every hundred days.

VaR is an integral part of the Parent Company's market risk management and encompasses investment positions held for trading. VaR exposures form part of the market risk monitoring which is reviewed daily against the limit approved by the BOD. The trading activities are controlled through the Market Risk Limit (MRL), which is a dynamic risk limit anchored on the principle of risk and return which is adjusted by net trading gains (added in half) or losses subtracted in whole. RMD reports compliance to the MRL and trader's VaR limits daily. If the MRL or individual trader's limit is exceeded, such occurrence is promptly reported to the Treasurer, President, Chief Risk Officer and the Chief Executive Officer, and further to the BOD through the RMC.

The table below pertains to interest rate risk of the Parent Company's fixed income trading portfolio (amounts in thousands):

	2019	2018
Year-end VaR	**₱773,557**	₱72,773
Average VaR	**321,085**	58,052
Highest VaR	**880,070**	145,351
Lowest VaR	**16,371**	11,735

The year-end VaR for 2019 was based on the Parent Company's fixed income trading book valued at ₱21.44 billion with average yields of 4.66% and 3.15% for the peso and foreign currency denominated bonds, respectively. Its average maturities are 9 years and 8 months for the peso portfolio and 18 years and 9 months for the foreign currency portfolio.

The year-end VaR for 2018 was based on the Parent Company's fixed income trading book valued at ₱4.54 billion with average yields of 6.56% and 4.86% for the Peso and Foreign currency denominated bonds, respectively. Its average maturities are 5 years and 1 month for the Peso portfolio and 19 years and 2 months for the foreign currency portfolio.

The market risk in the Parent Company's US treasury futures trading positions is shown in the table below:

	2019	2018
Year-end VaR	**₱5,576**	₱12,890
Average VaR	**6,471**	3,822
Highest VaR	**58,042**	29,154
Lowest VaR	**3,126**	731

The market risk in the Parent Company's IRS trading positions is shown in the table below:

	2019	2018
Year-end VaR	**₱11,799**	₱10,740
Average VaR	**9,766**	14,028
Highest VaR	**12,318**	16,602
Lowest VaR	**7,695**	10,529

The Parent Company's end-2019 and end-2018 IRS positions have a notional amount of US$20.00 million where it pays fixed rate and receives floating rate interest.

The interest rate risk in the Parent Company's FX forwards positions is shown in the table below:

	2019	2018
Year-end VaR	**₱735**	₱1,371
Average VaR	**582**	361
Highest VaR	**1,849**	2,781
Lowest VaR	**80**	41

Foreign Currency Risk
The Parent Company holds foreign currency denominated assets and liabilities, thus, foreign exchange rate fluctuations can affect the financials and cash flows of the Parent Company. Managing the foreign exchange exposure is important for banks with exposures in foreign currencies. For the Parent Company, this includes purchase or sell of foreign currency to control the impact of changes in exchange rates on its financial position.

The table below pertains to the foreign exchange risk of the Parent Company:

	2019	2018
Year-end VaR	**₱7,229**	₱4,335
Average VaR	**8,022**	5,574
Highest VaR	**17,889**	19,359
Lowest VaR	**1,807**	33

The Parent Company's foreign currency exposures emanate from its net open spot and forward FX purchase and sell transactions and net foreign currency income accumulated over the years of its operations. Foreign currency-denominated deposits are generally used to fund the Parent Company's foreign currency-denominated loan and investment portfolios in the FCDU.

In the FCDU books, BSP requires banks to match the foreign currency assets with the foreign currency liabilities. Thus, banks are required to maintain at all times a 100.00% cover for their foreign currency liabilities held through FCDU.

Total foreign currency position is monitored through the daily BSP FX position reports, which are subject to the overbought and oversold limits set by the BSP at 20.00% of unimpaired capital or US$50.00 million, whichever is lower. Internal limits regarding the intraday trading and end-of-day trading positions in FX, which consider the trading desk and the branch FX transactions, are also monitored.

The tables below summarize the exposure to foreign currencies of the Parent Company as of December 31, 2019, and 2018:

	2019					
	USD	**SGD**	**JPY**	**EUR**	**Other Currencies***	**Total**
Assets						
Gross FX assets	**$1,167,384**	**$967**	**$5,759**	**$5,338**	**$6,492**	**$1,185,940**
Contingent FX assets	**61,550**	**–**	**–**	**–**	**15,003**	**76,553**
	1,228,934	**967**	**5,759**	**5,338**	**21,495**	**1,262,493**
Liabilities						
Gross FX liabilities	**1,120,216**	**1,501**	**8,217**	**6,710**	**22,315**	**1,158,959**
Contingent FX liabilities	**116,067**	**–**	**37**	**–**	**–**	**116,104**
	1,236,283	**1,501**	**8,254**	**6,710**	**22,315**	**1,275,063**
Net exposure	**($7,349)**	**($534)**	**($2,495)**	**($1,372)**	**($820)**	**($12,570)**

**Other currencies include GBP, HKD, AUD, CNY and NZD.*

	2018					
	USD	SGD	JPY	HKD	Other Currencies*	Total
Assets						
Gross FX assets	$1,063,028	$14,890	$4,626	$518	$16,018	$1,099,080
Contingent FX assets	52,500	–	–	–	15,948	68,448
	1,115,528	14,890	4,626	518	31,966	1,167,528
Liabilities						
Gross FX liabilities	1,019,322	16,368	3,431	1,681	34,930	1,075,732
Contingent FX liabilities	95,867	–	–	–	–	95,867
	1,115,189	16,368	3,431	1,681	34,930	1,171,599
Net exposure	$339	($1,478)	$1,195	($1,163)	($2,964)	($4,071)

**Other currencies include GBP, HKD, AUD, CNY and NZD.*

The Parent Company's positions in other currencies are not individually significant.

The tables below indicate the sensitivity of the currencies which the Parent Company had significant exposures as of December 31, 2019, and 2018:

Foreign currency appreciates (depreciates)	**2019 USD**	**SGD**	**JPY**	**EUR**
+10.00%	**(₱37,209)**	**(₱2,704)**	**(₱12,634)**	**(₱6,948)**
-10.00%	**₱37,209**	**₱2,704**	**₱12,634**	**₱6,948**

Foreign currency appreciates (depreciates)	2018 USD	SGD	JPY	HKD
+10.00%	₱1,790	(₱7,773)	₱6,282	(₱6,112)
-10.00%	(₱1,790)	7,773	(6,282)	6,112

The analysis calculates the effect of a reasonably possible movement of the foreign currency rate against Peso, with all other variables held constant, on the statement of income. A negative amount reflects a potential net reduction in statement of income while a positive amount reflects a net potential increase. There is no other impact on the Parent Company's equity other than those already affecting the statements of income.

Market Risk in the Banking Book

Interest rate risk

Interest rate risk in the banking book (IRRBB) is inherent in the Groups' traditional banking activities that include taking deposits to invest or grant loans. The future cash flows from these activities are exposed to variations in interest rates, largely from mismatch in tenors and prices, IRRBB is measured with Earnings-at-Risk (EaR) which is a measure of the net interest income movement due to changes in prevailing interest rates and the balance sheet re-pricing profile of the Group. The EaR limit is set as a function of the Group's net interest margin (NIM). The EaR limit preserves the Group's capital and competitive position by restricting the impact of interest rate sensitivities to NIM within the corridor of above average and within the first quartile of its peer banks. In measuring EaR, the Group's interest re-pricing assets and liabilities are matched by re-pricing (or maturity if non-repricing) buckets covering tenors within a one-year horizon, and corresponding gaps determined. If positive gap is noted, it implies that an increase in interest rates will positively affect the net interest income. Conversely, a negative gap implies that an increase in interest rates will negatively affect the net interest income. The estimated nominal impact to the Bank's earnings is derived by multiplying the volatility of benchmark yields for each tenor bucket to the repricing gap profile. The result is compared vs EaR limit to monitor the compliance with the limit and is reported to the RMC on a monthly basis. Additionally, EaR limit is reviewed and updated annually to ensure its continued relevance and alignment with the Group's financial targets, strategies, and overall risk appetite.

To complement EaR and provide Management a more holistic view, the Group performs forward looking scenario and sensitivity analysis as well as stress testing activities to identify any vulnerabilities. The Bank employs three (3) methodologies in the conduct of stress testing a) economic/historical stress test which assumes a parallel shift in interest yield curves of 660.00 basis points for PhP-denominated assets and liabilities and 270.00 basis points for USD-denominated, b) uniform stress test, a regulatory-prescribed stress test, has three (3) scenarios with assumed parallel shift in interest rates for both PhP (from 300.00 bps to 500.00 bps) and USD (from 100.00 bps to 300.00 bps), c) reverse stress test, which primarily measures the highest swing in interest rates that can potentially wipe out the Banks targeted net income and net interest income.

All IRRBB reports are also presented to the ALCO. The ALCO deliberates on matters pertaining to the management of the Bank's assets and liabilities, such as achieving optimum asset and liability mix, pricing, liquidity levels, repricing gap positions, and asset quality. The Bank's ALCO meets on a weekly basis.

The Bank manages its IRRBB through effective diversification of funding sources. By offering various deposit, investment and loan products with differing maturities, the Bank is able to meet its short, medium and long-term obligations, optimize returns, and provide options that cater to differing preferences of its target market. The Bank's target funding mix is aligned with the Bank's overall growth plans. While the Bank mainly manages IRRBB through careful planning of its cashflows, it also has access to various derivative products that provide flexibility in responding to more abrupt market developments.

The following tables provide for the average interest rates by period of re-pricing (or by period of maturity if there is no re-pricing) of the Group as of December 31, 2019 and 2018:

	2019				
	Up to 1 month	**>1 month to 3 months**	**>3 months to 6 months**	**>6 months to 12 months**	**>12 months**
RBU					
Financial assets:					
Cash and cash equivalents*	**4.02%**	–	–	–	–
Investment securities**	**6.02%**	–	–	–	**6.08%**
Loans and receivables	**6.43%**	**7.37%**	**5.84%**	**11.04%**	**16.91%**
Financial liabilities:					
Deposit liabilities	**3.05%**	**3.31%**	**3.67%**	**3.17%**	**3.73%**
Bills payable	**4.50%**				
Subordinated debt	**5.50%**	–	–	–	**5.50%**
FCDU					
Financial assets:					
Cash and cash equivalents*	**1.55%**	–	–	–	–
Investment securities**	**3.83%**	**3.95%**	–	–	**5.23%**
Loans and receivables	**2.91%**	**3.75%**	**4.81%**	**4.00%**	**7.31%**
Financial liabilities:					
Deposit liabilities	**1.71%**	**1.86%**	**2.38%**	**2.19%**	**2.49%**
Bills payable	**2.23%**	**2.21%**	–	–	–

**Pertain to Due from BSP, Due from other banks, Interbank loans and receivables*
***Pertain to financial assets at FVTPL, financial assets at FVOCI and investment securities at amortized cost*

	2018				
	Up to 1 month	>1 month to 3 months	>3 months to 6 months	>6 months to 12 months	>12 months
RBU					
Financial assets:					
Cash and cash equivalents*	2.17%	–	–	–	–
Investment securities**	4.20%	–	–	–	5.48%
Loans and receivables	5.99%	6.58%	7.58%	10.10%	11.96%
Financial liabilities:					
Deposit liabilities	1.73%	4.22%	3.34%	2.30%	3.47%
Bills payable	5.26%	–	–	–	–
Subordinated debt	–	–	–	–	5.50%
FCDU					
Financial assets:					
Cash and cash equivalents*	2.20%	–	–	–	–
Investment securities**	6.57%	–	7.25%	4.25%	5.48%
Loans and receivables	3.14%	6.20%	3.14%	–	7.25%
Financial liabilities:					
Deposit liabilities	1.07%	1.93%	1.51%	1.50%	2.71%
Bills payable	2.80%	–	–	–	–

**Pertain to Due from BSP, Due from other banks, Interbank loans and receivables*
***Pertain to financial assets at FVTPL, financial assets at FVOCI and investment securities at amortized cost*

The following tables provide for the average interest rates by period of re-pricing (or by period of maturity if there is no re-pricing) of the Parent Company as of December 31, 2019 and 2018:

	2019				
	Up to 1 month	**>1 month to 3 months**	**>3 months to 6 months**	**>6 months to 12 months**	**>12 months**
RBU					
Financial assets:					
Cash and cash equivalents*	**4.02%**	–	–	–	–
Investment securities**	**6.02%**	–	–	–	**6.08%**
Loans and receivables	**6.43%**	**7.36%**	**5.74%**	**12.09%**	**19.55%**
Financial liabilities:					
Deposit liabilities	**2.94%**	**3.18%**	**3.68%**	**3.18%**	**4.08%**
Bills payable	**4.50%**	–	–	–	–
Subordinated debt	**5.50%**	–	–	–	–
FCDU					
Financial assets:					
Cash and cash equivalents*	**1.55%**	–	–	–	–
Investment securities**	**3.83%**	**3.95%**	–	–	**5.23%**
Loans and receivables	**2.91%**	**3.75%**	**4.81%**	**4.00%**	**7.31%**
Financial liabilities:					
Deposit liabilities	**1.71%**	**1.86%**	**2.38%**	**2.19%**	**2.49%**
Bills payable	**2.23%**	**2.21%**	–	–	–

**Pertain to Due from BSP, Due from other banks, Interbank loans and receivables*
***Pertain to financial assets at FVTPL, financial assets at FVOCI and investment securities at amortized cost*

	2018				
	Up to 1 month	>1 month to 3 months	>3 months to 6 months	>6 months to 12 months	>12 months
RBU					
Financial assets:					
Cash and cash equivalents*	2.17%	–	–	–	–
Investment securities**	4.20%	–	–	–	5.48%
Loans and receivables	5.99%	6.56%	7.57%	10.35%	12.75%
Financial liabilities:					
Deposit liabilities	1.39%	2.02%	3.11%	2.16%	4.09%
Bills payable	5.26%	–	–	–	–
Subordinated debt	–	–	–	–	5.50%
FCDU					
Financial assets:					
Cash and cash equivalents*	2.20%	–	–	–	–
Investment securities**	6.57%	–	7.25%	4.25%	5.48%
Loans and receivables	3.14%	6.20%	3.14%	–	7.25%
Financial liabilities:					
Deposit liabilities	1.07%	1.93%	1.51%	1.50%	2.71%
Bills Payable	2.80%	–	–	–	–

**Pertain to Due from BSP, Due from other banks, Interbank loans and receivables*
***Pertain to financial assets at FVTPL, financial assets at FVOCI and investment securities at amortized cost*

The following tables set forth the interest rate re-pricing gap of the Group as of December 31, 2019 and 2018:

	2019					
	Up to 1 month	**> 1 to 3 months**	**> 3 to 6 months**	**>6 to 12 months**	**>12 months**	**Total**
Financial assets:						
Cash and cash equivalents	**₱2,691,882**	**₱–**	**₱–**	**₱–**	**₱–**	**₱2,691,882**
Investment securities	**16,799,979**	**434,286**	–	–	**54,219,537**	**71,453,802**
Loans and receivables	**37,841,333**	**4,446,187**	**10,453,784**	**6,476,761**	**154,111,407**	**213,329,472**
Contingent assets*	–	**759,525**	**253,175**	–	–	**1,012,700**
Total financial assets	**57,333,194**	**5,639,998**	**10,706,959**	**6,476,761**	**208,330,944**	**288,487,856**
Financial liabilities:						
Deposit liabilities	**83,447,163**	**47,388,399**	**16,084,590**	**2,193,420**	**13,828,598**	**162,942,170**
Bills payable	**29,950,625**	**962,306**	–	–	–	**30,912,931**
Subordinated debt	**5,000,000**	–	–	–	**1,250,000**	**6,250,000**
Contingent liabilities**	–	–	–	–	**1,012,700**	**1,012,700**
Total financial liabilities	**118,397,788**	**48,350,705**	**16,084,590**	**2,193,420**	**16,091,298**	**201,117,801**
Asset-liability gap	**(₱61,064,594)**	**(₱42,710,707)**	**(₱5,377,631)**	**₱4,283,341**	**₱192,239,646**	**₱87,370,055**

* *Consist of interest rate swap receivables*
** *Consist of interest rate swap payables*

	2018					
	Up to 1 month	> 1 to 3 months	> 3 to 6 months	>6 to 12 months	>12 months	Total
Financial assets						
Cash and cash equivalents	₱5,862,670	₱–	₱–	₱–	₱–	₱5,862,670
Investment securities	4,286,960	–	848,483	205,062	33,270,550	38,611,055
Loans and receivables	39,375,802	5,435,804	5,213,752	6,096,906	151,158,971	207,281,235
Contingent assets*	–	1,051,600	–	–	–	1,051,600
Total financial assets	49,525,432	6,487,404	6,062,235	6,301,968	184,429,521	252,806,560
Financial liabilities						
Deposit liabilities	126,883,754	8,344,245	3,790,783	740,204	21,092,865	160,851,851
Bills payable	17,939,215	–	–	–	–	17,939,215
Subordinated debt	–	–	–	–	6,250,000	6,250,000
Contingent liabilities**	–	–	–	–	1,051,600	1,051,600
Total financial liabilities	144,822,969	8,344,245	3,790,783	740,204	28,394,465	186,092,666
Asset-liability gap	(₱95,297,537)	(₱1,856,841)	₱2,271,452	₱5,561,764	₱156,035,056	₱66,713,894

* *Consist of interest rate swap receivables*
** *Consist of interest rate swap payables*

The following tables set forth the interest rate re-pricing gap of the Parent Company as of December 31, 2019 and 2018:

	2019					
	Up to 1 month	**> 1 to 3 months**	**> 3 to 6 months**	**>6 to 12 months**	**>12 months**	**Total**
Financial assets:						
Cash and cash equivalents	**₱2,691,882**	**₱–**	**₱–**	**₱–**	**₱–**	**₱2,691,882**
Investment securities	**16,799,979**	**434,286**	–	–	**54,219,537**	**71,453,802**
Loans and receivables	**37,779,375**	**4,368,482**	**10,253,023**	**5,402,435**	**129,095,210**	**186,898,525**
Contingent assets*	–	**759,525**	**253,175**	–	–	**1,012,700**
Total financial assets	**57,271,236**	**5,562,293**	**10,506,198**	**5,402,435**	**183,314,747**	**262,056,909**
Financial liabilities:						
Deposit liabilities	**72,259,561**	**38,094,374**	**16,044,566**	**2,186,793**	**13,828,598**	**142,413,892**
Bills payable	**29,950,652**	**962,306**	–	–	–	**30,912,931**
Subordinated debt	**5,000,000**	–	–	–	–	**5,000,000**
Contingent liabilities**	–	–	–	–	**1,012,700**	**1,012,700**
Total financial liabilities	**107,210,186**	**39,056,680**	**16,044,566**	**2,186,793**	**14,841,298**	**179,339,523**
Asset-liability gap	**(₱49,938,950)**	**(₱33,494,387)**	**(₱5,538,368)**	**₱3,215,642**	**₱168,473,449**	**₱82,717,386**

* *Consist of interest rate swap receivables*
** *Consist of interest rate swap payables*

	2018					
	Up to 1 month	> 1 to 3 months	> 3 to 6 months	>6 to 12 months	>12 months	Total
Financial assets						
Cash and cash equivalents	₱5,862,670	₱–	₱–	₱–	₱–	₱5,862,670
Investment securities	4,286,960	–	848,483	205,062	33,270,550	38,611,055
Loans and receivables	39,359,611	5,388,066	5,043,790	5,505,863	127,417,833	182,715,163
Contingent assets*	–	1,051,600	–	–	–	1,051,600
Total financial assets	49,509,241	6,439,666	5,892,273	5,710,925	160,688,383	228,240,488
Financial liabilities						
Deposit liabilities	116,460,728	1,369,831	3,132,493	719,089	21,092,865	142,775,006
Bills payable	17,939,215	–	–	–	–	17,939,215
Subordinated debt	–	–	–	–	5,000,000	5,000,000
Contingent liabilities**	–	–	–	–	1,051,600	1,051,600
Total financial liabilities	134,399,943	1,369,831	3,132,493	719,089	27,144,465	166,765,821
Asset-liability gap	(₱84,890,702)	₱5,069,835	₱2,759,780	₱4,991,836	₱133,543,918	₱61,474,667

* *Consist of interest rate swap receivables*
** *Consist of interest rate swap payables*

The Group also monitors its exposure to fluctuations in interest rates by using scenario analysis to estimate the impact of interest rate movements on its interest income. This is done by modeling the impact to the Group's interest income and interest expenses of different parallel changes in the interest rate curve, assuming the parallel change only occurs once and the interest rate curve after the parallel change does not change again for the next twelve months.

The following table sets forth, for the period indicated, the impact of changes in interest rates on the Group's non-trading net interest income. There is no other impact on the Group's equity other than those already affecting the statements of income.

Change in basis points	2019	2018
+100.00 bps	**(₱964,027)**	(₱900,641)
-100.00 bps	**964,027**	900,641

The following table sets forth, for the period indicated, the impact of changes in interest rates on the Parent Company's non-trading net interest income. There is no other impact on the Parent Company's equity other than those already affecting the statements of income.

Change in basis points	2019	2018
+100.00 bps	**(₱784,277)**	(₱741,559)
-100.00 bps	**784,277**	741,559

Market Risk Weighting as of December 31, 2019 and 2018
The table below shows the different market risk-weighted assets of the Parent Company using the standardized approach which is based on the standard weight per segment or asset class:

Type of Market Risk Exposure	2019	2018
Interest rate exposures	**₱13,388,521**	₱2,275,757
Foreign exchange exposures	**286,768**	220,046
	₱13,675,289	₱2,495,803

Only the Parent Company has a trading book portfolio.

Operational Risk
Operational risk is the loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes legal, compliance and reputational risks but excludes strategic risk.

Adopting the Basic Indicator Approach below, where computation is based on the 15.00% of the average gross income for the past three years, it shows the total operational risk-weighted assets of the Group and Parent Company.

	2019	2018
Group	**₱44,636,287**	38,959,219
Parent Company	**₱40,694,212**	35,179,171

Other Risk Exposures
Group risk exposures other than credit, market, liquidity and operational, while existent, are deemed insignificant relative to the mentioned risks and if taken in isolation. Hence, management of these risks are instead collectively performed and made an integral part of the Group's internal capital adequacy assessment process (ICAAP) and enterprise risk management initiatives.

5. Fair Value Measurement

The Group has assets and liabilities in the consolidated and Parent Company statements of financial position that are measured at fair value on a recurring and non-recurring basis after initial recognition. Recurring fair value measurements are those that another PFRS requires or permits to be recognized on the statements of financial position at the end of the year financial reporting period. These include financial assets and liabilities at FVTPL and Financial assets at FVTOCI

The methods and assumptions used by the Group in estimating the fair values of the financial instruments are:

Cash and other cash items, due from BSP and other banks, IBLR and accrued interest receivables – The carrying amounts approximate their fair values in view of the relatively short-term maturities of these instruments.

Debt securities - Fair values are generally based on quoted market prices. If the market prices are not readily available, fair values are estimated using the discounted cash flow methodology.

Equity securities - Fair values of quoted equity securities are based on quoted market prices.

Derivative instruments (presented as other financial assets and liabilities in 'Other assets' and 'Other liabilities') - Fair values of derivative instruments, mainly currency forwards and swaps and interest rate swaps, are valued using a valuation technique using market observable inputs. The valuation technique applied includes forward pricing and swap models using present value calculations. The models incorporate various inputs including foreign exchange spot and forward rates, yield curves of the respective currencies and interest rate curves prevailing at the statement of financial position date. For futures, these are valued considering the prevailing futures prices on the exchange as of the statement of financial position date.

Receivable from customers and unquoted debt securities classified as loans - Fair values of loans and receivables are estimated using the discounted cash flow methodology, using the Group's current incremental lending rates for similar types of loans and receivables.

Accounts receivable, sales contract receivable and other financial assets included in other assets – quoted market prices are not readily available for these assets. These are reported at cost and are not significant in relation to the Group's total portfolio of securities

Investment properties – Fair value of investment properties are determined by independent or in-house appraisers using the market data approach. Valuations were derived on the basis of recent sales of similar properties in the same area as the investment properties and taking into account the economic conditions prevailing at the time the valuations were made, and comparability of similar properties sold with the property being valued. Significant unobservable inputs in determining fair values include the following:

- **Location**: Location of comparative properties whether on a main road, or secondary road. Road width could also be a consideration if data is available. As a rule, properties located along a main road are superior to properties located along a secondary road.
- **Size**: Size of lot in terms of area. Evaluate if the lot size of property or comparable conforms to the average cut of the lots in the area and estimate the impact of the lot size differences on land value.
- **Time element**: An n adjustment for market conditions is made if general property values have appreciated or depreciated since the transaction dates due to inflation or deflation or a change in investor's perceptions of the market over time, in which case, the current data is superior to historic data.
- **Discount**: Generally, asking prices in advertisements posted for sale are negotiable. Discount is the amount the seller or developer is willing to deduct from the posted selling price if the transaction will be in cash or equivalent.

Deposit liabilities (demand, savings and time) – For demand and savings deposit, carrying amounts approximate fair values considering that these are due and demandable. Fair value of time deposit liabilities is estimated using the discounted cash flow methodology using the Group's incremental borrowing rates for similar borrowing with maturities consistent with those for the liabilities being valued.

LTNCDs and subordinated debt - Fair values of LTNCD and subordinated debt are estimated using adjusted quoted market prices comparable investments. The adjustments on market quoted prices are unobservable inputs.

Bills and acceptances payable, cashier's checks and demand draft payable – Carrying amounts approximate fair values due to the short-term nature of the accounts.

Other financial liabilities included in 'Other liabilities – Quoted market prices are not readily available for these liabilities. These are reported at cost and are not significant in relation to the Group's total portfolio.

The following tables provides the fair value hierarchy of the Group's and of the Parent Company's assets and liabilities measured at fair value and those for which fair values are required to be disclosed:

	Consolidated				
	2019				
		Fair Value			
	Carrying Value	Total	Quoted Prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value					
Financial assets					
Financial assets at FVTPL:					
Government securities	**₱16,768,178**	**₱16,768,178**	**₱16,768,178**	–	–
Private bonds	**62,188**	**62,188**	**62,188**	–	–
Equity securities	**10,343**	**10,343**	**10,343**	–	–
	16,840,709	**16,840,709**	**16,840,709**	–	–
Derivative assets*	**104,313**	**104,313**	–	**104,313**	–
Financial assets at FVTOCI:					
Government securities	**4,650,635**	**4,650,635**	**4,650,635**	–	–
Equity securities	**1**	**1**	**1**	–	–
	4,650,636	**4,650,636**	**4,650,636**	–	–
	21,595,658	**21,595,658**	**21,491,345**	**104,313**	–
Assets for which fair values are disclosed					
Financial assets					
Investment securities at amortized cost:					
Government securities	**40,244,099**	**44,358,323**	**44,358,323**	–	–
Private bonds	**9,141,971**	**10,060,962**	**10,060,962**	–	–
	49,386,070	**54,419,285**	**54,419,285**	–	–
Loans and receivables					
Receivable from customers:					
Corporate lending	**69,323,969**	**71,898,694**	–	–	**71,898,694**
Consumer lending	**188,996,450**	**251,055,596**	–	–	**251,055,596**
Unquoted debt securities	**264,515**	**344,188**	–	–	**344,188**
Other receivables	**5,587,471**	**5,587,471**	–	–	**5,587,471**
	264,172,405	**328,885,949**	–	–	**328,885,949**
Other financial assets	**366,761**	**366,761**	–	–	**366,761**
Non-financial assets					
Investment properties	**949,138**	**1,590,237**	–	–	**1,590,237**
	₱336,470,032	**₱406,857,890**	**₱75,910,630**	**₱104,313**	**₱330,842,947**
Liabilities measured at fair value					
Financial liabilities					
Derivative liabilities**	**₱128,004**	**₱128,004**	**₱–**	**₱128,004**	**₱–**
Liabilities for which fair values are disclosed					
Financial liabilities					
Deposit liabilities					
Demand	**88,757,787**	**88,757,787**	–	–	**88,757,787**
Savings	**98,027,632**	**98,027,632**	–	–	**98,027,632**
Time	**104,605,705**	**108,535,667**	–	–	**108,535,667**
LTNCD	**13,335,031**	**13,371,600**	–	–	**13,371,600**
	304,726,155	**308,692,686**	–	–	**308,692,686**
Lease liability	**3,302,981**	**3,507,684**	–	–	**3,507,684**
Bills payable	**30,949,753**	**30,949,753**	–	–	**30,949,753**
Subordinated debt	**6,219,011**	**6,134,819**	–	–	**6,134,819**
	₱345,325,904	**₱349,412,946**	**₱–**	**₱128,004**	**₱349,284,942**

**Presented under 'Other Assets'*
***Presented under 'Other Liabilities'*

	Consolidated				
	2018				
		Fair Value			
	Carrying Value	Total	Quoted Prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value					
Financial assets					
Financial assets at FVTPL:					
Government securities	₱4,286,260	₱4,286,260	₱4,286,260	₱–	₱–
Private bonds	42,204	42,204	42,204	–	–
Equity securities	10,330	10,330	10,330	–	–
	4,338,794	4,338,794	4,338,794	–	–
Derivative assets*	201,033	201,033	–	201,033	–
Financial assets at FVTOCI:					
Government securities	248,206	248,206	248,206	–	–
Equity securities	1	1	1	–	–
	248,207	248,207	248,207	–	–
	4,788,034	4,788,034	4,587,001	201,033	–
Assets for which fair values are disclosed					
Financial assets					
Investment securities at amortized cost:					
Government securities	26,098,282	25,659,808	25,659,808	–	–
Private bonds	10,412,264	9,856,548	9,856,548	–	–
	36,510,546	35,516,356	35,516,356	–	–
Loans and receivables					
Receivable from customers:					
Corporate lending	71,795,794	69,599,163	–	–	69,599,163
Consumer lending	168,947,258	168,559,399	–	–	168,559,399
Unquoted debt securities	270,264	341,890	–	–	341,890
Other receivables	5,000,272	5,000,272	–	–	5,000,272
	246,013,588	243,500,724			243,500,724
Other financial assets	296,626	296,626	–	–	296,626
Non-financial assets					
Investment properties	921,153	1,497,178	–	–	1,497,178
	₱288,529,947	₱285,598,918	₱40,103,357	₱201,033	₱245,294,528
Liabilities measured at fair value					
Financial liabilities					
Derivative liabilities**	₱146,548	₱146,548	₱–	₱146,548	₱–
Liabilities for which fair values are disclosed					
Financial liabilities					
Deposit liabilities					
Demand	74,793,978	74,793,978	–	–	74,793,978
Savings	70,733,509	70,733,509	–	–	70,733,509
Time	126,915,196	127,649,516	–	–	127,649,516
LTNCD	15,797,150	16,768,366	–	–	16,768,366
	288,239,833	289,945,369			289,945,369
Bills payable	17,969,927	17,969,927	–	–	17,969,927
Subordinated debt	6,214,479	6,648,452	–	–	6,648,452
	₱312,570,787	₱314,710,296	₱–	₱146,548	₱314,563,748

