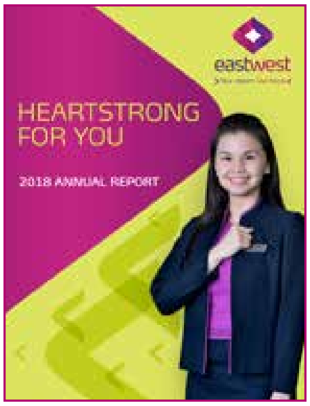
eastwest

Your dream Our focus

HEARTSTRONG FOR YOU

2018 ANNUAL REPORT

ABOUT THE THEME



When you take care of your customer, anticipate their every need, address their concerns, and take everything to heart, they will repay you with their loyalty and gratitude.

This is why EastWest believes in being HEARTSTRONG — both in leading and serving the customer, as well as all EastWestbankers. To achieve our goal, we recognize the strength of being patient, kind, and compassionate, for these are what will come around and bear fruit.

Beyond being a customer service approach, HEARTSTRONG also means a sharper focus, a deeper commitment to serving the Filipino. It is the agility and awareness to learn from every challenge. It is the steadfast dedication to excellence.

With all these, EastWest commits to building a stronger heart for you.

BRAND PILLARS

- Insightful expertise directed towards your priorities
- Dedication to making banking easier for you
- Entrepreneurial spirit to realize our collective best potential

SERVICE PILLARS

PERSONABLE - Warm and positive attitude, genuine sentiment, and personal concern for the customer's well-being and business affairs

DEPENDABLE - Dedicated to making banking as easy as possible for the customer — taking the effort away whenever we can but with professional regard for due process

PROACTIVE - Actively listening, offering the right information at the right time, considering what the customer needs with thoughtful cross-selling

CONTENTS

ABOUT EASTWEST

East West Banking Corporation (EastWest) is one of the largest universal banks in the Philippines today. We cater to the financial needs of consumers, middle-market clients, and the mass affluent.

Our multiple customer touch points include our **network of 466 stores**, of which **390 are EastWest parent bank stores** and 76 are stores of EastWest Rural Bank, **583 ATMs nationwide**, internet banking for individuals and corporates (EastWest Online), mobile banking (EastWest Mobile), phone banking, and 24/7 EastWest Customer Service.

EastWest is a subsidiary of Filinvest Development Corporation (FDC), one of the country's leading conglomerates with a diverse range of interests from real estate, banking, sugar, hospitality, power generation to infrastructure. Since 2012, EastWest has been trading under the symbol 'EW' in the Philippine Stock Exchange (PSE).

As of end-2018, EastWest had **6,431 full-time employees** compared to **5,842 in 2017**. EastWest's subsidiaries have **1,096 employees**, bringing the combined manpower to **7,527**.

For more information, visit www.ewbanker.com.

VISION

To be a world-class bank anchored on service excellence in our chosen markets

MISSION

To create value:

For our chosen markets, by providing them with excellent service in the delivery of integrated and innovative products, responsive to their current and future financial needs, at the best value

For our employees, by continuously providing them with opportunities to develop their full potential and by giving recognition and rewards commensurate to their contribution

For our community, by committing ourselves to improving the quality of life of those around us through the support for various charities and involvement in outreach activities

For our regulators, by uncompromisingly adhering to the highest standards of business ethics and corporate governance

For our shareholders, by managing the bank professionally and prudently to consistently achieve optimal possible returns

FINANCIAL HIGHLIGHTS

> Net Income
Php4.5B

> Assets
Php367.3B

> Loans
Php246.8B

> Deposits
Php288.2B

> Capital
Php42.8B

> Store Network
466Stores

SUMMARY KEY OF FINANCIALS AND RATIOS

	2018	2017
Profitability (In millions Php)		
Net Interest Income	**19,277**	18,451
Trading Income	**503**	760
Fees & Other Income	**5,717**	6,443
Net Revenues	**25,497**	25,654
Operating Expenses	**15,219**	13,982
Provision for Losses	**3,906**	4,464
Provision for Taxes	**1,468**	1,707
Net Income	**4,508**	5,051
Balance Sheet Data (In millions Php)		
Assets	**367,339**	317,643
Consumer Loans	**173,251**	159,998
Corporate Loans	**73,482**	63,469
Low Cost Deposits (CASA)	**145,527**	143,454
High Cost Deposits	**142,712**	115,272
Capital	**42,657**	39,006
Key Financial Ratios (in %)		
Return on Equity	**11.0**	13.8
Return on Assets	**1.4**	1.7
Net Interest Margin	**7.4**	7.8
Cost-to-Income Ratio	**60.6**	55.5
Capital Adequacy Ratio	**12.8**	14.0
Per common share data (in Php)		
Net Income Per Share:		
Basic	**2.0**	3.4
Diluted	**2.0**	3.4
Book Value Per Share	**19.1**	26.0
Others		
Cash Dividends Declared (in millions Php)	**-**	500
Stock Dividends Declared (in millions Php)	**7,500**	-
Headcount	**7,527**	7,035
Officers	**3,044**	2,812
Staff	**4,483**	4,223

JONATHAN T. GOTIANUN
Chairman

MESSAGE FROM THE CHAIRMAN

For EastWest, meeting these emerging challenges in our operating environment while also making the most of the opportunities demands a strong and tenacious heart that is ignited by a genuine desire to please our customers. In 2018, we called this being HEARTSTRONG.

A heart that beats for the customer

The Philippine economy continued to pick up in 2018, albeit at a slower pace than the previous year, due to rising inflation and interest rates, and a wealth of other external factors. At 6.2% GDP growth though, it is still among the fastest-growing economies in Asia next to India, Vietnam, and China.

It could have been much higher except that inflation concerns, that peaked in the third quarter, tempered household consumption and investment spending. While certain sectors, such as overseas Filipino workers' remittances and business process outsourcing, remained robust, others remained under pressure.

For the local banking industry, growing regulation, changing consumer preferences, increasingly complex information technology requirements, and disruptive technologies, continue to challenge traditional business models. These changes, however, also offer new opportunities for growth.

MESSAGE FROM THE CHAIRMAN

For EastWest, meeting these emerging challenges in our operating environment while also making the most of the opportunities demands a strong and tenacious heart that is ignited by a genuine desire to please our customers. In 2018, we called this being HEARTSTRONG.

Beyond buzzword

For us, this means remaining steadfast in our mission to be a world-class bank anchored on service excellence in our chosen markets.

We recognize, however, that keeping our customers satisfied with our service requires a multi-dimensional approach. We focus on making our people more competent and effective in their roles. We develop and equip them to become more effective and knowledgeable, not just to sell our products and services, but to understand our customers' needs and promptly address them.

More than training our frontliners, we develop our leaders. Good leaders retain good people by anchoring on a common set of values and by driving efforts towards the Bank's objective on Growth and Profitability that is Sustainable (our GPS).

Beyond the skills and competencies, we must build a good culture, one that is conducive to growth and excellence. Beyond gaining product knowledge, we must embolden them to render decisions and act with a sense of responsibility. Every EastWestbanker must be able to empathize with our customers and look at their problems as if those were their own.

To make customer service excellence our differentiating factor, not just a buzzword, each of us must have the "3 Ms": *Maingat* (careful with details), *Maalaga* (caring), and *Maasikaso* (attentive). Embedding these "3 Ms" in our corporate culture remains a work in progress, but we need to ensure that our corporate values are aligned with those of our people.

This "people project" is particularly critical to our five-year plan. We cannot achieve our goals overnight and suddenly wake up in the top quartile of our peers. We pay close attention to retaining the right individuals with the right values toward our customers.

Equally important is how we are able to complement the skills and strength of our people with technology. Like most banks these days, we are increasing our focus on digitalizing our business processes to improve customer experience. This does not mean, however, that we will be pivoting away from our stores. We see a future where digital and stores complement each other for the greater benefit of customers. We are bent on hastening the maturity of our EastWest stores, intensifying deposit generation, closing productivity gaps, and increasing our share of wallet.

Heartstrong today and tomorrow

With interest rates starting to taper, inflation easing, and the economy picking up steam, it is easy to take an optimistic view of 2019. However, concerns such as the twin fiscal and trade deficits, the impact of the delayed approval of the national budget, and other external factors abroad continue to weigh down an otherwise strong positive outlook.

While there is still quite a road ahead of us in claiming our rightful place in the top five spots in the industry, we are determined to move farther and faster ahead. We believe that EastWest is better equipped to capture growth opportunities now, more than ever.

We manage our top line and middle line to make sure we have a healthy bottom line. Fundamentally, it is managing our revenue and costs in order to get competitive returns. But complications exist so we try our best to keep things uncomplicated.

We create a circle of happiness where the right people take care and listen to our customers, who in turn entrust their business with us. When we have their business, we produce the results that allow us to compensate our people and have them develop more. Then our people become more competent to deal with our customers and assist them. It goes round and round from there.

We are determined to move farther and faster ahead to claim our place among the top five Philippine banks. We believe that EastWest is better equipped to capture growth opportunities now, more than ever.

Board changes

At our Annual Stockholders' Meeting last April 22, 2019, we elected three new members to our Board of Directors: Atty. Jose Maria G. Hofileña, current dean of the Ateneo Law School; Mr. Gregorio U. Kilayko, former chairman and country head of ABN AMRO Philippines; and Ms. Isabelle Therese G. Yap, Special Projects Officer at the Executive Management Office of EastWest.

On behalf of a grateful organization, we also wish to thank Mr. Jose S. Sandejas for being a member of the Board for the past 17 years.

