COVER SHEET

A	S	O	9	4	0	0	2	7	3	3

S.E.C. Registration Number

EAST WEST BANKING CORPORATION

(Company's Full Name)

THE BEAUFORT, 5TH AVENUE COR.
2 3RD ST. BONIFACIO GLOBAL CITY,
TAGUIG CITY

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

ATTY. BENEDICTO M. VALERIO, JR
Contact Person

575-3871
Company Telephone Number

Month Day

SEC17-A
FORM TYPE

Month Day

Secondary License Type, if Available

MSRD
Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. Use blank ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, *AS AMENDED*

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended December 31, 2018

2. SEC Identification Number ASO94-002733

3. BIR Tax Identification No. 003-921-057

4. Exact name of issuer as specified in its charter **EAST WEST BANKING CORPORATION**

5. Metro Manila, Philippines
   Province, Country or other jurisdiction of incorporation or organization

6. [ ] (SEC Use Only)
   Industry Classification Code:

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

8. +632 575-3888
   Issuer's telephone number, including area code

9. Former name, former address, and former fiscal year, if changed since last report.

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

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

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

    Yes [**X**]   No [ ]

    If yes, state the name of such stock exchange and the classes of securities listed therein:

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

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [**X**]   No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [**X**]   No [ ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form. (See definition of "affiliate" in “Annex B”).

Shares Held by Non-Affiliates as of March 31, 2019	**Market Value per Share as of March 31, 2019**	**Total Market Value as of March 31, 2019**
469,958,561 shares	₱12.16	₱5,714,696,101.76

APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

Not Applicable

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify part of SEC Form 17-A into which the document is incorporated:

(a) Any annual report to security holders;

(b) Any information statement filed pursuant to SRC Rule 20;

(c) Any prospectus filed pursuant to SRC Rule 8.1.

EAST WEST BANKING CORPORATION

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PART I – BUSINESS AND GENERAL INFORMATION

Item 1. Business

Overview of the Bank

East West Banking Corporation ("EW", "EastWest") was granted authority by the Bangko Sentral ng Pilipinas (BSP) to operate as a commercial bank under Monetary Board (MB) 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 26 July 2012, the BSP granted the Bank the authority to operate as a universal bank under Monetary Board Resolution No. 1696 dated 25 November 2010.

As of December 31, 2018 EastWest is effectively 77% owned by Filinvest Development Corporation ("FDC"). 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.

EastWest is a domestic corporation registered with the Securities and Exchange Commission (SEC) on March 22, 1994. In 2012, EastWest conducted an initial public offering (IPO) of its 283,113,600 common shares. EastWest's common shares were listed and commenced trading in the Philippine Stock Exchange (PSE) on May 7, 2012.

Mergers and Acquisitions

In 2003, EW acquired Ecology Savings Bank, Inc., and in 2009, acquired AIG PhilAm Savings Bank. In 2011, EW acquired Green Bank (A Rural Bank), Inc. (GBI). In 2012, EW acquired Finman Rural Bank, Inc. (FRBI). It's most recent acquisition was in 2016, when it acquired Standard Chartered Bank Philippines' (SCB PH) retail portfolio.

On August 19, 2011, EW entered into a deed of assignment for the purchase of a majority of the outstanding shares and control of GBI. Consequently, GBI became a subsidiary of EW. On July 11, 2012, EW acquired an 83.17% interest in FRBI, a rural bank engaged in the business of extending credit to farmers, tenants, and rural enterprises. EW subsequently increased its ownership in FRBI to 100.00% 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.

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 May 6, 2016, EastWest and Standard Chartered Bank Philippines ("SCB PH") entered into an agreement for SCB PH's retail business. Under the agreement, the credit cards, personal loans, wealth management and deposits of SCB in the Philippines will be migrated to EastWest. The transaction also included the transfer of following entities:

- Assurance Solutions Insurance Agency ("ASIA"), a wholly owned subsidiary of Standard Chartered Bank which provides sales and marketing services directed exclusively to SCB PH clients for bancassurance products; and
- Quest Marketing and Integrated Services Inc., ("QMIS") (formerly Price Solutions Philippines, Inc.), a wholly owned subsidiary of SCMB Overseas Limited providing sales and marketing services to SCB PH for credit cards and personal lending products.

Securities Issuances

In 2018, the Bank issued 4.625% fixed coupon rate unsecured LTNCDs maturing in December 2023. The first tranche of the LTNCD amounting to ₱2.45 billion was issued in June 2018.

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.

In 2017, the Bank issued 4.00% fixed coupon rate unsecured LTNCDs maturing in September 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.

On February 20, 2017, the Bank's subsidiary, EWRB issued 5.50% Lower Tier 2 unsecured subordinated notes with par value of ₱1.25 billion maturing on August 20, 2027 but callable on August 20, 2022.

On January 29, 2015, the BOD atm approved the common shares rights offering. In March 2015, 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. Details of the offer are as follows:

Entitlement Ratio	32.929 right shares for every 100 shares
Offer Price	₱21.53
Number of shares to be offered	371,574,000 shares
Ex-rights date	April 16, 2015
Record date	April 21, 2015
Start of offer period	April 24, 2015
End of Offer Period	April 30, 2015

The offer price was computed based on the volume-weighted average price of the Bank's common shares traded in the PSE for each of the 15 consecutive trading days immediately prior to (and excluding) the pricing date, subject to a discount rate of 12.80%.

On May 8, 2015, a total of 371,574,000 common shares were listed at the PSE with ₱10.00 par value per share. The total proceeds raised by the Bank from the sale of the said shares amounted to ₱8.00 billion while the net proceeds (after deduction of direct costs related to equity issuance) amounted to ₱7.95 billion. The net proceeds were used to invest in securities allowed under BSP regulation and to fuel growth in loans.

On July 4, 2014, the Bank completed its issuance of Basel III-compliant Tier 2 unsecured subordinated notes with a total face value of ₱5.0 billion with a coupon rate of 5.5% and maturing in January 2025, but callable on January 4, 2020.

On July 2, 2010, the Bank issued 7.50% Lower Tier 2 unsecured subordinated notes with a total face value of ₱1.5 billion maturing on January 2021 but callable on January 2016 and with step-up if not called. On January 4, 2016 the Bank exercised its call option. The redemption was approved by the Bank's BOD on August 27, 2015 and by the BSP on October 8, 2015.

Subsidiaries and Affiliate

The following are the subsidiaries and affiliate of the Bank as of December 31, 2018:

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 (EWLFC)*	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%

**Non-operational since 2017*

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 on November 5, 1997 with the purpose of accumulating deposits and granting loans to various individuals and corporate entities as well as government and private employees. It started its commercial operations in March 1998. Its place of business is located at 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 on July 6, 2015 with the primary purpose to act as an insurance broker. On September 23, 2015, the Insurance Commission (IC) authorized EWIB to act as an insurance broker. It started its commercial operations on September 24, 2015. Its principal place of business is located at The Beaufort, 5th Avenue corner 23rd Street, Bonifacio Global City, Taguig City, Metro Manila, Philippines.

East West Leasing and Finance Corporation

East West Leasing and Finance Corporation (EWLFC) was registered with the SEC on October 6, 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. Its place of business is located at The Beaufort, 5th Avenue corner 23rd Street, Bonifacio Global City, Taguig City, Metro Manila, Philippines.

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

In 2016, the Bank acquired 100.00% voting shares of Quest Marketing and Integrated Services Inc. (QMIS) as part of the asset and share transfer agreement by and between Standard Chartered Bank Philippines Branch (SCB Philippines) and the Bank for a consideration amounting to ₱19.93 million. QMIS was registered with SEC in 2007 primarily to engage in providing sales and marketing services. The principal place of business is at the 7th Floor, Global Trade Center, 1024 EDSA, Quezon City, Philippines.

Assurance Solutions Insurance Agency

In 2016, the Bank acquired 100.00% voting shares of Assurance Solutions Insurance Agency, Inc. (ASIA) as part of the asset and share transfer agreement by and between SCB Philippines and the Bank for a consideration amounting to ₱10.30 million. ASIA was registered with SEC in 2012 primarily to engage in general insurance agency business. In November 2016, ASIA has ceased its operations. The principal place of business is at the 5th Floor, 6788 Sky Plaza Building, Ayala Avenue, Makati City, Metro Manila, Philippines.

East West Ageas Life Insurance Corporation

East West Ageas Life Insurance Corporation (EWAL) was incorporated and registered with the Philippine Securities and Exchange Commission on October 20, 2015 with the following primary purpose;

1. to undertake and write insurance upon the life of individuals, and every insurance appertaining thereto or connected therewith;
2. to make contracts of insurance providing for all risks, hazards, guarantees and contingencies to which life, accident, or health insurance is applicable;
3. to indemnify against legal liability;
4. to compute endowments and grant, purchase or dispose of annuities;
5. to procure re-insurance of its risks;
6. to issue policies stipulated to be with or without participation in profits; and
7. to purchase for its own benefit any policy of insurance or other obligation as well as claims of policyholders

On December 22, 2016, 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.

Investment in a Joint Venture

On May 28, 2015, EW and Ageas entered into a joint venture agreement to form EW Ageas Life. EW Ageas Life, which shall primarily engage in the life insurance business, will be incorporated in the Philippines with a capitalization of ₱2.0 billion and with ultimate ownership interest of EW of 50.0% less 1 share. EW's initial investment amounted to ₱500.0 million.

In November 2015, EW Ageas Life and EW entered into a 20-year exclusive distribution agreement. Under the distribution agreement, EW Ageas Life will have exclusive access to the branch network of EW 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 EW'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 EW and Ageas. On September 6, 2018, EW and Ageas each infused additional capital to EW Ageas Life amounting to ₱250.00 million.

There were no dividends received from EW Ageas Life as of December 31, 2018. The joint venture has no contingent liabilities or capital commitments as of December 31, 2018 and 2017.

Principal Business Activities

Retail Banking

The retail banking 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 also caters to the needs of high net-worth clients for alternative investment channels and cash management requirements of mid-market corporates. It includes entire transaction processing, service delivery and infrastructure consisting of the Bank's network of branch stores, ATMs, as well as its internet banking platform.

Deposit Products
The Bank offers a comprehensive range of deposit products consisting primarily of Peso demand, savings and time deposits. Offered also are US Dollar and 3rd currency savings and time deposits. As of December 31, 2018 and 2017, the Bank's total deposits amounted to P288.2 billion and P258.7 billion, respectively.

Access to Investment Products
The Bank also offers investors access to investment products such as treasury bills and bonds, fixed rate treasury notes and retail treasury bonds. Customers can also invest in long-term fixed income debt instruments issued by public and private entities.

Cash Management Services
The Bank offers a wide range of cash management solutions to assist mid-market corporates, composed primarily of entrepreneurial and family-owned businesses, including (i) a facility for payroll preparation and crediting, (ii) an interest-earning checking account that provides a customized standalone check-writing facility and a comprehensive accounts payable system, (iii) an end-to-end automated solution for the creation, disbursement and monitoring of checks, (iv) a check depot service whereby the Bank retains a corporate customer's post-dated checks for immediate deposit to the customer's account on the same date indicated on the checks, (v) a bill collection service whereby the Bank acts as a collecting agent and transmits consolidated payments to the customer online or via electronic file transfer and (vi) deposit pickup services, in which the Bank sends an armored vehicle to pick up cash and check deposits at the customer's premises.

Consumer Lending

The Bank offers various types of consumer lending products to individuals, which consist principally of credit cards, auto loans, residential mortgage loans and personal loans. The Bank considers various factors in pricing its loan products, including the capacity of the borrower to repay the loan, estimated delinquency rates, funding costs, expenses related to making loans and a target spread. Loan terms are differentiated according to factors such as a customer's financial condition, age, loan purpose, collateral and the quality of relationship with the Bank.

Credit Cards
In 2004, the Bank began issuing MasterCard credit cards under the name "East West Bank MasterCard" in partnership with AIG. In 2009, the Bank acquired the Philam Savings Bank, which issues Visa credit cards. After the acquisition, the Bank integrated its Visa and MasterCard businesses into a single business unit. From an initial base of 10,000 credit cards issued during 2004, the Bank has since grown to have issued over 1 million credit cards, comprising 14.3% of the total market share for credit cards in the Philippines, as of December 31, 2018. Revenues from the credit card operations consist principally of annual fees paid by

cardholders, interest on deferred and installment payments, cash advance fees, interchange fees paid by service establishments and late payment charges. Annual cardholder fees range from ₱1,200 to ₱2,800. As of December 31, 2018, the interest rate on deferred payments range from 1.99% to 3.50% per month and the interest rate on installment payments range from zero to 2% per month. Other relevant fee income includes cash advances fees, which are approximately 3.0% of the total cash advance amount or ₱600 whichever is higher, late fees accounting for 8% of the minimum amount due of late payment accounts, and interchange fees range from 0.25% to 2.33% of the retail purchase or cash advance amount. Revenues relating to the credit card business are reflected in the Bank's financial statements as interest income and other operating income from service charges, fees and commissions.

The Bank seeks to diversify its distribution channels, form alliances with merchants and manage its product portfolio in order continue to grow its credit card business. The Bank currently markets and sells its credit cards directly to customers, as well as through third party telemarketing agencies. Credit Card customers may participate in a variety of instant and loyalty based rewards programs that allow them to redeem merchandise or gift certificates at partner establishments. The Bank attempts to identify and capitalize on gaps in the market by offering products tailored to meet the needs of underserved markets. The Bank's credit card products come in different grades, from regular cards to premium class cards at different annual membership fees.

Auto Loans

The Bank's auto loans are offered through car dealerships (including second-hand car dealers), independent sales agents and the Bank's branches. The Bank provides economic incentives to car dealerships and independent sales agents based on each approved auto loan amount. A key competitive factor in the automotive loan business is the speed by which a bank can process an automotive loan, as dealers will offer a loan to multiple banks and the Bank offers a three-hour auto loan approval process, which the Bank believes is an important aspect to its success in growing its auto loan portfolio. The Bank's auto loan business also engages in strategic partnerships with major car brands to develop exclusive programs. Additionally, the Bank cross-sells its auto loans with the products of other units and offers special plans for existing and repeat customers.

All of the Bank's auto loans are secured by a chattel mortgage over the car being purchased. In addition to being subject to the Bank's internal credit checks, the Bank generally requires the borrower to make a minimum down payment of 20.0% (or a minimum down payment of 15.0% for long-term customers with verifiable good credit) of the purchase price. Depending on whether the car being purchased is a new car or a second-hand car, the interest rate of the Bank's auto loans can range from 8.5% to 18.0%, with an average maturity of 55 months. Generally, when an installment payment falls 90 days past due, the Bank may commence foreclosure proceedings. Foreclosed cars are generally sold by the Bank through public auction.

Residential Home Mortgage Loans

The large majority of EW's residential mortgage loans are extended to property buyers in the Philippines who intend to occupy residential units in the form of house and lot, townhouse or condominiums, with a small proportion being extended to individuals purchasing lots for investment purposes or for future dwelling via house construction loans. EW's home loan is secured by a first mortgage on the property and each applicant undergoes a stringent credit evaluation process. EW requires its borrowers to make a minimum down payment of 10% of the total appraised value for the various loan purposes. EW also refinances existing housing loans in the form of a loan takeout. EW offers loans at competitive and fixed interest rates.

EW uses its branch store network as a key distribution channel and maintains marketing campaigns to attract property buyers independently from real estate developers which serve as distribution channels for home loan providers. The average loan term of EW's home loan is thirteen years. In line with industry practice in the Philippines, interest rate on EW's home loan is set at a fixed rate applicable for an initial period of between one and five years, depending on the maturity of the loan. Upon expiry of the fixing period, the interest rate is reset at a fixed rate applicable for succeeding periods.

EW currently offers various home financing products with differentiating features, which includes a mix of competitive interest rates and what the Bank believes to be the longest payment term in the market of up to 30 years. As most residential mortgage loans available in the market only allow up to a maximum payment term of 20 years, EW's longer payment term means lower and consequently lighter amortization payments for the borrower. EW also gives the borrowers the option to adopt a fixed-term pricing scheme to protect borrowers against the risk of fluctuating interest rates.

EW's home loans are available in different loan packages, tailored to fit the needs of specific markets. LotAcquire is a loan specifically designed for the acquisition of a vacant lot. Other products offered by EW include Home/Condo Acquire, HomeConstruct, HomeImprove, HomeEquity, Reimbursement and Top-Up Loan.

Personal Loans
The Bank's personal loans business provides unsecured, uncollateralized consumer loans to qualified individuals for multi-purpose personal use. The primary distribution channel for personal loans is the Bank's branches and third party sales agencies. The Bank offers personal loans to employed and self-employed individuals with gross (basic) monthly income of at least ₱15,000 or basic annual income of not less than P180,000. The monthly nominal interest rates for a personal loan ranges from 1.49% to 1.89% and is payable in fixed equal monthly installments from 12 to 36 months.

Corporate Banking
The Corporate Banking Group is responsible for the overall management and development of the Bank's corporate relationships. Although the activities of the EW group are primarily focused on the working capital, term funding and project finance requirements of its core mid-market customer base, which is predominantly comprised of entrepreneurial or family-owned businesses, it also has relationships with large corporate accounts. The Corporate Banking Group also offers the entire array of the Bank's products and services which includes cash management services, foreign exchange and deposit and investment products to its corporate customers. The Bank believes that successfully identifying and offering holistic solutions to the banking needs of its corporate client base is essential to placing EW at the top of its clients' minds in their choice of a banking relationship.

Credit Products
The Bank provides a wide range of loan products and services to its corporate customers, including revolving credit lines, domestic and foreign bills purchase, acceptances, trade finance facilities, bank guarantees and term loans. In line with its strategy to create a balanced and diversified portfolio, the Bank's corporate customers are engaged in various industries and located in key geographical areas in the Philippines. Credit

facilities offered to corporate customers include both secured and unsecured loan products, depending on the credit risks associated with the customer and its business.

The Bank intends to continue to expand its corporate banking portfolio by increasing its share of its existing customers' working capital requirements as well as supporting their expansion projects. The Bank also aims to continue to enlarge its client base by targeting new corporate customers through the Bank's expanded combined customer network.

Rural Banking

To extend its reach to underserved segments of the market that have the potential for growth, the Bank has established a rural bank arm. Backed by the strong track record of its predecessor entities, EWRB is capable of catering to the banking needs of customers outside the urban areas in the country and provide wider access to innovative products and delivery channels. EWRB currently offers the following products:

- DepEd Teacher Loan – Allows public school teachers (permanent personnel of the Philippine Department of Education) to borrow a maximum of ₱1.0 million up to a maximum term of 3 years.
- Small Business Loan – Intended for all Small-Medium Enterprises (SMEs), with a maximum loan limit of ₱5.0 million.
- Social Security System ("SSS") Pensioners' Loan – Intended for all SSS retirees, survivorship pensioners whose SSS pension is directly credited to savings accounts with EWRB and EWB.

As of December 31, 2018, EWRB has a network of 76 branches, and 18 branch-lites spread all over the country.

Treasury and Trust

Treasury

The Bank's treasury has primary responsibility for managing the Bank's liquidity, interest rate and foreign exchange exposures. The Bank manages its liquidity position by regularly reviewing its cash flow position, debt maturity profiles, availability of credit facilities and overall liquidity position to mitigate the effects of fluctuations in cash flow. The Bank's treasury actively engages in trading for its own proprietary account. It trades local treasury bills and bonds, foreign-currency denominated bonds and foreign exchange. The Bank is an accredited Government Securities Eligible Dealer.

As of December 31, 2018, the Bank had ₱41.1 billion of trading and investment securities, which accounted for 11.2% of the Bank's total assets. As of December 31, 2018, 91.2% of the Bank's trading and investment securities portfolio was invested in government securities, a majority of which are Philippine Government debt instruments.

Trust

The Bank offers a wide range of trust products and services, including fund management, investment management services, custodianship, administration and collateral agency services and stock and transfer agency services. In addition to offering trust services to corporate and high net-worth individual customers (customers with a total relationship balance of ₱2.5 million), the Bank provides retail customers with alternative investment opportunities through its unit investment trust funds ("UITFs"), which are available in Peso and U.S. dollar-denominated UITFs. In a UITF, funds of various investors are pooled and invested in a diversified portfolio of liquid securities, term deposits, money market instruments or stocks in accordance with the investment objectives and restrictions stated in the Declaration of Trust. For the year ended December 31, 2018, total trust and managed funds held amounted to ₱24.5 billion and total revenue from the Bank's trust products amounted to ₱51.3 million.

Principal Products and Services

The Bank offers a comprehensive range of deposit products, consisting primarily of Peso demand, savings and time deposits. Offered also are US Dollar & 3rd currency savings and time deposits. Also offered are consumer loans – auto, mortgage and personal as well as corporate loans. Payment facilities such as debit, prepaid and credit cards are also available.

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, Hong Kong 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 Banking Visa Infinite, Platinum Mastercard, Visa Platinum, Dolce Vita Titanium Mastercard, EveryDay Titanium Mastercard
Credit Cards: Gold and Classic Mastercard, Gold and Classic Visa Card, Practical Mastercard
Co-brand and Affinity Cards: 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 SBLC, Foreign SLBC, Bank Guarantees, Committed Credit Line

Bills Purchase Line: Domestic Bills Purchase Line, Foreign Bills Purchase Line

Term Financing: Term Loans, Project Finance

__Treasury Products__

Foreign Exchange: Spot, Forwards

Fixed Income: Peso Government and Corporate Securities, USD-denominated Government and Corporate Securities

__Trust Products__

Corporate Solutions: Employee Benefit Trust/Retirement Account, Fund Management

Wealth Management: Personal Management Trust, Investment Management Account

Investment Funds: Peso Money Market Fund, Short Term Fund, Peso Intermediate Term Bond Fund, Peso Long Term Bond Fund, Dollar Intermediate Term Bond Fund, Dollar Long Term Bond Fund, PSEi Tracker Fund, PhilEquity Feeder Fund, PhilEquity Institutional Feeder Fund

Other Fiduciary: Escrow Agency

__Cash Management Services__

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

__Small Medium Enterprise Banking__

Revolving Credit Facility

Trade Check Discounting Line

Revolving Promissory Note Line

Term Loan

Percentage of Sales or Revenues and Net Income Contributed by Foreign Sales

This is not relevant to the operations of the Bank.

Distribution Networks

Branch Network

The branch network is focused more on the Philippines' major industrial and commercial regions in Metro Manila and has key locations outside of Metro Manila such as Metro Cebu, Metro Davao, Northern Luzon, South Luzon Industrial Zone, Iloilo, Bacolod and Mindanao. Within these regions, EW has strategically positioned its branches in key business and commercial centers, which are areas that generally boast of higher per capita incomes, and have higher growth and traffic, thereby maximizing the number of transactions and deposits per branch.

Each branch is managed by a branch head responsible for both the sales and operational functions of the branch. Each branch head reports to a division head, which supervises 11 to 20 branches. Branches are grouped geographically and such groups include North Luzon, South Luzon, Southern Metro Manila, Eastern Metro Manila, Northern Metro Manila, Downtown Manila, Visayas and Mindanao.

EastWest's products and services are made available across multiple distribution and delivery channels. As of December 31, 2018, EastWest has a total of 390 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, 39 branches in Visayas, and 39 branches in Mindanao.

The Bank's subsidiary rural bank has a total of 76 branches bringing the group branch store network total to 466.

ATM Network

EW provides 24-hour banking services through its network of 583 ATMs as of December 31, 2018, compared with 572 ATMs as of December 31, 2017. Of these 583 ATMs, 399 are located at EW's branches while 184 are located off-site. Customers are given access to the ATM facilities through ATM cards and debit cards, which are available to checking and savings account holders. Customers may likewise access ATM facilities through prepaid cards which are pre-loaded or reloadable payment cards (not linked to a checking or savings account). Aside from ATMs, customers may likewise use Debit and Prepaid cards on purchases and other transactions done through the internet and Point-of-Sale (POS) terminals.

The Bank also is a member of Bancnet, which is an ATM network that allows its member banks customers to use ATM terminals operated by other Bancnet member banks. Customers of the Bank that use ATMs operated by other banks must pay a service charge for accessing these networks.

Listed below are the branches of the Parent Bank as of December 31, 2018:

1)	Gil Puyat-Metro House - G/F, Metro House Bldg., No. 345 Sen. Gil Puyat Ave., Makati City
2)	Cubao-P. Tuazon - G/F, Prince John Condominium, No. 291 P. Tuazon Ave.corner 18th Ave., Cubao, Quezon City
3)	F. Ortigas Jr. - Unit G103, G/F, AIC Gold Tower Condominium, F. Ortigas, Jr. Road, corner Garnet and Sapphire Sts., Ortigas Center, Pasig City
4)	Las Piñas-Pamplona - 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 Ave.-Herrera - G/F, PBCom Tower, 6795 Ayala Ave. cor. V. Rufino St., (formerly Herrera St.), Salcedo Village, Makati City 1226
10)	Imus - G/F, LDB Bldg., No. 552 Gen. Aguinaldo Highway, Imus City, Cavite

11) Taytay-Ortigas Ext. - Vallley Fair Town Center, Ortigas Avenue Extension, Taytay, Rizal
12) BetterLiving-Doña Soledad - No. 100 Dona Soledad Avenue, Betterliving Subd.Barangay Don Bosco, Paranaque City 1711
13) Congressional Ave. - Congressional Ave. Brgy. Bahay Toro Project 8, Quezon City
14) Anonas - No. 94 Anonas Street corner K-6th, East Kamias, Quezon City
15) President's Avenue - No. 35 President's Avenue, BF Homes, Paranaque City 1700
16) Antipolo-Marcos Hi-way - Ciannat Complex, Marcos Highway Brgy. Mayamot, Antipolo City
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 Hi-way - General E. Aguinaldo Highway Talaba Bacoor City Cavite
20) Tandang Sora - Lot 80 - A Kalaw Hills Subd. Brgy. Culiat Tandang Sora Quezon City
21) Padre Faura - G/F, Units A-D, Metrosquare Bldg. 2, No. 1241 M.H. Del Pilar St. corner Padre Faura St., Ermita, Manila
22) Sto. Cristo - Unit 108, Sto. Cristo condominium, Sto Cristo corner Ilang-Ilang Sts., San Nicolas, Binondo, Manila
23) Pasong Tamo Extension - G/F, Dacon Bldg., No. 2281 Pasong Tamo Extension, Makati City
24) Mandaluyong-Shaw Blvd. - G/F, Unit No. 7, Sunshine Square, Liberty Center, Shaw Blvd., Mandaluyong City
25) Quezon Ave-Sct Santiago - Unit No. 2G-7 and 2G-8, Sunshine Boulevard Plaza, No. 1328 Quezon Ave. cor. Scout Santiago St., Brgy. South Triangle, Quezon City
26) Katipunan-St. Ignatius - No. 132 Katipunan Ave., St. Ignatius Village, Quezon city
27) Escolta - Unit 3, G/F, First United Bldg., No. 413 Escolta corner Banquero St., Manila
28) Quezon Ave.-Banawe - G/F PPSTA 1 Building Quezon Ave. cor. Banawe St., Quezon City
29) Festival Mall Level 2 - Level 2, Unit 2115 - 2118, Festival Supermall Filinvest Corporate City, Alabang Muntinlupa City 1781
30) Annapolis - G/F, Unit 1A, The Meriden Condominium Building, Annapolis St. NorthEast, Greenhills San Juan City
31) San Fernando-Dolores - Felix S. David Bdg., MacArthur Highway, Dolores, San Fernando City, Pampanga
32) Cabanatuan-Melencio - Melencio St. corner Gen. Luna St., Cabanatuan City
33) Lucena City - Quezon Avenue corner Rosas Street, Barangay 8, Lucena City, Quezon
34) Calamba - G/F, SQA Bldg., Brgy. Uno, Crossing, Calamba City, Laguna
35) Alabang-Westgate - Westgate, Filinvest Corporate City, Alabang Muntinlupa City 1770
36) Dagupan-Perez - Lot 194 D1-A & Lot 194 D1-B, Brgy. Pogo Chico, Perez Blvd, Dagupan City
37) Cagayan de Oro-Velez - Juan Sia Bldg., No. 50 Don Apolinar Velez St. Cagayan de Oro City
38) Zamboanga-NS Valderrosa - N.S. Valderrosa St. corner Corcuerra St., Zamboanga City
39) Baguio-Rizal Monument - One VF Tower, Benjamin Salvosa Drive, Brgy. Rizal Monument, Baguio City
40) Cebu-N. Escario - Cebu Capitol Commercial Complex Bldg. N. Escario Street, Cebu City
41) Tomas Morato - No. 257 Tomas Morato St. near cor. Scout Fuentabella, Quezon City
42) Sucat-NAIA - Unit 707-6 Columbia AirFreight Complex, Miescor Drive, Ninoy Aquino Ave. Brgy. Sto. Niño Paranaque City 1700
43) Pampanga-Angeles City - Antonio Y. Angeles Building, No. 260 Sto. Rosario Street, Brgy. San Jose, Angeles City, Pampanga
44) Valenzuela-Marulas - JLB Enterprises Bldg., KM 12 McArthur Highway, Marulas, Valenzuela City
45) Greenhills-West - G/F ALCCO Bldg., Ortigas Avenue Greenhills West, San Juan City
46) Valero - G/F, Retail 1B, Paseo Park View Tower 1, 140 Valero St., Salcedo Village, Makati City
47) Salcedo - G/F, First Life Center, No. 174 Salcedo St., Legaspi Village, Makati City
48) Tektite - G/F, East Tower, PSE Center, Exchange Drive, Ortigas Center, Pasig City
49) Festival Mall Level 1 - X-cite Area, Level 1, Festival Supermall, Filinvest Corp. City, Alabang Muntinlupa City 1781
50) Tarlac-F. Tañedo - Mariposa Bldg., F. Tanedo St., Tarlac City
51) T. Alonzo - No. 623 T. Alonzo St., Brgy. 300, Zone 029, Sta. Cruz, Manila
52) Batangas City - 54-A D. Silang St. cor. Pastor St., Brgy. 14 Poblacion, Batangas City
53) West Avenue - No. 108 West Avenue corner West Lawin Street, West Triangle, Quezon City
54) Cebu-Mandaue Subangdaku - Kina Building, National Highway, Subangdaku, Mandaue City, Cebu
55) Naga City - G/F, LAM Bldg., No. 19 Peñafrancia Avenue, Zone 1, Brgy. San Francisco, Naga City, Camarines Sur
56) Laoag City - G/F, Puregolds Bldg., Commercial Unit No. 3 & 4 Nolasco St., cor Castro Ave., and J.P. Pizal, Laoag City
57) Cebu-Banilad - G/F Unit 101 of PDI Condominium Gov. M. Cuenco Ave. corner J. Panis St. Banilad, Cebu City
58) Cebu-Magallanes - Go Quiaco Bldg. Magallanes cor Gonzales Sts, Cebu City
59) La Union-San Fernando - Kenny Plaza, Brgy. Catbangen, Quezon Ave. San Fernando La Union
60) Cotabato City - No. 31 Quezon Avenue, Poblacion 5, Cotabato City
61) Isabela-Santiago - Midori Bldg, National Highway, Brgy. Villasis, Santiago City, Isabela 3311
62) New Manila - G/F, AAP Building, No. 683 Aurora Blvd New Manila Quezon City
63) Intramuros - G/F, BF Condominium, No. 104 A. Soriano Avenue corner Solana St., Intramuros, Manila
64) Davao-Lanang - Lot 6, Blk 5, Insular Village, Pampanga, Lanang, Davao City
65) Davao-Sta. Ana - G/F, GH Depot Bldg., Gov. Sales St., Sta. Ana, Davao City
66) Del Monte - No. 271 Del Monte cor. Biak na Bato, Quezon City

67) Grace Park-8th Ave. - No. 896 8th Avenue cor. J. Teodoro, Grace Park, Caloocan City
68) Binondo - A.CBK Bldg., Quintin Paredes St., cor. Hormiga St., Binondo, Manila
69) Paseo de Roxas-Legaspi - G/F, 111 Paseo De Roxas Bldg., 111 Paseo de Roxas St. corner Legaspi St., Legaspi Village, Makati City
70) Baliuag - Donña Remedios Trinidad Highway corner Benigno S. Aquino Ave., Baliuag, Bulacan
71) Davao-Matina - Lot 16 Blk 3, McArthur Highway, Matina, Davao City
72) Lipa City - No. 18, Lot 712 ABC, B. Morada Avenue, Lipa City, Batangas
73) The Fort-Marajo Tower - G/F, The Marajo Tower, 26th St. West corner 4th Ave., Fort Bonifacio, Global City Taguig
74) Iloilo-Ledesma - Sta Cruz Arancillo Bldg., Ledesma corner Fuentes Sts., Iloilo City
75) Urdaneta City - S&P Bldg., Mc Arthur Highway, Nancayasan, Urdaneta City
76) Paso De Blas - No. 191 Paso De Blas, Valenzuela City
77) Isabela-Cauayan - Maharlika Highway Cauayan City, Isabela
78) Malabon-Gov. Pascual - Gov. Pascual Ave. Cor. Maria Clara St., Acacia, Malabon City
79) Bacolod-Lacson - Lacson corner Luzuriaga Sts., Bacolod City
80) Divisoria - No. 802 Ilaya St., Binondo Manila
81) Paseo-Philam Tower - G/F Philamlife Tower, 8767 Paseo de Roxas St., Makati City 1226
82) San Miguel Ave. - G/F, Medical Plaza Building, San Miguel Avenue, Ortigas Center, Pasig City
83) Alabang Madrigal - G/F CTP Alpha Bldg. Investment Drive Madrigal Business Park, Ayala Alabang, Muntinlupa City
84) UN Avenue - MAGCOOP Bldg., UN Avenue St. near corner A. Mabini St., Ermita, Manila
85) Chino Roces-Dela Rosa - G/F, King's Court II Bldg., No. 2129 Don Chino Roces Ave., cor Dela Rosa St., Makati City
86) Baclaran - 2/F, New Galleria Baclaran Shopping Mall, LRT South Terminal, Taft Ave. Extension, Pasay City
87) Balintawak-A. Bonifacio - 659 A. Bonifacio Ave., Balintawak, Quezon City
88) Paco - No. 1050 Pedro Gil St., Paco, Manila
89) Soler - G/F, R & S Tower, No. 941 Soler St., Binondo, Manila
90) San Juan - EastWest Bank Bldg., F. Blumentritt corner M. Salvador, Barangay San Perfecto, San Juan City
91) Legaspi-Rufino - G/F, Libran Bldg., Legaspi St. cor. V.A. Rufino Ave., Legaspi Village, Makati City
92) Ayala Ave.-Makati Sky Plaza - G/F, Makati Sky Plaza Bldg. 6788 Ayala Avenue Makati City
93) Ayala Ave.-MSE - G/F, Makati Stock Exchange Building, Ayala Triangle, Ayala Ave., Makati City
94) Carmona - Lot 1947-B, Paseo de Carmona Compound, Governor's Drive, Brgy. Maduya, Carmona, Cavite 4116
95) Pioneer - Unit UG-09, Pioneer Pointe Condominium, Pioneer St., Mandaluyong City
96) Olongapo City - No. 1215 Rizal Ave., West Tapinac, Olongapo City
97) Quezon Ave-Sct Albano - Quezon Ave., near cor. Scout Albano, Bgy. South Triangle, Quezon City
98) Novaliches-Gulod - Lot 489-B2 Quirino Highway, Brgy. Gulod, Novaliches, Quezon City
99) Iligan City - G/F, Party Plaza Bldg., Quezon Ave. Ext., Rabago, Iligan City
100) Ortigas-Emerald - G/F, Unit 103 Hanston Bldg., Don F. Ortigas Jr. Road, Ortigas Center, Pasig City
101) C. Raymundo Ave. - G/F ITSP Building, No. 172 C. Raymundo Ave., Brgy. Maybunga, Pasig City
102) Roxas Boulevard - G/F, DENR Building, No. 1515 Roxas Boulevard, Ermita, Manila
103) Cebu Mactan - G/F APP Bldg. II, M. L. Quezon National Highway Pusok, Lapu-lapu City
104) Malabon-Potrero - Unit 1 & 2 Mary Grace Bldg. No. 142 Mac Arthur Highway, Potrero, Malabon
105) General Santos-Santiago - Ireneo Santiago Boulevard, General Santos City
106) Evangelista - No. 1806 Evangelista St. corner Hen. Mojica St., Brgy. Bangkal, Makati City
107) Mandaluyong-Libertad - G/F, Units A,B & C, Dr. Aguilar Bldg. No 46 D.M. Guevarra St. cor Esteban St., Brgy. Highway Hills, Mandaluyong City
108) Bataan-Balanga - Don Manuel Banzon Ave. Cor. Cuaderno St. Dona Fransica Balanga City, Bataan
109) Navotas-North Bay - G/F, Unit 2 Melandria III Building, No. 1090 Northbay Blvd., Navotas City
110) Muntinlupa - G/F Remenes Center Building, No. 22 National Highway, Putatan, Muntinlupa City 1772
111) Butuan City - G/F, Deofevente Bldg., Lot No. 7, Governor J. Rosales Ave., Brgy. Imadejas, Butuan City
112) General Trias - G/F, Unit 102, VCentral Gentri Bldg., Governor's Drive, Manggahan, General Trias, Cavite
113) The Fort-Burgos Circle - G/F Units H & I, Crescent Park Residences, 30th St. cor. 2nd Ave., Bonifacio Global City, Taguig City.
114) Ozamiz City - G/F Casa Esperanza, Don Anselmo Bernard Ave., Ozamiz City, 7200
115) San Pablo - Lots 2365 & 3152, J. P. Rizal Avenue, Poblacion, San Pablo City, Laguna
116) San Pedro - National Highway, Brgy. Nueva, San Pedro, Laguna
117) Las Piñas-BF Resort - B.F. Resort Drive, Phase IV, BF Resort Village, Las Pinas City 1740
118) 168 Mall - 4/f, Unit 4H 09-11, 168 Mall Building 5, Soler St., Binondo, Manila
119) Iloilo-Iznart - G/F, B&C Square Bldg., Iznart St. cor. Solis St., Iloilo City
120) Paseo de Magallanes - G/F, Unit 102, Tritan Plaza Building, San Antonio St., Paseo De Magallanes, Makati City Philippines, 1232
121) Cebu-Mandaue North Road - G/F, ALDO Bldg., North Road, Basak, Mandaue City, Cebu
122) Davao-Toril - Saavedra St., Toril, Davao City

123) Antipolo-ML Quezon - No. 146 M.L.quezon Ave., cor. F. Dimanlig St., San Roque, Antipolo City
124) Tuguegarao City - College Ave. cor Rizal and Bonifacio St., Brgy. 08, Poblacion, Tuguegarao City
125) Marikina-Gil Fernando - Gil Fernando Ave. cor. Estrador St., Midtown Phase 1, San Roque, Marikina City
126) Greenhills Shopping Center - Units G-102B, Greenlanes Arcade., Greenhills Shopping Center, San Juan City
127) Cebu-Grand Cenia - Grand Cenia Bldg., Archbishop Reyes Avenue, Cebu City
128) Gil Puyat-F.B. Harrison - No. 131 Gil Puyat Avenue Extension, Brgy 24, Zone 4, Pasay City
129) Taft-Nakpil - RLR Building, No. 1820 Taft Avenue near corner Nakpil Street, Malate, Manila
130) Acropolis - Unit 1B G/F Richmond Centre Building, Lot 46, Block 11, E. Rodriguez Jr. Avenue, Brgy. Bagumbayan, Acropolis, Quezon City
131) Taytay-Manila East - Manila East Road, Brgy. San Juan, Taytay, Rizal
132) Caloocan-A. Mabini - G/F Gee Bee Bldg. No. 428 A. Mabini St., Brgy. 15, Zone 2, Caloocan City
133) Iloilo-Molo - GT Plaza Mall, M.H. del Pilar St., Molo, Iloilo City
134) Alabang-Commerce Ave. - Spectrum Center Block 28, Commerce Ave cor Filinvest Ave., Filinvest City, Alabang, Muntinlupa City
135) Metropolitan Avenue - Savana Bldg. 3, Metropolitan Avenue corner Venecia St., Bgy. Sta Cruz, Makati City
136) Ortigas-Rockwell - Unit No. W-01 Tower 1, The Rockwell Business Center, Ortigas Avenue, Pasig City
137) Pangasinan-San Carlos - Palaris St. cor. Jaycees St., San Carlos, Pangasinan
138) Pasig Boulevard - corner Pasig Blvd. and Lakeview Drive, Brgy. Bagong Ilog, Pasig City
139) Mayon - No. 170 Mayon Avenue, Quezon City
140) Tagum City - Gaisano Grand ArcadeE, Apokon Road cor. Lapu-Lapu Ext., Brgy. Visayan Village, Tagum City
141) Don Antonio Heights - Lot 24 Block 7, Holy Spirit Drive, Don Antonio Heights, Brgy. Holy Spirit, Quezon City
142) City Place Square - 3/F C-P2-3, Cityplace Square, Reina Regente near corner Felipe II St., Binondo, Manila
143) Baesa Town Center - Baesa Town Center Retail Store#4 #232 Quirino Highway Baesa Quezon City
144) Banawe-Sct. Alcaraz - Unit ABC G/F No. 740 Banawe Ave. near cor. Scout Alcaraz, Quezon City
145) Timog Ave. - Timog Arcade,Timog Avenue cor. Sct. Torillo St., Quezon City
146) West Service Road - West Service Road corner Sampaguita Avenue, UPS IV Subd., Paranaque City 1700
147) Wilson - No. 220-B Wilson St., San Juan City
148) Chino Roces-Bagtikan - G/F, High Pointe Bldg. No. 1184 Chino Roces Ave. near cor. Bagtikan, Brgy. San Antonio, Makati City
149) Sucat-Evacom - No. 8208 Dr. A. Santos Avenue, Barangay San Isidro, Paranaque City 1700
150) Banawe-N. Roxas - No. 42 Banawe Ave. cor. Nicanor Roxas, Quezon City
151) Baguio City-Session Rd. - Unit B 101 Lopez Bldg Baguio Session
152) Edsa Howmart - No. 1264 EDSA near corner Howmart Road, Brgy. A. Samson, Quezon City
153) E. Rodriguez Ave. - G/F MC Rillo Bldg., No. 1168 E. Rodriguez Ave.,Brgy. Mariana, Quezon City
154) Jose Abad Santos-Tayuman - G/F & 2/f, Cada Bldg., No. 1200 Tayuman St., cor. Jose Abad Santos Ave.,Tondo, Manila
155) Pampanga-Apalit - Bgy. San Vicente, Apailt, Pampanga
156) Ayala Ave-SGV - SGV 1 Bldg.,6760 Ayala Avenue, Makati City
157) Marikina-Concepcion - Bayan- Bayanan Ave.,Concepcion, Marikina City
158) Angeles-Balibago - Saver's Mall Bldg. Mac Arthur Highway, Balibago Angeles City
159) Better Living-Peru - Blk 9, Lot 3 Dona Soledad Ave. cor. Peru St., BetterLiving, Paranaque City
160) Ilocos Sur-Candon - G/F, KAMSU Building, Brgy San Jose, Candon City, Ilocos Sur
161) Cebu-A.S. Fortuna - AYS Bldg., A.S. Fortuna St., Brgy. Banilad, Mandaue City, Cebu
162) Cebu-M. Velez - No. 151, M. Velez St., Guadalupe, Cebu City
163) Greenhills-Connecticut - G/F, Unit B, Fox Square Building, No. 53 Connecticut Street, Northeast Greenhills, San Juan City
164) Davao-C.M. Recto - P&E Building, Poblacion, Brgy. 035 C.M. Recto Avenue, Davao City
165) EDSA-Muñoz - G/F, Lemon Square Bldg., No. 1199 EDSA-Muñoz, Bgry. Katipunan, Quezon City
166) Kamias - No. 10 Kamias Rd., cor. Col. Salgado St., Brgy. West Kamias, Quezon City
167) Koronadal City - G/F RCA Building, Gen. Santos Drive, Koronadal City, South Cotabato
168) Pasay-D. Macapagal Blvd - No. 8 President Diosdado Macapagal Blvd., Pasay City
169) Bacolod-Mandalagan - Lopues Mandalagan Corp. Bldg., Brgy. Mandalagan, Bacolod City
170) Las Piñas-Marcos Alvarez - No. 575 Marcos Alvarez Ave., Talon V, Las Pinas
171) Masambong - L.G. Atkimson Bldg., No. 627 Del Monte Ave., Brgy. Masambong, Quezon City
172) Masangkay - 1411-1413 Masangkay St., Tondo, Manila
173) Gil Puyat-Pacific Star - G/F, Pacific Star Bldg., Sen. Gil Puyat Ave. Makati City
174) Pagadian City - BMD Estate Bldg., F. Pajares cor. Sanson St., Pagadian City, Zamboanga del Sur
175) Palawan - Rizal Avenue, Brgy. Manggahan, Puerto Princesa City, Palawan
176) Cebu-Park Mall - Alfresco 4, Units 39, 40 & 40a Parkmall, Mandaue City
177) Rada - G/F, Unit No. 102, La Maision Rada Condominium Bldg., Rada St., Legaspi Village, Makati City
178) Roosevelt-Sto. Niño - No. 187 Roosevelt Avenue, Brgy. Sto. Niño, San Francisco Del Monte, Quezon City