**Presented under 'Other Assets'*
***Presented under 'Other Liabilities'*

	Parent Company				
	2019				
		Fair Value			
	Carrying Value	Total	Quoted Prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value					
Financial assets					
Financial assets at FVTPL:					
Government securities	**₱16,768,178**	**₱16,768,178**	**₱16,768,178**	**₱–**	**₱–**
Private bonds	**62,188**	**62,188**	**62,188**	**–**	**–**
Equity securities	**10,343**	**10,343**	**10,343**	**–**	**–**
	16,840,709	**16,840,709**	**16,840,709**	**–**	**–**
Derivative assets*	**104,313**	**104,313**	**–**	**104,313**	**–**
Financial assets at FVTOCI:					
Government securities	**4,650,635**	**4,650,635**	**4,650,635**	**–**	**–**
Equity securities	**1**	**1**	**1**	**–**	**–**
	4,650,636	**4,650,636**	**4,650,636**	**–**	**–**
	21,595,658	**21,595,658**	**21,491,345**	**104,313**	**–**
Assets for which fair values are disclosed					
Financial assets					
Investment securities at amortized cost:					
Government securities	**40,244,099**	**44,358,323**	**44,358,323**	**–**	**–**
Private bonds	**9,141,971**	**10,060,962**	**10,060,962**	**–**	**–**
	49,386,070	**54,419,285**	**54,419,285**	**–**	**–**
Loans and receivables					
Receivable from customers:					
Corporate lending	**69,378,774**	**71,898,694**	**–**	**–**	**71,898,694**
Consumer lending	**167,961,011**	**223,576,484**	**–**	**–**	**223,576,484**
Unquoted debt securities	**264,515**	**334,188**	**–**	**–**	**334,188**
Other receivables	**4,255,100**	**5,587,471**	**–**	**–**	**5,587,471**
	241,859,400	**301,396,837**	**–**	**–**	**301,396,837**
Other financial assets	**363,500**	**363,500**	**–**	**–**	**363,500**
Non-financial assets					
Investment properties	**947,836**	**1,586,848**	**–**	**–**	**1,586,848**
	₱314,151,834	**₱379,361,498**	**₱75,910,630**	**₱104,313**	**₱303,346,555**
Liabilities measured at fair value					
Financial liabilities					
Derivative liabilities**	**₱128,004**	**₱128,004**	**₱–**	**₱128,004**	**₱–**
Liabilities for which fair values are disclosed					
Financial liabilities					
Deposit liabilities					
Demand	**89,587,063**	**89,587,063**	**–**	**–**	**89,587,063**
Savings	**76,154,416**	**76,154,416**	**–**	**–**	**76,154,416**
Time	**104,605,705**	**108,535,667**	**–**	**–**	**108,535,667**
LTNCD	**13,335,031**	**13,371,600**	**–**	**–**	**13,371,600**
	283,682,215	**287,648,746**			**287,648,746**
Lease liability	**3,121,443**	**3,312,669**			**3,312,669**
Bills payable	**30,949,753**	**30,949,753**			**30,949,753**
Subordinated debt	**4,979,340**	**4,979,340**	**–**	**–**	**4,979,340**
	₱322,860,755	**₱327,018,512**	**₱–**	**₱128,004**	**₱326,890,508**

**Presented under 'Other Assets'*
***Presented under 'Other Liabilities'*

	Parent Company				
	2018				
		Fair Value			
	Carrying Value	Total	Quoted Prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value					
Financial assets					
Financial assets at FVTPL:					
Government securities	₱4,286,260	₱4,286,260	₱4,286,260	₱–	₱–
Private bonds	42,204	42,204	42,204	–	–
Equity securities	10,330	10,330	10,330	–	–
	4,338,794	4,338,794	4,338,794	–	–
Derivative assets*	201,033	201,033	–	201,033	–
Financial assets at FVTOCI:					
Government securities	248,206	248,206	248,206	–	–
Equity securities	1	1	1	–	–
	248,207	248,207	248,207	–	–
	4,788,034	4,788,034	4,587,001	201,033	–
Assets for which fair values are disclosed					
Financial assets					
Investment securities at amortized cost:					
Government securities	26,098,282	25,659,808	25,659,808	–	–
Private bonds	10,412,264	9,856,548	9,856,548	–	–
	36,510,546	35,516,356	35,516,356	–	–
Loans and receivables					
Receivable from customers:					
Corporate lending	71,795,793	69,599,163	–	–	69,599,163
Consumer lending	145,386,990	140,883,320	–	–	140,883,320
Unquoted debt securities	270,263	341,890	–	–	341,890
Other receivables	4,743,761	4,743,761	–	–	4,743,761
	222,196,807	215,568,134	–	–	215,568,134
Other financial assets	294,723	294,723	–	–	294,723
Non-financial assets					
Investment properties	919,782	1,495,806	–	–	1,495,806
	₱264,709,892	₱257,663,053	₱40,103,357	₱201,033	₱217,358,663
Liabilities measured at fair value					
Financial liabilities					
Derivative liabilities**	₱146,548	₱146,548	₱–	₱146,548	₱–
Liabilities for which fair values are disclosed					
Financial liabilities					
Deposit liabilities					
Demand	75,162,613	75,162,613	–	–	75,162,613
Savings	51,391,535	51,391,535	–	–	51,391,535
Time	126,915,196	127,649,516	–	–	127,649,516
LTNCD	15,797,150	16,768,366	–	–	16,768,366
	269,266,494	270,972,030	–	–	270,972,030
Bills payable	17,969,927	17,969,927	–	–	17,969,927
Subordinated debt	4,975,862	5,311,981	–	–	5,311,981
	₱292,358,831	₱294,400,486	–	₱146,548	₱294,253,938

**Presented under 'Other Assets'*
***Presented under 'Other Liabilities'*

In 2019 and 2018, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Derivative Financial Instruments
The Parent Company's freestanding derivative financial instruments, which mainly consist of foreign currency forwards, foreign currency swaps, US Treasury futures and interest rate swaps, are transactions not designated as accounting hedges. The tables below set out information about the Parent Company's derivative financial instruments and their related fair values as of December 31, 2019 and 2018:

Interest Rate Swaps	**2019**	2018
Notional amount	**$20,000**	$20,000
Derivative assets	**₱96,212**	₱170,981
Derivative liabilities	**114,995**	136,595

Futures	**2019**	2018
Notional amount	**$23,877**	$–
Derivative assets	**₱–**	₱–
Derivative liabilities	**7,832**	

Foreign Currency Forwards and Swaps	**2019**	2018
Notional amount	**$44,699**	$13,000
Derivative assets	**₱8,101**	₱30,052
Derivative liabilities	**5,177**	9,953

The net movements in fair values of all derivative instruments are as follows:

	2019	2018
Derivative assets (liabilities) - net at beginning of year	**₱54,485**	(₱19,492)
Changes in fair value of derivatives	**59,675**	28,685
Fair value of settled instruments	**(137,851)**	45,292
Derivative assets (liabilities) - net at end of year	**(₱23,691)**	₱54,485

Fair value changes of foreign currency forwards and swaps are recognized as Foreign exchange gain in the statements of income while fair value changes of interest rate swaps and futures are recognized as part of 'Trading and securities gain (loss)' in the statements of income (Note 8).

6. Segment Reporting

The Group's main operating businesses are organized and managed primarily according to the current organizational structure. Each segment represents a strategic business unit that caters to the Group's identified markets. The Group's business segments are:

(a) *Retail banking* - this segment mainly covers traditional branch banking products and services such as deposits, back-to-back/emerging market loans and other over-the-counter (OTC) transactions. It likewise caters to the needs of high net-worth clients for alternative investment channels. It includes entire transaction processing, service delivery and infrastructure consisting of the Group's network of branches, automated teller machines as well as its internet banking platform;

(b) *Corporate banking* - this segment handles lending and trade financing for both large corporations and middle market clients;

(c) *Consumer banking* - this segment primarily caters to loans for individuals; and

(d) *Treasury and Trust* - this segment consists of Treasury and Trust operations of the Group. Treasury focuses on providing money market, trading and treasury services, as well as the management of the Group's funding operations through debt securities, placements and acceptances with other banks. Trust includes fund management, investment management services, custodianship, administration and collateral agency services, and stock and transfer agency services. In addition, the Parent Company through Trust, provides retail customers with alternative investment opportunities through its unit investment fund products.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment assets are those operating assets employed by a segment in its operating activities and 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 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 income and expense.

The Group's revenue-producing assets are located in the Philippines (i.e., one geographical location); therefore, geographical segment information is no longer presented. The Group has no significant customers which contribute 10.00% or more of the consolidated revenue, net of interest expense. The segment results include internal transfer pricing adjustments across business units as deemed appropriate by management. Transactions between segments are conducted at estimated market rates on an arm's length basis. Interest is charged/credited to the business units based on a pool rate which approximates the marginal cost of funds.

Segment information of the Group as of and for the years ended December 31, 2019, and 2018 follow:

	2019					
	Retail Banking	**Corporate Banking**	**Consumer Banking**	**Treasury and Trust**	**Elimination Items**	**Total**
Statement of Income						
Net Interest Income:						
Third Party	**₱5,131**	**₱895**	**₱13,740**	**(₱109)**	**₱1,810**	**₱21,467**
Intersegment	**–**	**1,215**	**–**	**360**	**(1,575)**	**–**
	5,131	**2,110**	**13,740**	**251**	**235**	**21,467**
Non-interest Income	**1,865**	**309**	**3,370**	**1,368**	**(20)**	**6,892**
Revenue - Net of Interest Expense	**6,996**	**2,419**	**17,110**	**1,619**	**215**	**28,359**
Non-interest Expense	**(7,339)**	**(837)**	**(10,405)**	**(857)**	**(1,010)**	**(20,448)**
Income Before Income Tax	**(343)**	**1,582**	**6,705**	**762**	**(795)**	**7,911**
Provision for Income Tax	**(276)**	**(396)**	**(1,175)**	**(192)**	**370**	**(1,669)**
Net Income for the Year	**(₱619)**	**₱1,186**	**₱5,530**	**₱570**	**(₱425)**	**₱6,242**
Statement of Financial Position						
Total Assets	**₱50,200**	**₱77,356**	**₱173,388**	**₱28,226**	**₱77,154**	**₱406,324**
Total Liabilities	**270,377**	**47,087**	**4,845**	**66,981**	**(32,033)**	**357,257**
Statement of Income						
Depreciation and Amortization	**1,105**	**22**	**647**	**52**	**58**	**1,884**
Provision for Impairment and Credit Losses	**299**	**93**	**3,375**	**–**	**275**	**4,042**

	2018					
	Retail Banking	Corporate Banking	Consumer Banking	Treasury and Trust	Elimination Items	Total
Statement of Income						
Net Interest Income:						
Third Party	₱5,120	₱629	₱12,357	₱77	₱1,094	₱19,277
Intersegment	–	984	–	331	(1,315)	–
	5,120	1,613	12,357	408	(221)	19,277
Non-interest Income	1,701	220	4,051	64	(212)	5,824
Revenue - Net of Interest Expense	6,821	1,833	16,408	472	(433)	25,101
Non-interest Expense	(6,772)	(783)	(9,830)	(818)	(922)	(19,125)
Income Before Income Tax	49	1,050	6,578	(346)	(1,355)	5,976
Provision for Income Tax	(340)	(315)	(1,325)	138	374	(1,468)
Net Income for the Year	(₱291)	₱735	₱5,253	(₱208)	(₱981)	₱4,508
Statement of Financial Position						
Total Assets	₱48,508	₱79,674	₱149,693	₱25,349	₱64,115	₱367,339
Total Liabilities	250,738	47,223	3,168	50,296	(26,743)	324,682
Statement of Income						
Depreciation and Amortization	448	17	434	28	150	1,077
Provision for Impairment and Credit Losses	869	50	3,127	6	(146)	3,906

	2017					
	Retail Banking	Corporate Banking	Consumer Banking	Treasury and Trust	Elimination Items	Total
Statement of Income						
Net Interest Income:						
Third Party	₱4,692	₱594	₱12,494	₱175	₱496	₱18,451
Intersegment	–	797	–	183	(980)	–
	4,692	1,391	12,494	358	(484)	18,451
Non-interest Income	1,686	198	4,346	(194)	718	6,754
Revenue - Net of Interest Expense	6,378	1,589	16,840	164	234	25,205
Non-interest Expense	(6,009)	(682)	(9,986)	(578)	(1,192)	(18,447)
Income Before Income Tax	369	907	6,854	(414)	(958)	6,758
Provision for Income Tax	(273)	(272)	(1,195)	125	(92)	(1,707)
Net Income for the Year	₱96	₱635	₱5,659	(₱289)	(₱1,050)	₱5,051
Statement of Financial Position						
Total Assets	₱47,868	₱69,462	₱140,855	₱32,665	₱26,793	₱317,643
Total Liabilities	228,246	43,437	3,131	32,563	(28,739)	278,638
Statement of Income						
Depreciation and Amortization	588	32	590	57	(211)	1,056
Provision for Impairment and Credit Losses	54	64	4,036	–	310	4,464

The 'Elimination Items' includes the Group's executive office and elimination items related to the Group's segment reporting framework.

Non-interest income consists of service charges, fees and commissions, gain on sale of assets, gain (loss) on asset foreclosure and dacion transactions, trading and securities gain (loss), gain on sale of investment securities at amortized cost, foreign exchange gain, trust income, share in net loss of a joint venture and miscellaneous income. The share in net loss of a joint venture has been presented as part of the elimination items in the Group's segment reporting framework. Non-interest expense consists of compensation and fringe benefits, taxes and licenses, depreciation and amortization, rent, amortization of intangible assets, provision for impairment and credit losses, and miscellaneous expenses.

7. Due from BSP and Due from Other Banks

Due from BSP
This account consists of:

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Demand deposit account	**₱33,313,175**	₱40,385,370	**₱32,616,359**	₱39,776,262
Special deposit account	**74,127**	96,586	**74,127**	96,586
Others*	**900,000**	–	**900,000**	–
	₱34,287,302	₱40,481,956	**₱33,590,486**	₱39,872,848

**Pertains to overnight deposit facility*

Due from Other Banks
This comprises of deposit accounts of:

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Foreign banks	**₱2,335,008**	₱9,311,100	**₱2,335,008**	₱9,311,100
Local banks	**1,069,011**	922,338	**989,487**	776,773
	3,404,019	10,233,438	**3,324,495**	10,087,873
Allowance for credit losses (Note 15)	**(93)**	(198)	**(93)**	(198)
	₱3,403,926	₱10,233,240	**₱3,324,402**	₱10,087,675

Interest Income of Due from BSP and Due from Other Banks
This account consists of:

	Consolidated			Parent Company		
	2019	2018	2017	**2019**	2018	2017
Due from BSP	**₱713**	₱2,881	₱4,068	**₱713**	₱2,881	₱4,068
Due from other banks	**16,227**	17,808	21,333	**12,936**	16,060	19,810
	₱16,940	₱20,689	₱25,401	**₱13,649**	₱18,941	₱23,878

8. Trading and Investment Securities

The Group and the Parent Company have the following trading and investment securities:

	2019	2018
Financial assets at FVTPL	**₱16,840,709**	₱4,338,794
Financial assets at FVTOCI	**4,650,636**	248,207
Investment securities at amortized cost	**49,386,070**	36,510,546
	₱70,877,415	₱41,097,547

Financial assets at FVTPL
Financial assets at FVTPL of the Group and of the Parent Company consist of:

	2019	2018
Government securities	**₱16,768,178**	₱4,286,260
Private bonds	**62,188**	42,204
Equity securities	**10,343**	10,330
	₱16,840,709	₱4,338,794

As of December 31, 2019 and 2018, financial assets at FVTPL include net unrealized gains of ₱193.26 million and ₱18.57 million, respectively.

Financial assets at FVTOCI
Financial assets at FVTOCI of the Group and of the Parent Company consists of:

	2019	2018
Government debt securities	**₱4,650,635**	₱248,206
Private equity securities	**1**	1
	₱4,650,636	₱248,207

Movements in the fair value reserves on financial assets at FVTOCI investments follow:

	2019	2018
Balance at beginning of year	**(₱10,293)**	(₱4,048)
Gain (loss) from sale of financial assets at FVTOCI	**(8,345)**	4,048
Fair value gain recognized in OCI	**46,966**	(10,293)
Balance at end of year	**₱28,328**	(₱10,293)

The private equity securities were designated as at FVTOCI on the basis that these are not held for trading. These include shares in a real estate company and a golf club. No dividend income was recognized in 2019 and 2018 for these securities.

The Parent Company recognized net unrealized gain (loss) on financial assets at FVTOCI amounting to ₱38.62 million and (₱6.24 million) in 2019 and 2018, respectively.

Investment securities at amortized cost
Investment securities at amortized cost of the Group and of the Parent Company consist of:

	2019	2018
Government securities	**₱40,245,948**	₱26,100,243
Private bonds	**9,142,387**	10,413,198
Allowance for impairment losses (Note 15)	**(2,265)**	(2,895)
	₱49,386,070	₱36,510,546

Peso-denominated government bonds have effective interest rates ranging from 4.45% to 8.11% in 2019 and 2018 and from 4.45% to 8.09% in 2017. Foreign currency-denominated bonds have effective interest rates ranging from 2.12% to 7.82% in 2019, and 1.57% to 7.07% in 2018 and 2017.

In 2017, the Parent Company sold securities carried at amortized cost, with aggregate carrying amount of ₱11.44 billion, and recognized gains of ₱317.44 million which were presented as 'Gain on sale of investment securities at amortized cost' in the statements of income.

In December 2017, the Parent Company's BOD approved the change in the Parent Company's business models for managing financial assets. As required by PFRS 9, the reclassification of financial assets due to the change in business model was effected on January 1, 2018, which is the first day of the reporting period following the change in business model. The Parent Company reclassified financial assets with fair value of ₱4.54 billion from FVTPL to amortized cost. The reclassified securities have effective interest rates ranging from 3.70% to 7.39% on the reclassification date. Interest income earned on the reclassified securities amounted to ₱36.23 million in 2018. No such reclassifications occurred during 2019.

Trading and securities gains (losses) of the Group and of the Parent Company consists of:

	2019	2018	2017
Financial assets at FVTPL	**₱1,085,670**	(₱185,008)	₱45,871
Financial assets at FVTOCI	**21,674**	(10,848)	–
US Treasury futures (Note 5)	**(90,243)**	(71,913)	22,665
Interest rate swaps (Note 5)	**(51,371)**	31,852	(4,563)
	₱965,730	(₱235,917)	₱63,973

9. Loans and Receivables

Loans and receivables consist of:

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Receivables from customers:				
Corporate lending*	**₱70,659,248**	₱72,933,365	**₱70,580,112**	₱72,848,679
Consumer lending				
Auto loans	**93,995,497**	77,797,722	**93,995,497**	77,797,722
Credit cards	**35,263,876**	30,940,499	**35,263,876**	30,940,499
Mortgage loans	**22,274,443**	20,290,858	**22,274,443**	20,290,858
Other consumer loans**	**38,520,564**	37,825,280	**11,424,800**	13,379,946
	260,713,628	239,787,724	**233,538,728**	215,257,704
Unamortized premium	**8,391,667**	6,945,199	**9,589,794**	7,547,675
	269,105,295	246,732,923	**243,128,522**	222,805,379
Unquoted debt securities:				
Private bonds	**344,188**	341,890	**334,188**	341,890
	344,188	341,890	**334,188**	341,890
Other receivables:				
Accrued interest receivable	**3,393,132**	3,438,697	**3,227,254**	3,264,827
Accounts receivable	**2,038,230**	2,501,541	**1,902,089**	2,377,761
Sales contracts receivable	**156,109**	146,416	**156,109**	146,416
	5,587,471	6,086,654	**5,285,452**	5,789,004
	275,036,954	253,161,467	**248,748,162**	228,936,273
Allowance for credit and impairment losses (Note 15)	**(7,389,216)**	(7,291,882)	**(6,888,762)**	(6,883,467)
	₱267,647,738	₱245,869,585	**₱241,859,400**	₱222,052,806

**Include Corporate loans and Emerging enterprise loans amounting to ₱720.56 million and 757.05 million as of December 31, 2019 and 2018, respectively.*
***Include Branch loans, DepEd loans, Employee loans, Salary loans and Personal loans*

In 2016, the Parent Company entered into a sale of receivables agreement with EWRB, whereby the Parent Company will sell to EWRB, on a without recourse basis, certain employee loans of the Parent Company. In 2019 and 2018, the total employee loans sold by the Parent Company have an aggregate carrying amount of ₱204.76 million and ₱181.37 million, respectively. The selling price of the employee loans approximates the fair value at the date of sale. As of December 31, 2019 and 2018, outstanding principal balance of employee loans purchased from the Parent Company, included in 'Other consumer loans' of EWRB, amounted to ₱381.99 million and ₱360.43 million, respectively. In connection with the sale of receivables agreement, the Parent Company and EWRB also entered into an account servicing and collection agreement whereby EWRB agreed to pay equivalent to 0.37% of the loan amounts collected by the Parent Company on behalf of EWRB. The service fees received by the Parent Company (included under 'Service charges, fees and commission income' in the statements of income) amounted to ₱0.78 million, ₱0.67 million, and ₱0.73 million in 2019, 2018, and 2017 respectively (Note 27).

In 2013, the Parent Company entered into a purchase of receivables agreement with EWRB, whereby the Parent Company will purchase, on a without recourse basis, certain salary loans of EWRB. In 2019 and 2018, the total salary loans purchased by the Parent Company have an aggregate amount of ₱4.09 billion and ₱1.35 billion, respectively. The Parent Company's acquisition cost of the salary loans approximates the fair value at the acquisition date. As of December 31, 2019 and 2018, outstanding principal balance of salary loans purchased from EWRB, included in 'Other consumer loans' of the Parent Company, amounted to ₱1.98 billion and ₱5.91 billion, respectively. In connection with the purchase of receivables agreement, the Parent Company and EWRB also entered into an account servicing and collection agreement whereby the Parent Company agreed to pay service fees equivalent to 0.37% of the loan amounts collected by EWRB on behalf of the Parent Company. The service fees paid by the Parent Company to EWRB (included under 'Miscellaneous expense' in the statements of income) amounted to ₱30.43 million, ₱47.99 million and ₱71.39 million in 2019, 2018 and 2017, respectively (Note 27).

The Group took possession of various properties previously held as collateral with an estimated values of ₱3.03 billion, ₱2.71 billion, and ₱2.60 billion in 2019, 2018, and 2017, respectively.

The details of the secured and unsecured receivables from customers (after taking into account the unamortized premium but before allowance for credit losses) of the Group and of the Parent Company are disclosed in Note 4.

Information on the concentration of credit as to industry follow:

	Consolidated				**Parent Company**			
	2019		2018		**2019**		2018	
	Gross Amount	**%**	Gross Amount	%	**Gross Amount**	**%**	Gross Amount	%
Private households with employed persons	**₱153,831,859**	**57.16**	₱155,976,818	52.24	**₱153,831,859**	**63.27**	₱132,135,606	55.55
Real estate, renting and business activity	**27,637,409**	**10.27**	25,660,058	10.12	**27,620,891**	**11.36**	25,642,940	11.20
Wholesale and retail trade, repair of motor vehicles	**41,182,736**	**15.30**	23,330,445	9.46	**20,820,978**	**8.56**	23,322,085	10.47
Financial intermediaries	**10,873,659**	**4.04**	9,123,803	3.70	**9,836,231**	**4.05**	9,120,761	4.09
Manufacturing	**9,051,345**	**3.36**	8,726,041	3.54	**9,046,438**	**3.72**	8,721,134	3.91
Electricity, gas, steam and air-conditioning supply	**7,328,103**	**2.72**	8,096,361	3.27	**7,323,272**	**3.01**	8,095,934	3.63
Accommodation and food service activities	**3,246,720**	**1.21**	2,838,680	1.66	**3,246,720**	**1.34**	2,837,101	1.83
Transportation and storage	**2,667,979**	**0.99**	–	1.20	**2,667,979**	**1.10**	–	1.33
Construction	**2,122,608**	**0.79**	2,308,665	1.31	**2,119,171**	**0.87**	2,305,228	1.44
Other service activities	**1,742,681**	**0.65**	1,981,153	1.22	**1,741,687**	**0.72**	1,981,153	1.35
Agriculture, fisheries and forestry	**895,886**	**0.33**	1,056,265	0.43	**883,190**	**0.36**	1,043,456	0.47
Administrative and support service activities	**745,725**	**0.28**	1,069,882	1.98	**745,725**	**0.31**	1,069,882	2.19
Others*	**7,778,585**	**2.90**	6,564,752	9.87	**3,244,381**	**1.33**	6,530,099	2.54
	₱269,105,295	**100.00**	₱246,732,923	100.00	**₱243,128,522**	**100.00**	₱222,805,379	100.00

**Includes Arts and recreation activities, mining and quarrying, human health and social activities, education, and information and communication.*

Interest income on loans and receivables consist of:

	Consolidated			**Parent Company**		
	2019	2018	2017	**2019**	2018	2017
Receivables from customers	**₱27,241,257**	₱23,105,873	₱21,078,622	**₱25,177,569**	₱21,576,153	₱19,261,593
Unquoted debt securities	**1,607**	2,299	8,876	**1,607**	2,299	8,876
	₱27,242,864	₱23,108,172	₱21,087,498	**₱25,179,176**	₱21,578,452	₱19,270,469

As of December 31, 2019 and 2018, 24.22% and 20.17%, respectively of the total receivables from customers of the Group and the Parent Company were subject to interest repricing.

Remaining receivables carry annual fixed interest rates ranging from 1.34% to 45.00% in 2019, 2.00% to 39.68% in 2018 and 1.50% to 37.23% in 2017 for peso-denominated receivables and from 2.45% to 10.00% in 2019, 2.00% to 10.00% in 2018 and 2017 for foreign currency-denominated receivables.

In 2019, the Parent Company sold its credit card NPL portfolio which was previously written off in prior years amounting to ₱9.95 billion and recognized ₱247.74 million gain on sale in its statement of income.

10. Investments in Subsidiaries and Joint Venture

The movements in the investments in subsidiaries of the Parent Company and investment in a joint venture of the Group and the Parent Company follow:

	Investment in Subsidiaries		Investment in a Joint Venture	
	2019	2018	**2019**	2018
Acquisition Cost				
Subsidiaries				
EWRB	**₱521,000**	₱521,000	**₱–**	₱–
EWLFC	**100,000**	100,000	**–**	–
EWIB	**30,000**	30,000	**–**	–
QMIS	**19,927**	19,927	**–**	–
ASIA	**10,305**	10,305	**–**	–
	681,232	681,232	**–**	–
Joint Venture				
EWAL				
Cost at beginning of the year	**–**	–	**1,255,000**	1,005,000
Additional investments made during the year	**–**	–	**350,000**	250,000
Balance at end of year	**681,232**	681,232	**1,605,000**	1,255,000
Share in capital infusion from Ageas	**–**	–	**665,000**	665,000
Accumulated share in net income (loss)				
Balance at beginning of year	**3,016,084**	2,774,564	**(1,230,533)**	(834,718)
Share in net income (loss)	**324,331**	241,520	**(339,482)**	(395,816)
Dividends	**(22,847)**	–	**–**	–
Balance at end of year	**3,317,568**	3,016,084	**(1,570,015)**	(1,230,534)
Accumulated share in other comprehensive income				
Balance at beginning of year	**669**	1,155	**–**	–
Share in changes in remeasurement gain (loss) of retirement liabilities of subsidiaries	**(7,020)**	(486)	**–**	–
Share in changes in fair value reserves on equity securities of a joint venture	**–**	–	**(5,871)**	–
Balance at end of year	**(6,351)**	669	**(5,871)**	–
	₱3,992,449	₱3,697,985	**₱694,114**	₱689,466

Investments in Subsidiaries

EWRB

The Parent Company's investment cost in EWRB amounted to ₱521.00 million as of December 31, 2019 and 2018. It was registered with the SEC on November 5, 1997. In March 1998, EWRB was granted authority by the BSP to operate as a rural bank and commenced operations. The principal place of business of EWRB is at East West Bank Building, J.P. Laurel Avenue corner Iñigo Street, Bajada, Davao City.

EWIB
In 2015, the BSP approved the Parent Company's initial equity investment in EWIB of ₱30.00 million. On July 26, 2015, EWIB was registered with the SEC to operate as an insurance brokerage company. In September 2015, EWIB received its license from the Insurance Commission. The principal place of business of EWIB is at East West Corporate Center, The Beaufort, 5th Avenue corner 23rd Street, Fort Bonifacio Global City, Taguig City.

EWLFC
In 2016, the BSP approved and confirmed the initial equity investment in EWLFC of ₱100.00 million. It was registered with the SEC in October 2016 with secondary license to operate as a financing company in accordance with the Financing Company Act of 1998 and its implementing rules and regulations. The principal place of business of EWLFC is at East West Corporate Center, The Beaufort, 5th Avenue corner 23rd Street, Fort Bonifacio Global City, Taguig City.

QMIS
In 2016, the Parent Company acquired 100.00% voting shares of QMIS as part of the asset and share transfer agreement for a consideration amounting to ₱19.93 million. QMIS was registered with the SEC in 2007 primarily to engage in providing sales and marketing services. The principal place of business is at 7th Floor Global Trade Center Building, 1024 EDSA, R. Magsaysay, Quezon City.

ASIA
In 2016, the Parent Company acquired 100.00% voting shares of ASIA as part of the asset and share transfer agreement for a consideration amounting to ₱10.30 million. ASIA was registered with the SEC in 2012 primarily to engage in general insurance agency business. The principal place of business is at 5th Floor, 6788 Sky Plaza Building, Ayala Avenue, Makati City.

Investment in a Joint Venture
On May 28, 2015, the Parent Company and Ageas Insurance International N.V. ("Ageas") entered into a joint venture agreement to form East West Ageas Life Insurance Corporation ("Troo" or "EW Ageas Life"). EW Ageas Life, which is primarily engaged in the life insurance business, was incorporated with a capitalization of ₱2.01 billion and with ultimate ownership interest of the Parent Company of 50.00% less 1 share. The Parent Company's initial investment amounted to ₱500.00 million. The joint venture agreement provided certain conditions that should be satisfied for the consummation of the agreement, which include among others, obtaining all the required regulatory approvals. In October 2015, the SEC approved the registration of EW Ageas Life. The registered office address of EW Ageas Life is at One World Place, 32nd Street, Bonifacio Global City, Taguig City.

In November 2015, EW Ageas Life and the Parent Company entered into a twenty-year exclusive distribution agreement. Under the distribution agreement, EW Ageas Life will have exclusive access to the branch network of the Parent Company for the distribution of its insurance products (the exclusive bancassurance access).

In 2017, additional capital aggregating to ₱1.33 billion was solely contributed by Ageas to EW Ageas Life. This increased the Parent Company's investment in the joint venture by ₱665.00 million in 2017 which was recognized as gain on capital transaction. Under the joint venture agreement, within a period of seven (7) years from consummation, the joint venture entity may at any time request for additional funding from the Parent Company and Ageas. Parent Company and Ageas each infused additional capital to EW Ageas Life amounting to ₱350.00 million in 2019 and ₱250.00 million in 2018

There were no dividends received from EW Ageas Life as of December 31, 2019. The joint venture has no contingent liabilities or capital commitments as of December 31, 2019 and 2018.