I want to thank you all for being part of our journey. I look forward to your continued support.

JONATHAN T. GOTIANUN
Chairman

Q&A WITH THE VICE CHAIRMAN AND CEO

What really counts, at the end of the day, is the mindset of the organization – that's the key differentiation, if you will. If the people inside the organization believe in it, then magic from the little things will happen. It won't happen in a vacuum. We need to be "heartstrong" for the customer.

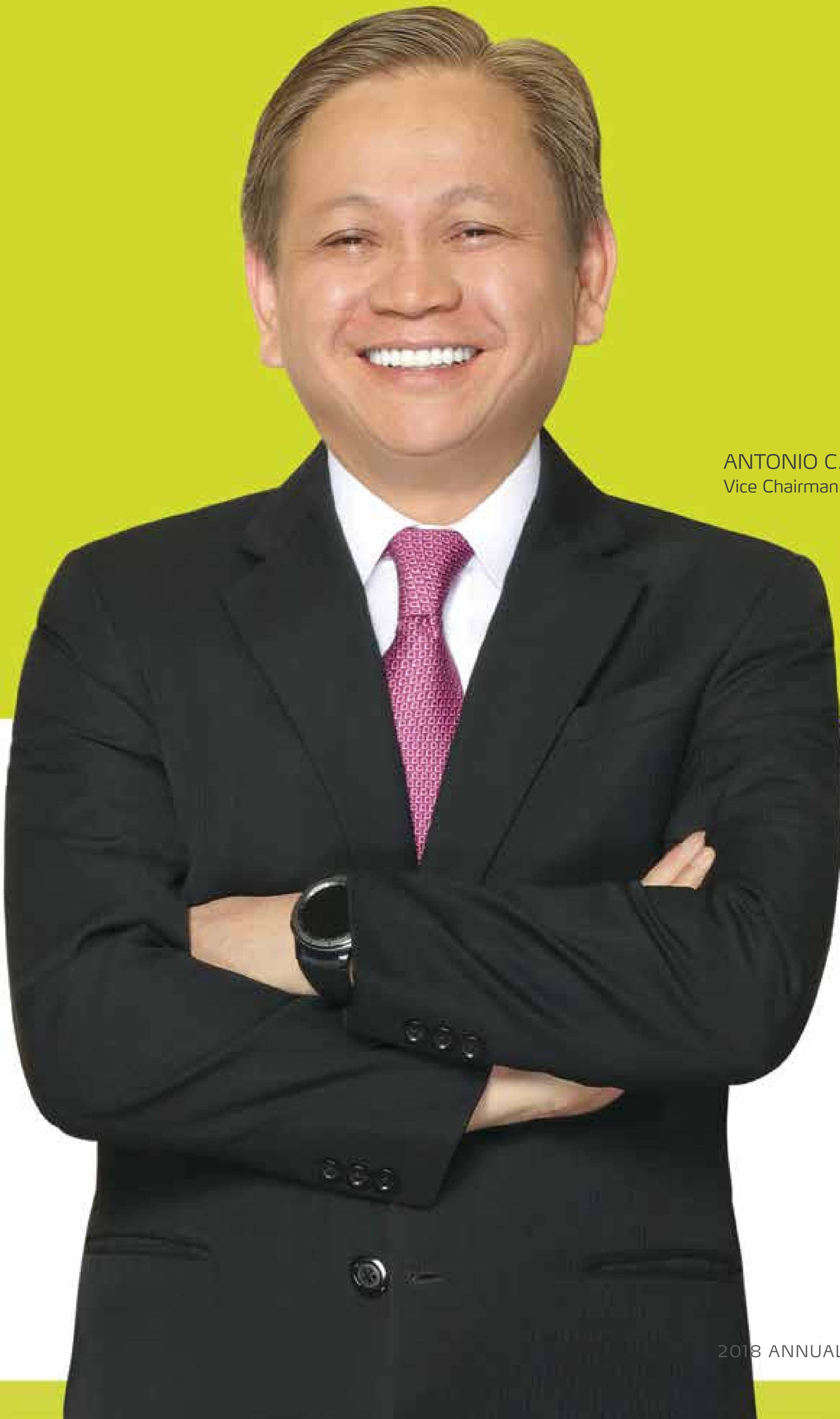
Magic in the little things

Banking is a business of trust and transparency. Chief Executive Officer Antonio C. Moncupa, Jr. knows this very well, so he tells it like it is, both in celebrating wins and recognizing where the Bank fell short in 2018.

In this interview, he discusses EastWest's pace of growth, and how having a laser-sharp focus on the customer is key to the sustainability of the Bank.

How would you describe the overall business environment in 2018?

A: 2018 was a more difficult environment. Liquidity was tight. It cost the banks a lot as interest expense went up faster than interest revenues. Because of tight competition, banks had to absorb this margin 'squeeze'.



ANTONIO C. MONCUPA, JR.
Vice Chairman and CEO

Q&A WITH THE VICE CHAIRMAN AND CEO

EastWest is a consumer-driven bank and you always say that consumer lending is a "high-beta business" as it is highly sensitive to the state of the macroeconomy. Given the volatility in 2018, how was EastWest able to maintain its profitability?

A: It's our consumer businesses. Monetary conditions may have been tight, but the economy was okay, and we did well in consumer lending. Let me say that while EastWest was still top in profitability, profits were actually lower due to the 'squeeze' as discussed earlier. There was also this added challenge of the temporary suspension of our lending program to teachers. But, consumer loans compensated for these two factors.

There has been a slowdown in EastWest's pace of growth. Why do you think this is so?

A: Yeah, we did not do as well in some of our businesses, particularly on DepEd loans, deposits, and business loans. First, competition is really tight. Nobody is ceding any ground, and the fight for customer loyalty has been intense and will intensify even more. This is good for customers. Second, it tells us that we need to find better methods of doing business. And that's what we intend to do. We were in one of our slower-growth years, and we fully recognize that. We will come back stronger.

After all, we have the edge on our consumer business. We're one of the most profitable banks, and we expect to remain so. We are building stronger customer propositions. Some projects like digital, deposits, and business loans, will take time to gain competitive traction. Others should be done sooner as we started some time back. We offer better value for foreign exchange and fund transfers - we do not charge for PESONET, transfers and deposits among EastWest accounts, and we have the lowest InstaPay fees. In auto loans, we remain very competitive, and we continue to deepen our good relationships with dealers, and deliver efficiently.

You're now on your Phase 3 of your journey called "Realizing Full Potential." EastWest has the highest return on equity in the industry. Would you say that the Bank has started to realize its full potential?

A: No, not yet. We have a lot more to do. Our central issue is still improving operating leverage. We had a store expansion binge – but we are still far from being competitive in terms of productivity. While we wish for better results, we aren't fully surprised in what we are seeing. Things are happening according to plan even if it is turning out more challenging. This takes a bit of time, but we really need to grow faster.

We expect better operating efficiencies as we grow and as our fixed costs cover a bigger asset base. The cost won't grow in proportion because it's already there. The marginal cost required for additional growth would be much less. We can say that we have reached our potential when we get competitive productivity, particularly on deposits as this will trigger the growth of the Bank. Competitively priced deposit volume per store will allow us to build our business loans and all other businesses.

Given the Bank's heavy investment in growing its store network, how come it's still unable to generate higher deposits?

A: Yes, we're still lagging in our deposit generation. You can look at the glass either as half empty or half full. Half empty because we are falling short of our

Being "heartstrong" is all about being more committed. We are not the biggest bank, but we are about being more focused on our customers. It's mobilizing and committing the whole organization towards serving the customer.

target. Yet, it's half full because there's a lot more room for us to show better results. Even with this level of deposits, we are still able to register good profitability. Can you imagine what will happen if we close the gap in deposit per store with our competitors? Our profitability will explode!

But, we do recognize the clarion call. In the end, we know this means that we need to improve our customer value proposition by enhancing our service delivery channels, and preparing every EastWestbanker to better understand and respond to the needs of our customers. It's all about our customers. It will only intensify as every bank is putting their stakes on the ground.

Almost every bank is now talking about the "customer experience journey." How does EastWest plan to differentiate itself in customer experience, especially since customers no longer prefer going to the branches?

A: Customers are customers. They go to you if you are able to respond to their needs. I don't think there will be much difference from bank to bank on what we say. Just like election candidates, customers will go to the one who they think can deliver on their promises, who they feel understand their needs. The difference lies in execution. The game is about executing better, so we work on the drivers that would allow us to do it better. Again, better competencies, better channels, and better processes — these are the key elements that would allow us to improve.

Saying you will "differentiate" yourself is easy. Actually doing it is hard. But how does one really differentiate? In our view, to "differentiate" is to focus more and execute better. It's just like Amazon and Netflix. What's the difference with all those guys? They put their money where their mouths are. They are just more customer-focused and devote their energies relentlessly towards improving customer experience.

What really counts, at the end of the day, the biggest driver, is the mindset of the organization – that's the key to differentiation, if you will. If the people inside the organization believe in it, then magic from the little things will happen. It won't happen in a vacuum. We need to be "heartstrong" for the customer.

You used the term "heartstrong." How would this translate to profitability?

A: Being "heartstrong" is all about being more committed. We are not the biggest bank, but we are about being more focused and more determined on our customers. It's mobilizing and committing the whole organization towards serving the customer.

All that matters is to have the will. First is to understand. If we sincerely do, we will believe. If we believe, we develop the conviction and commitment. When we commit, we can do anything; we can move mountains. We can get those deposits. We will sustain our profitability.