179) San Fernando-Sindalan - T & M Building, Mac Arthur Highway, Brgy. Sindalan, San Fernando, Pampanga
180) Sucat-Kingsland - G/F and 2/f, No. 5 & 6, Kingsland Building, Dr. A. Santos Avenue, Sucat, Paranaque City
181) Taft Avenue - Philippine Academy of Family Physicians (PAFP) Bldg., No. 2244 Taft Avenue, Manila
182) Tomas Mapua-Lope de Vega - G/F & 2/f, Valqua Building., No. 1003 Tomas Mapua St. cor. Lope de Vega St., Sta. Cruz, Manila
183) T.M. Kalaw - A-1,2,3 & 4 Ditz Bldg., No. 444 T.M. Kalaw St., Ermita, Manila
184) UP Village - No. 65 Maginhawa St., U.P. Village, Diliman, Quezon City
185) Benavidez - Unit 103, One Corporate Plaza, Benavidez St. Legaspi Village, San Lorenzo, Makati City
186) G. Araneta Ave. - Units A & B, Ilo Bldg., No. 195 G. Araneta Ave., Brgy. Santol, Quezon City
187) Quiapo - E&L Haw Dynasty Bldg. No. 502 Evangelista St., cor. P. Paterno St., Quiapo, Manila
188) 999 Shopping Mall - 3/f, Unit 10 & 3C-2, 999 Shopping Mall 2, C.M. Recto Street, Tondo Manila
189) Amorsolo-Queensway - G/F, Queensway Building, No.118 Amorsolo St., Legaspi Village, Makati City
190) Makati Ave.-Juno - Unit No.2, A and W Building, No. 1 Juno St. cor. Makati Avenue, Brgy. Bel-air, Makati City
191) The Fort-Beaufort - G/F, The Beaufort, 5th Avenue Cor. 23rd St. Bonifacio Global City, Taguig City
192) Eastwood City - Unit D, Technoplaza One Building, Eastwood City Cyberpark, No. 188 E.Rodriguez Jr. Ave., Bagumbayan, Quezon City
193) North EDSA - UGF Units 4,5,6&7 EDSA Grand Residences Bldg., EDSA cor. Corregidor St., Quezon City
194) BF Homes-Aguirre - No. 327 Aguirre Avenue, BF Homes, Paranaque City
195) Quezon Ave-Dr. Garcia - G/F, Kayumanggi Press Bldg., No. 940 Quezon Ave., near cor. Dr. Garcia St., Brgy. Paligsahan Quezon City
196) J.P. Rizal - No. 805 J.P. Rizal cor. F. Zobel St., San Miguel Village, Makati City
197) Grace Park-7th Ave. - G/F, Units 1,2, & 3, No. 330 Rizal Ave. Ext., near cor. 7th Avenue, East Grace Park, Caloocan City
198) Bacoor-Molino - G/F Units 101, 102 & 103 VCENTRAL Mall Molino Bldg., Molino Blvd., Bacoor City, Cavite
199) Davao-Bajada - Carolina Uykimpang Bldg., Corner Iñigo St., J.P. Laurel Avenue Davao City
200) Pasay-Libertad - Unit 265-E Nemar Building , Libertad St. Pasay City
201) Ayala Ave-Rufino - G/F, Unit 1, Rufino Bldg., 6784 Ayala Ave. cor. V. A. Rufino St., Makati City
202) Batangas-Bauan - J.P. Rizal Street corner San Agustin Street, Bauan, Batangas
203) Alabang Entrata - Units G3 & G4, Entrata, Filinvest Corporate City, Alabang, Muntinlupa City
204) Boni Avenue - Lourdes Bldg. II, 667 Boni Ave. Bgy. PlainView Mandaluyong City
205) Boracay - Alexandrea Bdlg., Main Road Brgy. Balabag Boracay Island, Malay Aklan
206) Pangasinan-Rosales - Estrella Compound, Carmen East Rosales, Mac Arthur Highway, Pangasinan
207) Cagayan de Oro-Cogon - De Oro Construction Supply, Inc Bldg., Don Sergio Osmenia St. cor Limketkai Drive Cagayan de Oro City
208) Mindoro-Calapan - G/F Paras Bldg., J.P. Rizal St., Brgy. San Vicente South, Calapan, Oriental Mindoro
209) Cavite-Naic - Ibayo Silangan Road cor. Sabang Road, Naic Cavite
210) Cavite-Tanza - Antero Soriano Highway, Daang Amaya 2, Tanza, Cavite
211) Cebu-Fuente Osmeña - G/F Cebu Women's Club Building, Fuente Osmeña, Cebu City
212) Cebu IT Park - G/F, Calyx Center, W. Ginonzon Street corner Abad Street, Asia Town, IT Park, Cebu City
213) Cebu-Juan Luna - Stephen Jo Building, Juan Luna, Cebu City
214) Cebu-Minglanilla - G/F La Nueva - Minglanilla Center, Ward 2, Minglanilla, Cebu 6046
215) Cebu-Talisay - Paul Sy Bldg., Highway Tabunok, Talisay City, Cebu
216) Cebu-A.C. Cortes - Carlos Perez Building, A.C. Cortes Avenue, Brgy. Ibabao, Mandaue City, Cebu
217) Cebu-Basak Pardo - South Point Place Building, N. Bacalso Ave., South Road, Basak Pardo, Cebu City
218) Cebu-Freedom Park - CLC Bldg., 280 Magallanes St. near corner Noli Me Tangere, Cebu City
219) Commonwealth - G/F, Crissant Plaza Bldg., No. 272 Commonwealth Ave., Brgy. Old Balara, Quezon City
220) Cubao-Araneta Center - G/F, Philamlife Building, Aurora Blvd. corner General Araneta Street, Cubao, Quezon City
221) Dagupan-A.B. Fernandez - New Star Bldg. A.B Fernandez Avenue, Dagupan City
222) Dasmariñas - Km. 31 Gen. Emelio Aguinaldo Highway, Brgy. Zone 4, Dasmariñas City, Cavite
223) Davao-J.P. Laurel - JP Laurel Avenue, Davao City
224) Davao-Panabo City - Quezon Street, Sto. Niño, Panabo City, Davao del Norte
225) H.V. Dela Costa - Unit GFC-2, Classica 1 Condominium ("Building"), No. 112 H.V. Dela Costa St., Salcedo Village, Makati City
226) Legaspi-Dela Rosa - G/F, I - Care Bldg., No. 167 Legaspi cor Dela Rosa Sts., Legaspi Village, Makati City
227) Bataan-Dinalupihan - Bgy. San Ramon, Dinalupihan, Bataan
228) Dumaguete City - Don Joaquin T. Villegas Bldg., Colon St., Dumaguete City
229) Elcano - G/F, Elcano Plaza Building, No. 622 ElCano Street, Binondo, Manila
230) Fairview - No. 72 Commonwealth Ave. corner Camaro St., East Fairview. Quezon City
231) Pampanga-Guagua - Goodluck Bldg., No. 303 Guagua-Sta. Rita Arterial Road, Brgy. San Roque, Guagua, Pampanga
232) Bacolod-Hilado - Hilado Street, Bacolod City
233) Iloilo-Jaro - Jaro Townsquare, Mandaue Foam Building, Quintin Salas, Jaro, Iloilo City

234) Julia Vargas - G/F, Unit 101 One Corporate Centre Office Condominium, Doña Julia Vargas Avenue corner Meralco Avenue, Ortigas Center, Pasig City
235) Benguet-La Trinidad - KM 5, Central Pico, La Trinidad, Benguet
236) Lagro - Lot 2-B-6 Quirino Highway, Lagro, Novaliches, Quezon City
237) Loyola Heights-Katipunan - Unit 13, Elizabeth Hall Bldg., Lot 1 Blk.41, Katipunan Avenue, Loyola Heights, Quezon City
238) Malabon-Rizal Avenue - No. 726 Rizal Ave., Brgy. Tanong, Malabon City
239) Marikina-J.P. Rizal - No. 367 J.P.Rizal St., Sta.Elena, Marikina City
240) Meycauayan-Malhacan - Meycauayan Tollgate, Meaycauayan City, Bulacan
241) Ormoc City - G/F, Hotel Don Felipe Annex Bldg., Bonifacio St., Ormoc City
242) Ortigas-Garnet - Unit 102, Prestige Tower, Emerald Ave., Ortigas Center, Pasig City
243) Tarlac-Paniqui - No. 130 M.H. Del Pilar St., cor. Mac Arthur Highway, Paniqui, Tarlac City
244) San Lorenzo-A. Arnaiz - The E-Hotels Makati Bldg., No. 906 A. Arnaiz Ave., (formerly Pasay Rd.) San Lorenzo Village, Makati City
245) Pasig-Valle Verde - No. 102 E. Rodriguez, Jr. Ave., Ugong, Pasig City
246) Pasig Rosario - Unit 3, 1866 Ortigas Ave., Ext., Rosario, Pasig City
247) Pasig-Santolan - G/F Santolan Bldg., No. 344 A. Rodriguez Avenue, Santolan, Pasig City
248) The Fort-South of Market - G/F, Units 25 and 26, North Tower, South of Market (SOMA) Building, 26th St. cor. 11th Ave., Bonifacio Global City, Taguig City
249) Nueva Ecija-San Jose - Paulino Building, Brgy. Aber 1st, Maharlika Road, San Jose, Nueva Ecija
250) Nueva Vizcaya-Solano - Maharlika Road, Poblacion, Solano, Nueva Vizcaya
251) Surigao City - G/F, EGC Building, Rizal Street, Washington, Surigao City
252) Tagbilaran City - G/F, Edificio De Familia E. Gallares Bldg., No. 0160 Calle Gov. Celestino Gallares St., Poblacion 2, Tagbilaran City, Bohol
253) Novaliches-Talipapa - G/F, Units C, D, E, F & G No. 526 Quirino Highway, Brgy. Talipapa, Novaliches, Quezon City
254) Batangas-Tanauan - No. 98 J.P. Laurel Hi-way, Brgy. Darasa,Tanauan City
255) The Fort-F1 Center - G/F, Unit D, F1 City Center, 32nd Street near corner 5th Avenue, Bonifacio Global City, Taguig City
256) Vigan - Quezon Ave., Vigan City, Ilocos Sur
257) Zamboanga-Canelar - Printex Bldg., Mayor Jaldon St., Zamboanga City
258) Las Piñas-Almanza - Aurora Arcade Bldg., Alabang Zapote Road, Almanza Uno, Las Pinas City
259) Greenhills-North - G/F, BTTC Bldg., Ortigas Ave. cor. Roosevelt St., Greenhills, San Juan City
260) Mandaluyong - Wack-Wack - G/F , Unit JI-E, Jovan Condominium, Shaw Blvd. corner Samat St., Madaluyong City
261) Sucat-Kabihasnan - Unit 3 & 4 Perry Logistics Center Building, Ninoy Aquino Avenue, Paranaque City
262) Gil Puyat-Dian - G/F, Wisma Cyberhub Building, No. 45 Sen. Gil Puyat Ave., Makati City
263) A. Bonifacio-Balingasa - G/F, 2/f & 3/f, Units D & E, Winston Building, No. 880 A. Bonifacio Avenue, Brgy. Balingasa, Quezon City
264) Bicutan-East Service Rd - G/F, Waltermart Bicutan, East Service Rd., cor. Mañalac Ave., Brgy. San Martin de Porres, Parañaque City
265) Kalentong - No. 908 Gen. Kalentong Street, Mandaluyong City
266) Juan Luna-Pritil - 1953-1955 Juan Luna St., Tondo, Manila
267) Visayas Avenue - G/F, K.L. Group Bldg., Units B, C, & D, No. 15 Visayas Ave., Brgy. Vasra, Quezon City
268) Bukidnon-Valencia - Tamay Lang Lang Park Lane Bldg., G. La Viña Ave., Poblacion, Valencia City, Bukidnon
269) Bulacan-Plaridel - Lot 1071- A, Daang Maharlika Road, (Prev. Cagayan Valley Road) Banga First, Plaridel Bualacan
270) Laguna-Cabuyao - No. 26 J. P. Rizal Street, Poblacion, Cabuyao City, Laguna
271) Cavite City - P. Burgos Ave., Brgy. Caridad, Cavite City
272) Davao-Buhangin - G/F, D3G Bldg., Km. 5 Buhangin Road cor. Gladiola St., Buhangin, Davao City
273) Grace Park-11th Ave. - G/F, Remcor V Building, Block 172, Lot 5, Rizal Avenue Ext., Caloocan City
274) Legazpi City - Block 2 Lot 3-B, Landco Business Park, Legazpi City, Albay
275) Nueva Ecija-Gapan - TSI Bldg., Jose abad Santos Ave., Sto. Niño, Gapan, Nueva Ecija
276) Valenzuela-Dalandanan - Malanday Machinery's Commercial Bldg., No. 212 Km. 15 Mac Arthur Highway, Brgy. Dalandanan, Valenzuela City
277) Alabang Hills - Don Gesu Bldg., Don Jesus Blvd., Brgy. Cupang, Muntinlupa City
278) Marikina-Parang - JNJ Bldg., No. 108 BG Molina St., Parang, Marikina
279) Navotas-M. Naval - No. 895 M. Naval Street, Brgy. Sipac-Almasen, Navotas City
280) Ongpin - G/F, Unit G1, Strata Gold Condominium Bldg., No. 738 Ongpin St., Binondo, Manila
281) Ylaya-Padre Rada - Josefa Building, No. 981 Ylaya Street corner Padre Rada Street Tondo, Manila
282) Banawe-Kaliraya - Titan 168 Building, No. 126 Banawe Street near cor. Kaliraya St., Brgy. Tatalon, Quezon City
283) Pangasinan-Lingayen - Avenida Rizal East Road, Lingayen, Pangasinan
284) Bulacan-Balagtas - Burol 1st, Mc Arthur Highway, Balagtas Bulacan
285) Subic Bay - No. 1109 Rizal Highway, Subic Bay Freeport Zone, Olongapo City

286) Cavite-Trece Martires - G/F Dionets Commercial Place Building,Trece Martires-Indang Road, Brgy. San Agustin, Trece Martires City, Cavite
287) Laguna-Biñan - G/F, Units 1,2,3 & 4, Simrey's Commercial Building, National Highway corner Alma Manzo Road, Brgy. San Antonio, Biñan City, Laguna
288) Batangas-Lemery - G/F LDMC Building, Ilustre Ave. Brgy. Rizal, Lemery, Batangas
289) Bacolod-Araneta - Unit 1A & 1B Metrodome Building, Araneta - Alunan St. Sincang, Barangay 39, Bacolod City
290) Roxas City - Corner Roxas Avenue and Osmeña St. (formerly Pavia St.), Roxas City, Capiz
291) Kalibo - Roxas Avenue Extension, Kalibo, Aklan
292) Tacloban City-Marasbaras - G/F, JGC Bldg., Brgy. 77, Marasbaras, Tacloban City
293) Davao-Digos - Commercial Space-4, Davao RJ and Sons Realty & Trading Corporation Building, V. Sotto Street, Brgy. Zone-1, Digos City, Davao del Sur
294) Perea - G/F, Greenbelt Mansion, No. 106 Perea Street, Legaspi Village, Makati City
295) General Luis-Kaybiga - No. 4 Gen. Luis St., Barangay Kaybiga, Caloocan City
296) Antique-San Jose - St. Nicolas Building, T.A. Fornier Street, San Jose, Antique
297) Batangas-Rosario - Rosario-Padre Garcia-Lipa Road, Poblacion Rosario, Batangas
298) Grace Park-3rd Ave. - No. 215 Rizal Avenue Ext. Brgy. 45 Grace Park West, Caloocan City
299) Isabela-Ilagan - Maharlika Highway corner Florencio Apostol Street, Calamagui 1, Ilagan, Isabela
300) La Union-Agoo - Mac Arthur Highway, Barangay San Antonio, Agoo, La Union
301) Ilocos Norte-San Nicolas - Barangay 2, San Nicolas, Ilocos Norte
302) San Fernando-JASA - G/F, Units 1A &1B Kingsborough Commercial Center Building, Jose Abad Santos Avenue, San Fernando, Pampanga 2000
303) Cavite-Silang - No. 132 J. P Rizal Street, corner E. Montoya Street, Brgy. San Vicente I, Silang, Cavite
304) Davao-Agdao - Door 2 & 3 Cabaguio Plaza Bldg., Cabaguio Ave., Agdao, Davao City
305) Davao-McArthur Matina - BGP Commercial Complex II Bldg., McArthur Highway, Matina, Davao Ctiy
306) Project 8-Shorthorn - G/F, West Star Business Center Bldg., No. 31 Shorthorn St., Brgy. Bahay Toro, Project 8, Quezon City
307) Jupiter-Paseo de Roxas - No. 30 Jupiter cor. Paseo De Roxas Sts., Brgy. Bel-Air, Makati City
308) Dipolog City - G/F, Felicidad II Bldg., Quezon Ave., Miputak, Dipolog City
309) General Santos-Pioneer - Pioneer Avenue corner Magsaysay Avenue, General Santos City
310) Tordesillas - Unit 105, Le Metropole Condominium, H.V. Dela Costa cor. and Tordesillas Sts. & Sen. Gil Puyat Ave., Salcedo Village, Makati City
311) Blumentritt-Rizal Ave. - No. 2412 Rizal Avenue, Sta. Cruz, Manila
312) Greenhills-Promenade - Unit 3, G/F & 2/f Promenade Building, Missouri Street, Greenhills, San Juan City
313) Chino Roces-La Fuerza - Unit/s 10 & 11 La Fuerza Plaza 1, No. 2241 Don Chino Roces Avenue, Makati City
314) Gil Puyat-Salcedo Vill. - Unit 1C, G/F, Country Space 1 Bldg., Gil Puyat Avenue, Makati City
315) Catbalogan City - Curry Avenue corner San Bartolome Street, Catbalogan City, Samar
316) Batangas-Nasugbu - J. P. Laurel Street, Poblacion, Nasugbu, Batangas
317) Juan Luna-Binondo - No. 580 Juan Luna St., Binondo, Manila
318) Leviste - Unit Ground B, LPL Mansions Building, 122 L.P. Leviste Street, Salcedo Village Makati City
319) Paz M. Guazon - Units 5 & 6, Topmark Bldg., No. 1763 Paz M. Guazon Street, Paco, Manila
320) Sampaloc-J. Figueras - No. 427-433 J. Figueras Street, Sampaloc, Manila
321) Del Monte-D. Tuazon - No. 155 Del Monte Ave., Brgy. Manresa, Quezon City
322) Valenzuela-Gen. T. De Leon - G/F, Units 4 & 5, Liu Shuang Yu Bldg., No. 3026 Gen. T. De Leon St., Brgy. Gen. T. De Leon, Valenzuela City
323) E. Rodriguez Ave.-Cubao - No. 1731 E. Rodriguez Sr. Avenue, Brgy. Pinagkaisahan, Cubao, Quezon City
324) MIA Road - Salud-Dizon Building 1, No. 5 MIA Road, Tambo, Parañaque City
325) Las Piñas-J.Aguilar Ave. - J.Aguilar Avenue corner Casimiro Drive, Brgy. BF International, Las Piñas City, Metro Manila
326) Malolos - G/F, BUFECO Bldg., No. 1197 Brgy. Sumapang Matanda, Mac Arthur Highway Malolos, Bulacan
327) Nueva Ecija-Talavera - Lot No. 269-A Maharlika Road, Poblacion, Talavera, Nueva Ecija
328) Zambales-Iba - Lot No. 1-A, Zambales - Pangasinan Provincial Road, Brgy. Sagapan, Iba, Zambales
329) Kawit-Centennial - Centennial Road, Tabon, Kawit, Cavite
330) Batangas-Sto. Tomas - KM 67 Maharlika Highway, Poblacion Sto. Tomas, Batangas
331) Sorsogon City - Ma. Bensuat T. Dogillo Bldg., Magsaysay St., Poblacion, Sorsogon City
332) Silay - Rizal Street, Silay City, Negros Occidental
333) Davao-Quirino - Centron Building, Quirino Avenue corner General Luna Street, Davao City
334) Davao-Magsaysay - EWB Bldg. Lot 100-C Brgy. 030 Poblacion, R. Magsaysay Ave., Davao City
335) Cagayan de Oro-Carmen - RTS Bldg., Vamenta Blvd., Carmen, Cagayan de Oro City
336) Cagayan de Oro-Lapasan - Lapasan Highway, Cagayan de Oro City

337) Kidapawan - Doña Leonila Complex, National Highway, Poblacion, Kidapawan City,North Cotabato
338) Batangas-Balayan - cor. Paz St. and Union St., Poblacion, Balayan, Batangas
339) General Santos City-Calumpang - Calumpang Medical Specialist Building, National Highway, Calumpang, General Santos City
340) The Fort-Active Fun - Active Fun Building, 9th Avenue corner 28th Street, City Center, Bonifacio Global City, Taguig City
341) Pasay-Oceanaire - G/F, Unit No. 108 & 109, Podium Commercial Area, Oceanaire Condominium, Sunrise Drive corner Rd. 23, SM Mall of Asia Complex, Pasay City
342) Pateros - M. Almeda corner G. De Borja Street, San Roque, Pateros
343) Bulacan-San Jose Del Monte - Dalisay Resort, Gov. F. Halili Avenue, Tungkong Mangga, San Jose del Monte, Bulacan
344) Sta. Rosa - Unit No. 6, Paseo 5 - Paseo de Sta Rosa, Greenfield City, Don Jose, Santa Rosa City, Laguna
345) Pedro Gil - No. 574 Pedro Gil Street, Malate, Manila
346) Mayon-Dapitan - No. 181 Mayon St. near corner Dapitan St. Brgy. Sta. Teresita, Quezon City
347) Bataan-Mariveles - 8th Avenue, Freeport Area of Bataan (FAB), Mariveles, Bataan
348) Kamuning - JPY Bldg, No. 52 Kamuning Road, Brgy Kamuning Quezon City
349) E.Rod-Welcome Rotonda - G/F, AEK Bldg., No. 40 E. Rodriguez Sr. Ave., Brgy. Don Manuel, Quezon City
350) Xavierville - No. 60 Xavierville Avenue, Xavierville Subdivision, Brgy. Loyola Heights, Quezon City
351) Tabaco City - Manuel Cea Bldg. I, Santillan St., Poblacion, Tabaco City, Albay
352) Ortigas-ADB Avenue - G/F, Units G1 & G2, ADB Avenue Tower, ADB Avenue, Ortigas Center, Pasig City
353) A.Mabini-R.Salas - G/F & 2/f, Jesselton Tower No. 1453 A. Mabini St., corner R. Salas St., Brgy. 668, Zone 72, Ermita Manila
354) P.Ocampo Avenue - No. 245 P.Ocampo Ave. corner Flordeliz St., Brgy. La Paz, Makati City
355) Montalban-Rizal - No. 240 E. Rodriguez Hi-way, Manggahan, Rodriguez, Rizal
356) Timog-Mother Ignacia - No. 21 Timog Ave., Brgy. South Triangle, Quezon City 1103
357) Aurora Blvd.-Anonas - Rosario Building, No. 999 Aurora Blvd., near corner Lauan and Anonas Sts., Bgy. Duyan-duyan, Project 3, Quezon City
358) Boni Serrano Ave. - No. 107 Boni Serrano Avenue, Brgy. Lipunan ng Crame, Quezon City
359) Cabanatuan-Maharlika - Maharlika Highway, Brgy. Dicarma, Cabanatuan City, Nueva Ecija
360) Kalayaan-Matalino - No. 123 Kalayaan Avenue near corner Matalino St. Brgy. Central Diliman, Quezon City
361) Legaspi-Aguirre - G/F, Unit 1-B, The Biltmore, No. 102 Aguirre Street, Legaspi Village, Makati City
362) Tarlac-Concepcion - Lot No. 1889, B1,B2,B3, L. Cortez St., San Nicolas, Concepcion, Tarlac
363) Bulacan - Sta. Maria - No. 115 M. De Leon St., Brgy., Poblacion, Sta. Maria, Bulacan
364) Tarlac-McArthur Highway - Lot No. 27 Block 17, McArthur Highway corner Calle Manuel, San Sebastian Village, Tarlac, Tarlac
365) Pangasinan-Mangaldan - Cadastral Lot No. 335 Rizal Ave., Brgy. Poblacion, Mangaldan, Pangasinan
366) Batangas City - Pallocan - Unit Nos. 6, 7, and 8, Mayvel Center Building, Manuela Pastor Avenue, Brgy. Pallocan West, Batangas City
367) Isabela-Roxas - Maharlika Hi-way, Brgy. Bantug, Roxas, Isabela 3320
368) Laguna-Sta. Cruz - Sun Moon Arcade Building, No. 129 P. Guevara Ave., Poblacion 2 , Sta Cruz, Laguna
369) Calamba - National Road - No. 1425 National Road, Brgy. Uno Crossing, Calamba Laguna 4027
370) Bacolod-East - East Two Corporate Center Building, Circumferential Road, Brgy. Villamonte, Bacolod City,
371) Davao-Diversion Road - Unit 4 & 5, G/F D3G Y10 Bldg., C.P. Garcia National Highway, Brgy. Cabantian Davao City
372) Pangasinan-Alaminos - BHF Blue Horizon Bldg., Quezon Ave., Poblacion , Alaminos City, Pangasinan
373) Candelaria - corner National Highway and Ona Street, Brgy. Poblacion Candelaria Quezon
374) Iloilo-Diversion - The 21 Avenue Building, Benigno Aquino Avenue, Mandurriao, Iloilo City
375) Baguio-Legarda - GF Lindi Hotel, #12 Legarda Road, Baguio City
376) Tacloban-J. Romualdez - RUL Building, Justice Romualdez St., Brgy.15, Tacloban City
377) Butuan-P. Burgos - Units 1, 2, and 3 G/F FSUU Building, P. Burgos corner San Francisco Streets, Brgy. Sikatuna, Butuan City
378) San Mateo - Lot 551-A-8, Gen. Luna St., Brgy. Ampid, San Mateo, Rizal
379) Cavite-Rosario - Lot 616 F1 Gen. Trias Drive, Tejeros Convention, Brgy. Tejero, Rosario, Cavite
380) Davao-Ma-a - G/F, Rosario Bldg., Don Julian Rodriguez Avenue, Ma-a Road Davao City
381) The Fort-BGC Corporate Center - G/F, Unit No. 2, BGC Corporate Center, No. 3030 11th Ave. cor. 30th St., City Center, Bonifacio Global City, Taguig City 1634
382) Pampanga-Clark - Pavilion 16 Berthaphil Clark Center, Jose Abad Santos ave., TFZ Clark SPCL Ecozone, Angeles City, Pampanga
383) Tacurong - Tacurong City-Lambayong, National Highway, Tacurong, Sultan Kudarat
384) Tagaytay - G/F, Unit 1001.1, Fora Mall, Emilio Aguinaldo Highway, Brgy. Crossing East, Rotunda, Tagaytay City, Cavite
385) Alabang-Frabelle - Frabelle Alabang Bldg., 1100 Madrigal Business Park Alabang Zapote Rd Alabang Muntinlupa City
386) The Fort-B3 Bonifacio High St. - G/F, Quadrant 3 Wumaco Bldg. 2, 7th Avenue B3, Bonifacio High Street, Bonifacio Global City, Taguig
387) Ortigas - Orient Square - G/F, Orient Square Building, Emerald Ave., Ortigas Center, Pasig City
388) Cagayan De Oro - Pueblo de Oro - VLC Tower One, B1 L1, Gran Via St., Pueblo de Oro, Cagayan de Oro City

389) 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
390) Festival Mall-Expansion Wing - Space No. 2219.1, Festival Supermall Expansion, Festival Mall Inc., FCC, Alabang-Zapote Road, Muntinlupa City

Listed below are the branches of EWRB as of December 31, 2018:

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

Status of Publicly-Announced New Product or Service

All publicly-announced new products or services of the Bank are in commercial distribution.

Competition

The banking industry in the Philippines is composed of universal banks, commercial banks, savings banks, savings and mortgage banks, private development banks, stock savings and loan associations, rural banks and cooperative banks.

As of March 19, 2019, the universal and commercial banking sector consisted of 46 banks, of which 21 were universal banks and 25 were commercial banks. Of the 21 universal banks, 12 were private domestic banks, 3 were government banks and 6 were branches of foreign banks. Of the 25 commercial banks, 5 were private domestic banks, 2 were subsidiaries of foreign banks and 18 were branches of foreign banks.

Commercial banks have all the general powers incident to corporations and all powers that may be necessary to carry on the business of commercial banking, such as the power to accept drafts and to issue letters of credit, discount and negotiate promissory notes, drafts, bills of exchange and other evidences of indebtedness, accept or create demand deposits, receive other types of deposits and deposit substitutes, buy and sell foreign exchange and gold and silver bullion, and lend money on a secured or unsecured basis. Universal banks are banks that have authority, in addition to commercial banking powers, to exercise the powers of investment houses, to invest in the equity of business not related to banking, and to own up to

100% of the equity in a thrift bank, a rural bank, or a financial allied or non-allied enterprise. A publicly-listed universal or commercial bank may own up to 100% of the voting stock of only one other universal or commercial bank.

Thrift banks primarily accumulate the savings of depositors and invest them, together with capital loans secured by bonds, mortgages in real estate and insured improvements thereon, chattel mortgage, bonds and other forms of security or in loans for personal and household finance, secured or unsecured, or in financing for home building and home development; in readily marketable debt securities; in commercial papers and accounts receivables, drafts, bills of exchange, acceptances or notes arising out of commercial transactions. Thrift banks also provide short-term working capital and medium- and long-term financing for businesses engaged in agriculture, services, industry, and housing as well as other financial and allied services for its chosen market and constituencies, especially for small and medium-sized enterprises and individuals. As at March 19, 2019, there were 53 thrift banks.

Rural banks are organized primarily to make credit available and readily accessible in the rural areas on reasonable terms. Loans and advances extended by rural banks are primarily for the purpose of meeting the normal credit needs of farmers and fishermen, as well as the normal credit needs of cooperatives and merchants. As of March 19, 2019, there were 470 rural and cooperative banks.

Specialized government banks are organized to serve a particular purpose. The existing specialized banks are the Development Bank of the Philippines ("DBP"), Land Bank of the Philippines ("LBP"), and Al-Amanah Islamic Investment Bank of the Philippines ("AAIIB"). DBP was organized primarily to provide banking services catering to the medium- and long-term needs of agricultural and industrial enterprises, particularly in rural areas and preferably for small- and medium-sized enterprises. LBP primarily provides financial support in all phases of the Philippines' agrarian reform program. In addition to their special functions, DBP and LBP are allowed to operate as universal banks. AAIIB was organized to promote and accelerate the socio-economic development of the Autonomous Region of Muslim Mindanao through banking, financing and investment operations and to establish and participate in agricultural, commercial and industrial ventures based on Islamic banking principles and rulings.

During the past decade, the Philippine banking industry has been marked by two major trends — the liberalization of the industry, and mergers and consolidation.

Foreign bank entry was liberalized in 1994, enabling foreign banks to invest in up to 60% of the voting stock of an existing bank or a new banking subsidiary, or to establish branches with full banking authority. This led to the establishment of ten new foreign bank branches in 1995. The General Banking Law further liberalized the industry by providing that the Monetary Board may authorize foreign banks to acquire up to 100% of the voting stock of one domestic bank. Under the General Banking Law, any foreign bank, which prior to the effectiveness of the said law availed itself of the privilege to acquire up to 60% of the voting stock of a domestic bank, may further acquire voting shares of such bank to the extent necessary for it to own 100% of the voting stock thereof.

The Bank faces competition from both domestic and foreign banks, in part, as a result of the liberalization of the banking industry by the Government. Since 1994, a number of foreign banks, which have greater financial resources than the Bank, have been granted licenses to operate in the Philippines. Such foreign banks have generally focused their operations on the larger corporations and selected consumer finance products, such as credit cards. The foreign banks have not only increased competition in the corporate market, but have as a result caused more domestic banks to focus on the commercial middle-market, placing pressure on margins in both markets.

Since September 1998, the BSP has been encouraging consolidation among banks in order to strengthen the Philippine banking system. Mergers and consolidation result in greater competition, as a smaller group of “top tier” banks compete for business.

As of December 31, 2018, the ten largest universal and commercial banks account for approximately 84.5% of total assets and 85.6% of total deposits of the universal and commercial banking system based on published statements of condition.

Certain factors arising from the 1997 Asian crisis and the 2008 global financial crisis also resulted in greater competition and exert downward pressure on margins. Banks instituted more restrictive lending policies as they focused on asset quality and reduction of their NPLs, which resulted in increasing liquidity. As Philippine economic growth further accelerates and banks apply such liquidity in the lending market, greater competition for corporate, commercial and consumer loans is expected. As of December 31, 2018, the ten largest universal and commercial banks account for approximately 84.8% of the net customer loan portfolio of the commercial banking system, based on published statements of condition.

Sources and Availability of Raw Materials and Names of Principal Suppliers

This is not relevant to the operations of the Bank.

Customer Concentration

The Bank has a diversified customer base and there is no concentration of business in major customer groups. As such, the Bank is not dependent upon a single customer or a few customers

Transactions with and/or Dependence on Related Parties

In the ordinary course of business, the Bank has loan transactions with some subsidiaries and with certain directors, officers, stockholders and related interests. Under the Bank’s policies, these loans are made substantially on the same terms as loans to other individuals and businesses of comparable risks. Refer to Note 27 of the attached Audited Financial Statements of EastWest for the details of related party transactions.

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

In 1994, EW obtained a Certificate of Registration and bank license from the Philippine SEC to operate under the corporate name “East West Banking Corporation.”

EW uses a variety of names and marks, including the name “East West Banking Corporation” and EW’s logo, in connection with its business. The Bank has registered such names and marks with the Intellectual Property Office of the Philippines.

On January 25, 2012, the Bank obtained a certification from the BSP on a US-based bank using a similar name. As certified by BSP, the US-based bank has not been issued a license to operate as a banking institution in the Philippines. The BSP also certified that the Bank is among the commercial banks it supervises. On October 10, 2013, the Intellectual Property Office of the Philippines issued a decision in favor of the Bank, cancelling the mark "EAST WEST BANK & COMPASS LOGO" previously registered in the name of a US-based bank.

Need for Government Approval of Principal Products or Services

The Bank's principal products and services are offered to customers only upon receipt of the necessary regulatory approvals or clearances. The Bank strictly complies with the related regulatory requirements such as reserves, liquidity position, loan exposure limits, cap on foreign exchange holdings, provision for losses, anti-money laundering provisions and other reportorial requirements.

Effect of Existing or Probable Governmental Regulations on the Business

The Bank strictly complies with the Bangko Sentral ng Pilipinas (BSP) requirements in terms of capitalization reserves, liquidity position, limits on loan exposure, cap on foreign exchange holdings, provision for losses, anti-money laundering provisions and other reportorial requirements as well as other regulatory agencies such as the Securities and Exchange Commission, Philippine Stock Exchange, Philippine Deposit Insurance Corporation and the Bureau of Internal Revenues, among others.

Amount Spent on Research and Development Activities

The Bank's research and development activities are mainly driven towards market research and technology-related projects and initiatives. EastWest's businesses are heavily dependent on the ability to timely and accurately collect and process a large amount of financial and other information across numerous and diverse markets and products at its various branches, at a time when transaction processes have become increasingly complex with increasing volume.

The amount spent on research and development activities (in million pesos) and its percentage to revenues for the last three years has been as follows:

Year	Amount	% of Revenue
2018	₱18.52	0.07%
2017	₱0.84	0.00%
2016	₱0.80	0.00%

Costs and Effects of Compliance with Environmental Laws

This is not relevant to the operations of the Bank.

Employees

As at December 31, 2018, EastWest had 6,431 full-time employees compared to 5,842 in 2017. The following table categorizes EastWest's full-time employees rank, as of December 31, 2018 and 2017:

	2018	2017
Executives	228	235
Managers	2,520	2,272
Rank and File	3,683	3,335
Total	**6,431**	**5,842**

The subsidiaries have 1,096 officers/staff, bringing the combined manpower of 7,527.

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.

Financial Risk Management Objectives and Policies

Risk Management

To ensure that corporate goals and objectives, and business and risk strategies are achieved, the bank 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 bank'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 bank. These tools support the key risk process that involves identifying, measuring, controlling and monitoring risks.

Risk Management Structure

a. Board of Directors (the Board or BOD)

   The bank'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 bank'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 bank'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 bank's established approving authorities which are approved by the bank's BOD. At a high level, the BOD also approves the bank's framework for managing risk.

b. Executive Committee

   This is a board level committee, which reviews the bankwide credit strategy, profile and performance. It approves the credit risk-taking activities based on the bank'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 bank whose primary responsibility is to oversee the bank's credit risk-taking activities and overall adherence to the credit risk management framework, review business/credit risk strategies, quality and profitability of the bank'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 bank'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 over-all management of the bank’s market, liquidity, and financial position related risks. It monitors the bank’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 bank 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 board level committee that convenes monthly and is primarily responsible to assist the Board in managing the bank's risk taking activities. This is performed by the committee by institutionalizing risk policies and overseeing the bank's risk management system. It develops and recommends risk appetite and tolerances for the bank's major risk exposures to the Board. 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 Board the effectiveness of the risk management system, overall risk profile, and compliance with the risk appetite and tolerances that the Board 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 bank's risk taking activities. This is performed by the committee by implementing the risk management principles, strategies, framework, policies, processes, and initiatives across the bank. It leads the effective conduct of risk and capital management. It oversees and directs the management of the bank'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 bank’s major risk exposures and ensures accountability on the part of management to monitor and control such exposures including the bank’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 bank in defining and fulfilling the corporate governance policies and attaining best practices while overseeing the implementation of the bank'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 Board, all direct reports of the President and CEO, Heads of Governance Units regardless of rank, 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 and conducts an annual self-evaluation of its performance as prescribed under and in accordance with the Corporate Governance Manual and SEC Code of Corporate Governance for Publicly Listed Companies.

i. Related Party Transactions (RPT) Committee
The RPT Committee assists the Board in ensuring that the 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.

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 Bank'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 Bank's historical experience, current, and prospective credit condition or other conditions deemed relevant in reasonably determining the Bank'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 bank. RMD is tasked with identifying, measuring, controlling and monitoring existing and emerging risks inherent in the bank'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 bank.

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 bank'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 an 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 bank'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 bank'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 bank'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 bank 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 bank's central point of contact with banking regulators.

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 bank 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 bank'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.

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.

As for the computation of credit risk weights, hold-out on deposits with the bank, Home Guaranty cover, and Philippine sovereign guarantees are the only credit risk mitigants considered as eligible.

Internal Credit Risk Rating System
The bank 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.

Applicable beginning January 1, 2018
The bank'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 was 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.

Applicable prior to January 1, 2018
Financial condition assessment focuses on profitability, liquidity, working capital management, and leverage. Management quality determination is based on the borrower's strategies, management competence and skills, and management of banking relationship while industry outlook is evaluated based on its importance to the economy, growth, industry structure and relevant government policies.

Based on these factors, each borrower is assigned a Borrower Risk Rating (BRR), that ranges from 1 to 6. A borrower may be downgraded when it exhibits the characteristics of a classified account described below, in which case it will be assigned a risk rating ranging from 7 to 10.

Consideration is also given to security arrangements in computing for the final BRR. Depending on certain requisites, an account secured by real estate mortgages and hold-out on deposits or guarantees may be upgraded to better risk classifications.

The BRR 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 following is a brief explanation of the Bank's risk grades:

Rating	Description	Account/Borrower Characteristics
1	Excellent	• low probability of going into default within the coming year; very high debt service capacity and balance sheets show no sign of any weakness • has ready access to adequate funding sources • high degree of stability, substance and diversity • of the highest quality under virtual economic conditions
2	Strong	• low probability of going into default in the coming year • access to money markets is relatively good • business remains viable under normal market conditions • strong market position with a history of successful financial performance • financials show adequate cash flows for debt servicing and generally conservative balance sheets

Rating	Description	Account/Borrower Characteristics
3	Good	• sound but may be susceptible, to a limited extent, to cyclical changes in the markets in which they operate • financial performance is good and capacity to service debt remains comfortable • cash flows remain healthy and critical balance sheet ratios are at par with industry norms • reported profits in the past three years and expected to sustain profitability in the coming year
4	Satisfactory	• clear risk elements exist and probability of going into default is somewhat greater, as reflected in the volatility of earnings and overall performance • normally have limited access to public financial markets • able to withstand normal business cycles, but expected to deteriorate beyond acceptable levels under prolonged unfavorable economic period • combination of reasonably sound asset and cash flow protection
5	Acceptable	• risk elements for the bank are sufficiently pronounced, but would still be able to withstand normal business cycles • immediate deterioration beyond acceptable levels is expected given prolonged unfavorable economic period • there is sufficient cash flow either historically or expected in the future in spite of economic downturn combined with asset protection
5B	Acceptable	• financial condition hard to ascertain due to weak validation of financial statements coupled by funding leakages to other business interests whose financial condition is generally unknown • continuous decline in revenues and margins due to competition; increasing debt levels not commensurate to growth in revenues and funding requirements • thin margin business with banks financing bulk of working capital and capex requirements coupled by substantial dividend pay-outs • chronically tight cash flows with operating income negative or barely enough for debt servicing • lines with banks maxed out and availments evergreen with minimal payments made over time or with past record of past due loans with other banks, cancelled credit cards and court cases
6	Watchlist	• affected by unfavorable industry or company-specific risk factors • operating performance and financial strength may be marginal and ability to attract alternative sources of finance is uncertain • difficulty in coping with any significant economic downturn; some payment defaults encountered • net losses for at least two consecutive years
7	Special Mention	• ability or willingness to service debt are in doubt • weakened creditworthiness • expected to experience financial difficulties, putting the bank's exposure at risk
8	Substandard	• collectibility of principal or interest becomes questionable by reason of adverse developments or important weaknesses in financial cover • negative cash flows from operations and negative interest coverage • past due for more than 90 days • there exists the possibility of future loss to the bank unless given closer supervision
9	Doubtful	• unable or unwilling to service debt over an extended period of time and near future prospects of orderly debt service are doubtful • with non-performing loan (NPL) status • previously rated 'Substandard' by the BSP • loss on credit exposure unavoidable
10	Loss	• totally uncollectible • prospect of re-establishment of creditworthiness and debt service is remote • lender shall take or has taken title to the assets and is preparing foreclosure and/or liquidation although partial recovery may be obtained in the future • considered uncollectible or worthless and of such little value that continuance as bankable assets is not warranted although the loans may have some recovery or salvage value

It is the bank's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates a focused management of the applicable risk and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the bank's rating policy. The risk ratings are assessed and updated regularly.

Borrowers with unquestionable repaying capacity and to whom the Group is prepared to lend on an unsecured basis, either partially or totally, are generally rated as High Grade borrowers. Included in the High-Grade category are those accounts that fall under 'Excellent', 'Strong', 'Good' and 'Satisfactory' categories under ICRRS (with rating of 1-4).

Standard rated borrowers normally require tangible collateral, such as real estate mortgage (REM), to either fully or partially secure the credit facilities as such accounts indicate a relatively higher credit risk than those considered as High Grade. Included in Standard Grade category are those accounts that fall under 'Acceptable' and 'Watchlist' categories under ICRRS (with rating of 5-6).

Substandard Grade accounts pertain to unsecured revolving credit facilities.

Those accounts that are classified as unrated include unquoted debt securities, accounts receivable, accrued interest receivable and sales contract receivable for which the Group has not yet established a credit rating system.

Impairment Assessment - Applicable prior to January 1, 2018
On a regular basis, the Group conducts an impairment assessment exercise to determine credit losses on its loans portfolio.

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue by more than 30 to 90 days as applicable, or if there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Group addresses impairment assessment in two areas: specific or individually assessed allowances and collectively assessed allowances.

a. Specific Impairment Testing
   Specific impairment testing is the process whereby classified accounts, that are individually significant, are subject to impairment testing. Classified accounts are past due accounts and accounts whose credit standing and/or collateral has weakened due to varying circumstances. This present status of the account may adversely affect the collection of both principal and interest payments.

   The net recoverable amount is computed using the present value approach. The discount rate used for loans with fixed and floating interest rate is the original effective interest rate and last repriced interest rate, respectively. Net recoverable amount is the total cash inflows to be collected over the remaining term of the loan or the expected proceeds from the sale of collateral. Specific impairment testing parameters include the account information (original and outstanding loan amount), interest rate (nominal and original effective interest rate) and the business plan. Also included are the expected date of recovery, expected cash flows, probability of collection, and the carrying value of loan and net recoverable amount.

The Group conducts specific impairment testing on classified (i.e. rated 7-10) and restructured corporate accounts. Indicators of credit quality deterioration that merit specific impairment testing include past due status of the accounts, decline in credit rating from independent rating agencies for investment securities and recurring net losses.

b. Collective Impairment Testing

All other accounts which were not individually assessed are grouped based on similar credit characteristics and are collectively assessed for impairment. This is also in accordance with PAS 39, which provides that all loan accounts not included in the specific impairment test shall be subjected to collective impairment testing.

Collective impairment testing of corporate accounts

Corporate accounts, which are unclassified and with current status are grouped in accordance with the bank's internal credit risk rating. Each internal credit risk rating would fetch an equivalent loss impairment where the estimated loss is determined in consideration of the bank's historical loss experience. Impairment loss is derived by multiplying the outstanding loan balance on a per internal credit risk rating basis against a factor rate. The factor rate, which estimates the expected loss from the credit exposure, is the product of the Default Rate (DR) and the Loss Given Default Rate (LGDR). DR is estimated based on the 3-year historical average default experience by internal credit risk rating of the bank, while, LGDR is estimated based on loss experience (net of recoveries from collateral) for the same reference period.

Collective impairment testing of consumer accounts

Consumer accounts, both in current and past due status are collectively tested for impairment as required under PAS 39. Accounts are grouped by type of product - personal loans, salary loans, housing loans, auto loans and credit cards.

The estimation of the impaired consumer products' estimated loss is based on three major concepts: age buckets, probability of default and recoverability. Per product, exposures are categorized per their state of delinquency - (1) current; (2) past due (which is subdivided into 30, 60, 90, 120, 150, 180 and more than 180 days past due); and (3) items in litigation (ITL). Auto, housing and salary loans have an additional bucket for its items in litigation accounts. The Group partitions its exposures as it recognizes that the age buckets have different rates and/ or probabilities of default. The initial estimates of losses per product due to default are then adjusted based on the recoverability of cash flows, to calculate the credit loss of the Group. Auto and housing loans consider the proceeds from the eventual sale of foreclosed collaterals in approximating its recovery rate; while credit cards, salary loans and personal loans depend on the collection experience of its receivables. Further, for housing loans, due to the nature of the assets offered as security, and as the exposures are limited to a certain percentage of the same, this product possesses the unique quality of obtaining over 95% recoverability. These default and recovery rates are based on the Group's historical experience, which covers a minimum of two to three (2-3) years cycle, depending on the availability and relevance of data.

Collaterals of past due but not impaired loans mostly consist of real estate mortgage (REM) of industrial, commercial, residential and developed agricultural real estate properties.

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 bank'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 bank 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 bank 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 COCI, Due from BSP, Due from other banks and IBLR with maturities of less than one year. In addition to regulatory reserves, the bank 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.

The bank manages liquidity by maintaining sufficient liquid assets in the form of cash and cash equivalents, investment securities and loan receivables. As of December 31, 2018, and 2017, ₱97.99 billion and ₱96.31 million, respectively, or 38.99% and 48.31%, respectively, of the bank'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 bank 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 Board 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 bank 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 bank 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 bank uses is premised on a 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 bank's equity and interest rate swap (IRS) trading positions are assumed to be closed out in ten (10) days. The use of a 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 bank'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 Board. 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 Board through the RMC.

Foreign Currency Risk

The bank holds foreign currency denominated assets and liabilities, thus, foreign exchange rate fluctuations can affect the financials and cash flows of the bank. Managing the foreign exchange exposure is important for banks with exposures in foreign currencies. For the bank, this includes purchase or sell of foreign currency to control the impact of changes in exchange rates on its financial position.

The bank's foreign currency exposures emanate from its net open spot and forward foreign exchange (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 bank'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 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 bank's equity other than those already affecting the statements of income.

Market Risk in the Banking Book

Interest rate risk

A critical element of risk management program consists of measuring and monitoring the risks associated with fluctuations in market interest rates on the Group's net interest income. The short-term nature of its assets and liabilities reduces the exposure of its net interest income to such risks.