11. Property, Equipment and Right-of-Use Assets

The composition of and movements in the Group's property, equipment and ROU assets follow:

	2019					
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Improvements	ROU Asset	Total
Cost						
Balance at beginning of year	**₱54,635**	**₱1,072,623**	**₱2,667,414**	**₱3,643,319**	**₱–**	**₱7,437,991**
Effect of adopting PFRS 16 (Note 2)	**–**	**–**	**–**	**–**	**3,687,043**	**3,687,043**
Balance at beginning of year, as restated	**54,635**	**1,072,623**	**2,667,414**	**3,643,319**	**3,687,043**	**11,125,034**
Additions	**–**	**1,140**	**171,017**	**118,593**	**337,629**	**628,379**
Disposals	**–**	**(88)**	**(21,455)**	**(4,264)**	**(37,584)**	**(63,391)**
Balance at end of year	**54,635**	**1,073,675**	**2,816,976**	**3,757,648**	**3,987,088**	**11,690,022**
Accumulated Depreciation and Amortization						
Balance at beginning of year	**–**	**202,558**	**2,233,482**	**2,346,142**	**–**	**4,782,182**
Depreciation and amortization	**–**	**32,328**	**233,293**	**324,770**	**932,522**	**1,522,913**
Disposals	**–**	**(53)**	**(15,955)**	**–**	**(35,826)**	**(51,834)**
Balance at end of year	**–**	**234,833**	**2,450,820**	**2,670,912**	**896,696**	**6,253,261**
Net Book Value	**₱54,635**	**₱838,842**	**₱366,156**	**₱1,086,736**	**₱3,090,392**	**₱5,436,761**

	2018				
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Improvements	Total
Cost					
Balance at beginning of year	₱54,635	₱1,060,476	₱2,525,929	₱3,509,040	₱7,150,080
Additions	–	12,147	194,815	134,279	341,241
Disposals	–	–	(53,330)	–	(53,330)
Balance at end of year	54,635	1,072,623	2,667,414	3,643,319	7,437,991
Accumulated Depreciation and Amortization					
Balance at beginning of year	–	172,544	2,013,683	1,919,633	4,105,860
Depreciation and amortization	–	30,014	253,139	426,509	709,662
Disposals	–	–	(33,340)	–	(33,340)
Balance at end of year	–	202,558	2,233,482	2,346,142	4,782,182
Net Book Value	₱54,635	₱870,065	₱433,932	₱1,297,177	₱2,655,809

The composition of and movements in the Parent Company's property, equipment and ROU assets follow:

	2019					
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Improvements	ROU Asset	Total
Cost						
Balance at beginning of year	**₱33,298**	**₱995,861**	**₱2,244,031**	**₱3,446,233**	**₱–**	**₱6,719,423**
Effect of adopting PFRS 16 (Note 2)	**–**	**–**	**–**	**–**	**3,517,723**	**3,517,723**
Balance at beginning of year, as restated	**33,298**	**995,861**	**2,244,031**	**3,446,233**	**3,517,723**	**10,237,146**
Additions	**–**	**1,387**	**140,854**	**115,695**	**268,836**	**526,772**
Disposals	**–**	**(88)**	**(14,521)**	**(4,265)**	**(37,584)**	**(56,458)**
Balance at end of year	**33,298**	**997,160**	**2,370,364**	**3,557,663**	**3,748,975**	**10,707,460**
Accumulated Depreciation and Amortization						
Balance at beginning of year	**–**	**183,222**	**1,903,428**	**2,243,252**	**–**	**4,329,902**
Depreciation and amortization	**–**	**26,919**	**182,455**	**284,113**	**865,644**	**1,359,131**
Disposals	**–**	**–**	**(13,111)**	**–**	**(35,826)**	**(48,937)**
Balance at end of year	**–**	**210,141**	**2,072,772**	**2,527,365**	**829,818**	**5,640,096**
Net Book Value	**₱33,298**	**₱787,019**	**₱297,592**	**₱1,030,298**	**₱2,919,157**	**₱5,067,364**

	2018				
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Improvements	Total
Cost					
Balance at beginning of year	₱33,298	₱986,287	₱2,116,311	₱3,319,654	₱6,455,550
Additions	–	9,574	167,794	126,579	303,947
Disposals	–	–	(40,074)	–	(40,074)
Balance at end of year	33,298	995,861	2,244,031	3,446,233	6,719,423
Accumulated Depreciation and Amortization					
Balance at beginning of year	–	157,426	1,739,779	1,862,290	3,759,495
Depreciation and amortization	–	25,796	187,375	380,962	594,133
Disposals	–	–	(23,726)	–	(23,726)
Balance at end of year	–	183,222	1,903,428	2,243,252	4,329,902
Net Book Value	₱33,298	₱812,639	₱340,603	₱1,202,981	₱2,389,521

The net gain on sale recognized by the Group for the disposal of certain property and equipment amounted to ₱1.91 million, ₱7.55 million and ₱10.55 million in 2019, 2018 and 2017, respectively. The net gain on sale recognized by the Parent Company for the disposal of certain property and equipment amounted to ₱1.46 million, ₱7.50 million, and ₱7.93 million in 2019, 2018, and 2017 respectively.

In 2014, the Parent Company sold a parcel of land previously intended for an office site with a carrying value of ₱169.13 million to Filinvest Alabang, Inc. (FAI), an entity under common control of FDC, that resulted in a gain amounting to ₱264.13 million. Under the terms of the sale, the selling price of ₱433.26 million is payable annually for five (5) years until 2019 with a fixed interest rate of 6.00% per annum. As of December 31, 2019 and 2018, the accounts receivable outstanding (included under 'Loans and receivable' in the statements of financial position) amounted to ₱0.00 million and ₱108.32 million, respectively (Note 27).

As of December 31, 2019 and 2018, the cost of fully depreciated property and equipment still in use by the Group amounted to ₱1.86 billion and ₱1.68 billion, respectively.

As of December 31, 2019 and 2018, the cost of fully depreciated property and equipment still in use by the Parent Company amounted to ₱1.54 billion and ₱1.44 billion, respectively.

12. Investment Properties

The composition of and movements in the Group's investment properties follow:

	2019		
	Land	**Buildings and Improvements**	**Total**
Cost			
Balance at beginning of year	**₱639,773**	**₱656,802**	**₱1,296,575**
Additions	**54,231**	**125,102**	**179,333**
Disposals	**(49,812)**	**(81,282)**	**(131,094)**
Balance at end of year	**644,192**	**700,622**	**1,344,814**
Accumulated Depreciation and Amortization			
Balance at beginning of year	–	**272,057**	**272,057**
Depreciation and amortization	–	**68,004**	**68,004**
Disposals	–	**(27,335)**	**(27,335)**
Balance at end of year	–	**312,726**	**312,726**
Accumulated Impairment Losses (Note 15)			
Balance at beginning of year	**70,236**	**33,129**	**103,365**
Provision during the year	**26,096**	**5,179**	**31,275**
Disposals	**(33,610)**	**(18,080)**	**(51,690)**
Balance at end of year	**62,722**	**20,228**	**82,950**
Net Book Value	**₱581,470**	**₱367,668**	**₱949,138**

	2018		
	Land	Buildings and Improvements	Total
Cost			
Balance at beginning of year	₱580,533	₱573,596	₱1,154,129
Additions	101,351	131,392	232,743
Disposals	(42,111)	(48,186)	(90,297)
Balance at end of year	639,773	656,802	1,296,575
Accumulated Depreciation and Amortization			
Balance at beginning of year	–	235,609	235,609
Depreciation and amortization	–	57,947	57,947
Disposals	–	(21,499)	(21,499)
Balance at end of year	–	272,057	272,057
Accumulated Impairment Losses (Note 15)			
Balance at beginning of year	69,415	21,527	90,942
Provision during the year	22,164	25,775	47,939
Disposals	(21,343)	(14,173)	(35,516)
Balance at end of year	70,236	33,129	103,365
Net Book Value	₱569,537	₱351,616	₱921,153

The composition of and movements in the Parent Company's investment properties follow:

	2019		
	Land	**Buildings and Improvements**	**Total**
Cost			
Balance at beginning of year	**₱638,694**	**₱656,435**	**₱1,295,129**
Additions	**54,231**	**125,103**	**179,334**
Disposals	**(49,812)**	**(81,282)**	**(131,094)**
Balance at end of year	**643,113**	**700,256**	**1,343,369**
Accumulated Depreciation and Amortization			
Balance at beginning of year	**–**	**271,982**	**271,982**
Depreciation and amortization	**–**	**67,936**	**67,936**
Disposals	**–**	**(27,335)**	**(27,335)**
Balance at end of year	**–**	**312,583**	**312,583**
Accumulated Impairment Losses (Note 15)			
Balance at beginning of year	**70,236**	**33,129**	**103,365**
Provision during the year	**26,096**	**5,179**	**31,275**
Disposals	**(33,610)**	**(18,080)**	**(51,690)**
Balance at end of year	**62,722**	**20,228**	**82,950**
Net Book Value	**₱580,391**	**₱367,445**	**₱947,836**

	2018		
	Land	Buildings and Improvements	Total
Cost			
Balance at beginning of year	₱579,454	₱573,229	₱1,152,683
Additions	101,351	131,392	232,743
Disposals	(42,111)	(48,186)	(90,297)
Balance at end of year	638,694	656,435	1,295,129
Accumulated Depreciation and Amortization			
Balance at beginning of year	–	235,603	235,603
Depreciation and amortization	–	57,878	57,878
Disposals	–	(21,499)	(21,499)
Balance at end of year	–	271,982	271,982
Accumulated Impairment Losses (Note 15)			
Balance at beginning of year	69,415	21,527	90,942
Provision during the year	22,164	25,775	47,939
Disposals	(21,343)	(14,173)	(35,516)
Balance at end of year	70,236	33,129	103,365
Net Book Value	₱568,458	₱351,324	₱919,782

The Group's and the Parent Company's investment properties consist entirely of real estate properties and land improvements acquired in settlement of loans and receivables.

The aggregate fair value of the investment properties of the Group and the Parent Company amounted to ₱1.59 billion as of December 31, 2019, and ₱1.50 billion as of December 31, 2018, respectively. Fair value has been determined based on valuations made by independent and/or in-house appraisers. Valuations were derived on the basis of recent sales of similar properties in the same area as the investment properties taking into account the economic conditions prevailing at the time the valuations were made.

As of December 31, 2019 and 2018, the carrying values of foreclosed investment properties of the Group and of the Parent Company still subject to redemption period by the borrower amounted to ₱128.17 million and ₱84.27 million, respectively.

Gain on sale recognized by the Group and the Parent Company for the disposal of its foreclosed assets amounted to ₱71.40 million, ₱55.84 million, and ₱47.85 million in 2019, 2018 and 2017, respectively.

Direct operating expenses from investment properties not generating rent income amounted to ₱80.33 million, ₱57.95 million and ₱48.97 million for the Group and the Parent Company in 2019, 2018 and 2017, respectively.

13. Goodwill and Other Intangible Assets

As of December 31, 2019 and 2018, the intangible assets of the Group consist of:

	2019					
	Goodwill	**Branch Licenses**	**Customer Relationship**	**Core Deposits**	**Capitalized Software**	**Total**
Cost						
Balance at beginning of year	**₱3,877,241**	**₱2,167,600**	**₱154,626**	**₱105,128**	**₱2,158,297**	**₱8,462,892**
Additions	**–**	**–**	**–**	**–**	**150,530**	**150,530**
Balance at end of year	**3,877,241**	**2,167,600**	**154,626**	**105,128**	**2,308,827**	**8,613,422**
Accumulated Amortization						
Balance at beginning of year	**–**	**–**	**46,706**	**53,236**	**1,469,304**	**1,569,246**
Amortization	**–**	**–**	**4,311**	**7,143**	**135,222**	**146,676**
Balance at end of year	**–**	**–**	**51,017**	**60,379**	**1,604,526**	**1,715,922**
Net Book Value	**₱3,877,241**	**₱2,167,600**	**103,609**	**44,749**	**704,301**	**₱6,897,500**

	2018					
	Goodwill	Branch Licenses	Customer Relationship	Core Deposits	Capitalized Software	Total
Cost						
Balance at beginning of year	₱3,877,241	₱2,167,600	₱154,626	₱105,128	₱1,997,774	₱8,302,369
Additions	–	–	–	–	160,523	160,523
Balance at end of year	3,877,241	2,167,600	154,626	105,128	2,158,297	8,462,892
Accumulated Amortization						
Balance at beginning of year	–	–	38,083	42,723	1,300,379	1,381,185
Amortization	–	–	8,623	10,513	168,925	188,061
Balance at end of year	–	–	46,706	53,236	1,469,304	1,569,246
Net Book Value	₱3,877,241	₱2,167,600	₱107,920	₱51,892	₱688,993	₱6,893,646

Balance at end of year, 2019 and 2018, the intangible assets of the Parent Company consist of:

	2019					
	Goodwill	**Branch Licenses**	**Customer Relationship**	**Core Deposits**	**Capitalized Software**	**Total**
Cost						
Balance at beginning of year	**₱3,853,763**	**₱2,167,600**	**₱154,626**	**₱105,128**	**₱2,070,780**	**₱8,351,897**
Additions	**–**	**–**	**–**	**–**	**145,220**	**145,220**
Balance at end of year	**3,853,763**	**2,167,600**	**154,626**	**105,128**	**2,216,000**	**8,497,117**
Accumulated Amortization						
Balance at beginning of year	**–**	**–**	**46,706**	**53,236**	**1,397,128**	**1,497,070**
Amortization	**–**	**–**	**4,311**	**7,143**	**131,802**	**143,256**
Balance at end of year	**–**	**–**	**51,017**	**60,379**	**1,528,930**	**1,640,326**
Net Book Value	**₱3,853,763**	**₱2,167,600**	**₱103,609**	**₱44,749**	**₱687,070**	**₱6,856,791**

	2018					
	Goodwill	Branch Licenses	Customer Relationship	Core Deposits	Capitalized Software	Total
Cost						
Balance at beginning of year	₱3,853,763	₱2,167,600	₱154,626	₱105,128	₱1,917,599	₱8,198,716
Additions	–	–	–	–	153,181	153,181
Balance at end of year	3,853,763	2,167,600	154,626	105,128	2,070,780	8,351,897
Accumulated Amortization						
Balance at beginning of year	–	–	38,083	42,723	1,246,106	1,326,912
Amortization	–	–	8,623	10,513	151,022	170,158
Balance at end of year	–	–	46,706	53,236	1,397,128	1,497,070
Net Book Value	₱3,853,763	₱2,167,600	₱107,920	₱51,892	₱673,652	₱6,854,827

Goodwill

Goodwill represents the excess of the acquisitions cost over the fair value arising from acquisition of (a) Ecology Savings Bank, Inc. ("ESBI") in 2002; (b) American International Group, Inc. Philam Savings Bank (AIGPASB) Group in 2009; (c) EWRB in 2012; (d) Green Bank, Inc. ("GBI") in 2014; and (e) Standard Chartered Bank ("SCB") in 2016.

The carrying amounts of the resulting goodwill in the acquisitions above in the books of the Parent Company are as follows:

Acquisitions	**CGU**	**Parent**
SCB	Treasury and Trust; Consumer banking	₱2,560,513
AIG	Consumer Banking	769,042
GBI	Consumer Banking	373,996
ESBI	Retail Banking	150,212
		₱3,853,763

The goodwill of the Parent Company acquired through the business combination has been allocated to the following CGUs:

1) *SCB* – ₱422.42 million has been allocated to the wealth management business (Treasury and Trust) and ₱2.14 billion has been allocated to the credit card operations (Consumer lending) acquired from SCB.

2) *AIGPASB* – goodwill has been allocated to the auto loans and credit card operations (consumer banking) acquired from AIGPASB Group.

3) *GBI* – goodwill has been allocated to the branch operations (Consumer banking) of the Parent Company.

4) *ESBI* – goodwill has been allocated to the 30 branches (Retail banking) acquired from ESBI.

The acquisition of EWRB in 2012 resulted to the recognition of goodwill amounting to ₱23.48 million in the consolidated financial statements of the Group. This goodwill has been allocated to the lending business of EWRB.

Key assumptions used in VIU calculations
The recoverable amount of the CGUs has been determined based on VIU calculations using cash flow projections based on financial budgets approved by the management covering a five-year period. The VIU calculation for the CGUs is most sensitive to the following assumptions: a) interest margin; b) discount rates; c) market share during the budget period; and d) projected growth rates used to extrapolate cash flows beyond the budget period. Future cash flows were based on historical experience, strategies developed and prospects. The discount rate used for the computation of the net present value is the cost of equity and was determined by reference to comparable entities.

Discount rate and growth rate
The following discount rates were applied to the cash flow projections:

	2019			2018			2017		
	Retail banking	**Consumer Banking**	**Treasury and Trust**	Retail banking	Consumer Banking	Treasury and Trust	Retail banking	Consumer Banking	Treasury and Trust
Pre-tax discount rate	**12.00%**	**12.00%**	**12.00%**	10.83%	10.83%	10.74%	9.40%	9.25%	9.40%
Projected growth rate	**5.00%**	**5.00%**	**5.00%**	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%

Sensitivity to changes in assumptions
Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the units to exceed their recoverable amount.

Branch Licenses
Branch licenses of the Group amounting to ₱2.17 billion represents: one branch license acquired by the Parent Company from the BSP amounting to ₱0.20 million in 2015, 25 branch licenses acquired by the Parent Company from the BSP amounting to ₱505.20 million in 2014, 10 branch licenses acquired by the Parent Company from the BSP amounting to ₱214.80 million in 2013, 42 branch licenses acquired by the Parent Company from the BSP amounting to ₱822.00 million in 2012, and 46 branch licenses acquired by the Parent Company from the acquisition of GBI amounting to ₱625.40 million in 2011.

Customer Relationship and Core Deposits
The business combination between the Parent Company and AIGPASB Group in 2009 resulted in the acquisition of customer relationship and core deposits amounting to₱154.63 million and ₱40.43 million, respectively.

The business combination between the Parent Company and SCB in 2016 resulted in the acquisition of core deposits amounting to ₱64.70 million.

Capitalized Software
Capitalized software pertains to computer software licenses and programs acquired by the Group and the Parent Company for its banking operations. Included in the 2019 and 2018 acquisitions are software licenses acquired by the Group and the Parent Company for the upgrade of its core banking systems amounting to ₱150.53 million and ₱145.22 million, respectively in 2019 and ₱160.52 million and ₱153.18 million, respectively in 2018

14. **Other Assets.**

This account consists of:

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Financial assets				
Security deposits	**₱268,331**	₱258,948	**₱265,070**	₱257,045
Derivative assets (Note 5)	**104,313**	201,033	**104,313**	201,033
Downpayment/advance payments to suppliers	**83,965**	30,083	**83,965**	30,083
Returned cash and other cash items	**14,465**	7,595	**14,465**	7,595
	471,074	497,659	**467,813**	495,756
Non-financial assets				
Other repossessed assets	**998,615**	786,005	**998,615**	786,005
Interoffice items	**736,787**	412,395	**736,787**	412,394
Card acquisition costs	**408,553**	337,960	**408,553**	337,960
Documentary stamps	**210,060**	164,225	**210,060**	164,225
Equity on car plan	**161,915**	158,756	**161,845**	158,626
Prepaid expenses	**92,829**	367,261	**50,211**	327,525
Stationery and supplies on hand	**71,924**	64,801	**66,764**	61,138
Margin account	**58,447**	91,016	**58,447**	91,016
Other miscellaneous asset	**286,853**	310,767	**242,349**	240,048
	3,025,983	2,693,186	**2,933,631**	2,578,937
	3,497,057	3,190,845	**3,401,444**	3,074,693
Allowance for impairment losses (Note 15)	**(334,386)**	(8,131)	**(315,285)**	(8,131)
	₱3,162,671	₱3,182,714	**₱3,086,159**	₱3,066,562

In 2019, the Parent Company provided an allowance amounting to ₱300.00 million on its long outstanding floats.

The movements in the allowance for impairment losses on other assets of the Group and the Parent Company follow:

	2019	2018
Balance at beginning of year	**₱8,131**	₱492,491
Provision (recoveries) during the year	**335,891**	(74,055)
Reversal of allowance from disposals	**–**	(172,616)
Write-off and others	**(9,636)**	(237,689)
Balance at end of year	**₱334,386**	₱8,131

The movements in other repossessed assets of the Group and the Parent Company follow:

	2019	2018
Cost		
Balance at beginning of year	**₱918,481**	₱1,077,064
Additions	**2,850,154**	2,477,505
Disposals	**(2,611,128)**	(2,636,088)
Balance at end of year	**1,157,507**	918,481

(Forward)

	2019	2018
Accumulated Depreciation		
Balance at beginning of year	**₱132,476**	₱192,906
Depreciation and amortization	**293,233**	309,600
Disposals	**(267,017)**	(370,030)
Balance at end of year	**158,692**	132,476
Net Book Value, gross of impairment	**998,815**	786,005
Accumulated Impairment Losses		
Balance at beginning of year	**–**	100,671
Provision during the year	**2,256**	71,945
Disposals	**(2,056)**	(172,616)
Balance at end of year	**200**	–
Net Book Value, net of impairment	**₱998,615**	₱786,005

The Group and Parent company recognized net gain (loss) from the disposal of its repossessed assets amounting to (₱226.21 million), ₱75.70 million and (₱2.50 million) in 2019, 2018 and 2017, respectively.

15. Allowance for Credit and Impairment Losses

Details of and changes in the allowance for impairment and credit losses follow:

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Balances at the beginning of year:				
Loans and receivables (Note 9)	**₱7,291,882**	₱6,824,600	**₱6,883,467**	₱6,449,364
Investment securities at amortized cost (Note 8)	**2,895**	30	**2,895**	30
Due from other banks	**198**	189	**198**	189
Investment properties (Note 12)	**103,365**	90,942	**103,365**	90,942
Other assets (Note 14)	**8,131**	593,162	**8,131**	593,162
Provision for unused credit lines (Note 20)	**449,748**	220,649	**449,748**	220,649
	7,856,219	7,729,572	**7,447,804**	7,354,336
Provisions charged to current operations (Notes 9, 12 and 14)	**3,808,794**	3,676,829	**3,588,688**	3,619,673
Provisions charged to current operations – unused credit lines (Note 20)	**233,677**	229,099	**233,677**	229,099
Write-off and others (Notes 9 and 14)	**(3,414,876)**	(3,571,149)	**(3,271,217)**	(3,547,171)
Reversal/revaluation/reclass	**62,267**	–	**27,574**	–
Reversal of allowance on disposals of investment properties and other repossessed assets (Notes 12 and 14)	**(53,746)**	(208,132)	**(53,746)**	(208,132)
Balances at the end of year:				
Loans and receivables (Note 9)	**7,389,216**	7,291,882	**6,888,762**	6,883,468
Investment securities at amortized cost (Note 8)	**2,265**	2,895	**2,265**	2,895
Due from other banks	**93**	198	**93**	198
Investment properties (Note 12)	**82,950**	103,365	**82,950**	103,365
Other assets (Note 14)	**334,386**	8,131	**315,285**	8,131
Provision for unused credit lines	**683,425**	449,748	**683,425**	449,748
	₱8,492,335	₱7,856,219	**₱7,972,780**	₱7,447,805

With the foregoing level of allowance for impairment and credit losses, management believes that the Group has sufficient allowance for any losses that the Group may incur from the non-collection or non-realization of its receivables and other risk assets.

The reconciliation of allowance for the receivables from customers follows:

Total Loans and Receivables - Consolidated

	2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance at beginning of year	**₱1,737,075**	**₱1,873,248**	**₱3,681,559**	**₱7,291,882**
Newly originated assets that remained in Stage 1 as at December 31, 2019	**3,656,451**	**–**	**–**	**3,656,451**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	**–**	**320,030**	**562,993**	**883,023**
Effect of collections and other movements in receivable balance (excluding write-offs)	**(19,236,165)**	**(4,857,140)**	**(600,885)**	**(24,694,190)**
Write-offs (Note 9)	**–**	**–**	**(3,384,748)**	**(3,384,748)**
Transfers from Stage 1	**(4,678,562)**	**4,117,658**	**560,904**	**–**
Transfers from Stage 2	**3,550,593**	**(4,124,204)**	**573,611**	**–**
Transfers from Stage 3	**160,966**	**25,175**	**(186,141)**	**–**
Impact on ECL of exposures transferred between stages of exposures transferred between stages	**16,112,885**	**4,630,001**	**2,914,404**	**23,657,290**
Others	**–**	**–**	**(20,492)**	**(20,492)**
Balance at end of year	**₱1,303,243**	**₱1,984,768**	**₱4,101,205**	**₱7,389,216**

	2018			
	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of year*	₱1,722,950	₱2,165,233	₱2,936,417	₱6,824,600
Newly originated assets that remained in Stage 1 as at December 31, 2018	3,442,835	–	–	3,442,835
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2018	–	392,423	584,576	976,999
Effect of collections and other movements in receivable balance (excluding write-offs)	(1,521,086)	(1,087,043)	(720,618)	(3,328,747)
Write-offs (Note 9)	–	–	(2,938,050)	(2,938,050)
Transfers from Stage 1	(4,080,554)	3,503,290	577,264	–
Transfers from Stage 2	1,400,905	(2,081,586)	680,681	–
Transfers from Stage 3	141,468	37,203	(178,671)	–
Impact on ECL of exposures transferred between stages	630,557	(1,056,272)	1,811,182	1,385,467
Others	–	–	928,778	928,778
Balance at end of year	₱1,737,075	₱1,873,248	₱3,681,559	₱7,291,882

**The balances at the beginning of the year reflect the amounts after considering the effect of adoption of PFRS 9 on receivables from customers*

Reconciliation of the allowance for impairment and credit losses by class in 2019 and 2018 follows:

	2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Corporate loans*				
Balance at beginning of year	**₱33,111**	**₱55,007**	**₱322,363**	**₱410,481**
Newly originated assets that remained in Stage 1 as at December 31, 2019	**9,945**	**–**	**–**	**9,945**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	**–**	**138,790**	**11,020**	**149,810**
Effect of collections and other movements in receivable balance (excluding write-offs)	**(14,541)**	**(31,133)**	**(13,786)**	**(59,460)**
Write-offs (Note 9)	**–**	**–**	**–**	**–**
Transfers from Stage 1	**(17,528)**	**16,627**	**901**	**–**
Transfers from Stage 2	**689**	**(923)**	**234**	**–**
Transfers from Stage 3	**–**	**172**	**(172)**	**–**
Impact on ECL of exposures transferred between stages	**(460)**	**19,897**	**223,354**	**242,791**
Balance at end of year	**11,216**	**198,437**	**543,914**	**753,567**
Auto loans				
Balance at beginning of year	**328,676**	**513,275**	**488,898**	**1,330,849**
Newly originated assets that remained in Stage 1 as at December 31, 2019	**262,814**	**–**	**–**	**262,814**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	**–**	**55,540**	**38,874**	**94,414**
Effect of collections and other movements in receivable balance (excluding write-offs)	**(179,251)**	**(118,577)**	**(30,834)**	**(328,662)**
Write-offs (Note 9)	**–**	**–**	**(343,480)**	**(343,480)**
Transfers from Stage 1	**(63,295)**	**56,508**	**6,787**	**–**
Transfers from Stage 2	**152,695**	**(228,701)**	**76,006**	**–**
Transfers from Stage 3	**5,796**	**827**	**(6,623)**	**–**
Impact on ECL of exposures transferred between stages	**(138,136)**	**183,634**	**551,287**	**596,785**
Balance at end of year	**369,299**	**462,506**	**780,915**	**1,612,720**
Credit cards				
Balance at beginning of year	**840,833**	**1,004,559**	**1,025,216**	**2,870,608**
Newly originated assets that remained in Stage 1 as at December 31, 2019	**2,983,212**	**–**	**–**	**2,983,212**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	**–**	**103,910**	**221,411**	**325,321**
Effect of collections and other movements in receivable balance (excluding write-offs)	**(18,630,366)**	**(4,489,984)**	**(192,510)**	**(23,312,860)**
Write-offs (Note 9)	**–**	**–**	**(2,295,923)**	**(2,295,923)**
Transfers from Stage 1	**(4,559,951)**	**4,024,537**	**535,414**	**–**
Transfers from Stage 2	**3,376,459**	**(3,859,246)**	**482,787**	**–**
Transfers from Stage 3	**124,547**	**18,061**	**(142,608)**	**–**
Impact on ECL of exposures transferred between stages	**16,300,666**	**4,418,042**	**1,317,345**	**22,036,053**
Balance at end of year	**435,400**	**1,219,879**	**951,132**	**2,606,411**

(Forward)

	2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Mortgage loans				
Balance at beginning of year	**₱25,092**	**₱57,560**	**₱30,468**	**₱113,120**
Newly originated assets that remained in Stage 1 as at December 31, 2019	**8,446**	–	–	**8,446**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	**175**	**190**	**365**
Effect of collections and other movements in receivable balance (excluding write-offs)	**(3,535)**	**(23,476)**	**(13,683)**	**(40,694)**
Write-offs (Note 9)	–	–	**(25)**	**(25)**
Transfers from Stage 1	**(4,202)**	**3,910**	**292**	–
Transfers from Stage 2	**15,688**	**(22,608)**	**6,920**	–
Transfers from Stage 3	**2,146**	**289**	**(2,435)**	–
Impact on ECL of exposures transferred between stages	**(16,051)**	**10,706**	**(148)**	**(5,493)**
Balance at end of year	**27,584**	**26,556**	**21,579**	**75,719**
Other consumer loans**				
Balance at beginning of year	**370,957**	**84,660**	**745,356**	**1,200,973**
Newly originated assets that remained in Stage 1 as at December 31, 2019	**388,004**	–	–	**388,004**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	**19,274**	**287,909**	**307,183**
Effect of collections and other movements in receivable balance (excluding write-offs)	**(290,658)**	**(81,193)**	**(327,030)**	**(698,881)**
Write-offs (Note 9)	–	–	**(732,569)**	**(732,569)**
Transfers from Stage 1	**(29,378)**	**12,217**	**17,161**	–
Transfers from Stage 2	**3,304**	**(8,719)**	**5,415**	–
Transfers from Stage 3	**27,408**	**5,760**	**(33,168)**	–
Impact on ECL of exposures transferred between stages	**(34,488)**	**(5,813)**	**768,480**	**728,179**
Balance at end of year	**435,149**	**26,186**	**731,554**	**1,192,889**
Unquoted debt securities classified as loans				
Balance at beginning of year	–	–	**71,626**	**71,626**
Newly originated assets that remained in Stage 1 as at December 31, 2019	–	–	–	–
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	–	–	–
Effect of collections and other movements in receivable balance (excluding write-offs)	–	–	**8,047**	**8,047**
Write-offs (Note 9)	–	–	–	–
Transfers from Stage 1	–	–	–	–
Transfers from Stage 2	–	–	–	–
Transfers from Stage 3	–	–	–	–
Impact on ECL of exposures transferred between stages	–	–	–	–
Balance at end of year	–	–	**79,673**	**79,673**

(Forward)