Is the Bank starting to feel the pinch of growing competition in mobile banking and online platforms? How do you plan to compete in this space?

A: Not yet. Digital banking, online and mobile are still in the early phase of the innovation adoption cycle. The real money is not there yet. But we expect it to be. The adoption of mobile and digital technologies is becoming significant and we expect it to be even more in the coming years. In any adoption revolution, it usually starts very slowly, until you reach a certain level. They say that level is around 15% to 18% adoption and then, it reaches an inflection point and grows exponentially. We don't know exactly when it will happen, but we believe it will surely happen.

We do not intend to be left behind. At this point, we have the basics and we have competitive mobile and online banking platforms, which we are constantly updating and improving. We're also aspiring to be among the first omni-channel banks – we're determined to make this happen.

We're also open to collaborating with the fintechs. In fact, we're already doing projects with third party digital platforms on products like personal loans.

How do you plan to keep up with the industry given the stiffening competition?

A: We've always believed that retail banking is a game of scale. And it is so because achieving good economies of scale is among your best defense against stiff competition. That is the reason we expanded the way we did. You need scale, enough mass to be cost competitive. You must be big enough to be attract and afford the best talents. A little more push and we're there. Given our infrastructure, we can significantly grow without much further investments.

We also need to choose our battles well. The big banks have built-in advantages in some market segments. We prefer playing on 'democratized' fields – businesses

We are not unique in what we do; we just understand and execute better.

where we can compete effectively with our bigger competitors. These are areas like consumer lending, wealth management for the mass affluent, middle-market lending, cash management, fixed income distribution and foreign exchange.

Consumer lending is one 'right' battle for us. We're not the biggest, but we're punching above our weight because consumer lending is a democratized business. There's no impediment for any bank to excel. On the other hand, lending to big corporates isn't democratized. Foreign and big local banks are better positioned to compete on pricing. Structurally, there's just no way for us to win that at this time.

What risks and opportunities do you see – both external and internal – for the Bank in 2019 and beyond?

A: I think the Philippines is still in a very good position. We don't see a recession anytime soon. With this premise, we're pushing full speed ahead with our growth plans. We expect, however, the Western economies and China, now a very significant driver of world growth, to be on the slowdown phase of the business cycle. That means lower global growth. It will still affect the Philippines but not to the extent it will reverse the growth momentum of the country.

Fortunately for us, we're not an export-oriented country. This time, our weakness becomes our strength. We're not subject to the vagaries of the international market as much as the other export-dependent economies are. We will still be affected, but not to the extent that GDP growth will be much lower. We still expect above historical growth trend.

The Philippines is a very young nation. Its GDP level is still low. We are far from our potential. If we're able to harness our human resource, this country will zoom up in the rankings. What we need are the infrastructure and the regulatory environment that will attract more investments, both local and foreign. We need all the capital we can lay our hands on. If domestic savings is not enough, we should not hesitate to invite and try to attract foreign investments.

On the banking front, everybody will try to get a piece of the country's growth story. Competition will only get more pronounced. Every bank will be running after market share. This is good for customers. In the long run, it will also be good for banks as we try to adapt and be more responsive to customers, be more efficient, and further improve our risk management and governance practices.

ANTONIO C. MONCUPA, JR.
Vice Chairman and Chief Executive Officer

JESUS ROBERTO S. REYES
President and Deputy CEO

Q&A WITH THE

PRESIDENT AND DEPUTY CEO

The Bank feels that we can differentiate our customer service with the qualities of being *maingat*, *maalaga*, and *maasikaso*. Doing those things better than our competitors can differentiate us, endear ourselves to people, and realize our vision of excellent customer service.

Focusing on the future

President and Deputy Chief Executive Officer Jesus Roberto S. Reyes, offers an in-depth look at EastWest's financial performance in 2018. In this interview, he also discusses plans to restructure the Bank's balance sheet to grow its non-consumer assets and attain a more balanced portfolio.

How did the business environment in 2018 shape the performance of EastWest?

A: It was challenging for the Bank, especially in the last quarter where there were headwinds in terms of lower liquidity in the system and higher interest rates. Interest rates were much higher, as Bangko Sentral ng Pilipinas (BSP) raised interest rates several times to counter inflationary pressures and market uncertainty. These served as the headwinds that the entire local banking industry, not just EastWest, faced in 2018. The effect was more pronounced for the Bank due to our loan mix which is primarily

Q&A WITH THE PRESIDENT AND DEPUTY CEO

consumer-oriented. Most of our consumer loans have interest rates that are fixed for the life of the loan. When interest rates went up and our deposit costs went up, our loan portfolio was not able to adjust. As a result, we saw compressions in our net interest margins.

The TRAIN Law also had an impact because of the higher transaction tax. It increased the friction costs, which then translated to higher borrowing rates for banks. This, coupled with the tighter liquidity environment causing higher interest rates, made things more difficult.

Consumer loans account for 70% of the Bank's total loan portfolio – doesn't this make the Bank more vulnerable to economic swings? How do you plan to achieve a balanced portfolio?

A: Consumer loans account for more than 70% of our loan portfolio. That's more than our counterparts' loan mix. Does this make us more vulnerable to economic swings? Yes, it does, but the higher returns from consumer loans will help compensate for the higher economic risks. Overall, our consumer loans business is still a good proposition.

Down the road, we aim to make the Bank less skewed towards consumer loans and the economic risk associated with this portfolio. The Bank will accelerate the growth of its business loans which are less susceptible to economic swings. However, this doesn't mean that we will curtail the growth of our consumer loans business. We will simply grow our business loans faster.

Given that the market is getting more affluent, do you see the wealth management business to be on the rise?

A: Yes, definitely. Wealth Management is one of our 'chosen' businesses. We're putting a lot of resources there and growing the team. We currently have five centers: in Binondo, Makati, Ortigas, BGC, and Alabang, and we are looking at other cities to expand our coverage. The key is to hire the right people and provide them with the support that they need.

How are you differentiating EastWest's customer service from other banks?

A: While we're actually all the same in product offerings, the Bank feels that we can differentiate our customer service with the qualities of being *Maingat*, *Maalaga*, and *Maasikaso*. Doing these things better than our competitors can differentiate us, endear ourselves to people, and realize our vision of excellent customer service. The key is for our people to imbibe these "3 Ms" and be competent, such that they know how to interact with customers, know their needs, and serve them well.

Most importantly, it's about understanding the customer and our own capabilities in order to match the two together. The key is training our people and equipping them with the necessary competencies.

Are customers visiting the stores less frequently these days? THow is this impacting your stores?

A: This is anecdotal, but I think yes, especially the younger ones. This is why we're trying to improve our mobile and online banking platforms. We know that

We intend to make the business less skewed toward consumer products due to the specific risks and more balanced in the sense that we are growing other types of asset. However, this doesn't mean that we will curtail the growth of the consumer aspect; we will simply grow the other assets more. We plan to double the balance sheet in the next several years.

giving our customers the ability to transact at their own convenience matters. It is just a matter of time that the digital channels will become more dominant as the younger generation gets wealthier.

On the flip side, there are some customers who still prefer to bank personally, like high-net-worth clients who like to talk to their relationship managers and those yet to adopt to the digital channels. This is the reason why there is still value with stores as this is still a significant segment.

At one point, you had the fastest-growing branch network. But now, the game is shifting to digital. Do you think you're playing catch-up now?

A: As far as the Bank's strategy in digital goes, we are aware that it will be difficult to compete with the bigger banks as they will have more resources dedicated towards technology. We'd rather adopt new innovations and technology, and improve on it. We also continually develop what we currently have. Something would be coming out soon in our stores, so just wait and see.

In 2018, we didn't add any new store precisely because we felt that our nationwide network is extensive enough. The stores are there to complement customers who'd like their needs to be serviced personally. We are also cognizant of the fact that digital will have an impact on how business is being done. The utility of the store might be affected, although we are not seeing this — yet.

What do you think of the concept 'branchless banking'?

A: We have seen this concept work in other jurisdictions globally. I think this will work for certain segments, particularly the millennials, who are more open towards a fully digital experience. However, we believe that there's still a value proposition for our stores as there are segments that are not yet ready and comfortable with a fully-digital experience and prefer a more personal interaction.

What are the remaining challenges for you to realize the full potential of the Bank?

A: Realizing our full potential means gaining the scale appropriate for the infrastructure we've built during our expansion phase. This means building an asset base that will be competitive compared to our peers. We need to grow more, and the challenge to this is closing the gap in deposit per store with that of our competitors. We will address this by understanding our customers, attending to our employees' competencies, and improving our methods of doing business.

Since you're consumer-oriented, how much are you investing in security given you have a lot of data?

A: Let me put it this way – we have been beefing up our hardware, software, and data infrastructure aggressively. Some would ask if we are building a fortress. I don't argue with this. It is part of regulatory requirement and part of our conscious effort to prioritize information security. A significant portion of our governance heavily monitors data protection and security compliance. We have regular and frequent check-ups on cybersecurity and fraud to address current and potential threats.

Securing our system is one of our big priorities, which is why we also engage the help of global third-party providers. We choose the best people to help us assess and improve the data security posture of the Bank.

What other challenges do you see in 2019?

A: One is to further improve the level of productivity and output from all our channels, especially from our stores. Another is to continue the businesses where we're doing well, particularly on consumer loans. For businesses where we're lagging, the mission is to catch up and mobilize everyone involved to strategize and develop plans to address the weaknesses.