The bank employs re-pricing gap analysis on a monthly basis to measure the interest rate sensitivity of its assets and liabilities. The re-pricing gap analysis measures, for any given period, any mismatches between the amounts of interest-earning assets and interest-bearing liabilities that would re-price, or mature (for contracts that do not re-price), during that period. The re-pricing gap is calculated by first distributing the assets and liabilities contained in the Group's statement of financial position into tenor buckets according to the time remaining to the next re-pricing date (or the time remaining to maturity if there is no re-pricing), and then obtaining the difference between the total of the re-pricing (interest rate sensitive) assets and re-pricing (interest rate sensitive) liabilities. If there is a positive gap, there is asset sensitivity which generally means that an increase in interest rates would have a positive effect on the Group's net interest income. If there is a negative gap, this generally means that an increase in interest rates would have a negative effect on net interest income.

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.

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.

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.

Item 2. Properties

EastWest's head office is located at East West Corporate Center, The Beaufort, 5th Avenue corner 23rd Street, Fort Bonifacio Global City, Taguig City, Philippines.

The list of branch premises owned and leased, including the name of lessors, is filed as part of this Form 17-A as Annex C.

The Bank believes all its facilities and properties are currently in good condition. As of date of this report, there are no liens or encumbrances on any of the properties of EastWest. The Bank may consider encumbering some of its properties as part of its normal supplementary funding operations. The Bank will continue to reconfigure the mix of its branches and adjusts to the needs of its customers.

For the years ended December 31, 2018 and 2017, the total rentals of the Group charged to operations amounted to ₱1,037.9 million and ₱952.3 million, respectively.

Item 3. 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, Anover Anover San Diego & Primavera, 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.

Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted during 2018 to a vote of security holders, through the solicitation of proxies or otherwise.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

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 2015:

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

Year Ended December 31, 2016	High	Low
1st Quarter – 2016	18.30	14.34
2nd Quarter – 2016	18.20	15.10
3rd Quarter – 2016	21.90	18.38
4th Quarter – 2016	19.98	18.20

High and Low price of the Registrant’s shares as of April 5, 2019 (last practicable trading day) were ₱12.30 and ₱11.94, respectively.

EastWest’s top 20 shareholders as of March 31, 2019 are as follows:

Name of Stockholder	Number of Shares	Percent
1. Filinvest Development Corporation	900,136,017	40.01%
2. FDC Forex	838,582,064	37.27%
3. PCD Nominee Corporation (Filipino)	389,583,821	17.32%
4. PCD Nominee Corporation (Non-Filipino)	112,645,730	5.01%
5. F. YAP SECURITIES INC	4,005,600	0.18%
6. Berit Holdings Corporation	1,048,410	0.05%
7. Alfonso S. Teh	750,000	0.03%
8. Team Gladiola, Inc.	745,930	0.03%
9. Gerardo Susmerano	480,000	0.02%
10. Manuel A. Santiago &/Or Ella C. Santiago	330,600	0.01%
11. Anna Y. Sycip	301,875	0.01%
12. Joshua Cheng	150,000	0.01%
13. Miriam Cheng Bona ITF Mark Jericho C. Bona	150,000	0.01%
14. Quirino Cheong Gotuaco	131,598	0.01%

15. Ivy B. Uy	112,500	0.01%
16. Catherine L. Tan	90,000	0.00%
17. Miguel T. Tan	90,000	0.00%
18. Dennis Granada Baguyo	61,000	0.00%
19. Edwin U. Lim	60,750	0.00%
20. Gurpreet Singh Grewal	60,750	0.00%
TOTAL	**2,249,516,645**	**99.98%**

Total number of shareholders as of March 31, 2019 is 92, of which 80 are owning at least 100 shares.

Equity Ownership of Foreigners on Common Shares as of March 31, 2019 is as follows:

Nationality	Number of Stockholders	Number of Shares	%
Filipino	87	2,136,958,205	94.98%
Foreign	3	112,654,581	5.01%
American	1	301,875	0.01%
Indian	1	60,750	0.00%
Total	**92**	**2,249,975,411**	**100.00%**

Free Float Level

Based on the Public Ownership Report of the Bank as of March 31, 2019, 20.89% 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

The following dividends were declared by the Corporation in 2016 and 2017.

Fiscal Year	Cash Dividend	Record Date	Payment Date	Amount Paid
2016	₱0.27 per share	April 29, 2016	May 13, 2016	Php400 million
2017	₱0.33 per share	May 9, 2017	May 29, 2017	Php500 million

Fiscal Year	Stock Dividend	Record Date	Payment Date	Number of Shares
2017	50%	March 30, 2018	April 16, 2018	750,000,000

East West Banking Corporation did not declare any cash dividend for fiscal year 2018.

Item 6. Management's Discussion and Analysis or Plan of Operation

<u>December 31, 2018 vs. December 31, 2017</u>

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) and securities trading losses. 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 ₱540 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 8% 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 ₱10.2 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	42.8	39.0	10%

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 ₱317.6 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) on the other hand 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	317.6	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%	54.4%	(1.1%)
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:
EastWest's products and services are made available across multiple distribution and delivery channels. As of December 31, 2018, EastWest has a total of 390 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, 39 branches in Visayas, and 39 branches in Mindanao. ATM network is at 572, composed of 392 on-site ATMs and 180 off-site ATMs.

The Bank's subsidiary rural bank has a total of 76 branches bringing the group branch store network total to 466.

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.

Significant Elements of Income or Loss
Significant elements of the consolidated net income of the Group for the 12 months ended December 31, 2018 and 2017 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, 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.

II. 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.

III. 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.

IV. 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.

Below are the financial ratios that are relevant to the Group for the year ended December 31, 2018 and 2017:

	2018	2017
Current ratio(1)	**63.54%**	70.37%
Solvency ratio(2)	**113.15%**	114.00%
Debt-to-equity(3)	**7.58**	7.14
Asset-to-equity(4)	**8.58**	8.14
Interest rate coverage ratio(5)	**217.63%**	289.33%
Profitability ratios		
Return on asset(6)	**1.36%**	1.66%
Return on equity(7)	**10.98%**	13.98%
Net profit margin(8)	**24.54%**	30.69%
Gross profit margin(9)	**79.14%**	83.79%

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

Item 7. Financial Statements

The consolidated financial statements of the Bank are filed as part of this Form 17-A as Annex D.

Item 8. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

Sycip Gorres Velayo & Co. (SGV & Co.), a member firm of Ernst & Young Global Limited has been the Bank's independent accountant for 24 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 (2018 and 2017) 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. Vicky B. Lee-Salas was assigned as the signing partner in 2018, 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 2018 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
2018	₱3,849,000	₱30,824,538
2017	₱4,185,500	₱4,953,000
2016	₱3,913,750	₱2,400,000

The Bank's Audit Committee, which is composed of Messrs. Carlos Alindada (Chairman), Paul Aquino and Jose Sandejas approves the audit fees and fees for non-audit services, if any, of external auditors, as emphasized in the Audit Charter.

Per SGV & Co.'s representation during the Audit Committee meeting on February 21, 2019, 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.

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

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

The Corporate Governance and Compliance Committee ("CGCC"), in its meeting held on February 21, 2019, has determined that the nominated directors, possess all the qualifications and none of the disqualifications for directorship set out in EastWest's Manual on Corporate Governance, duly adopted by the Board pursuant to SRC Rule 38.1 and SEC Memorandum Circular No. 16, Series of 2002. Below is the list of candidates prepared by the Nomination Committee:

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
Mercedes T. Gotianun	Filipino	Director	FDC	Beneficial Owner
L. Josephine G. Yap	Filipino	Director	FDC FOREX CORP	Beneficial Owner
Jesus Roberto S. Reyes	Filipino	Director	FDC	Not Related
Wilson L. Sy	Filipino	Director	FDC	Not Related
Isabelle Therese G. Yap	Filipino	Director	FDC	Beneficial Owner
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

Ms. Isabelle Therese G. Yap is a Special Projects Officer of East West Banking Corporation (since 2018). She served as an associate in McKinsey and Company (2016-2018), strategy intern at Razorfish (2015), and joined the Management Associate Program of Singapore Telecommunications (2011-2014) doing product development and marketing and digital marketing. She graduated cum laude from the Singapore Management University in Bachelor of Business Management, Double major in Finance and Marketing and earned her Masters in Business Administration in Harvard Business School.

Mr. Jose Maria G. Hofileña, a lawyer, is the Dean of the Ateneo de Manila University School of Law, a director of Vitasoy-URC, Inc. and a trustee of the Advancement for Rural Kids Philippines Foundation, Inc. His independent law practice areas focus on commercial and corporation law, corporate finance, project finance and infrastructure. He was a former partner at Sycip Salazar Hernandez & Gatmaitan (1996-2012), connected to company since 1988), Foreign Attorney at the Project Finance Group of McDermott, Will & Emery, New York (1998), and a Foreign Resident Attorney at International Practice Group of Johnson & Gibbs, P.C., Texas (1990-1991). He earned both his degree in AB Major in Interdisciplinary Studies (with academic honors) and his Bachelor of Laws (class valedictorian and ranked 10th in the 1987 Philippine Bar Exams) from the Ateneo de Manila University and his Master of Laws from Harvard University Law School.

Mr. Gregorio U. Kilayko is the Independent Director and Chairman of the Audit Committee of Belle Corporation. He is also an Independent Director and Chairman of the Risk Committee of SM Prime Holdings, Inc. . He is also an independent director of Philequity Funds. Mr. Kilayko served as a Director of Philippine Stock Exchange (2003), President of ABN Amro Securities-Philippines and Chairman of ABN Amro Bank-

Philippines (1998-2008), President of ING Barings Securities-Philippines (1989-1998) and Country Representative of James Capel Securities, HSBC (1983-1989). He graduated cum laude from De La Salle University with a degree in BS Industrial Management Engineering and earned his Masters in Business Administration from Wharton Business School, University of Pennsylvania.

The Nomination Committee has determined that the nominees for independent directors possess all the qualifications and have none of the disqualifications for independent directors as set forth in the Revised Manual on Corporate Governance. The nominees for the independent directors have no relationship / affiliation with FDC and FFC.

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 A and B, respectively.

The CGCC is composed of Paul A. Aquino as Chairman, Jose S. Sandejas, Jonathan T. Gotianun, Carlos R. Alindada, Antonio C. Moncupa, Jr. and Jesus Roberto S. Reyes, as members.

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

Name	Age (as of last birthday)	Citizenship
Jonathan T. Gotianun	65	Filipino
Antonio C. Moncupa, Jr.	60	Filipino
Jesus Roberto S. Reyes	60	Filipino
Lourdes Josephine Gotianun-Yap	63	Filipino
Mercedes T. Gotianun	90	Filipino
Wilson L. Sy	66	Filipino
Carlos R. Alindada*	82	Filipino
Paul A. Aquino*	76	Filipino
Jose S. Sandejas*	78	Filipino

**Independent Director*

JONATHAN T. GOTIANUN, 65 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 Corp., prior to his election as Chairman of the Board of EastWest Bank he was Vice-Chairman and Director 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 Corp. Mr. Gotianun sits as Chairman of EastWest Bank since April 2007. 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., 60 years old, Filipino
Vice-Chairman 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 Chair/director of EastWest Rural Bank, First Vice President/director Bankers Association of the

Philippines, director of East West Leasing & Finance Corp, 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 the International Exchange Bank.

JESUS ROBERTO S. REYES, 60 years old, Filipino
Director, President and Deputy Chief Executive Officer
Mr. Jesus Roberto Reyes' is the President and Deputy CEO of EastWest bank. He assumed the aforesaid position on May 1, 2017. Mr. Reyes' solid banking experience of over thirty-two (32) years coupled with strong Treasury background makes him the perfect fit for EastWest's presidency. Before joining the bank, Mr. Reyes was previously the Treasurer and Chief Financial Officer of Union Bank, managing the financial controllership group to include corporate accounting, tax, insurance and capital management. Mr. Reyes finished his Bachelor's Degree in Mechanical Engineering at University of the Philippines – Diliman and completed his Master's Degree in Business Management at the Asian Institute of Management.

LOURDES JOSEPHINE GOTIANUN-YAP, 63 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, 90 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- 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. and the 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.

WILSON L. SY, 66 years old, Filipino
Director
Mr. Wilson Sy is the Chairman of Wealth Securities, Inc. He is a director of Philippine Stock Exchange and has served as the Chairman of Philippine Stock Exchange 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.

CARLOS R. ALINDADA, 82 years old, Filipino
Independent Director
Mr. Carlos Alindada is formerly Chairman and Managing Partner of SGV & Co., Independent Director of Bahay Pari Solidaritas Fund, Datem, Inc., Home Credit Philippines and SFA Semiconductor Phil., Inc. 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.

PAUL A. AQUINO, 76 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.

JOSE S. SANDEJAS, 78 years old, Filipino
Independent Director
Mr. Jose Sandejas is now the Corporate Secretary of Diversified Hodlings, Inc., still the Chairman of Primegates Property, Inc., Sun Oil Inc., Radix Inc., Inc. and Ostrea Mineral Laboratories, Inc. He is also the Chairman and President of MFI Polytechnic Institute, Marubeni Scholarship Foundation, Inc., Director of Sta. Elena Golf & Country Club and Taikisha Phils., Inc. He graduated with a degree in Chemical Engineering from the De La Salle University and pursued a doctorate degree in Materials Engineering from Rensselaer Polytechnic Institute. He has been serving as Director of EastWest Bank since April 2002.

ATTY. BENEDICTO M. VALERIO, JR., 60 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 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 the De La Salle University and Bachelor of Laws from the 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 20, 2018.

The Bank held **twelve (12) Regular Board Meetings** from January to December 2018; **Four (4) Special Board Meetings** held on January 16, February 15, April 20 and September 20, 2018; and **One (1) Organizational Meeting of the Board** held on April 20, 2018 or a **total of Seventeen (17) Board Meetings**.

Board of Directors	No. of Meetings Attended/Held	Percent Present
Jonathan T. Gotianun	14	82 %
Mercedes T. Gotianun	15	88 %
L. Josephine Gotianun Yap	15	88 %

Antonio C. Moncupa Jr.	16	94 %
Jesus Roberto S. Reyes	16	94 %
Wilson L. Sy	16	94 %
Jose S. Sandejas	17	100 %
Carlos R. Alindada	17	100 %
Paul A. Aquino	17	100 %

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

The following is the list of Key Executive Officers of the Bank as of March 31, 2019:

Name	Rank	Age (as of last birthday)	Citizenship
Antonio C. Moncupa, Jr.	Vice-Chairman & CEO	60	Filipino
Jesus Roberto S. Reyes	President & Deputy CEO	60	Filipino
Jacqueline S. Fernandez	Senior Executive Vice President	56	Filipino
Gerardo Susmerano	Senior Executive Vice President	54	Filipino
Rafael S. Algarra, Jr.	Senior Executive Vice President	50	Filipino
Mariza E. Arcilla	Executive Vice President	58	Filipino
Ivy B. Uy	Senior Vice President	46	Filipino
Eriberto Luis S. Elizaga	Senior Vice President	55	Filipino
Robert B. Ramos	Senior Vice President	43	Filipino
Rommell B. Narvaez	Senior Vice President	43	Filipino
Cecilio Frederick M. Pusag	Senior Vice President	50	Filipino
Raymond M. D'Cruz	Senior Vice President	46	Singaporean
Eloida F. Oquialda	Senior Vice President	56	Filipino
Eleanor B. Rivera	Senior Vice President	52	Filipino
Grace N. Ang	First Vice President	43	Filipino

JACQUELINE S. FERNANDEZ, 56 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 was the Country Credit Head for Consumer Loans and prior that the Head of Group Special Assets Mgt-Corporate Banking of 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, 54 years old, Filipino
Senior Executive Vice President and Head – Retail Banking
Mr. Susmerano has served as Senior Executive Vice President and Head of Retail Banking and Operations since September 2006. He is also re-elected as a Director of BANCNET for 2012 – Present. 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., 50 years old, Filipino
Senior Executive Vice President and Head – Loans, Wealth and Markets, Treasurer

Mr. Algarra joined EastWest Bank on August 1, 2017 as Head of Loans, Wealth and Markets. On September 14, 2017, Mr. Algarra was also appointed as Acting Treasurer. Mr. Algarra has 25 years in banking experience 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 Bancassurrance Groups. For Asset Management which he created from the ground up, he was in charge of fund management, distribution and product development for Wealth Management. For Bancassurrance, whose JV with FWD Insurance was led by Mr. Algarra, responsibilities included product development, marketing and distribution of insurance products. Before EWB, Mr. Algarra was Managing Director and Chief Financial Officer of PCCI Holdings. He finished MBA from the Asian Institute of Management (Phils) and a Bachelor of Science in Management Engineering degree holder from the Ateneo De Manila University.

MARIZA E. ARCILLA, 58 years old, Filipino
Executive Vice President and Head – Corporate Banking Group
Ms. Arcilla, a seasoned banker, brought the bank more than thirty (30) years extensive financial experience gained from both local and international settings. Before EastWest, Ms. Arcilla was the Senior Vice President and Head of Security Bank's Corporate Banking Group. Earlier, she was employed in Indonesia as Deputy Representative for Broad Rich Finance Co., Ltd. Ms. Arcilla later joined P.T. Bank Dharmala as Head of its Credit Division in 1992. Ms. Arcilla's longest international engagement was at American Express where she served as Director, Deputy Country Credit Officer for five (5) years from 1993 to 1998 and as Director, Relationship Manager – Private Banking for one (1) year from 1998 to 1999. Ms. Arcilla received her Bachelor of Science in Commerce Major in Business Administration degree from University of Sto. Tomas.

ERIBERTO LUIS S. ELIZAGA, 55 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 moved to Standard Chartered as Relationship Manager for Corporate and Institutional Banking. Mr. Elizaga spent most of his banking career with Security Bank where he stayed there from March 2000 to August 2014. He was the Auto Finance Unit Head, Makati Banking Center Head and Corporate Banking Division Team Head. Mr. Elizaga holds a Bachelor of Arts Major in Economics degree in Ateneo de Manila University. He also completed Academic Requirements for Masters in Business Administration at Ateneo Graduate School of Business.

IVY B. UY, 46 years old, Filipino
Senior Vice President and Head – Deputy Branch Banking
Ms. Uy has joined the bank in Sept 2006 as FVP/Division Head for 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.

ROBERT B. RAMOS, 43 years old, Filipino
Senior Vice President and Trust Officer

A Certified Treasury Professional, Chartered Financial Analyst and Chartered Alternative Investment Analyst holder, Mr. Ramos brought over fifteen (15) years extensive experience in Portfolio and Relationship Management, Business Development, and Sales and Marketing. Prior to joining EastWest Bank, he spent over 10 years at Union Bank Philippines where he was able to manage and grow trust assets. Mr. Ramos finished Bachelor of Science in Management degree with honors at Ateneo de Manila University. He also gained two Masteral degrees, in Business Administration and in Business Economics from Asian Institute of Management and University of Asia and the Pacific respectively. Further, he took up Doctor of Philosophy in Business at De La Salle University.

ROMMELL B. NARVAEZ, 43 years old, Filipino
Senior Vice President and Head – Bank Marketing and Corporate Communications
Mr. Narvaez has 21 years of solid commercial and franchise experience in both consumer and health care industries, fifteen years of which were obtained from Johnson and Johnson, Philippines. His last post at Johnson and Johnson was that of Marketing Director for the Consumer Goods channel responsible for the entire product lines in the Philippines. He is a graduate of Bachelor of Science in Commerce Major in Marketing Management from De La Salle University – Manila.

CECILIO FREDERICK M. PUSAG, 50 years old, Filipino
Senior Vice President and Chief Information Officer and Head – Information Technology
After a 4-and-a-half-year stint in the United States Air Force, Rick graduated with a degree in B.S. Business Administration /Computer Information Systems from California Polytechnic University Pomona. He is an experienced Information Technology executive with successful track record in global financial services industry, business process outsourcing, management consulting, and start up 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 Chief Information Officer of Security Bank.

RAYMOND M. D'CRUZ, 46 years old, Singaporean
Senior Vice President and Chief Transformation Officer
Mr. D'Cruz' has over 24 years Asia-Pacific work experience in Human Resources, particularly in Change Management, Culture and Team Development, HR Functional Transformation, HR Operations Synergy and Mergers & Acquisitions Integration. Immediately prior to EastWest, he was the HR Director for Asia Pacific of the Duty Free Group from 2012. He also worked for Akzonobel as HR Director for Asia Pacific, Siegwerk Group as Head of HR Asia Pacific, PPG Industries as HR Director, Philip Morris International as Manager, Management & Organizational Development, and Amset as HR Consultant. He holds an MBA from Asia Pacific International Institute (New Zealand) and a Bachelor of Science in Business Administration from UCLA, San Diego USA.

ELOIDA F. OQUIALDA, 56 years old, Filipino
Senior Vice President and Chief Audit Executive
Ms. Oquialda has more than 26 years of experience in the audit of universal banks, having been employed previously at 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, 52 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) which are primarily (1) crafting the rules for the market participants and (2) ensuring that these rules are properly implemented and enforced. She studied in the University of the Philippines - Diliman from elementary to law, graduating cum laude in her accounting undergraduate course.

GRACE N. ANG, 43 years old, Filipino
First Vice President & Chief Risk Officer
Ms. Ang has been the Chief Risk Officer of EastWest since August 1, 2008. Before joining EastWest, 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.

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.

Family Relationships

Mrs. Mercedes T. Gotianun is the mother of Jonathan T. Gotianun and Mrs. Josephine G. Yap.

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.

Item 10. Executive Compensation

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 2016, 2017 and 2018 estimates:

In million pesos:

Name	Year	Salary	Bonus	Total
Antonio C. Moncupa, Jr. Jesus Roberto S. Reyes Jacqueline Fernandez Gerardo Susmerano Rafael S. Algarra, Jr.	2018	₱73.1	₱92.8	₱165.9
	2017	₱55.1	₱60.7	₱115.8
	2016	₱47.2	₱60.1	₱107.3

Aggregate compensation paid to all officers and Directors as a group unnamed (in millions)	2018	₱860.9
	2017	₱638.3
	2016	₱681.1

The growth in aggregate compensation of the CEO and the four most highly compensated executive officers of the Bank for 2019 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 ₱20.1 million in 2018, ₱19.1 million in 2017 and ₱12.0 million in 2016.

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 11. Security Ownership of Certain Beneficial Owners and Management

Record and beneficial owners holding 5% or more of voting securities as of March 31, 2019:

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)	ALG Holdings Corporation (Parent Corporation of FDC)	Filipino	900,136,017	40.0%
Common	Filinvest Development Corporation 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	838,582,064	37.3%
Common	PCD Nominee Corporation 37th Floor, Tower I, The Enterprise Center,6766 Ayala Ave. corner Paseo de Roxas, Makati City	Various stockholders/clients	Filipino	389,583,821	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	112,645,730	5.0%

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, 2019, 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 37.3% 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 77.3% 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, 2019:

Title of Class	Name	Position	Citizenship	Beneficial/ Record	Percent of Ownership
Common	Jonathan T. Gotianun	Director, Chairman of the Board	Filipino	16,473,156	0.7321%
Common	Antonio C. Moncupa, Jr.	Director, Vice-Chairman & CEO	Filipino	3,705,954	0.1647%
Common	Jesus Roberto S. Reyes	Director, President & Deputy CEO	Filipino	267,000	0.0119%
Common	Mercedes T. Gotianun	Director	Filipino	1,320,996	0.0587%
Common	L. Josephine Gotianun-Yap	Director	Filipino	17,380,276	0.7725%
Common	Wilson L. Sy	Director	Filipino	712,365	0.0317%
Common	Paul A. Aquino	Director	Filipino	60,010	0.0027%
Common	Carlos A. Alindada	Director	Filipino	15	0.0000%
Common	Jose S. Sandejas	Director	Filipino	47,640	0.0021%

		Subtotal		39,967,412	1.7763%
Common	Gerardo Susmerano	Senior Executive Vice President	Filipino	750,558	0.0334%
Common	Jacqueline S. Fernandez	Senior Executive Vice President	Filipino	59,455	0.0026%
Common	Rafael S. Algarra, Jr.	Senior Executive Vice President	Filipino	85,000	0.0038%
Common	Ivy B. Uy	Senior Vice President	Filipino	299,088	0.0133%
Common	Grace N. Ang	First Vice President	Filipino	137,256	0.0061%
		Subtotal		1,331,357	0.0592%
		Total		41,298,769	1.8355%

The aggregate shareholdings of all directors and officers as a group is 1.8355%.

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 12. Certain Relationships and Related Transactions

The Bank and its subsidiaries and affiliates in their normal course of business, have certain related party transactions. Kindly refer to Note 27 of the Notes to the Audited Consolidated Financial Statements for the summary of related-party transactions among members of the Filinvest Group.

There were no other transactions during the last two years, or any proposed transactions, to which the Bank was or is to be a party, in which any director or executive officer, any nominee for election as a director, any security holder or any member of the immediate family of any of the foregoing persons, had or is to have a direct or indirect material interest.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

COMPLIANCE WITH CORPORATE GOVERNANCE PRACTICES

The Board approved the Bank's revised Corporate Governance Manual on May 24, 2018 to define the updated framework of rules, systems, and process that governs the performance of the Board of Directors and Management. The Corporate Governance Manual outlines the definitions of corporate governance, nomination and election, meetings and quorum requirements. It 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. 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 Corporate Governance Manual's standards as of the date of this Report.

Evaluation System and Compliance

As part of its system for monitoring and assessing compliance with the Corporate Governance Manual and the SEC Code of Corporate Governance, each Board Committee is required to report regularly to the Board of Directors. In addition, the Corporate Governance Manual is subject to annual review or when necessary as mandated by law or regulation. The Chief Compliance Officer is responsible for determining and measuring compliance with the Corporate Governance Manual and the SEC Code of Corporate Governance. 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.

Pursuant to the Bank's Corporate Governance Manual, its Board created each of the following committees and appointed Board members thereto. Each member of the respective committees named below has been holding office as of the last Annual Stockholders' Meeting which was on April 21, 2017 and will serve until his successor shall have been elected and qualified.

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 is composed of five (5) directors and meets weekly or as often as it may be necessary to address all matters referred to it. In 2018, thirty-five (35) 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 and conducts an annual self-evaluation of its performance as prescribed under and in accordance with the Corporate Governance Manual and the SEC Code of Corporate Governance for Publicly Listed Companies and the BSP Manual of Regulations for Banks (MORB).

The Committee, composed of six (6) members, three of whom are independent directors, including the Chairperson, meets every other month or when necessary. In 2018, nine (9) 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 is composed of four (4) members of the Board of Directors, 3 of whom are independent directors, including the Chairperson. It meets every other month or whenever necessary to discuss and agree on matters to be endorsed to the Board of Directors for approval or confirmation. In 2018, eleven (11) 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 was independent to the Bank's other organizational units of as well as of the personnel subject to audit.

The Audit Committee, which consists of three (3) members, all of whom are independent directors, meets once a month. In 2018, 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.

The Risk Management Committee, which meets every month is composed of six (6) members of which two (2) are independent directors, including the Chairman. Members of the Committee possess adequate knowledge and understanding of the institution's risk exposures and expertise in developing appropriate risk policies and strategies. In 2018, twelve (12) regular meetings were conducted and attended by at least a majority of the Committee members.

Compensation Committee

The Compensation Committee is composed of six members including the Bank's CEO, the President and one independent director. It 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 meets at least once a year and provides overall direction on the compensation and benefits strategy of the Bank. In 2018, 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 2018, four (4) regular meetings were conducted and attended by at least a majority of the Committee members.

PART V – EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

(a) Exhibits

ANNEX A – Certification on Qualification of Independent Directors
ANNEX B – Certification that None of the Directors and Officers work with the Government
ANNEX C – List of Owned and Leased Branches
ANNEX D – Consolidated Audited Financial Statements

(b) Reports on SEC Form 17-C

The following reports have been submitted by the Bank during the year 2018 through official disclosure letters:

REPORT	DATE REPORTED
Approved ASM and Issuance of LTNCDs	01/25/2018
Appointment of Mr. Rommel B. Narvaez, SVP - Head of Bank Marketing and Corporate Communications, effective March 23, 2018	03/22/2018
Resignation of Mr. Ernesto T. Uy, SVP, Head CBG1 and Ms. Rita M. Nisperos, SVP, Head- Bank Marketing & Communications (effective April 15, 2018)	03/22/2018
Amended Outstanding Shares of EWB as a Result of the Fractional Shares	04/24/2018
ASM Results 2018	04/24/2018
Resignation of Ms. Bernadette T. Ratcliffe, FVP- Chief Compliance Officer, effective June 1, 2018	04/26/2018
Amended SEC17-C submitted on April 4, 2018 for the Outstanding Shares of EWB	05/10/2018
Appointment of External Auditor (SGV)	07/26/2018
Appointment of Mr. Cecilio Pusag, SVP, Chief Information Officer IT Head, effective July 27, 2018	07/26/2018
Resignation of Mr. Domingo Guanio, SVP- Chief Information Officer, effective July 31, 2018	07/26/2018
Resignation of Ms. Abigail Del Rosario, SVP- Head of Wealth Management Group, effective July 22, 2018	07/26/2018
Resignation of Ms.Rhodora M. Lugay, EVP- CFO, effective July 29, 2018	07/26/2018
Capital infusion of the Bank to EW Ageas Life Inc. (TROO)	08/02/2018
Appointment of Ms. Eleanor Rivera, CHief Compliance Officer, effective Sept.3, 2018	08/30/2018
Appointment of Mr. Eriberto Luis Elizaga, SVP CBG1 Head, effective Oct. 15, 2018	09/27/2018
Resignation of Mr. Ermelindo S. Andal, SVP- Head- Operations and Technology Division, effective August 31, 2018	09/27/2018

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of __Makati City__ on APR 1 1 2019 2019.

By:

ANTONIO C. MONCUPA, JR.
Vice-Chairman & CEO

JESUS ROBERTO S. REYES
President & Deputy CEO

MINDA L. CAYABYAB
Controller

ATTY. BENEDICTO M. VALERIO, JR.
Corporate Secretary

SUBSCRIBED AND SWORN to before me this _____ day of APR 1 1 2019 2019 affiants exhibiting to me his/their proof of identification, as follows:

NAMES	PROOF OF IDENTIFICATION	DATE OF ISSUE	PLACE OF ISSUE
ANTONIO C. MONCUPA, JR.	PP No. P3190182A	May 26, 2017	Manila
JESUS ROBERTO S. REYES	PP No. EC1629748	Jul 14, 2014	Manila
MINDA L. CAYABYAB	PP No. P1705731A	Jan 21, 2017	NCR South
ATTY. BENEDICTO M. VALERIO, JR.	PP No. P0258129B	Jan 16, 2019	NCR South

Notary Public

ATTY. LOURDES A. ONA
NOTARY PUBLIC FOR MAKATI CITY
Appointment No. M-33 until December 31, 2019
Roll No. 38397 / IBP Lifetime No. 02701
PTR No. 7333147 January 3, 2019

DOC. NO : 141
PAGE NO , 30
BOOK NO : VIII
SERIES OF: 2019

ANNEX A – CERTIFICATION ON QUALIFICATION OF INDEPENDENT DIRECTORS

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
Bahay Pari Solidaritas Fund	Independent Director	2010
Datem, Inc.	Independent Director	2015
Home Credit Philippines	Independent Director	2017
SFA Semiconductor Phil., Inc.	Independent Director	2014

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.

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 FEB 26 2019, at Makati City.

CARLOS R. ALINDADA
AFFIANT

SUBSCRIBED AND SWORN to before me this FEB 26 2019 day of ______________at Makati City affiant personally appeared before me and exhibited to me his/her ______________ issued at ______________ on ______________.

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Book No. IV
Series of 2019

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. 7333148 January 3, 2019

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	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.

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.

FEB 2 6 2019

Done, this ______________ day of ______________, at Makati City.

PAUL A. AQUINO
AFFIANT

FEB 2 6 2019

SUBSCRIBED AND SWORN to before me this ________ day of ______________ at Makati City affiant personally appeared before me and exhibited to me his/her ______________ issued at ______________ on ______________.

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Page No. 30
Book No. IV
Series of 2019

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. 7333148 January 3, 2019

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.

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

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Vitasoy-URC, Inc.	Member, Board of Directors	From October 2016 to present
Ateneo de Manila University	Dean of the School of Law	From 2013 to present (as Dean, from June 1, 2018 to present)
Advancement for Rural Kids Philippines Foundation, Inc.	Member, Board of Trustees	From July 2016 to present

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. I disclose that I am the subject of the following criminal investigation:

Offense Investigated	Agency Involved	Status
Section 2 of PD 1018, Section 7 in relation to Section 14 of RA 7042	Office of the City Prosecutor Pasig City	Investigation Pending

and Section 2-A of Commonwealth Act No. 108		

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 12th day of March 2019, at Makati City.

JOSE MARIA G. HOFILEÑA
AFFIANT

SUBSCRIBED AND SWORN to before me this 12th day of March 2019 at Makati City, affiant personally appeared before me and exhibited to me his/her Philippine issued at , Philippines on

Doc. No. 350
Page No. 71
Book No. 4
Series of 2019

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. 7333148 January 3, 2019

CERTIFICATION OF INDEPENDENT DIRECTOR

I, Gregorio Uytiepo Kilayko 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.

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

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Philippine Stock Exchange	Director	2003
Belle Corporation	Independent Director/Chairman, Audit Committee	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.

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 MAR 0 1 2019 day of ________________, at Makati City.

GREGORIO UYTIEPO KILAYKO
AFFIANT

SUBSCRIBED AND SWORN to before me this MAR 0 1 2019 day of ______________ at Makati City affiant personally appeared before me and exhibited to me his Philippine Passport issued at

Doc. No. 395
Page No. 80
Book No. IV
Series of 2019

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. 7333148 January 3, 2019

ANNEX B – 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 (9)	(b) Executive Officers (15)
JONATHAN T. GOTIANUN	ANTONIO C. MONCUPA, JR. (Vice Chairman and CEO)
ANTONIO C. MONCUPA, JR	JESUS ROBERTO S. REYES (President & Deputy CEO)
MERCEDES T. GOTIANUN	GERARDO SUSMERANO
LOURDES JOSEPHINE GOTIANUN YAP	JACQUELINE S. FERNANDEZ
JESUS ROBERTO S. REYES	RAFAEL S. ALGARRA, JR.
WILSON L. SY	CECILIO FREDERICK M. PUSAG
JOSE S. SANDEJAS	MARIZA E. ARCILLA
CARLOS R. ALINDADA	ERIBERTO LUIS S. ELIZAGA
PAUL A. AQUINO	RAYMOND M. D' CRUZ
	ROMMELL B. NARVAEZ
	ELOIDA F. OQUIALDA
	IVY B. UY
	GRACE N. ANG
	ELEANOR B. RIVERA
	ROBERT ROL RICHARD RAYMOND B. RAMOS

ATTY.BENEDICTO M.VALERIO JR.
Corporate Secretary

SUBSCRIBED AND SWORN TO before me this MAR 07 2019, affiant exhibiting to me his issued at l

Doc. No. 68;
Page No. 15;
Book No. V;
Series of 2019.

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. 7333148 January 3, 2019

ANNEX C

Branches Owned as of December 31, 2018

Branch	Location
1. The Fort - Beaufort	The Beaufort, 5th ave. corner 23rd St., Bonifacio Global City, Taguig City
2. Betterliving	100 Doña Soledad Ave., Betterliving Subd., Brgy. Don Bosco,
3. Davao - Lanang	Lot 6 Blk 5, Insular Village, Pampanga Buhangin, Lanang Davao City
4. Pioneer	UG-09 Pioneer Pointe Condominium, Pioneer St., Mandaluyong City
5. Tandang Sora	Lot 80-A Kalaw Hills Subd., Brgy. Culiat, Tandang Sora

Branches and Buildings Leased as of December 31, 2018

Branch/Building	Commencement Date	Expiration Date	Monthly Rent
Gil Puyat	January 1, 2010	January 1, 2020	96,102.65
Cubao	January 1, 2011	December 29, 2020	82,880.00
Ortigas	July 1, 2015	June 30, 2020	250,181.10
Las Piñas	January 3, 2013	January 1, 2023	118,720.00
Edsa-Kalookan	June 1, 2018	May 31, 2028	198,878.50
Roosevelt	March 1, 2010	February 27, 2020	87,073.07
Pasig Shaw	April 1, 2015	March 31, 2025	168,775.92
Pasig - Poblacion	October 22, 2010	October 19, 2020	89,600.00
Ayala Avenue - Herrera	October 1, 2012	September 29, 2022	173,708.64
Imus	November 5, 2010	November 2, 2020	90,160.00
Taytay	April 15, 2016	April 14, 2026	85,000.00
Congressional	July 1, 2012	June 28, 2027	100,800.00
Anonas	April 15, 2012	April 16, 2027	90,000.00
President'S Avenue	September 1, 2010	August 29, 2020	134,400.00
Antipolo-Marcos Highway	October 15, 2015	October 14, 2030	102,962.11
Regalado	September 28, 2010	September 25, 2020	101,105.03
Bagumbayan	April 1, 2015	March 31, 2025	133,395.53
Bacoor - Aguinaldo Highway	March 21, 2011	March 20, 2021	80,556.00
Padre Faura	March 1, 2013	February 27, 2023	156,800.00
Sto. Cristo	January 1, 2016	December 31, 2025	128,426.11
Pasong Tamo	June 30, 2014	June 30, 2019	80,438.40
Mandaluyong Shaw	June 1, 2012	May 31, 2019	106,943.76
Quezon Avenue	February 21, 2017	February 20, 2027	55,560.38
Katipunan	October 1, 2012	September 29, 2022	197,232.00
Escolta	June 1, 2017	May 31, 2027	200,000.00
Banawe	April 1, 2009	March 30, 2019	98,560.00
Festival Supermall	April 30, 2014	April 30, 2024	146,424.32
Annapolis	April 1, 2018	March 30, 2028	268,800.00
San Fernando - Dolores	February 16, 2012	February 15, 2022	133,452.48
Cabanatuan	January 16, 2012	January 12, 2027	60,000.00
Lucena	May 26, 2016	May 25, 2026	140,000.00
Calamba	February 1, 2010	January 30, 2020	77,040.00
Westgate	August 22, 2017	August 21, 2022	285,592.00
Dagupan	July 16, 2013	July 12, 2028	40,000.00
Cagayan De Oro	April 12, 2012	April 10, 2022	78,400.00
Zamboanga	November 1, 2013	October 30, 2023	120,000.00
Baguio City	May 15, 2014	May 15, 2024	176,960.00
Cebu - N. Escario Cash Center	June 1, 2010	May 31, 2020	125,664.00
Tomas Morato	July 16, 2013	July 16, 2023	120,750.00
Sucat	November 16, 2013	November 16, 2023	110,250.00
Angeles, Pampanga	November 1, 2013	October 31, 2028	100,800.00
Valenzuela	November 1, 2016	October 31, 2026	90,000.00

Branch/Building	Commencement Date	Expiration Date	Monthly Rent
Greenhills - West	September 1, 2013	August 31, 2023	134,366.76
Valero	November 1, 2018	November 1, 2023	255,645.60
Salcedo	August 16, 2011	August 13, 2021	105,897.17
Tektite	October 1, 2013	September 29, 2023	319,200.00
Festival Mall Level 1	January 31, 2014	January 31, 2024	146,424.32
Tarlac	February 19, 2013	February 17, 2023	84,000.00
T. Alonzo	September 16, 2017	September 15, 2027	208,000.00
Batangas	May 1, 2012	April 29, 2022	95,200.00
West Avenue	February 26, 2010	February 24, 2020	95,295.69
Cebu - Mandaue Briones Highway	September 14, 2013	September 12, 2023	90,881.56
Naga	April 26, 2014	April 25, 2019	112,000.00
Laoag	September 3, 2014	September 3, 2024	30,000.00
Cebu-Banilad	June 1, 2012	May 31, 2022	62,720.00
Cebu - Magallanes	December 31, 2016	December 31, 2022	129,691.98
La Union	October 1, 2012	September 29, 2022	93,912.00
Cotabato	October 5, 2011	October 2, 2021	50,400.00
Isabela	August 21, 2010	August 18, 2020	61,600.00
New Manila	August 1, 2015	July 31, 2025	235,973.52
Intramuros	October 30, 2017	October 29, 2022	207,360.00
Davao - Sta. Ana	May 15, 2008	January 14, 2023	125,395.20
Del Monte	February 1, 2017	January 31, 2027	225,000.00
Grace Park	October 1, 2012	September 29, 2022	179,200.00
Binondo	October 1, 2018	September 30, 2028	644,536.48
Paseo De Roxas	November 1, 2017	October 31, 2022	269,991.68
Baliuag Bulacan	March 1, 2018	February 28, 2033	80,000.00
Davao-Matina	July 1, 2018	June 30, 2028	88,200.00
Lipa City	July 1, 2008	June 30, 2020	89,364.21
The Fort	September 1, 2018	August 31, 2028	134,400.00
Iloilo	November 1, 2008	October 30, 2018	82,800.00
Urdaneta Pangasinan	December 1, 2008	November 29, 2018	89,600.00
Paso De Blas	May 1, 2009	April 28, 2021	37,500.00
Isabela - Cauayan	May 1, 2009	April 27, 2024	73,864.00
Governor Pascual Malabon	September 1, 2009	August 28, 2024	36,000.00
Bacolod	May 1, 2011	April 28, 2021	95,200.00
Divisoria	April 1, 2009	March 30, 2019	67,200.00
Paseo De Roxas - Philam Tower	October 1, 2010	September 30, 2020	263,105.92
San Miguel Avenue-Ortigas	May 1, 2018	April 30, 2023	181,938.66
Alabang Madrigal	June 15, 2014	June 15, 2024	186,278.40
Un Avenue	August 1, 2009	July 30, 2019	195,096.83
Dela Rosa Pasong Tamo	August 1, 2009	July 30, 2019	108,799.60
Baclaran	October 1, 2016	September 30, 2021	220,494.17
A. Bonifacio	April 20, 2010	April 17, 2020	63,999.94
Paco	June 23, 2010	June 20, 2020	89,600.00
Soler	May 15, 2015	May 14, 2020	110,116.66
San Juan	July 6, 2010	July 3, 2020	84,000.00
Legaspi Village	April 27, 2010	April 24, 2020	149,721.60
Makati Sky Plaza	November 25, 2016	October 31, 2020	2,570,156.57
Makati Stock Exchange	June 1, 2010	May 29, 2020	213,027.25
Carmona	May 1, 2010	April 27, 2025	55,640.00
Olongapo	June 1, 2010	May 28, 2025	100,000.00
South Triangle	September 1, 2010	August 29, 2022	60,480.00
Novaliches	July 28, 2010	July 25, 2022	57,569.76
Iligan City	July 22, 2010	July 18, 2025	56,000.00
Emerald	July 1, 2015	June 30, 2020	13,552.00

Branch/Building	Commencement Date	Expiration Date	Monthly Rent
C. Raymundo	September 1, 2010	August 29, 2020	83,524.00
Roxas Blvd.	December 12, 2017	December 11, 2018	100,507.18
Cebu Mactan	August 1, 2010	July 29, 2020	73,271.03
Malabon - Potrero	October 1, 2010	September 30, 2020	61,600.00
General Santos City	September 15, 2010	September 11, 2025	47,368.42
Evangelista	October 1, 2010	September 28, 2020	84,000.00
Mandaluyong Libertas	December 1, 2010	November 28, 2020	125,664.00
Balanga Bataan	October 1, 2010	September 27, 2025	67,200.00
Northbay Navotas	August 15, 2010	August 12, 2020	50,400.00
Muntinlupa	November 15, 2010	November 12, 2020	67,200.00
Butuan	January 1, 2011	December 29, 2020	81,241.60
General Trias-Cavite	February 2, 2011	January 30, 2021	83,640.00
Burgos Circle	April 1, 2011	March 29, 2021	342,552.00
Ozamiz	April 1, 2011	March 28, 2021	67,620.00
San Pablo	March 3, 2011	February 27, 2026	69,160.00
San Pedro	August 17, 2011	August 14, 2021	65,000.00
B.F. Resort	April 4, 2011	March 31, 2026	55,000.00
168 Mall	February 1, 2016	January 31, 2021	124,653.60
Iloilo - Iznart	June 1, 2011	May 29, 2021	89,600.00
Magallanes	April 1, 2011	March 29, 2021	68,750.00
Cebu - Mandaue North Road	October 7, 2011	October 4, 2021	84,000.00
Davao Toril	May 26, 2011	May 22, 2026	35,000.00
Antipolo	July 4, 2011	June 30, 2026	52,631.58
Tuguegarao	June 1, 2011	May 29, 2021	89,600.00
Marikina - Gil Fernando Ave	December 1, 2011	November 28, 2021	82,500.00
Greenhills Shopping Center	February 16, 2017	February 15, 2022	175,462.00
Cebu - Grand Cenia	January 1, 2012	January 1, 2022	220,071.60
Gil Puyat - F. B. Harrison	April 11, 2014	April 10, 2029	22,400.00
Taft - Nakpil	March 31, 2014	March 31, 2024	140,000.00
Acropolis	August 1, 2015	July 31, 2025	224,000.00
Taytay - Manila East	December 26, 2014	November 26, 2023	108,000.00
Caloocan - A. Mabini	March 31, 2014	March 31, 2024	136,528.00
Iloilo - Molo	November 1, 2013	October 31, 2023	109,930.24
Alabang Commerce	October 1, 2013	October 1, 2023	144,569.60
Metropolitan Avenue	February 1, 2014	February 1, 2021	138,542.88
Ortigas - Rockwell	March 31, 2014	March 31, 2019	126,120.96
Pangasinan - San Carlos	October 1, 2013	September 30, 2023	70,560.00
Pasig Blvd.	September 6, 2011	September 2, 2026	44,800.00
Mayon	November 5, 2011	November 2, 2021	150,414.88
Davao - Tagum	December 2, 2011	November 30, 2021	58,800.00
Don Antonio Heights	December 17, 2011	December 16, 2026	108,695.65
City Place Square	November 1, 2018	October 31, 2020	169,817.34
Baesa	September 7, 2011	September 4, 2021	40,000.00
Banawe - Sct. Alcaraz	December 17, 2011	December 14, 2021	100,800.00
Timog Avenue	August 4, 2011	August 1, 2021	97,519.00
West Service Road Branch	August 22, 2011	August 18, 2026	65,000.00
Wilson Branch	November 16, 2011	November 13, 2021	121,495.33
Pasong Tamo - Bagtikan	October 1, 2011	September 29, 2019	66,400.00
Sucat - Evacom	December 1, 2011	November 28, 2021	80,514.00
Banawe - N. Roxas	August 31, 2011	August 31, 2019	140,000.00
Baguio Session Road	January 16, 2012	January 13, 2022	151,200.00
Edsa Howmart	October 5, 2011	October 2, 2021	90,950.00
E. Rodriguez	January 12, 2012	January 9, 2022	123,200.00
Jose Abad Santos - Tayuman	September 1, 2012	August 30, 2022	123,200.00