	2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Other receivables* **				
Balance at beginning of year	**₱138,406**	**₱158,187**	**₱997,632**	**₱1,294,225**
Newly originated assets that remained in Stage 1 as at December 31, 2019	**4,030**	**–**	**–**	**4,030**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	**–**	**2,341**	**3,589**	**5,930**
Effect of collections and other movements in receivable balance (excluding write-offs)	**(117,814)**	**(112,777)**	**(31,089)**	**(261,680)**
Write-offs (Note 9)	**–**	**–**	**(12,751)**	**(12,751)**
Transfers from Stage 1	**(4,208)**	**3,859**	**349**	**–**
Transfers from Stage 2	**1,758**	**(4,007)**	**2,249**	**–**
Transfers from Stage 3	**1,069**	**66**	**(1,135)**	**–**
Impact on ECL of exposures transferred between stages	**1,354**	**3,535**	**54,086**	**58,975**
Others	**–**	**–**	**(20,492)**	**(20,492)**
Balance at end of year	**24,595**	**51,204**	**992,438**	**1,068,237**
Total	**₱1,303,243**	**₱1,984,768**	**₱4,101,205**	**₱7,389,216**

**Include Corporate loans and emerging enterprise loans*
***Include Branch loans, DepEd loans, Employee loans, Salary loans and Personal loans*
****Include Accrued interest receivables, Accounts receivables and Sales contract receivables.*

	2018			
	Stage 1	Stage 2	Stage 3	Total
Corporate loans*				
Balance at beginning of year	₱15,191	₱73,736	₱204,730	₱293,657
Newly originated assets that remained in Stage 1 as at December 31, 2019	185,213	–	–	185,213
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	84,903	5,383	90,286
Effect of collections and other movements in receivable balance (excluding write-offs)	(148,872)	(104,705)	(3,071)	(256,648)
Write-offs (Note 9)	–	–	–	–
Transfers from Stage 1	(4,766)	971	3,795	–
Transfers from Stage 2	150	(160)	10	–
Transfers from Stage 3	–	–	–	–
Impact on ECL of exposures transferred between stages	(13,805)	262	111,516	97,973
Balance at end of year	33,111	55,007	322,363	410,481
Auto loans				
Balance at beginning of year	384,290	347,583	721,676	1,453,549
Newly originated assets that remained in Stage 1 as at December 31, 2019	243,854	–	–	243,854
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	184,134	79,009	263,143
Effect of collections and other movements in receivable balance (excluding write-offs)	(207,156)	(137,757)	(515,800)	(860,713)
Write-offs (Note 9)	–	–	–	–
Transfers from Stage 1	(99,747)	91,310	8,437	–
Transfers from Stage 2	64,901	(111,203)	46,302	–
Transfers from Stage 3	7,639	17,557	(25,196)	–
Impact on ECL of exposures transferred between stages	(65,105)	121,651	174,470	231,016
Balance at end of year	328,676	513,275	488,898	1,330,849

(Forward)

	2018			
	Stage 1	Stage 2	Stage 3	Total
Credit cards				
Balance at beginning of year	₱664,514	₱1,563,890	₱952,866	₱3,181,270
Newly originated assets that remained in Stage 1 as at December 31, 2019	2,584,490	–	–	2,584,490
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	108,887	341,655	450,542
Effect of collections and other movements in receivable balance (excluding write-offs)	(528,159)	(760,913)	(89,414)	(1,378,486)
Write-offs (Note 9)	–	–	(2,705,749)	(2,705,749)
Transfers from Stage 1	(3,883,811)	3,352,147	531,664	–
Transfers from Stage 2	1,328,410	(1,943,026)	614,616	–
Transfers from Stage 3	107,397	11,832	(119,229)	–
Impact on ECL of exposures transferred between stages	567,992	(1,328,258)	1,498,807	738,541
Balance at end of year	840,833	1,004,559	1,025,216	2,870,608
Mortgage loans				
Balance at beginning of year	18,613	44,591	23,301	86,505
Newly originated assets that remained in Stage 1 as at December 31, 2019	6,714	–	–	6,714
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	1,286	2,214	3,500
Effect of collections and other movements in receivable balance (excluding write-offs)	54,857	(9,609)	(24,649)	20,599
Write-offs (Note 9)	–	–	–	–
Transfers from Stage 1	(41,816)	35,401	6,415	–
Transfers from Stage 2	1,776	(13,152)	11,376	–
Transfers from Stage 3	62	816	(878)	–
Impact on ECL of exposures transferred between stages	(15,114)	(1,773)	12,689	(4,198)
Balance at end of year	25,092	57,560	30,468	113,120
Other consumer loans**				
Balance at beginning of year	617,999	133,621	918,647	1,670,267
Newly originated assets that remained in Stage 1 as at December 31, 2019	420,239	–	–	420,239
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	10,049	141,618	151,667
Effect of collections and other movements in receivable balance (excluding write-offs)	(671,580)	(72,423)	(79,004)	(823,007)
Write-offs (Note 9)	–	–	(232,301)	(232,301)
Transfers from Stage 1	(49,440)	22,604	26,836	–
Transfers from Stage 2	4,434	(11,438)	7,004	–
Transfers from Stage 3	25,628	5,606	(31,234)	–
Impact on ECL of exposures transferred between stages	23,677	(3,359)	(6,210)	14,108
Balance at end of year	370,957	84,660	745,356	1,200,973
Unquoted debt securities classified as loans				
Balance at beginning of year	–	–	78,965	78,965
Newly originated assets that remained in Stage 1 as at December 31, 2019	–	–	–	–
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	–	–	–
Effect of collections and other movements in receivable balance (excluding write-offs)	–	–	(7,339)	(7,339)

(Forward)

	2018			
	Stage 1	Stage 2	Stage 3	Total
Write-offs (Note 9)	₱–	₱–	₱–	₱–
Transfers from Stage 1	–	–	–	–
Transfers from Stage 2	–	–	–	–
Transfers from Stage 3	–	–	–	–
Impact on ECL of exposures transferred between stages	–	–	–	–
Balance at end of year	–	–	71,626	71,626
Other receivables* **				
Balance at beginning of year	22,343	1,812	36,232	60,387
Newly originated assets that remained in Stage 1 as at December 31, 2019	2,325	–	–	2,325
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	3,164	14,697	17,861
Effect of collections and other movements in receivable balance (excluding write-offs)	(20,176)	(1,636)	(1,341)	(23,153)
Write-offs (Note 9)	–	–	–	–
Transfers from Stage 1	(974)	857	117	–
Transfers from Stage 2	1,234	(2,607)	1,373	–
Transfers from Stage 3	742	1,392	(2,134)	–
Impact on ECL of exposures transferred between stages	132,912	155,205	19,910	308,027
Others	–	–	928,778	928,778
Balance at end of year	138,406	158,187	997,632	1,294,225
Total	₱1,737,075	₱1,873,248	₱3,681,559	₱7,291,882

**Include Corporate loans and emerging enterprise loans*
***Include Branch loans, DepEd loans, Employee loans, Salary loans and Personal loans*
****Include Accrued interest receivables, Accounts receivables and Sales contract receivables.*

Total Allowance on Credit Losses– Parent Company

	2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance at beginning of year	**₱1,686,037**	**₱1,872,781**	**₱3,324,649**	**₱6,883,467**
Newly originated assets that remained in Stage 1 as at December 31, 2019	**3,527,347**	**–**	**–**	**3,527,347**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	**–**	**306,922**	**353,808**	**660,730**
Effect of collections and other movements in receivable balance (excluding write-offs)	**(19,119,775)**	**(4,880,579)**	**(512,873)**	**(24,513,227)**
Write-offs (Note 9)	**–**	**–**	**(3,241,089)**	**(3,241,089)**
Transfers from Stage 1	**(4,672,301)**	**4,116,059**	**556,242**	**–**
Transfers from Stage 2	**3,548,985**	**(4,119,857)**	**570,872**	**–**
Transfers from Stage 3	**144,537**	**21,940**	**(166,477)**	**–**
Impact on ECL of exposures transferred between stages	**16,127,782**	**4,632,745**	**2,831,499**	**23,592,026**
Others	**–**	**–**	**(20,492)**	**(20,492)**
Balance at end of year	**₱1,242,612**	**₱1,950,011**	**₱3,696,139**	**₱6,888,762**

	2018			
	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of year	₱1,590,911	₱2,173,233	₱2,685,220	₱6,449,364
Newly originated assets that remained in Stage 1 as at December 31, 2018	3,410,759	–	–	3,410,759
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2018	–	381,659	439,890	821,549
Effect of collections and other movements in receivable balance (excluding write-offs)	(1,369,513)	(1,091,222)	(688,605)	(3,149,340)
Write-offs (Note 9)	–	–	(2,913,872)	(2,913,872)
Transfers from Stage 1	(4,065,588)	3,496,493	569,095	–
Transfers from Stage 2	1,399,029	(2,076,759)	677,730	–
Transfers from Stage 3	132,992	35,154	(168,146)	–
Impact on ECL of exposures transferred between stages	587,447	(1,045,777)	1,794,559	1,336,229
Others	–	–	928,778	928,778
Balance at end of year	₱1,686,037	₱1,872,781	₱3,324,649	₱6,883,467

Reconciliation of the allowance for impairment and credit losses by class in 2019 and 2018 follows:

	2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Corporate loans*				
Balance at beginning of year	**₱32,902**	**₱55,007**	**₱259,721**	**₱347,630**
Newly originated assets that remained in Stage 1 as at December 31, 2019	**7,862**	**–**	**–**	**7,862**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	**–**	**138,790**	**11,020**	**149,810**
Effect of collections and other movements in receivable balance (excluding write-offs)	**(14,169)**	**(31,133)**	**(4,029)**	**(49,331)**
Write-offs (Note 9)	**–**	**–**	**–**	**–**
Transfers from Stage 1	**(17,528)**	**16,627**	**901**	**–**
Transfers from Stage 2	**689**	**(923)**	**234**	**–**
Transfers from Stage 3	**–**	**172**	**(172)**	**–**
Impact on ECL of exposures transferred between stages	**(460)**	**19,897**	**223,354**	**242,791**
Balance at end of year	**9,296**	**198,437**	**491,029**	**698,762**
Auto loans				
Balance at beginning of year	**328,676**	**513,275**	**488,898**	**1,330,849**
Newly originated assets that remained in Stage 1 as at December 31, 2019	**262,814**	**–**	**–**	**262,814**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	**–**	**55,540**	**38,874**	**94,414**
Effect of collections and other movements in receivable balance (excluding write-offs)	**(179,251)**	**(118,577)**	**(30,834)**	**(328,662)**
Write-offs (Note 9)	**–**	**–**	**(343,480)**	**(343,480)**
Transfers from Stage 1	**(63,295)**	**56,508**	**6,787**	**–**
Transfers from Stage 2	**152,695**	**(228,701)**	**76,006**	**–**
Transfers from Stage 3	**5,796**	**827**	**(6,623)**	**–**
Impact on ECL of exposures transferred between stages	**(138,136)**	**183,634**	**551,287**	**596,785**
Balance at end of year	**369,299**	**462,506**	**780,915**	**1,612,720**

(Forward)

	2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Credit cards				
Balance at beginning of year	**₱840,833**	**₱1,004,559**	**₱1,025,216**	**₱2,870,608**
Newly originated assets that remained in Stage 1 as at December 31, 2019	**2,983,212**	**–**	**–**	**2,983,212**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	**–**	**103,910**	**221,411**	**325,321**
Effect of collections and other movements in receivable balance (excluding write-offs)	**(18,630,366)**	**(4,489,984)**	**(192,510)**	**(23,312,860)**
Write-offs (Note 9)	**–**	**–**	**(2,295,923)**	**(2,295,923)**
Transfers from Stage 1	**(4,559,951)**	**4,024,537**	**535,414**	**–**
Transfers from Stage 2	**3,376,459**	**(3,859,246)**	**482,787**	**–**
Transfers from Stage 3	**124,547**	**18,061**	**(142,608)**	**–**
Impact on ECL of exposures transferred between stages	**16,300,666**	**4,418,042**	**1,317,345**	**22,036,053**
Balance at end of year	**435,400**	**1,219,879**	**951,132**	**2,606,411**
Mortgage loans				
Balance at beginning of year	**25,092**	**57,560**	**30,468**	**113,120**
Newly originated assets that remained in Stage 1 as at December 31, 2019	**8,446**	**–**	**–**	**8,446**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	**–**	**175**	**190**	**365**
Effect of collections and other movements in receivable balance (excluding write-offs)	**(3,535)**	**(23,476)**	**(13,683)**	**(40,694)**
Write-offs (Note 9)	**–**	**–**	**(25)**	**(25)**
Transfers from Stage 1	**(4,202)**	**3,910**	**292**	**–**
Transfers from Stage 2	**15,688**	**(22,608)**	**6,920**	**–**
Transfers from Stage 3	**2,146**	**289**	**(2,435)**	**–**
Impact on ECL of exposures transferred between stages	**(16,051)**	**10,706**	**(148)**	**(5,493)**
Balance at end of year	**27,584**	**26,556**	**21,579**	**75,719**
Other consumer loans**				
Balance at beginning of year	**326,707**	**67,633**	**459,068**	**853,408**
Newly originated assets that remained in Stage 1 as at December 31, 2019	**262,040**	**–**	**–**	**262,040**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	**–**	**7,671**	**82,035**	**89,706**
Effect of collections and other movements in receivable balance (excluding write-offs)	**(175,164)**	**(61,572)**	**(243,066)**	**(479,802)**
Write-offs (Note 9)	**–**	**–**	**(593,089)**	**(593,089)**
Transfers from Stage 1	**(23,241)**	**10,626**	**12,615**	**–**
Transfers from Stage 2	**1,727**	**(4,455)**	**2,728**	**–**
Transfers from Stage 3	**11,599**	**2,537**	**(14,136)**	**–**
Impact on ECL of exposures transferred between stages	**(20,162)**	**(3,041)**	**686,065**	**662,862**
Balance at end of year	**383,506**	**19,399**	**392,220**	**795,125**

(Forward)

	2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Unquoted debt securities classified as loans				
Balance at beginning of year	**₱–**	**₱–**	**₱71,626**	**₱71,626**
Newly originated assets that remained in Stage 1 as at December 31, 2019	–	–	–	–
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	–	–	–
Effect of collections and other movements in receivable balance (excluding write-offs)	–	–	**(1,953)**	**(1,953)**
Write-offs (Note 9)	–	–	–	–
Transfers from Stage 1	–	–	–	–
Transfers from Stage 2	–	–	–	–
Transfers from Stage 3	–	–	–	–
Impact on ECL of exposures transferred between stages	–	–	–	–
Balance at end of year	–	–	**69,673**	**69,673**
Other receivables* **				
Balance at beginning of year	**131,827**	**174,747**	**989,652**	**1,296,226**
Newly originated assets that remained in Stage 1 as at December 31, 2019	**2,973**	–	–	**2,973**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	**836**	**278**	**1,114**
Effect of collections and other movements in receivable balance (excluding write-offs)	**(117,290)**	**(155,837)**	**(26,798)**	**(299,925)**
Write-offs (Note 9)	–	–	**(8,572)**	**(8,572)**
Transfers from Stage 1	**(4,084)**	**3,851**	**233**	–
Transfers from Stage 2	**1,727**	**(3,924)**	**2,197**	–
Transfers from Stage 3	**449**	**54**	**(503)**	–
Impact on ECL of exposures transferred between stages	**1,925**	**3,507**	**53,596**	**59,028**
Others	–	–	**(20,492)**	**(20,492)**
Balance at end of year	**17,527**	**23,234**	**989,591**	**1,030,352**
Total	**₱1,242,612**	**₱1,950,011**	**₱3,696,139**	**₱6,888,762**

**Include Corporate loans and emerging enterprise loans*
***Include Branch loans, DepEd loans, Employee loans, Salary loans and Personal loans*
****Include Accrued interest receivables, Accounts receivables and Sales contract receivables.*

	2018			
	Stage 1	Stage 2	Stage 3	Total
Corporate loans*				
Balance at beginning of year	₱14,745	₱71,569	₱198,713	₱285,027
Newly originated assets that remained in Stage 1 as at December 31, 2019	183,697	–	–	183,697
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	84,696	1,435	86,131
Effect of collections and other movements in receivable balance (excluding write-offs)	(145,531)	(104,478)	(2,390)	(252,399)
Write-offs (Note 9)	–	–	–	–
Transfers from Stage 1	(4,626)	942	3,684	–

(Forward)

	2018			
	Stage 1	Stage 2	Stage 3	Total
Transfers from Stage 2	₱145	(₱155)	₱10	₱–
Transfers from Stage 3	–	–	–	–
Impact on ECL of exposures transferred between stages	(15,528)	2,433	58,269	45,174
Balance at end of year	32,902	55,007	259,721	347,630
Auto loans				
Balance at beginning of year	384,290	347,583	721,676	1,453,549
Newly originated assets that remained in Stage 1 as at December 31, 2019	243,854	–	–	243,854
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	184,134	79,009	263,143
Effect of collections and other movements in receivable balance (excluding write-offs)	(207,156)	(137,757)	(515,800)	(860,713)
Write-offs (Note 9)	–	–	–	–
Transfers from Stage 1	(99,747)	91,310	8,437	–
Transfers from Stage 2	64,901	(111,203)	46,302	–
Transfers from Stage 3	7,639	17,557	(25,196)	–
Impact on ECL of exposures transferred between stages	(65,105)	121,651	174,470	231,016
Balance at end of year	328,676	513,275	488,898	1,330,849
Credit cards				
Balance at beginning of year	664,514	1,563,890	952,866	3,181,270
Newly originated assets that remained in Stage 1 as at December 31, 2019	2,584,490	–	–	2,584,490
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	108,887	341,655	450,542
Effect of collections and other movements in receivable balance (excluding write-offs)	(528,159)	(760,913)	(89,414)	(1,378,486)
Write-offs (Note 9)	–	–	(2,705,749)	(2,705,749)
Transfers from Stage 1	(3,883,811)	3,352,147	531,664	–
Transfers from Stage 2	1,328,410	(1,943,026)	614,616	–
Transfers from Stage 3	107,397	11,832	(119,229)	–
Impact on ECL of exposures transferred between stages	567,992	(1,328,258)	1,498,807	738,541
Balance at end of year	840,833	1,004,559	1,025,216	2,870,608
Mortgage loans				
Balance at beginning of year	18,613	44,591	23,301	86,505
Newly originated assets that remained in Stage 1 as at December 31, 2019	6,714	–	–	6,714
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	1,286	2,214	3,500
Effect of collections and other movements in receivable balance (excluding write-offs)	54,857	(9,609)	(24,649)	20,599
Write-offs (Note 9)	–	–	–	–
Transfers from Stage 1	(41,816)	35,401	6,415	–
Transfers from Stage 2	1,776	(13,152)	11,376	–
Transfers from Stage 3	62	816	(878)	–
Impact on ECL of exposures transferred between stages	(15,114)	(1,773)	12,689	(4,198)
Balance at end of year	25,092	57,560	30,468	113,120

(Forward)

	2018			
	Stage 1	Stage 2	Stage 3	Total
Other consumer loans**				
Balance at beginning of year	₱486,406	₱143,788	₱683,467	₱1,313,661
Newly originated assets that remained in Stage 1 as at December 31, 2019	390,129	–	–	390,129
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	328	998	1,326
Effect of collections and other movements in receivable balance (excluding write-offs)	(523,639)	(76,852)	(58,032)	(658,523)
Write-offs (Note 9)	–	–	(208,123)	(208,123)
Transfers from Stage 1	(34,601)	15,820	18,781	–
Transfers from Stage 2	2,571	(6,632)	4,061	–
Transfers from Stage 3	17,269	3,777	(21,046)	–
Impact on ECL of exposures transferred between stages	(11,428)	(12,596)	38,962	14,938
Balance at end of year	326,707	67,633	459,068	853,408
Unquoted debt securities classified as loans				
Balance at beginning of year	–	–	68,965	68,965
Newly originated assets that remained in Stage 1 as at December 31, 2019	–	–	–	–
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	–	–	–
Effect of collections and other movements in receivable balance (excluding write-offs)	–	–	2,661	2,661
Write-offs (Note 9)	–	–	–	–
Transfers from Stage 1	–	–	–	–
Transfers from Stage 2	–	–	–	–
Transfers from Stage 3	–	–	–	–
Impact on ECL of exposures transferred between stages	–	–	–	–
Balance at end of year	–	–	71,626	71,626
Other receivables***				
Balance at beginning of year	22,343	1,812	36,232	60,387
Newly originated assets that remained in Stage 1 as at December 31, 2019	1,875	–	–	1,875
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	2,328	14,579	16,907
Effect of collections and other movements in receivable balance (excluding write-offs)	(19,885)	(1,613)	(981)	(22,479)
Write-offs (Note 9)	–	–	–	–
Transfers from Stage 1	(987)	873	114	–
Transfers from Stage 2	1,226	(2,591)	1,365	–
Transfers from Stage 3	625	1,172	(1,797)	–
Impact on ECL of exposures transferred between stages	126,630	172,766	11,362	310,758
Others	–	–	928,778	928,778
Balance at end of year	131,827	174,747	989,652	1,296,226
Total	₱1,686,037	₱1,872,781	₱3,324,649	₱6,883,467

**Include Corporate loans and emerging enterprise loans*
***Include Branch loans, DepEd loans, Employee loans, Salary loans and Personal loans*
****Include Accrued interest receivables, Accounts receivables and Sales contract receivables.*

Investments and placements – Group and Parent Company

	2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Investment securities at amortized cost				
Balance at beginning of year	**₱2,895**	**₱–**	**₱–**	**₱2,895**
Newly originated assets that remained in Stage 1 as at December 31, 2019	–	–	–	–
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	–	–	–
Effect of collections and other movements in receivable balance (excluding write-offs)	**(515)**	**(115)**	–	**(630)**
Write-offs (Note 9)	–	–	–	–
Transfers from Stage 1	–	–	–	–
Transfers from Stage 2	–	–	–	–
Transfers from Stage 3	–	–	–	–
Impact on ECL of exposures transferred between stages	–	–	–	–
Balance at end of year	**₱2,380**	**(₱115)**	**₱–**	**₱2,265**
Due from other banks				
Balance at beginning of year	**₱189**	**₱–**	**₱–**	**₱189**
Newly originated assets that remained in Stage 1 as at December 31, 2019	**1**	–	–	**1**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	–	–	–
Effect of collections and other movements in receivable balance (excluding write-offs)	**(109)**	**12**	–	**(97)**
Write-offs (Note 9)	–	–	–	–
Transfers from Stage 1	–	–	–	–
Transfers from Stage 2	**₱–**	**₱–**	**₱–**	**₱–**
Transfers from Stage 3	–	–	–	–
Impact on ECL of exposures transferred between stages	–	–	–	–
Balance at end of year	**₱81**	**₱12**	**₱–**	**₱93**
Total	**₱2,461**	**(₱103)**	**₱-**	**₱2,358**

	2018			
	Stage 1	Stage 2	Stage 3	Total
Investment securities at amortized cost				
Balance at beginning of year	₱30	₱–	₱–	₱30
Newly originated assets that remained in Stage 1 as at December 31, 2018	939	1,926	–	2,865
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2018	–	–	–	–
Effect of collections and other movements in receivable balance (excluding write-offs)	–	–	–	–
Write-offs (Note 9)	–	–	–	–
Transfers from Stage 1	–	–	–	–
Transfers from Stage 2	–	–	–	–

(Forward)

	2018			
	Stage 1	Stage 2	Stage 3	Total
Transfers from Stage 3	₱–	₱–	₱–	₱–
Impact on ECL of exposures transferred between stages	–	–	–	–
Balance at end of year	969	1,926	–	2,895
Due from other banks				
Balance at beginning of year	₱189	₱–	₱–	₱189
Newly originated assets that remained in Stage 1 as at December 31, 2018	3	6	–	9
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2018	–	–	–	–
Effect of collections and other movements in receivable balance (excluding write-offs)	–	–	–	–
Write-offs (Note 9)	–	–	–	–
Transfers from Stage 1	–	–	–	–
Transfers from Stage 2	–	–	–	–
Transfers from Stage 3	–	–	–	–
Impact on ECL of exposures transferred between stages	–	–	–	–
Balance at end of year	192	6	–	198
Total	₱1,161	₱1,932	₱–	₱3,093

Provision for unused credit lines – Group and Parent Company

	2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance at beginning of year	**₱–**	**₱449,748**	**₱–**	**₱449,748**
New credit lines that remained in Stage 1 as at December 31, 2019	**274,394**	**–**	**–**	**274,394**
Newly credit lines that moved to Stage 2 and Stage 3 as at December 31, 2019	**–**	**363**	**–**	**363**
Effect of collections and other movements	**–**	**–**	**–**	**–**
Write-offs				
Transfers from Stage 1	**–**	**–**	**–**	**–**
Transfers from Stage 2	**142,804**	**(142,804)**		**–**
Transfers from Stage 3	**–**	**–**	**–**	**–**
Impact on ECL of exposures transferred between stages	**14,881**	**(55,961)**	**–**	**(41,080)**
Balance at end of year	**₱432,079**	**₱251,346**	**₱–**	**₱683,425**

	2018			
	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of year	₱–	₱220,649	₱–	₱220,649
New credit lines that remained in Stage 1 as at December 31, 2018	–	–	–	–
Newly credit lines that moved to Stage 2 and Stage 3 as at December 31, 2018	–	229,099	–	229,099
Effect of collections and other movements	–	–	–	–
Write-offs				
Transfers from Stage 1	–	–	–	–
Transfers from Stage 2	–	–	–	–
Transfers from Stage 3	–	–	–	–
Impact on ECL of exposures transferred between stages	–	–	–	–
Balance at end of year	₱–	₱449,748	₱-	₱449,748

16. **Deposit Liabilities**

Under existing BSP regulations, non-FCDU deposit liabilities of the Parent Company are subject to unified reserve requirements equivalent to 20.00% from May 30, 2014 to March 1, 2018 (under BSP Circular No. 832), 19.00% from March 2, 2018 to May 31, 2018 (under BSP Circular No. 997), and 18.00% from June 1, 2018 (under BSP Circular No. 1004) and 17% from May 31, 2019 (under BSP Circular No. 1041).

LTNCDs are subject to required reserves of 4.00% if issued under BSP Circular No. 304, and 7.00% if issued under BSP Circular No. 842.

On the other hand, EWRB is required to maintain regular reserves equivalent to 3.00% demand and savings deposits.

As of December 31, 2019 and 2018, the Parent Company and EWRB are in compliance with such regulations. As of December 31, 2019 and 2018, Due from BSP of the Parent Company and EWRB below has been set aside as reserves for deposit liabilities, as reported to the BSP:

	2019	2018
Parent Company	**₱32,699,816**	₱39,702,394
EWRB	**696,816**	609,108
Total reserves for deposit liabilities	**₱33,396,632**	₱40,311,502

As of December 31, 2019 and 2018, 30.22% and 47.71%, respectively, of the total liabilities of the Group and 31.61% and 46.76%, respectively of the Parent Company are subject to periodic interest repricing.

The remaining deposit liabilities earn annual fixed interest rates ranging from 0.50% to 5.88% in 2019, 0.15% to 5.00% in 2018 and 0.13% to 5.00% in 2017.

Long Term Negotiable Certificate of Deposits (LTNCDs)
LTNCD issued by the Parent Company includes the following (amounts in millions):

					Average Effective		**Carrying Value**		
Series	**Issue Date**	**Maturity Date**	**Face Value**	**Coupon Rate**	**Interest Rate**	**Repayment Terms**	**2019**	**2018**	2017
1	11/23/2012	5/23/2018	4,650	5.000%	4.37%	Quarterly	**₱–**	₱–	₱4,658
2	12/5/2013	6/5/2019	2,484	3.250%	3.48%	Quarterly	**–**	2,475	2,455
3	10/23/2014	4/24/2020	925	4.500%	4.42%	Quarterly	**925**	924	923
4	3/21/2017	9/21/2022	10,000	4.000%	4.10%	Quarterly	**9,973**	9,964	9,955
5	6/7/2018	12/7/2023	2,451	4.625%	4.78%	Quarterly	**2,437**	2,434	–
Total							**₱13,335**	₱15,797	₱17,991

Long-term Negotiable Certificates of Deposits due 2018 (LTNCD Series 1)
The Parent Company issued its unsecured LTNCD in tranches. The first tranche amounting to ₱1.53 billion issued at a discount on November 23, 2012, and the second to seventh tranches amounting to ₱3.12 billion were issued at a premium in February to May 2013. The LTNCD series 1 matured on May 23, 2018.

Long-term Negotiable Certificates of Deposits due 2019 (LTNCD Series 2)
In 2013, the Parent Company issued unsecured LTNCD maturing on June 5, 2019. The first to third tranches of the LTNCD Series 2 aggregating to ₱0.75 billion were issued in December 2013. The discount, including debt issue costs, related to the issuance of the LTNCD Series 2 in 2013 amounted to P9.44 million. The fourth and fifth tranches of the LTNCD Series 2 aggregating to ₱1.74 billion

were issued in February and April 2014, respectively. The discount, including debt issue costs, related to the issuance of the LTNCD Series 2 in 2014 amounted to ₱85.05 million. The LTNCD Series 2 matured on June 5, 2019. As of December 31, 2018, the outstanding net unamortized discount amounted to ₱9.07 million.

Long-term Negotiable Certificates of Deposits due 2020 (LTNCD Series 3)
In 2014, the Parent Company issued unsecured LTNCD maturing on April 24, 2020. The first tranche of the LTNCD Series 3 amounting to ₱0.93 billion was issued in October 2014. The discount related to the issuance of the LTNCD Series 3 in 2014 amounted to ₱4.63 million. As of December 31, 2019 and 2018, the outstanding net unamortized discount amounted to ₱0.23 million and ₱1.00 million, respectively.

Long-term Negotiable Certificates of Deposits due 2022 (LTNCD Series 4)
In 2017, the Parent Company issued unsecured LTNCD maturing on September 21, 2022. The first tranche of the LTNCD amounting to ₱2.70 billion was issued in March 2017. The second to fifth tranches of the LTNCD aggregating to ₱7.30 billion were issued in April to August 2017. The debt issue costs related to the issuance of the LTNCD in 2017 amounted to ₱49.94 million. As of December 31, 2019 and 2018, the outstanding unamortized debt issue cost amounted to ₱26.78million and ₱35.89 million, respectively.

Long Term Negotiable Certificates of Deposits due 2023 (LTNCD Series 5)
In 2018, the Parent Company issued unsecured LTNCD maturing on December 7, 2023. The first tranche of the LTNCD amounting to ₱2.45 billion was issued in June 7, 2018. The debt issue costs related to the issuance of the LTNCD in 2018 amounted to ₱18.38 million. As of December 31, 2019 and 2018, the outstanding unamortized debt issue cost amounted to ₱13.62 million and ₱16.70 million, respectively.