There's the operating environment as well. Governance and compliance are must-haves, so we train our people and build stronger teams. We develop them, to have the right competencies, including being well-versed with regulations.

What is your overall outlook for the business and the macroeconomy?

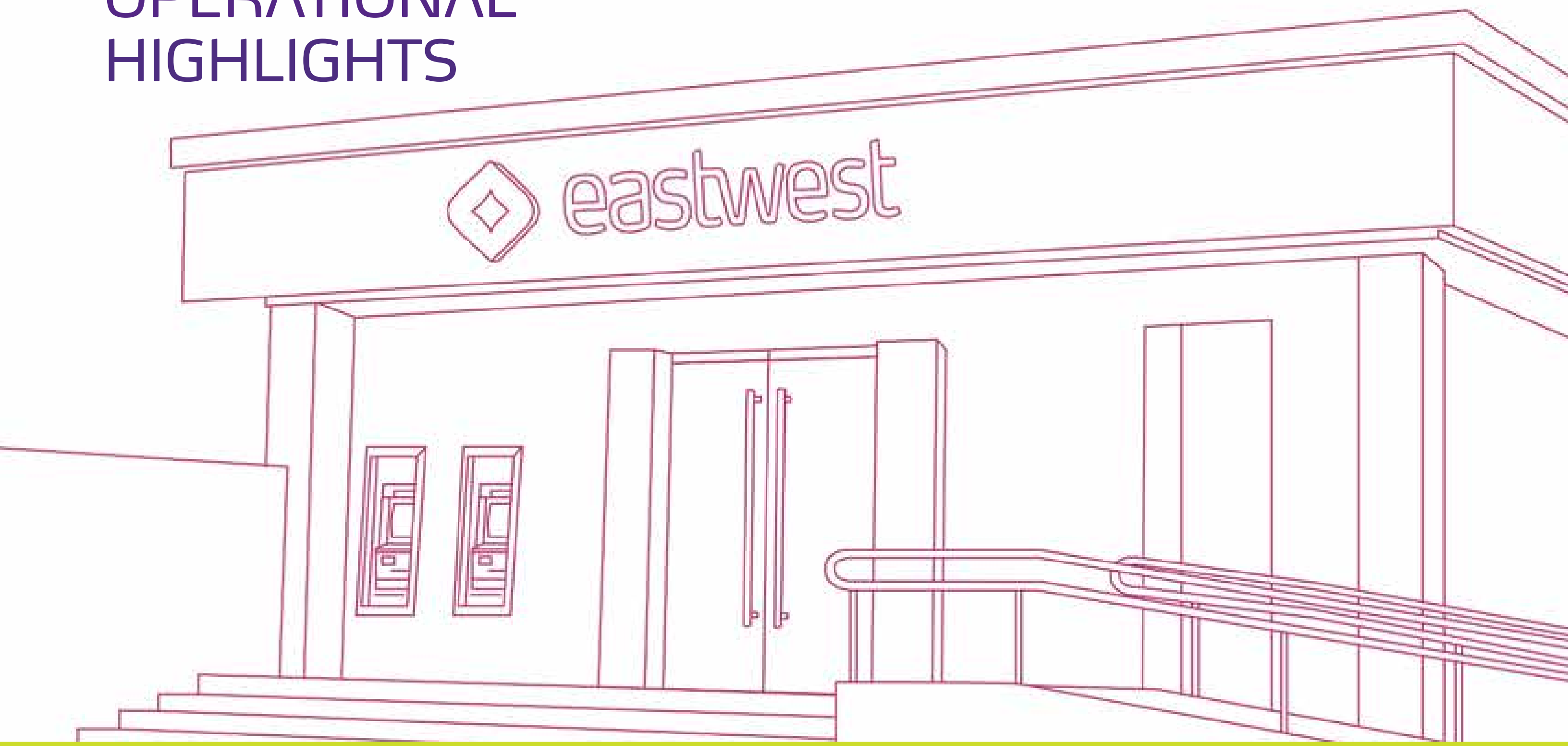
A: On the Philippine side, some of the inflation issues that cropped up starting in the early part of 2018 have already dissipated. Fortunately, inflation started to move down in the first quarter of 2019 and we expect this trend to continue. This will provide BSP the flexibility to increase the liquidity in the system by cutting its policy rates and reducing the reserve requirement to spur growth. It seems that our robust economic growth above 6% will continue, and if the forecast of the banks or the rating agencies holds above 6%, we should be seeing good days ahead.

On the global side, which was one of the reasons we had a difficult second half of 2018, there was an initial expectation that the global economy would do better resulting in interest rates rising. The higher interest rates would have an adverse effect on emerging economies like the Philippines as this will curtail growth. But now, there seem to be headwinds in the global economy as expectations have reversed and markets are now seeing a slowdown in the economic growth of the US, China, and Europe. With this development, we are now expecting monetary authorities to reduce their policy rates that will fuel growth in their respective economies.

Overall, the external picture looks favorable for emerging markets and it would be good for us. 2019 will definitely be a better year for EastWest.

JESUS ROBERTO S. REYES
President and Deputy Chief Executive Officer

OPERATIONAL HIGHLIGHTS



A COMMITMENT TO Service Excellence

As EastWest navigates the waters and headwinds of the local and international financial industries, we reiterate our commitment to be heartstrong – putting the customer first, front, and center in everything we do.

We renew our commitment to service excellence by providing the utmost care and attention to the customer's every need. With every success, big and small, we continue to build on the foundation we've carefully laid over the past few years. Together, we grow steadily, overcoming all obstacles and reaching more heights and triumphs than we could ever imagine.

PERSONAL BANKING

Customer Segments - understanding customers better

In our effort to understand customers even more, we are improving our customer segmentation. From the three broad personal segments – Advantage, Preferred, and Priority, we expect to identify sub-segments to understand their needs in a deeper way.

In this process, data will be most important. Our Business Intelligence and Data unit will have its hands full dissecting data and generating customer insights. These are inputs necessary to feed the marketing units so that they could find and determine the right approach and offerings that are tailor-fitted to the needs of the customer segments. As our customers grow in number, we continue to give life to our customer value proposition. We need to prove that we are *Maingat*, *Maalaga*, and Maasikaso.

Retail Banking: Building a stronger network

Our foothold in the retail banking space became stronger despite not adding new stores to our nationwide network, with total deposits growing more than Php20 billion in 2018.

While still far from our potential capacity, we are intent on closing the gap with our competitors in terms of deposit per store. We will further strengthen our governance to fortify our foundation, and enhance the competencies of our people to truly make our stores a channel for all products and services. These efforts will become critical as we move towards high-value products and services needing personalized attention and a higher competency level.

Consumer Lending: Our clear focus

Looking at the asset side of EastWest's balance sheet, it is obvious that our current priority is consumer lending. Our growth plans reflect our bullish view of the economy in the coming years. This is also our strategic anchor from whence we will build EastWest. We continue to ride on the sustained growth of the middle class, fulfilling demand for auto, home and personal loans, and credit cards for the various segments' life goals. EastWest grew this portfolio through aggressive customer acquisition, new initiatives, superior service, and branding campaigns that raised our brand awareness.

Growth in Personal Loans

In 2018, Consumer Lending continued to be the dominant asset in our balance sheet. This portfolio grew by 17%, fortifying the Bank's position in the consumer space.

Auto Loan

Our auto loans managed to grow its loan portfolio by 18% and advance its market share from 15% in 2017 to 17% in 2018 despite the contraction in the industry. The sales of the automotive industry shrank by 16% due to the implementation of the TRAIN Law where consumers front loaded their car purchases in 2017. It is also due to high inflation resulting from Peso devaluation and the high cost of fuel; and issues around the inventory of units in the first half of 2018.

Our auto loans growth is the result of various factors:

- We signed a dealer's tie-up agreement with car manufacturers and strengthened our relationships with major dealers nationwide.
- We established new satellite centers that invigorated our market reach in the provinces.
- We continued offering innovative marketing programs and campaigns.
- We improved our brand visibility through leveraging on our celebrity endorser Ms. Lea Salonga and her brother Mr. Gerard Salonga

Moving forward, we are intent on banking on our biggest competitive advantage yet: our robust dealer relationships, built through the years through improving overall service from application processing to payments.

Credit Cards

Our credit cards business grew by 9%. Beyond the modest growth, we diligently worked to improve overall customer experience. With our suite of EastWest credit cards, customers can choose the card most relevant to their needs and lifestyle. Our cardholders can take advantage of usage and installment offers

from our wide array of merchant partners around the Philippines.

In 2018, we launched the online convert-to-installment (CTI) facility, allowing our cardholders to convert their retail purchases to installment through our online banking platform. We also reduced the foreign currency conversion fee to an industry low of 1.7%, which encouraged customers to use their EastWest credit cards abroad without worrying about excess fees.

In our resolve to constantly improve customer experience, we fully migrated all EastWest credit cards to contactless technology, allowing seamless purchasing by simply tapping their credit card. We also successfully pushed for 75% of new cards to be enrolled in e-Statement of Account (eSOA). This brought eSOA penetration level to more than 60% of total card base, thereby allowing cardholders to receive their statement sooner and significantly reducing cost.

Also notable was the implementation of the accounting standard PFRS9 which led to an upfront increase in credit costs due to the inclusion of unutilized credit limits as part of provision computations. This is a timing difference and will eventually mean lesser credit costs in the future.