Branch/Building	Commencement Date	Expiration Date	Monthly Rent
Pampanga - Apalit	July 16, 2012	July 13, 2027	70,736.85
Ayala Ave. - Sgv 1	May 16, 2017	May 15, 2022	223,205.84
Marikina - Concepcion	July 1, 2012	June 29, 2022	109,579.68
Balibago - Angeles	August 7, 2012	August 5, 2022	159,600.00
Betterliving - Doña Soledad Ave.	July 9, 2012	July 7, 2022	140,000.00
Ilocos Sur - Candon	March 22, 2011	March 19, 2021	117,600.00
Cebu - A.S. Fortuna	September 1, 2012	August 30, 2022	100,800.00
Cebu - M. Velez	August 1, 2012	July 30, 2022	93,184.00
Connecticut	May 5, 2012	December 30, 2018	168,000.00
Davao - C.M. Recto	September 1, 2012	August 30, 2022	39,200.00
Edsa - Muñoz	March 13, 2012	March 11, 2022	96,600.00
Kamias	January 5, 2012	January 1, 2027	100,800.00
Koronadal City	August 1, 2012	July 30, 2022	94,315.79
Pasay - D. Macapagal Blvd.	May 15, 2017	May 14, 2018	149,877.70
Bacolod - Mandalagan	April 1, 2012	March 31, 2022	78,400.00
Las Piñas - Marcos Alvarez	July 1, 2012	June 29, 2022	60,000.00
Masambong	October 1, 2012	September 29, 2022	112,000.00
Masangkay	July 15, 2012	July 13, 2022	106,400.00
Makati Ave - Pacific Star	May 16, 2017	May 15, 2022	101,294.05
Pagadian - Fs Fajares Ave.	August 1, 2012	July 29, 2027	78,704.64
Puerto Prinsesa - Rizal Ave	July 15, 2012	July 12, 2027	112,660.80
Cebu - Park Mall	August 1, 2012	July 31, 2019	78,500.80
Rada	May 23, 2012	May 21, 2022	173,261.20
Roosevelt - Sto. Nino	July 1, 2012	June 28, 2027	84,000.00
Pampanga - San Fernando Sindalan	July 15, 2012	July 12, 2027	168,000.00
Sucat - Kingsland	September 1, 2012	August 30, 2022	118,720.00
Taft Avenue	September 16, 2012	September 14, 2022	168,000.00
Tomas Mapua - Lope De Vega	July 1, 2012	June 29, 2022	61,600.00
T.M. Kalaw	July 1, 2012	July 1, 2022	224,000.00
Up Village	July 15, 2012	July 13, 2022	84,210.53
Benavidez	December 1, 2011	November 28, 2021	107,520.00
Araneta Avenue	March 1, 2012	February 27, 2022	118,104.00
Quiapo	January 2, 2012	December 30, 2021	82,526.32
999 Shopping Mall	November 21, 2017	November 20, 2022	238,444.74
Amorsolo - Queensway	December 10, 2012	December 8, 2022	98,784.00
Makati Avenue	April 1, 2012	March 31, 2019	201,600.00
Eastwood City	March 1, 2017	January 31, 2022	345,908.64
North Edsa	May 16, 2012	May 14, 2022	147,980.00
Bf Homes - Aguirre Ave	September 1, 2012	August 29, 2027	49,000.00
Quezon Avenue - Dr. Garcia Sr.	April 16, 2012	April 15, 2022	170,755.20
J. P. Rizal	May 1, 2012	April 29, 2022	89,672.80
Grace Park - 7Th Ave	May 21, 2012	May 19, 2022	134,400.00
Bacoor - Molino	September 1, 2010	August 29, 2020	80,556.00
Davao - Bajada	May 1, 2012	April 30, 2027	450,037.50
Pasay - Libertad	October 8, 2012	October 6, 2022	313,600.00
Ayala Avenue - Rufino Building	September 1, 2012	August 30, 2022	153,260.80
Batangas - Bauan	September 1, 2012	August 30, 2022	89,600.00
Alabang Entrata	May 1, 2018	April 30, 2023	250,848.26
Boni Avenue	August 16, 2012	August 14, 2022	105,000.00
Boracay	September 16, 2012	September 14, 2022	156,800.00
Pangasinan - Rosales	October 1, 2012	September 29, 2022	95,200.00
Cagayan De Oro City - Cogon	August 4, 2012	August 2, 2022	112,000.00
Mindoro - Calapan	August 1, 2012	July 30, 2022	83,104.00
Cavite - Naic	August 1, 2012	July 29, 2024	40,000.00

Branch/Building	Commencement Date	Expiration Date	Monthly Rent
Cavite - Tanza	August 1, 2012	July 29, 2027	20,000.00
Cebu - Fuente Osmeña	November 1, 2012	October 30, 2022	174,193.82
Cebu - Asia Town It Park	July 31, 2012	July 29, 2022	81,865.28
Cebu - Juan Luna	October 1, 2012	September 29, 2022	84,000.00
Cebu - Minglanilla	September 16, 2012	September 14, 2022	80,874.64
Cebu Talisay	October 1, 2012	September 29, 2022	67,200.00
Cebu - A.C Cortes	August 16, 2012	August 14, 2022	92,000.00
Cebu - Basak Pardo	October 1, 2012	September 29, 2022	76,496.00
Cebu Magallanes - Nilo Me Tangere	October 1, 2012	September 29, 2022	95,200.00
Commonwealth	November 1, 2012	October 30, 2022	90,820.80
Cubao - Araneta Center	September 2, 2012	August 31, 2022	181,680.80
Dagupan - A.B. Fernandez Avenue	November 1, 2012	October 31, 2027	100,210.52
Dasmariñas	August 1, 2012	July 30, 2022	116,978.40
Davao - Jp Laurel	November 1, 2012	October 29, 2027	54,900.00
Davao - Panabo	June 8, 2012	June 6, 2022	62,720.00
H.V. Dela Costa	July 15, 2017	July 14, 2027	105,932.00
Legaspi - Dela Rosa	December 1, 2012	November 29, 2022	205,200.00
Bataan - Dinalupihan	November 1, 2012	October 29, 2027	50,000.00
Dumaguete City	August 16, 2012	August 14, 2022	168,000.00
El Cano	September 1, 2012	August 30, 2022	138,000.00
Fairview	August 15, 2012	August 13, 2022	84,210.53
Pampanga - Guagua	November 1, 2012	October 30, 2022	90,000.00
Bacolod - Hilado	August 1, 2012	July 30, 2022	33,600.00
Iloilo - Jaro	October 16, 2012	October 14, 2022	57,120.00
Julia Vargas	September 1, 2012	August 30, 2022	217,557.76
Benguet - La Trinidad	October 1, 2012	September 29, 2022	100,000.00
Lagro	November 1, 2012	October 29, 2027	64,842.11
Loyola Heights - Katipunan	November 1, 2012	October 30, 2022	112,000.18
Malabon - Rizal Ave.	September 1, 2012	August 29, 2027	45,000.00
Marikina - J.P. Rizal	June 16, 2012	June 16, 2022	112,000.00
Meycauyan - Malhacan	September 1, 2012	August 30, 2022	156,368.80
Ormoc City	November 1, 2012	October 30, 2022	97,412.00
Garnet	September 15, 2012	September 13, 2022	152,633.60
Tarlac Paniqui	November 1, 2012	October 27, 2032	31,705.33
San Lorenzo - A. Arnaiz Avenue	October 8, 2012	October 6, 2022	313,600.00
Pasig - Valle Verde	October 1, 2012	September 29, 2022	119,168.00
Pasig - Rosario	October 15, 2012	October 13, 2022	89,600.00
Pasig - Santolan	September 1, 2012	August 30, 2022	59,505.60
The Fort 26Th St-11Th Ave	September 16, 2014	September 15, 2024	128,400.00
Nueva Ecija - San Jose	October 1, 2012	September 29, 2022	50,400.00
Nueva Vizcaya - Solano	November 1, 2012	October 29, 2027	50,400.00
Surigao City	November 1, 2012	October 30, 2022	72,080.96
Tagbilaran	September 16, 2012	September 14, 2022	111,699.91
Novaliches - Talipapa	October 1, 2012	September 29, 2022	142,800.00
Batangas - Tanauan	September 1, 2012	August 29, 2027	32,256.00
The Fort - F1	September 1, 2012	August 31, 2022	232,100.00
Vigan	November 1, 2012	October 30, 2022	88,421.05
Zamboanga City - Canelar	July 16, 2012	July 14, 2022	81,347.37
Las Pinas - Almanza	October 1, 2012	September 28, 2027	112,000.00
Greenhills - North	February 15, 2013	February 13, 2023	219,192.96
Mandaluyong Wack - Wack	April 28, 2016	April 27, 2026	85,000.00
Sucat - Kabihasnan	December 1, 2012	November 29, 2022	103,040.00
Gil Puyat - Dian	March 28, 2013	March 26, 2023	122,169.60
A. Bonifacio - Balingasa	February 1, 2013	January 30, 2023	70,000.00

Branch/Building	Commencement Date	Expiration Date	Monthly Rent
Bicutan - East Service Road	February 27, 2013	February 25, 2023	82,986.40
Kalentong	January 1, 2013	December 30, 2022	100,800.00
Juan Luna - Pritil	January 1, 2013	December 30, 2022	67,200.00
Visayas Avenue	February 15, 2013	February 13, 2023	156,800.00
Bukidnon Valencia	May 5, 2013	May 3, 2023	84,040.32
Plaridel Bulacan	March 1, 2013	February 26, 2028	56,560.00
Laguna - Cabuyao	May 30, 2014	February 1, 2024	120,000.32
Cavite City	June 19, 2013	June 15, 2028	44,800.00
Davao - Buhangin	March 25, 2013	March 23, 2023	100,800.00
Grace Park - 11Th Ave	November 1, 2012	October 30, 2022	179,200.00
Legazpi City	April 15, 2015	April 28, 2025	264,320.00
Nueva Ecija - Gapan	February 1, 2013	January 29, 2028	72,800.00
Valenzuela - Dalandanan	January 1, 2013	December 30, 2022	112,000.00
Alabang Hills	July 11, 2012	July 9, 2022	119,966.00
Marikina - Parang	May 25, 2013	May 23, 2023	85,000.00
Navotas - M. Naval	August 1, 2013	July 27, 2033	48,605.00
Ongpin	June 1, 2013	May 30, 2023	230,958.00
Ylaya Padre Rada	June 1, 2013	May 30, 2023	117,600.00
Banawe - Kaliraya	August 17, 2013	August 15, 2023	168,000.00
Pangasinan - Lingayen	October 1, 2013	September 29, 2023	59,500.00
Balagtas - Bulacan	June 1, 2013	May 28, 2028	52,631.58
Subic Bay	August 1, 2013	July 30, 2023	120,000.00
Cavite - Trece Martires	April 1, 2013	March 30, 2023	128,800.00
Laguna - Biñan	March 7, 2013	March 5, 2023	99,357.89
Batangas - Lemery	March 25, 2013	March 23, 2023	112,000.00
Bacolod - Araneta	June 10, 2013	June 8, 2023	40,499.20
Roxas - City	August 1, 2013	July 30, 2023	39,200.00
Kalibo	June 19, 2013	June 17, 2023	67,200.00
Tacloban City - Marasbaras	May 22, 2013	May 20, 2023	78,942.08
Davao - Digos	April 18, 2013	April 16, 2023	68,349.12
Perea	June 16, 2013	June 14, 2023	173,600.00
General Luis - Kaybiga	August 11, 2013	August 7, 2028	33,600.00
San Jose - Antique	July 4, 2013	July 2, 2023	56,000.00
Batangas Rosario	May 22, 2013	May 20, 2023	89,600.00
Grace Park - 3Rd Ave	October 1, 2013	September 29, 2023	78,400.00
Isabela - Ilagan	June 11, 2013	June 11, 2033	54,000.00
La Union - Agoo	December 1, 2013	November 30, 2028	52,631.58
Ilocos Norte - San Nicolas	September 16, 2013	September 14, 2023	86,400.00
San Fernando Pampanga - Jose Abad Ave.	October 20, 2013	October 16, 2028	99,750.00
Cavite - Silang	June 24, 2013	June 22, 2023	78,579.20
Davao Agdao	October 7, 2013	October 5, 2023	56,000.00
Davao - Mac Arthur Matina	June 30, 2013	June 28, 2023	67,008.82
Project 8 - Shorthorn	October 1, 2013	September 29, 2023	93,114.00
Jupiter	July 15, 2013	July 13, 2023	224,000.00
Dipolog City	September 20, 2013	September 18, 2023	100,800.00
General Santos - Pioneer Avenue	July 2, 2013	June 30, 2023	100,800.00
Tordesillas	July 11, 2013	July 10, 2023	89,062.40
Bluementritt - Rizal Avenue	August 1, 2013	July 30, 2023	95,200.00
Greenhills Promenade	October 1, 2018	September 30, 2023	279,080.23
Chino Roces - La Fuerza	October 31, 2013	October 30, 2023	171,600.00
Gil Puyat - Salcedo Village	September 16, 2013	September 14, 2023	108,736.32
Catbalogan City	August 27, 2013	August 27, 2023	60,000.00
Batangas - Nasugbu	August 22, 2013	August 21, 2023	62,308.65
Juan Luna - Binondo	November 16, 2013	November 14, 2023	123,200.00

Branch/Building	Commencement Date	Expiration Date	Monthly Rent
Leviste	November 1, 2013	October 31, 2023	216,715.46
Paz M. Guazon	December 1, 2013	November 30, 2023	128,800.00
Sampaloc - J. Figueras	July 31, 2014	July 31, 2024	114,000.00
Del Monte - D. Tuazon	February 14, 2014	February 14, 2024	140,000.00
Valenzuela - Gen. T. De Leon	December 31, 2013	December 31, 2024	50,400.00
E. Rodriguez Sr. Ave. - Cubao	November 15, 2013	November 13, 2023	85,680.00
Mia Road	October 11, 2013	October 11, 2023	103,073.04
Las Piñas - J. Aguilar Ave.	October 17, 2013	October 17, 2023	129,381.73
Malolos	December 25, 2013	December 24, 2023	40,000.00
Nueva Ecija - Talavera	December 31, 2013	December 31, 2028	33,641.50
Zambales - Iba	December 25, 2013	December 25, 2028	40,000.00
Kawit - Centennial	August 28, 2013	August 28, 2023	68,052.00
Batanggas- Sto. Tomas	July 31, 2014	November 5, 2029	42,000.00
Sorsogon City	August 13, 2013	August 13, 2023	100,800.00
Silay	October 15, 2013	September 16, 2028	40,000.00
Davao - Quirino	November 16, 2013	November 17, 2023	84,000.00
Davao - Magsaysay	September 4, 2013	September 4, 2028	30,000.00
Cagayan - Carmen	January 29, 2014	January 28, 2024	100,000.00
Cagayan De Oro - Lapasan	November 5, 2013	November 18, 2023	75,000.00
Kidapawan	November 12, 2013	November 11, 2023	60,000.00
Batangas - Balayan	July 5, 2015	March 6, 2029	47,157.89
Gen Santos - Calumpang	January 31, 2014	January 31, 2024	78,052.18
The Fort - Active Fun	March 23, 2014	March 23, 2024	226,593.00
Pasay - Oceanaire	August 1, 2014	September 30, 2024	187,250.00
Pateros	May 16, 2014	March 16, 2024	98,052.92
Bulacan San Jose - Del Monte	May 31, 2014	May 31, 2029	92,736.00
Sta. Rosa	April 16, 2014	April 15, 2019	137,700.00
Pedro Gil	June 15, 2014	June 15, 2022	224,000.00
Mayon - Dapitan	September 1, 2014	August 31, 2024	85,500.00
Bataan - Mariveles	May 1, 2014	April 30, 2029	8,808.24
Kamuning	May 1, 2014	May 1, 2024	80,838.22
E. Rod. - Welcome Rotonda	May 15, 2014	May 15, 2024	89,600.00
Xavierville	May 6, 2014	May 6, 2024	133,883.75
Tabaco City	April 23, 2014	April 23, 2024	96,300.00
Ortigas - Adb Avenue	October 1, 2014	October 1, 2024	224,986.61
A. Mabini - R. Salas	August 15, 2014	August 14, 2024	160,500.00
P. Ocampo Avenue	September 1, 2014	September 1, 2024	101,650.00
Montalban - Rizal	September 1, 2014	September 1, 2024	71,824.29
Timog - Mother Ignacia	October 1, 2014	September 30, 2024	160,500.00
Aurora Blvd. - Anonas	September 4, 2014	September 3, 2024	101,650.00
Boni Serrano Ave.	November 10, 2014	November 9, 2024	94,543.01
Cabanatuan - Maharlika	March 15, 2015	April 15, 2030	58,571.27
Kalayaan - Matalino	March 1, 2015	February 28, 2035	160,500.00
Legaspi - Aguirre	April 15, 2015	April 28, 2025	264,320.00
Tarlac - Concepcion	May 1, 2015	April 30, 2030	53,052.63
Bulacan - Sta. Maria	May 1, 2015	April 30, 2025	112,000.00
Tarlac - MacArthur	May 1, 2015	April 30, 2030	53,052.63
Pangasinan - Mangaldan	June 1, 2015	May 31, 2025	119,263.15
Batangas City - Pallocan	June 1, 2015	May 31, 2025	73,500.00
Isabela - Roxas	January 16, 2016	January 15, 2026	60,000.00
Laguna - Sta. Cruz	September 1, 2015	August 31, 2025	70,732.89
Calamba - National Road	September 1, 2015	August 31, 2025	160,500.00
Bacolod - East	August 1, 2015	July 31, 2025	114,069.31
Davao-Diversion Road	August 16, 2015	August 15, 2025	50,176.00

Branch/Building	Commencement Date	Expiration Date	Monthly Rent
Pangasinan - Alaminos	July 1, 2015	June 30, 2025	101,701.60
Candelaria	July 1, 2015	July 1, 2030	47,500.00
Iloilo - Diversion	June 1, 2016	May 31, 2026	69,550.00
Baguio - Legarda	September 16, 2015	September 15, 2025	204,099.68
Tacloban - J. Romualdez	December 18, 2015	October 18, 2025	112,841.34
Butuan - P.Burgos	September 1, 2015	August 31, 2025	128,184.29
San Mateo	September 16, 2015	September 15, 2030	61,894.74
Cavite - Rosario	October 26, 2015	October 25, 2025	107,000.00
Davao - Ma-a	March 1, 2016	February 28, 2026	67,410.00
The Fort 11th Ave.-30th St.	April 15, 2016	December 31, 2021	231,420.00
Pampanga-Clark	June 1, 2016	August 31, 2026	83,574.00
Tacurong	May 1, 2016	April 30, 2026	80,890.93
Tagaytay	February 16, 2017	April 30, 2027	124,722.00
Alabang - Frabelle	November 15, 2016	November 15, 2026	412,850.00
The Fort - 7th Ave.	December 15, 2017	December 14, 2020	444,945.00
Ortigas - Orient Square	April 1, 2017	March 31, 2027	626,720.40
Cagayan De Oro - Pueblo	July 11, 2016	July 10, 2026	127,710.00
Festival Mall - Expansion Wing	February 5, 2018	April 30, 2023	199,043.00
The Fort-PSE Tower	May 1, 2017	April 30, 2027	207,000.00
Pasong Tamo Head Office	December 1, 2013	December 1, 2018	1,603,474.19
Cbd Luzon	April 1, 2012	March 31, 2022	53,500.00
PBCOM Office	June 28, 2017	June 27, 2022	3,115,194.50

ANNEX D – 2018 Audited Financial Statements eastwest

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, 2018 and 2017, 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 28th day of February, 2019

SUBSCRIBED AND SWORN to before me on this MAR 21 2019 at ______________ City, affiant exhibited to me his/her ID ____________________ issued at ____________________________ on ______________________

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PAGE NO.: 41
BOOK NO.: VI
SERIES NO.: 2019

ATTY. MA. ANNA LOURDES DIMAANO-PAMFILO
NOTARY PUBLIC FOR MAKATI CITY
Appointment No. M-81 until December 31, 2020
Roll No. 38268 / IBP Lifetime No. 07083
PTR No. 7333148 January 3, 2019

COVER SHEET
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
AFS		

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)
90	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 Consolidated and Parent Company Financial Statements

Opinion

We have audited the financial statements of East West Banking Corporation (the Parent Company) and its subsidiaries (the Group), which comprise the statements of financial position as at December 31, 2018 and 2017 and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2018, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2018 and 2017, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2018, 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 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 financial statements of the current period. These matters were addressed in the context of our audit of the 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.

Adoption of PFRS 9, *Financial Instruments*

On January 1, 2018, the Group and the Parent Company adopted the final version of PFRS 9, Financial Instruments, which replaced PAS 39, Financial Instruments: Recognition and Measurement. PFRS 9 provides revised principles for classifying financial assets and introduces a forward-looking expected credit loss model to assess impairment on debt financial assets not measured at fair value through profit or loss and loan commitments and financial guarantee contracts. The Group and the Parent Company used the modified retrospective approach in adopting PFRS 9.

Expected Credit Loss (ECL)

The Group's and the Parent Company's adoption of the ECL model 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 application of the ECL model increased the allowance for credit losses, provision for unused credit lines and deferred tax asset as of January 1, 2018 by ₱490.71 million, ₱220.65 million, and ₱213.41 million respectively, and decreased surplus by ₱497.95 million of the Group and the Parent Company. Provision for impairment and credit losses of the Group and the Parent Company in 2018 using the ECL model amounted to ₱3.91 billion and ₱3.85 billion, respectively.

The disclosures in relation to the effect of adoption of PFRS 9 and the details of allowance for credit losses and provision for unused credit lines using the ECL model are included in Notes 2 and 15 to the financial statements.

Audit Response

We obtained an understanding of the board approved methodologies and models used for the Bank'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 Bank'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 Bank'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 Bank'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 Bank'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.

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, 2018, 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, 2018 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 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 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Bank'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 Bank'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 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 Bank to cease to continue as a going concern.

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

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

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 35 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of the Group. 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 Vicky Lee Salas.

SYCIP GORRES VELAYO & CO.

Vicky Lee Salas

Vicky Lee Salas
Partner
CPA Certificate No. 86838
SEC Accreditation No. 0115-AR-4 (Group A),
May 1, 2016, valid until May 1, 2019
Tax Identification No. 129-434-735
BIR Accreditation No. 08-001998-53-2018,
February 14, 2018, valid until February 13, 2021
PTR No. 7332563, January 3, 2019, Makati City

February 28, 2019

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			
	2018	2017	**2018**	2017
ASSETS				
Cash and Other Cash Items	**₱7,185,241**	₱6,723,320	**₱7,097,652**	₱6,690,801
Due from Bangko Sentral ng Pilipinas (Note 16)	**40,481,956**	39,321,213	**39,872,848**	38,792,299
Due from Other Banks	**10,233,240**	9,362,992	**10,087,675**	9,341,309
Interbank Loans Receivable	**5,862,670**	12,387,633	**5,862,670**	12,387,633
Financial Assets at Fair Value Through Profit or Loss (Notes 8 and 17)	**4,338,794**	7,313,183	**4,338,794**	7,313,183
Financial Assets at Fair Value Through Other Comprehensive Income (Notes 8 and 17)	**248,207**	2	**248,207**	2
Investment Securities at Amortized Cost (Notes 8 and 17)	**36,510,546**	6,472,222	**36,510,546**	6,472,222
Loans and Receivables (Notes 9, 15 and 27)	**245,869,585**	220,134,687	**222,052,805**	200,597,771
Investments in Subsidiaries (Note 10)	–	–	**3,697,985**	3,456,951
Investment in a Joint Venture (Note 10)	**689,466**	835,283	**689,466**	835,283
Property and Equipment (Note 11)	**2,655,809**	3,044,220	**2,389,521**	2,696,055
Investment Properties (Notes 12 and 15)	**921,153**	827,578	**919,782**	826,138
Deferred Tax Assets (Note 24)	**2,265,962**	1,957,094	**2,138,525**	1,864,271
Goodwill and Other Intangible Assets (Note 13)	**6,893,646**	6,921,184	**6,854,827**	6,871,804
Other Assets (Notes 14 and 15)	**3,182,714**	2,342,830	**3,066,562**	2,278,321
TOTAL ASSETS	**₱367,338,989**	₱317,643,441	**₱345,827,865**	₱300,424,043

LIABILITIES AND EQUITY				
LIABILITIES				
Deposit Liabilities (Notes 16 and 27)				
Demand	**₱74,793,978**	₱74,876,331	**₱75,162,613**	₱75,560,201
Savings	**70,733,509**	68,578,108	**51,391,535**	52,458,816
Time	**126,915,196**	97,280,600	**126,915,196**	97,280,600
Long-term negotiable certificates of deposits	**15,797,150**	17,991,295	**15,797,150**	17,991,295
	288,239,833	258,726,334	**269,266,494**	243,290,912
Bills and Acceptances Payable (Note 17)	**17,969,927**	4,159,695	**17,969,927**	4,159,695
Accrued Taxes, Interest and Other Expenses (Note 18)	**2,860,896**	2,322,656	**2,528,401**	2,134,188
Cashier's Checks and Demand Draft Payable	**895,717**	1,040,545	**895,717**	1,040,545
Subordinated Debt (Note 19)	**6,214,479**	6,211,138	**4,975,862**	4,972,572
Income Tax Payable	**222,410**	233,609	**127,936**	163,896
Other Liabilities (Note 20)	**8,278,553**	5,943,948	**7,406,354**	5,656,719
TOTAL LIABILITIES	**324,681,815**	278,637,925	**303,170,691**	261,418,527
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY				
Common Stock (Note 22)	**22,499,754**	14,999,836	**22,499,754**	14,999,836
Additional Paid in Capital (Note 22)	**5,065,059**	5,209,061	**5,065,059**	5,209,061
Surplus Reserves (Note 28)	**921,655**	52,143	**921,655**	52,143
Surplus (Note 28)	**14,353,812**	18,713,129	**14,353,812**	18,713,129
Fair Value Reserves on Financial Assets at Fair Value Through Other Comprehensive Income	**(10,293)**	(4,048)	**(10,293)**	(4,048)
Remeasurement Gains (Losses) on Retirement Plans (Note 25)	**(77,991)**	32,133	**(77,991)**	32,133
Cumulative Translation Adjustment	**(94,822)**	3,262	**(94,822)**	3,262
TOTAL EQUITY	**42,657,174**	39,005,516	**42,657,174**	39,005,516
TOTAL LIABILITIES AND EQUITY	**₱367,338,989**	₱317,643,441	**₱345,827,865**	₱300,424,043

See accompanying Notes to Financial Statements

EAST WEST BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS OF INCOME

	Consolidated			Parent Company		
	Years Ended December 31					
	2018	2017	2016	**2018**	2017	2016
	(Amounts in Thousands)					
INTEREST INCOME						
Loans and receivables (Notes 9 and 27)	**₱23,108,172**	₱21,087,498	₱17,377,357	**₱21,578,452**	₱19,270,469	₱16,082,377
Financial Assets at Fair Value Through Other Comprehensive Income and Investment Securities at Amortized Cost (Note 8)	**1,029,352**	507,051	450,821	**1,029,352**	507,051	450,821
Financial Assets at Fair Value Through Profit or Loss (Note 8)	**118,827**	315,107	348,808	**118,827**	315,107	348,808
Due from other banks and interbank loans receivable	**101,759**	110,353	40,115	**100,011**	108,830	39,987
	24,358,110	22,020,009	18,217,101	**22,826,642**	20,201,457	16,921,993
INTEREST EXPENSE						
Deposit liabilities (Note 16)	**4,523,538**	3,160,777	2,458,922	**4,016,671**	2,833,700	2,278,609
Subordinated debt, bills payable and other borrowings (Notes 17 and 19)	**557,073**	408,602	358,941	**487,242**	349,034	358,941
	5,080,611	3,569,379	2,817,863	**4,503,913**	3,182,734	2,637,550
NET INTEREST INCOME	**19,277,499**	18,450,630	15,399,238	**18,322,729**	17,018,723	14,284,443
Service charges, fees and commissions (Note 23)	**4,888,450**	5,342,776	4,101,341	**4,126,139**	3,853,564	3,189,114
Foreign exchange gain	**738,597**	378,705	176,957	**738,597**	378,705	176,957
Gain on sale of assets (Notes 11,12 and 14)	**139,087**	55,892	56,124	**139,039**	53,278	55,059
Trust income (Note 28)	**51,333**	46,759	18,602	**51,333**	46,759	18,602
Gain on capital transaction (Note 10)	–	665,000	1,005,000	–	665,000	1,005,000
Gain on sale of investment securities at amortized cost (Note 8)	–	317,443	–	–	317,443	–
Loss on asset foreclosure and dacion transactions	**(212,896)**	(236,353)	(29,454)	**(212,896)**	(236,353)	(29,454)
Trading and securities gain (loss) (Note 8)	**(235,917)**	63,973	734,499	**(235,917)**	63,973	734,499
Miscellaneous (Note 23)	**851,075**	568,738	469,718	**844,764**	545,299	457,335
TOTAL OPERATING INCOME	**25,497,228**	25,653,563	21,932,025	**23,773,788**	22,706,391	19,891,555
OPERATING EXPENSES						
Compensation and fringe benefits (Notes 23 and 27)	**4,986,802**	4,608,745	4,009,859	**4,591,278**	4,198,748	3,706,512
Provision for impairment and credit losses (Notes 9, 12, 14 and 15)	**3,905,928**	4,464,267	5,692,223	**3,848,772**	4,332,113	5,659,819
Taxes and licenses	**2,326,683**	1,980,710	1,520,722	**2,053,250**	1,729,062	1,341,091
Depreciation and amortization (Notes 11, 12 and 14)	**1,077,209**	1,056,234	974,771	**961,611**	939,894	889,443
Rent (Note 26)	**1,037,898**	952,335	873,118	**958,992**	872,943	815,401
Amortization of intangible assets (Note 13)	**188,061**	339,874	175,251	**170,158**	325,566	163,038
Miscellaneous (Note 23)	**5,602,526**	5,044,457	4,187,414	**5,286,481**	4,770,978	3,983,020
TOTAL OPERATING EXPENSES	**19,125,107**	18,446,622	17,433,358	**17,870,542**	17,169,304	16,558,324
INCOME BEFORE SHARE IN NET INCOME OF SUBSIDIARIES AND JOINT VENTURE	**6,372,121**	7,206,941	4,498,667	**5,903,246**	5,537,087	3,333,231
SHARE IN NET INCOME OF SUBSIDIARIES (Note 10)	–	–	–	**241,520**	1,181,247	775,405
SHARE IN NET LOSS OF A JOINT VENTURE (Note 10)	**(395,816)**	(449,050)	(356,954)	**(395,816)**	(449,050)	(356,954)
INCOME BEFORE INCOME TAX	**5,976,305**	6,757,891	4,141,713	**5,748,950**	6,269,284	3,751,682
PROVISION FOR INCOME TAX (Note 24)	**1,468,241**	1,707,192	733,957	**1,240,886**	1,218,585	343,926
NET INCOME	**₱4,508,064**	₱5,050,699	₱3,407,756	**₱4,508,064**	₱5,050,699	₱3,407,756
Basic Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 30)	**₱2.00**	**₱2.24**	**₱1.51**			
Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 30)	**₱2.00**	**₱2.24**	**₱1.51**			

See accompanying Notes to Financial Statements.

EAST WEST BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS OF COMPREHENSIVE INCOME

	Consolidated			Parent Company		
	Years Ended December 31					
	2018	2017	2016	**2018**	2017	2016
	(Amounts in Thousands)					
NET INCOME FOR THE YEAR	**₱4,508,064**	₱5,050,699	₱3,407,756	**₱4,508,064**	₱5,050,699	₱3,407,756
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)	**(110,124)**	101,215	(23,063)	**(109,638)**	101,084	(24,378)
Change in net unrealized gains (losses) on equity securities at fair value through other comprehensive income (Note 8)	**(1)**	12	(1,618)	**(1)**	12	(1,618)
Share in changes in remeasurement gain (loss) of retirement liabilities of subsidiaries (Notes 10 and 25)	**–**	–	–	**(486)**	131	1,315
Items that may be reclassified to profit or loss in subsequent periods:						
Change in net unrealized losses on debt securities at fair value through other comprehensive income (Note 8)	**(6,244)**	–	–	**(6,244)**	–	–
Cumulative translation adjustment	**(98,084)**	(95,781)	63,549	**(98,084)**	(95,781)	63,549
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	**(214,453)**	5,446	38,868	**(214,453)**	5,446	38,868
TOTAL COMPREHENSIVE INCOME, NET OF TAX	**₱4,293,611**	₱5,056,145	₱3,446,624	**₱4,293,611**	₱5,056,145	₱3,446,624

See accompanying Notes to Financial Statements.

EAST WEST BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS OF CHANGES IN EQUITY

	Consolidated							
	Year Ended December 31, 2018							
	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 Fair Value Through Other Comprehensive Income	Remeasurement Gains (Losses) on Retirement Plan	Cumulative Translation Adjustment	Total Equity
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, 2018

	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, 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**
Balances 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)
Balances 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					
	2018	2017	2016	**2018**	2017	2016
	(Amounts in Thousands)					
CASH FLOWS FROM OPERATING ACTIVITIES						
Income before income tax	**₱5,976,305**	₱6,757,891	₱4,141,713	**₱5,748,950**	₱6,269,284	₱3,751,682
Adjustments for:						
Provision for impairment and credit losses (Note 15)	**3,905,928**	4,464,267	5,692,223	**3,848,772**	4,332,113	5,659,819
Depreciation and amortization (Notes 11, 12 and 14)	**1,077,209**	1,056,234	974,771	**961,611**	939,894	889,443
Share in net loss of a joint venture (Note 10)	**395,816**	449,050	356,954	**395,816**	449,050	356,954
Amortization of intangible assets (Note 13)	**188,061**	339,874	175,251	**170,158**	325,566	163,038
Loss on asset foreclosure and dacion transactions (Note 32)	**212,896**	236,353	29,454	**212,896**	236,353	29,454
Unrealized market valuation gain on financial assets at fair value through profit and loss	**(18,568)**	(40,628)	(72,944)	**(18,568)**	(40,628)	(72,944)
Gain on sale of assets (Notes 11, 12 and 14)	**(139,087)**	(55,892)	(56,124)	**(139,039)**	(53,278)	(55,059)
Gain on sale of investment securities at amortized cost (Note 8)	**–**	(317,443)	–	**–**	(317,443)	–
Gain on capital transaction (Note 10)	**–**	(665,000)	(1,005,000)	**–**	(665,000)	(1,005,000)
Share in net income of subsidiaries (Note 10)	**–**	–	–	**(241,520)**	(1,181,247)	(775,405)
Changes in operating assets and liabilities:						
Decrease (increase) in the amounts of:						
Financial assets at fair value through profit or loss	**(1,584,179)**	(2,004,805)	5,346,000	**(1,584,179)**	(2,004,805)	5,346,000
Loans and receivables	**(40,308,352)**	(28,265,622)	(45,216,868)	**(38,366,467)**	(20,376,984)	(39,432,293)
Other assets	**2,199**	1,850	4,509	**1,733**	5,018	9,788
Increase (decrease) in the amounts of:						
Deposit liabilities	**31,947,470**	18,504,815	48,753,345	**30,841,843**	13,166,177	43,735,003
Accrued taxes, interest and other expenses	**331,558**	662,409	605,527	**187,531**	590,648	579,205
Cashier's checks and demand draft payable	**(144,828)**	(18,633)	(158,563)	**(144,828)**	(18,633)	(158,563)
Other liabilities	**2,474,276**	(613,856)	568,794	**1,895,754**	(683,555)	524,047
Net cash generated from operations	**4,316,704**	490,864	20,139,042	**3,770,463**	972,530	19,545,169
Income taxes paid	**(1,538,160)**	(1,871,098)	(1,485,203)	**(1,289,920)**	(1,325,553)	(1,070,302)
Net cash provided by (used in) operating activities	**2,778,544**	(1,380,234)	18,653,839	**2,480,543**	(353,023)	18,474,867
CASH FLOWS FROM INVESTING ACTIVITIES						
Consideration received for the exclusive bancassurance access and investment transaction (Note 10)	–	–	1,400,000	**–**	–	1,400,000
Proceeds from sale of:						
Financial assets at fair value through OCI (Note 8)	**443,505**	–	–	**443,505**	–	–
Investment securities at amortized cost (Note 8)	**–**	11,756,331	–	**–**	11,756,331	–
Investment properties and other repossessed assets (Notes 12 and 14)	**2,257,655**	2,052,732	981,868	**2,257,655**	2,052,732	981,868
Property and equipment (Note 11)	**27,540**	35,253	6,112	**20,298**	32,316	3,115
Proceeds from maturity of investment securities at amortized cost	–	53,789	3,185,701	**–**	53,789	3,185,701

(Forward)

	Consolidated			Parent Company		
	Years Ended December 31					
	2018	2017	2016	**2018**	2017	2016
	(Amounts in Thousands)					
Acquisitions of:						
Investment securities at amortized cost	**(₱22,039,565)**	(₱6,835,390)	(₱9,697,312)	**(₱22,039,565)**	(₱6,835,390)	(₱9,697,312)
Financial assets at fair value through OCI	**(702,000)**	–	–	**(702,000)**	–	–
Property and equipment (Note 11)	**(341,241)**	(368,361)	(532,373)	**(302,486)**	(278,185)	(382,608)
Capitalized software (Note 13)	**(160,523)**	(114,131)	(250,348)	**(153,181)**	(108,159)	(242,305)
Additional capital infusion in a joint venture	**(250,000)**	–	–	**(250,000)**	–	–
Net cash transferred from a business combination (Note 7)	–	(548,062)	(379,782)	–	(548,062)	(401,160)
Incorporation of a subsidiary (Note 10)	–	–	–	–	–	(100,000)
Net cash provided by (used in) investing activities	**(20,764,629)**	6,032,161	(5,286,134)	**(20,725,774)**	6,125,372	(5,252,701)
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from bills and acceptances payable	**613,830,961**	243,061,250	193,684,233	**613,830,961**	243,061,250	193,684,233
Payments of bills and acceptances payable	**(600,020,729)**	(241,096,150)	(194,563,161)	**(600,020,729)**	(241,096,150)	(194,563,161)
Payment of direct costs on stock dividend issuance	**144,000**	–	–	**144,000**	–	–
Payment of subordinated debt (Note 19)	–	–	(1,555,763)	–	–	(1,555,763)
Dividend paid (Note 22)	–	(500,000)	(400,000)	–	(500,000)	(400,000)
Issuance of unsecured subordinated debt, net of issuance cost (Note 19)	–	1,237,834	–	–	–	–
Net cash provided by (used in) financing activities	**13,954,232**	2,702,934	(2,834,691)	**13,954,232**	1,465,100	(2,834,691)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(4,031,853)**	7,354,861	10,533,014	**(4,290,999)**	7,237,449	10,387,475
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR						
Cash and other cash items	**6,723,320**	6,623,761	5,899,131	**6,690,801**	6,511,420	5,829,104
Due from Bangko Sentral ng Pilipinas	**39,321,213**	39,343,143	30,908,680	**38,792,299**	39,019,501	30,725,169
Due from other banks	**9,362,992**	6,970,645	5,376,926	**9,341,309**	6,940,924	5,310,299
Interbank loans receivable	**12,387,633**	7,502,748	7,722,546	**12,387,633**	7,502,748	7,722,546
	67,795,158	60,440,297	49,907,283	**67,212,042**	59,974,593	49,587,118
CASH AND CASH EQUIVALENTS AT END 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	**10,087,873**	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	**₱62,921,043**	₱67,212,042	₱59,974,593

NET OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDENDS						
Interest received	**₱22,903,190**	₱21,972,257	₱17,763,608	**₱21,330,238**	₱20,243,005	₱16,538,668
Interest paid	**4,600,953**	3,526,487	2,822,450	**4,114,526**	3,155,575	2,647,577
Dividend received	**3,777**	4,555	6,390	**3,777**	4,555	6,390

See accompanying 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, 2018 and 2017, the Parent Company is effectively 77.28% and 77.19%, 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 466 and 446 branches as of December 31, 2018 and 2017, 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, 2018 and 2017:

		Effective Percentage of Ownership	
	Principal Activities	**2018**	2017
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) Effective in 2018 that are Relevant to the Group

Unless otherwise stated, the following new standards, amendments and annual improvements have no material impact to the Group's annual consolidated financial statements as at and for the year ended December 31, 2018:

- Philippine Accounting Standards (PAS) 40, *Investment Property*
  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

- PAS 28, *Investment in Associate and Joint Venture - Measuring an associate or joint venture at fair value*
  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at FVTPL. Further, if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the

entity, when applying the equity method, may elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interest in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

- PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*
  The amendments address concerns arising from implementing PFRS 9 before implementing the new insurance contracts standard (PFRS 17). Entities are allowed to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in Other comprehensive income (OCI), rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of PFRS 17 or January 1, 2021. The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

- PFRS 9 (2014), *Financial Instruments*. This standard, herein referred to as PFRS 9, replaces PAS 39, *Financial Instruments: Recognition and Measurement* and the previous versions (2009, 2010 and 2013) of PFRS 9. In addition to the classification and measurement requirements for financial assets and financial liabilities, which were early adopted by the Group applying the 2010 version on January 1, 2011, PFRS 9 (2014) includes the following major provisions:

  - limited amendments to the classification and measurement requirements for financial assets, including the introduction of the FVTOCI measurement category for eligible debt financial assets; and

  - an expected credit loss model in measuring impairment of debt financial assets that are not measured at FVTPL, including irrevocable loan commitments and financial guarantee contracts.

  Classification and Measurement
  In addition to the amortized cost and FVTPL categories of the previous versions of PFRS 9, the FVTOCI category for debt instruments became available if the business model is both hold-to-collect contractual cash flows and to realize fair value gains by selling the instruments. Changes in the fair value of FVTOCI debt financial assets are recognized in other comprehensive income and will be recycled to profit or loss when the assets are derecognized.

  As a result of the change in the Parent Company's business models for managing financial assets in the fourth quarter of 2017, on January 1, 2018, the Parent Company adopted the FVTOCI category for certain debt financial assets (Note 8).

  Expected Credit Loss
  The adoption of PFRS 9 has fundamentally changed the Group's accounting for impairment losses by shifting the purely historical-driven incurred loss model under PAS 39 ito a forward-looking expected credit loss (ECL) model. The ECL is calculated for all assets classified as at Amortized Cost and as at FVTOCI, which include, but are not limited to, corporate loans, consumer loans, and bond investments. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive (i.e., cash shortfall). The cash shortfall is then discounted at the financial

asset's original effective interest rate (EIR). The ECL is calculated as the product of the following: probability of default (PD), loss given default (LGD), and exposure at default (EAD).

The significant increase or improvement in credit risk (SICR) model is used to classify accounts into PFRS 9 ECL's three stages. A set of defined empirical-based rules and expert judgment that discriminate good and bad credit make up the SICR. Accounts that do not demonstrate significant increase in credit risk are classified under Stage 1, while accounts that demonstrate significant increase in credit risk since origination, evidenced by missed payments for monthly amortizing exposures and/or the significant increase in the likelihood of default, but does not have objective evidence of impairment as of reporting date are classified under Stage 2. For corporate loans and investments on debt-type instruments, accounts are also classified under Stage 2 if the equivalent PD exceeds the Group's set threshold. On the other hand, accounts with objective evidence of impairment are classified under Stage 3. For there to be movement to a better stage (i.e., from Stage 2 or 3 to Stage 1 or 2), there must be significant improvement in credit risk such that the criteria for the better stage are met and there is consistent evidence of good behavior by the borrower.

The 12-month ECL is computed for Stage 1 accounts, while the lifetime ECL is calculated for Stage 2 and Stage 3 accounts. Stage 1 and Stage 2 accounts shall use future values derived from the term structures of the PD, i.e. likelihood of default within 12 months from the assessment date and for the remaining life of the exposure, respectively. These future values also take into consideration prospective business environment conditions through the inclusion of macroeconomic forecasts.

At January 1, 2018, the Group determined the amount of impairment provisions required under the ECL model in accordance with its existing governance framework. The Group continues to refine its processes to enhance its implementation of PFRS 9.

The Group applied the modified retrospective application in adopting the final version of PFRS 9, which allowed the Group not to restate comparative periods for the effect of the application of the ECL model. Therefore, the comparative information for Allowance for credit losses for 2017 is reported under the PAS 39 incurred loss model and is not comparable to the information presented for 2018, which is based on the ECL model of PFRS 9. Differences arising from the adoption of ECL model of PFRS 9 which have been recognized directly in retained earnings as of January 1, 2018, are as follows:

Group

	Allowance for credit losses under PAS 39 as at December 31, 2017 (A)	ECL under PFRS 9 as at January 1, 2018 (B)	Remeasurement (B - A)	Deferred tax effect (C)	Effect on equity (B - A) - C
Due from other banks	**₱–**	**₱189**	**₱189**	**₱57**	**₱132**
Investment securities at amortized cost	**–**	**30**	**30**	**9**	**21**
Loans and other receivables	**6,334,109**	**6,824,600**	**490,491**	**147,147**	**343,344**
Other liabilities	**–**	**220,649**	**220,649**	**66,195**	**154,454**
	₱6,334,109	**₱7,045,468**	**₱711,359**	**₱213,408**	**₱497,951**

As of January 1, 2018, the adoption of ECL under PFRS 9 resulted in net increase in total Allowance for credit losses for the Group amounting to ₱490.71 million, increase in Other liabilities amounting to ₱220.65 million and increase in Deferred tax asset of ₱213.41 million, resulting in a net decrease in surplus of ₱497.95 million.

Parent Company

	Allowance for credit losses under PAS 39 as at December 31, 2017 (A)	ECL under PFRS 9 as at January 1, 2018 (B)	Remeasurement (B-A)	Deferred tax effect (C)	Effect on equity (B - A) - C
Due from other banks	**₱–**	**₱189**	**₱189**	**₱57**	**₱132**
Investment securities at amortized cost	**–**	**30**	**30**	**9**	**21**
Loans and other receivables	**5,958,873**	**6,449,364**	**490,491**	**147,147**	**343,344**
Other liabilities	**–**	**220,649**	**220,649**	**66,195**	**154,454**
	₱5,958,873	**₱6,670,232**	**₱711,359**	**₱213,408**	**₱497,951**

As of January 1, 2018, the adoption of ECL under PFRS 9 resulted in net increase in total Allowance for credit losses for the Parent Company totaling ₱490.71 million, increase in Other liabilities amounting to ₱220.65 million and increase in Deferred tax asset of ₱213.41 million, resulting in a net decrease in surplus of ₱497.95 million.