The movements in unamortized net discount of LTNCD as of December 31, 2019 and 2018 are as follows:

	2019	2018
Beginning balance	**₱62,660**	₱67,845
Discount arising from issuance during the year	**9,840**	18,380
Amortization during the year	**(12,182)**	(23,565)
Ending balance	**₱60,318**	₱62,660

The Group and the Parent Company's interest expense on deposit liabilities consists of (amount in thousands):

	Consolidated			**Parent**		
	2019	2018	2017	**2019**	2018	2017
Time deposits	**₱4,858,431**	₱3,060,232	₱1,998,822	**₱4,858,431**	₱3,060,232	₱1,998,822
Savings deposits	**1,238,106**	679,057	499,098	**303,294**	171,721	170,470
LTNCDs	**597,634**	686,148	571,399	**597,634**	686,148	571,399
Demand deposits	**104,380**	98,101	91,458	**105,364**	98,570	93,009
Total	**₱6,798,551**	₱4,523,538	₱3,160,777	**₱5,864,723**	₱4,016,671	₱2,833,700

17. Bills and Acceptances Payable

This account consists of:

	2019	2018
Banks and other financial institutions	**₱30,912,930**	₱17,939,215
Outstanding acceptances	**36,823**	30,712
	₱30,949,753	₱17,969,927

As of December 31, 2019, ₱29.80 billion of bills and acceptances payable are secured and collateralized by investment in government securities with face value and fair value of ₱28.24 billion and ₱32.86 billion, respectively.

As of December 31, 2018, ₱15.89 billion of bills and acceptances payable are secured and collateralized by investment in government securities with face value and fair value of ₱19.44 billion and ₱19.51 billion, respectively.

The details of collaterals in 2019 and 2018 follow:

	2019		2018	
	Face value	**Fair value**	Face value	Fair value
Financial assets at FVTPL	**₱8,068,541**	**₱9,154,497**	₱2,798,191	₱2,603,601
Financial assets at FVTOCI	**3,747,829**	**4,368,253**	250,000	237,189
Investment securities at amortized cost	**16,419,473**	**19,332,692**	16,394,474	16,670,322
	₱28,235,843	**₱32,855,442**	₱19,442,665	₱19,511,112

Bills payable to the BSP, other banks and other financial institutions are subject to annual interest rates ranging from 1.90% to 4.44% in 2019, 2.68% to 5.38% in 2018, and 1.50% to 3.50% in 2017.

The Group's and the Parent Company's interest expense on bills and acceptances payable amounted to ₱873.70 million in 2019, ₱204.11 million in 2018, and ₱44.13 million in 2017.

18. Accrued Taxes, Interest and Other Expenses

This account consists of:

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Accrued interest payable	**₱581,529**	₱916,067	**₱527,558**	₱799,433
Accrued taxes	**381,291**	410,873	**345,368**	373,055
Accrued other expenses	**2,070,213**	1,533,956	**1,880,382**	1,355,913
	₱3,033,033	₱2,860,896	**₱2,753,308**	₱2,528,401

Accrued other expenses pertain to accruals of various operating expenses such as rent, utilities, management and professional fees, employee bonus and other expenses.

19. **Subordinated Debt**

This account consists of:

		Consolidated		Parent Company	
	Face Value	**2019**	2018	**2019**	2018
Lower Tier 2 unsecured subordinated notes due 2025	₱5,000,000	**₱4,979,340**	₱4,975,862	**₱4,979,340**	₱4,975,862
Lower Tier 2 unsecured subordinated notes due 2027	1,250,000	**1,239,671**	1,238,617	**–**	–
	₱6,250,000	**₱6,219,011**	₱6,214,479	**₱4,979,340**	₱4,975,862

Lower Tier 2 unsecured subordinated notes due 2025
On July 4, 2014, the Parent Company issued 5.50% coupon rate Lower Tier 2 unsecured subordinated notes (the 2025 Notes) with par value of ₱5.00 billion, maturing on January 4, 2025, but callable on January 4, 2020. The 2025 Notes qualify as Tier 2 capital pursuant to BSP Circular No. 781 (Basel III), BSP Circular No. 826 on risk disclosure requirements for the loss absorption features of capital instruments, and other related circulars and issuances of the BSP.

Unless the 2025 Notes are previously redeemed, the 2025 Notes are repayable to the Noteholders at 100.00% of their face value or at par on the maturity date of January 4, 2025.

From and including the issue date to, but excluding the optional redemption date of January 4, 2020, the 2025 Notes bear interest at the rate of 5.50% per annum and shall be payable quarterly in arrears on January 4, April 4, July 4, and October 4 of each year, which commenced on October 4, 2014. Unless the 2025 Notes are previously redeemed, the interest rate will be reset at the equivalent of the prevailing 5-year BVAL at reset date plus initial spread (i.e., the difference between the initial interest rate and the prevailing 5-year BVAL at the pricing date of the initial tranche), commencing on January 4, 2020.

The 2025 Notes are redeemable at the option of the Parent Company, in whole but not in part, on the call option date at 100.00% of the face value plus accrued but unpaid interest, subject to the following conditions:

a. the Parent Company has obtained prior written approval and complied with the requirements of the BSP prior to redemption of the 2025 Notes;
b. the 2025 Notes are replaced with capital of the same or better quality and the replacement of this capital is done at conditions which are sustainable for the income capacity of the Parent Company or the Parent Company demonstrates that its capital position is above the minimum capital requirements after redemption is exercised;
c. the Parent Company is not in breach of (and would not, following such redemption, be in breach) of applicable regulatory capital requirements (including regulatory capital buffers);
d. the Parent Company is solvent at the time of redemption of the 2025 Notes and immediately thereafter.

Furthermore, upon the occurrence of a Tax Redemption Event or a Regulatory Redemption Event, the Parent Company may, subject to compliance with BSP rules and BSP approval, and upon prior approval of the BSP and with prior written notice to the Noteholders on record, redeem all and not less than all of the outstanding 2025 Notes prior to the stated maturity by paying the Noteholder the Redemption Option Amount which, (a) in the case of a Tax Redemption Event is an amount equal to 100.00% of the face value of the 2025 Notes plus accrued interest at the interest rate relating to the then current interest period up to but excluding the date of such redemption, and (b) in the case of a Regulatory Redemption Event is an amount equal to 100.00% of the face value of the 2025 Notes plus accrued interest at the interest rate relating to the then current Interest Period up to but excluding the date of such redemption (the "Redemption Option Date").

The 2025 Notes have a loss absorption feature which means that the 2025 Notes are subject to a Non-Viability Write-Down in case of a Non-Viability Event. Non-viability is defined as a deviation from a certain level of Common Equity Tier 1 (CET1) Ratio or inability of the Parent Company to continue business (closure) or any other event as determined by the BSP, whichever comes earlier. A Non-Viability Event is deemed to have occurred when the Parent Company is considered non-viable as determined by the BSP.

Upon the occurrence of a Non-Viability Event, the Parent Company shall write-down the principal amount of the 2025 Notes to the extent required by the BSP, which could go to as low as zero. Additional Tier 1 (AT1) capital instruments shall be utilized first before Tier 2 capital instruments are written-down, until the viability of the Issuer is re-established. In the event the Parent Company does not have AT1 capital instruments, then the write-down shall automatically apply to Tier 2 capital.

Loss absorption feature is subject to the following conditions:

a. the principal amount of all series of Tier 1 Loss Absorbing Instruments outstanding having been Written-Down to zero or converted into common equity of the Parent Company (where possible) irrevocably, in accordance with, and to the extent possible pursuant to, their terms (the “Tier 1 Write-Down”);
b. the Tier 1 Write-Down having been insufficient to cure the Non-Viability Event;
c. the Parent Company giving the relevant Non-Viability Notice to the Public Trustee and the Registrar and Paying Agent.

Each Noteholder irrevocably agrees and acknowledges that it may not exercise or claim any right of set-off in respect of any amount owed to it by the Parent Company arising under or in connection with the 2025 Notes and it shall, to the fullest extent permitted by applicable law, waive and be deemed to have waived all such rights of set-off.

On January 4, 2020, the Parent Company exercised its redemption option to pre-terminate the 2025 Notes.

<u>Lower Tier 2 unsecured subordinated notes due 2027</u>
On February 20, 2017, EWRB issued 5.50% coupon rate Lower Tier 2 unsecured subordinated note (the 2027 Notes) with par value of ₱1.25 billion, maturing on August 20, 2027 but callable on August 20, 2022.

Unless the 2027 Notes are previously redeemed, the 2027 Notes are repayable to the Noteholders at 100.00% of their face value or at par on the maturity date of August 20, 2027.

From and including the issue date to, but excluding the optional redemption date of August 20, 2022, the 2027 Notes bear interest at the rate of 5.50% per annum and shall be payable quarterly in arrears on February 20, May 20, August 20, and November 20 of each year, which commenced on February 20, 2017. Unless the 2027 Notes are previously redeemed, the interest rate will be reset at the equivalent of the prevailing 5-year BVAL at reset date plus initial spread (i.e., the difference between the initial interest rate and the prevailing 5-year BVAL at the pricing date of the initial tranche), commencing on August 20, 2022.

The 2027 Notes are redeemable at the option of EWRB, in whole but not in part, on the call option date at 100.00% of the face value plus accrued but unpaid interest, subject to the following conditions:

a. EWRB has obtained prior written approval and complied with the requirements of the BSP prior to redemption of the 2027 Notes;
b. the 2027 Notes are replaced with capital of the same or better quality and the replacement of this capital is done at conditions which are sustainable for the income capacity of EWRB, or EWRB demonstrates that its capital position is above the minimum capital requirements after redemption is exercised;
c. EWRB is not in breach of (and would not, following such redemption, be in breach) of applicable regulatory capital requirements (including regulatory capital buffers);
d. EWRB is solvent at the time of redemption of the 2027 Notes and immediately thereafter.

Furthermore, upon the occurrence of a Tax Redemption Event or a Regulatory Redemption Event, the EWRB may, subject to compliance with BSP rules and BSP approval, and upon prior approval of the BSP and with prior written notice to the Noteholders on record, redeem all and not less than all of the outstanding 2027 Notes prior to the stated maturity by paying the Noteholder the Redemption Option Amount which, (a) in the case of a Tax Redemption Event is an amount equal to 100.00% of the face value of the 2027 Notes plus accrued interest at the interest rate relating to the then current interest period up to but excluding the date of such redemption, and (b) in the case of a Regulatory Redemption Event is an amount equal to 100.00% of the face value of the 2027 Notes plus accrued interest at the interest rate relating to the then current Interest Period up to but excluding the date of such redemption (the “Redemption Option Date”).

The 2027 Notes have a loss absorption feature which means that the 2027 Notes are subject to a Non-Viability Write-Down in case of a Non-Viability Event. Non-viability is defined as a deviation from a certain level of Common Equity Tier 1 (CET1) Ratio or inability of the EWRB to continue business (closure) or any other event as determined by the BSP, whichever comes earlier. A Non-Viability Event is deemed to have occurred when EWRB is considered non-viable as determined by the BSP.

Upon the occurrence of a Non-Viability Event, EWRB shall write-down the principal amount of the 2025 Notes to the extent required by the BSP, which could go to as low as zero. Additional Tier 1 (AT1) capital instruments shall be utilized first before Tier 2 capital instruments are written-down, until the viability of the Issuer is re-established. In the event EWRB does not have AT1 capital instruments, then the write-down shall automatically apply to Tier 2 capital.

Loss absorption feature is subject to the following conditions:

a. the principal amount of all series of Tier 1 Loss Absorbing Instruments outstanding having been Written-Down to zero or converted into common equity of EWRB (where possible) irrevocably, in accordance with, and to the extent possible pursuant to, their terms (the “Tier 1 Write-Down”);
b. the Tier 1 Write-Down having been insufficient to cure the Non-Viability Event;
c. EWRB giving the relevant Non-Viability Notice to the Public Trustee and the Registrar and Paying Agent.

Each Noteholder irrevocably agrees and acknowledges that it may not exercise or claim any right of set-off in respect of any amount owed to it by EWRB arising under or in connection with the 2027 Notes and it shall, to the fullest extent permitted by applicable law, waive and be deemed to have waived all such rights of set-off.

The Group’s interest expense on the subordinated debts amounted to ₱345.97 million, ₱345.93 million, and ₱333.32 million in 2019, 2018, and 2017, respectively.

The Parent Company's interest expense on the subordinated debts amounted to ₱276.16 million, ₱276.10 million, and ₱273.75 million in 2019, 2018, and 2017, respectively.

20. Other Liabilities

This account consists of:

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Financial liabilities				
Accounts payable	**₱3,421,255**	₱3,670,449	**₱2,705,305**	₱2,819,166
Provision on unused credit lines (Notes 15 and 29)	**683,425**	449,748	**683,425**	449,748
Bills purchased-contra	**542,664**	551,467	**542,664**	551,467
Payment orders payable	**135,461**	173,498	**135,461**	173,498
Derivative liabilities (Note 5)	**128,004**	146,548	**128,004**	146,548
Retention payable	**42,571**	55,730	**42,571**	55,730
Marginal deposits and letters of credit	**5,789**	22,066	**5,789**	22,066
	4,959,169	5,069,506	**4,243,219**	4,218,223
Non-financial liabilities				
Deferred revenue	**1,500,657**	2,360,494	**1,516,910**	2,360,012
Net retirement obligation (Note 25)	**169,903**	99,040	**149,678**	94,174
Withholding tax payable	**144,299**	175,203	**130,190**	159,571
Miscellaneous	**335,908**	574,310	**330,306**	574,374
	2,150,767	3,209,047	**2,127,084**	3,188,131
	₱7,109,936	₱8,278,553	**₱6,370,303**	₱7,406,354

Deferred revenue of the Group and the Parent Company includes deferred credit card loyalty points, membership fees and dues as well as the deferred exclusive bancassurance access fee (Note 10).

21. Maturity Analysis of Assets and Liabilities

The following tables show an analysis of assets and liabilities analyzed according to whether they are expected to be recovered or settled within one year and beyond one year from the statement of financial position date:

	Consolidated					
	2019			2018		
	Less than 12 months	**Over 12 months**	**Total**	Less than 12 months	Over 12 months	Total
Financial assets:						
Cash and other cash items	**₱7,454,625**	**₱–**	**₱7,454,625**	₱7,185,241	₱–	₱7,185,241
Due from BSP	**34,287,302**	**–**	**34,287,302**	40,481,956	–	40,481,956
Due from other banks - gross (Note 15)	**3,404,019**	**–**	**3,404,019**	10,233,438	–	10,233,438
IBLR	**2,691,882**	**–**	**2,691,882**	5,862,670	–	5,862,670
Financial assets at FVTPL (Note 8)	**16,840,709**	**–**	**16,840,709**	4,338,794	–	4,338,794
Financial assets at FVTOCI (Note 8)	**4,650,636**	**–**	**4,650,636**	248,207	–	248,207
Investment securities at amortized cost - gross (Notes 8 and 15)	**392,088**	**48,996,247**	**49,388,335**	13,896,211	22,617,230	36,513,441
Loans and receivables - gross (Notes 9 and 15)	**115,497,638**	**151,147,649**	**266,645,287**	97,953,032	148,263,236	246,216,268
Other assets - gross (Notes 14 and 15)	**202,744**	**268,330**	**471,074**	212,221	285,438	497,659
	185,421,643	**200,412,226**	**385,833,869**	180,411,770	171,165,904	351,577,674

(Forward)

	Consolidated					
	2019			2018		
	Less than 12 months	**Over 12 months**	**Total**	Less than 12 months	Over 12 months	Total
Nonfinancial assets:						
Investment in a joint venture (Note 10)	**₱–**	**₱694,114**	**₱694,114**	₱–	₱689,466	₱689,466
Property and equipment - gross (Note 11)	**–**	**11,690,022**	**11,690,022**	–	7,437,991	7,437,991
Investment properties - gross (Notes 12 and 15)	**–**	**1,344,814**	**1,344,814**	–	1,296,575	1,296,575
Deferred tax assets (Note 24)	**–**	**2,821,217**	**2,821,217**	–	2,265,962	2,265,962
Goodwill and other intangible assets - gross (Note 13)	**–**	**8,613,422**	**8,613,422**	–	8,462,892	8,462,892
Other assets - gross (Notes 14 and 15)	**1,448,924**	**1,577,059**	**3,025,983**	1,291,074	1,402,112	2,693,186
	1,448,924	**26,740,648**	**28,189,572**	1,291,074	21,554,998	22,846,072
	186,870,567	**227,152,874**	**414,023,441**	181,702,844	192,720,902	374,423,746
Allowances for impairment and credit losses (Note 15)	**–**	**(7,808,910)**	**(7,808,910)**	–	(7,406,471)	(7,406,471)
Unamortized premium (Note 9)	**–**	**8,391,667**	**8,391,667**	–	6,945,199	6,945,199
Accumulated depreciation and amortization (Notes 11, 12 and 13)	**–**	**(8,281,909)**	**(8,281,909)**	–	(6,623,485)	(6,623,485)
	₱186,870,567	**₱219,453,722**	**₱406,324,289**	₱181,702,844	₱185,636,145	₱367,338,989
Financial liabilities:						
Deposit liabilities (Note 16)	**₱291,229,056**	**₱13,497,099**	**₱304,726,155**	₱259,111,520	₱ 29,128,313	₱288,239,833
Bills and acceptances payable (Note 17)	**30,949,753**	**–**	**30,949,753**	17,969,927	–	17,969,927
Cashiers' checks and demand drafts payable	**1,320,236**	**–**	**1,320,236**	895,717	–	895,717
Subordinated debt (Note 19)	**4,979,340**	**1,239,671**	**6,219,011**	–	6,214,479	6,214,479
Accrued interest, taxes and other expenses (Note 18)	**2,651,742**	**–**	**2,651,742**	2,450,023	–	2,450,023
Lease liability	**788,477**	**2,514,504**	**3,302,981**	–	–	–
Other liabilities (Note 20)	**4,916,597**	**42,572**	**4,959,169**	5,025,987	43,519	5,069,506
	336,835,201	**17,293,846**	**354,129,047**	285,453,174	35,386,311	320,839,485
Nonfinancial liabilities:						
Income tax payable	**595,851**	**–**	**595,851**	222,410	–	222,410
Accrued interest, taxes and other expenses (Note 18)	**381,291**	**–**	**381,291**	410,873	–	410,873
Other liabilities (Note 20)	**840,060**	**1,310,707**	**2,150,767**	175,203	3,033,844	3,209,047
	1,817,202	**1,310,707**	**3,127,909**	808,486	3,033,844	3,842,330
	₱338,652,403	**₱18,604,553**	**₱357,256,956**	₱286,261,660	₱38,420,155	₱324,681,815

	Parent Company					
	2019			2018		
	Less than 12 months	**Over 12 months**	**Total**	Less than 12 months	Over 12 months	Total
Financial assets:						
Cash and other cash items	**₱7,354,474**	**₱–**	**₱7,354,474**	₱7,097,652	₱–	₱7,097,652
Due from BSP	**33,590,486**	**–**	**33,590,486**	39,872,848	–	39,872,848
Due from other banks - gross (Note 15)	**3,324,495**	**–**	**3,324,495**	10,087,873	–	10,087,873
IBLR	**2,691,882**	**–**	**2,691,882**	5,862,670	–	5,862,670
Financial assets at FVTPL (Note 8)	**16,840,709**	**–**	**16,840,709**	4,338,794	–	4,338,794
Financial assets at FVTOCI (Note 8)	**4,650,636**	**–**	**4,650,636**	248,207	–	248,207
Investment securities at amortized cost - gross (Notes 8 and 15)	**392,088**	**48,996,247**	**49,388,335**	13,896,211	22,617,230	36,513,441
Loans and receivables - gross (Notes 9 and 15)	**92,529,311**	**146,629,057**	**239,158,368**	97,252,410	124,136,188	221,388,598
Other assets - gross (Notes 14 and 15)	**202,743**	**265,070**	**467,813**	212,893	282,863	495,756
	161,576,824	**195,890,374**	**357,467,198**	178,869,558	147,036,281	325,905,839
Nonfinancial assets:						
Investment in subsidiaries (Note 10)	**–**	**3,992,449**	**3,992,449**	–	3,697,985	3,697,985
Investment in a joint venture (Note 10)	**–**	**694,114**	**694,114**	–	689,466	689,466
Property and equipment - gross (Note 11)	**–**	**10,707,460**	**10,707,460**	–	6,719,423	6,719,423
Investment properties - gross (Notes 12 and 15)	**–**	**1,343,369**	**1,343,369**	–	1,295,129	1,295,129
Deferred tax assets (Note 24)	**–**	**2,387,704**	**2,387,704**	–	2,138,525	2,138,525

(Forward)

	Parent Company					
	2019			2018		
	Less than 12 months	**Over 12 months**	**Total**	Less than 12 months	Over 12 months	Total
Goodwill and other intangible assets - gross (Note 13)	**₱–**	**₱8,497,117**	**₱8,497,117**	₱–	₱8,351,897	₱8,351,897
Other assets - gross (Notes 14 and 15)	**1,366,650**	**1,566,981**	**2,933,631**	1,202,934	1,376,003	2,578,937
	1,366,650	**29,189,194**	**30,555,844**	1,202,934	24,268,428	25,471,362
	162,943,474	**225,079,568**	**388,023,042**	180,072,492	171,304,709	351,377,201
Allowances for impairment and credit losses (Note 15)	**–**	**(7,289,355)**	**(7,289,355)**	–	(6,998,057)	(6,998,057)
Unamortized premium (Note 9)	**–**	**9,589,794**	**9,589,794**	–	7,547,675	7,547,675
Accumulated depreciation and amortization (Notes 11, 12 and 13)	**–**	**(7,593,005)**	**(7,593,005)**	–	(6,098,954)	(6,098,954)
	₱162,943,474	**₱219,787,002**	**₱382,730,476**	₱180,072,492	₱165,755,373	₱345,827,865
Financial liabilities:						
Deposit liabilities (Note 16)	**270,185,116**	**13,497,099**	**283,682,215**	240,138,181	29,128,313	269,266,494
Bills and acceptances payable (Note 17)	**30,949,753**	**–**	**30,949,753**	17,969,927	–	17,969,927
Cashiers' checks and demand drafts payable	**1,320,236**	**–**	**1,320,236**	895,717	–	895,717
Subordinated debt (Note 19)	**4,979,340**	**–**	**4,979,340**	–	4,975,862	4,975,862
Accrued interest, taxes and other expenses (Note 18)	**2,407,940**	**–**	**2,407,940**	2,155,346	–	2,155,346
Lease liability	**747,674**	**2,373,769**	**3,121,443**	–	–	–
Other liabilities (Note 20)	**4,200,647**	**42,572**	**4,243,219**	4,195,902	22,321	4,218,223
	314,790,706	**15,913,440**	**330,704,146**	265,355,073	34,126,496	299,481,569
Nonfinancial liabilities:						
Income tax payable	**486,545**	**–**	**486,545**	127,936	–	127,936
Accrued interest, taxes and other expenses (Note 18)	**345,368**	**–**	**345,368**	373,055	–	373,055
Other liabilities (Note 20)	**816,377**	**1,310,707**	**2,127,084**	1,223,608	1,964,523	3,188,131
	1,648,290	**1,310,707**	**2,958,997**	1,724,599	1,964,523	3,689,122
	₱316,438,996	**₱17,224,147**	**₱333,663,143**	₱267,079,672	₱36,091,019	₱303,170,691

22. Equity

Capital Management

The Parent Company actively manages its capital to comply with regulatory requirements, enable growth targets, withstand plausible stress events and be at par with the Parent Company's peers. The primary objective of the Parent Company's capital management is to ensure that it maintains adequate capital to cover risks inherent to its banking activities without prejudice to optimizing shareholders' value.

Regulatory Qualifying Capital

Under existing BSP regulations, the determination of the Parent Company's compliance with regulatory requirements and ratios is based on the amount of the Parent Company's 'unimpaired capital' (regulatory net worth) reported to the BSP, which is determined on the basis of regulatory policies. In addition, the risk-based Capital Adequacy Ratio (CAR) of a bank, expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than 10.00% for both solo basis (head office and branches) and consolidated basis (Parent Company and subsidiaries engaged in financial allied undertakings). Qualifying capital and risk-weighted assets are computed based on BSP regulations.

Effective January 1, 2014, the Group complied with BSP issued Circular No. 781, *Basel III Implementing Guidelines on Minimum Capital Requirements*, which provides the implementing guidelines on the revised risk-based capital adequacy framework particularly on the minimum capital and disclosure requirements for universal banks and commercial banks, as well as their subsidiary banks and quasi-banks, in accordance with the Basel III standards. The Circular sets out a minimum

Common Equity Tier 1 (CET1) ratio of 6.00% and Tier 1 capital ratio of 7.50%. It also introduces a capital conservation buffer of 2.50% comprised of CET1 capital. The BSP's existing requirement for total CAR remains unchanged at 10.00% and these ratios shall be maintained at all times.

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

On June 27, 2014, the BSP issued Circular No. 839, *REST Limit for Real Estate Exposures* which provides the implementing guidelines on the prudential REST limit for universal, commercial, and thrift banks on their aggregate real estate exposures. The Group should maintain CET1 and CAR levels at the regulatory prescribed minimums, on a solo and consolidated basis, even after the simulated results of a 25.00% write-off to the Group's real estate exposures. These shall be complied with at all times.

The capital-to-risk assets ratio reported to the BSP as of December 31, 2019 and 2018 are shown in the table below:

	Consolidated		**Parent Company**	
	2019	2018	**2019**	2018
CET1 capital ratio	**10.37%**	10.29%	**10.65%**	10.24%
Tier 1 capital ratio	**10.37%**	10.29%	**10.65%**	10.24%
Total capital ratio	**12.95%**	12.76%	**13.00%**	12.87%

The composition of the qualifying capital is shown below (amounts in millions):

	Consolidated		**Parent Company**	
	2019	2018	**2019**	2018
Qualifying capital:				
Tier 1 capital	**₱47,963**	₱41,918	**₱47,973**	₱42,142
CET1 capital	**47,963**	41,918	**47,973**	42,142
Less: Required deductions	**11,609**	10,081	**13,872**	13,463
Net Tier 1 capital	**36,354**	31,837	**34,101**	28,679
Tier 2 capital	**9,036**	7,622	**7,533**	7,377
Total qualifying capital	**₱45,390**	₱39,459	**₱41,634**	₱36,056

The capital requirements as of December 31, 2019 and 2018 are shown below (amounts in millions):

	Consolidated		**Parent Company**	
	2019	2018	**2019**	2018
Capital requirements:				
Credit risk	**₱292,232**	₱267,828	**265,911**	₱237,699
Market risk	**13,675**	2,496	**13,675**	1,728
Operational risk	**44,636**	38,959	**40,694**	40,702
Total capital requirements	**₱350,543**	₱309,283	**320,280**	₱280,129

Qualifying capital and risk-weighted assets are computed based on BSP regulations.

Under Basel III, the regulatory Gross Qualifying Capital of the Parent Company consists of Tier 1 (core) and Tier 2 (supplementary) capital. Tier 1 comprises share capital, surplus (including current year profit), and other comprehensive income (cumulative foreign currency translation and net unrealized gains on financial assets at FVTOCI). Required deductions include goodwill, intangible assets, investments in equity, deferred tax assets, defined benefit pension assets and unsecured credit accommodations to DOSRI and subsidiaries.

Tier 2 capital comprise of unsecured subordinated debts and general loan loss provision.

Risk-weighted assets are determined by assigning defined risk weights to the statement of financial position exposure and to the credit equivalent amounts of off-balance sheet exposures. Certain items are deducted from risk-weighted assets, such as the excess of general loan loss provision over the amount permitted to be included in Tier 2 capital. The risk weights vary from 0.00% to 150.00% depending on the type of exposure, with the risk weights of off-balance sheet exposures being subjected further to credit conversion factors. Below is a summary of risk weights and selected exposure types:

Risk weight	Exposure/Asset type
0.00%	Cash on hand; claims collateralized by securities issued by the national government, BSP; loans covered by the Trade and Investment Development Corporation of the Philippines; real estate mortgages covered by the Home Guarantee Corporation
20.00%	Cash and other cash items, claims guaranteed by Philippine incorporated banks/quasi-banks with the highest credit quality; claims guaranteed by foreign incorporated banks with the highest credit quality; loans to exporters to the extent guaranteed by Small Business Guarantee and Finance Corporation
50.00%	Housing loans fully secured by first mortgage on residential property; Local Government Unit (LGU) bonds which are covered by Deed of Assignment of Internal Revenue allotment of the LGU and guaranteed by the LGU Guarantee Corporation
75.00%	Direct loans of defined Small Medium Enterprise (SME) and microfinance loans portfolio; non-performing housing loans fully secured by first mortgage
100.00%	All other assets (e.g., real estate assets) excluding those deducted from capital (e.g., deferred income tax)
150.00%	All non-performing loans (except non-performing housing loans fully secured by first mortgage) and all non-performing debt securities

** Not all inclusive*

With respect to off-balance sheet exposures, the exposure amount is multiplied by a credit conversion factor (CCF), ranging from 0.00% to 100.00%, to arrive at the credit equivalent amount, before the risk weight factor is multiplied to arrive at the risk-weighted exposure. Direct credit substitutes (e.g., guarantees) have a CCF of 100.00%, while items not involving credit risk has a CCF of 0.00%.

In the case of derivatives, the credit equivalent amount (against which the risk weight factor is multiplied to arrive at the risk-weighted exposure) is generally the sum of the current credit exposure or replacement cost (the positive fair value or zero if the fair value is negative or zero) and an estimate of the potential future credit exposure or add-on. The add-on ranges from 0.00% to 1.50% (interest rate-related) and from 1.00% to 7.50% (exchange rate-related), depending on the residual maturity of the contract. For credit-linked notes and similar instruments, the risk-weighted exposure is the higher of the exposure based on the risk weight of the issuer's collateral or the reference entity or entities.

The risk-weighted CAR is calculated by dividing the sum of its Tier 1 and Tier 2 capital, as defined under BSP regulations, by its risk-weighted assets. The risk-weighted assets, as defined by the BSP regulations, consist of all of the assets on the balance sheet at their respective book values, together with certain other off-balance sheet items, weighted by certain percentages depending on the risks associated with the type of assets. The determination of compliance with regulatory requirements and ratios is based on the amount of the Parent Company's 'unimpaired capital' (regulatory net worth) as reported to the BSP, which is determined on the basis of regulatory accounting practices which differ from PFRS in some respects.

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

Leverage Ratio and Total Exposure Measure

The Basel lll Leverage Ratio is designed to act as a supplementary measure to the risk-based capital requirement. The leverage ratio intends to restrict the buildup of leverage in the Bank and reinforce the risk-based requirements with a simple, non-risk based "backstop" measure. It is defined as a capital measure over its total exposure measure with a minimum requirement of 5.00% on both Group and Parent Company.

	2019	
	Consolidated	**Parent**
Capital Measure	₱37,439,942	₱34,100,854
Divided by: Exposure measure	420,909,115	393,622,139
Leverage ratio	8.90%	8.66%

Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR)

The NSFR seeks to limit the overreliance on short-term wholesale funding and promoting enhanced assessment of funding risk across all on- and off-balance sheet accounts. It complements the LCR, which promotes short term resilience of a Bank's liquidity profile. The minimum LCR and NSFR requirement should be no lower than 100% at all times on both Group and Parent Company.