2019 is filled with opportunities, as credit information is fast becoming highly centralized, helping us manage risks better. These opportunities prove essential in the provinces, where we plan to expand our footprint through new business areas and more attentive local service.

In addition, our social media and digital presence are poised to penetrate emerging market segments, including tech-savvy millennials. This combines well with our march toward full digitization to enable faster, more efficient customer service.

Home Loan

We stayed attuned to market demand for home loans in 2018, generating a portfolio growth of 12% from the previous year, with the number of borrowers climbing 13%. We continued to harness our wide store presence and growing base of accredited real estate developers to capture largely untapped markets, such as millennials who are keen on investing on their first home.

We take pride in having competitively-priced housing packages. We are also among banks with shorter turnaround time – partly with the use of credit scoring models using social and demographic information.

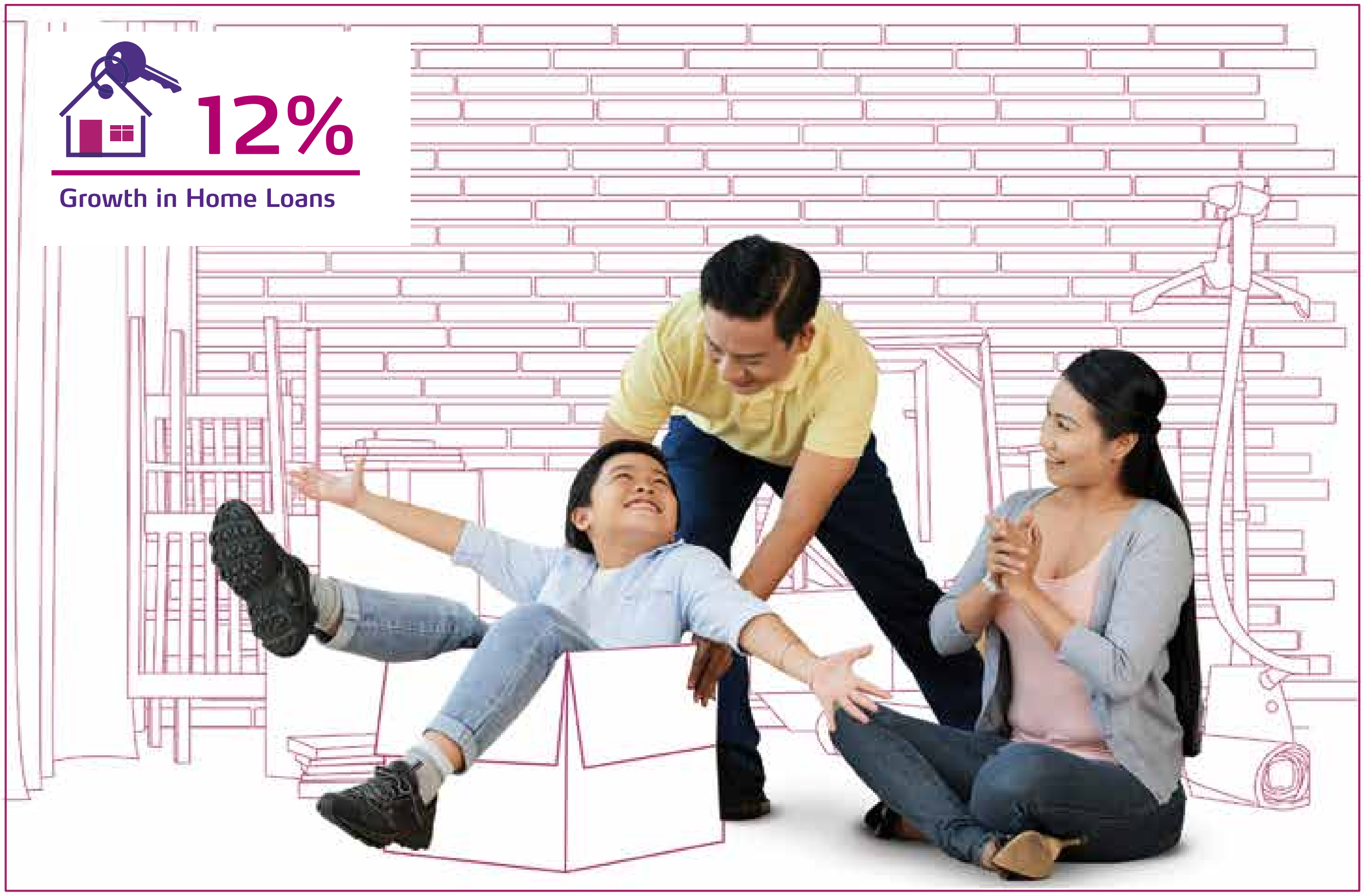
Personal Loan

Our personal loan business grew by an impressive 47% from organic acquisition. We made this happen despite stricter government regulations on Data Privacy and Consumer Protection.

Our improved processes also enabled our depositors to easily apply for a personal loan or credit card without the need to fill-out separate application forms or submit additional requirements. This effectively simplified the lending process, getting rid of redundant steps in application and approval.

We beefed up our sales and marketing initiatives to capture more customers and extend our reach in this space. These activities involved expanding our acquisition channels, reengaging our existing borrowers, and launching marketing and branding campaigns anchored on our celebrity endorsements.

Our mission remains for an easier, more responsive personal loan product. This means shorter turnaround time, ease and accessibility in application through multiple channels, convenient loan disbursement, reliable service paired with competitive rates, and a dependable customer care hotline with 24/7 operations.



Wealth Management: Fueling dreams and legacies

Our EastWest Priority was officially launched in 2018. EastWest Priority services allow our existing and potential clients to enjoy more privileges. We do our best to differentiate our services and products, with services from the basic, such as giving preferential treatment in our store protocols to dedicated Priority Relationship Managers (RMs) for each EastWest Priority client.

Our RMs are highly skilled in financial and investment advisory. They can assist our clients to design customized portfolios based on the latter's financial objectives and risk profile. We are one of the few local banks to have an open architecture, expanding the investment options our clients. We make available local and offshore 3rd party mutual and exchange traded funds. We can also consolidate their existing portfolio sourced elsewhere for convenience and ease of monitoring.

Our Visa Infinite Credit Card with Priority Pass, and Platinum Debit Card are exclusive to our Priority customers which allow them to enjoy free ATM withdrawals locally and abroad. We plan to expand in 2019 be growing the number of Priority Centers in key location, expanding our investment products line, and digitalize our processes and reports.

In 2018, EastWest Priority added a new Priority Center in Binondo, bringing the total Priority Centers to five in key locations in Metro Manila, which include Alabang, BGC, Makati, and Ortigas. We aim to double the capacity of our Relationship Management team and bring the experience of being an EastWest Priority customer to our target segment. More Priority Centers are on the way to strategic locations in Metro Cebu, Davao, Pampanga, and Quezon City.

With these growth plans, comprehensive financial solutions, and the relationship and lifestyle privileges, EastWest Priority intends to be the partner of choice for the growing affluent segment in the Philippines.

BUSINESS BANKING

Business Lending

Our business loans grew by 16% as we revitalized our efforts on tapping the middle-market segment in line with the Bank's overall strategy. We expanded through the acquisition of new clients and the deepening of existing relationships. We see this segment growing further as the Philippine economy expands. However, we see intensified competition in this segment as our competitor banks plan to further solidify their hold on this market.

We will continue to enhance our account management approach by improving turnaround time, intensifying the coverage of our relationships to ensure that we remain top of mind for these clients, and offering holistic solutions and diverse products. The potential synergy with the Filinvest Group, by way of its untapped ecosystem of suppliers and customers, presents a strong growth opportunity for us.

Cash Management

In the field of cash management, we launched the latest version of the corporate online banking platform, which covers payroll, disbursement, collections and government payments (eGov). The plan is to further improve this, by giving more valued-added services like payment gateways, access to loans, and investment outlets for excess funds.

Wealth Management continues to innovate, providing a more holistic approach in managing our clients' wealth, offering financial solutions that fit their individual profiles in terms of investment outlets, risk, time horizon and even their lifestyle.

THE PRODUCT GROUPS

Trust

Competition is high in the trust business, with the top trusts taking more than 50% of the market. In 2018, our assets under management grew by 73%. Our trust unit was recognized by the CFA Institute as the first and only asset manager in the country that is compliant with the Global Investment Performance Standards (GIPS).

This product unit that serves both personal and business customers is focusing on differentiating itself by carefully choosing the market sub-segments it will serve. It intends to partner with EastWest Priority by giving investment advisory that best fits the risk tolerance of its customers. The unit has chosen this segment as it sees the greatest opportunity with the emergence of the mass affluent that comes as the country's economic growth accelerates.

Fixed Income and Foreign Exchange Brokerage

Our distribution unit has chosen to play its game by competing in price and service. We look at foreign exchange and fixed income brokerage as the 'tip of the spear' so to speak. We believe it will open the doors to more patronage of other EastWest products and services.

Significant growth in foreign exchange brokerage was seen in 2018, with our volume growing by 15% to USD1.5 billion. We started introducing derivatives to customers who need good hedging instruments. While we have to be careful and ensure product appropriateness, we expect these products to grow in acceptance.

Our financial institution clients increased transaction count by 18%, bringing up their volume by 58% to Php13.4 billion.

We envision even bigger growth for this unit in the coming years, as we continue meet and exceed our clients' needs.

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OUR PEOPLE AND THE COMMUNITY

Putting People First

No matter if they are on the frontlines or are working in the background, EastWestbankers are the most precious asset in our organization. We believe that by taking care of our people, they, in turn, would take care of our customers.