In addition, the Group has presented separately the interest revenue calculated using effective interest method from other interest revenue. Consequently, Interest income on Investment securities at amortized cost and as at FVTOCI is presented separately from Interest income on trading securities at FVTPL. Previously, these interest income items were presented together as Interest income on trading and investment securities.

PFRS 9 does not change the general principles of how an entity accounts for effective hedges. Applying the hedging requirements of PFRS 9 did not have a significant impact on the Group's consolidated financial statements as the Group currently does not apply hedge accounting.

- PFRS 15, *Revenue from Contracts with Customers*. The standard supersedes all current revenue recognition requirements under PFRS. The new standard establishes a five-step model to account for revenue arising from contracts with customers. The five-step model is as follows:
  a. Identify the contract(s) with a customer
  b. Identify the performance obligations in the contract
  c. Determine the transaction price
  d. Allocate the transaction price to the performance obligations in the contract
  e. Recognize revenue when (or as) the entity satisfies a performance obligation

  Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

  The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with the customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The standard affects the Group's credit card business as it requires that where a contract has more than one performance obligation, the transaction price must be allocated to all the performance obligations. PFRS 15 requires the Group to allocate a portion of the consideration received from interchange fees from credit cards to the reward points based on the estimated standalone selling prices. The amount allocated to the reward points is deferred, and is recognized as revenue when the points are redeemed or the likelihood of the customer redeeming the points becomes remote. Under PAS 18, *Revenue,* a proportion of the revenue from interchange fees from credit cards is allocated to the reward points. The allocated revenue that corresponds to the total value of the reward points is determined by determined by applying statistical analysis of historical data. The fair value of the points is deferred and recorded under 'Deferred revenue' and recognized as revenue when the points are redeemed or the likelihood of the customer redeeming the points becomes remote.

The Group adopted PFRS 15 using a modified retrospective approach with the date of initial application of January 1, 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to all contracts that are not completed as of January 1, 2018.

As the Group has already applied IFRIC 13, *Customer Loyalty Programme*, and related interpretations to its credit card transactions in the previous years. the adoption of PFRS 15 did not have a material impact on the Group's financial position, comprehensive income (OCI) or on the operating, investing and financing cash flows.

(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 2018, 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, 2019:

- PFRS 9 (Amendment), *Prepayment Features with Negative Compensation*. Under PFRS 9, a debt instrument can be measured at amortized cost or at FVTOCI, 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. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted. Management has assessed that the amendment has no impact on the consolidated and Parent Company financial statements.

- PFRS 16, *Leases*. This new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases.* The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's 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. PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

Upon adoption of this standard, the Group and the Parent Company expect to recognize a right of use asset and lease liability for covered lease contracts. Management is currently assessing the impact of this new standard in the consolidated and Parent Company financial statements.

- PAS 19 (Amendments), *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 apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

- PAS 28 (Amendments), *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 ECL 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*.

The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted. Since the Group does not have such long-term interests in its joint venture, the amendments will not have an impact on its consolidated financial statements.

- 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

  An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

  This interpretation is not relevant to the Group as there is no uncertainty involved in the tax treatments made by management in connection with the calculation of current and deferred taxes as of December 31, 2018 and 2017.

<u>Annual Improvements to PFRS 2015-2017 Cycle</u>

- 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 are currently not applicable to the Group but may apply to future transactions.

- 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.

  The Group does not expect any effect of these amendements on its consolidated financial statements.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*. The amendments clarify that an entity treats as part of general borrowing 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 these 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, the Group does not expect any effect on its consolidated financial statements upon adoption.

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 (COCI), amounts due from Bangko Sentral ng Pilipines (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.

<u>Foreign Currency Transactions and Translation</u>
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 PDS weighted average rate (PDSWAR) 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' and 'Loans and receivables as financial assets at amortized cost'.

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, 2018 and 2017, the Group has not made such designation.

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

Debt securities at FVTOCI (Policy applicable beginning January 1, 2018)
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 net unrealized gains (losses) on equity securities at FVTOCI.' When the asset is disposed of, the cumulative gain or loss previously recognized in 'Change in net unrealized gains (losses) 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 characterisitcs of the intruments 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, 2018 and 2017, 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 EIR.

Impairment of Financial Assets

Policies applicable beginning January 1, 2018
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 amount 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 quantitave 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 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, EAD and 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.

<u>*Policies applicable prior to January 1, 2018*</u>
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 andcollateral 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.

The Group's accounting policy for write-offs and recoveries after write-offs of financial assets under PFRS 9 remains the same as it was under PAS 39. 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 termFRs 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 and equipment.

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

<u>Investment Properties</u>
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 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>
Prior to January 1, 2018, under PAS 18, Revenue, 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. Upon adoption of PFRS 15, beginning January 1, 2018, 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 collectibility.

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, 2019, 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.

Expense Recognition
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
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.

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 are 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 financial statements in compliance with PFRS requires the Group 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.

Judgments

a) *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).

b) *Business model for managing financial assets and sale of investment securities at amortized cost*
The Parent Company'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 Parent Company 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 Parent Company'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 Parent Company's balance sheet based upon but are not limited to the set risk limits and target ratios that have been approved by the BOD.

In 2017, the Parent Company sold various securities under its hold-to-collect (HTC) portfolios (Note 8). The sales reflect the change in the Parent Company's asset allocation strategy resulting from the change in direction from the new senior management team with regard to the Parent Company's approach to managing its financial assets in relation to the required minimum Liquidity Coverage Ratio (LCR). The addition of more senior officers into the Parent Company resulted in the major shift in the Parent Company's overall strategy giving rise to changes in its desired risk profile and asset mix as well as its approach to managing financial assets. With this change in strategy, the Parent Company changed its business models for managing investment securities.

In addition, the BOD approved the Parent Company's new business model with the objective of using available funding to buy or sell debt securities to be able to collect accrual income, profit from the sale, use the proceeds to support the operating liquidity requirements, and bridge the asset and liability of the Parent Company. The new business models were approved by the BOD on December 14, 2017 (Note 8).

The change in the Parent Company's business models resulted in the adoption of the FVTOCI category for eligible securities and the reclassification of certain debt securities from FVTPL to amortized cost on January 1, 2018, the first day of the reporting period following the change in business models.

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.

c) *Business combination*
In determining whether a transaction or an event is a business combination, the Parent Company assessed whether the assets acquired and liabilities assumed constitute a business. A business is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants. Further, a business consists of inputs and processes applied to those inputs that have the ability to create outputs. Based on the provisions of the asset transfer agreement between the Parent Company and Standard Chartered Bank (Note 7), the Parent Company has identified the acquisition as a business combination. In making this judgment, the Parent Company has assessed the retail banking portfolio acquired as capable of providing a return to the Parent Company in the form of revenues from lending and portfolio management activities.

Estimates
a) *Credit losses on financial assets*

Beginning January 1, 2018
The measurement of credit losses under PFRS 9 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. Signicant 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.

Prior to January 1, 2018
The Group reviews its loans and receivables at each statement of financial position date to assess whether impairment loss should 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 for credit and impairment losses of the Group and of the Parent Company are disclosed in Note 9 and Note 15.

b) *Fair values of financial instruments*
The fair values of derivatives that are not quoted in active markets are determined using valuation techniques. Where valuation techniques are used to determine fair values, they 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 make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

Fair value measurements of financial instruments are disclosed in Note 5.

c) *Impairment of nonfinancial assets*
The Group assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

- 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. The recoverable amount is computed based on the higher of the asset's fair value less cost to sell or value in use. Recoverable amounts are estimated for individual assets or, if it is not possible, for the CGU to which the asset belongs.

The carrying values of the Group's and of the Parent Company's investment properties and intangible assets (excluding goodwill) are disclosed in Notes 12, 13, and 14.

d) *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 values of goodwill of the Group are disclosed in Note 13.

e) *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.

The recognized and unrecognized net deferred tax assets of the Group and of the Parent Company are disclosed in Note 24.

f) *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.

g) *Valuation of exclusive bancassurance access or distribution rights*
The Parent Company entered into an exclusive distribution agreement with EW Ageas Life for a period of twenty (20) years. 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).

The fair value of the exclusive bancassurance access was determined based on a valuation done by an independent third party valuer, which used as inputs recent similar transactions and the number of branches and customers of the Parent Company. The fair value of the exclusive bancassurance access was recognized as deferred revenue to be amortized over the distribution period (Notes 10 and 20).

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 (the Board or 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 board 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 board level committee that convenes monthly and is primarily responsible to assist the Board 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 Board. 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 Board the effectiveness of the risk management system, overall risk profile, and compliance with the risk appetite and tolerances that the Board 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 Board, all direct reports of the President and 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 Board, 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 SEC Code of Corporate Governance for Publicly Listed Companies.

i. Related Party Transactions (RPT) Committee
The RPT Committee assists the Board 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 Bank'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 Bank's historical experience, current, and prospective credit condition or other conditions deemed relevant in reasonably determining the Bank'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 an 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.

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, 2018 and 2017

Credit risk exposures
The following table shows the Group's and the Parent Company's net exposure to credit risk after taking into account any collateral held or other credit enhancements (amounts in millions):

	Consolidated							
	2018				2017			
	Maximum Exposure to Credit Risk	Fair Value of Collateral	Financial Effect of Collateral	Net Exposure	Maximum Exposure to Credit Risk	Fair Value of Collateral	Financial Effect of Collateral	Net Exposure
Loans and receivables:								
Receivables from customers*								
Corporate lending	₱72,849	₱24,959	₱8,173	₱64,676	₱60,843	₱20,940	₱7,977	₱52,866
Consumer lending	166,939	95,420	70,161	96,778	149,634	81,630	53,935	95,699
	₱239,788	₱120,379	₱78,334	₱161,454	₱210,477	₱102,570	₱61,912	₱148,565

*Excludes unamortized premium

	Parent Company							
	2018				2017			
	Maximum Exposure to Credit Risk	**Fair Value of Collateral**	**Financial Effect of Collateral**	**Net Exposure**	Maximum Exposure to Credit Risk	Fair Value of Collateral	Financial Effect of Collateral	Net Exposure
Loans and receivables:								
Receivables from customers*								
Corporate lending	**₱72,849**	**₱24,959**	**₱8,173**	**₱64,676**	₱60,843	₱20,940	₱7,977	₱52,866
Consumer lending	**142,409**	**95,363**	**70,107**	**72,302**	129,867	81,552	53,856	76,011
	₱215,258	**₱120,322**	**₱78,280**	**₱136,978**	₱190,710	₱102,492	₱61,833	₱128,877

*Excludes unamortized premium

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):

	2018					2017				
	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	**₱762**	**100%**	**₱762**	**₱–**	**₱762**	₱529	100.00%	₱529	-	₱529
Transaction-related contingencies	**2,075**	**50%**	**1,038**	**–**	**1,038**	1,644	50.00%	822	–	822
Trade-related contingencies arising from movement of goods and commitments with an original maturity of up to one (1) year										
Guarantees	**4,010**	**20%**	**801**	**–**	**801**	2,521	20.00%	504	–	504
Letters of credit	**2,249**	**20%**	**450**	**–**	**450**	2,927	20.00%	586	–	586
	₱9,096		**₱3,051**	**₱–**	**₱3,051**	₱7,621		₱2,441	₱–	₱2,441

*For all other off-balance sheet exposures (see Note 29), credit conversion factor is 0.00%.

Large exposures and top 20 borrowers

The table below summarizes the top 20 borrowers and large exposures of the Group and the Parent Company:

	2018			
	Top 20 Borrowers		**Large Exposures***	
	Single Borrowers	**Group Borrowers**	**Single Borrowers**	**Group Borrowers**
Aggregate Exposure (in billions)	**₱30.83**	**₱36.07**	**₱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% of the Parent Company's qualifying capital.

	2017			
	Top 20 Borrowers		Large Exposures*	
	Single Borrowers	Group Borrowers	Single Borrowers	Group Borrowers
Aggregate Exposure (in billions)	₱26.27	₱30.90	₱13.65	₱17.48
Composite Risk Rating	3.17	3.42	1.91	2.58
Total Credit Loss/Aggregate Exposure	1.05%	1.19%	0.32%	0.88%

Large exposures refer to exposures to a counterparty or a group of related counterparties equal to or greater than 5% 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 industry sector analysis of the financial assets of the Group follows (amounts in millions):

	2018			
	Loans and Receivables*	**Loans and Advances to Banks****	**Investment Securities*****	**Total**
Financial intermediaries	**₱9,123**	**₱56,819**	**₱422**	**₱66,364**
Government and foreign sovereign	–	–	**27,292**	**27,292**
Real estate, renting and business activity	**25,621**	–	–	**25,621**
Private households with employed persons	**149,909**	–	–	**149,909**
Wholesale and retail trade, repair of motor vehicles	**23,879**	–	–	**23,879**
Manufacturing	**9,065**	–	–	**9,065**
Agriculture, fisheries and forestry	**1,040**	–	–	**1,040**
Electricity, gas, steam and air-conditioning supply	**8,289**	–	**8,453**	**16,742**
Construction	**2,790**	–	–	**2,790**
Accommodation and food service activities	**2,837**	–	–	**2,837**
Administrative and support service activities	**1,059**	–	–	**1,059**
Other service activities	**1,981**	–	**18**	**2,000**
Holding		–	**1,978**	**1,978**
Others****	**6,083**	–	**526**	**6,609**
	241,676	**56,819**	**38,689**	**337,184**
Allowance for credit losses (Note 15)	**(7,292)**	–	**(3)**	**(7,295)**
	₱234,384	**₱56,819**	**₱38,686**	**₱329,889**

* Excludes unamortized premium but includes commitments and contingent accounts.
** Comprised of Due from BSP, Due from other banks and IBLR.
*** Comprised of Financial assets at FVTPL, Financial assets at FVTOCI and Investment securities at amortized cost.
**** Pertains to unclassified loans and receivables, commitments and contingent accounts.

	2017			
	Loans and Receivables*	Loans and Advances to Banks**	Investment Securities***	Total
Financial intermediaries	₱9,068	₱61,072	₱744	₱70,884
Government and foreign sovereign	–	–	8,115	8,115
Real estate, renting and business activity	19,158	–	–	19,158
Private households with employed persons	138,409	–	–	138,409
Wholesale and retail trade, repair of motor vehicles	20,089	–	–	20,089
Manufacturing	5,595	–	–	5,595
Agriculture, fisheries and forestry	1,244	–	–	1,244
Electricity, gas, steam and air-conditioning supply	8,676	–	2,419	11,095
Construction	2,514	–	–	2,514
Accommodation and food service activities	1,987	–	–	1,987
Administrative and support service activities	1,460	–	–	1,460
Other service activities	3,789	–	18	3,807
Holding	–	–	1,989	1,989
Others****	5,577	–	500	6,077
	217,566	61,072	13,785	292,423
Allowance for credit losses (Note 15)	(6,334)	–	–	(6,334)
	₱211,232	₱61,072	₱13,785	₱286,089

* Excludes unamortized premium but includes commitments and contingent accounts.
** Comprised of Due from BSP, Due from other banks and IBLR.
*** Comprised of Financial assets at FVTPL, Financial assets at FVTOCI and Investment securities at amortized cost.
**** Pertains to unclassified loans and receivables, commitments and contingent accounts.

An industry sector analysis of the financial assets of the Parent Company follows (amounts in millions):

	2018			
	Loans and Receivables*	**Loans and Advances to Banks****	**Investment Securities*****	**Total**
Financial intermediaries	**₱9,123**	**₱55,823**	**₱412**	**₱65,358**
Government and foreign sovereign	**–**	**–**	**27,292**	**27,292**
Real estate, renting and business activity	**25,621**	**–**	**–**	**25,621**
Private households with employed persons	**125,329**	**–**	**–**	**125,329**
Wholesale and retail trade, repair of motor vehicles	**23,879**	**–**	**–**	**23,879**
Manufacturing	**9,065**	**–**	**–**	**9,065**
Agriculture, fisheries and forestry	**1,040**	**–**	**–**	**1,040**
Electricity, gas, steam and air-conditioning supply	**8,289**	**–**	**8,453**	**16,742**
Construction	**2,790**	**–**	**–**	**2,790**
Accommodation and food service activities	**2,837**	**–**	**–**	**2,837**
Administrative and support service activities	**1,059**	**–**	**–**	**1,059**
Other service activities	**1,981**	**–**	**18**	**1,999**
Holding	**–**	**–**	**1,978**	**1,978**
Others****	**6,083**	**–**	**526**	**6,609**
	217,096	**55,823**	**38,679**	**311,598**
Allowance for credit losses (Note 15)	**(6,883)**	**–**	**(3)**	**(6,886)**
	₱210,213	**₱55,823**	**₱38,676**	**₱304,712**

* Excludes unamortized premium but includes commitments and contingent accounts.
** Comprised of Due from BSP, Due from other banks and IBLR.
*** Comprised of Financial assets at FVTPL, Financial assets at FVTOCI and Investment securities at amortized cost.
**** Pertains to unclassified loans and receivables, commitments and contingent accounts.

	2017			
	Loans and Receivables*	Loans and Advances to Banks**	Investment Securities***	Total
Financial intermediaries	₱9,060	₱60,521	₱744	₱70,325
Government and foreign sovereign	–	–	8,115	8,115
Real estate, renting and business activity	19,144	–	–	19,144
Private households with employed persons	118,412	–	–	118,412
Wholesale and retail trade, repair of motor vehicles	20,081	–	–	20,081
Manufacturing	5,587	–	–	5,587
Agriculture, fisheries and forestry	1,244	–	–	1,244
Electricity, gas, steam and air-conditioning supply	8,676	–	2,419	11,095
Construction	2,510	–	–	2,510
Accommodation and food service activities	1,985	–	–	1,985
Administrative and support service activities	1,460	–	–	1,460
Other service activities	3,774	–	18	3,792
Holding	–	–	1,989	1,989
Others****	5,548	–	500	6,048
	197,481	60,521	13,785	271,787
Allowance for credit losses (Note 15)	(5,959)	–	–	(5,959)
	₱191,522	₱60,521	₱13,785	₱265,828

* Excludes unamortized premium but includes commitments and contingent accounts.
** Comprised of Due from BSP, Due from other banks and IBLR.
*** Comprised of Financial assets at FVTPL, Financial assets at FVTOCI and Investment securities at amortized cost.
**** Pertains to unclassified loans and receivables, commitments and contingent accounts.

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			
Security	**Corporate Loans**		**Consumer Loans**	
	2018	2017	**2018**	2017
Real Estate Mortgage	11.55%	11.68%	10.83%	10.66%
Other Collateral*	23.14%	22.55%	46.88%	42.98%
Unsecured	65.30%	65.77%	42.29%	46.36%

*Consists of government securities, corporate bonds, shares of stock, hold-out on deposits, assignment of vehicles, assignment of receivables etc.

	Parent Company			
Security	**Corporate Loans**		**Consumer Loans**	
	2018	2017	**2018**	2017
Real Estate Mortgage	11.55%	11.68%	12.71%	12.25%
Other Collateral*	23.14%	22.55%	55.20%	49.64%
Unsecured	65.30%	65.77%	32.09%	38.11%

*Consists of government securities, corporate bonds, shares of stock, hold-out on deposits, assignment of vehicles, 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.

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:

<u>Internal Credit Risk Rating System</u>
The Parent Company 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.

Applicable beginning January 1, 2018
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 was 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 of the Bank are benchmarked against marketable corporate debt securities (using the 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 masterscale:

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

Applicable prior to January 1, 2018
Financial condition assessment focuses on profitability, liquidity, working capital management, and leverage. Management quality determination is based on the borrower's strategies, management competence and skills, and management of banking relationship while industry outlook is evaluated based on its importance to the economy, growth, industry structure and relevant government policies. Based on these factors, each borrower is assigned a Borrower Risk Rating (BRR), that ranges from 1 to 6. A borrower may be downgraded when it exhibits the characteristics of a classified account described below, in which case it will be assigned a risk rating ranging from 7 to 10.

Consideration is also given to security arrangements in computing for the final BRR. Depending on certain requisites, an account secured by real estate mortgages and hold-out on deposits or guarantees may be upgraded to better risk classifications.

The BRR 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 following is a brief explanation of the Parent Company's risk grades:

Rating	Description	Account/Borrower Characteristics
1	Excellent	• low probability of going into default within the coming year; very high debt service capacity and balance sheets show no sign of any weakness • has ready access to adequate funding sources • high degree of stability, substance and diversity • of the highest quality under virtual economic conditions
2	Strong	• low probability of going into default in the coming year • access to money markets is relatively good • business remains viable under normal market conditions • strong market position with a history of successful financial performance • financials show adequate cash flows for debt servicing and generally conservative balance sheets
3	Good	• sound but may be susceptible, to a limited extent, to cyclical changes in the markets in which they operate • financial performance is good and capacity to service debt remains comfortable • cash flows remain healthy and critical balance sheet ratios are at par with industry norms • reported profits in the past three years and expected to sustain profitability in the coming year
4	Satisfactory	• clear risk elements exist and probability of going into default is somewhat greater, as reflected in the volatility of earnings and overall performance • normally have limited access to public financial markets • able to withstand normal business cycles, but expected to deteriorate beyond acceptable levels under prolonged unfavorable economic period • combination of reasonably sound asset and cash flow protection
5	Acceptable	• risk elements for the Parent Company are sufficiently pronounced, but would still be able to withstand normal business cycles • immediate deterioration beyond acceptable levels is expected given prolonged unfavorable economic period • there is sufficient cash flow either historically or expected in the future in spite of economic downturn combined with asset protection

Rating	Description	Account/Borrower Characteristics
5B	Acceptable	• financial condition hard to ascertain due to weak validation of financial statements coupled by funding leakages to other business interests whose financial condition is generally unknown • continuous decline in revenues and margins due to competition; increasing debt levels not commensurate to growth in revenues and funding requirements • thin margin business with banks financing bulk of working capital and capex requirements coupled by substantial dividend pay-outs • chronically tight cash flows with operating income negative or barely enough for debt servicing • lines with banks maxed out and availments evergreen with minimal payments made over time or with past record of past due loans with other banks, cancelled credit cards and court cases
6	Watchlist	• affected by unfavorable industry or company-specific risk factors • operating performance and financial strength may be marginal and ability to attract alternative sources of finance is uncertain • difficulty in coping with any significant economic downturn; some payment defaults encountered • net losses for at least two consecutive years
7	Special Mention	• ability or willingness to service debt are in doubt • weakened creditworthiness • expected to experience financial difficulties, putting the Parent Company's exposure at risk
8	Substandard	• collectibility of principal or interest becomes questionable by reason of adverse developments or important weaknesses in financial cover • negative cash flows from operations and negative interest coverage • past due for more than 90 days • there exists the possibility of future loss to the Parent Company unless given closer supervision
9	Doubtful	• unable or unwilling to service debt over an extended period of time and near future prospects of orderly debt service are doubtful • with non-performing loan (NPL) status • previously rated 'Substandard' by the BSP • loss on credit exposure unavoidable
10	Loss	• totally uncollectible • prospect of re-establishment of creditworthiness and debt service is remote • lender shall take or has taken title to the assets and is preparing foreclosure and/or liquidation although partial recovery may be obtained in the future • considered uncollectible or worthless and of such little value that continuance as bankable assets is not warranted although the loans may have some recovery or salvage value

It is the Parent Company's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates a focused management of the applicable risk and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Parent Company's rating policy. The risk ratings are assessed and updated regularly.

External ratings

The Group also uses external ratings, such as Standard & Poor'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 – Applicable beginning January 1, 2018

The table below shows the breakdown of the Group and the Parent Company's exposure on receivable from customers and investments and placements as of December 31, 2018:

	Group	Parent Company
Receivables from customers		
Corporate Loans	**₱72,848,679**	**₱72,848,679**
Consumer Loans*	**166,939,045**	**142,409,025**
Other receivables**	**6,428,544**	**6,130,894**
Total loans and receivables	**₱246,216,268**	**₱221,388,598**
Investments and Placements***	**₱97,678,506**	**₱96,923,833**

**Consumer loans include auto loans, credit card (i.e. personal loans, DepEd loans, salary loans, branch loans and emerging enterprise loans) receivables, mortgage loans and other receivables from customers*
***Other receivables include accounts receivable, accrued interest receivable, unquoted debt securities classified as loans, and sales contract receivables.*
****Investments and Placements include financial assets at FVTPL, FVTOCI, investment securities at amortized cost, interbank loans, due from other banks and due from BSP.*

The credit quality of the Group's receivables from customers as of December 31, 2018 follow:

	Gross carrying amount			
	Stage 1	Stage 2	Stage 3	Total
Corporate loans				
Investment Grade	**₱43,913,770**	**₱2,331,906**	**₱–**	**₱46,245,676**
Standard Grade	**560,682**	**25,393,949**	**–**	**25,954,631**
Substandard Grade	**–**	**–**	**–**	**–**
Non-Performing	**–**	**–**	**648,372**	**648,372**
	44,474,452	**27,725,855**	**648,372**	**72,848,679**
Auto loans				
Investment Grade	**₱6,764,232**	**₱455,452**	**₱–**	**₱7,219,684**
Standard Grade	**48,226,122**	**14,622,501**	**–**	**62,848,623**
Substandard Grade	**1,117,363**	**4,103,997**	**–**	**5,221,360**
Non-Performing	**–**	**–**	**4,055,589**	**4,055,589**
	56,107,717	**19,181,950**	**4,055,589**	**79,345,256**
Credit cards				
Investment Grade	**346,910**	**–**	**–**	**346,910**
Standard Grade	**19,527,811**	**4,669,074**	**–**	**24,196,885**
Substandard Grade	**670,346**	**4,471,702**	**–**	**5,142,048**
Non-Performing	**–**	**–**	**1,637,053**	**1,637,053**
	20,545,067	**9,140,776**	**1,637,053**	**31,322,896**
Mortgage loans				
Investment Grade	**–**	**–**	**–**	**–**
Standard Grade	**16,063,945**	**2,683,690**	**–**	**18,747,635**
Substandard Grade	**9,679**	**875,847**	**–**	**885,526**
Non-Performing	**–**	**–**	**805,285**	**805,285**
	16,073,624	**3,559,537**	**805,285**	**20,438,446**
Other consumer loans				
Investment Grade	**1,520,575**	**97,663**	**–**	**1,618,238**
Standard Grade	**26,732,294**	**4,869,171**	**–**	**31,601,465**
Substandard Grade	**383,492**	**2,016,590**	**–**	**2,400,082**
Non-Performing	**–**	**–**	**212,662**	**212,662**
	28,636,361	**6,983,424**	**212,662**	**35,832,447**
Total	**₱165,837,221**	**₱66,591,542**	**₱7,358,961**	**₱239,787,724**

The credit quality of the Group's financial assets other than loans and receivables as of December 31, 2018 follow:

	Gross carrying amount			
Credit Score	**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**
Total	**₱97,201,369**	**₱477,137**	**₱–**	**₱97,678,506**

The credit quality of the Parent Company's receivables from customers as of December 31, 2018 follow:

	Gross carrying amount			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Corporate loans				
Investment Grade	**₱43,913,770**	**₱2,331,906**	**₱–**	**₱46,245,676**
Standard Grade	**560,682**	**25,393,949**	**–**	**25,954,631**
Non-Performing	**–**	**–**	**648,372**	**648,372**
	44,474,452	**27,725,855**	**648,372**	**72,848,679**
Auto loans				
Investment Grade	**6,764,232**	**455,452**	**–**	**7,219,684**
Standard Grade	**48,226,122**	**14,622,501**	**–**	**62,848,623**
Substandard Grade	**1,117,363**	**4,103,997**	**–**	**5,221,360**
Non-Performing	**–**	**–**	**4,055,589**	**4,055,589**
	56,107,717	**19,181,950**	**4,055,589**	**79,345,256**
Credit cards				
Investment Grade	**346,910**	**–**	**–**	**346,910**
Standard Grade	**19,527,811**	**4,669,074**	**–**	**24,196,885**
Substandard Grade	**670,346**	**4,471,702**	**–**	**5,142,048**
Non-Performing	**–**	**–**	**1,637,053**	**1,637,053**
	20,545,067	**9,140,776**	**1,637,053**	**31,322,896**
Mortgage loans				
Standard Grade	**16,063,945**	**2,683,690**	**–**	**18,747,635**
Substandard Grade	**9,679**	**875,847**	**–**	**885,526**
Non-Performing	**–**	**–**	**805,285**	**805,285**
	16,073,624	**3,559,537**	**805,285**	**20,438,446**

(Forward)

	Gross carrying amount			
	Stage 1	Stage 2	Stage 3	Total
Other receivables				
Investment Grade	₱199,536	₱13,329	₱–	₱212,865
Standard Grade	9,816,983	746,059	–	10,563,042
Substandard Grade	49,795	261,848	–	311,643
Non-Performing	–	–	214,878	214,878
	10,066,314	1,021,236	214,878	11,302,428
Total	₱147,267,174	₱60,629,354	₱7,361,177	₱215,257,705

The credit quality of the Parent Company's financial assets other than loans and receivables as of December 31, 2018 follow:

	Gross carrying amount			
Credit Score	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	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
Total	₱96,446,696	₱477,137	₱–	₱96,923,833

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 2018 follow:

	2018			
	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of year	₱151,206,254	₱60,699,679	₱7,743,835	₱219,649,768
Newly originated assets that remained in Stage 1 as at December 31, 2018	75,765,268	–	–	75,765,268
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2018	–	3,994,602	326,656	4,321,258
Movements in receivable balance	(37,132,913)	(33,174,071)	19,019,024	(51,287,960)
Write-offs (Note 15)	–	–	(3,160,844)	(3,160,844)
Transfers from Stage 1	(4,477,016)	4,096,989	380,027	–
Transfers from Stage 2	(17,108,206)	29,442,711	(12,334,505)	–
Transfers from Stage 3	1,326,262	3,015,517	(4,341,779)	–
Others	–	–	928,778	928,778
Balance at end of year	₱169,579,649	₱68,075,427	₱8,561,192	₱246,216,268

The breakdown of the total gross carrying amounts of the Group is as follows:

	Gross carrying amount			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Corporate loans				
Balance at beginning of year	**₱43,454,532**	**₱14,856,115**	**₱3,140,989**	**₱61,451,636**
Newly originated assets that remained in Stage 1 as at December 31, 2018	**23,017,858**	**–**	**–**	**23,017,858**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2018	**–**	**3,275,016**	**692,428**	**3,967,444**
Movements in receivable balance	**(43,370,031)**	**31,283,217**	**(3,501,445)**	**(15,588,259)**
Write-offs (Note 15)	**–**	**–**	**–**	**–**
Transfers from Stage 1	**(376,454)**	**335,898**	**40,556**	**–**
Transfers from Stage 2	**21,748,547**	**(22,024,391)**	**275,844**	**–**
	44,474,452	**27,725,855**	**648,372**	**72,848,679**
Auto loans				
Balance at beginning of year	**52,033,588**	**10,967,068**	**3,931,179**	**66,931,835**
Newly originated assets that remained in Stage 1 as at December 31, 2018	**25,070,569**	**–**	**–**	**25,070,569**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2018	**–**	**3,994,601**	**326,656**	**4,321,257**
Movements in receivable balance	**(12,006,005)**	**(4,104,580)**	**(867,820)**	**(16,978,405)**
Write-offs (Note 15)	**–**	**–**	**(222,994)**	**(222,994)**
Transfers from Stage 1	**(100,717)**	**92,168**	**8,549**	**–**
Transfers from Stage 2	**66,041**	**(113,654)**	**47,613**	**–**
Transfers from Stage 3	**8,204**	**18,653**	**(26,857)**	**–**
	65,071,680	**10,854,256**	**3,196,326**	**79,122,262**
Credit cards				
Balance at beginning of year	**20,085,433**	**6,866,753**	**1,451,819**	**28,404,005**
Newly originated assets that remained in Stage 1 as at December 31, 2018	**2,128,904**	**–**	**–**	**2,128,904**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2018	**–**	**5,019,119**	**3,766,928**	**8,786,047**
Movements in receivable balance	**(2,015,607)**	**(2,279,248)**	**(995,456)**	**(5,290,311)**
Write-offs (Note 15)	**–**	**–**	**(2,705,749)**	**(2,705,749)**
Transfers from Stage 1	**(93,578)**	**68,481**	**25,097**	**–**
Transfers from Stage 2	**361,103**	**(541,730)**	**180,627**	**–**
Transfers from Stage 3	**78,811**	**7,402**	**(86,213)**	**–**
	20,545,066	**9,140,777**	**1,637,053**	**31,322,896**
Mortgage loans				
Balance at beginning of year	**14,575,769**	**3,227,834**	**730,243**	**18,533,846**
Newly originated assets that remained in Stage 1 as at December 31, 2018	**1,389,128**	**–**	**–**	**1,389,128**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2018	**–**	**3,275,016**	**692,428**	**3,967,444**
Movements in receivable balance	**(5,559,403)**	**1,587,167**	**520,264**	**(3,451,972)**
Write-offs (Note 15)	**–**	**–**	**–**	**–**
Transfers from Stage 1	**(932,700)**	**762,733**	**169,967**	**–**
Transfers from Stage 2	**5,185,700**	**(6,465,695)**	**1,279,995**	**–**
Transfers from Stage 3	**1,415,131**	**1,172,481**	**(2,587,612)**	**–**
	16,073,625	**3,559,536**	**805,285**	**20,438,446**

(Forward)

	Gross carrying amount			
	Stage 1	Stage 2	Stage 3	Total
Other receivables*				
Balance at beginning of year	**₱21,056,932**	**₱24,781,910**	**(₱1,510,395)**	**₱44,328,447**
Newly originated assets that remained in Stage 1 as at December 31, 2018	**24,158,810**	**–**	**–**	**24,158,810**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2018	**–**	**(11,569,151)**	**(5,151,784)**	**(16,720,935)**
Movements in receivable balance	**25,818,131**	**(59,660,628)**	**23,863,482**	**(9,979,015)**
Write-offs (Note 15)	**–**	**–**	**(232,101)**	**(232,101)**
Transfers from Stage 1	**(2,973,566)**	**2,837,709**	**135,858**	**–**
Transfers from Stage 2	**(44,469,597)**	**58,588,182**	**(14,118,585)**	**–**
Transfers from Stage 3	**(175,884)**	**1,816,981**	**(1,641,097)**	**–**
Others	**–**	**–**	**928,778**	**928,778**
	23,414,827	**16,795,003**	**2,274,156**	**42,483,985**
Total	**₱169,579,650**	**₱68,075,427**	**₱8,561,192**	**₱246,216,268**

**Other receivables include other receivable from customers (i.e. personal loans, DepEd loans, salary loans, branch loans and emerging enterprise loans) and accounts receivable, accrued interest receivable, unquoted debt securities classified as loans, 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 2018 follow:

	2018			
	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of year	**₱149,834,274**	**₱60,148,916**	**₱6,665,517**	**₱216,648,707**
Newly originated assets that remained in Stage 1 as at December 31, 2018	**75,765,268**	**–**	**–**	**75,765,268**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2018	**–**	**3,994,601**	**326,656**	**4,321,257**
Movements in receivable balance	**(57,902,486)**	**(34,125,654)**	**19,062,211**	**(72,965,929)**
Write-offs (Note 15)	**–**	**–**	**(3,309,482)**	**(3,309,482)**
Transfers from Stage 1	**(4,477,016)**	**4,096,989**	**380,026**	**–**
Transfers from Stage 2	**(17,108,206)**	**29,442,711**	**(12,334,505)**	**–**
Transfers from Stage 3	**1,326,262**	**3,015,517**	**(4,341,779)**	**–**
Others	**–**	**–**	**928,778**	**928,778**
Balance at end of year	**₱147,438,096**	**₱66,573,080**	**₱7,377,422**	**₱221,388,598**

The breakdown of the total gross carrying amounts of the Parent Company is as follows:

	Gross carrying amount			
	Stage 1	Stage 2	Stage 3	Total
Corporate loans				
Balance at beginning of year	**₱43,454,532**	**₱14,856,115**	**₱3,140,989**	**₱61,451,636**
Newly originated assets that remained in Stage 1 as at December 31, 2018	**23,017,858**	**–**	**–**	**23,017,858**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2018	**–**	**3,275,016**	**692,428**	**3,967,444**
Movements in receivable balance	**(43,370,031)**	**31,283,217**	**(3,501,445)**	**(15,588,259)**
Write-offs (Note 15)	**–**	**–**	**–**	**–**
Transfers from Stage 1	**(376,454)**	**335,898**	**40,556**	**–**
Transfers from Stage 2	**21,748,547**	**(22,024,391)**	**275,844**	**–**
	44,474,452	**27,725,855**	**648,372**	**72,848,679**

(Forward)

	Gross carrying amount			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Auto loans				
Balance at beginning of year	**₱52,033,588**	**₱10,967,068**	**₱3,931,179**	**₱66,931,835**
Newly originated assets that remained in Stage 1 as at December 31, 2018	**25,070,569**	**–**	**–**	**25,070,569**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2018	**–**	**3,994,601**	**326,656**	**4,321,257**
Movements in receivable balance	**(12,006,005)**	**(4,104,580)**	**(867,820)**	**(16,978,405)**
Write-offs (Note 15)	**–**	**–**	**(222,994)**	**(222,994)**
Transfers from Stage 1	**(100,717)**	**92,168**	**8,549**	**–**
Transfers from Stage 2	**66,041**	**(113,654)**	**47,613**	**–**
Transfers from Stage 3	**8,204**	**18,653**	**(26,857)**	**–**
	65,071,680	**10,854,256**	**3,196,326**	**79,122,262**
Credit cards				
Balance at beginning of year	**20,085,433**	**6,866,753**	**1,451,819**	**28,404,005**
Newly originated assets that remained in Stage 1 as at December 31, 2018	**2,128,904**	**–**	**–**	**2,128,904**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2018	**–**	**5,019,118**	**3,766,928**	**8,786,047**
Movements in receivable balance	**(2,015,607)**	**(2,279,248)**	**(995,456)**	**(5,290,311)**
Write-offs (Note 15)	**–**	**–**	**(2,705,749)**	**(2,705,749)**
Transfers from Stage 1	**(93,578)**	**68,481**	**25,097**	**–**
Transfers from Stage 2	**361,103**	**(541,730)**	**180,627**	**–**
Transfers from Stage 3	**78,811**	**7,402**	**(86,213)**	**–**
	20,545,066	**9,140,777**	**1,637,053**	**31,322,896**
Mortgage loans				
Balance at beginning of year	**14,575,769**	**3,227,834**	**730,243**	**18,533,846**
Newly originated assets that remained in Stage 1 as at December 31, 2018	**1,389,128**	**–**	**–**	**1,389,128**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2018	**–**	**3,275,016**	**692,428**	**3,967,444**
Movements in receivable balance	**(5,559,403)**	**1,587,167**	**520,264**	**(3,451,972)**
Write-offs (Note 15)	**–**	**–**	**–**	**–**
Transfers from Stage 1	**(932,700)**	**762,733**	**169,967**	**–**
Transfers from Stage 2	**5,185,700**	**(6,465,695)**	**1,279,995**	**–**
Transfers from Stage 3	**1,415,131**	**1,172,481**	**(2,587,612)**	**–**
	16,073,625	**3,559,536**	**805,285**	**20,438,446**
Other receivables				
Balance at beginning of year	**19,684,951**	**24,231,147**	**(2,588,713)**	**41,327,385**
Newly originated assets that remained in Stage 1 as at December 31, 2018	**24,158,810**	**–**	**–**	**24,158,810**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2018	**–**	**(11,569,151)**	**(2,446,035)**	**(14,015,186)**
Movements in receivable balance	**5,048,559**	**(60,612,212)**	**21,200,920**	**(34,362,733)**
Write-offs (Note 15)	**–**	**–**	**(380,739)**	**(380,739)**
Transfers from Stage 1	**(2,973,566)**	**2,837,709**	**135,857**	**–**
Transfers from Stage 2	**(44,469,597)**	**58,588,182**	**(14,118,585)**	**–**
Transfers from Stage 3	**(175,884)**	**1,816,981**	**(1,641,097)**	**–**
Others	**–**	**–**	**928,778**	**928,778**
	1,273,273	**15,292,656**	**1,090,386**	**17,656,315**
Total	**₱147,438,096**	**₱66,573,080**	**₱7,377,422**	**₱221,388,598**

Investments and financial securities – Applicable prior to January 1, 2018

The table below shows the credit quality, based on external ratings, per class of the Group's financial assets other than loans and receivables that are neither past due nor impaired (amounts in millions):

	2017			
	At Least Investment Grade*	Below Investment Grade**	Unrated	Total
Due from BSP	₱39,321	₱–	₱–	₱39,321
Due from other banks	9,273	69	21	9,363
IBLR	12,388	–	–	12,388
Financial assets at FVTPL:				
Government securities	4,036	–	–	4,036
Private bonds	2,821	446	–	3,267
Equity securities	–	–	10	10
	6,857	446	10	7,313
Investment securities at amortized cost:				
Government securities	5,246	–	–	5,246
Private bonds	1,226	–	–	1,226
	6,472	–	–	6,472
	₱74,311	₱515	₱31	₱74,857

* Rated AA to BBB
** Rated BB to B only and does not include junk bonds (i.e., rated CCC and below)

The table below shows the credit quality, based on external ratings, per class of the Parent Company's financial assets other than loans and receivables that are neither past due nor impaired (amounts in millions):

	2017			
	At Least Investment Grade*	Below Investment Grade**	Unrated	Total
Due from BSP	₱38,792	₱–	₱–	₱38,792
Due from other banks	9,251	69	21	9,341
IBLR	12,388	–	–	12,388
Financial assets at FVTPL:				
Government securities	4,036	–	–	4,036
Private bonds	2,821	446	–	3,267
Equity securities	–	–	10	10
	6,857	446	10	7,313
Investment securities at amortized cost:				
Government securities	5,246	–	–	5,246
Private bonds	1,226	–	–	1,226
	6,472	–	–	6,472
	₱73,760	₱515	₱31	₱74,306

* Rated AA to BBB
** Rated BB to B only and does not include junk bonds (i.e., rated CCC and below)

The tables below show the credit quality, based on the credit rating system, by class of loans and receivables that are neither past due nor impaired (i.e., non-performing or past due by more than 90 days) of the Group (amounts in millions):

	2017				
	High Grade	Standard Grade	Substandard Grade	Unrated	Total
Receivables from customers:					
Corporate lending	₱21,969	₱39,141	₱–	₱–	₱61,110
Consumer lending	34,009	83,846	29,491	–	147,346
	55,978	122,987	29,491	–	208,456
Unquoted debt securities	–	–	–	324	324
Accounts receivable	–	–	–	468	468
Accrued interest receivable	299	445	363	877	1,984
Sales contract receivable	–	–	–	147	147
	299	445	363	1,816	2,923
	₱56,277	₱123,432	₱29,854	₱1,816	₱211,379

The tables below show the credit quality, based on the credit rating system, by class of loans and receivables that are neither past due nor impaired (i.e., non-performing or past due by more than 90 days) of the Parent Company (amounts in millions):

	2017				
	High Grade	Standard Grade	Substandard Grade	Unrated	Total
Receivables from customers:					
Corporate lending	₱21,969	₱39,141	₱–	₱–	₱61,110
Consumer lending	15,420	83,846	29,491	–	128,757
	37,389	122,987	29,491	–	189,867
Unquoted debt securities	–	–	–	324	324
Accounts receivable	–	–	–	522	522
Accrued interest receivable	175	445	363	785	1,768
Sales contract receivable	–	–	–	147	147
	175	445	363	1,778	2,761
	₱37,564	₱123,432	₱29,854	₱1,778	₱192,628

Borrowers with unquestionable repaying capacity and to whom the Group is prepared to lend on an unsecured basis, either partially or totally, are generally rated as High Grade borrowers. Included in the High-Grade category are those accounts that fall under ‘Excellent’, ‘Strong’, ‘Good’ and ‘Satisfactory’ categories under ICRRS (with rating of 1-4).

Standard rated borrowers normally require tangible collateral, such as real estate mortgage (REM), to either fully or partially secure the credit facilities as such accounts indicate a relatively higher credit risk than those considered as High Grade. Included in Standard Grade category are those accounts that fall under ‘Acceptable’ and ‘Watchlist’ categories under ICRRS (with rating of 5-6). Substandard Grade accounts pertain to unsecured revolving credit facilities.

Those accounts that are classified as unrated include unquoted debt securities, accounts receivable, accrued interest receivable and sales contract receivable for which the Group has not yet established a credit rating system.

Impairment Assessment – Applicable prior to January 1, 2018
On a regular basis, the Group conducts an impairment assessment exercise to determine credit losses on its loans portfolio.

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue by more than 30 to 90 days as applicable, or if there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Group addresses impairment assessment in two areas: specific or individually assessed allowances and collectively assessed allowances.

a. Specific Impairment Testing
Specific impairment testing is the process whereby classified accounts, that are individually significant, are subject to impairment testing. Classified accounts are past due accounts and accounts whose credit standing and/or collateral has weakened due to varying circumstances. This present status of the account may adversely affect the collection of both principal and interest payments.

The net recoverable amount is computed using the present value approach. The discount rate used for loans with fixed and floating interest rate is the original effective interest rate and last repriced interest rate, respectively. Net recoverable amount is the total cash inflows to be collected over the remaining term of the loan or the expected proceeds from the sale of collateral. Specific impairment testing parameters include the account information (original and outstanding loan amount), interest rate (nominal and original effective interest rate) and the business plan. Also included are the expected date of recovery, expected cash flows, probability of collection, and the carrying value of loan and net recoverable amount.

The Group conducts specific impairment testing on classified (i.e. rated 7-10) and restructured corporate accounts. Indicators of credit quality deterioration that merit specific impairment testing include past due status of the accounts, decline in credit rating from independent rating agencies for investment securities and recurring net losses.

b. Collective Impairment Testing
All other accounts which were not individually assessed are grouped based on similar credit characteristics and are collectively assessed for impairment. This is also in accordance with PAS 39, which provides that all loan accounts not included in the specific impairment test shall be subjected to collective impairment testing.

Collective impairment testing of corporate accounts
Corporate accounts, which are unclassified and with current status are grouped in accordance with the Parent Company's internal credit risk rating. Each internal credit risk rating would fetch an equivalent loss impairment where the estimated loss is determined in consideration of the Parent Company's historical loss experience. Impairment loss is derived by multiplying the outstanding loan balance on a per internal credit risk rating basis against a factor rate. The factor rate, which estimates the expected loss from the credit exposure, is the product of the Default Rate (DR) and the Loss Given Default Rate (LGDR). DR is estimated based on the 3-year historical average default experience by internal credit risk rating of the Parent Company, while, LGDR is estimated based on loss experience (net of recoveries from collateral) for the same reference period.