	2019	
	Consolidated	**Parent**
Total Stock of High-Quality Liquid Assets	₱61,635,603	₱60,841,217
Divided by: Total Net Cash Flows	31,560,166	39,791,801
Liquidity Coverage ratio	195.30%	152.90%

	2019	
	Consolidated	**Parent**
Available Stable Funding Ratio	₱268,531,985	₱249,897,222
Divided by: Required Stable Funding	242,005,827	229,239,981
Liquidity Coverage ratio	110.96%	109.01%

Capital Stock

Capital stock consists of (amounts in thousands, except for par value and number of shares):

	Shares			Amount		
	2019	2018	2017	**2019**	2018	2017
Authorized:						
Common stock - ₱10.00 par value	**4,500,000,000**	4,500,000,000	1,500,000,000			
Preferred stock - ₱10.00 par value	**500,000,000**	500,000,000	500,000,000			
Common stock issued and outstanding:						
Balance at the beginning of the year	**2,249,975,411**	1,499,983,610	1,499,983,610	**₱22,499,754**	₱14,999,836	₱14,999,836
Issuance of stock dividends	**–**	749,991,801	–	**–**	7,499,918	–
Balance at the end of the year	**2,249,975,411**	2,249,975,411	1,499,983,610	**₱22,499,754**	₱22,499,754	₱14,999,836

With the approvals by the PSE of the Parent Company's application for listing and by the SEC for the Registration Statement both on March 14, 2012, a total of 245,316,200 common shares, with ₱10.00 par value per share, representing 21.70% of outstanding capital stock, were offered and subscribed through an initial public offering at ₱18.50 per share on April 20 to 26, 2012. The common shares comprise of (a) 141,056,800 new shares issued by the Parent Company by way of a primary offer, and (b) 104,259,400 existing shares offered by FDC, the selling shareholder, pursuant to a secondary offer. Subsequently, on September 5, 2012, 36,715,300 shares under the over-allotment option were exercised at a price of ₱18.50 per share that brought the subscriptions to 25.00% of the outstanding capital stock. The Parent Company's common shares were listed and commenced trading in the PSE on May 7, 2012.

The preferred shares are perpetual non-voting and non-convertible to common shares. The dividends of the preferred shares shall be non-cumulative and to be fixed by the BOD at an annual dividend rate prior to the date of issue.

The total proceeds raised by the Parent Company from the sale of primary offer shares amounted to ₱2.61 billion while the net proceeds (after deduction of direct costs related to equity issuance) amounted to ₱2.39 billion.

On February 1, 2018, the BSP approved the following amendments to the Parent Company's Articles of Incorporation, which were approved and confirmed by the Parent Company's BOD at its special meeting on July 13, 2017, to provide flexibility for future capital requirements:

a. Increase of the Parent Company's authorized capital stock from ₱20.00 billion to ₱50.00 billion consisting of 4.50 billion common shares with par value of ₱10.00 per share or a total par value of ₱45.00 billion and ₱0.50 billion preferred shares with par value of ₱10.00 per share or a total par value of ₱5.00 billion.

b. Declaration of 50.00% stock dividends equivalent to ₱7.50 billion from the Parent Company's unrestricted retained earnings as of December 31, 2016 to meet the required subscribed and paid amount of capital stock per Corporation Code after the increase in the authorized capital of the Parent Company. The increase in the Parent Company's authorized capital stock and stock dividend declaration were subsequently approved by BSP on September 29, 2017 and by SEC on February 28, 2018.

On April 16, 2018, a total of 749,991,801 common shares were listed at the PSE.

The portion of the Parent Company's retained earnings pertaining to the accumulated earnings of the subsidiaries amounting to ₱3.90 billion and ₱3.69 billion as of December 31, 2019 and December 31, 2018, respectively, are not available for dividend declaration until declared as dividends by subsidiaries.

In 2018, upon the full adoption of PFRS 9, the BSP through BSP Circular No. 1011 has required the appropriation for the difference of the 1% general loan loss provision over the computed ECL related to Stage 1 accounts. As of December 31, 2019, the amount of appropriation made in 2018 is still sufficient to cover the difference of the required BSP provision over the computed ECL related to Stage 1 accounts

Dividend
The BOD of the Parent Company, in its special meeting on April 21, 2017, approved the declaration of cash dividends amounting to ₱0.33 per share or ₱500.00 million to stockholders on record as of May 9, 2017. The dividends were paid on May 29, 2017.

As approved by the Parent Company's BOD in its special meeting on July 13, 2017, 50.00% stock dividend equivalent to ₱7.50 billion was declared to stockholders on record as of March 30, 2018, to cover the required 25.00% minimum subscription and payment for the increase of authorized capital of the Parent Company. The stock dividends were issued on April 16, 2018. Direct issuance costs amounting to ₱144.00 million were paid in 2018.

23. Income and Expenses

Service charges, fees and commissions
Service charges include late payment charges, pre-termination fees on loans and service charges on deposit taking-related transactions. Fees and commissions include credit card membership fees, bancassurance fees, interchange fees, merchant discounts and other commissions.

For the periods ended December 31, 2019, 2018 and 2017, this account consists of:

	Consolidated			Parent Company		
	2019	2018	2017	**2019**	2018	2017
Credit cards	**₱2,172,012**	₱2,201,506	₱2,105,754	**₱2,172,012**	₱2,201,506	₱2,105,754
Loans	**1,709,685**	1,580,672	2,236,216	**1,119,558**	1,028,176	882,256
Deposits	**785,595**	654,116	626,729	**781,751**	650,037	622,250
Bancassurance fees	**87,919**	68,952	18,168	**87,919**	68,952	18,168
Remittances	**73,748**	85,494	72,454	**73,748**	85,494	72,454
Others	**407,484**	297,710	283,455	**95,964**	91,974	152,682
	₱5,236,443	₱4,888,450	₱5,342,776	**₱4,330,952**	₱4,126,139	₱3,853,564

Others consist of gross receipt tax payments fees, income from securities brokering and certificate fees.

Miscellaneous income
For the periods ended December 31, 2019, 2018 and 2017, this account consists of:

	Consolidated			Parent Company		
	2019	2018	2017	**2019**	2018	2017
Recoveries and credit adjustments	**₱430,150**	₱739,285	₱436,658	**₱416,502**	₱736,052	₱431,926
Rental income	**41,208**	25,056	20,656	**41,208**	25,056	20,656
Dividend income	**2,208**	3,777	4,555	**2,208**	3,777	4,555
Others	**162,564**	82,957	106,869	**157,279**	79,879	88,162
	₱636,130	₱851,075	₱568,738	**₱617,197**	₱844,764	₱545,299

Others include referral income earned on insurance premiums charged through credit cards and revenue from credit card loyalty rewards.

Miscellaneous expense
For the periods ended December 31, 2019, 2018 and 2017, this account consists of:

	Consolidated			Parent Company		
	2019	2018	2017	**2019**	2018	2017
Insurance	**₱714,434**	₱687,122	₱623,093	**₱667,592**	₱652,028	₱588,793
Advertising	**708,158**	825,272	601,700	**695,992**	811,424	588,952
Service charges, fees and commissions	**707,180**	601,022	405,979	**707,180**	601,022	405,979
Brokerage fees	**683,167**	647,502	658,021	**706,524**	635,599	701,215
Security, messengerial and janitorial services	**569,263**	489,575	544,996	**509,117**	434,371	488,939
Technological fees	**492,652**	502,011	410,618	**492,545**	500,334	410,618
Postage, telephone, cables and telegram	**432,738**	386,541	392,715	**392,080**	346,894	356,377
Management and other professional fees	**290,646**	175,389	140,406	**287,065**	172,366	137,942
Fines, penalties and other charges	**241,074**	173,119	169,138	**209,565**	152,848	148,790
Power, light and water	**214,164**	217,159	202,957	**187,241**	192,741	179,982
Transportation and travel	**204,156**	212,526	231,722	**160,358**	168,620	166,931
Repairs and maintenance	**155,909**	124,018	124,641	**129,404**	104,532	107,099
Stationery and supplies	**136,361**	109,978	115,396	**107,655**	92,074	91,021
Supervision fees	**106,785**	97,352	82,702	**98,963**	91,259	76,614
Litigation expenses	**75,776**	88,525	71,246	**75,776**	88,520	71,246
Entertainment, amusement and recreation	**42,621**	46,208	48,807	**36,288**	41,711	41,878
Others	**212,443**	219,207	220,320	**194,098**	200,138	208,602
	₱5,987,527	₱5,602,526	₱5,044,457	**₱5,657,443**	₱5,286,481	₱4,770,978

Others include payments for subscriptions, membership fees, trainings, donations and contributions, delivery and freight expenses, and clearing fees.

24. Income and Other Taxes

Under Philippine tax laws, the RBU of the Parent Company and its subsidiaries are subject to percentage and other taxes (presented as 'Taxes and licenses' in the statements of income) as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax and documentary stamp taxes. Income taxes include corporate income tax, as discussed below, and final taxes paid which represents final withholding tax on gross interest income from government securities and other deposit substitutes and income from FCDU transactions. These income taxes, as well as the deferred tax benefits and provisions, are presented as 'Provision for income tax' in the statements of income.

Republic Act (RA) No. 9397, *An Act Amending National Internal Revenue Code*, provides that the Regular Corporate Income Tax (RCIT) rate shall be 30.00% and the interest expense allowed as a deductible expense shall be reduced by 33.00% of interest income subjected to final tax.

A Minimum Corporate Income Tax (MCIT) of 2.00% of modified gross income is computed and compared with the RCIT. Any excess of MCIT over the RCIT is deferred and can be used as a tax credit against future income tax liability for the next three years. In addition, NOLCO is allowed as a deduction from taxable income in the next three years from the period of incurrence.

FCDU offshore income (income from non-residents) is tax-exempt while gross onshore income (income from residents) is generally subject to 10.00% gross income tax. In addition, interest income on deposit placements with other FCDUs and offshore banking units is subject to a 7.50% final tax. RA No. 9294, which became effective in May 2004, provides that the income derived by the FCDU from foreign currency transactions with non-residents, Offshore Banking Units (OBUs), local commercial banks including branches of foreign banks is tax-exempt while interest income on foreign currency loans from residents other than OBUs or other depository banks under the expanded system is subject to 10.00% income tax.

Relevant Tax Updates
Republic Act 10963, The Tax Reform for Acceleration and Inclusion (TRAIN), is first package of the comprehensive tax reform program of the government. The bill was signed into law on December 19, 2018 and took effect on January 1, 2018, amending some provisions of the old Philippine tax system.

Except for resident foreign corporations, which is still subject to the existing rate of 7.50%, tax on interest income of foreign currency deposit was increased to 15% under TRAIN. Documentary stamp tax on bank checks, drafts, certificate of deposit not bearing interest, all debt instruments, bills of exchange, letters of credit, mortgages, deeds and others are now subjected to a higher rate.

Revenue Regulations (RR) No. 14-2011
On March 15, 2011, the Bureau of Internal Revenue (BIR) issued RR No. 14-2011 which prescribes the proper allocation of costs and expenses among the income earnings of financial institutions for income tax reporting. Only costs and expenses attributable to the operations of the RBU can be claimed as deduction to arrive at the taxable income of the RBU subject to the RCIT. All costs and expenses pertaining to the FCDU/EFCDU are excluded from the RBU's taxable income. Within the RBU, common costs and expenses should be allocated among taxable income, tax-paid income and tax-exempt income using the specific identification or the allocation method

On May 25, 2019, the Makati Trial Court issued a decision annulling RR 4-2011 and making the Writ of Preliminary Injunction (issued on April 25, 2015) permanent.

Current tax regulations also provide for the ceiling on the amount of entertainment, amusement and recreation (EAR) expense that can be claimed as a deduction against taxable income. Under the regulations, EAR expense allowed as a deductible expense is limited to the actual EAR paid or incurred but not to exceed 1.00% of the Parent Company's net revenue.

Provision for income tax consists of:

	Consolidated			Parent Company		
	2019	2018	2017	**2019**	2018	2017
Current:						
RCIT	**₱1,943,147**	₱1,486,393	₱1,649,726	**₱1,586,314**	₱1,214,063	₱1,147,297
Final tax	**163,339**	40,568	85,473	**161,981**	39,897	81,981
	2,106,486	1,526,961	1,735,199	**1,748,295**	1,253,960	1,229,278
Deferred	**(437,852)**	(58,720)	(28,007)	**(240,517)**	(13,074)	(10,693)
	₱1,668,634	₱1,468,241	₱1,707,192	**₱1,507,778**	₱1,240,886	₱1,218,585

The components of the Group's and the Parent Company's net deferred tax assets as of December 31, 2019 and 2018 follow:

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Deferred tax asset on:				
Allowance for impairment and credit losses	**₱2,610,286**	₱2,312,356	**₱2,393,816**	₱2,234,341
Accumulated depreciation of assets foreclosed or dacioned	**229,691**	121,360	**229,688**	121,337
Accrued expenses and other deferred income	**299,005**	119,148	**90,484**	71,209
Unrealized foreign exchange losses	**72,018**	–	**72,018**	–
Deferred bancassurance fee	**72,000**	76,500	**72,000**	76,500
Net effect of Lease liabilities and ROU assets	**63,777**	–	**60,686**	–
Net retirement obligation	**50,971**	29,712	**44,903**	28,252
Unamortized past service cost	–	747	–	747
Unrealized trading loss	–	182	–	182
	3,397,748	2,660,005	**2,963,595**	2,532,568

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Deferred tax liability on:				
Gain on asset foreclosure and dacion transactions	**₱219,415**	₱18,950	**₱218,776**	₱18,950
Branch licenses acquired from business combination (Note 10)	**187,620**	187,620	**187,620**	187,620
Remeasurement of investment in a joint venture	**100,750**	100,750	**100,750**	100,750
Unrealized trading gains	**34,551**	–	**34,550**	–
Unrealized foreign exchange gain	–	52,528	–	52,528
Others	**34,195**	34,195	**34,195**	34,195
	576,531	394,043	**575,891**	394,043
	₱2,821,217	₱2,265,962	**₱2,387,704**	₱2,138,525

As of December 31, 2019 and 2018, the Group did not recognize deferred tax assets on the following temporary differences:

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
NOLCO	**₱79,236**	₱125,118	**₱79,236**	₱125,118
Excess MCIT over RCIT	**1,009**	1,014	**1,009**	1,014
	₱80,245	₱126,132	**₱80,245**	₱126,132

Details of the Group's and the Parent Company's NOLCO and excess MCIT are as follows:

NOLCO

Inception Year	Amount	Used Amount	Expired Amount	Balance	Expiry Year
2016	₱35,791	₱35,791	₱–	₱–	2019
2017	89,327	10,091	–	79,236	2020
	₱125,118	₱45,882	₱–	₱79,236	

Excess MCIT

Inception Year	Amount	Used Amount	Expired Amount	Balance	Expiry Year
2018	₱1,014	₱–	₱–	₱1,014	2021
2019	1,009	–	–	1,009	2022
	₱2,023	₱–	₱–	₱2,023	

Provision for deferred income tax charged directly to OCI during the year for the Group and the Parent Company follows:

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Remeasurements on retirement plan	**₱20,056**	₱47,196	**₱20,056**	₱47,196

The reconciliation of statutory income tax at statutory tax rate to the effective income tax follows:

	Consolidated			Parent Company		
	2019	2018	2017	**2019**	2018	2017
Statutory income tax	**₱2,478,019**	₱1,792,892	₱2,027,367	**₱2,324,915**	₱1,724,685	₱1,880,785
Tax effects of:						
Nondeductible expenses	**365,811**	308,275	75,607	**377,504**	148,692	99,472
FCDU income	**(720,111)**	(420,040)	(263,838)	**(720,111)**	(420,040)	(263,838)
Non-taxable and tax-exempt income	**(382,312)**	(172,761)	(31,812)	**(382,312)**	(172,761)	(397,891)
Interest income subjected to final tax net of tax paid	**(209,426)**	(12,076)	(142,257)	**(208,674)**	(11,641)	(142,068)
Prior year net unrealized foreign exchange and trading gains realized this year	**56,281**	(44,391)	–	**56,281**	(44,391)	–
Change in unrecognized deferred tax assets and others	**80,372**	16,342	42,125	**60,175**	16,342	42,125
Effective income tax	**₱1,668,634**	₱1,468,241	₱1,707,192	**₱1,507,778**	₱1,240,886	₱1,218,585

25. **Retirement Plan**

The existing regulatory framework, RA No. 7641, the *Retirement Pay Law* requires companies with at least ten (10) employees to pay retirement benefits to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

Parent Company
The Parent Company has a funded, non-contributory defined benefit retirement plan (the Plan) covering substantially all of its officers and regular employees. Under the Plan, all covered officers and employees are entitled to cash benefits (equivalent to 125.00% of the final monthly salary for every year of service depending on the tenure of the employee) after satisfying certain age and service requirements. The Parent Company's retirement plan is in the form of a trust administered by the Parent Company's Trust Division under the supervision of the Retirement Committee.

EWRB
EWRB has a funded, non-contributory defined benefit plan covering substantially all of its officers and regular employees. The benefits are based on years of service and final compensation. The retirement plan provides retirement benefits ranging from 100.00% (for less than 10 years of service) to 150.00% (for 10 years of service and beyond) of the final monthly salary.

As of December 31, 2019, the retirement plan of EWRB is unfunded.

QMIS
QMIS does not have a formal retirement plan. As such, QMIS's retirement liability is based on the requirement of RA No. 7641. For purposes of calculating the retirement liability under RA No. 7641, QMIS obtained an actuarial valuation.

The amounts of net retirement obligation presented under "Other liabilities" in the statements of financial position are presented below:

	Consolidated		**Parent Company**	
	2019	2018	**2019**	2018
Present value of the defined benefit obligation	**₱1,140,516**	₱944,675	**₱1,118,639**	₱920,363
Less: Fair value of plan assets	**970,613**	845,635	**968,961**	826,189
Net retirement obligation (Note 20)	**₱169,903**	₱99,040	**₱149,678**	₱94,174

Changes in the present value of the defined benefit obligation as of December 31, 2019 and 2018 recognized in the statements of financial position follow:

	Consolidated		**Parent Company**	
	2019	2018	**2019**	2018
Balance at beginning of year	**₱944,675**	₱868,236	**₱920,363**	₱859,658
Current service cost	**146,962**	140,987	**139,777**	133,944
Interest cost	**69,443**	48,802	**67,647**	48,313
Remeasurement (gains) losses:				
Actuarial (gains) losses arising from deviations of experience from assumptions	**10,275**	(47,076)	**12,494**	(58,905)
Actuarial (gains) arising from changes in financial assumptions	**105,880**	(19,598)	**96,202**	(16,725)
Actuarial gains arising from changes in demographic assumptions	**(88,578)**	–	**(70,449)**	–
Benefits paid	**(48,141)**	(46,676)	**(47,395)**	(45,922)
Balance at end of year	**₱1,140,516**	₱944,675	**₱1,118,639**	₱920,363

Changes in the fair value of plan assets are as follows:

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Balance at beginning of year	**₱831,915**	₱922,111	**₱826,189**	₱922,111
Contributions	**114,643**	136,750	**146,699**	130,433
Interest income	**89,428**	51,823	**60,725**	51,823
Remeasurements	**(17,232)**	(218,373)	**(17,257)**	(232,256)
Benefits paid	**(48,141)**	(46,676)	**(47,395)**	(45,922)
Balance at end of year	**₱970,613**	₱845,635	**₱968,961**	₱826,189

The fair value of plan assets by class are as follows:

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Cash and cash equivalents	**₱26,290**	₱148,337	**₱26,290**	₱148,335
Equity instruments:				
Financial services	**778,715**	552,154	**777,063**	546,593
Real estate	**5,001**	5,001	**5,001**	5,001
Debt instruments:				
Private securities	**79,775**	72,508	**79,775**	72,508
Government securities	**78,988**	51,617	**78,988**	51,617
Others	**1,844**	2,135	**1,844**	2,135
Fair value of plan assets	**₱970,613**	₱831,752	**₱968,961**	₱826,189

The Parent Company's plan assets are carried at fair value. The fair value of investments in equity and debt securities are based on quoted price in the active market. The fair value of other assets and liabilities, which include deposits in banks, accrued interest and other receivables, and trust fee payables, approximate their carrying amounts due to the short-term nature of these accounts.

The plan assets are diversified investments and are not exposed to concentration risk.

Each year, an Asset-Liability Matching Study (ALMS) is performed with the result being analyzed in terms of risk-and-return profiles. As of December 31, 2019 and 2018, the Parent Company's investment strategy consists of 82.00% of equity instruments, 8.00% of debt instruments, 3.00% cash and 67.00% of equity instruments, 15.00% of debt instruments, and 18.00% cash, respectively.

The Parent Company expects to contribute ₱149.80 million to the plan in 2020.

The cost of defined benefit retirement plans as well as the present value of the benefit obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used are shown below:

	Parent Company		EWRB		QMIS		Group	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
Discount rate								
At January 1	**7.35%**	5.62%	**7.38%**	5.54%	**7.43%**	5.92%	**7.35%-7.43%**	5.54%-5.92%
At December 31	**4.87%**	7.35%	**5.09%**	7.38%	**5.11%**	7.43%	**4.87%-5.11%**	7.35%-7.43%
Future salary increase rate	**6.50%**	5.00%	**6.00%**	5.00%	**6.00%**	6.00%	**6.00%-6.50%**	5.00%-6.00%
Average remaining working life (in years)	**16.00**	17.00	**19.00**	18.00	**19.00**	19.00	**16.00-19.00**	17.00-19.00

The sensitivity analysis below on the defined benefit obligation as of December 31, 2019 and 2018 has been determined based on reasonably possible changes of each significant assumption, assuming all other assumptions were held constant.

	Parent Company		EWRB		QMIS		Group	
Increase (Decrease)	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Discount rate								
+1.00%	**(₱87,808)**	(₱73,528)	**(₱7,888)**	(₱2,809)	**(₱864)**	(₱498)	**(₱96,560)**	(₱76,835)
-1.00%	**103,473**	86,008	**9,908**	3,415	**1,063**	603	**114,444**	90,026
Turnover rate								
+1.00%	**₱101,468**	₱85,784	**₱9,711**	₱3,436	**₱1,043**	₱606	**₱112,222**	₱89,826
-1.00%	**(89,110)**	(75,854)	**(7,894)**	(2,898)	**(865)**	(510)	**(97,869)**	(79,262)
Future salary increase rate								
+1.00%	**₱32,703**	₱28,725	**₱3,788**	₱1,717	**₱269**	₱119	**₱36,760**	₱30,561
-1.00%	**(32,703)**	(28,725)	**(3,788)**	(1,717)	**(269)**	(119)	**(36,760)**	(30,442)

Shown below is the maturity analysis of the undiscounted benefit payments for 2019 follow:

	Parent Company		EWRB		QMIS		Group	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
Less than one year	**₱163,475**	₱114,317	**₱1,874**	₱3,630	**₱–**	₱–	**₱165,349**	₱117,497
One to less than five years	**488,084**	365,734	**9,024**	9,742	**–**	1,982	**497,108**	377,458
Five to less than 10 years	**794,170**	795,217	**23,925**	25,496	**509**	–	**818,604**	820,713
10 to less than 15 years	**859,625**	1,150,689	**38,846**	43,106	**11,703**	8,569	**910,174**	1,202,364
15 to less than 20 years	**936,045**	1,428,581	**100,635**	78,412	**12,441**	9,026	**1,049,121**	1,516,019
20 years and above	**1,883,175**	3,578,076	**636,922**	335,605	**60,003**	43,330	**2,580,100**	3,957,011

The amounts included in 'Compensation and fringe benefits' in the statements of income are as follows:

	Consolidated			Parent Company		
	2019	2018	2017	**2019**	2018	2017
Current service cost	**₱146,226**	₱140,200	₱124,684	**₱139,776**	₱133,944	₱123,429
Past service cost	**–**	18,858	–	**–**	–	–
Net interest expense	**(5,393)**	(3,237)	4,824	**(6,922)**	(3,510)	4,196
	₱140,833	₱155,821	₱129,508	**₱132,854**	₱130,434	₱127,625

26. **Leases**

The Group leases several premises occupied by its head office and branches. Some leases are subject to annual escalation of 5.00% to 10.00% and for periods ranging from 5 to 15 years, renewable upon mutual agreement of both parties.

In 2019, 2018, and 2017, the total rentals of the Group charged to operations amounted to ₱107.12 million, ₱1.04 billion, and ₱952.34 million, respectively. In 2019, 2018, and 2017, total rentals charged to operations by the Parent Company amounted to ₱83.99 million, ₱958.99 million, and ₱872.94 million, respectively.

As of December 31, 2018, future minimum annual rentals payable of the Group and the Parent Company under non-cancellable operating leases follow:

	Consolidated	Parent Company
Within one year	₱1,124,782	₱1,083,980
After one year but not more than five years	2,719,910	2,624,566
More than five years	860,887	804,289
	₱4,705,579	₱4,512,835

Adoption of PFRS 16
As discussed in Note 2, the Group adopted PFRS 16. The Group recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for all leases were recognized based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

Set out below is the carrying amount of lease liabilities and the movements during the year:

	Consolidated	Parent Company
As of January 1, 2019 (Note 2)	₱3,660,409	₱3,491,089
Additions	337,629	268,836
Payments and terminations	(962,655)	(890,495)
Accretion of interest	267,598	252,013
As of December 31, 2019	₱3,302,981	₱3,121,443

27. **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. The Group's related parties include:

- key management personnel, close family members of key management personnel, and entities which are controlled, significantly influenced by or for which significant voting power is held by key management personnel or their close family members;
- subsidiaries, joint ventures and associates and their respective subsidiaries; and
- post-employment benefit plans for the benefit of the Group's employees.

The Group has several business relationships with related parties. Transactions with such parties are made in the ordinary course of business.

The amounts and the balances arising from significant related party transactions of the Group and of the Parent Company are as follows:

	2019		
Category	**Amount/ Volume**	**Outstanding Balance**	**Terms and Conditions/Nature**
Significant investors:			
Loans receivable	**₱–**	**₱5,621,850**	Loans granted with a term of seven years, interest of 4.06%, secured with deposit holdout, no impairment
Releases	**496,133**	–	
Collection	**200,000**	–	
Deposit liabilities	–	**1,614,419**	Earns interest at the respective bank deposit rates
Deposits	**19,453,783**	–	
Withdrawals	**18,749,600**	–	
Accrued interest receivable	–	**72,903**	Interest income accrued on outstanding loans receivable
Accrued expenses	–	**8,084**	Payable for management and professional fees paid by FDC (reimbursement for expenses)
Guarantees and commitments	–	**6,494**	Unused credit line (omnibus facility) with term of 10 months
Interest income	**228,219**	–	Interest income on loans receivable
Interest expense	**76,410**	–	Interest expense on deposit liabilities

Category	Amount/ Volume	Outstanding Balance	Terms and Conditions/Nature
	2019		
Key management personnel:			
Deposit liabilities	**₱–**	**₱524,669**	Earns interest at the respective bank deposit rates
Deposits	**1,271,119**	–	
Withdrawals	**1,231,326**	–	
Interest expense	**7,882**	–	Interest expense on deposit liabilities
Other related parties:			
Loans receivable	**₱–**	**₱7,626,665**	Loans granted with terms ranging from four days to thirteen and a half years, interest ranging from 2.00% to 6.35%, secured by real estate mortgage, no impairment
Releases	**19,450**	–	
Collection	**200,152**	–	
Receivables purchased (booked under 'Loans Receivable')	–	**130,108**	Receivables purchased by the Parent Company from FLI (Note 9)
Accounts receivable	–	**9,985**	Receivables from EW Ageas Life which represent expenses shouldered by the Parent Company
Deposit liabilities	–	**443,237**	Earns interest at the respective bank deposit rates
Deposits	**361,955**	–	
Withdrawals	**362,970**	–	
Accounts payable	–	**34,710**	Collection of loan insurance on behalf of EW Ageas Life that remained unremitted
Guarantees and commitments	–	**6,906**	Unused credit lines
Accrued interest receivable	–	**38,919**	Interest income accrued on outstanding loans receivable
Interest income	**428,994**	–	Interest income on loans receivable
Interest expense	**24**	–	Interest expense on deposit liabilities
Commission fees	**82,973**	–	Commission fees received from EW Ageas Life
Service fee expense	**123**	–	Service fees paid to FLI for account servicing equivalent to 1.12% of loan amounts collected by FLI on behalf of the Parent Company (Note 9)
Rent expense	**74,254**	–	Rent expenses paid for lease transactions with other related parties such as Filinvest Asia Corporation, FAI and FLI

Category	Amount/ Volume	Outstanding Balance	Terms and Conditions/Nature
	2018		
Significant investors:			
Loans receivable	₱–	₱5,621,850	Loans granted with a term of seven years, interest of 4.06%, secured with deposit holdout, no impairment
Releases	3,513,128	–	
Collection	150,000	–	
Deposit liabilities	–	933,837	Earns interest at the respective bank deposit rates
Deposits	19,199,440	–	
Withdrawals	19,303,059	–	
Accrued interest receivable	–	70,368	Interest income accrued on outstanding loans receivable
Accrued expenses	–	7,553	Payable for management and professional fees paid by FDC (reimbursement for expenses)
Guarantees and commitments	–	6,357,295	Unused credit line (omnibus facility) with term of 10 months
Interest income	228,219	–	Interest income on loans receivable
Interest expense	29,781	–	Interest expense on deposit liabilities
Key management personnel:			
Deposit liabilities	₱–	₱423,736	Earns interest at the respective bank deposit rates
Deposits	666,933		
Withdrawals	668,373		
Interest expense	271	–	Interest expense on deposit liabilities

Category	2018 Amount/ Volume	Outstanding Balance	Terms and Conditions/Nature
Other related parties:			
Loans receivable	₱–	₱9,048,750	Loans granted with terms ranging from four days to thirteen and a half years, interest ranging from 2.00% to 6.35%, secured by real estate mortgage, no impairment
Releases	525,800	–	
Collection	138	–	
Receivables purchased	–	153,863	Receivables purchased by the Parent Company from FLI (Note 9)
Accounts receivable	–	22	Receivables from EW Ageas Life which represent expenses shouldered by the Parent Company
Deposit liabilities	–	4,599,503	Earns interest at the respective bank deposit rates
Deposits	434,361,757		
Withdrawals	433,554,204		
Accounts payable	–	28,120	Collection of loan insurance on behalf of EW Ageas Life that remained unremitted
Guarantees and commitments	–	4,785	Unused credit lines
Accrued interest receivable	–	44,414	Interest income accrued on outstanding loans receivable
Accounts receivable	–	108,315	Receivable from FAI on the sale of land by the Parent Company, payable in 5 years, interest of 6.00% (Note 11) and reimbursement of expenses paid on behalf of EW Ageas Life
Interest income	323,164	–	Interest income on loans receivable
Interest expense	7,165	–	Interest expense on deposit liabilities
Commission fees	58,032	–	Commission fees received from EW Ageas Life
Service fee expense	585	–	Service fees paid to FLI for account servicing equivalent to 1.12% of loan amounts collected by FLI on behalf of the Parent Company (Note 9)
Rent expense	44,334	–	Rent expenses paid for lease transactions with other related parties such as Filinvest Asia Corporation, FAI and FLI

The Group's significant investors pertain to FDC, the immediate Parent Company of the Group, and FDC Forex Corporation (a company under common control of FDC).

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. The Group considers the members of the Management Committee to constitute key management personnel for purposes of PAS 24, *Related Party Disclosures*. The Group provides banking services to its key management personnel.