Our people are essential to the successful delivery of EastWest's strategy to be "heartstrong" for our customers and to sustaining our business performance over the long term.

242
senior officers
and bank executives

2,542
junior officers and
senior managers

7,527
strong employee base

To be able to perform competitively in the evolving financial and banking landscape, we need competent and empowered people working as a team to serve our customers better. We recruit, train, and compensate people according to a human resources (HR) strategy that aims to accelerate the development of our people, grow and strengthen our leadership capabilities, and enhance employee performance through strong engagement.

Our Roadmap

As the sixth-biggest organization among Philippine banks with a 7,527-strong employee base in our parent bank and subsidiaries, EastWest has mapped out a people strategy based on the core belief that with the right people, results follow.

Under our **RED framework** – "**Role clarity**, **Environment**, **Development**", our HR team leads the charge in translating our vision for EastWestbankers into a sustainable model. The professional development of EastWestbankers is a topmost priority.

On role clarity, we have an ongoing effort to define the Mandate, Activities, and Key Result Areas (MAKs) for each unit and job in the Bank. This is to ensure clarity for each EastWestbanker – their role, functions, purpose, and their importance in the organization.

On environment, we continue to measure our employee engagement and satisfaction score to be able to measure the health of the organization and hear the voice of our employees. The results will be management's bases for the initiatives that need to be launched.

On development, we continue to enhance the competency of our people to help them achieve their professional development. In turn, we are convinced this will deepen their engagement. Engaged employees will encourage them to deliver excellent customer service and to naturally adhere to our governance standards. In line with this and together with our MAKs initiative, we are mapping the competency requirement of each job in the Bank to ensure that all jobs have the necessary competencies to do their function effectively.

We remain steadfast on our human resource principles. As the market changes, we know that our methods of work will have to adjust accordingly. Organizational development efforts, particularly on performance management will have to be attuned to the challenges of the times.

Rewards and Remuneration Philosophy

EastWest firmly believes that sustained performance come from two sources: right values and competencies. We believe that these two are inseparable, like the two sides of a coin.

We offer a competitive remuneration package to attract and retain topnotch talents in the field and help facilitate their professional as well as personal development. We abide by a distinct rewards philosophy that emphasizes meritocracy. We are proud to be one of the very few companies in the country that include rank and file in its bonus program. We don't see any reason why not. It is our constant objective to make every EastWestbanker valued and appreciated.

Health and Safety

Without employees of sound body and mind, we have no organization or culture to build. This is why we invest heavily in our employees' health and well-being.

We are focused on the following health and safety initiatives:

- Emergency medical care
- Over-the-counter medicines for employees, closely monitored in on-site clinics with access to physician and nurse services
- Annual physical examination (APE) of employees and their dependents, alongside executive check-ups for Bank officers
- Continuing occupational health and safety programs, which include fire and earthquake safety, emergency preparedness, and prompt advisories prior to long weekends
- Health alerts, wellness fairs, and medical specialists' talks and orientation on clean workplaces, eco-friendliness, and medical consultation, to name a few
- Compliance with relevant health and safety rules and regulations to the Department of Labor and Employment (DOLE)
- Employee Relations Council (ERC)-led events, clubs, and programs for body-mind awareness, sports, and camaraderie within the Bank

Employee Engagement

Engaged and motivated employees have higher satisfaction, which then leads to sustained enthusiasm in their role and overall company growth. With higher retention, productivity, loyalty, and profitability, we can expect to build a stronger bank into the future.

At EastWest, we make sure to regularly benchmark our engagement performance, using a global search firm that evaluates our strengths and areas for improvement as an organization.

One way we initiate and ensure continuing engagement is through our ERC, which is made up of representatives from all units in the Bank and is led by the ERC Chairman.

The Bank supports ERC initiatives and programs that help keep our employees in an engaging environment and a collaborative mindset.

The ERC is also instrumental in mobilizing EastWestbankers' participation in the Bank's CSR and volunteerism activities, which center on health, education, and environment.

The ERC Blueprint has six talent-focused programs:

myVoice – Encourages employee feedback and suggestions

myCareer – Creates opportunities for improvement and due recognition of hard work and service loyalty

myShare – Allows employees to make a difference by participating in the Bank's corporate social responsibility (CSR) programs

myPlaytime – Provides an environment of fun, creativity, and enhanced learning

myWelfare – Fosters well-being, comfort, and safety in the workplace

myWellness – Promotes best practices for a healthy balance of the body, mind, and spirit

OUR PEOPLE AND THE COMMUNITY

EastWestbankers in the Community

We aspire to make a positive difference in our community. ERC mobilizes our volunteer force to make these things happen.

- ***Philippine Red Cross Blood Drive:*** In a drive dubbed #BleedForACause, EastWestbankers participated in a blood donation activity in partnership with the Philippine Red Cross.

- ***DepEd's Brigada Eskwela:*** We joined hands with DepEd for the Brigada Eskwela at Kapitan Eddie T. Reyes Integrated School in Taguig City. In the initiative themed "Pagkakaisa Para sa Handa, Ligtas at Matatag na Paaralan Tungo sa Magandang Kinabukasan" (Unity for an Alert, Safe and Sturdy School Toward a Good Future), EastWestbankers generously offered their time, effort, and creativity to repaint blackboards and classroom doors.

- ***Christmas Decoration and Teddy Bear Drive:*** Through our Decorate and Drive campaign, we brought holiday cheer to child beneficiaries from the Chosen Children Village Foundation, Inc., a non-profit organization that seeks to help and house neglected children. Proceeds from the sale of teddy bears from EastWestbankers during our Merry Teddy-Beary Christmas program, sought to make a difference in the lives of abandoned children.education, and environment.

An EastWestbanker donating at the Philippine Red Cross Blood Drive

EastWestbankers posing with the finger heart sign after their Brigada Eskwela volunteer work

Members of the Customer Service Divison during the Merry Teddy-Beary Christmas program

Volunteers entertaining the children of the Cancer institute with a dance number

CONSUMER PROTECTION
Protecting Our Customers

We adhere to BSP's belief that the banking system becomes safer and more robust for everyone with apt, timely consumer protection.

The continued growth and success of EastWest ultimately hinges on the business provided by its customers. Thus, it is only fitting that we provide more than satisfactory service to them to push the boundaries and do right by them at all times, meeting their financial needs at every touchpoint, as well as efficiently and effectively attending to their concerns.

Part of this continuing process is upholding customer rights and protection as our primary duty, conducting business with utmost fairness, trust, and transparency.

Our Customer Protection policy was designed for full compliance with the Financial Consumer Protection program of BSP, as embodied in BSP Circular No. 857 issued in 2014. We adhere to BSP's belief that the banking system becomes safer and more robust for everyone with apt, timely consumer protection.

Our Consumer Protection framework is consistent with the five standards BSP had set:

- Disclosure and Transparency
- Protection of Client Information
- Fair Treatment
- Effective Recourse. Customer Care and Attention
- Financial Education and Awareness

We designed Our Consumer Protection Manual, duly approved by our Board of Directors and Senior Management, to operationalize the framework. An organization unit has also been formed to implement, coordinate, and track proper adherence to the Manual.

Disclosure and Transparency

We make it a point to always provide complete, accurate, and understandable information about all EastWest products and services. This information can be accessed in our stores, corporate website, online and mobile banking platforms, customer service hotlines, and social media channels, helping our customers and the public make smarter and more informed banking decisions.

EastWest follows the highest standards of fair disclosure with the following:

- **Materials:** All marketing materials, website, social media accounts, and customer communications we publish and maintain contain clear, simple, and easy-to-digest information about EastWest products and services;
- **Customer Updates:** We provide regular updates, advisories, and correspondence to customers and notify them of any change and new promos and products we are offering;
- **Manpower:** We constantly train our frontliners to be knowledgeable, responsive, and constantly attuned to customers' need for information about our products and services;
- **Communication:** We have multiple channels of customer touchpoints that enable our customers and the banking public to get in touch with the Bank. Our contact center runs our 24/7 Customer Service hotline, e-mail, social media accounts, as well as other messaging channels available.

Protection of Client Information

As a financial institution, we abide by banking regulations and laws that protect customer data and the security, integrity, and confidentiality of the information that come with it. But we act beyond compliance and view client data confidentiality and privacy as a crucial component of customers' trust-based relationship with EastWest.

In recent years, more and more EastWest customers are using digital platforms and technologies in their banking transactions, and expect the Bank to provide a satisfying digital experience in customer service. As such, one of our ongoing challenges is to provide a multi-channel customer experience, as more Filipinos now demand convenience, faster or instant response time, and better results in keeping pace with technological advances. While we do all these efforts, we always keep in mind that customer privacy protection is always a pre-condition to any program that will be launched.

We also focus on ensuring that we have the right security measures in place. As more of our customers become digitally linked, we continually step up our efforts toward client data privacy and secure account information at any given time. IT security at EastWest maintains a three-level approach:

- **People** – We regularly assess the skills and competencies of EastWestbankers and fill gaps in their awareness around data security. We inform everyone of the vulnerabilities, exploits, and security weaknesses that can penetrate our systems, training and educating them in these different aspects of IT and data security.
- **Processes** – We stick to the principle of business-driven security which aligns our policies with the Bank's business requirements. This is also aligned with local regulations on handling customer data.
- **Technology** – We defend, respond, and recover from both potential and actual threats and breaches through advanced tools and

capabilities. Security is built into the design of EastWest products and services.