Collective impairment testing of consumer accounts
Consumer accounts, both in current and past due status are collectively tested for impairment as required under PAS 39. Accounts are grouped by type of product - personal loans, salary loans, housing loans, auto loans and credit cards.

The estimation of the impaired consumer products' estimated loss is based on three major concepts: age buckets, probability of default and recoverability. Per product, exposures are categorized per their state of delinquency - (1) current; (2) past due (which is subdivided into 30, 60, 90, 120, 150, 180 and more than 180 days past due); and (3) items in litigation (ITL). Auto, housing and salary loans have an additional bucket for its items in litigation accounts. The Group partitions its exposures as it recognizes that the age buckets have different rates and/ or probabilities of default. The initial estimates of losses per product due to default are then adjusted based on the recoverability of cash flows, to calculate the credit loss of the Group. Auto and housing loans consider the proceeds from the eventual sale of foreclosed collaterals in approximating its recovery rate; while credit cards, salary loans and personal loans depend on the collection experience of its receivables. Further, for housing loans, due to the nature of the assets offered as security, and as the exposures are limited to a certain percentage of the same, this product possesses the unique quality of obtaining over 95% recoverability. These default and recovery rates are based on the Group's historical experience, which covers a minimum of two to three (2-3) years cycle, depending on the availability and relevance of data.

Aging analysis of past due but not impaired loans – Applicable prior to January 1, 2018
The table below shows the aging analysis of the past due but not impaired loans and receivables per class of the Group and of the Parent Company. Under PFRS 7, a financial asset is past due when a counterparty has failed to make payments when contractually due (amounts in millions):

	Consolidated					
	2017					
	Less than 30 days	31 to 60 days	61 to 90 days	91 to 180 days	More than 180 days	Total
Loans and receivables:						
Corporate lending	₱–	₱–	₱3	₱–	₱–	₱3
Consumer lending	777	2,307	2,803	191	321	6,399
	₱777	₱2,307	₱2,806	₱191	₱321	₱6,402

	Parent Company					
	2017					
	Less than 30 days	31 to 60 days	61 to 90 days	91 to 180 days	More than 180 days	Total
Loans and receivables:						
Corporate lending	₱–	₱–	₱3	₱–	₱–	₱3
Consumer lending	167	2,146	2,692	191	321	5,517
	₱167	₱2,146	₱2,695	₱191	₱321	₱5,520

Collaterals of past due but not impaired loans mostly consist of real estate mortgage (REM) of industrial, commercial, residential and developed agricultural real estate properties.

Credit risk weighting as of December 31, 2018, and 2017

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 (amounts in millions):

	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**	**₱54,696**	**₱13,561**	**₱32,979**	**₱12,814**	**₱216,588**	**₱8,696**	**₱339,334**
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	**54,696**	**13,561**	**32,979**	**12,814**	**216,588**	**8,696**	**339,334**
Credit Risk Weighted Assets	**₱–**	**₱–**	**₱2,712**	**₱16,490**	**₱9,611**	**₱216,588**	**₱13,044**	**₱258,444**

	Consolidated							
	2017							
	Capital	Risk Buckets						
	Deduction	0%	20%	50%	75%	100%	150%	Total
Credit risk exposure after risk mitigation								
On-balance sheet assets	₱9,875	₱49,418	₱13,442	₱14,938	₱10,428	₱188,219	₱6,173	₱282,618
Off-balance sheet assets	–	–	–	–	–	2,440	–	2,440
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	–	–	–	–	–	–	–	–
	9,875	49,418	13,442	14,938	10,428	190,659	6,173	285,058
Credit Risk Weighted Assets	₱–	₱–	₱2,688	₱7,469	₱7,821	₱190,659	₱9,259	₱217,896

	Parent Company							
	2018							
	Capital	**Risk Buckets**						
	Deduction	**0%**	**20%**	**50%**	**75%**	**100%**	**150%**	**Total**
Credit risk exposure after risk mitigation								
On-balance sheet assets	**₱13,463**	**₱54,016**	**₱13,545**	**₱32,979**	**₱12,814**	**₱193,634**	**₱7,672**	**₱314,660**
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	–	–	–	–	–	–	–	–
	13,463	**54,016**	**13,545**	**32,979**	**12,814**	**193,634**	**7,672**	**314,660**
Credit Risk Weighted Assets	**₱–**	**₱–**	**₱2,709**	**₱16,489**	**₱9,611**	**₱193,634**	**₱11,508**	**₱233,951**

	Parent Company							
	2017							
	Capital	Risk Buckets						
	Deduction	0%	20%	50%	75%	100%	150%	Total
Credit risk exposure after risk mitigation								
On-balance sheet assets	₱13,118	₱48,857	₱13,442	₱14,938	₱10,428	₱168,471	₱5,958	₱262,094
Off-balance sheet assets	–	–	–	–	–	2,440	–	2,440
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	–	–	–	–	–	–	–	–
	13,118	48,857	13,442	14,938	10,428	170,911	5,958	264,534
Credit Risk Weighted Assets	₱–	₱–	₱2,688	₱7,469	₱7,821	₱170,911	₱8,937	₱197,826

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 COCI, 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 (amounts in millions):

	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**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱63,925**
Investments and trading securities**	–	**4,297**	–	**848**	**205**	**55,363**	**60,713**
Loans and receivables***	–	**28,139**	**26,089**	**24,860**	**31,102**	**169,309**	**279,499**
Other assets	–	**8**	–	–	–	**77**	**85**
	₱63,925	**₱32,444**	**₱26,089**	**₱25,708**	**₱31,307**	**₱224,749**	**₱404,222**

	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 Liabilities							
Deposit liabilities****	**₱–**	**₱25,628**	**₱9,973**	**₱4,932**	**₱2,595**	**₱292,341**	**₱335,469**
Bills and acceptances payable	**896**	**18,186**	**33**	**9**	**600**	**615**	**20,339**
Subordinated debt	–	–	–	–	–	**6,239**	**6,239**
Other liabilities	**173**	**706**	–	–	**4,769**	–	**5,648**
Contingent liabilities*****	–	**1,794**	–	–	–	–	**1,794**
	₱1,069	**₱46,314**	**₱10,006**	**₱4,941**	**₱7,964**	**₱299,195**	**₱369,489**

*** 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 interest rate swap receivables.

	Consolidated						
	2017						
	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*	₱62,053	₱5,742	₱–	₱–	₱–	₱–	₱67,795
Investments and trading securities**	–	7,313	–	–	333	7,690	15,336
Loans and receivables***	–	24,635	20,177	16,687	24,737	171,729	257,965
	₱62,053	₱37,690	₱20,177	₱16,687	₱25,070	₱179,419	₱341,096
Financial Liabilities							
Deposit liabilities****	₱–	₱24,374	₱7,308	₱6,390	₱967	₱243,145	₱282,184
Bills and acceptances payable	–	5,435	–	–	748	1,780	7,963
Subordinated debt	–	–	–	–	–	7,465	7,465
Other liabilities	–	477	–	–	3,791	1,469	5,737
Contingent liabilities*****	–	897	–	–	10	27	934
	₱–	₱31,183	₱7,308	₱6,390	₱5,516	₱253,886	₱304,283

* 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**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱62,881**
Investments and trading securities**	–	**4,297**	–	**848**	**205**	**55,363**	**60,713**
Loans and receivables***	–	**27,215**	**24,269**	**22,163**	**25,671**	**151,695**	**251,013**
Other assets	–	**8**	–	–	–	**77**	**85**
	₱62,881	**₱31,520**	**₱24,269**	**₱23,011**	**₱25,876**	**₱207,135**	**₱374,692**
Financial Liabilities							
Deposit liabilities****	**₱–**	**₱24,050**	**₱7,793**	**₱2,553**	**₱–**	**₱280,400**	**₱314,796**
Bills and acceptances payable	**896**	**18,108**	**33**	**9**	**446**	**615**	**20,107**
Subordinated debt	–	–	–	–	–	**5,000**	**5,000**
Other liabilities	**173**	**695**	–	–	**3,820**	–	**4,688**
Contingent liabilities*****	–	**1,794**	–	–	–	–	**1,794**
	₱1,069	**₱44,647**	**₱7,826**	**₱2,562**	**₱4,266**	**₱286,015**	**₱346,385**

* 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, andunearned 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 interest rate swap receivables.

	Parent Company						
	2017						
	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*	₱61,470	₱5,742	₱–	₱–	₱–	₱–	₱67,212
Investments and trading securities**	–	7,313	–	–	333	7,690	15,336
Loans and receivables***	–	23,039	19,677	15,822	22,250	156,644	237,432
	₱61,470	₱36,094	₱19,677	₱15,822	₱22,583	₱164,334	₱319,980
Financial Liabilities							
Deposit liabilities****	₱–	₱23,406	₱6,019	₱4,778	₱–	₱231,861	₱266,064
Bills and acceptances payable	–	5,365	–	–	646	1,694	7,705
Subordinated debt	–	–	–	–	–	5,550	5,550
Other liabilities	–	466	–	–	3,663	1,456	5,585
Contingent liabilities*****	–	897	–	–	10	27	934
	₱–	₱30,134	₱6,019	₱4,778	₱4,319	₱240,588	₱285,838

* 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, 2018, and 2017, ₱97.99 billion and ₱96.31 billion, respectively, or 38.99% and 48.31%, 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 Board 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% 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 interest rate swap (IRS) trading positions are assumed to be closed out in ten (10) days. The use of a 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 Board. 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 Board through the RMC.

The table below pertains to interest rate risk of the Parent Company's fixed income trading portfolio (amounts in thousands):

	2018	2017
Year-end VaR	**₱72,773**	₱65,510
Average VaR	**58,052**	172,521
Highest VaR	**145,351**	318,597
Lowest VaR	**11,735**	53,633

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 year-end VaR for 2017 was based on the Parent Company's fixed income trading book valued at ₱7.25 billion with average yields of 4.44% and 3.54% for the Peso and Foreign currency denominated bonds, respectively. Its average maturities are 4 year and 9 months for the Peso portfolio and 6 years and 5 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 (amounts in thousands):

	2018	2017
Year-end VaR	**₱12,890**	₱1,726
Average VaR	**3,822**	11,900
Highest VaR	**29,154**	63,894
Lowest VaR	**731**	292

The market risk in the Parent Company's IRS trading positions is shown in the table below (amounts in thousands):

	2018	2017
Year-end VaR	**₱10,740**	₱14,111
Average VaR	**14,028**	21,465
Highest VaR	**16,602**	29,674
Lowest VaR	**10,529**	14,031

The Parent Company's end-2018 and end-2017 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 (amounts in thousands):

	2018	2017
Year-end VaR	**₱1,371**	₱123
Average VaR	**361**	340
Highest VaR	**2,781**	2,373
Lowest VaR	**41**	3

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 (amounts in thousands):

	2018	2017
Year-end VaR	**₱4,335**	₱2,251
Average VaR	**5,574**	2,649
Highest VaR	**₱19,359**	₱12,225
Lowest VaR	**33**	9

The Parent Company's foreign currency exposures emanate from its net open spot and forward foreign exchange (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, 2018, and 2017 (amounts in thousands):

	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)**

	2017				
	USD	EUR	SGD	Other Currencies	Total
Assets					
Gross FX assets	$737,597	$25,995	$12,393	$28,538	$804,523
Contingent FX assets	63,988	–	–	384	64,372
	801,585	25,995	12,393	28,922	868,895
Liabilities					
Gross FX liabilities	741,826	16,111	12,849	45,485	800,160
Contingent FX liabilities	61,384	12,062	–	13,237	74,621
	803,210	28,173	12,849	58,722	874,781
Net exposure	($1,625)	($2,178)	(456)	($29,800)	($5,886)

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, 2018, and 2017 (amounts in millions):

Foreign currency appreciates (depreciates)	**2018**			
	USD	**SGD**	**JPY**	**HKD**
+10.00%	**₱1.79**	**(₱7.77)**	**₱6.28**	**(₱6.11)**
-10.00%	**(₱1.79)**	**7.77**	**(6.28)**	**6.11**

Foreign currency appreciates (depreciates)	2017 USD	EUR	SGD
+10.00%	(₱8.11)	(₱10.87)	(₱9.94)
-10.00%	8.11	10.87	9.94

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
A critical element of risk management program consists of measuring and monitoring the risks associated with fluctuations in market interest rates on the Group's net interest income. The short-term nature of its assets and liabilities reduces the exposure of its net interest income to such risks.

The Parent Company employs re-pricing gap analysis on a monthly basis to measure the interest rate sensitivity of its assets and liabilities. The re-pricing gap analysis measures, for any given period, any mismatches between the amounts of interest-earning assets and interest-bearing liabilities that would re-price, or mature (for contracts that do not re-price), during that period. The re-pricing gap is calculated by first distributing the assets and liabilities contained in the Group's statement of financial position into tenor buckets according to the time remaining to the next re-pricing date (or the time remaining to maturity if there is no re-pricing), and then obtaining the difference between the total of the re-pricing (interest rate sensitive) assets and re-pricing (interest rate sensitive) liabilities. If there is a positive gap, there is asset sensitivity which generally means that an increase in interest rates would have a positive effect on the Group's net interest income. If there is a negative gap, this generally means that an increase in interest rates would have a negative effect on net interest income.

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, 2018 and 2017:

	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%**	–	–	–	–
Loans and receivables	**5.99%**	**6.58%**	**7.58%**	**10.10%**	**11.96%**
Investment securities	**4.20%**	–	–	–	**5.48%**
Financial liabilities:					
Deposit liabilities	**1.73%**	**4.22%**	**3.34%**	**2.30%**	**3.47%**
Bills payable	**5.26%**	–	–	–	–
Subordinated debt	–	–	–	–	**5.50%**

	2018 Up to 1 month	>1 month to 3 months	>3 months to 6 months	>6 months to 12 months	>12 months
FCDU					
Financial assets:					
Cash and cash equivalents	**2.20%**	–	–	–	–
Loans and receivables	**3.14%**	**6.20%**	**3.14%**	–	**7.25%**
Investment securities	**6.57%**	–	**7.25%**	**4.25%**	**5.48%**
Financial liabilities:					
Deposit liabilities	**1.07%**	**1.93%**	**1.51%**	**1.50%**	**2.71%**
Bills payable	**2.80%**	–	–	–	–

	2017				
	Up to 1 month	>1 month to 3 months	>3 months to 6 months	>6 months to 12 months	>12 months
Financial assets:					
Cash and cash equivalents	1.20%	–	–	–	–
Loans and receivables	4.65%	5.16%	6.05%	9.95%	12.10%
Investment securities	4.04%	–	–	–	4.66%
Financial liabilities:					
Deposit liabilities	2.17%	2.21%	4.35%	2.72%	3.84%
Bills payable	3.17%	–	–	–	–
Subordinated debt	–	–	–	–	5.50%
FCDU					
Financial assets:					
Cash and cash equivalents	1.37%	–	–	–	–
Loans and receivables	3.01%	2.75%	3.70%	3.93%	7.21%
Investment securities	4.91%	–	–	5.40%	4.52%
Financial liabilities:					
Deposit liabilities	1.46%	1.58%	1.69%	1.89%	2.56%

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, 2018 and 2017:

	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%**	–	–	–	–
Loans and receivables	**5.99%**	**6.56%**	**7.57%**	**10.35%**	**12.75%**
Investment securities	**4.20%**	–	–	–	**5.48%**
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%**	–	–	–	–
Loans and receivables	**3.14%**	**6.20%**	**3.14%**	–	**7.25%**
Investment securities	**6.57%**	–	**7.25%**	**4.25%**	**5.48%**
Financial liabilities:					
Deposit liabilities	**1.07%**	**1.93%**	**1.51%**	**1.50%**	**2.71%**
Bills payable	**2.80%**	–	–	–	–

	2017				
	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	1.20%	–	–	–	–
Loans and receivables	4.65%	5.15%	6.01%	10.28%	12.83%
Investment securities	4.04%	–	–	–	4.66%
Financial liabilities:					
Deposit liabilities	2.32%	2.32%	4.37%	2.73%	3.84%
Bills payable	3.17%	–	–	–	–
Subordinated debt	–	–	–	–	5.50%
FCDU					
Financial assets:					
Cash and cash equivalents	1.37%	–	–	–	–
Loans and receivables	3.01%	2.75%	3.70%	3.93%	7.21%
Investment securities	4.91%	–	–	5.40%	4.52%
Financial liabilities:					
Deposit liabilities	1.46%	1.58%	1.69%	1.89%	2.56%

The following tables set forth the interest rate re-pricing gap of the Group as of December 31, 2018 and 2017 (amounts in millions):

	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	**₱5,863**	**₱–**	**₱–**	**₱–**	**₱–**	**₱5,863**
Loans and receivables	**39,376**	**5,436**	**5,214**	**6,097**	**151,159**	**207,282**
Investment securities	**4,287**	**–**	**848**	**205**	**33,271**	**38,611**
Contingent assets*	**–**	**1,052**	**–**	**–**	**–**	**1,052**
Total financial assets	**49,526**	**6,488**	**6,062**	**6,302**	**184,430**	**252,808**
Financial liabilities:						
Deposit liabilities	**126,884**	**8,344**	**3,791**	**740**	**21,093**	**160,852**
Bills and acceptances payable	**17,939**	**–**	**–**	**–**	**–**	**17,939**
Subordinated debt	**–**	**–**	**–**	**–**	**6,250**	**6,250**
Contingent liabilities**	**–**	**–**	**–**	**–**	**1,052**	**1,052**
Total financial liabilities	**144,823**	**8,344**	**3,791**	**740**	**28,395**	**186,093**
Asset-liability gap	**(₱95,297)**	**(₱1,856)**	**₱2,271**	**₱5,562**	**₱156,035**	**₱66,715**

* Consist of interest rate swap receivables
** Consist of interest rate swap payables

	2017					
	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	₱12,388	₱–	₱–	₱–	₱–	₱12,388
Loans and receivables	31,973	5,664	4,592	3,755	141,823	187,807
Investment securities	7,245	–	–	52	6,065	13,362
Contingent assets*	–	762	254	–	–	1,016
Total financial assets	51,606	6,426	4,846	3,807	147,888	214,573
Financial liabilities						
Deposit liabilities	78,072	22,322	7,030	1,877	20,971	130,272
Bills and acceptances payable	4,307	–	–	–	–	4,307
Subordinated debt	–	–	–	–	6,250	6,250
Contingent liabilities**	–	–	–	–	1,016	1,016
Total financial liabilities	82,379	22,322	7,030	1,877	28,237	141,845
Asset-liability gap	(₱30,773)	(₱15,896)	(₱2,184)	₱1,930	₱119,651	₱72,728

* 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, 2018 and 2017 (amounts in millions):

	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	**₱5,863**	**₱–**	**₱–**	**₱–**	**₱–**	**₱5,863**
Loans and receivables	**39,360**	**5,388**	**5,044**	**5,506**	**127,418**	**182,716**
Investment securities	**4,287**	**–**	**848**	**205**	**33,271**	**38,611**
Contingent assets*	**–**	**1,052**	**–**	**–**	**–**	**1,052**
Total financial assets	**49,510**	**6,440**	**5,892**	**5,711**	**160,689**	**228,242**
Financial liabilities:						
Deposit liabilities	**116,461**	**1,370**	**3,132**	**719**	**21,093**	**142,775**
Bills and acceptances payable	**17,939**	–	**–**	**–**	**–**	**17,939**
Subordinated debt	**–**	–	**–**	**–**	**5,000**	**5,000**
Contingent liabilities**	**–**	–	**–**	**–**	**1,052**	**1,052**
Total financial liabilities	**134,400**	**1,370**	**3,132**	**719**	**27,145**	**166,766**
Asset-liability gap	**(₱84,890)**	**₱5,070**	**₱2,760**	**₱4,992**	**₱133,544**	**₱61,476**

* Consist of interest rate swap receivables
** Consist of interest rate swap payables

	2017					
	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	₱12,388	₱–	₱–	₱–	₱–	₱12,388
Loans and receivables	31,947	5,643	4,501	3,380	122,204	167,675
Investment securities	7,245	–	–	52	6,065	13,362
Contingent assets*	–	762	254	–	–	1,016
Total financial assets	51,580	6,405	4,755	3,432	128,269	194,441
Financial liabilities						
Deposit liabilities	65,749	19,783	6,976	1,859	20,972	115,339
Bills and acceptances payable	4,125	–	–	–	–	4,125
Subordinated debt	–	–	–	–	5,000	5,000
Contingent liabilities**	–	–	–	–	1,016	1,016
Total financial liabilities	69,874	19,783	6,976	1,859	26,988	125,480
Asset-liability gap	(₱18,294)	(₱13,378)	(₱2,221)	₱1,573	₱101,281	₱68,961

* 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 (amounts in millions). There is no other impact on the Group's equity other than those already affecting the statements of income.

Change in basis points	**2018**	2017
+100bps	**(₱903.1)**	(₱436.2)
-100bps	**903.1**	436.2

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 (amounts in millions). There is no other impact on the Parent Company's equity other than those already affecting the statements of income.

Change in basis points	**2018**	2017
+100bps	**(₱741.6)**	(₱296.8)
-100bps	**741.6**	296.8

Market Risk Weighting as of December 31, 2018 and 2017

The table below shows the different market risk-weighted assets (amounts in millions) 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	**2018**	2017
Interest Rate Exposures	**₱2,276**	₱3,561
Foreign Exchange Exposures	**220**	379
	₱2,496	₱3,940

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% of the average gross income for the past three years, it shows the total operational risk-weighted assets of the Group and Parent Company (amounts in millions).

	2018	2017
Group	**38,959**	₱32,159
Parent Company	**40,702**	29,449

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 following table 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				
	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**	**–**	**–**
Assets for which fair values are disclosed					
Financial assets					
Investment securities at amortized cost:					
Government securities	**26,097,349**	**25,659,808**	**25,659,808**	**–**	**–**
Private bonds	**10,413,197**	**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**
	241,013,316	**238,500,452**	**–**	**–**	**238,500,452**

(Forward)

	Consolidated 2018				
		Fair Value			
	Carrying Value	**Total**	**Quoted Prices in active market (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Non-financial assets					
Investment properties	**₱921,153**	**₱1,497,178**	**₱–**	**₱–**	**₱1,497,178**
Total assets	**₱283,233,049**	**₱280,302,020**	**₱40,103,357**	**₱201,033**	**₱239,997,630**
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					
Time	**126,915,196**	**127,649,516**	–	–	**127,649,516**
LTNCD	**15,797,150**	**16,768,366**	–	–	**16,768,366**
	142,712,346	**144,417,882**	–	–	**144,498,219**
Subordinated debt	**6,214,479**	**6,648,452**	–	–	**6,648,452**
Total liabilities	**₱149,073,373**	**₱151,212,882**	**₱–**	**₱146,548**	**₱151,146,877**

	Consolidated 2017				
		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	₱4,036,019	₱4,036,019	₱4,036,019	₱–	₱–
Private bonds	3,266,802	3,266,802	3,266,802	–	–
Equity securities	10,362	10,362	10,362	–	–
	7,313,183	7,313,183	7,313,183	–	–
Derivative assets	155,089	155,089	–	155,089	–
Financial assets at FVTOCI:					
Equity securities	2	2	2	–	–
	2	2	2	–	–
Assets for which fair values are disclosed					
Financial assets					
Investment securities at amortized cost:					
Government securities	5,246,141	5,259,208	5,259,208	–	–
Private bonds	1,226,081	1,245,409	1,245,409	–	–
	6,472,222	6,504,617	6,504,617	–	–
Loans and receivables					
Receivable from customers					
Corporate lending	60,844,480	59,549,455	–	–	59,549,455
Consumer lending	156,451,031	156,069,557	–	–	156,069,557
Unquoted debt securities	324,323	393,288	–	–	393,288
	217,619,834	216,012,300	–	–	216,012,300
Non-financial assets					
Investment properties	826,138	1,600,838	–	–	1,600,838
Total assets	₱232,386,468	₱231,586,029	₱13,817,802	₱155,089	₱217,613,138
Liabilities measured at fair value					
Financial liabilities					
Derivative liabilities	₱174,581	₱174,581	₱–	₱174,581	₱–
Liabilities for which fair values are disclosed					
Financial liabilities					
Deposit liabilities					
Time	97,280,600	99,245,528	–	–	99,245,528
LTNCD	17,991,295	19,105,283	–	–	19,105,283
	115,271,895	118,350,811	–	–	118,350,811
Subordinated debt	6,211,138	6,854,910	–	–	6,854,910
Total liabilities	₱121,657,614	₱125,380,302	₱–	₱174,581	₱125,205,721

	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**	–	–
Assets for which fair values are disclosed					
Financial assets					
Investment securities at amortized cost:					
Government securities	**26,097,349**	**25,659,808**	**25,659,808**	–	–
Private bonds	**10,413,197**	**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**
	217,453,046	**210,824,373**	–	–	**210,824,373**
Non-financial assets					
Investment properties	**919,782**	**1,495,806**	**–**	**–**	**1,495,806**
Total assets	**₱259,671,408**	**₱252,624,569**	**₱40,103,357**	**₱201,033**	**₱212,320,179**
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					
Time	**126,915,196**	**127,649,516**	–	–	**127,649,516**
LTNCD	**15,797,150**	**16,768,366**	–	–	**16,768,366**
	142,712,346	**144,417,882**	–	–	**144,417,882**
Subordinated debt	**4,975,862**	**5,311,981**	–	–	**5,311,981**
Total liabilities	**₱147,834,756**	**₱149,876,411**	–	**₱146,548**	**₱149,729,863**

	Parent Company				
	2017				
		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	₱4,036,019	₱4,036,019	₱4,036,019	₱–	₱–
Private bonds	3,266,802	3,266,802	3,266,802	–	–
Equity securities	10,362	10,362	10,362	–	–
	7,313,183	7,313,183	7,313,183	–	–
Derivative assets	155,089	155,089	–	155,089	–
Financial assets at FVTOCI:					
Equity securities	2	2	2	–	–
	2	2	2	–	–

(Forward)

	Parent Company				
	2017				
		Fair Value			
	Carrying Value	Total	Quoted Prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets for which fair values are disclosed					
Financial assets					
Investment securities at amortized cost:					
Government securities	₱5,246,141	₱5,259,208	₱5,259,208	₱–	₱–
Private bonds	1,226,081	1,245,409	1,245,409	–	–
	6,472,222	6,504,617	6,504,617	–	–
Loans and receivables					
Receivable from customers:					
Corporate lending	60,844,480	59,549,455	–	–	59,549,455
Consumer lending	137,053,156	137,185,076	–	–	137,185,076
Unquoted debt securities	324,323	393,288	–	–	393,288
	198,221,959	197,127,819	–	–	197,127,819
Non-financial assets					
Investment properties	826,138	1,599,398	–	–	1,599,398
Total assets	₱212,988,593	₱212,700,108	₱13,817,802	₱155,089	₱198,727,217
Liabilities measured at fair value					
Financial liabilities					
Derivative liabilities	₱174,581	₱174,581	₱–	₱174,581	₱–
Liabilities for which fair values are disclosed					
Financial liabilities					
Deposit liabilities					
Time	97,280,600	99,245,528	–	–	99,245,528
LTNCD	17,991,295	19,105,283	–	–	19,105,283
	115,271,895	118,350,811	–	–	118,350,811
Subordinated debt	4,972,572	5,484,820	–	–	5,484,820
Total liabilities	₱120,419,048	₱124,010,212	₱–	₱174,581	₱123,835,631

In 2018 and 2017, 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.

The methods and assumptions used by the Group in estimating the fair value of the financial instruments are:

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 - 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.

Loans and receivables - Fair values of loans and receivables are estimated using the discounted cash flow methodology, using the Parent Company's current incremental lending rates for similar types of loans and receivables.

Liabilities - The fair values of liabilities approximate their carrying amounts due to either the demand nature or the relatively short-term maturities of these liabilities except for time deposit liabilities, LTNCD and subordinated debt whose fair values are estimated using the discounted cash flow methodology using the Parent Company's incremental borrowing rates for similar borrowings with maturities consistent with those for the liability being valued.

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, 2018 and 2017:

Interest Rate Swaps	**2018**	2017
Notional amount	**$20,000**	$20,000
Derivative assets	**₱170,981**	₱152,474
Derivative liabilities	**136,595**	152,142

Futures	**2018**	2017
Notional amount	**$–**	$9,218
Derivative assets	**–**	₱1,905

Foreign Currency Forwards and Swaps	**2018**	2017
Notional amount	**$13,000**	$33,418
Derivative assets	**₱30,052**	₱710
Derivative liabilities	**9,953**	22,439

The net movements in fair values of all derivative instruments are as follows:

	2018	2017
Derivative assets (liabilities) - net at beginning of year	**(₱19,492)**	(₱26,499)
Changes in fair value of derivatives	**28,685**	(14,818)
Fair value of settled instruments	**45,292**	21,825
Derivative assets (liabilities) - net at end of year	**₱54,485**	(₱19,492)

Fair value changes of foreign currency forwards and swaps are recognized as Foreign exchange gain in the statement of income while fair value changes of interest rate swaps and futures are recognized as part of Trading and securities gain (loss) (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;

(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, 2018, 2017 and 2016 follow (amounts in millions):

	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**	**4,447**	**64**	**(212)**	**6,220**
Revenue - Net of Interest Expense	**6,821**	**1,833**	**16,804**	**472**	**(433)**	**25,497**
Non-interest Expense	**(6,772)**	**(783)**	**(10,226)**	**(818)**	**(922)**	**(19,521)**
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**

	2018					
	Retail Banking	**Corporate Banking**	**Consumer Banking**	**Treasury and Trust**	**Elimination Items**	**Total**
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	129	1,396
Provision for Impairment and Credit Losses	54	64	4,036	–	310	4,464

	2016					
	Retail Banking	Corporate Banking	Consumer Banking	Treasury and Trust	Elimination Items	Total
Statement of Income						
Net Interest Income:						
Third Party	₱3,909	₱661	₱9,380	₱156	₱1,293	₱15,399
Intersegment	6	692	–	–	(698)	–
	3,915	1,353	9,380	156	595	15,399
Non-interest Income	1,280	110	3,659	622	505	6,176
Revenue - Net of Interest Expense	5,195	1,463	13,039	778	1,100	21,575
Non-interest Expense	(5,429)	(715)	(9,424)	(244)	(1,621)	(17,433)
Income Before Income Tax	(234)	748	3,615	534	(521)	4,142
Provision for Income Tax	(10)	(224)	(644)	(160)	304	(734)
Net Income for the Year	(₱244)	₱524	₱2,971	₱374	(₱217)	₱3,408
Statement of Financial Position						
Total Assets	₱48,752	₱69,057	₱109,712	₱21,676	₱42,621	₱291,818
Total Liabilities	226,139	42,220	4,129	10,806	(25,926)	257,368
Statement of Income						
Depreciation and Amortization	585	22	420	10	113	1,150
Provision for Impairment and Credit Losses	17	158	4,807	(7)	717	5,692

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 on asset foreclosure and dacion transactions, trading and securities gain, 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. Business Combination

On May 6, 2016, the Parent Company entered into an Asset and Share Transfer Agreement (the 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% ownership of the entities, namely: Quest Marketing and Integrated Services (QMIS) and Assurance Solutions Insurance Agency, Inc. (ASIA) (Note 10).

The acquisition was approved by the BSP on August 8, 2016. On November 25, 2016, after satisfying all the conditions under the Agreement, the transfer of assets and liabilities was completed.

As permitted by PFRS 3, the Parent Company finalized its purchase price allocation in 2017 to consider additional information about facts and circumstances that existed as of acquisition date. In finalizing the purchase price allocation, the Parent Company recognized the fair value of core deposits, which is the only identifiable asset to be recognized for the acquisition, amounting to ₱64.70 million and paid an additional consideration of ₱200.52 million.

The following table summarizes the fair values of the assets acquired and liabilities assumed as of the acquisition date:

	Final Fair Values	Provisional Fair Values	Increase (Decrease)
Assets			
Cash	₱64,850	₱64,850	₱–
Loans and receivables	5,591,464	5,591,464	–
Property, plant and equipment	11,261	11,261	–
Investment properties	9,171	9,171	–
Intangible asset	64,695	–	64,695
Other assets	174,976	174,976	–
	5,916,417	5,851,722	64,695
Liabilities			
Deposit liabilities	7,324,178	7,324,178	–
Deferred income and bonus points	99,570	99,570	–
Accrued interest payable	2,983	2,983	–
Other liabilities	57,505	57,505	–
	7,484,236	7,484,236	–
Net liabilities assumed	₱1,567,819	₱1,632,514	(₱64,695)

As of November 25, 2016, the gross contractual amounts of the acquired loans and receivables and the estimated contractual amounts not expected to be collected amounted to ₱5.87 billion and ₱0.28 billion, respectively. The estimated amounts not expected to be collected are considered in the determination of the fair value of the receivables.

The fair values of net identifiable liabilities recognized in the 2016 consolidated financial statements were provisional as the identification and valuation of intangible assets were still to be finalized at the time of issuance.

Goodwill from the acquisition is computed as follows:

Final consideration transferred	₱992,694
Fair value of net liabilities acquired	1,567,819
Final Goodwill	₱2,560,513

The goodwill arising from the acquisition can be attributed mainly to expected synergies that will be brought by SCB's retail banking talent pool and expertise in wealth management. None of the goodwill recognized is expected to be deductible for income tax purposes.

As the changes to the purchase price allocation were not significant, the Group opted not to restate the 2016 consolidated financial statements.

8. Trading and Investment Securities

The Group and the Parent Company have the following trading and investment securities:

	2018	2017
Financial assets at FVTPL	**₱4,338,794**	₱7,313,183
Financial assets at FVTOCI	**248,207**	2
Investment securities at amortized cost	**36,510,546**	6,472,222
	₱41,097,547	₱13,785,407

Financial assets at FVTPL
Financial assets at FVTPL of the Group and of the Parent Company consist of:

	2018	2017
Government securities	**₱4,286,260**	₱4,036,019
Private bonds	**42,204**	3,266,802
Equity securities	**10,330**	10,362
	₱4,338,794	₱7,313,183

As of December 31, 2018 and 2017, financial assets at FVTPL include net unrealized loss of ₱8.40 million and net unrealized gains of ₱69.94 million, respectively.

Financial assets at FVTOCI
Financial assets at FVTOCI of the Group and of the Parent Company consists of:

	2018	2017
Government debt securities	**₱248,206**	₱–
Private equity securities	**1**	2
	₱248,207	₱2

With the change in the Parent Company's business models in the fourth quarter of 2017, the FVTOCI business model for debt financial assets was created and thus, the addition of government debt securities in the FVTOCI portfolio in 2018.

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 2018 and 2017 for these securities.

The Parent Company recognized net unrealized losses on financial assets at FVTOCI amounting to ₱6.25 million and net unrealized gains of ₱12.00 million in 2018 and 2017, respectively.

Investment securities at amortized cost
Investment securities at amortized cost of the Group and of the Parent Company consist of:

	2018	2017
Government securities	**₱26,100,243**	₱5,246,141
Private bonds	**10,413,198**	1,226,081
Allowance for impairment losses (Note 15)	**(2,895)**	–
	₱36,510,546	₱6,472,222

Peso-denominated government bonds have effective interest rates ranging from 4.45% to 8.11% in 2018, effective interest rate of 4.45% in 2017 and from 4.45% to 5.70% in 2016. Foreign currency-denominated bonds have effective interest rates ranging from 1.57% to 7.07% in 2018, 2017 and 2016.

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 statement of income. Judgments made related to the sale of investment securities at amortized cost are disclosed in Note 3.

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.

Trading and securities gains (losses) of the Group and of the Parent Company consists of:

	2018	2017	2016
Financial assets at FVTPL	**(₱185,008)**	₱45,871	₱721,035
Financial assets at FVTOCI	**(10,848)**	–	–
US Treasury futures (Note 5)	**(71,913)**	22,665	12,379
Interest rate swaps (Note 5)	**31,852**	(4,563)	1,085
	(₱235,917)	₱63,973	₱734,499

9. **Loans and Receivables**

Loans and receivables consist of:

	Consolidated		**Parent Company**	
	2018	2017	**2018**	2017
Receivables from customers:				
Corporate lending	**₱72,848,679**	₱61,783,176	**₱72,848,679**	₱61,783,176
Consumer lending	**166,939,045**	154,865,531	**142,409,026**	134,755,437
	239,787,724	216,648,707	**215,257,705**	196,538,613
Unamortized premium	**6,945,200**	6,818,183	**7,547,675**	7,187,216
	246,732,924	223,466,890	**222,805,380**	203,725,829
Unquoted debt securities:				
Government securities	**–**	49,592	**–**	49,592
Private bonds	**341,890**	353,696	**341,890**	343,696
	341,890	403,288	**341,890**	393,288
Other receivables:				
Accrued interest receivable	**3,438,696**	1,983,777	**3,264,827**	1,768,423
Accounts receivable	**2,501,541**	467,580	**2,377,761**	521,843
Sales contracts receivable	**146,416**	147,261	**146,416**	147,261
	6,086,654	2,598,618	**5,789,004**	2,437,527
	253,161,467	226,468,796	**228,936,273**	206,556,644
Allowance for credit and impairment losses (Note 15)	**(7,291,882)**	(6,334,109)	**(6,883,468)**	(5,958,873)
	₱245,869,585	₱220,134,687	**₱222,052,805**	₱200,597,771

Gross credit card receivables under consumer lending amounted to ₱30.94 billion and ₱28.37 billion as of December 31, 2018 and 2017, respectively.

Receivables from customers consist of:

	Consolidated		**Parent Company**	
	2018	2017	**2018**	2017
Loans and discounts	**₱232,641,190**	₱211,439,497	**₱208,111,171**	₱191,329,403
Customers' liabilities under letters of credit/trust receipts	**6,323,674**	4,479,520	**6,323,674**	4,479,520
Bills purchased	**822,860**	729,690	**822,860**	729,690
	₱239,787,724	₱216,648,707	**₱215,257,705**	₱196,538,613

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 2018 and 2017, the total employee loans sold by the Parent Company have an aggregate carrying amount of ₱181.37 million and ₱209.79 million, respectively. The selling price of the employee loans approximates the fair value at the date of sale. As of December 31, 2018 and 2017, outstanding principal balance of employee loans purchased from the Parent Company, included in Loans and discounts of EWRB, amounted to ₱360.43 million and ₱339.01, 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 service fees 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 ₱0.67 million, ₱0.73 million and ₱0.48 million in 2018, 2017, and 2016 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 2018 and 2017, the total salary loans purchased by the Parent Company have an aggregate amount of ₱1.35 billion and ₱17.16 billion, respectively. The Parent Company's acquisition cost of the salary loans approximate the fair value at the acquisition date. As of December 31, 2018 and 2017, outstanding principal balance of salary loans purchased from EWRB, included in Loans and discounts of the Parent Company, amounted to ₱5.91 billion and ₱16.60 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 ₱47.99 million, ₱71.39 million and ₱57.46 million in 2018, 2017 and 2016, respectively (Note 27).

A reconciliation of the allowance for credit losses per class of loans and receivables for the Group and the Parent Company as of December 31, 2018 and 2017 follows:

	Consolidated			
	2018			
	Corporate Lending	**Consumer Lending**	**Others**	**Total**
At January 1	**₱989,868**	**₱5,198,207**	**₱146,034**	**₱6,334,109**
Transition adjustments	**(563,103)**	**1,034,808**	**18,786**	**490,491**
Balances at January 1, 2018, as restated	**426,765**	**6,233,015**	**164,820**	**6,824,600**
Provision (recoveries) for impairment and credit losses (Note 15)	**(58,677)**	**2,836,636**	**850,167**	**3,628,126**
Write-off and others (Note 15)	–	**(3,145,815)**	**(15,029)**	**(3,160,844)**
At December 31	**₱368,088**	**₱5,923,836**	**₱999,958**	**₱7,291,882**

	Consolidated			
	2017			
	Corporate Lending	Consumer Lending	Others	Total
At January 1	₱633,215	₱4,413,417	₱746,475	₱5,793,107
Provision for impairment and credit losses (Note 15)	76,821	4,000,505	36,130	4,113,456
Write-off and others (Note 15)	279,832	(3,215,715)	(636,571)	(3,572,454)
At December 31	₱989,868	₱5,198,207	₱146,034	₱6,334,109
Specific impairment	₱953,347	₱4,207,247	₱(4,002)	₱5,156,592
Collective impairment	36,521	990,960	150,036	1,177,517
	₱989,868	₱5,198,207	₱146,034	₱6,334,109

	Parent Company			
	2018			
	Corporate Lending	**Consumer Lending**	**Others**	**Total**
At January 1	**₱989,868**	**₱4,838,324**	**₱130,681**	**₱5,958,873**
Transition adjustments	**(563,103)**	**1,034,808**	**18,785**	**490,490**
Balances at January 1, 2018, as restated	**426,765**	**5,873,132**	**149,466**	**6,449,363**
Provision (recoveries) for impairment and credit losses (Note 15)	**(58,677)**	**2,842,330**	**959,934**	**3,743,587**
Write-off and others (Note 15)	–	**(3,301,826)**	**(7,656)**	**(3,309,482)**
At December 31	**₱368,088**	**₱5,413,636**	**₱1,101,744**	**₱6,883,468**

	Parent Company 2017			
	Corporate Lending	Consumer Lending	Others	Total
At January 1	₱633,215	₱4,169,730	₱731,618	₱5,534,563
Provision for impairment and credit losses (Note 15)	76,821	3,884,293	35,634	3,996,748
Write-off and others (Note 15)	279,832	(3,215,699)	(636,571)	(3,572,438)
At December 31	₱989,868	₱4,838,324	₱130,681	₱5,958,873
Specific impairment	₱953,347	₱4,207,247	(₱4,002)	₱5,156,592
Collective impairment	36,521	631,077	134,683	802,281
	₱989,868	₱4,838,324	₱130,681	₱5,958,873

The Group took possession of various properties previously held as collateral with an estimated values of ₱2.71 billion, ₱2.60 billion, and ₱1.89 billion in 2018, 2017, and 2016, respectively (Notes 12 and 14).

The following is a reconciliation of the individual and collective allowances for credit losses on loans and receivables of the Group and of the Parent Company as of December 31, 2017:

	December 31, 2017					
	Consolidated			Parent		
	Specific Impairment	Collective Impairment	Total	Specific Impairment	Collective Impairment	Total
At January 1	₱4,381,427	₱2,191,544	₱6,572,971	₱4,381,427	₱1,153,135	₱5,534,562
Transition adjustments	–	–	–	–	–	–
Balances at January 1, 2018, as restated	₱4,381,427	₱2,191,544	₱6,572,971	₱4,381,427	₱1,153,135	₱5,534,562
Provision (recoveries) for impairment and credit losses	3,524,557	604,346	4,128,903	3,524,557	472,192	3,996,749
Write-off and others	(2,749,392)	(1,618,373)	(4,367,765)	(2,749,392)	(823,046)	(3,572,438)
Reclassification	–	–	–	–	–	–
At December 31	₱5,156,592	₱1,177,517	₱6,334,109	₱5,156,592	₱802,281	₱5,958,873

Interest income on loans and receivables consist of:

	Consolidated			**Parent Company**		
	2018	2017	2016	**2018**	2017	2016
Receivables from customers	**₱23,103,100**	₱21,075,475	₱17,362,155	**₱21,573,380**	₱19,258,446	₱16,067,175
Interest accretion on impaired loans (stage 3)	**2,773**	3,147	7,630	**2,773**	3,147	7,630
Unquoted debt securities	**2,299**	8,876	7,572	**2,299**	8,876	7,572
	₱23,108,172	₱21,087,498	₱17,377,357	**₱21,578,452**	₱19,270,469	₱16,082,377

BSP Reporting

Of the total receivables from customers of the Parent Company as of December 31, 2018 and 2017, 20.17% and 18.57%, respectively, are subject to periodic interest repricing. The remaining peso receivables from customers earn annual fixed interest rates ranging from 2.00% to 39.68% and 2.06% to 45.00% in 2018 and 2017, respectively, while foreign currency-denominated receivables from customers earn annual fixed interest rates ranging from 2.00% to 10.00% and 2.75% to 10.00%, in 2018 and 2017, respectively.

The details of the secured and unsecured receivables from customers of the Group and of the Parent Company follow:

	Consolidated				Parent Company			
	2018		2017		2018		2017	
		%	Gross Amount	%		%	Gross Amount	%
Loans secured by:								
Chattel	**₱76,929,965**	**31.18**	₱71,729,100	32.10	**₱76,929,965**	**34.53**	₱71,729,100	35.21
Real estate	**26,084,403**	**10.57**	23,418,239	10.48	**26,064,028**	**11.70**	23,101,357	11.34
Hold-out on deposit	**6,991,854**	**2.83**	5,621,850	2.52	**6,991,854**	**3.14**	5,621,850	2.76
Others	**10,363,111**	**4.20**	9,155,398	4.09	**10,112,942**	**4.54**	9,155,398	4.49
	120,369,333	**48.79**	109,924,587	49.19	**120,098,789**	**53.90**	109,607,705	53.80
Unsecured	**126,363,591**	**51.21**	113,542,303	50.81	**102,706,591**	**46.10**	94,118,124	46.20
	₱246,732,924	**100.00**	₱223,466,890	100.00	**₱222,805,380**	**100.00**	₱203,725,829	100.00

Information on the concentration of credit as to industry follows (in millions):

	Consolidated				Parent Company			
	2018		2017		2018		2017	
		%	Gross Amount	%		%	Gross Amount	%
Personal consumption	**₱137,264**	**55.63**	₱140,873	63.04	**₱132,136**	**59.31**	₱121,221	59.50
Wholesale and retail trade	**23,330**	**9.46**	19,875	8.89	**23,322**	**10.47**	19,868	9.75
Real estate, renting and business activity	**25,660**	**10.40**	19,156	8.57	**25,643**	**11.51**	19,142	9.40
Financial intermediaries	**9,124**	**3.70**	9,061	4.05	**9,121**	**4.09**	9,054	4.44
Manufacturing	**8,726**	**3.54**	5,580	2.50	**8,721**	**3.91**	5,571	2.73
Agriculture, fisheries and forestry	**2,970**	**1.20**	1,571	0.70	**2,970**	**1.33**	1,571	0.77
Transportation, storage and communications	**1,056**	**0.43**	1,128	0.50	**1,043**	**0.47**	1,110	0.54
Others	**38,602**	**15.65**	26,223	11.75	**19,849**	**8.91**	26,189	12.87
	₱246,732	**100.00**	₱223,467	100.00	**₱222,805**	**100.00**	₱203,726	100.00

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, 2018 and 2017, NPLs of the Group and of the Parent Company as reported to the BSP follow:

	Consolidated		Parent Company	
	2018	2017	2018	2017
Gross NPLs	**₱11,478,807**	₱8,888,659	**₱10,239,430**	₱8,405,374
Less NPLs fully covered by allowance for credit losses	**(4,263,528)**	(5,240,593)	**(4,027,290)**	(5,011,116)
	₱7,215,279	₱3,648,066	**₱6,212,140**	₱3,394,258

As of December 31, 2018 and 2017, secured and unsecured NPLs of the Group and of the Parent Company as reported to the BSP follow:

	Consolidated		Parent Company	
	2018	2017	2018	2017
Secured	**₱4,698,624**	₱4,082,845	**₱4,630,432**	₱4,010,290
Unsecured	**6,780,183**	4,805,814	**5,608,998**	4,395,084
	₱11,478,807	₱8,888,659	**₱10,239,430**	₱8,405,374

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**	
	2018	2017	**2018**	2017
Acquisition cost	**₱681,232**	₱681,232	**₱1,670,000**	₱1,005,000
Share in additional capital infusion	–	–	**250,000**	665,000
Accumulated share in net income (loss)				
Balance at beginning of year	**2,774,564**	1,593,317	**(834,717)**	(385,667)
Share in net income (loss)	**241,520**	1,181,247	**(395,816)**	(449,050)
Balance at end of year	**3,016,084**	2,774,564	**(1,230,533)**	(834,717)
Accumulated share in other comprehensive income				
Balance at beginning of year	**1,155**	1,024	–	–
Share in remeasurement gain of retirement liability	**(486)**	131	–	–
Balance at end of year	**669**	1,155	–	–
	₱3,697,985	₱3,456,951	**₱689,466**	₱835,283

Investments in Subsidiaries

EWRB
The Parent Company's investment cost in EWRB amounted to ₱521.00 million as of December 31, 2018 and 2017. 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 entered into a joint venture agreement to form 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. On September 6, 2018, the Parent Company and Ageas each infused additional capital to EW Ageas Life amounting to ₱250.00 million.