Other related parties pertain to the Group's affiliates (subsidiaries of FDC).

The Group and the Parent Company had no outright purchases and outright sale of debt securities with significant shareholders and key management personnel in 2019 and 2018.

No specific provision and allowance for credit losses were recognized by the Group for loans to significant investors, key management personnel and other related parties in 2019 and 2018.

The Parent Company's subsidiaries have no transactions with related parties outside of the Group. The transactions disclosed above are the same for the Group and the Parent Company.

Parent Company Related Party Transactions
Transactions between the Parent Company and its subsidiaries meet the definition of related party transactions. Details of the Parent Company's subsidiaries are disclosed in Note 10.

In addition to the transactions discussed above, the following are the transactions between the Parent Company and its subsidiaries that are recognized in the Parent Company's statements of financial position and statements of income and eliminated in the consolidated financial statements:

	2019		
Category	**Amount/ Volume**	**Outstanding Balance**	**Terms and Conditions/ Nature**
Subsidiaries:			
Receivables purchased	**₱–**	**₱1,977,981**	Receivables purchased by the Parent Company from EWRB (Note 9)
Receivable sold	–	**381,995**	Employee loans sold by the Parent Company to EWRB (Note 9)
Accounts receivable	–	**91,930**	Amount collected by EWRB from borrowers on behalf of the Parent Company that remained unremitted and other related expenses shouldered by the Parent Company on behalf of the Subsidiaries
Accounts receivable	–	**99,179**	Receivables from subsidiaries which represent expenses shouldered by Parent Company
Deposit liabilities	–	**759,108**	Earns interest at the respective bank deposit rates
Deposits	**129,333,782**	–	
Withdrawals	**128,976,890**	–	
Accounts payable	–	**105,791**	Cash reloading transactions between EWRB and the Parent Company
Interest expense	**935**	–	Interest expense on deposits of EWRB and EWIB
Interest income	**1,134**	–	Interest income on loans receivable
Service fee expense	**30,439**	–	Service fees paid to EWRB for account servicing equivalent to 0.37% of loan amounts collected by EWRB on behalf of the Parent Company for the receivables purchased (Note 9) and for collection of credit card payments
Service fee income	**776**	–	Service fees paid by EWRB for account servicing equivalent to 0.37% of loan amounts collected by the Parent Company on behalf of EWRB for the receivables sold (Note 9)
Commission expense	**232,191**	–	Commission expense paid by the Parent Company to QMIS
Rent income	**306**	–	Rent of office space leased to subsidiaries

	2018		
Category	Amount/ Volume	Outstanding Balance	Terms and Conditions/ Nature
Subsidiaries:			
Receivables purchased	₱1,350,322	₱5,910,020	Receivables purchased by the Parent Company from EWRB (Note 9)
Receivable sold	181,370	360,428	Employee loans sold by the Parent Company to EWRB (Note 9)
Accounts receivable	–	201,198	Amount collected by EWRB from borrowers on behalf of the Parent Company that remained unremitted and other related expenses shouldered by the Parent Company on behalf of the Subsidiaries
Accounts receivable	–	202,586	Receivables from subsidiaries which represent expenses shouldered by Parent Company
Deposit liabilities	–	402,217	Earns interest at the respective bank deposit rates
Deposits	89,633,956		
Withdrawals	89,955,934		
Accounts payable	–	18,650	Cash reloading transactions between EWRB and the Parent Company
Interest expense	487	–	Interest expense on deposits of EWRB and EWIB
Interest income	187	–	Interest income on loans receivable
Service fee expense	47,991	–	Service fees paid to EWRB for account servicing equivalent to 0.37% of loan amounts collected by EWRB on behalf of the Parent Company for the receivables purchased (Note 9) and for collection of credit card payments

(Forward)

Category	2018 Amount/ Volume	Outstanding Balance	Terms and Conditions/ Nature
Service fee income	₱673	₱–	Service fees paid by EWRB for account servicing equivalent to 0.37% of loan amounts collected by the Parent Company on behalf of EWRB for the receivables sold (Note 9)
Commission expense	128,711	–	Commission expense paid by the Parent Company to QMIS
Rent income	306	–	Rent of office space leased to subsidiaries

Transactions with Retirement Plans
Under PFRS, certain post-employment benefit plans are considered as related parties. The Parent Company's retirement plan is in the form of a trust administered by the Parent Company's Trust Division under the supervision of the Retirement Committee.

The values of the assets of the fund are as follows:

	2019	2018
Cash and cash equivalents	**₱26,290**	₱148,335
Equity instruments	**782,064**	551,594
Debt instruments	**158,763**	124,125
Others	**1,844**	2,135
	₱968,961	₱826,189

The following are the amounts recognized by the retirement plan arising from its transactions with the Parent Company for the years ended December 31, 2019, 2018 and 2019.

	2019	2018	2017
Trust fees	**₱2,682**	₱2,534	₱2,623
Interest income on deposit liabilities	**945**	151	823
Interest income on debt securities	**7,964**	5,044	2,915
Gain (loss) on investments in equity shares	**230,515**	(15,272)	120,059

Remunerations of Directors and other Key Management Personnel
Total remunerations of key management personnel are as follows:

	Consolidated			**Parent Company**		
	2019	2018	2017	**2019**	2018	2017
Short-term employee benefits	**₱270,081**	₱272,208	₱177,685	**₱253,355**	₱252,430	₱159,604
Post-employment benefits	**73**	754	20,801	**–**	–	20,801
	₱270,154	₱272,962	₱198,486	**₱253,355**	₱252,430	₱180,405

Remunerations given to directors which were approved by the Board Remuneration Committee amounted to ₱20.80 million in 2019, ₱20.10 million in 2018 and ₱19.14 million in 2017 for the Group and the Parent Company.

28. Trust Operations

Securities and other properties held by the Parent Company in fiduciary or agency capacity for clients and beneficiaries are not included in the accompanying statements of financial position since these are not assets of the Parent Company. The combined trust and managed funds of the Trust Department of the Parent Company amounted to ₱35.04 billion and ₱24.91 billion as of December 31, 2019 and 2018, respectively.

Government securities with total face value of ₱355.00 million and ₱245.00 million as of December 31, 2019 and 2018, respectively, are deposited with the BSP in compliance with current banking regulations related to the Parent Company's trust functions. These government securities are recorded as part of investment securities at FVTPL and at amortized cost as of December 31, 2019 and 2018, respectively.

In accordance with BSP regulations, 10.00% of the profits realized by the Parent Company from its trust operations are appropriated to surplus reserves. The yearly appropriation is required until the surplus reserves for trust operations amounts to 20.00% of the Parent Company's authorized capital stock.

The Parent Company's income from its trust operations amounted to ₱70.54 million, ₱51.33 million and ₱46.76 million in 2019, 2018 and 2017, respectively. For the years ended December 31, 2019, 2018 and 2017, the Group and the Parent Company appropriated ₱7.05million, ₱5.13 million and ₱4.67 million, respectively.

29. Commitments and Contingent Liabilities

In the normal course of the Group's operations, there are various outstanding commitments and contingent liabilities which are not reflected in the accompanying financial statements. The Group does not anticipate material unreserved losses as a result of these transactions.

The Group has several loan related suits, assessments or notices, and claims that remain unsettled. It is not practicable to estimate the potential financial impact of these contingencies. However, in the opinion of management, the suits and claims, if decided adversely, will not involve sums having a material effect on the Group's financial statements.

A summary of commitments and contingencies of the Parent Company at their peso-equivalent contractual amounts arising from off-balance sheet items is shown in Note 36.

30. Financial Performance

Earnings per share amounts were computed as follows:

		2019	2018	2017
a.	Net income attributable to equity holders of the Parent Company	**₱6,241,938**	₱4,508,064	₱5,050,699
b.	Weighted average number of outstanding common shares by the Parent Company, including effect of stock dividends issued in 2018 (Note 22)	**2,249,975**	2,249,975	2,249,975
c.	Basic and diluted EPS (a/b)	**₱2.77**	₱2.00	₱2.24

The Group's basic and diluted earnings per share are equal as there are no potential dilutive shares outstanding.

31. **Offsetting of Financial Assets and Liabilities**

PFRS 7 requires the Group to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments subject to enforceable master netting agreements or similar arrangements. The effects of these arrangements are disclosed in the succeeding tables.

Financial assets

December 31, 2019						
Financial assets recognized at end of reporting period by type	**Gross carrying amounts (before offsetting)**	**Gross amounts offset in accordance with the offsetting criteria**	**Net amount presented in statements of financial position [a-b]**	**Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria**		**Net exposure [c-d]**
				Financial Instruments	**Fair value of financial collateral**	
	[a]	**[b]**	**[c]**	**[d]**		**[e]**
Derivative assets (Note 5)	**₱104,313**	**₱–**	**₱104,313**	**₱114,995**	**₱–**	**₱–**
Total	**₱104,313**	**₱–**	**₱104,313**	**₱114,995**	**₱–**	**₱–**

December 31, 2018						
Financial assets recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		Net exposure [c-d]
				Financial Instruments	Fair value of financial collateral	
	[a]	[b]	[c]	[d]		[e]
Derivative assets (Note 5)	₱201,033	₱–	₱201,033	₱136,595	₱–	₱64,438
Total	₱201,033	₱–	₱201,033	₱136,595	₱–	₱64,438

Financial liabilities

December 31, 2019						
Financial assets recognized at end of reporting period by type	**Gross carrying amounts (before offsetting)**	**Gross amounts offset in accordance with the offsetting criteria**	**Net amount presented in statements of financial position [a-b]**	**Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria**		**Net exposure [c-d]**
				Financial Instruments	**Fair value of financial collateral**	
	[a]	**[b]**	**[c]**	**[d]**		**[e]**
Derivative liabilities (Note 5)	**₱128,004**	**₱–**	**₱128,004**	**₱114,995**	**₱–**	**₱13,009**
Bills payable (Note 17)	**29,804,675**	–	**29,804,675**	–	**29,804,675**	–
Total	**₱29,932,679**	**₱–**	**₱29,932,679**	**₱114,995**	**₱29,804,675**	**₱13,009**

December 31, 2018						
Financial assets recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		Net exposure [c-d]
				Financial Instruments	Fair value of financial collateral	
	[a]	[b]	[c]	[d]		[e]
Derivative liabilities (Note 5)	₱146,548	₱–	₱146,548	₱136,595	₱–	₱9,953
Bills payable (Note 17)	15,889,215	–	15,889,215	–	15,889,215	–
Total	₱16,035,763	₱–	₱16,035,763	₱136,595	₱15,889,215	₱9,953

The amounts disclosed in column (d) include those rights to set-off amounts that are only enforceable and exercisable in the event of default, insolvency or bankruptcy. These include amounts related to financial collateral both received and pledged, whether cash or non-cash collateral, excluding the extent of over-collateralization.

32. Notes to Statement of Cash Flows

Transfers from loans and receivables to investment properties as a result of foreclosures amounted to ₱179.33 million, ₱142.45 million and ₱170.36 million in 2019, 2018 and 2017 respectively, for the Group, and ₱179.33 million, ₱142.45 million and ₱169.61 million in 2019, 2018 and 2017 respectively, for the Parent Company. Transfers from loans and receivables to other repossessed assets as a result of foreclosures amounted to ₱2.85 billion, ₱1.01 billion and ₱2.66 billion in 2019, 2018 and 2017 respectively, for the Group and for the Parent Company. Amounts mentioned are exclusive of loss on asset foreclosure and dacion transactions amounting to ₱200.00 million, ₱212.90 million and ₱236.35 million in 2019, 2018 and 2017, respectively, for the Group and for the Parent Company.

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

	2019							
	Consolidated				**Parent Company**			
	Bills and acceptances payable (Note 17)	**Subordinated debt** (Note 19)	**Lease Liability**	**Total liabilities from financing activities**	**Bills and acceptances payable** (Note 17)	**Subordinated debt** (Note 19)	**Lease Liability**	**Total liabilities from financing activities**
January 1, 2019	**₱17,969,927**	**₱6,214,479**	**₱3,660,409**	**₱27,844,815**	**₱17,969,927**	**₱4,975,862**	**₱3,491,089**	**₱26,436,878**
Cash flows	**12,979,826**	**–**	**(357,428)**	**12,622,398**	**12,979,826**	**–**	**(369,646)**	**12,610,180**
Amortization of discount	**–**	**4,532**	**–**	**4,532**	**–**	**3,478**		**3,478**
December 31, 2019	**₱30,949,753**	**₱6,219,011**	**₱3,302,981**	**₱40,471,745**	**₱30,949,753**	**₱4,979,340**	**₱3,121,443**	**₱39,050,536**

	2018					
	Consolidated			Parent Company		
	Bills and acceptances payable (Note 17)	Subordinated debt (Note 19)	Total liabilities from financing activities	Bills and acceptances payable (Note 17)	Subordinated debt (Note 19)	Total liabilities from financing activities
January 1, 2019	₱4,159,695	₱6,211,138	₱10,370,833	₱4,159,695	₱4,972,572	₱9,132,267
Cash flows	13,810,232	–	13,810,232	13,810,232	–	13,810,232
Amortization of discount	–	3,341	3,341	–	3,290	3,290
December 31, 2019	₱17,969,927	₱6,214,479	₱24,184,406	₱17,969,927	₱4,975,862	₱22,945,789

33. Events Subsequent to the Reporting Period

Redemption of Lower Tier 2 unsecured subordinated notes due 2025
On January 4, 2020, the Parent Company exercised its redemption option to pre-terminate its ₱5.00 billion Lower Tier 2 (LT2), 5.50% coupon rate, unsecured subordinated notes issued on July 4, 2014 and due 2025.

Issuance of fixed-rate bonds due 2023
On February 21, 2020, the Parent Company issued ₱3.70 billion fixed rate bonds due 2023. The bonds carry an interest rate of 4.50% per annum to be paid quarterly for three years.

34. **Approval of the Financial Statements**

The accompanying financial statements of the Group and of the Parent Company were reviewed by the Audit Committee on February 20, 2020 and approved and authorized for issue by the Parent Company's BOD on February 27, 2020.

35. **Supplementary Information Required Under Revenue Regulations 15-2010**

On November 25, 2010, the BIR issued RR No. 15-2010, requiring the inclusion of information on various taxes paid and accrued during the taxable year in the notes to the financial statements.

The Parent Company reported and/or paid the following types of taxes for the year ended December 31, 2019:

Gross Receipts Tax
The Parent Company is subject to gross receipt tax on its gross income from Philippine sources. Gross receipt tax is imposed on interest, commissions and discounts from lending activities at 5.00% or 1.00%, depending on the remaining maturities of instruments from which such receipts are derived, and at 7.00% on non-lending fees and commissions, net trading and foreign exchange gains and other items constituting gross income.

In FCDU, income classified under 'All Other', which is subject to corporate income tax is also subject gross receipt tax at 7.00%.

Details of the Parent Company's income and gross receipt tax accounts in 2019 are as follows:

	Gross Receipts	Gross Receipts Tax
Income derived from lending activities	₱27,851,450	₱1,285,580
Other income	2,409,167	168,642
	₱30,260,617	₱1,454,222

Other Taxes and Licenses
This includes all other taxes, local and national, incurred in 2019 and presented under in the statement of income, as follows:

Documentary stamps taxes	₱760,479
Local taxes, permits and fees	70,617
Fringe benefit taxes	31,260
Others	16,545
	₱878,901

Withholding Taxes
Details of withholding taxes remitted and balances as of December 31, 2019 follow:

	Total Remittances	Balance
Withholding taxes on compensation and benefits	₱597,101	₱17,245
Expanded withholding taxes	219,550	19,605
Final withholding taxes	1,157,093	93,340
	₱1,973,744	₱130,190

The Parent Company has no outstanding assessments from the BIR as of December 31, 2019.

Tax Assessments and Cases
As of December 31, 2019, the Parent Company has no deficiency tax assessment and has no tax cases, litigation and/or prosecution in courts or bodies outside the BIR.

36. Supplementary Information Required Under BSP Circular No. 1074

On January 8, 2020, the Monetary Board (MB) amended BSP Circular No. 1074, requiring Banks to include the additional information on the following:

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

	Consolidated			Parent Company		
	2019	2018	2017	**2019**	2018	2017
Return on average equity	**13.66%**	10.98%	13.98%	**13.66%**	10.98%	13.98%
Return on average assets	**1.62%**	1.36%	1.66%	**1.72%**	1.44%	1.74%
Net interest margin on average earning assets	**6.89%**	7.36%	7.77%	**7.09%**	7.56%	7.72%

Leverage Ratio and Total Exposure Measure
The Basel lll Leverage Ratio is designed to act as a supplementary measure to the risk-based capital requirement. The leverage ratio intends to restrict the buildup of leverage in the Bank and reinforce the risk-based requirements with a simple, non-risk based “backstop” measure. It is defined as a capital measure over its total exposure measure with a minimum requirement of 5.00% on both Group and Parent Company.

	2019	
	Consolidated	**Parent**
Capital Measure	₱37,439,942	₱34,100,854
Divided by: Exposure measure	420,909,115	393,622,139
Leverage ratio	8.90%	8.66%

Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR)
The NSFR seeks to limit the overreliance on short-term wholesale funding and promoting enhanced assessment of funding risk across all on- and off-balance sheet accounts. It complements the LCR, which promotes short term resilience of a Bank's liquidity profile. The minimum LCR and NSFR requirement should be no lower than 100% at all times on both Group and Parent Company.

	2019	
	Consolidated	**Parent**
Total Stock of High-Quality Liquid Assets	₱61,635,603	₱60,841,217
Divided by: Total Net Cash Flows	31,560,166	39,791,801
Liquidity Coverage ratio	195.30%	152.90%

	2019	
	Consolidated	**Parent**
Available Stable Funding Ratio	₱268,531,985	₱249,897,222
Divided by: Required Stable Funding	242,005,827	229,239,981
Liquidity Coverage ratio	110.96%	109.01%

Capital Instruments
There are no capital instruments issued by the Group and Parent Company in 2019 and 2018.

Capital Stock
Capital stock consists of (amounts in thousands, except for par value and number of shares):

	Shares			**Amount**		
	2019	2018	2017	**2019**	2018	2017
Authorized:						
Common stock - ₱10.00 par value	**4,500,000,000**	4,500,000,000	1,500,000,000			
Preferred stock - ₱10.00 par value	**500,000,000**	500,000,000	500,000,000			
Common stock issued and outstanding:						
Balance at the beginning of the year	**2,249,975,411**	1,499,983,610	1,499,983,610	**₱22,499,754**	₱14,999,836	₱14,999,836
Issuance of stock dividends	–	749,991,801	–	–	7,499,918	–
Balance at the end of the year	**2,249,975,411**	2,249,975,411	1,499,983,610	**₱22,499,754**	₱22,499,754	₱14,999,836

Unsecured subordinated debt

A. Lower Tier 2 unsecured subordinated notes due 2025

On July 4, 2014, the Parent Company issued 5.50% coupon rate Lower Tier 2 unsecured subordinated notes (the 2025 Notes) with par value of ₱5.00 billion, maturing on January 4, 2025, but callable on January 4, 2020. The 2025 Notes qualify as Tier 2 capital pursuant to BSP Circular No. 781 (Basel III), BSP Circular No. 826 on risk disclosure requirements for the loss absorption features of capital instruments, and other related circulars and issuances of the BSP.

Unless the 2025 Notes are previously redeemed, the 2025 Notes are repayable to the Noteholders at 100.00% of their face value or at par on the maturity date of January 4, 2025.

From and including the issue date to, but excluding the optional redemption date of January 4, 2020, the 2025 Notes bear interest at the rate of 5.50% per annum and shall be payable quarterly in arrears on January 4, April 4, July 4, and October 4 of each year, which commenced on October 4, 2014. Unless the 2025 Notes are previously redeemed, the interest rate will be reset at the equivalent of the prevailing 5-year BVAL at reset date plus initial spread (i.e., the difference between the initial interest rate and the prevailing 5-year BVAL at the pricing date of the initial tranche), commencing on January 4, 2020.

The 2025 Notes are redeemable at the option of the Parent Company, in whole but not in part, on the call option date at 100.00% of the face value plus accrued but unpaid interest, subject to the following conditions:

a) the Parent Company has obtained prior written approval and complied with the requirements of the BSP prior to redemption of the 2025 Notes;
b) the 2025 Notes are replaced with capital of the same or better quality and the replacement of this capital is done at conditions which are sustainable for the income capacity of the Parent Company or the Parent Company demonstrates that its capital position is above the minimum capital requirements after redemption is exercised;
c) the Parent Company is not in breach of (and would not, following such redemption, be in breach) of applicable regulatory capital requirements (including regulatory capital buffers);
d) the Parent Company is solvent at the time of redemption of the 2025 Notes and immediately thereafter.

Furthermore, upon the occurrence of a Tax Redemption Event or a Regulatory Redemption Event, the Parent Company may, subject to compliance with BSP rules and BSP approval, and upon prior approval of the BSP and with prior written notice to the Noteholders on record, redeem all and not less than all of the outstanding 2025 Notes prior to the stated maturity by paying the Noteholder the Redemption Option Amount which, (a) in the case of a Tax Redemption Event is an amount equal to 100.00% of the face value of the 2025 Notes plus accrued interest at the interest rate relating to the then current interest period up to but excluding the date of such redemption, and (b) in the case of a Regulatory Redemption Event is an amount equal to 100.00% of the face value of the 2025 Notes plus accrued interest at the interest rate relating to the then current Interest Period up to but excluding the date of such redemption (the "Redemption Option Date").

The 2025 Notes have a loss absorption feature which means that the 2025 Notes are subject to a Non-Viability Write-Down in case of a Non-Viability Event. Non-viability is defined as a deviation from a certain level of Common Equity Tier 1 (CET1) Ratio or inability of the Parent Company to continue business (closure) or any other event as determined by the BSP, whichever comes earlier. A Non-Viability Event is deemed to have occurred when the Parent Company is considered non-viable as determined by the BSP.

Upon the occurrence of a Non-Viability Event, the Parent Company shall write-down the principal amount of the 2025 Notes to the extent required by the BSP, which could go to as low as zero. Additional Tier 1 (AT1) capital instruments shall be utilized first before Tier 2 capital instruments are written-down, until the viability of the Issuer is re-established. In the event the Parent Company does not have AT1 capital instruments, then the write-down shall automatically apply to Tier 2 capital.

Loss absorption feature is subject to the following conditions:

a) the principal amount of all series of Tier 1 Loss Absorbing Instruments outstanding having been Written-Down to zero or converted into common equity of the Parent Company (where possible) irrevocably, in accordance with, and to the extent possible pursuant to, their terms (the "Tier 1 Write-Down");
b) the Tier 1 Write-Down having been insufficient to cure the Non-Viability Event;
c) the Parent Company giving the relevant Non-Viability Notice to the Public Trustee and the Registrar and Paying Agent.

Each Noteholder irrevocably agrees and acknowledges that it may not exercise or claim any right of set-off in respect of any amount owed to it by the Parent Company arising under or in connection with the 2025 Notes and it shall, to the fullest extent permitted by applicable law, waive and be deemed to have waived all such rights of set-off.

On January 4, 2020, the Parent Company exercised its redemption option to pre-terminate the 2025 Notes.

B. Lower Tier 2 unsecured subordinated notes due 2027

On February 20, 2017, EWRB issued 5.50% coupon rate Lower Tier 2 unsecured subordinated note (the 2027 Notes) with par value of ₱1.25 billion, maturing on August 20, 2027 but callable on August 20, 2022.

Unless the 2027 Notes are previously redeemed, the 2027 Notes are repayable to the Noteholders at 100.00% of their face value or at par on the maturity date of August 20, 2027.

From and including the issue date to, but excluding the optional redemption date of August 20, 2022, the 2027 Notes bear interest at the rate of 5.50% per annum and shall be payable quarterly in arrears on February 20, May 20, August 20, and November 20 of each year, which commenced on February 20, 2017. Unless the 2027 Notes are previously redeemed, the interest rate will be reset at the equivalent of the prevailing 5-year BVAL at reset date plus initial spread (i.e., the difference between the initial interest rate and the prevailing 5-year BVAL at the pricing date of the initial tranche), commencing on August 20, 2022.

The 2027 Notes are redeemable at the option of EWRB, in whole but not in part, on the call option date at 100.00% of the face value plus accrued but unpaid interest, subject to the following conditions:

a) EWRB has obtained prior written approval and complied with the requirements of the BSP prior to redemption of the 2027 Notes;
b) the 2027 Notes are replaced with capital of the same or better quality and the replacement of this capital is done at conditions which are sustainable for the income capacity of EWRB, or EWRB demonstrates that its capital position is above the minimum capital requirements after redemption is exercised;
c) EWRB is not in breach of (and would not, following such redemption, be in breach) of applicable regulatory capital requirements (including regulatory capital buffers);
d) EWRB is solvent at the time of redemption of the 2027 Notes and immediately thereafter.

Furthermore, upon the occurrence of a Tax Redemption Event or a Regulatory Redemption Event, the EWRB may, subject to compliance with BSP rules and BSP approval, and upon prior approval of the BSP and with prior written notice to the Noteholders on record, redeem all and not less than all of the outstanding 2027 Notes prior to the stated maturity by paying the Noteholder the Redemption Option Amount which, (a) in the case of a Tax Redemption Event is an amount equal to 100.00% of the face value of the 2027 Notes plus accrued interest at the interest rate relating to the then current interest period up to but excluding the date of such redemption, and (b) in the case of a Regulatory Redemption Event is an amount equal to 100.00% of the face value of the 2027 Notes plus accrued interest at the interest rate relating to the then current Interest Period up to but excluding the date of such redemption (the "Redemption Option Date").

The 2027 Notes have a loss absorption feature which means that the 2027 Notes are subject to a Non-Viability Write-Down in case of a Non-Viability Event. Non-viability is defined as a deviation from a certain level of Common Equity Tier 1 (CET1) Ratio or inability of the EWRB to continue business (closure) or any other event as determined by the BSP, whichever comes earlier. A Non-Viability Event is deemed to have occurred when EWRB is considered non-viable as determined by the BSP.

Upon the occurrence of a Non-Viability Event, EWRB shall write-down the principal amount of the 2025 Notes to the extent required by the BSP, which could go to as low as zero. Additional Tier 1 (AT1) capital instruments shall be utilized first before Tier 2 capital instruments are written-down, until the viability of the Issuer is re-established. In the event EWRB does not have AT1 capital instruments, then the write-down shall automatically apply to Tier 2 capital.

Loss absorption feature is subject to the following conditions:

a) the principal amount of all series of Tier 1 Loss Absorbing Instruments outstanding having been Written-Down to zero or converted into common equity of EWRB (where possible) irrevocably, in accordance with, and to the extent possible pursuant to, their terms (the "Tier 1 Write-Down");
b) the Tier 1 Write-Down having been insufficient to cure the Non-Viability Event;
c) EWRB giving the relevant Non-Viability Notice to the Public Trustee and the Registrar and Paying Agent.

Each Noteholder irrevocably agrees and acknowledges that it may not exercise or claim any right of set-off in respect of any amount owed to it by EWRB arising under or in connection with the 2027 Notes and it shall, to the fullest extent permitted by applicable law, waive and be deemed to have waived all such rights of set-off.

<u>Significant credit exposures as to industry/economic sector</u>
As of December 31, 2019 and 2018, information on the concentration of credit as to industry follows (in millions):

	Consolidated				**Parent Company**			
	2019		2018		**2019**		2018	
	Gross Amount	**%**	Gross Amount	%	**Gross Amount**	**%**	Gross Amount	%
Private households with employed persons	**₱153,831,859**	**57.16**	₱155,976,818	52.24	**₱153,831,859**	**63.27**	₱132,135,606	55.55
Real estate, renting and business activity	**27,637,409**	**10.27**	25,660,058	10.12	**27,620,891**	**11.36**	25,642,940	11.20
Wholesale and retail trade, repair of motor vehicles	**41,182,736**	**15.30**	23,330,445	9.46	**20,820,978**	**8.56**	23,322,085	10.47
Financial intermediaries	**10,873,659**	**4.04**	9,123,803	3.70	**9,836,231**	**4.05**	9,120,761	4.09
Manufacturing	**9,051,345**	**3.36**	8,726,041	3.54	**9,046,438**	**3.72**	8,721,134	3.91
Electricity, gas, steam and air-conditioning supply	**7,328,103**	**2.72**	8,096,361	3.27	**7,323,272**	**3.01**	8,095,934	3.63
Accommodation and food service activities	**3,246,720**	**1.21**	2,838,680	1.66	**3,246,720**	**1.34**	2,837,101	1.83
Transportation and storage	**2,667,979**	**0.99**	–	1.20	**2,667,979**	**1.10**	–	1.33
Construction	**2,122,608**	**0.79**	2,308,665	1.31	**2,119,171**	**0.87**	2,305,228	1.44
Other service activities	**1,742,681**	**0.65**	1,981,153	1.22	**1,741,687**	**0.72**	1,981,153	1.35
Agriculture, fisheries and forestry	**895,886**	**0.33**	1,056,265	0.43	**883,190**	**0.36**	1,043,456	0.47
Administrative and support service activities	**745,725**	**0.28**	1,069,882	1.98	**745,725**	**0.31**	1,069,882	2.19
Others*	**7,778,585**	**2.90**	6,564,752	9.87	**3,244,381**	**1.33**	6,530,099	2.54
	₱269,105,295	**100.00**	₱246,732,923	100.00	**₱243,128,522**	**100.00**	₱222,805,379	100.00

**Includes Arts and recreation activities, mining and quarrying, human health and social activities, education, and information and communication.*

Breakdown of total loans as to security and status
The following table shows the breakdown of receivable from customers as to secured and unsecured and the breakdown of secured receivables from customers as to the type of security as of December 31, 2019 and 2018 (amounts in millions):

	Consolidated				Parent Company			
	2019		2018		2019		2018	
	Gross Amount	**%**	Gross Amount	%	**Gross Amount**	**%**	Gross Amount	%
Loans secured by:								
Chattel	**₱97,766,172**	**36.33**	₱76,929,965	31.18	**₱97,501,762**	**40.10**	₱76,929,965	34.53
Real estate	**29,913,466**	**11.12**	26,084,403	10.57	**29,844,796**	**12.28**	26,064,028	11.70
Others*	**7,213,909**	**2.68**	17,354,964	7.03	**7,213,908**	**2.97**	17,104,795	7.68
	134,893,547	**50.13**	120,369,332	48.79	**134,560,466**	**55.35**	120,098,788	53.90
Unsecured	**134,211,748**	**49.87**	126,363,591	51.21	**108,568,056**	**44.65**	102,706,591	46.10
	₱269,105,295	**100.00**	₱246,732,923	100.00	**₱243,128,522**	**100.00**	₱222,805,379	100.00

**Consists of government securities, corporate bonds, shares of stock, hold-out on deposits, assignment of receivables etc.*

Breakdown of total loans as to status
BSP Circular No. 351 allows banks to exclude from non-performing classification receivables classified as 'Loss' in the latest examination of the BSP which are fully covered by allowance for credit losses, provided that interest on said receivables shall not be accrued and that such receivables shall be deducted from the total receivable portfolio for purposes of computing NPLs. Subsequently, the BSP issued BSP Circular No. 772, which requires banks to compute their net NPLs by deducting the specific allowance for credit losses on the total loan portfolio from the gross NPLs. The specific allowance for credit losses shall not be deducted from the total loan portfolio in computing the NPL ratio.