Our Chief Information Security Officer (CISO) oversees governance and proactively faces cybersecurity threats such as Advanced Persistent Threats (APTs), while we maintain a team of penetration testers and conduct threat intelligence around the security perimeter of the Bank and its store network. We also have a leadership position in industry groups for inter-bank collaboration on threat identification and combat of criminal activities.

Our in-house IT Security policy provides a solid framework to protect client data and information, along with the following:

- A written privacy policy to safeguard customer records;
- Established processes and systems to protect customer data confidentiality and security against any threat or hazard, online or otherwise;
- Regular stream of policy communications on the organizational level as well as continuing education of personnel on the value of guarding customer data;
- Adherence to customer data protection, in accordance with the provisions of the Manual of Regulations for Banks; and
- A bank-wide policy governing the acquisition of customer consent before sharing any information

Fair Treatment

We take to heart the fair treatment of our customers and other stakeholders. At the minimum, every EastWestbanker is trained in fair and responsible treatment from customer acquisition to servicing.

We craft recommendations of banking products and services based on the customer's financial goals as well as risk appetite, and we recommend based on actual data and responsible profiling. Our statements issued on our promotions, the media, and public platforms are precise, complete, and fair.

We equip our customers with the necessary documents, such as bank statements, passbook, certificates, and terms and conditions. We confirm all customer requests via written or digital means within an acceptable time.

Our customers expect to obtain satisfying customer service assistance from the Bank anytime, anywhere, so we harness digital or electronic channels such as e-mail, social media, and direct messaging to get it done. This also gives them personalized service and the flexibility to smoothly shift from one channel to another and expect the same satisfactory result regardless of the channel used.

We also began to intensively invest in and develop dedicated and full-time Training and Quality Assurance Teams. This is to make sure that our Customer Service Representatives and Sales Associates are properly trained to give the service and attention customers expect and deserve, and assure that the level of quality of their customer engagements meets standards. If there are lapses or opportunities, these shall be immediately addressed.

Effective Recourse. Customer Care and Attention

In our continuing pursuit of service excellence, we establish systems and controls to properly and promptly tackle customer inquiries, concerns, or complaints.

We persistently train our frontliners to become more attentive, responsive, and empathetic to our customers in their time of question or need.

Based on the Bank's data, customer complaints dropped by 18% from 2017 to 2018, as the Bank established clearer service level agreements across different units, instituted process improvements, and implemented system enhancements.

We persistently train our frontliners to become more attentive, responsive, and empathetic to our customers in their time of question or need.

Continuously at work is our complaints resolution mechanism around the Customer Assistant Management System (CAMS), which enjoys dedicated resources and personnel to handle customer queries and resolve complaints in a timely, reliable, and highly personable manner. We welcome customer feedback and complaints through all our channels, which are published and displayed in our EastWest stores, marketing collaterals, and website.

In 2018, we initiated the use of the Net Promoter Score (NPS) to gauge the sentiment of our clients, starting with EastWest Priority as the pilot. In August 2018, we also implemented in-house customer satisfaction (CSAT) surveys to get feedback from and measure the satisfaction of our customers in terms of their experience with the Bank's application and transaction process.

For the inbound customer service survey, our overall customer satisfaction score was at 84% in the fourth quarter of 2018, while for the outbound telemarketing survey, our overall customer satisfaction score was at a high 97% for the same period.

We are eyeing the use of virtual assistance or artificial intelligence (AI) tools such as an online chatbot in order to provide customers instant two-way or interactive communication for their customer service needs. This is similar to an actual customer service representative, but more responsive to most common customer issues in terms of 'time to respond' while being cost effective.

Financial Education and Awareness

Besides protection, we also engage our customers to be more risk aware. Our customer education program is an ongoing initiative towards providing the customer with critical know-how to avoid fraud, scams, and cybercrimes when using their EastWest debit, prepaid, and credit cards, whether they are online, at an ATM or point-of-sale terminal, or transacting with Visa/Mastercard-affiliated merchants.

Our customers can access relevant brochures, social media campaigns, our website, and multiple channels that raise awareness and help them dodge ATM skimming, fraudulent activities, and other money-related schemes.

We send out electronic mails that contain tips on password protection, instructions on how to regularly update security questions, fight malware and phishing scams, and use Secure Sockets Layer (SSL) and other site security layers.

With increasing financial awareness and education, the Bank is also compelled to increase the level of competency of its workforce to meet customer expectations. We strive to regularly update our employees' skills in this area, sponsoring enterprise-wide fraud control training as well as seminars on security-related issues in banking.

RISK MANAGEMENT

In 2018, we constantly solidified, embedded, and refined initiatives that emphasized compliance and credit risk management established in the earlier years. The Bank's risk environment remained steady and relatively the same as the previous year. We continued to focus on fine tuning established practices.

The Bank ensures that we are compliant with all risk-relevant regulations issued in 2018. While the enhancements required were not free of their own challenges, they were not something beyond what the Bank could handle under usual conditions. The Bank also looks at future regulatory requirements and proactively prepares to ensure timely compliance.

Risk Factors

Combined with risks inherent in banking, we also consider other risks borne out by more stringent industry regulations.

Capital Risk

This is the risk faced when a company loses the value on its capital, which consequently puts it into a situation of having inadequate capital to cover for its risk exposures. We mitigate this risk by implementing capital risk management to ensure capital is preserved and shareholder value is maximized while maintaining capital ratios above the minimum BSP prescription.

Relevant BSP Regulations in 2018

- Circular No. 1024: Philippine Adoption of the Basel III Countercyclical Capital Buffer
- Circular No. 990: Amendments to the Basel III Leverage Ratio Framework

Credit Risk

This arises when borrowers fail to meet credit obligations based on agreed terms, may it be repaying a loan or meeting a contractual obligation. In recent years, credit risks were classified based on the age of the loan portfolio or their doubtfulness, but under Philippine Financial Reporting Standards 9, banks should produce models on estimating losses on the portfolio. This obliges banks to forecast potential loss up to the entire life cycle of a loan account or portfolio.

We mitigate this risk by applying credit scorecards and minimum acceptance criteria for every customer product, and the Internal Credit Risk Rating System (ICRRS) for corporate clients. We also use a Board-approved Credit Risk Management Manual as guidance in performing credit evaluation for retail customers and credit underwriting for corporate clients. We regularly monitor key credit risk indicators and conduct stress tests based on internally determined and BSP-prescribed stress scenarios.

The high level of EastWest's Non-Performing Loans (NPL) ratio, one of the highest in the industry is the natural twin of a loan portfolio that is 70% consumer loans. The NPLs are more than compensated by the yield of the portfolio. The Bank provides adequate provisions for credit losses as our model indicate. The fact that EastWest still has one of the highest net interest margins before and even after netting out provisions and has one of the highest return on equity supports this. We also note that our provisions for credit losses has been declining through the years as our portfolio matures.

RISK MANAGEMENT

Relevant BSP Regulations in 2018

- Circular No. 1023: Guidelines on the Adoption of Philippine Financial Reporting Standards 9 (PFRS 9) - Financial Instruments under Management of Trust Entities
- Circular No. 1011: Guidelines on the Adoption of Philippine Financial Reporting Standards 9 (PFRS 9) - Financial Instruments

Liquidity Risk

This risk pertains to a bank's inability to service its liabilities via sufficient funds, or when the maturity of its termed assets spans longer than those liabilities. This means the Bank may either have a shortage of available financial resources or can only access such resources at excessive cost.

We mitigate this risk by:

- Periodically tracking liquidity risk within the realm of the Treasury Group's responsibility, obtaining an accurate knowledge of our future cash flows every time
- Adopting a Maximum Cumulative Outflow (MCO) model, a cash flow analysis tool that projects our cash flow under normal operations and includes off-balance sheet commitments
- Using a Liquidity Risk Management Manual for setting risk appetite, as well as observing regulator- and internally determined liquidity risk limits
- Adhering to a Funding Contingency Plan to assure readiness in case a liquidity issue emerges – a plan that the Treasury Group regularly updates
- Foreseeing stress scenarios identified to get a precise insight into our ability to respond to our liabilities

Relevant BSP Regulations in 2018

- Circular No. 1007: Implementing Guidelines on the Adoption of the Philippine Financial Reporting Standards - Net Stable Funding Ratio
- Circular No. 996: Amendments to the Liquidity Coverage Ratio Framework and Minimum Prudential Liquidity Requirements for Stand-Alone Thrift Banks, Rural Banks, Cooperative Banks and Quasi Banks

Operational Risk

This risk relates to potential loss arising from systems, people, processes, and external events while in the conduct of our business and operations. Lapses and failures in delivery and performance of our functions and operations, after all, are not without consequences. While inherent in the banking ecosystem, operational risk becomes doubly pronounced as the Bank expands its business and reach.

We address this risk by espousing close collaboration among the different units of the Bank, gathering pertinent operational risk data, producing the likelihood and business impact matrix for every risk category, and simulating the operational risk loss for individual events. An Operational Risk Management Manual also prescribes our risk appetite and tolerance for operational risk. Every month, there is monitoring and reporting of key risk indicators to the Risk Management Committee.

Relevant BSP Regulations in 2018

- Circular No. 1019: Technology and Cyber-Risk Reporting and Notification Requirements

Moving Forward

We continue to work towards our goal to embed a risk management culture in the EastWest organization. A culture where units understand the risks in their businesses and are able to manage them. We are starting to see progress in instilling awareness across the organization. Our aim is not just for EastWestbankers to comply because it is required. But rather, because we believe that it is important for our GPS objective – Growth and Profitability that is Sustainable.