There were no dividends received from EW Ageas Life as of December 31, 2018. The joint venture has no contingent liabilities or capital commitments as of December 31, 2018 and 2017.

11. Property and Equipment

The composition of and movements in the Group's property and equipment follow:

	2018				
	Land	**Buildings**	**Furniture, Fixtures and Equipment**	**Leasehold Improvements**	**Total**
Cost					
As of January 1	**₱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)**
As of December 31	**54,635**	**1,072,623**	**2,667,414**	**3,643,319**	**7,437,991**
Accumulated Depreciation and Amortization					
As of January 1	–	**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)**
As of December 31	–	**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**

	2017				
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Improvements	Total
Cost					
As of January 1	₱59,988	₱1,070,029	₱2,361,293	₱3,363,643	₱6,854,953
Additions*	–	22,097	200,867	145,397	368,361
Disposals	(5,353)	(31,650)	(36,231)	–	(73,234)
As of December 31	54,635	1,060,476	2,525,929	3,509,040	7,150,080
Accumulated Depreciation and Amortization					
As of January 1	–	160,017	1,757,107	1,545,983	3,463,107
Depreciation and amortization	–	32,895	284,735	373,650	691,280
Disposals	–	(20,368)	(28,159)	–	(48,527)
As of December 31	–	172,544	2,013,683	1,919,633	4,105,860
Net Book Value	₱54,635	₱887,932	₱512,246	₱1,589,407	₱3,044,220

**inclusive of additions acquired from business combination (Note 7)*

The composition of and movements in the Parent Company's property and equipment follow:

	2018				
	Land	**Buildings**	**Furniture, Fixtures and Equipment**	**Leasehold Improvements**	**Total**
Cost					
As of January 1	**₱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)**
As of December 31	**33,298**	**995,861**	**2,244,031**	**3,446,233**	**6,719,423**
Accumulated Depreciation and Amortization					
As of January 1	**–**	**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)**
As of December 31	**–**	**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**

	2017				
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Improvements	Total
Cost					
As of January 1	₱38,651	₱1,005,664	₱1,995,422	₱3,203,280	₱6,243,017
Additions*	–	12,273	149,538	116,374	278,185
Disposals	(5,353)	(31,650)	(28,649)	–	(65,652)
As of December 31	33,298	986,287	2,116,311	3,319,654	6,455,550
Accumulated Depreciation and Amortization					
As of January 1	–	148,925	1,547,128	1,529,770	3,225,823
Depreciation and amortization	–	28,869	213,551	332,520	574,940
Disposals/Adjustments	–	(20,368)	(20,900)	–	(41,268)
As of December 31	–	157,426	1,739,779	1,862,290	3,759,495
Net Book Value	₱33,298	₱828,861	₱376,532	₱1,457,364	₱2,696,055

**inclusive of additions acquired from business combination (Note 7)*

The net gain on sale recognized by the Group for the disposal of certain property and equipment amounted to ₱7.55 million, ₱10.55 million and ₱3.59 million in 2018, 2017 and 2016, respectively. The net gain on sale recognized by the Parent Company for the disposal of certain property and equipment amounted to ₱7.50 million, ₱7.93 million, and ₱2.53 million in 2018, 2017, and 2016 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, 2018 and 2017, the accounts receivable outstanding (included under Loans and receivable in the statements of financial position) amounted to ₱108.32 million and ₱216.63 million, respectively (Note 27).

As of December 31, 2018 and 2017, the cost of fully depreciated property and equipment still in use by the Group amounted to ₱1.68 billion and ₱1.46 billion, respectively.

As of December 31, 2018 and 2017, the cost of fully depreciated property and equipment still in use by the Parent Company amounted to ₱1.44 billion and ₱1.28 billion, respectively.

12. Investment Properties

The composition of and movements in the Group's investment properties follow:

	2018		
	Land	**Buildings and Improvements**	**Total**
Cost			
At January 1	**₱580,533**	**₱573,596**	**₱1,154,129**
Additions	**101,351**	**131,392**	**232,743**
Disposals	**(42,111)**	**(48,186)**	**(90,297)**
At December 31	**639,773**	**656,802**	**1,296,575**
Accumulated Depreciation and Amortization			
At January 1	**–**	**235,609**	**235,609**
Depreciation and amortization	**–**	**57,947**	**57,947**
Disposals	**–**	**(21,499)**	**(21,499)**
At December 31	**–**	**272,057**	**272,057**
Accumulated Impairment Losses (Note 15)			
At January 1	**69,415**	**21,527**	**90,942**
Provision during the year	**22,164**	**25,775**	**47,939**
Disposals	**(21,343)**	**(14,173)**	**(35,516)**
At December 31	**70,236**	**33,129**	**103,365**
Net Book Value	**₱569,537**	**₱351,616**	**₱921,153**

	2017		
	Land	Buildings and Improvements	Total
Cost			
At January 1	₱540,609	₱447,197	₱987,806
Additions*	79,786	155,186	234,972
Disposals	(39,862)	(28,787)	(68,649)
At December 31	580,533	573,596	1,154,129
Accumulated Depreciation and Amortization			
At January 1	–	200,637	200,637
Depreciation and amortization	–	48,968	48,968
Disposals	–	(13,996)	(13,996)
At December 31	–	235,609	235,609
Accumulated Impairment Losses (Note 15)			
At January 1	74,476	13,026	87,502
Provision during the year	3,603	9,244	12,847
Disposals	(8,664)	(743)	(9,407)
At December 31	69,415	21,527	90,942
Net Book Value	₱511,118	₱316,460	₱827,578

**inclusive of additions acquired from business combination (Note 7)*

The composition of and movements in the Parent Company's investment properties follow:

	2018		
	Land	**Buildings and Improvements**	**Total**
Cost			
At January 1	**₱579,454**	**₱573,229**	**₱1,152,683**
Additions	**101,351**	**131,392**	**232,743**
Disposals	**(42,111)**	**(48,186)**	**(90,297)**
At December 31	**638,694**	**656,435**	**1,295,129**
Accumulated Depreciation and Amortization			
At January 1	–	**235,603**	**235,603**
Depreciation and amortization	–	**57,878**	**57,878**
Disposals	–	**(21,499)**	**(21,499)**
At December 31	–	**271,982**	**271,982**
Accumulated Impairment Losses (Note 15)			
At January 1	**69,415**	**21,527**	**90,942**
Provision during the year	**22,164**	**25,775**	**47,939**
Disposals	**(21,343)**	**(14,173)**	**(35,516)**
At December 31	**70,236**	**33,129**	**103,365**
Net Book Value	**₱568,458**	**₱351,324**	**₱919,782**

	2017		
	Land	Buildings and Improvements	Total
Cost			
At January 1	₱539,842	₱447,261	₱987,103
Additions*	79,474	154,755	234,229
Disposals	(39,862)	(28,787)	(68,649)
At December 31	579,454	573,229	1,152,683
Accumulated Depreciation and Amortization			
At January 1	–	200,631	200,631
Depreciation and amortization	–	48,968	48,968
Disposals	–	(13,996)	(13,996)
At December 31	–	235,603	235,603
Accumulated Impairment Losses (Note 15)			
At January 1	74,476	13,026	87,502
Provision during the year	3,603	9,244	12,847
Disposals	(8,664)	(743)	(9,407)
At December 31	69,415	21,527	90,942
Net Book Value	₱510,039	₱316,099	₱826,138

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 ₱1.50 billion and ₱1.49 billion as of December 31, 2018, and ₱1.60 billion and ₱1.59 billion as of December 31, 2017, 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, 2018 and 2017, 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 ₱84.27 million and ₱131.77 million, respectively.

Gain on sale recognized by the Group and the Parent Company for the disposal of its foreclosed assets amounted to ₱55.84 million, ₱47.85 million, and ₱25.17 million in 2018, 2017 and 2016, respectively.

Direct operating expenses from investment properties not generating rent income amounted to ₱57.95 million, ₱48.97 million and ₱40.00 million for the Group and the Parent Company in 2018, 2017 and 2016, respectively.

13. Goodwill and Other Intangible Assets

As of December 31, 2018 and 2017, the intangible assets of the Group consist of:

	2018					
	Goodwill	**Branch Licenses**	**Customer Relationship**	**Core Deposits**	**Capitalized Software**	**Total**
Cost						
As of January 1	**₱3,877,241**	**₱2,167,600**	**₱154,626**	**₱105,128**	**₱1,997,774**	**₱8,302,369**
Additions	**–**	**–**	**–**	**–**	**160,523**	**160,523**
As of December 31	**3,877,241**	**2,167,600**	**154,626**	**105,128**	**2,158,297**	**8,462,892**
Accumulated Amortization						
As of January 1	**–**	**–**	**38,083**	**42,723**	**1,300,379**	**1,381,185**
Amortization	**–**	**–**	**8,623**	**10,513**	**168,925**	**188,061**
As of December 31	**–**	**–**	**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**

	2017					
	Goodwill	Branch Licenses	Customer Relationship	Core Deposits	Capitalized Software	Total
Cost						
As of January 1	₱3,741,417	₱2,167,600	₱154,626	₱40,433	₱1,883,643	₱7,987,719
Additions (Note 7)	135,824	–	–	64,695	114,131	314,650
As of December 31	3,877,241	2,167,600	154,626	105,128	1,997,774	8,302,369
Accumulated Amortization						
As of January 1	–	–	33,772	31,671	975,868	1,041,311
Amortization	–	–	4,311	11,052	324,511	339,874
As of December 31	–	–	38,083	42,723	1,300,379	1,381,185
Net Book Value	₱3,877,241	₱2,167,600	₱116,543	₱62,405	₱697,395	₱6,921,184

As of December 31, 2018 and 2017, the intangible assets of the Parent Company consist of:

	2018					
	Goodwill	**Branch Licenses**	**Customer Relationship**	**Core Deposits**	**Capitalized Software**	**Total**
Cost						
As of January 1	**₱3,853,763**	**₱2,167,600**	**₱154,626**	**₱105,128**	**₱1,917,599**	**₱8,198,716**
Additions (Note 7)	**–**	**–**	**–**	**–**	**153,181**	**153,181**
As of December 31	**3,853,763**	**2,167,600**	**154,626**	**105,128**	**2,070,780**	**8,351,897**
Accumulated Amortization						
As of January 1	**–**	**–**	**38,083**	**42,723**	**1,246,106**	**1,326,912**
Amortization	**–**	**–**	**8,623**	**10,513**	**151,022**	**170,158**
As of December 31	**–**	**–**	**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**

	2017					
	Goodwill	Branch Licenses	Customer Relationship	Core Deposits	Capitalized Software	Total
Cost						
As of January 1	₱3,717,939	₱2,167,600	₱154,626	₱40,433	₱1,809,440	₱7,890,038
Additions (Note 7)	135,824	–	–	64,695	108,159	308,678
As of December 31	3,853,763	2,167,600	154,626	105,128	1,917,599	8,198,716
Accumulated Amortization						
As of January 1	–	–	33,772	31,671	935,903	1,001,346
Amortization	–	–	4,311	11,052	310,203	325,566
As of December 31	–	–	38,083	42,723	1,246,106	1,326,912
Net Book Value	₱3,853,763	₱2,167,600	₱116,543	₱62,405	₱671,493	₱6,871,804

Goodwill

The business combination resulting from the Asset and Share Transfer Agreement with SCB in 2016 resulted in goodwill of ₱2.56 billion, which had been allocated to the retail banking business acquired from SCB (Note 7).

The acquisition of EWRB in 2012 resulted in goodwill amounting ₱23.48 million, which had been allocated to the branch operations of EWRB. The acquisition of GBI in 2011 resulted in goodwill amounting to ₱374.00 million. The goodwill was allocated to branch operations of GBI. On October 31, 2013, GBI transferred certain assets and liabilities to EWRB. The assets and liabilities transferred include the branches where the goodwill from the acquisition of GBI had been allocated. The branches coming from GBI were combined with the branch operations of EWRB after the transfer. Consequently, the goodwill from the acquisition of EWRB and GBI amounting to ₱23.48 million and ₱374.00 million, respectively, are now allocated to the branch operations of EWRB, which is now considered as a single CGU for purposes of impairment assessment.

The business combination between the Parent Company and AIG Philam Savings Bank (AIGPASB) Group in 2009 resulted in goodwill amounting to ₱769.04 million, which had been allocated to the auto and credit cards lending unit acquired from the AIGPASB Group.

The business combination between the Parent Company and Ecology Savings Bank (ESBI) in 2003 resulted in goodwill amounting to ₱172.80 million. The entire goodwill was allocated to the 30 branches of ESBI which were transferred to the Parent Company as a single CGU. As of December 31, 2018 and 2017, the carrying amount of goodwill, after impairment recognized in prior years, amounted to ₱150.21 million.

Key assumptions used in value in use calculations

The recoverable amount of the CGUs have been determined based on value in use calculations using cash flow projections based on financial budgets approved by the management covering a five-year period. The VIU calculation for the 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. 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 discount rate applied reflects the current market assessment of the risk specific to each CGU. In 2018, the discount rates applied to the cash flow projections are 10.74% for SCB and 10.83% for EWRB, SCB and ESBI. In 2017, the discount rates applied to the cash flow projections are 9.25% for AIG and 9.40% for EWRB, SCB and ESBI. In 2016, the discount rates applied to the cash flow projections are 12.34% for AIG and 10.94% for EWRB and ESBI. The growth rate used to extrapolate cash flows beyond the five-year period is 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.

Customer Relationship and Core Deposits
The business combination between the Parent Company and AIG Philam Savings Bank (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 (Note 7).

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.

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 2018 and 2017 acquisitions are software licenses acquired by the Group for the upgrade of its core banking systems amounting to ₱160.52 million and ₱114.13 million, respectively.

14. **Other Assets**

This account consists of:

	Consolidated		**Parent Company**	
	2018	2017	**2018**	2017
Other repossessed assets	**₱786,005**	₱884,158	**₱786,005**	₱884,158
Prepaid expenses	**367,261**	263,958	**327,525**	233,044
Card acquisition costs	**337,960**	246,622	**337,960**	246,622
Security deposits	**258,948**	250,374	**257,045**	249,029
Derivative assets (Note 5)	**201,033**	155,089	**201,033**	155,089
Documentary stamps	**164,225**	67,037	**164,225**	67,037
Equity on car plan	**158,756**	158,081	**158,626**	157,881
Margin account	**91,016**	153,880	**91,016**	153,880
Returned cash and other cash items	**7,595**	99,724	**7,595**	99,724
Net plan assets (Note 25)	**–**	62,453	**–**	62,453
Miscellaneous	**818,046**	493,945	**743,663**	461,895
	3,190,845	2,835,321	**3,074,693**	2,770,812
Allowance for impairment losses (Note 15)	**(8,131)**	(492,491)	**(8,131)**	(492,491)
	₱3,182,714	₱2,342,830	**₱3,066,562**	₱2,278,321

As of December 31, 2018 and 2017, miscellaneous assets of the Group and the Parent Company include sundry debits and interoffice floats amounting to ₱577.74 million and ₱282.49 million, respectively.

The movements in the allowance for impairment losses on other assets of the Group and the Parent Company follow:

	2018	2017
As of January 1	**₱492,491**	₱441,891
Provision (recoveries) during the year	**(74,055)**	322,517
Reversal of allowance from disposals	**(172,616)**	(275,183)
Write-off and others	**(237,689)**	3,266
As of December 31	**₱8,131**	₱492,491

The movements in other repossessed assets of the Group and the Parent Company follow:

	2018	2017
Cost		
As of January 1	**₱1,077,064**	₱1,228,845
Additions	**2,477,505**	2,362,912
Disposals	**(2,636,088)**	(2,514,693)
As of December 31	**918,481**	1,077,064
Accumulated Depreciation		
As of January 1	**192,906**	154,290
Depreciation and amortization	**309,600**	315,986
Disposals	**(370,030)**	(277,370)
As of December 31	**132,476**	192,906
Net Book Value, gross of impairment	**786,005**	884,158
Accumulated Impairment Losses		
As of January 1	**100,671**	141,820
Provision during the year	**71,945**	234,034
Disposals	**(172,616)**	(275,183)
As of December 31	**–**	100,671
Net Book Value, net of impairment	**₱786,005**	₱783,487

In 2018, gain recognized by the Group and the Parent Company from the disposal of its repossessed assets amounted to ₱75.70 million. In 2017, loss recognized by the Group and the Parent Company from the disposal of its repossessed assets amounted to ₱2.50 million while in 2016, gain recognized by the Group and the Parent Company from the disposal of its repossessed assets amounted to ₱27.36 million.

15. Allowance for Impairment and Credit Losses

Details of and changes in the allowance for impairment and credit losses follow:

	Consolidated		**Parent Company**	
	2018	2017	**2018**	2017
Balances at the beginning of year:				
Allowance for credit and impairment losses				
Loans and receivables (Note 9)	**₱6,334,109**	₱6,572,971	**₱5,958,873**	₱6,314,427
Investment securities at amortized cost (Note 8)	**–**	–	**–**	–
Due from other banks	**–**	–	**–**	–

(Forward)

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Investment properties (Note 12)	**₱90,942**	₱87,502	**₱90,942**	₱87,502
Other assets (Note 14)	**593,162**	441,891	**593,162**	441,891
Provision for unused credit lines	**–**	–	**–**	–
	7,018,213	7,102,364	**6,642,977**	6,843,820
Transition adjustments:				
Loans and receivables (Notes 2 and 9)	**490,491**	–	**490,491**	–
Investment securities at amortized cost (Notes 2 and 8)	**30**	–	**30**	–
Due from other banks (Note 2)	**189**	–	**189**	–
Provision for unused credit lines (Note 2)	**220,649**	–	**220,649**	–
	711,359	–	**711,359**	–
Balances at beginning of year, as restated				
Loans and receivables (Note 9)	**6,824,600**	6,572,971	**6,449,364**	6,314,427
Investment securities at amortized cost (Note 8)	**30**	–	**30**	–
Due from other banks	**189**	–	**189**	–
Investment properties (Note 12)	**90,942**	87,502	**90,942**	87,502
Other assets (Note 14)	**593,162**	441,891	**593,162**	441,891
Provision for unused credit lines	**220,649**	–	**220,649**	–
	7,729,572	7,102,364	**7,354,336**	6,843,820
Provisions charged to current operations (Notes 9, 12 and 14)	**3,676,829**	4,464,267	**3,619,673**	4,332,113
Provisions charged to current operations – unused credit lines (Note 20)	**229,099**	–	**229,099**	–
Write-off and others (Notes 9 and 14)	**(3,571,149)**	(4,364,499)	**(3,547,171)**	(4,349,037)
Reversal of allowance on disposals of investment properties and other repossessed assets (Notes 12 and 14)	**(208,132)**	(284,590)	**(208,132)**	(284,590)
Balances at the end of year:				
Allowance for credit and impairment losses				
Loans and receivables (Note 9)	**7,291,882**	6,334,109	**6,883,468**	5,958,873
Investment securities at amortized cost (Note 8)	**2,895**	–	**2,895**	–
Due from Other Banks	**198**	–	**198**	–
Investment properties (Note 12)	**103,365**	90,942	**103,365**	90,942
Other assets (Note 14)	**8,131**	492,491	**8,131**	492,491
Provision for unused credit lines (Note 20)	**449,748**	–	**449,748**	–
	₱7,856,219	₱6,917,542	**₱7,447,805**	₱6,542,306

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. The balances at the beginning of the year reflect the amounts after considering the effect of adoption of PFRS 9 on receivables from customers (Note 2):

Total Loans and Receivables - Consolidated

	2018			
	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of year	₱2,005,568	₱3,343,709	₱1,475,324	₱6,824,601
Newly originated assets that remained in Stage 1 as at December 31, 2018	289,133	–	–	289,133
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2018	–	259,007	150,021	409,028
Effect of collections and other movements in receivable balance	(11,079)	112,674	(695,717)	(594,122)
Write-offs (Note 9)	–	–	(3,160,844)	(3,160,844)
Transfers from Stage 1	(102,091)	93,293	8,798	–
Transfers from Stage 2	93,001	(142,173)	49,172	–
Transfers from Stage 3	9,619	19,825	(29,444)	–
Impact on ECL transfers	(233,264)	(85,939)	2,914,511	2,595,308
Others	–	–	928,778	928,778
Balance at end of year	₱2,050,887	₱3,600,396	₱1,640,599	₱7,291,882

Reconciliation of the allowance for impairment by class follows:

	2018			
	Stage 1	Stage 2	Stage 3	Total
Corporate loans				
Balance at beginning of year	₱14,800	₱71,869	₱206,989	₱293,658
Newly originated assets that remained in Stage 1 as at December 31, 2018	17,706	–	–	17,706
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2018	–	45,461	70,449	115,910
Effect of collections and other movements in receivable balance (excluding write-offs)	(23,133)	(44,358)	(138,971)	(206,462)
Write-offs (Note 9)	–	–	–	–
Transfers from Stage 1	(441)	362	79	–
Transfers from Stage 2	21,774	(22,053)	279	–
Impact on ECL of exposures transferred between stages	2,374	3,855	141,047	147,276
Balance at end of year	33,080	55,136	279,872	368,088
Auto loans				
Balance at beginning of year	387,565	355,130	848,340	1,591,035
Newly originated assets that remained in Stage 1 as at December 31, 2018	237,705	–	–	237,705
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2018	–	159,902	71,223	231,125
Effect of collections and other movements in receivable balance (excluding write-offs)	(257,999)	(79,230)	47,312	(289,917)
Write-offs (Note 9)	–	–	(222,994)	(222,994)
Transfers from Stage 1	(100,717)	92,168	8,549	–
Transfers from Stage 2	66,040	(113,654)	47,614	–
Transfers from Stage 3	8,204	18,653	(26,857)	–
Impact on ECL of exposures transferred between stages	(9,512)	89,414	83,565	163,467
Balance at end of year	331,286	522,383	856,752	1,710,421

(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, 2018	**400,986**	**–**	**–**	**400,986**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2018	**–**	**16,416**	**45,140**	**61,556**
Effect of collections and other movements in receivable balance (excluding write-offs)	**(40,179)**	**(259,546)**	**1,995,548**	**1,695,823**
Write-offs (Note 9)	**–**	**–**	**(2,705,749)**	**(2,705,749)**
Transfers from Stage 1	**(93,578)**	**68,481**	**25,097**	**–**
Transfers from Stage 2	**361,103**	**(541,730)**	**180,627**	**–**
Transfers from Stage 3	**78,811**	**7,402**	**(86,213)**	**–**
Impact on ECL of exposures transferred between stages	**(374,956)**	**833,197**	**617,901**	**1,076,142**
Balance at end of year	**996,701**	**1,688,110**	**1,025,217**	**3,710,028**
Mortgage loans				
Balance at beginning of year	**₱18,668**	**₱44,910**	**₱25,582**	**₱89,160**
Newly originated assets that remained in Stage 1 as at December 31, 2018	**6,683**	**–**	**–**	**6,683**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2018	**–**	**873**	**1,619**	**2,492**
Effect of collections and other movements in receivable balance (excluding write-offs)	**(1,886)**	**(2,656)**	**(7,375)**	**(11,917)**
Write-offs (Note 9)	**–**	**–**	**–**	**–**
Transfers from Stage 1	**(933)**	**763**	**170**	**–**
Transfers from Stage 2	**5,186**	**(6,466)**	**1,280**	**–**
Transfers from Stage 3	**1,416**	**1,172**	**(2,588)**	**–**
Impact on ECL of exposures transferred between stages	**(3,941)**	**19,405**	**14,841**	**30,305**
Balance at end of year	**25,193**	**58,001**	**33,529**	**116,723**
Other receivables				
Balance at beginning of year	**548,421**	**699,217**	**421,837**	**1,669,475**
Newly originated assets that remained in Stage 1 as at December 31, 2018	**116,206**	**–**	**–**	**116,206**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2018	**–**	**356,899**	**–**	**356,899**
Effect of collections and other movements in receivable balance (excluding write-offs)	**5,177**	**217,807**	**(1,733,401)**	**(1,510,417)**
Write-offs (Note 9)	**–**	**–**	**(232,101)**	**(232,101)**
Transfers from Stage 1	**(5,171)**	**2,240**	**2,931**	**–**
Transfers from Stage 2	**87**	**(890)**	**803**	**–**
Transfers from Stage 3	**258**	**99**	**(357)**	**–**
Impact on ECL of exposures transferred between stages	**(351)**	**1,394**	**56,739**	**57,782**
Others	**–**	**–**	**928,778**	**928,778**
Balance at end of year	**664,627**	**1,276,766**	**(554,771)**	**1,386,622**
Total	**₱2,050,887**	**₱3,600,396**	**₱1,640,599**	**₱7,291,882**

Total Loans and Receivables – Parent Company

	2018			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance at beginning of year	**₱1,525,093**	**₱2,552,401**	**₱2,371,869**	**₱6,449,363**
Newly originated assets that remained in Stage 1 as at December 31, 2018	**465,579**	–	–	**465,579**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2018	–	**(108,616)**	**36,516**	**(72,100)**
Effect of collections and other movements in receivable balance	**(130,643)**	**(153,464)**	**1,230,465**	**946,358**
Write-offs (Note 9)	–	–	**(3,309,482)**	**(3,309,482)**
Transfers from Stage 1	**(200,840)**	**164,014**	**36,826**	–
Transfers from Stage 2	**454,190**	**(684,793)**	**230,603**	–
Transfers from Stage 3	**88,689**	**27,326**	**(116,015)**	–
Impact on ECL of exposures transferred between stages	**(573,763)**	**932,746**	**1,115,989**	**1,474,972**
Others	–	–	**928,778**	**928,778**
Balance at end of year	**₱1,628,305**	**₱2,729,614**	**₱2,525,549**	**₱6,883,468**

Reconciliation of the allowance for impairment by class follows:

	2018			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Corporate loans				
Balance at beginning of year	**₱14,800**	**₱71,869**	**₱206,989**	**₱293,658**
Newly originated assets that remained in Stage 1 as at December 31, 2018	**17,706**	–	–	**17,706**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2018	–	**45,461**	**70,449**	**115,910**
Effect of collections and other movements in receivable balance (excluding write-offs)	**(23,133)**	**(44,358)**	**(138,971)**	**(206,462)**
Write-offs (Note 9)	–	–	–	–
Transfers from Stage 1	**(441)**	**362**	**79**	–
Transfers from Stage 2	**21,774**	**(22,053)**	**279**	–
Impact on ECL of exposures transferred between stages	**2,374**	**3,855**	**141,047**	**147,276**
Balance at end of year	**33,080**	**55,136**	**279,872**	**368,088**
Auto loans				
Balance at beginning of year	**387,565**	**355,130**	**848,340**	**1,591,035**
Newly originated assets that remained in Stage 1 as at December 31, 2018	**237,705**	–	–	**237,705**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2018	–	**159,902**	**71,223**	**231,125**
Effect of collections and other movements in receivable balance (excluding write-offs)	**(257,999)**	**(79,230)**	**47,312**	**(289,917)**
Write-offs (Note 9)	–	–	**(222,994)**	**(222,994)**
Transfers from Stage 1	**(100,717)**	**92,168**	**8,549**	–
Transfers from Stage 2	**66,040**	**(113,654)**	**47,614**	–
Transfers from Stage 3	**8,204**	**18,653**	**(26,857)**	–
Impact on ECL of exposures transferred between stages	**(9,512)**	**89,414**	**83,565**	**163,467**
Balance at end of year	**331,286**	**522,383**	**856,752**	**1,710,421**

(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, 2018	**400,986**	**–**	**–**	**400,986**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2018	**–**	**16,416**	**45,140**	**61,556**
Effect of collections and other movements in receivable balance (excluding write-offs)	**(40,179)**	**(259,546)**	**1,995,548**	**1,695,823**
Write-offs (Note 9)	**–**	**–**	**(2,705,749)**	**(2,705,749)**
Transfers from Stage 1	**(93,578)**	**68,481**	**25,097**	**–**
Transfers from Stage 2	**361,103**	**(541,730)**	**180,627**	**–**
Transfers from Stage 3	**78,811**	**7,402**	**(86,213)**	**–**
Impact on ECL of exposures transferred between stages	**(374,956)**	**833,197**	**617,901**	**1,076,142**
Balance at end of year	**996,701**	**1,688,110**	**1,025,217**	**3,710,028**
Mortgage loans				
Balance at beginning of year	**18,668**	**44,910**	**25,582**	**89,160**
Newly originated assets that remained in Stage 1 as at December 31, 2018	**6,683**	**–**	**–**	**6,683**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2018	**–**	**873**	**1,619**	**2,492**
Effect of collections and other movements in receivable balance	**(1,886)**	**(2,656)**	**(7,375)**	**(11,917)**
Write-offs (Note 9)	**–**	**–**	**–**	**–**
Transfers from Stage 1	**(933)**	**763**	**170**	**–**
Transfers from Stage 2	**5,186**	**(6,466)**	**1,280**	**–**
Transfers from Stage 3	**1,416**	**1,172**	**(2,588)**	**–**
Impact on ECL of exposures transferred between stages	**(3,941)**	**19,405**	**14,841**	**30,305**
Balance at end of year	**25,193**	**58,001**	**33,529**	**116,723**
Other receivables				
Balance at beginning of year	**548,421**	**699,217**	**421,837**	**1,669,475**
Newly originated assets that remained in Stage 1 as at December 31, 2018	**116,206**	**–**	**–**	**116,206**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2018	**–**	**155,227**	**–**	**155,227**
Effect of collections and other movements in receivable balance (excluding write-offs)	**(417,405)**	**(451,303)**	**(872,429)**	**(1,741,137)**
Write-offs (Note 9)	**–**	**–**	**(208,123)**	**(208,123)**
Transfers from Stage 1	**(5,171)**	**2,240**	**2,931**	**–**
Transfers from Stage 2	**87**	**(890)**	**803**	**–**
Transfers from Stage 3	**258**	**99**	**(357)**	**–**
Impact on ECL of exposures transferred between stages	**(351)**	**1,394**	**56,739**	**57,782**
Others	**–**	**–**	**928,778**	**928,778**
Balance at end of year	**242,045**	**405,984**	**330,179**	**978,208**
Total	**₱1,628,305**	**₱2,729,614**	**₱2,525,549**	**₱6,883,468**

Investments and placements – Group and Parent Company

	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	**–**	**–**	**–**	**–**
Write-offs (Note 9)	**–**	**–**	**–**	**–**
Transfers from Stage 1	**–**	**–**	**–**	**–**
Transfers from Stage 2	**–**	**–**	**–**	**–**
Transfers from Stage 3	**–**	**–**	**–**	**–**
Impact on ECL transfers	**–**	**–**	**–**	**–**
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	**–**	**–**	**–**	**–**
Write-offs (Note 9)	**–**	**–**	**–**	**–**
Transfers from Stage 1	**–**	**–**	**–**	**–**
Transfers from Stage 2	**–**	**–**	**–**	**–**
Transfers from Stage 3	**–**	**–**	**–**	**–**
Impact on ECL transfers	**–**	**–**	**–**	**–**
Balance at end of year	**192**	**6**	**–**	**198**
Total	**₱1,161**	**₱1,932**	**₱–**	**₱3,093**

Provision for unused credit lines – Group and Parent Company

	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	**290,800**	**–**	**–**	**290,800**
Newly credit lines that moved to Stage 2 and Stage 3 as at December 31, 2018	**–**	**259,007**	**150,022**	**409,029**
Effect of collections and other movements	**–**	**(353,386)**	**(117,344)**	**(470,730)**
Transfers from Stage 1	**(572)**	**569**	**3**	**–**
Transfers from Stage 2	**735**	**(778)**	**43**	**–**
Transfers from Stage 3	**–**	**81**	**(81)**	**–**
Balance at end of year	**₱290,963**	**₱126,142**	**₱32,643**	**₱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 832), 19.00% from March 2, 2018 to May 31, 2018 (under BSP Circular 997), and 18.00% from June 1, 2018 and thereafter (under BSP Circular 1004). LTNCDs are subject to required reserves of 4.00% if issued under BSP Circular 304, and 7.00% if issued under BSP Circular 842.

On the other hand, EWRB is required to maintain regular reserves equivalent to 5.00% against demand deposits and 3.00% against savings deposits.

As of December 31, 2018 and 2017, the Parent Company and EWRB are in compliance with such regulations. As of December 31, 2018 and 2017, Due from BSP of the Parent Company and EWRB below has been set aside as reserves for deposit liabilities, as reported to the BSP (amounts in millions):

	2018	2017
Parent Company	**₱39,700**	₱36,210
EWRB	**609**	529
Total reserves for deposit liabilities	**₱40,309**	₱36,739

Of the total deposit liabilities of the Parent Company as of December 31, 2018 and 2017, about 46.76% and 43.18%, respectively, are subject to periodic interest repricing. The remaining deposit liabilities earn annual fixed interest rates ranging from 0.15% to 5.00% in 2018, 0.13% to 5.00% in 2017 and 0.13% to 5.53% in 2016.

Long Term Negotiable Certificate of Deposits

Long Term Negotiable Certificate of Deposits (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**	**2018**	2017	2016
1	11/23/2012	5/23/2018	4,650	5.000%	4.37%	Quarterly	**₱–**	₱4,658	₱4,678
2	12/5/2013	6/5/2019	2,484	3.250%	3.48%	Quarterly	**2,475**	2,455	2,435
3	10/23/2014	4/24/2020	925	4.500%	4.42%	Quarterly	**924**	923	922
4	3/21/2017	9/21/2022	10,000	4.000%	4.10%	Quarterly	**9,964**	9,955	–
5	6/7/2018	12/7/2023	2,451	4.625%	4.78%	Quarterly	**2,434**	–	–
Total							**₱15,797**	₱17,991	₱8,035

Long-term Negotiable Certificates of Deposits due 2018 (LTNCD Series 1)

In 2013 and 2012, the Parent Company issued its unsecured LTNCD matured on May 18, 2018. This had been released in tranches – 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.

Long-term Negotiable Certificates of Deposits due 2019 (LTNCD Series 2)

In 2013, the Parent Company issued unsecured LTNCD maturing on June 9, 2019. The first to third tranches of the LTNCD Series 2 aggregating to ₱0.74 billion were issued in December 2013. The discount, net of debt issue costs, related to the issuance of the LTNCD Series 2 in 2013 amounted to ₱8.42 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, net of debt issue costs, related to the issuance of the LTNCD Series 2 in 2014 amounted to ₱85.05 million. As of December 31, 2018, 2017 and 2016, the outstanding net unamortized discount amounted to ₱9.07 million, ₱29.49 million and ₱49.19 million, respectively.

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, net of debt issue costs, related to the issuance of the LTNCD Series 3 in 2014 amounted to ₱4.63 million. As of December 31, 2018, 2017 and 2016, the outstanding net unamortized discount amounted to ₱1.00 million, ₱1.81 million and ₱2.65 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, 2018, and 2017, the outstanding unamortized debt issue cost amounted to ₱35.89 million and ₱44.63 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, 2018, unamortized debt issue cost amounted to ₱16.70 million.

The movements in unamortized net discount of LTNCD as of December 31, 2018 and 2017 follow:

	2018	2017
Beginning balance	**₱67,845**	₱23,857
Discount arising from issuance during the year	**18,380**	49,940
Amortization during the year	**(23,565)**	(5,952)
Ending balance	**₱62,660**	₱67,845

The Group and the Parent Company's interest expense on deposit liabilities consists of (amount in millions):

	Consolidated			**Parent**		
Product Type	**2018**	2017	2016	**2018**	2017	2016
Time Deposits	**₱3,060**	₱1,998	₱1,692	**₱3,060**	₱1,998	₱1,692
LTNCDs	**686**	571	351	**686**	571	351
Savings Deposits	**679**	499	320	**172**	174	139
Demand Deposits	**99**	93	96	**99**	91	97
Total	**₱4,524**	₱3,161	₱2,459	**₱4,017**	₱2,834	₱2,279

17. **Bills and Acceptances Payable**

This account consists of:

	2018	2017
Banks and other financial institutions	**₱17,939,215**	₱4,124,650
Outstanding acceptances	**30,712**	35,045
	₱17,969,927	₱4,159,695

As of December 31, 2018, ₱15.89 billion of bills and acceptances payable are secured, wherein ₱9.25 billion are collateralized by investment in government securities with face value and fair value of ₱12.79 billion and ₱12.44 billion, respectively and ₱6.64 billion are collateralized by private securities with face value and fair value of ₱7.94 billion and ₱8.42 billion.

The details of collaterals in 2018 follow:

	Face value	Fair value
FVTPL	₱3,075,535	₱2,798,191
FVTOCI	250,000	237,189
Investment securities at amortized cost	9,461,849	9,388,189
	₱12,787,384	₱12,423,569

As of December 31, 2017, no investments in government securities of the Parent Company were pledged with other banks as collateral for borrowings.

Bills payable to the BSP, other banks and other financial institutions are subject to annual interest rates ranging from 2.68% to 5.38% in 2018, 1.50% to 3.50% in 2017, and 0.01% to 1.65% in 2016.

The Group's and the Parent Company's interest expense on bills and acceptances payable amounted to ₱204.11 million in 2018, ₱44.13 million in 2017, and ₱55.88 million in 2016.

18. Accrued Taxes, Interest and Other Expenses

This account consists of:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Accrued interest payable	**₱916,067**	₱436,409	**₱799,433**	₱410,046
Accrued taxes	**410,873**	312,463	**373,055**	236,978
Accrued other expenses	**1,533,956**	1,573,784	**1,355,913**	1,487,164
	₱2,860,896	₱2,322,656	**₱2,528,401**	₱2,134,188

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

The Group's subordinated debt consists of (in millions):

		Carrying Value	
	Face Value	**2018**	2017
Lower Tier 2 unsecured subordinated notes due 2025	₱5,000	**₱4,976**	₱4,973
Lower Tier 2 unsecured subordinated notes due 2027	1,250	**1,238**	1,238
	₱6,250	**₱6,214**	₱6,211

The Parent Company's subordinated debt consists of (in millions):

		Carrying Value	
	Face Value	**2018**	2017
Lower Tier 2 unsecured subordinated notes due 2025	₱5,000	**₱4,976**	₱4,973

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 PDST-R2 at reset date plus initial spread (i.e., the difference between the initial interest rate and the prevailing 5-year PDST R2 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
c. the Parent Company demonstrates that its capital position is above the minimum capital requirements after redemption is exercised
d. 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)
e. 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.

<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 PDST-R2 at reset date plus initial spread (i.e., the difference between the initial interest rate and the prevailing 5-year PDST R2 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

c. EWRB demonstrates that its capital position is above the minimum capital requirements after redemption is exercised
d. EWRB is not in breach of (and would not, following such redemption, be in breach) of applicable regulatory capital requirements (including regulatory capital buffers)
e. 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 ₱345.93 million, ₱333.32 million, and ₱278.11 million in 2018, 2017, and 2016, respectively.

The Parent Company's interest expense on the subordinated debts amounted to ₱276.10 million, ₱273.75 million, and ₱278.11 million in 2018, 2017, and 2016, respectively.

20. Other Liabilities

This account consists of:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Accounts payable	**₱3,670,449**	₱3,336,665	**₱2,819,166**	₱3,072,913
Deferred revenue	**2,360,494**	1,589,010	**2,360,012**	1,588,590
Bills purchased-contra	**551,467**	454,400	**551,467**	454,400
Provision on unused credit lines (Notes 15 and 29)	**449,748**	–	**449,748**	–
Withholding tax payable	**175,203**	109,651	**159,571**	98,660
Payment orders payable	**173,498**	10,918	**173,498**	10,918
Derivative liabilities (Note 5)	**146,548**	174,581	**146,548**	174,581
Net retirement obligation (Note 25)	**99,040**	8,808	**94,174**	–
Retention payable	**55,730**	65,919	**55,730**	65,919
Marginal deposits and letters of credit	**22,066**	9,044	**22,066**	9,044
Miscellaneous	**574,310**	184,952	**574,374**	181,694
	₱8,278,553	₱5,943,948	**₱7,406,354**	₱5,656,719

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					
	2018			2017		
	Less than 12 months	**Over 12 months**	**Total**	Less than 12 months	Over 12 months	Total
Financial assets:						
Cash and other cash items	**₱7,185,241**	**₱–**	**₱7,185,241**	₱6,723,320	₱–	₱6,723,320
Due from BSP	**40,481,956**	–	**40,481,956**	39,321,213	–	39,321,213
Due from other banks	**10,233,240**	–	**10,233,240**	9,362,992	–	9,362,992
IBLR	**5,862,670**	–	**5,862,670**	12,387,633	–	12,387,633
Financial assets at FVTPL (Note 8)	**4,338,794**	–	**4,338,794**	7,313,183	–	7,313,183
Financial assets at FVTOCI (Note 8)	**15,069**	**233,138**	**248,207**	–	2	2
Investment securities at amortized cost (Note 8)	**13,896,211**	**22,614,335**	**36,510,546**	–	6,472,222	6,472,222
Loans and receivables - gross (Note 9)	**97,953,032**	**148,263,236**	**246,216,268**	96,484,858	123,165,755	219,650,613
Other assets (Note 14)	**212,790**	**1,902**	**214,692**	255,986	312,826	568,812
	180,179,003	**171,112,611**	**351,291,614**	171,849,185	129,950,805	301,799,990
Nonfinancial assets:						
Investment in a joint venture (Note 10)	–	**689,466**	**689,466**	–	835,283	835,283
Property and equipment (Note 11)	–	**2,655,809**	**2,655,809**	–	3,044,220	3,044,220
Investment properties (Note 12)	–	**921,153**	**921,153**	–	827,578	827,578

(Forward)

	Consolidated					
	2018			2017		
	Less than 12 months	**Over 12 months**	**Total**	Less than 12 months	Over 12 months	Total
Deferred tax assets (Note 24)	**₱–**	**₱2,265,962**	**₱2,265,962**	₱–	₱1,957,094	₱1,957,094
Goodwill and other intangible assets (Note 13)	**–**	**6,893,646**	**6,893,646**	–	6,921,184	6,921,184
Other assets (Note 14)	**1,601,199**	**1,366,823**	**2,968,022**	929,181	844,837	1,774,018
	1,601,199	**14,792,859**	**16,394,058**	929,181	14,430,196	15,359,377
	181,780,202	**185,905,470**	**367,685,672**	172,778,366	144,381,001	317,159,367
Allowances for impairment and credit losses on loans and receivables (Note 9, Note 15)	**₱–**	**(₱7,291,882)**	**(₱7,291,882)**	₱–	(₱6,334,109)	(₱6,334,109)
Unearned premium (Note 9)	**–**	**6,945,199**	**6,945,199**	–	6,818,183	6,818,183
	₱181,780,202	**₱185,558,787**	**₱367,338,989**	₱172,778,366	₱144,865,075	₱317,643,441
Financial liabilities:						
Deposit liabilities (Note 16)	**₱259,111,520**	**₱ 29,128,313**	**₱288,239,833**	₱233,312,300	₱25,414,034	₱258,726,334
Bills and acceptances payable (Note 17)	**17,969,927**	–	**17,969,927**	4,159,695	–	4,159,695
Cashiers' checks and demand drafts payable	**895,717**	–	**895,717**	1,040,545	–	1,040,545
Subordinated debt (Note 19)	–	**6,214,479**	**6,214,479**	–	6,211,138	6,211,138
Accrued interest, taxes and other expenses (Note 18)	**2,450,023**	–	**2,450,023**	2,216,875	–	2,216,875
Other liabilities (Note 20)	**4,539,370**	**488**	**4,539,858**	3,480,245	82,406	3,562,651
	284,966,557	**35,343,280**	**320,309,837**	244,209,660	31,707,578	275,917,238
Nonfinancial liabilities:						
Income tax payable	**222,410**	–	**222,410**	233,609	–	233,609
Accrued interest, taxes and other expenses (Note 18)	**410,873**	–	**410,873**	312,463	–	312,463
Other liabilities (Note 20)	**515,812**	**3,222,883**	**3,738,695**	785,544	1,389,071	2,174,615
	1,149,095	**3,222,883**	**4,371,978**	1,331,616	1,389,071	2,720,687
	₱286,115,652	**₱38,566,163**	**₱324,681,815**	₱245,541,276	₱33,096,649	₱278,637,925

	Parent Company					
	2018			2017		
	Less than 12 months	**Over 12 months**	**Total**	Less than 12 months	Over 12 months	Total
Financial assets:						
Cash and other cash items	**₱7,097,652**	–	**₱7,097,652**	₱6,690,801	₱–	₱6,690,801
Due from BSP	**39,872,848**	–	**39,872,848**	38,792,299	–	38,792,299
Due from other banks	**10,087,675**	–	**10,087,675**	9,341,309	–	9,341,309
IBLR	**5,862,670**	–	**5,862,670**	12,387,633	–	12,387,633
Financial assets at FVTPL (Note 8)	**1,124,537**	**3,214,257**	**4,338,794**	7,313,183	–	7,313,183
Financial assets at FVTOCI (Note 8)	**15,069**	**233,138**	**248,207**	–	2	2
Investment securities at amortized cost (Note 8)	**13,896,211**	**22,614,335**	**36,510,546**	–	6,472,222	6,472,222
Loans and receivables - gross (Note 9)	**97,252,410**	**124,136,188**	**221,388,598**	96,313,766	103,055,662	199,369,428
Other assets (Note 14)	**208,628**	–	**208,628**	255,473	311,482	566,955
	175,417,700	**150,197,918**	**325,615,618**	171,094,464	109,839,368	280,933,832
Nonfinancial assets:						
Investment in subsidiaries (Note 10)	**–**	**3,697,985**	**3,697,985**	–	3,456,951	3,456,951
Investment in a joint venture (Note 10)	**–**	**689,466**	**689,466**	–	835,283	835,283
Property and equipment (Note 11)	**–**	**2,389,521**	**2,389,521**	–	2,696,055	2,696,055
Investment properties (Note 12)	**–**	**919,782**	**919,782**	–	826,138	826,138

(Forward)

	Parent Company					
	2018			2017		
	Less than 12 months	**Over 12 months**	**Total**	Less than 12 months	Over 12 months	Total
Deferred tax assets (Note 24)	**₱–**	**₱2,138,525**	**₱2,138,525**	₱–	₱1,864,271	₱1,864,271
Goodwill and other intangible assets (Note 13)	**–**	**6,854,827**	**6,854,827**	–	6,871,804	6,871,804
Other assets (Note 14)	**1,541,744**	**1,316,190**	**2,857,934**	876,738	834,628	1,711,366
	1,541,744	**18,006,296**	**19,548,040**	876,738	17,385,130	18,261,868
				171,971,202	127,224,498	299,195,700
Allowances for impairment and credit losses on loans and receivables (Note 9, Note 15)	–	**(6,883,468)**	**(6,883,468)**	–	(5,958,873)	(5,958,873)
Unamortized premium (Note 9)	–	**7,547,675**	**7,547,675**	–	7,187,216	7,187,216
	₱176,959,444	**₱168,868,421**	**₱345,827,865**	₱171,971,202	₱128,452,841	₱300,424,043
Financial liabilities:						
Deposit liabilities (Note 16)	**₱240,138,181**	**₱ 29,128,313**	**₱269,266,494**	₱217,876,878	₱25,414,034	₱243,290,912
Bills and acceptances payable (Note 17)	**17,969,927**	–	**17,969,927**	4,159,695	–	4,159,695
Cashiers' checks and demand drafts payable	**895,717**	–	**895,717**	1,040,545	–	1,040,545
Subordinated debt (Note 19)	–	**4,975,862**	**4,975,862**	–	4,972,572	4,972,572
Accrued interest, taxes and other expenses (Note 18)	**2,155,346**	–	**2,155,346**	2,103,892	–	2,103,892
Other liabilities (Note 20)	**4,182,145**	**488**	**4,182,633**	3,196,748	82,406	3,279,154
	265,341,316	**34,104,663**	**299,445,979**	228,377,758	30,469,012	258,846,770
Nonfinancial liabilities:						
Income tax payable	**127,936**	–	**127,936**	163,896	–	163,896
Accrued interest, taxes and other expenses (Note 18)	**373,055**	–	**373,055**	236,978	–	236,978
Other liabilities (Note 20)	**1,016,496**	**2,207,225**	**3,223,721**	782,232	1,388,651	2,170,883
	1,517,487	**2,207,225**	**3,724,712**	1,183,106	1,388,651	2,571,757
	₱266,858,803	**₱36,311,888**	**₱303,170,691**	₱229,560,864	₱31,857,663	₱261,418,527

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, 2018 and 2017 are shown in the table below:

	Consolidated		**Parent Company**	
	2018	2017	**2018**	2017
CET1 capital ratio	**10.29%**	11.31%	**10.24%**	11.02%
Tier 1 capital ratio	**10.29%**	11.31%	**10.24%**	11.02%
Total capital ratio	**12.76%**	14.04%	**12.87%**	13.45%

The composition of the qualifying capital is shown below (amounts in millions):

	Consolidated		**Parent Company**	
	2018	2017	**2018**	2017
Qualifying capital:				
Tier 1 capital	**₱41,918**	₱38,620	**₱42,142**	₱38,621
CET1 capital	**41,918**	38,620	**42,142**	38,621
Less: Required Deductions	**10,081**	9,875	**13,463**	13,118
Net Tier 1 Capital	**31,837**	28,745	**28,679**	25,503
Tier 2 capital	**7,622**	6,960	**7,377**	5,640
Total qualifying capital	**₱39,459**	₱35,705	**₱36,056**	₱31,143

The capital requirements as of December 31, 2018 and 2017 are shown below (amounts in millions):

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Capital requirements:				
Credit risk	**₱267,828**	₱218,153	**₱237,699**	₱198,083
Market risk	**2,496**	3,940	**1,728**	3,940
Operational risk	**38,959**	32,159	**40,702**	29,449
Total capital requirements	**₱309,283**	₱254,252	**₱280,129**	₱231,472

Qualifying capital and risk-weighted assets (RWA) 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 fair value through other comprehensive income). 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%	COCI, 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)

Risk weight	Exposure/Asset type*
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.