As of December 31, 2019 and 2018, NPLs of the Group and of the Parent Company as reported to the BSP follow:

	Consolidated		Parent Company	
	2019	**2018**	**2019**	**2018**
Gross NPLs	**₱12,368,801**	**₱11,478,807**	**₱10,421,625**	**₱10,239,430**
Less NPLs fully covered by allowance for credit losses	**(4,167,128)**	**(4,263,528)**	**(3,982,544)**	**(4,027,290)**
	₱8,201,673	**₱7,215,279**	**₱6,439,081**	**₱6,212,140**

As of December 31, 2019 and 2018, secured and unsecured NPLs of the Group and of the Parent Company as reported to the BSP follow:

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Secured	**₱5,565,238**	₱4,698,624	**₱5,496,219**	₱4,630,432
Unsecured	**6,803,563**	6,780,183	**4,925,406**	5,608,998
	₱12,368,801	₱11,478,807	**₱10,421,625**	₱10,239,430

Information on related party loans
As required by BSP, the Group discloses loan transactions with investees and with certain directors, officers, stockholders and related interests (DOSRI). 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 total equity or 15.00% of total loan portfolio, whichever is lower.

BSP Circular No. 423 dated March 15, 2004 amended the definition of DOSRI accounts. The following table shows information relating to the loans, other credit accommodations and guarantees classified as DOSRI accounts under regulations existing prior to said Circular, and new DOSRI loans, other credit accommodations granted under said circular:

	Consolidated			**Parent Company**		
	2019	2018	2017	**2019**	2018	2017
Total outstanding DOSRI accounts	**₱13,304,737**	₱14,673,277	₱10,787,629	**₱13,304,737**	₱14,673,277	₱10,787,629
Percent of DOSRI accounts granted prior to effectivity of BSP Circular No. 423 to total loans	**0.000%**	0.000%	0.000%	**0.000%**	0.000%	0.000%
Percent of DOSRI accounts granted after the effectivity of BSP Circular No. 423 to total loans	**4.944%**	6.364%	4.700%	**5.472%**	6.518%	5.143%
Percent of DOSRI accounts to total loans	**4.944%**	6.364%	4.700%	**5.472%**	6.518%	5.143%
Percent of unsecured DOSRI accounts to total DOSRI accounts	**0.009%**	0.012%	0.009%	**0.009%**	0.012%	0.009%
Percent of past due DOSRI accounts to total DOSRI accounts	**0.000%**	0.000%	0.000%	**0.000%**	0.000%	0.000%
Percent of nonperforming DOSRI accounts to total DOSRI accounts	**0.000%**	0.000%	0.000%	**0.000%**	0.000%	0.000%

The amounts of loans disclosed for related parties above differ with the amounts disclosed for key management personnel since the composition of DOSRI is more expansive than that of key management personnel.

BSP Circular No. 560 provides that the total outstanding loans, other credit accommodation and guarantees to each of the Parent Company's/quasi-Parent Company'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.

On May 12, 2009, BSP issued Circular No. 654 allowing a separate individual limit of twenty-five (25.00%) of the net worth of the lending bank/quasi-bank to loans of banks/quasi-banks to their subsidiaries and affiliates engaged in energy and power generation.

Aggregate amount of secured liabilities and assets pledged as security

As of December 31, 2019 and 2018, 'Bills payable' amounting to ₱29.80 billion and ₱15.89 billion, respectively, are secured by a pledge of certain financial instruments as follows:

	2019		2018	
	Face value	**Fair value**	Face value	Fair value
Financial assets at FVTPL	**₱8,068,541**	**₱9,154,497**	₱2,798,191	₱2,603,601
Financial assets at FVTOCI	**3,747,829**	**4,368,253**	250,000	237,189
Investment securities at amortized cost	**16,419,473**	**19,332,692**	16,394,474	16,670,322
	₱28,235,843	**₱32,855,442**	₱19,442,665	₱19,511,112

Commitments and Contingencies

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

	2019	2018
Unused credit line - credit cards	**₱65,702,553**	₱54,315,720
Trust department accounts (Note 28)	**35,044,324**	24,470,187
Outstanding guarantees	**6,427,055**	4,649,566
Spot exchange sold	**5,721,431**	4,889,355
Spot exchange bought	**5,719,911**	4,889,915
Unused commercial letters of credit	**4,300,936**	4,323,703
Forward exchange bought	**3,229,841**	2,940,079
Forward exchange sold	**3,211,557**	2,917,193
Treasurer/cashier/manager's checks	**1,392,247**	2,248,574
Financial futures sold	**1,208,990**	–
Inward bills for collection	**639,754**	2,765,184
Outward bills for collection	**280,721**	2,944,194
Late deposits/payments received	**34,386**	51,461
Items held for safekeeping	**1,721**	481
Others	**4,677**	109

SGV
Building a better working world

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

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

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

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
East West Banking Corporation
East West Corporate Center
The Beaufort, 5th Avenue corner 23rd Street
Fort Bonifacio Global City
Taguig City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of East West Banking Corporation (the Bank) as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, included in this Form 17-A, and have issued our report thereon dated February 27, 2020. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are the responsibility of the Bank's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68 and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Veronica Arce

Veronica Mae A. Arce
Partner
CPA Certificate No. 0117208
SEC Accreditation No. 1740-A (Group A),
February 7, 2019, valid until February 6, 2022
Tax Identification No. 234-282-413
BIR Accreditation No. 08-001998-135-2018,
December 17, 2018, valid until December 16, 2021
PTR No. 8125206, January 7, 2020, Makati City

February 27, 2020

INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
East West Banking Corporation
East West Corporate Center
The Beaufort, 5th Avenue corner 23rd Street
Fort Bonifacio Global City
Taguig City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of East West Banking Corporation (the Bank) as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 and have issued our report thereon dated February 27, 2020. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Bank's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Bank's financial statements as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Veronica Arce

Veronica Mae A. Arce
Partner
CPA Certificate No. 0117208
SEC Accreditation No. 1740-A (Group A),
February 7, 2019, valid until February 6, 2022
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PTR No. 8125206, January 7, 2020, Makati City

February 27, 2020

EAST WEST BANKING CORPORATION AND SUBSIDIARIES
INDEX TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
AS OF DECEMBER 31, 2019

ANNEX I

EAST WEST BANKING CORPORATION
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
AS OF DECEMBER 31, 2019

Presented is the reconciliation of retained earnings available for dividend declaration of the Parent Company as of December 31, 2019 with amendments based on SEC Bulletin No. 14, *Presentation of Reconciliation of Retained Earnings*:

Unappropriated retained earnings available for dividend declaration, beginning	**₱14,353,812**
Effect of Adoption of PFRS 16	(7,990)
Unappropriated retained earnings, as adjusted, beginning	**14,345,822**
Net income per audited financial statements	6,241,938
Add (Less):	
Equity in net income of subsidiaries, net of tax	(227,032)
Unrealized trading gains, net of tax	(93,509)
Loss on fair value adjustments of investment properties, net of tax	139,994
Equity in net loss of a joint venture	237,637
Unrealized foreign exchange loss, net of tax	571,925
Deferred tax assets recognized through profit or loss	(240,517)
Net income actually earned/realized during the year	**6,630,436**
Less:	
Appropriation of retained earnings during the period	7,053
Dividend declaration during the period	—
Total unappropriated retained earnings available for dividend declaration, ending	**₱20,969,205**

ANNEX II

EAST WEST BANKING CORPORATION AND SUBSIDIARIES

SCHEDULE OF FINANCIAL RATIOS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2019 and 2018

Below are the financial ratios that are relevant to the Group for the year ended December 31, 2019 and 2018:

	2019	2018
Current ratio[(1)]	**55.18%**	63.54%
Solvency ratio[(2)]	**113.73%**	113.15%
Debt-to-equity[(3)]	**7.28**	7.58
Asset-to-equity[(4)]	**8.28**	8.58
Interest rate coverage ratio[(5)]	**195.41%**	217.63%
Profitability ratio		
Return on asset[(6)]	**1.62%**	1.36%
Return on equity[(7)]	**13.66%**	10.98%
Net profit margin[(8)]	**26.58%**	24.54%
Gross profit margin[(9)]	**72.14%**	79.14%

1 Current assets divided by current liabilities
2 Total assets divided by total liabilities
3 Total liabilities divided by total equity
4 Total assets divided by total equity
5 Income before interest and taxes divided by interest expense
6 Net income divided by average total assets. Average total assets is based on average monthly balances
7 Net income attributable to equity holders of the Parent Company divided by average total equity attributable to equity holders of the Parent Company. Average total equity is based on average monthly balances
8 Income before income tax over total interest income
9 Net interest income over total interest income

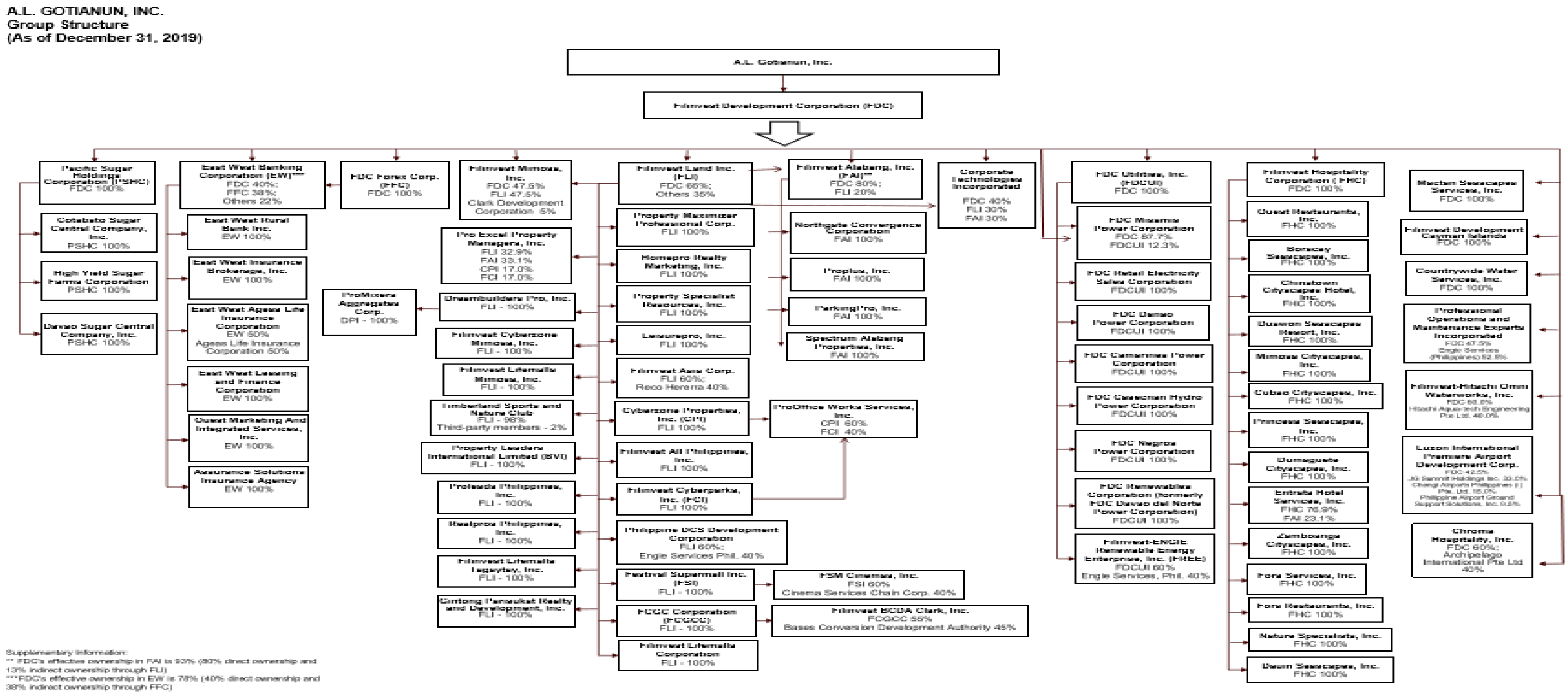
ANNEX III

EAST WEST BANKING CORPORATION AND SUBSIDIARIES

CONGLOMERATE MAP

AS OF DECEMBER 31, 2019

Below is a map showing the relationship between and among the Group and its ultimate parent company, subsidiaries, and affiliate as of December 31, 2019:



ANNEX IV

EAST WEST BANKING CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULES REQUIRED UNDER SRC RULE 68, AS AMENDED
AS OF DECEMBER 31, 2019

Below are the additional information and schedules required by SRC Rule 68, as amended that are relevant to the Group. This information is presented for purposes of filing with the SEC and is not required part of the basic financial statements.

Schedule A. Financial Assets

Below is the detailed schedule of the Group's financial assets as of December 31, 2019:

Name of issuing entity and association of each issue	Number of shares/principal amount of bonds and notes	Amount shown in the statement of financial position	Value based on market quotation at end of year	Income received and accrued
Financial assets at Fair Value through Profit or Loss				
Debt securities				
Bureau of Treasury (ODTB)	**₱430**	**₱403**	**₱403**	**₱12**
Fixed Rate Treasury Notes (FXTN)	**9,544,468**	**10,907,618**	**10,907,618**	**241,658**
Republic of the Philippines (ROP)	**3,499,334**	**3,984,934**	**3,984,934**	**60,066**
Retail Treasury Bond (RTB)	**1,100,376**	**1,210,197**	**1,210,197**	**92,339**
Saudi Arabian Bonds(KSA)	**253,175**	**315,378**	**315,378**	**5,170**
Treasury Bills (TBILL)	**355,000**	**349,650**	**349,650**	**45**
Ayala Land Inc	**24,000**	**22,219**	**22,219**	**203**
Aboitiz Equity Ventures	–	–		**2**
Ayala Corp	–	–	–	**5**
Brazilian Government International Bond (BRAZIL)	–	–	–	**41**
Filinvest Land Inc	–	–	–	–
Metrobank (MBTC)	–	–	–	**4**
Mexican Global Bonds (Mex)	–	–	–	**235**
Petroleos Mexicanos (PEMEX)	–	–	–	**4,549**
Republic of Indonesia (INDON)	–	–	–	**10,187**
Rizal Commercial Banking Corporation (RCBC)	–	–	–	**453**
San Miguel Corporation	–	–	–	–
South African Bond	–	–	–	–
ROP warrants				
Citibank Manila	**73**	**39,969**	**39,969**	**n/a**
Equity Securities				
Victorias Milling Corporation	**129**	**129**	**129**	–
LGU Guarantee Corporation	**10,212**	**10,212**	**10,212**	–
	₱14,787,197	**₱16,840,709**	**₱16,840,709**	**₱414,969**

Name of issuing entity and association of each issue	Number of shares/principal amount of bonds and notes	Amount shown in the statement of financial position	Value based on market quotation at end of year	Income received and accrued
Investment Securities at Amortized Cost				
Debt Securities				
Brazilian Government International Bond (BRAZIL)	**₱455,715**	**₱406,062**	**₱514,657**	**₱27,024**
Energy Development Corporation (EDCPM)	**546,858**	**560,373**	**572,648**	**23,737**
Fixed Rate Treasury Notes (FXTN)	**4,875,399**	**4,996,596**	**5,529,533**	**254,222**
Mexican Global Bonds (MEX)	**1,012,700**	**923,693**	**1,091,589**	**47,860**
National Power Corp. (NATPOW)	**448,373**	**629,696**	**664,130**	**25,737**
Pertamina Persero (PERTIJ)	**2,430,480**	**2,502,375**	**2,833,415**	**135,954**
Perusahaan Listrik Negara (PLINJ)	**3,139,370**	**3,431,027**	**3,907,932**	**189,954**
Petroleos Mexicanos (PEMEX)	**1,589,939**	**1,440,345**	**1,523,253**	**102,051**
Power Sector Asset And Liabilities Management (PSALM)	**700,485**	**839,851**	**870,205**	**32,576**
Qatar Bonds (QATAR)	**1,519,050**	**1,559,696**	**1,765,247**	**64,312**
Republic Of Indonesia (INDON)	**4,632,242**	**5,801,387**	**6,394,054**	**217,798**
Republic Of The Philippines Global Peso Noted (RP GPN)	**290,330**	**267,312**	**353,770**	**16,459**
Republic Of The Philippines (ROP)	**17,029,968**	**19,133,101**	**20,974,121**	**567,027**
Retail Treasury Bond (RTB)	**509,150**	**404,125**	**486,609**	**29,655**
Rizal Commercial Banking Corp (RCBC)	**8,456**	**8,463**	**8,472**	**245**
Saudi Arabian Bonds(KSA)	**2,278,575**	**2,382,890**	**2,701,299**	**83,824**
Security Bank Corporation (SECB)	**383,256**	**383,625**	**384,207**	**11,148**
SM Investment Corp (SMINVE)	**1,707,412**	**1,736,451**	**1,808,884**	**84,220**
US Treasury Notes (UST)	**1,519,050**	**1,461,194**	**1,489,856**	**31,534**
Verizon Communication Inc (VZ)	**506,350**	**520,073**	**545,405**	**18,432**
Allowance for probable losses	**–**	**(2,265)**	**–**	**–**
	₱45,583,158	**₱49,386,070**	**₱54,419,285**	**₱1,963,161**

Name of issuing entity and association of each issue	Number of shares/principal amount of bonds and notes	Amount shown in the statement of financial position	Value based on market quotation at end of year	Income received and accrued
Financial Assets at Fair Value through Other Comprehensive Income				
Equity Securities				
Fixed Rate Treasury Notes (FXTN)	**₱2,621,801**	**₱3,106,518**	**₱3,106,518**	**₱50,878**
Petroleos Mexicanos (PEMEX)	**–**	**–**	**–**	**1,792**
Retail Treasury Bond (RTB)	**1,366,217**	**1,544,118**	**1,544,118**	**22,150**
	₱3,988,018	**₱4,650,636**	**₱4,650,636**	**₱74,820**
	₱64,358,373	**₱70,877,415**	**₱75,910,630**	**₱2,452,950**

Schedule B. Amounts receivable from directors, officers, employees, related parties and principal stockholders (other than related parties)

As of December 31, 2019, amounts receivable from directors, officers, employees, related parties and principal stockholders (other than related parties) amounted to ₱13.25 billion.

Schedule C. Amounts receivable from related parties which are eliminated during the consolidation of financial statements

Below is the schedule of receivables from related parties which are eliminated in the consolidated financial statements as of December 31, 2019:

	Balance at beginning of year	Additions	Collections	Balance at end of year
East West Rural Bank, Inc.	₱371,006	₱15,491,156	₱15,712,165	₱149,997
East West Insurance Brokerage, Inc.	307	21,671	18,026	3,952
East West Leasing and Finance Corporation	763	62	–	825
Assurance Solutions Insurance Agency, Inc.	1,114	58	–	1,172
Quest Marketing and Integrated Services, Inc.	30,594	23,462	18,893	35,163
	₱403,784	₱15,536,409	₱15,749,084	₱191,109

Schedule D. Intangible Assets

As of December 31, 2019, the goodwill and intangible assets in the Group's consolidated statements of financial position follow:

	Balance at beginning of year	Additions	Charged to cost and expenses	Balance at end of year
Goodwill	₱3,877,241	₱–	₱–	₱3,877,241
Branch licenses	2,167,600	–	–	2,167,600
Capitalized software	688,993	150,530	135,222	704,301
Customer relationship	107,920	–	4,311	103,609
Core deposits	51,892	–	7,143	44,749
	₱6,893,646	₱150,530	₱146,676	₱6,897,500

Schedule E. Long-term Debt

Details of the Group's long term debt* as of December 31, 2019 follow:

	Amount	Current	Noncurrent
Lower Tier 2 unsecured subordinated notes due 2025	₱4,979,340	₱4,979,340	₱–
Lower Tier 2 unsecured subordinated notes due 2027	1,239,671	–	1,239,671

**Excludes long-term negotiable certificates of deposit that are classified as deposit liabilities in the statement of financial position*

Schedule F. Indebtedness to Related Parties (long term loan obligations to related parties)

The Group has no outstanding long term loan obligations to its related parties as of December 31, 2019.

Schedule G. Guarantees of Securities of Other Issuers

The Group does not have guarantees of securities of other issuers as of December 31, 2019.

Schedule H. Capital Stock

Below is the schedule of the Group's issued and outstanding capital stock as of December 31, 2019:

	Number of Shares					
				Held by		
Title of issue	Authorized	Issued and outstanding as shown under related statement of financial position	Reserved for options, warrants, conversion and other rights	Related parties	Directors, Officers and Employees	Others
East West Banking Corporation - common shares	4,500,000	2,249,975	–	1,738,718	41,298	469,959

ANNEX G – SUMMARY OF MINUTES OF 2019 ANNUAL STOCKHOLDERS' MEETING

MINUTES OF THE 2019 ANNUAL STOCKHOLDERS MEETING
OF
EAST WEST BANKING CORPORATION
April 22, 2019, 8:30 a.m.
Crimson Hotel
Filinvest Corporate City, Alabang, Muntinlupa City

I. NATIONAL ANTHEM

The National Anthem was sang at the beginning of the Annual Stockholder's Meeting.

2. CALL TO ORDER / NOTICE OF MEETING

The meeting was called to order by the Chairman, Mr. Jonathan T. Gotianun, who presided over the same.

The Corporate Secretary, Atty. Benedicto M. Valerio, Jr., certified that the notice of the meeting together with the copies of the Information Statement and Audited Financial Statement of the Bank were sent to each stockholder of record as of February 28, 2019 either by personal service or by mail, in compliance with the By-Laws as certified to by the stock and transfer agent of the Bank.

The Chairman directed the Corporate Secretary to attach the proof of service of the notice of meeting to the records of the meeting which the latter did.

3. DETERMINATION OF QUORUM

The Corporate Secretary reported to the shareholders in attendance that a quorum exists for the business at hand after determining that:

(a) As of record date of this meeting or February 28, 2019, there were **2,249,975,411** common shares of stock outstanding.

(b) **1,862,144,321** common shares of stock are represented in the meeting either in person or by proxy.

(c) That represents **Eighty-Two and 76/100 percent (82.76%)** of the Bank's total issued and outstanding capital stock.

The Chairman directed the Corporate Secretary to attached in the Minutes of the Meeting the report showing the number of shares represented in the meeting.

4. APPROVAL OF THE MINUTES OF THE ANNUAL STOCKHOLDERS' MEETING ON APRIL 20, 2018

The first item of the Agenda is the approval of the minutes of the April 20, 2018 Annual Stockholders' Meeting. The Corporate Secretary certified that a copy of the aforesaid minutes was duly sent to each of the stockholders as part of the materials for the April 20, 2019 Annual Stockholders Meeting.

Upon motion was duly made and seconded there being no objections that was registered during the discussions, the shareholders adopted the following resolution:

STOCKHOLDERS RESOLUTION NO. 07-2019-01

RESOLVED, for the record, that the stockholders of the Bank approved the Minutes of the Bank's Annual Stockholders' Meeting held on April 20, 2018.

5. APPROVAL OF THE REPORT OF THE CHAIRMAN AND 2018 AUDITED FINANCIAL STATEMENTS

The next item in the Agenda was the presentation of the Chairman's Report and the 2018 Audited Financial Statements for approval by the shareholders.

The Corporate Secretary certified that copies of the Chairman's Report and Audited Financial Statement were furnished to the shareholders as part of the materials for the stockholders' meeting.

Upon motion duly made and seconded, there being no objection raised in the ensuing discussions, the shareholders adopted the following resolution:

STOCKHOLDERS RESOLUTION NO. 07-2019-02

RESOLVED, for the record, that the stockholders of the Bank approved the 2018 Chairman's Report and the Audited Financial Statements.

The Vice Chairman, Mr. Antonio C. Moncupa, Jr was called by the Chairman to present the 2018 Financial & Operational Highlights of the Bank. A copy of the aforesaid presentation is attached as Annex "A" hereof.

6. RATIFICATION OF ALL ACTS OF THE BOARD OF DIRECTORS AND CORPORATE OFFICERS

The next item in the Agenda was the approval of all acts of the Board and Corporate Officers of the Bank for 2018 which includes the Material Related Party Transaction approved during the year, resolutions and proceedings to be ratified as presented in the Information Statement sent to the stockholders.

Upon motion duly made and seconded, there being no objections raised during the discussions that ensued, the shareholders adopted the following resolution:

STOCKHOLDERS RESOLUTION NO. 07-2019-03

> RESOLVED, for the record, the stockholders of the Bank approved, confirmed and ratified all acts and resolutions and proceedings of the Board of Directors and Officers of the Bank for the year 2018.

7. ELECTION OF THE MEMBERS OF THE BOARD OF DIRECTORS FOR 2019-2020.

The Chairman informed the shareholders that the next item of the Agenda is the election of the members of the Board of Directors of the Bank. The Corporate Secretary explained that the Bank earlier submitted the final list of all candidates who were nominated and pre-screened in accordance with the Company's Manual on Corporate Governance. They are:

MERCEDES T. GOTIANUN
JONATHAN T. GOTIANUN
L. JOSEPHINE GOTIANUN YAP
ISABELLE G. YAP
ANTONIO C. MONCUPA, JR.
WILSON L. SY
ROBERTO S. REYES
CARLOS R. ALINDADA
PAUL A. AQUINO
GREGORIO U. KILAYKO
JOSE MARIA G. HOFILENA

That Messrs. CARLOS R. ALINDADA, PAUL A. AQUINO, GREGORIO U. KILAYKO and JOSE MARIA G. HOFILENA were also named by the Nomination Committee as nominees for the position of Independent Directors.

No other nomination for election of the Board of Directors was submitted to the Nomination Committee within the period allowed under the Revised Manual on Corporate Governance, as provided in the Information Statement furnished to the stockholders.

Upon motion was duly made and seconded and no objections being rendered during the discussions, the shareholders adopted the following resolution:

STOCKHODERS RESOLUTION NO. 07-2019-04

RESOLVED, for the record, that the Stockholders of the Bank re-elected/elected the following persons as members of the Bank's Board of Directors for the year 2019-2020, to wit:

JONATHAN T. GOTIANUN	Director
ANTONIO C. MONCUPA, JR.	Director
MERCEDES T. GOTIANUN	Director
LOURDES JOSEPHINE GOTIANUN-YAP	Director
ISABELLE G. YAP	Director
WILSON L. SY	Director
JESUS ROBERTO S. REYES	Director
CARLOS R. ALINDADA	Independent Director
PAUL A. AQUINO	Independent Director
JOSE MARIA G. HOFILENA	Independent Director
GREGORIO U. KILAYKO	Independent Director

8. APPOINTMENT OF EXTERNAL AUDITORS

The appointment by the stockholders of the Company's External Auditors was the next item of the Agenda. The Chairman reported that the Board, upon recommendation of the Company's Audit Committee, is recommending that the shareholders re-appoint Sycip Gorres Velayo and Company as the external auditors of the Bank.

Upon motion was duly made and seconded and no objections being rendered during the discussion, the shareholders adopted the following resolution:

STOCKHOLDERS RESOLUTION NO. 07-2019-05

RESOLVED, for the record, that the stockholders of the Bank re-appointed Sycip Gorres Velayo and Company as the external auditors for the year 2019.

9. OPEN FORUM

1. On the queries relating the loan portfolio of the Bank to the public school teachers, it was explained that: (a) the 2019 budget of the government has been signed into law; (b) the said law corrected the provision of the previous budget where certain lenders were given the priority in collecting the payment of the loans granted to public school teachers from the Department of Education ("DEC"); (c) except for the GSIS, all the lenders are now in equal footing with each other (d) what the Bank was looking for was a certain stability in the rule or where the rule does not change at the middle of the game before taking bigger exposure; (f) the Bank expects lending to stabilized and it is just waiting for the DEC to streamline its new operating procedure; and, (g) the Bank expect to collect its loan and the provisions that it booked earlier and does not expect any losses. The shareholders were also informed that the Bank has resumed lending but not as big as before as it tries to see the development in the budget of the government and how competitors will react to the said development. It was also reported that GSIS has taken-out some of the loans of the Bank, but the Bank foresees that things will normalize as it moves forward.

2. On whether or not all the branches of the Bank are earning or at least are operating at a break-even, it was explained that the Bank does not look at its branches on a per branch basis. Rather, it looks at all the branches as part of its network where the center is as important as the periphery. But yes, the deposit of the branches of the Bank are lagging behind the deposits of the branches of the benchmarked banks and that management is addressing the aforesaid situation.

3. On why the Bank has a higher NPL compared to some banks in the industry, it was explained that the Bank will always have higher NPL ratio among normal banks. The reason is that the Bank have the highest proportion of consumer loans. It has a higher NPL, but it has also a higher margin, double than the net interest margin of the industry.

4. Trading income. The shareholders were informed that the trading income of the Bank has always been in the positive except for 2 or 3 years where it was not but that was some years back. The Bank expect that trading of securities to be positive. Not only the Bank but other banks as well will be positive from their trading operations.

5. Dividends. There will be no cash dividends because the Bank is in a growth move. It is more efficient to retain the income and use it for growth. The Bank will make use of its current capital to fund growth that is why it will not declare any dividends.

6. PE. On, why do observation as to why the investors do not look at PE and consider the earnings of the Bank in pricing its stock, it was explained that at the beginning when the Bank went public, it has only 122 branches. It promised the investors that its branches will increase to 350 in 3yrs. Nobody believes it and it resulted in low stock price. The total branches of the Bank including its rural bank is now 486. The Bank was candid enough to tell the investors that it will have few years of not very good earnings because the upfront expenses related to its branch expansions. Again, this affected the price of its stock. In time, as bank gains scale, operating leverage should be much better, and ROE should improve. It was below the industry average up to 2015. The Bank has the lowest valuation, 5 to 6 times PE, because market does not believe its profitability can be sustained. It is upon the Bank to show that its profit and growth are sustainable. In fact, the Bank did not give dividends and did not call upon its shareholders to reinvest because doing so is not efficient. The Bank will have to double its resources in 2 years. 15% growth on an annual compounded growth rate.

6. Bank products. The Bank will expand its products to include cashless payment. The Bank will offer digital products. It is just a question of how and when it will be offered. The Bank has prepaid cards. It has all the digital products that are available in the market. It is watching and preparing for its digital assault. It is the Bank's responsibility to be at phase with the digital development in the country.

7. On the question on whether as a part of FDC, the Bank will provide support for FDC's infrastructure projects like the airport, it was explained that the proponents of these projects have their own banks. Which bank will the project proponents tap is a decision that must be made by the proponents as one group. The Bank however is primarily a consumer bank. Earnings from participation in infrastructure projects will not be much compared to earnings from consumer financing.

10. ADJOURNMENT

Upon motion was duly made and seconded and no objections being rendered during the discussions, no other matters were taken up for consideration, therefore, the meeting was adjourned.

The Chairman also invited all the Stockholders who were present and participated in the said meeting to join in the refreshments served by the Bank for this occasion.

CERTIFIED CORRECT:

ATTY. BENEDICTO M. VALERIO, JR.
Corporate Secretary

ATTESTED TO:

JONATHAN T. GOTIANUN
Chairman of the Board