Capital Stock

Capital stock consists of (amounts in thousands, except for par value and number of shares):

	Shares			Amount		
	2018	2017	2016	**2018**	2017	2016
Authorized:						
Common stock - ₱10.00 par value	**4,500,000,000**	1,500,000,000	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	**1,499,983,610**	1,499,983,610	1,499,983,610	**₱14,999,836**	₱14,999,836	₱14,999,836
Issuance of stock dividends	**749,991,801**	–	–	**7,499,918**	–	–
Balance at year end	**2,249,975,411**	1,499,983,610	1,499,983,610	**₱22,499,754**	₱14,999,836	₱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 ₱3.69 billion and ₱3.13 billion as of December 31, 2018 and December 31, 2017, 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 allowance for credit losses related to Stage 1 accounts. The Parent Company appropriated ₱864.38 million as of December 31, 2018.

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 consist of:

	Consolidated			Parent Company		
	2018	2017	2016	**2018**	2017	2016
Credit Cards	**₱2,164,536**	₱2,105,754	₱1,784,782	**₱2,164,536**	₱2,105,754	₱1,784,782
Loans	**1,580,671**	2,236,216	1,505,074	**1,028,176**	882,256	676,991
Deposits	**654,116**	626,729	655,709	**650,035**	622,250	594,101
Remittances	**85,494**	72,454	38,376	**85,494**	72,454	38,376
Others	**403,633**	301,623	117,400	**197,898**	170,850	94,864
	₱4,888,450	₱5,342,776	₱4,101,341	**₱4,126,139**	₱3,853,564	₱3,189,114

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.

Miscellaneous income consists of:

	Consolidated			Parent Company		
	2018	2017	2016	**2018**	2017	2016
Recoveries and credit adjustments	**₱739,285**	₱436,658	₱360,121	**₱736,052**	₱431,926	₱355,353
Rental income	**25,056**	20,656	26,377	**25,056**	20,656	26,811
Dividend income	**3,777**	4,555	6,390	**3,777**	4,555	6,390
Others	**82,957**	106,869	76,830	**79,879**	88,162	68,781
	₱851,075	₱568,738	₱469,718	**₱844,764**	₱545,299	₱457,335

Others include referral income earned on insurance premiums charged through credit cards and revenue from credit card loyalty rewards.

Miscellaneous expenses consist of:

	Consolidated			Parent Company		
	2018	2017	2016	**2018**	2017	2016
Advertising	**₱825,272**	₱601,700	₱393,923	**₱811,424**	₱588,952	₱382,113
Insurance	**687,122**	623,093	466,550	**652,028**	588,793	441,132
Brokerage fees	**647,502**	658,021	400,064	**635,599**	701,215	454,648
Service charges, fees and commissions	**601,022**	405,979	325,653	**601,022**	405,979	325,652
Technological fees	**502,011**	410,618	411,147	**500,334**	410,618	411,012
Security, messengerial and janitorial services	**489,575**	544,996	543,307	**434,371**	488,939	487,061
Postage, telephone, cables and telegram	**386,541**	392,715	359,552	**346,894**	356,377	332,114
Power, light and water	**217,159**	202,957	187,557	**192,741**	179,982	168,231
Transportation and travel	**212,526**	231,722	228,896	**168,620**	166,931	167,599
Management and other professional fees	**175,389**	140,406	169,681	**172,366**	137,942	165,986
Repairs and maintenance	**124,018**	124,641	109,685	**104,532**	107,099	98,864
Stationery and supplies	**109,978**	115,396	113,165	**92,074**	91,021	91,813
Supervision fees	**97,352**	82,702	71,340	**91,259**	76,614	68,606
Litigation expenses	**88,525**	71,246	74,940	**88,520**	71,246	74,940
Entertainment, amusement and recreation	**46,208**	48,807	56,596	**41,711**	41,878	50,262
Others	**392,326**	389,458	275,358	**352,986**	357,392	262,987
	₱5,602,526	₱5,044,457	₱4,187,414	**₱5,286,481**	₱4,770,978	₱3,983,020

Others include payments for subscriptions, membership fees, trainings, donations and contributions, delivery and freight expenses, fines, penalties, other charges 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.

An 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.

In 2011, the BIR issued Revenue Regulations 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.

Provision for income tax consists of:

	Consolidated			Parent Company		
	2018	2017	2016	**2018**	2017	2016
Current:						
Regular corporate income tax	**₱1,486,393**	₱1,649,726	₱1,203,632	**₱1,214,063**	₱1,147,297	₱769,876
Final tax	**40,568**	85,473	164,689	**39,897**	81,981	164,545
	1,526,961	1,735,199	1,368,321	**1,253,960**	1,229,278	934,421
Deferred	**(58,720)**	(28,007)	(634,364)	**(13,074)**	(10,693)	(590,495)
	₱1,468,241	₱1,707,192	₱733,957	**₱1,240,886**	₱1,218,585	₱343,926

The components of the Group's and the Parent Company's net deferred tax assets as of December 31, 2018 and 2017 follow:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Deferred tax asset on:				
Allowance for impairment and credit losses	**₱2,312,356**	₱1,931,228	**₱2,234,341**	₱1,877,959
Accrued expenses and other deferred income	**119,148**	289,190	**71,209**	252,169
Accumulated depreciation of assets foreclosed or dacioned	**121,360**	123,114	**121,337**	123,111
Deferred bancassurance fee	**76,500**	80,997	**76,500**	80,997
Net retirement obligation*	**29,712**	2,642	**28,252**	–
Unamortized past service cost	**747**	1,347	**747**	1,347
Unrealized trading loss	**182**	195	**182**	195
	2,660,005	2,428,713	**2,532,568**	2,335,778
Deferred tax liability on:				
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
Gain on asset foreclosure and dacion transactions	**18,950**	82,930	**18,950**	82,819
Unrealized foreign exchange gain	**52,528**	44,587	**52,528**	44,586
Excess of fair value over carrying value of net assets acquired from business combinations	**34,195**	38,366	**34,195**	38,366
Net plan assets	–	17,366	–	17,366
	394,043	471,619	**394,043**	471,507
	₱2,265,962	₱1,957,094	**₱2,138,525**	₱1,864,271

**includes DTA acquired from business combination (Note 7)*

As of December 31, 2018 and 2017, the Group did not recognize deferred tax assets on the following temporary differences, excess MCIT over RCIT and NOLCO:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Allowance for credit and impairment losses	**₱–**	₱480,117	**₱–**	₱282,444
Excess MCIT over RCIT	**1,014**	–	**1,014**	–
NOLCO	**125,118**	214,403	**125,118**	214,403
	₱126,132	₱694,520	**₱126,132**	₱496,847

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
2015	₱13,274	₱13,274	₱–	₱–	2018
2016	60,711	24,920	–	35,791	2019
2017	89,327	–	–	89,327	2020
	₱163,312	₱38,194	₱–	₱125,118	

Excess MCIT

Inception Year	Amount	Used Amount	Expired Amount	Balance	Expiry Year
2018	₱1,014	₱–	₱–	₱1,014	2021
	₱1,014	₱–	₱–	₱1,014	

Provision for deferred income tax charged directly to OCI during the year for the Group and the Parent Company follows:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Remeasurements on retirement plan	**(₱33,036)**	(₱43,378)	**(₱33,036)**	(₱43,321)

The reconciliation of statutory income tax at statutory tax rate to the effective income tax follows:

	Consolidated			Parent Company		
	2018	2017	2016	**2018**	2017	2016
Statutory income tax	**₱1,792,892**	₱2,027,367	₱1,242,514	**₱1,724,685**	₱1,880,785	₱1,125,505
Additions to (reductions from) income taxes resulting from the tax effects of:						
Nondeductible expenses	**308,275**	75,607	69,212	**148,692**	99,472	66,768
FCDU income	**(420,040)**	(263,838)	(435,787)	**(420,040)**	(263,838)	(435,787)
Non-taxable and tax-exempt income	**(172,761)**	(31,812)	(84,307)	**(172,761)**	(397,891)	(355,188)
Interest income subjected to final tax net of tax paid	**(12,076)**	(142,257)	(75,888)	**(11,641)**	(142,068)	(75,585)
Prior year net unrealized foreign exchange and trading gains realized this year	**(44,391)**	–	–	**(44,391)**	–	–
Change in unrecognized deferred tax assets and others	**16,342**	42,125	18,213	**16,342**	42,125	18,213
Effective income tax	**₱1,468,241**	₱1,707,192	₱733,957	**₱1,240,886**	₱1,218,585	₱343,926

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, 2017, 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 (asset) are presented in the statements of financial position as follows:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Other assets (Note 14)	**₱–**	(₱62,453)	**₱–**	(₱62,453)
Other liabilities (Note 20)	**99,040**	8,808	**94,174**	–
Net retirement obligation (asset)	**₱99,040**	(₱53,645)	**₱94,174**	(₱62,453)

Changes in the present value of the defined benefit obligation as of December 31, 2018 and 2017 recognized in the statements of financial position follow:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Balance at beginning of year	**₱868,264**	₱776,690	**₱859,685**	₱769,577
Current service cost	**140,987**	124,684	**133,944**	123,429
Interest cost	**48,802**	40,030	**48,313**	39,402
Remeasurement (gains) losses:				
Actuarial (gains) losses arising from deviations of experience from assumptions	**(60,208)**	76	**(58,906)**	63
Actuarial (gains) arising from changes in financial assumptions	**(19,598)**	(37,850)	**(16,725)**	(37,649)
Benefits paid	**(46,676)**	(35,164)	**(45,922)**	(35,164)
Balance at end of year	**₱931,571**	₱868,466	**₱920,389**	₱859,658

Changes in the fair value of plan assets are as follows:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Balance at beginning of year	**₱922,111**	₱687,625	**₱922,111**	₱687,625
Contributions	**136,750**	127,625	**130,433**	127,625
Interest income	**51,823**	35,206	**51,823**	35,206
Remeasurements	**(232,256)**	106,819	**(232,256)**	106,819
Benefits paid	**(46,676)**	(35,164)	**(45,922)**	(35,164)
Balance at end of year	**₱831,752**	₱922,111	**₱826,189**	₱922,111

The fair value of plan assets by class are as follows:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Cash and cash equivalents	**₱148,337**	₱126,915	**₱148,335**	₱126,915
Equity instruments:				
Financial services	**552,154**	586,570	**546,593**	586,570
Real estate	**5,001**	5,559	**5,001**	5,559
Holding	**–**	1	**–**	1
Debt instruments:				
Private securities	**72,508**	141,827	**72,508**	141,827
Government securities	**51,617**	58,983	**51,617**	58,983
Others	**2,135**	2,256	**2,135**	2,256
Fair value of plan assets	**₱831,752**	₱922,111	**₱826,189**	₱922,111

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 amount 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, 2018 and 2017, the Parent Company's investment strategy consists of 67.00% of equity instruments, 15.00% of debt instruments, 18.00% cash and 64.00% of equity instruments, 22.00% of debt instruments, and 14.00% cash, respectively.

The Parent Company expects to contribute ₱240.90 million to the plan in 2019.

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	
	2018	2017	**2018**	2017	**2018**	2017
Discount rate						
At January 1	**5.62%**	5.12%	**5.54%**	5.35%	**5.92%**	5.29%
At December 31	**7.35%**	5.62%	**7.38%**	5.54%	**7.43%**	5.92%
Future salary increase rate	**5.00%**	5.00%	**5.00%**	5.00%	**6.00%**	6.00%
Average remaining working life	**17.00**	9.00	**18.00**	19.00	**19.00**	17.00

The sensitivity analysis below on the defined benefit obligation as of December 31, 2018 and 2017 has been determined based on reasonably possible changes of each significant assumption, assuming all other assumptions were held constant.

	Increase in defined benefit obligation			
	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Decrease in discount rate of 1%	**₱86,009**	₱80,118	**₱86,009**	₱78,944
Increase in salary rate increase of 1%	**85,785**	79,825	**85,785**	78,655
Improvement in employee turnover by 10%	**28,725**	27,779	**28,725**	26,811

The amounts included in 'Compensation and fringe benefits expense' in the statements of income are as follows:

	Consolidated			Parent Company		
	2018	2017	2016	**2018**	2017	2016
Current service cost	**₱140,200**	₱124,684	₱112,272	**₱133,944**	₱123,429	₱110,238
Past Service Cost	**18,858**	–	–	–	–	–
Net interest expense	**(3,237)**	4,824	2,589	**(3,510)**	4,196	2,275
Expense recognized	**₱155,821**	₱129,508	₱114,861	**₱130,434**	₱127,625	₱112,513

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 2018, 2017, and 2016, the total rentals of the Group charged to operations amounted to ₱1.04 billion, ₱952.34 million, and ₱873.12 million, respectively. In 2018, 2017, and 2016, total rentals charged to operations by the Parent Company amounted to ₱958.99 million, ₱872.94 million, and ₱815.40 million, respectively.

Future minimum annual rentals payable under the aforementioned lease agreements follow:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Within one year	**₱828,836**	₱793,948	**₱763,521**	₱731,797
After one year but not more than five years	**2,402,685**	2,467,312	**2,311,677**	2,340,126
More than five years	**708,373**	833,033	**677,156**	797,946
	₱3,939,894	₱4,094,293	**₱3,752,354**	₱3,869,869

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 (amounts in thousands):

	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 with deposit holdout, no impairment
Deposit liabilities	–	**3,448,357**	Earns interest at the respective bank deposit rates
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
Interest expense	**271**	–	Interest expense on deposit liabilities
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
Receivables purchased	–	**153,863**	Receivables purchased by the Parent Company from FLI (Note 9)
Deposit liabilities	–	**1,608,679**	Earns interest at the respective bank deposit rates
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

	2018		
Category	**Amount/ Volume**	**Outstanding Balance**	**Terms and Conditions/Nature**
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

	2017		
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
Deposit liabilities	–	3,351,334	Earns interest at the respective bank deposit rates
Accrued interest receivable	–	69,734	Interest income accrued on outstanding loans receivable
Accrued expenses	–	4,944	Payable for management and professional fees paid by FDC (reimbursement for expenses)
Guarantees and commitments	–	6,779,983	Unused credit line (omnibus facility) with term of 10 months
Interest income	232,657	–	Interest income on loans receivable
Interest expense	18,410	–	Interest expense on deposit liabilities
Key management personnel:			
Deposit liabilities	–	56,347	Earns interest at the respective bank deposit rates
Interest expense	404	–	Interest expense on deposit liabilities
Other related parties:			
Loans receivable	–	5,159,413	Loans granted with terms ranging from three months to thirteen and a half years, interest ranging from 4.00% to 11.52%, 97.00% secured by real estate and chattel mortgage, no impairment
Receivables purchased	–	231,449	Receivables purchased by the Parent Company from FLI (Note 9)
Deposit liabilities	–	2,662,378	Earns interest at the respective bank deposit rates
Guarantees and commitments	–	250,000	Unused credit lines
Accrued interest receivable	–	48,514	Interest income accrued on outstanding loans receivable
Accounts receivable	–	216,814	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	349,660	–	Interest income on loans receivable
Interest expense	30,480	–	Interest expense on deposit liabilities
Commission fees	18,168	–	Commission fees received from EW Ageas Life
Service fee expense	934	–	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	49,383	–	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 2018 and 2017.

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 2017.

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 (amounts in thousands):

	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	–	**202,586**	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
Deposit liabilities	–	**265,133**	Earns interest at the respective bank deposit rates
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
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

Category	Amount/ Volume (2017)	Outstanding Balance (2017)	Terms and Conditions/ Nature (2017)
Subsidiaries:			
Receivables purchased	₱17,160,040	₱16,603,356	Receivables purchased by the Parent Company from EWRB (Note 9)
Receivable sold	209,790	339,010	Employee loans sold by the Parent Company to EWRB (Note 9)
Accounts receivable	–	199,963	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
Deposit liabilities	–	728,556	Earns interest at the respective bank deposit rates
Accounts payable	–	27,437	Cash reloading transactions between EWRB and the Parent Company
Interest expense	2,034	–	Interest expense on deposits of EWRB and EWIB
Interest income	1,350	–	Interest income on loans receivable
Service fee expense	71,390	–	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	734	–	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)

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:

	2018	2017
Cash and cash equivalents	**₱148,335**	₱126,915
Equity instruments	**143,960**	315,567
Investments in UITFs		
PhilEquity Institutional Feeder Fund	**91,362**	103,604
PSEi Tracker Fund	**214,705**	172,959
Peso Long Term Fund	**28,277**	–
Peso Intermediate Fund	**73,290**	–
Debt instruments	**124,125**	200,810
Others	**2,135**	2,256
	₱826,189	₱922,111

The following are the amounts recognized by the retirement plan arising from its transactions with the Parent Company for the years ended December 31, 2018, 2017 and 2016.

	2018	2017	2016
Trust fees	**₱2,534**	₱2,623	₱2,577
Interest income on savings deposit	**151**	823	726
Interest income on investments in LTNCD	**5,044**	2,915	2,921
Gain (Loss) on investments in equity shares	**(15,272)**	120,059	(22,452)

Remunerations of Directors and other Key Management Personnel
Total remunerations of key management personnel are as follows:

	Consolidated			Parent Company		
	2018	2017	2016	**2018**	2017	2016
Short-term employee benefits	**₱272,208**	₱177,685	₱164,776	**₱252,430**	₱159,604	₱149,994
Post employment benefits	**754**	20,801	15,501	**-**	20,801	15,501
	₱272,962	₱198,486	₱180,277	**₱252,430**	₱180,405	₱165,495

Remunerations given to directors which were approved by the Board Remuneration Committee amounted to ₱20.10 million in 2018, ₱19.14 million in 2017 and ₱12.00 million in 2016 for the Group and the Parent Company.

Regulatory Reporting
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		
	2018	2017	2016	**2018**	2017	2016
Total outstanding DOSRI accounts	**₱14,673,277**	₱10,787,629	₱10,813,486	**₱14,673,277**	₱10,787,629	₱10,813,486
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	**6.364%**	4.700%	5.369%	**6.518%**	5.143%	5.660%
Percent of DOSRI accounts to total loans	**6.364%**	4.700%	5.369%	**6.518%**	5.143%	5.660%
Percent of unsecured DOSRI accounts to total DOSRI accounts	**0.012%**	0.009%	0.002%	**0.012%**	0.009%	0.002%
Percent of past due DOSRI accounts to total DOSRI accounts	**0.000%**	0.000%	0.002%	**0.000%**	0.000%	0.002%

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.

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 ₱24.47 billion and ₱14.11 billion as of December 31, 2018 and 2017, respectively.

Government securities with total face value of ₱245.00 million and ₱170.00 million as of December 31, 2018 and 2017, 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, 2018 and 2017, 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 ₱51.33 million, ₱46.76 million and ₱18.60 million in 2018, 2017 and 2016, respectively. For the years ended December 31, 2018, 2017 and 2016, the Group and the Parent Company appropriated ₱5.13 million, ₱4.67 million and ₱1.86 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.

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:

	2018	2017
Unused credit line - credit cards	**₱54,315,720**	₱42,365,990
Trust department accounts (Note 28)	**24,470,187**	14,109,147
Spot exchange bought	**4,889,915**	1,566,997
Spot exchange sold	**4,889,355**	3,064,898
Outstanding guarantees	**4,649,566**	2,927,484
Unused commercial letters of credit	**4,323,703**	4,571,654
Outward bills for collection	**2,944,194**	2,285,169
Forward exchange bought	**2,940,079**	1,647,093
Forward exchange sold	**2,917,193**	655,975
Inward bills for collection	**2,765,184**	1,929,818
Treasurer/cashier/manager's checks	**2,248,574**	1,755,856
Late deposits/payments received	**51,461**	209,047
Items held for safekeeping	**481**	1,723
Financial futures sold	**–**	460,236
Others	**109**	63

30. Financial Performance

Earnings per share amounts were computed as follows:

	2018	2017	2016
a. Net income attributable to equity holders of the Parent Company	**₱4,508,064**	₱5,050,699	₱3,407,756
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)	**₱2.00**	₱2.24	₱1.51

The Group's basic and diluted earnings per share are equal as there are no potential dilutive shares outstanding.

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

	Consolidated			**Parent Company**		
	2018	2017	2016	**2018**	2017	2016
Return on average equity	**10.98%**	13.98%	10.74%	**10.98%**	13.98%	10.74%
Return on average assets	**1.36%**	1.66%	1.33%	**1.44%**	1.74%	1.38%
Net interest margin on average earning assets	**7.36%**	7.77%	7.75%	**7.56%**	7.72%	7.57%

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, 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: Financial Instruments	Fair value of financial collateral	Net exposure [c-d]
	[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**

December 31, 2017

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: Financial Instruments	Fair value of financial collateral	Net exposure [c-d]
	[a]	[b]	[c]	[d]		[e]
Derivative assets (Note 5)	₱155,089	₱–	₱155,089	₱152,142	₱–	₱2,947
Total	₱155,089	₱–	₱155,089	₱152,142	₱–	₱2,947

Financial liabilities

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: Financial Instruments	Fair value of financial collateral	Net exposure [c-d]
	[a]	[b]	[c]	[d]		[e]
Derivative liabilities (Note 5)	**₱146,548**	**₱–**	**₱146,548**	**₱136,595**	**₱–**	**₱9,953**
Bills payable (Note 17)	**9,246,198**	**–**	**9,246,198**	**–**	**9,246,198**	**–**
Total	**₱9,392,746**	**₱–**	**₱9,392,746**	**₱136,595**	**₱9,246,198**	**₱9,953**

December 31, 2017

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: Financial Instruments	Fair value of financial collateral	Net exposure [c-d]
	[a]	[b]	[c]	[d]		[e]
Derivative liabilities (Note 5)	₱174,581	₱–	₱174,581	₱152,142	₱–	₱22,439
Bills payable (Note 17)	–	–	–	–	–	–
Total	₱174,581	₱–	₱174,581	₱152,142	₱–	₱22,439

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 ₱142.45 million, ₱170.36 million and ₱129.21 million in 2018, 2017 and 2016 respectively, for the Group, and ₱142.45 million, ₱169.61 million and ₱129.21 million in 2018, 2017 and 2016 respectively, for the Parent Company. Transfers from loans and receivables to other repossessed assets as a result of foreclosures amounted to ₱1.01 billion, ₱2.66 billion and ₱1.78 billion in 2018, 2017 and 2016 respectively, for the Group and for the Parent Company. Amounts mentioned are exclusive of loss on asset foreclosure and dacion transactions amounting to ₱212.90 million, ₱236.35 million and ₱29.45 million in 2018, 2017 and 2016, respectively, for the Group and for the Parent Company.

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

	Consolidated			
	January 1, 2018	**Cash flows**	**Amortization of discount**	**December 31, 2018**
Bills and acceptances payable (Note 17)	**₱4,159,695**	**₱13,810,232**	**₱–**	**₱17,969,927**
Subordinated debt (Note 19)	**6,211,138**	**–**	**3,341**	**6,214,479**
Total liabilities from financing activities	**₱10,370,833**	**₱13,810,232**	**₱3,341**	**₱24,184,406**

	Consolidated			
	January 1, 2017	Cash flows	Amortization of discount	December 31, 2017
Bills and acceptances payable (Note 17)	₱2,194,595	₱1,965,100	₱–	₱4,159,695
Subordinated debt (Note 19)	4,969,460	1,237,834	3,843	6,211,138
Total liabilities from financing activities	₱7,164,055	₱3,202,934	₱3,843	₱10,370,833

	Parent Company			
	January 1, 2018	**Cash flows**	**Amortization of discount**	**December 31, 2018**
Bills and acceptances payable (Note 17)	**₱4,159,695**	**₱13,810,232**	**–**	**₱17,969,927**
Subordinated debt (Note 19)	**4,972,572**	**–**	**3,290**	**4,975,862**
Total liabilities from financing activities	**₱9,132,267**	**₱13,810,232**	**₱3,290**	**₱22,945,789**

	Parent Company			
	January 1, 2017	Cash flows	Amortization of discount	December 31, 2017
Bills and acceptances payable (Note 17)	₱2,194,595	₱1,965,100	₱–	₱4,159,695
Subordinated debt (Note 19)	4,969,460	–	3,112	4,972,572
Total liabilities from financing activities	₱7,164,055	₱1,965,100	₱3,112	₱9,132,267

33. Events Subsequent to the Reporting Period

The Group has no subsequent events to be reported for December 31, 2018.

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 21, 2019 and approved and authorized for issue by the Parent Company's BOD on February 28, 2019.

35. Supplementary Information Required Under Revenue Regulations 15-2010

Supplementary Information under RR No. 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, 2018:

Gross Receipts Tax (GRT)
The Parent Company is subject to GRT on its gross income from Philippine sources. GRT 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.

Details of the Parent Company's income and GRT accounts in 2018 are as follows:

	Gross Receipts	Gross Receipts Tax
Income derived from lending activities	₱22,229,802	₱1,050,623
Other income	2,867,798	200,746
	₱25,097,600	₱1,251,369

Other Taxes and Licenses
For the year ended December 31, 2018, other taxes and licenses included in 'Taxes and licenses' consist of:

Documentary stamps taxes	₱691,561
Local taxes, permits and fees	48,190
Fringe benefit taxes	28,783
Others	33,349
	₱801,883

Withholding Taxes

Details of withholding taxes remitted and balances as of December 31, 2018 follow:

	Total Remittances	Balance
Withholding taxes on compensation and benefits	₱507,017	₱28,979
Expanded withholding taxes	184,194	23,211
Final withholding taxes	673,439	59,141
	₱1,364,650	₱111,331

The Parent Company has no outstanding assessments from the BIR as of December 31, 2018.

SGV
Building a better
working world

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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 Group) as at December 31, 2018 and 2017 and for each of the three years in the period ended December 31, 2018, included in this Form 17-A, and have issued our report thereon dated February 28, 2019. 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 68.1 and Securities and Exchange Commission Memorandum Circular No. 11, Series of 2008 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 financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Vicky Lee Salas

Vicky Lee Salas
Partner
CPA Certificate No. 86838
SEC Accreditation No. 0115-AR-4 (Group A),
May 1, 2016, valid until May 1, 2019
Tax Identification No. 129-434-735
BIR Accreditation No. 08-001998-53-2018,
February 14, 2018, valid until February 13, 2021
PTR No. 7332563, January 3, 2019, Makati City

February 28, 2019

EAST WEST BANKING CORPORATION AND SUBSIDIARIES
INDEX TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
AS OF DECEMBER 31, 2018

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ANNEX I

EAST WEST BANKING CORPORATION
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
AS OF DECEMBER 31, 2018

Presented is the reconciliation of retained earnings available for dividend declaration of the Parent Company as of December 31, 2018 with amendments based on SEC Bulletin No. 14, *Presentation of Reconciliation of Retained Earnings* (amounts in thousands):

Unappropriated retained earnings available for dividend declaration, beginning		**₱18,713,129**
Effect of Adoption of PFRS 9		(497,951)
Unappropriated Retained Earnings, as adjusted, beginning		**18,215,178**
Net income per audited financial statements	₱4,508,064	
Less:		
Unrealized foreign exchange gain – net	(53,327)	
Equity in net income of subsidiaries	(241,520)	
Unrealized trading gain	(47,252)	
Add:		
Equity in net loss of a joint venture	395,816	
Loss on fair value adjustment of investment properties	149,027	
Deferred tax assets recognized through profit or loss	(13,074)	**4,697,734**
Net income actually earned/realized during the year		**4,697,734**
Less:		
Appropriation of retained earnings during the period	(869,512)	
Dividend declaration during the period	(7,499,918)	**(8,369,430)**
Total unappropriated retained earnings available for dividend declaration, ending		**₱14,543,482**

ANNEX II

EAST WEST BANKING CORPORATION AND SUBSIDIARIES
SCHEDULE OF FINANCIAL RATIOS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

Below are the financial ratios that are relevant to the Group for the year ended December 31, 2018 and 2017:

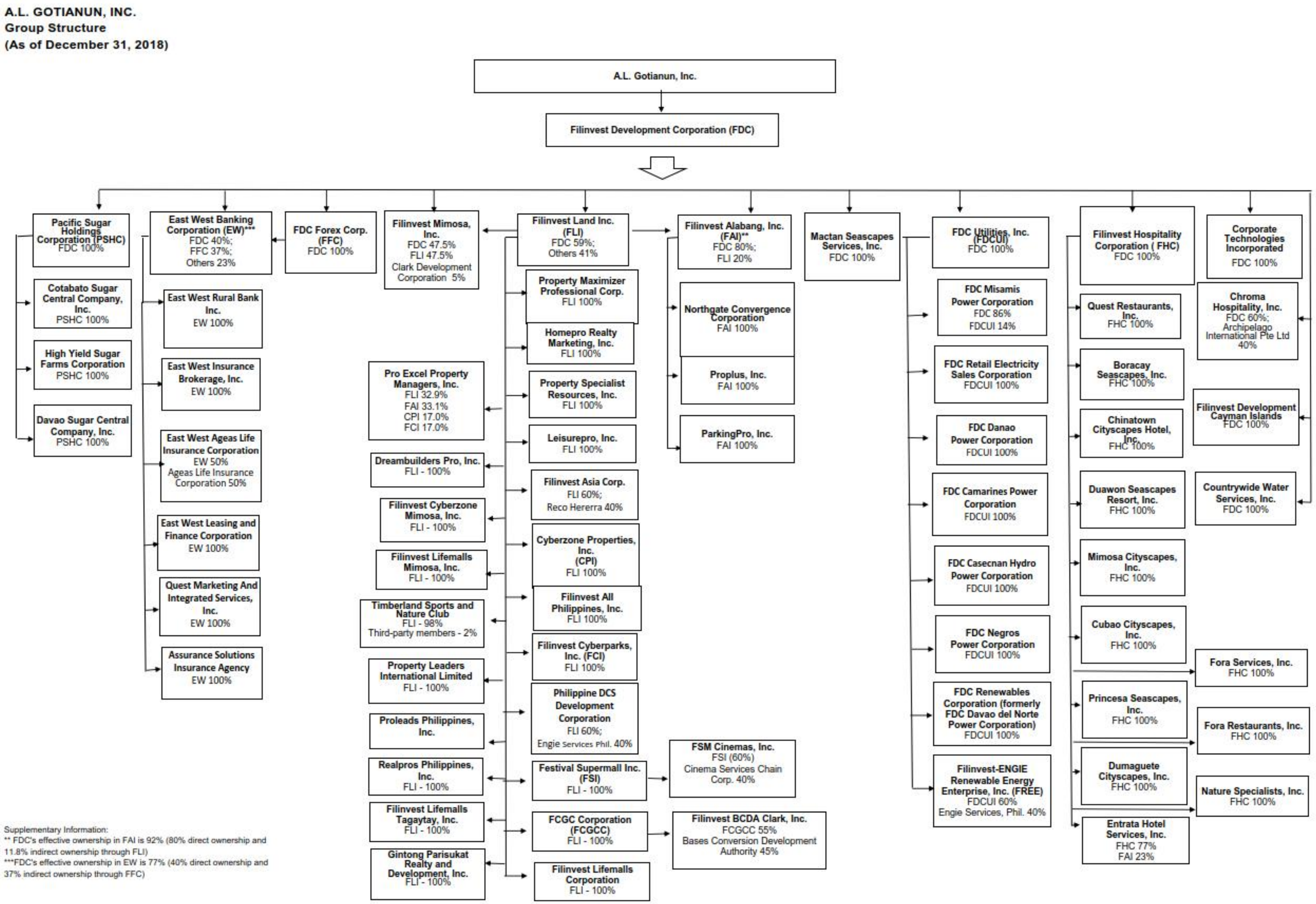
	2018	2017
Current ratio[(1)]	**63.54%**	70.37%
Solvency ratio[(2)]	**113.15%**	114.00%
Debt-to-equity[(3)]	**7.58**	7.14
Asset-to-equity[(4)]	**8.58**	8.14
Interest rate coverage ratio[(5)]	**217.63%**	289.33%
Profitability ratio		
Return on asset[(6)]	**1.36%**	1.66%
Return on equity[(7)]	**10.98%**	13.98%
Net profit margin[(8)]	**24.54%**	30.69%
Gross profit margin[(9)]	**79.14%**	83.79%

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

EAST WEST BANKING CORPORATION AND SUBSIDIARIES

CONGLOMERATE MAP
AS OF DECEMBER 31, 2018

Below is a map showing the relationship between and among the Group and its ultimate parent company, subsidiaries, and affiliate as of December 31, 2018:



EAST WEST BANKING CORPORATION

LIST OF ALL PHILIPPINE FINANCIAL REPORTING STANDARDS (PFRS) AS OF DECEMBER 31, 2018

Below is the list of all Philippine Financial Reporting Standards (PFRS), Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) as of December 31, 2018:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendment to PFRS 1: Meaning of Effective PFRSs			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendment to PFRS 2: Definition of Vesting Condition			✓
	Amendments to PFRS 2, Share-based Payment, Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination	✓		
	Amendment to PFRS 3: Scope Exceptions for Joint Arrangements			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
	Amendments to PFRS 4, Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendment to PFRS 5, Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	Amendments to PFRS 7: Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in PFRS 9			✓
	Amendment to PFRS 7, Servicing Contracts	✓		
	Amendment to PFRS 7, Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets			✓
	Amendment to PFRS 8: Aggregation of segments, reconciliation of the total of the reportable segments' assets to the entity's assets			✓
PFRS 9	Financial Instruments	✓		
	Financial Instruments: Classification and Measurement of Financial Assets	✓		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	Reissue to incorporate a hedge accounting chapter and permit early application of the requirements for presenting in other comprehensive income the "own credit" gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of PFRS 9		✓	
	Amendments to PFRS 9: Prepayment Features with Negative Compensation		✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		**Adopted**	**Not Adopted**	**Not Applicable**
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Transition Guidance			✓
	Amendments to PFRS 10, PFRS12 and PAS 27: Investment Entities			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28, Investment Entities: Applying the Consolidation Exception			✓
PFRS 11 (Amended)	Joint Arrangements			✓
	Amendments to PFRS 11: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Transition Guidance			✓
	Amendments to PFRS 10, PFRS12 and PAS 27: Investment Entities			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28, Investment Entities: Applying the Consolidation Exception			✓
	Amendment to PFRS 12, Clarification of the Scope of the Standard (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)			✓
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short-term Receivables and Payables			✓
	Amendment to PFRS 13: Portfolio Exception			✓
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
	Amendments to PFRS 15, Clarification to PFRS 15	✓		
PFRS 16	Leases		✓	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1, Disclosure Initiative	✓		
PAS 2	Inventories			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7, Statement of Cash Flows, Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12, Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Revaluation Method – Proportionate Restatement of Accumulated Depreciation on Revaluation			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
	Amendments to PAS 16 and PAS 41: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	✓		
	Amendment to PAS 19, Discount Rate: Regional Market Issue	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PFRS 10, PFRS12 and PAS27: Investment Entities			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 27: Equity Method in Separate Financial Statements	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28, Investment Entities: Applying the Consolidation Exception			✓
	Amendments to PFRS 10 and PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	✓		
	Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)	✓		
	Amendments to PAS 28: Long Term Interests in Associates and Joint Ventures	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures	✓		
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
	Amendment to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities	✓		
	Amendment to PAS 34, Disclosure of Information 'Elsewhere in the Interim Financial Report'	✓		
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38 : Proportionate Restatement of Accumulated Depreciation on Revaluation			✓
	Amendments to PAS 38 : Revaluation Method – Proportionate Restatement Of Accumulated Amortization			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	✓		
	Amendment to PAS 39: Eligible Hedged Items	✓		
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	✓		
PAS 40	Investment Property	✓		
	Amendment to PAS 40: Investment Property	✓		
	Amendments to PAS 40, Investment Property, Transfers of Investment Property	✓		
PAS 41	Agriculture			✓
	Amendments to PAS 16 and PAS 41, Agriculture: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	*Determining Whether an Arrangement Contains a Lease*	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*			✓
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*			✓
IFRIC 8	*Scope of PFRS 2*			✓
IFRIC 9	Reassessment of Embedded Derivatives	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	✓		
IFRIC 10	*Interim Financial Reporting and Impairment*			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
IFRIC 11	PFRS 2 - Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes	✓		
	Uncertainty Over Income Tax Treatments		✓	
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Agreements for the Construction of Real Estate			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
IFRIC 22	Foreign Currency Transactions and Advance Consideration	✓		
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
SIC-13	Amendment to SIC - 12: Scope of SIC 12			✓
	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

**This standard has been early adopted by the Bank.*

EAST WEST BANKING CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULES REQUIRED UNDER SRC RULE 68, AS AMENDED
AS OF DECEMBER 31, 2018

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, 2018 (amounts in thousands):

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)	447	₱418	₱418	₱12
Fixed Rate Treasury Notes (FXTN)	2,887,418	2,693,782	2,693,782	50,879
Mexican Global Bonds (MEX)	262,900	232,727	232,727	2,624
Republic of Indonesia (INDON)	210,320	216,384	216,384	3,739
Republic of the Philippines (ROP)	264,530	390,565	390,565	38,010
Retail Treasury Bond (RTB)	168,684	137,260	137,260	11,619
Treasury Bills (TBILL)	638,072	615,124	615,124	–
Metrobank (MBTC)	700	700	700	–
Abu Dhabi Government Bond (ADGB)	–	–	–	4,299
ACPM	–	–	–	50
Ayala Lands Inc. (ALI)	–	–	–	4
Brazilian Government International Bond (BRAZIL)	–	–	–	2,229
Metrobank (MBTC)	–	–	–	13
Pertamina Persero (Pertij)	–	–	–	(1)
Perusahan Listrik Negara (PLINJ)	–	–	–	5,263
Power Sector Asset and Liabilities Management(PSALM)	–	–	–	(5)
SM investment Corp (SMINVE)	–	–	–	1
SM Prime Holdings Corp. (SMPHPM)	–	–	–	6
US Treasury Notes	–	–	–	85
ROP warrants				
Citibank Manila	73	41,505	41,505	n/a
Equity Securities				
Victorias Milling Corporation	116	116	116	–
LGU Guarantee Corporation	10,213	10,213	10,213	–
	4,443,473	₱4,338,794	₱4,338,794	₱118,827

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)	473,220	₱420,833	₱449,292	₱10,947
Energy Development Corporation (EDCPM)	567,864	594,703	597,189	3,888
Fixed Rate Treasury Notes (FXTN)	3,125,069	2,883,082	2,931,416	42,024
Mexican Global Bonds (MEX)	1,051,600	957,693	955,118	23,846
National Power Corp. (NATPOW)	465,596	672,563	632,237	26,855
Pertamina Persero (PERTIJ)	2,523,840	2,601,609	2,395,228	110,871
Perusahaan Listrik Negara (PLINJ)	3,259,960	3,573,428	3,303,974	158,231
Petroleos Mexicanos (PEMEX)	525,800	506,638	421,655	26,923
Power Sector Asset And Liabilities Management (PSALM)	1,575,875	1,766,276	1,718,208	44,459
Qatar Bonds (QATAR)	1,577,400	1,620,013	1,584,914	65,444
Republic Of Indonesia (INDON)	2,471,260	3,137,064	2,955,112	129,082
Republic Of The Philippines Global Peso Noted (RP GPN)	301,482	276,929	295,664	16,154
Republic Of The Philippines (ROP)	10,110,661	11,625,794	11,553,410	243,662
Retail Treasury Bond (RTB)	504,850	387,334	397,019	2,658
Rizal Commercial Banking Corp (RCBC)	8,781	8,913	8,811	227
Saudi Arabian Bonds(KSA)	1,051,600	1,009,630	952,708	42,295
Security Bank Corporation (SECB)	397,978	402,760	398,659	9,209
SM Investment Corp (SMINVE)	1,978,060	2,016,067	1,984,661	16,311
US Treasury Notes (UST)	1,577,400	1,508,958	1,445,293	31,903
Verizon Communication Inc (VZ)	525,800	543,155	535,790	18,851
Allowance for probable loss		(2,896)		
	34,074,096	₱36,510,546	₱35,516,358	₱1,029,351

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				
Asia Trust Development Bank	182	₱182	₱–	₱–
Debt Securities				
Fixed Rate Treasury Notes (FXTN)	261,705	254,279	248,038	5,689
Retail Treasury Bond (RTB)	182	171	169	1,283
	262,069	254,632	248,207	6,972
	38,779,638	₱41,103,972	₱40,103,359	1,149,666

Schedule B. Amounts receivable from directors, officers, employees, related parties and principal stockholders (other than related parties)

As of December 31, 2018, amounts receivable from directors, officers, employees, related parties and principal stockholders (other than related parties) amounted to ₱14.67 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, 2018 (amounts in thousands):

	Balance at beginning of year	Additions	Collections	Balance at end of year
East West Rural Bank, Inc.	₱175,277	₱18,760,148	₱18,765,616	₱169,809
East West Insurance Brokerage, Inc.	3,503	17,235	20,430	308
East West Leasing and Finance Corporation	582	254	73	763
Assurance Solutions Insurance Agency, Inc.	1,026	88	–	1,114
Quest Marketing and Integrated Services, Inc.	24,791	17,404	11,601	30,594
	₱205,179	₱18,795,129	₱18,797,720	₱202,588

Schedule D. Intangible Assets

As of December 31, 2018, the goodwill and intangible assets in the Group's consolidated statements of financial position follow (amounts in thousands):
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	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	697,395	160,523	168,925	688,993
Customer relationship	116,543	–	8,623	107,920
Core deposits	62,405	-	10,513	51,892
	₱6,921,184	₱160,523	₱188,061	₱6,893,646

Schedule E. Long-term Debt

Details of the Group's long term debt* as of December 31, 2018 follow (amounts in millions):

	Amount	Current	Noncurrent
Lower Tier 2 unsecured subordinated notes due 2025	₱4,976	₱–	₱4,976
Lower Tier 2 unsecured subordinated notes due 2027	1,238	–	1,238

**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, 2018.

Schedule G. Guarantees of Securities of Other Issuers

The Group does not have guarantees of securities of other issuers as of December 31, 2018.

Schedule H. Capital Stock

Below is the schedule of the Group's issued and outstanding capital stock as of December 31, 2018 (amounts in thousands):

	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