As we grow, we can only expect a bigger scale of relatively the same risk profile as in previous years. 2019 will not be an exception. Given this, it is vital that efficient operations of risk management practices need to be effectively performed at the risk-taking level, rather than at the central level.

It is important that we, EastWestbankers instill in our work greater transparency and efficiency with risk management always at the top of our minds. This not only benefits our business, but also positively impacts our customers, employees, and shareholders.

CORPORATE GOVERNANCE

Ensuring Your Trust in Us

At EastWest, we believe that good corporate governance is a prerequisite for sustainable results. In 2018, we took the new regulatory issuances as an opportunity to enhance the Bank's Corporate Governance framework. This framework is anchored on a fundamental principle – the tone of good governance should come from the top.

Thus, the Board of Directors took it upon themselves not only to comply with the letter of the regulations but on the spirit and enhance its practices further. EastWest ensures that the Board of Directors is comprised of a collective mix of individuals who possess the expertise and competence to effectively manage the Bank. In doing so, we have put transparency, accountability, and fairness at the forefront as we lead and serve our customers. We believe that as the landscape of the banking industry adapts to new technology and processes, we must at the same time provide the structural support needed to continue and further the growth of our customers' investments with us.

The Board approved the Bank's revised Corporate Governance Manual on May 24, 2018. 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.

Tone of Good Governance at the Top

At EastWest, corporate governance starts at the At EastWest, corporate governance starts at the top. Our Board of Directors and Senior Management team foster critical exchange of views and objective judgement. They set the tone and ensure that mechanisms for full disclosure, and protection of the rights and equitable treatment of shareholders are in place.

Board of Directors

As the highest governing body in EastWest, the Board provides stewardship, sets the direction, and performs general oversight of our management and operations. It approves the Bank's overall strategy and makes decisions based on our core values and principles, emphasizing long-term performance.

The Board is also responsible for fostering the long-term success of the Bank and securing its sustained competitiveness in a manner consistent with its fiduciary responsibility. The Board is committed to conduct itself with utmost honesty, integrity, and transparency in the discharge of its duties, functions, and responsibilities. It holds regular and special meetings to discuss the Bank's strategic direction and performance, as well as policies and developments in the areas of risk management, IT, governance, and relevant operational functions.

The Board is composed of nine directors, majority of whom are non-executive directors. Nominated and voted by shareholders every year, each director serves a one-year term until the election of another set of directors. In 2019, the Board increased its membership to 11 directors.

Through the Board's Corporate Governance and Compliance Committee, the Bank ensures that all directors are qualified for election based on their integrity, physical fitness, competence, education, moral standing in the community, and relevant business or banking experience, among others. The Bank does not discriminate against gender, age, and ethnic, political, religious, or cultural backgrounds.

Independent Directors

Three of the nine Board members are independent directors whose role is to provide independent judgment, outside experience, and objectivity to the Board. They have not served as independent directors for a maximum cumulative term of nine (9) years from the reckoning period rule and do not have more than five board seats in other publicly-listed companies. In 2019, the Bank increased to 4 the number of independent directors.

Executive and Non-Executive Roles

The roles of the Chairman, Mr. Jonathan T. Gotianun; the Vice Chairman and CEO, Mr. Antonio C. Moncupa, Jr.; and the President and Deputy CEO, Jesus Roberto S. Reyes, are clearly distinct and separate. Being a non-executive director, Mr. Gotianun is not involved in the day-to-day operations of the Bank but advises Senior Management on matters related to strategy and policy. Providing leadership in the Board of Directors, he presides over the Board and stockholders' meetings, ensuring that the Board takes an informed decision in all matters affecting the Bank and its shareholders. As Vice Chairman and CEO, Mr. Moncupa ensures that the strategic goals set by the Board are met. Together with Mr. Reyes, he has direct and immediate supervision over the long-term and daily operations and management of EastWest and executes the administrative and operational policies approved by the Board.

Board Self-Evaluation

All directors undergo a regular self-evaluation to allow them to assess their conduct in accordance with their mandate and responsibilities as a member of the Board, as well as of their respective Board-level committees. This ensures the continued effectiveness of the Board in contributing to the Bank's long-term sustainability and success. In aid of proper self-evaluation, each director is required to accomplish at least three self-assessment sheets: one as an individual director, for the Board, and for the Board Committee as a member. Each sheet delves into specifics, such as the clarity and relevance of the Board and committee functions, as well as their effectiveness in conducting meetings, making constructive use of available reports, and discussing concerns, which may impact on their responsibilities as Director and member of a committee.

Board Training

Our directors need to be adequately qualified, individually and collectively, and have a good understanding of both the business and regulatory environments. To ensure that each member contributes effectively to the Board, new directors receive appropriate induction training and all directors attend an annual training on Corporate Governance. Directors also receive regular updates on regulatory changes and market developments, and are encouraged to attend relevant training programs to develop and refresh their knowledge and skills. A corporate governance training was conducted on November 27, 2018, and was attended by Directors and Senior Officers of the Bank.

Board Remuneration

Our model for compensating directors and executives follows best practices for good governance. We establish formal and transparent procedures for the development of a policy on executive remuneration or determination of remuneration levels for individual directors, depending on the Bank's particular needs. No director is allowed to participate in deciding on his remuneration. Each director receives a monthly professional fee for attending Board and committee meetings. This is also in consideration of their valuable contributions in the formulation and continuing review of the Bank's overall strategy and performance. Remunerations given to directors which were approved by the Board Remuneration Committee amounted to Php20.1 million in 2018, Php19.1 million in 2017 and Php12.0 million in 2016. Executive Directors and FDC-affiliated Directors continue to waive their professional fees.

Retirement and Succession

It is our belief that once EastWest directors are elected by our shareholders, they should not be removed simply because of their age. We believe that as long as a board director is able to effectively perform his/her functions, the Bank considers them eligible to stay as a board director. In line with this, the Bank's retirement policy for its Board of Directors is not based on age but one that is based on their capabilities to carry out their function. The Corporate Governance and Compliance Committee evaluates the fitness of the nominees for the Board of Directors. Upon election, a director serves for a term of one (1) year subject to re-election the following year.

Independent directors shall serve a maximum cumulative term of nine years (reckoned from 2012), after which the independent directors can no longer be re-elected as such in the Bank. However, he/she may continue to qualify for nomination and election as a regular director. Notwithstanding the term limit for the independent directors, there is no fixed term limit for the regular directors.

Shareholder Communication

Our Board and Senior Management keep our shareholders abreast of developments in the Bank through our annual shareholders' meeting, annual report, general information sheet, quarterly financial reports, news releases, and our corporate disclosures. Our website provides extensive information about the Board, its mandate, the Board committees and their charters, and our directors.

Board Meetings

The Board holds a meeting for organizational purposes immediately after election every calendar year and have regular meetings once a month. Special meetings of the Board may be called at any time by the Chairman or by the Vice Chairman, or on written request of at least a majority of the directors.

The table in the following page summarizes the attendance of directors in Board meetings in 2018.

We have seven Board-level committees created to assist the Board in performing its duties and responsibilities and ensure efficiency and focus.

Board Attendance

The Bank held 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 17 Board Meetings.

The following are the attendance of the Directors of the Bank who attended the Board Meetings from January to December 2018;

Directors	No. of Meetings attended	%Percentage of attendance to the board meetings (total of 17 meetings)
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

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 20, 2018 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.

Members	No. of Meetings attended	%Percentage of attendance to the board meetings (total of 35 meetings)
Jonathan T. Gotianun *Chairman*	31	89
Antonio C. Moncupa, Jr.	32	91
Jesus Roberto S. Reyes	33	94
Mercedes T. Gotianun	29	83
Lourdes Josephine Gotianun Yap	34	97

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 programs, money laundering prevention programs 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 BSP Manual of Regulations for Banks (MORB).

The Committee, composed of four (4) 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.

Members	No. of Meetings attended		%Percentage of attendance to the board meetings
	Regular (6)	Special (3)	(total of 9 meetings)
Paul A. Aquino *Chairman*	6	3	100
Jose S. Sandejas	6	3	100
Carlos R. Alindada	6	3	100
Jonathan T. Gotainun	6	3	100

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, 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, 11 meetings (regular and special) were conducted and attended by Committee members.

Members	No. of Meetings attended		%Percentage of attendance to the board meetings
	Regular (6)	Special (5)	(total of 11 meetings)
Paul A. Aquino *Chairman*	6	5	100
Jose S. Sandejas	6	5	100
Carlos R. Alindada	6	5	100
Jonathan T. Gotainun	6	5	100

Audit Committee

The Audit Committee assists the Board of Directors in overseeing the Bank's financial reporting process, system of internal controls and the process for monitoring compliance with laws and regulations, and the code of conduct. It also provides reasonable assurance to the Board on the overall management of risks of the Bank. It is responsible for setting up the Internal Audit Division, and for appointing the Chief Audit Executive and an independent external auditor who both report to the Audit Committee. It monitors and evaluates the effectiveness and accuracy of the internal control system established throughout the Bank, through the Internal Audit Division.

The Internal Audit Division provides independent, objective assurance and consulting services designed to add value and improve the Bank's operations. It helps the organization accomplish its objectives by bringing a systematic, disciplined approach in evaluating and improving the effectiveness of risk management, internal control and governance processes. It functionally reports to the Audit Committee and administratively to the CEO. Internal Audit Division is independent to the Bank's other organizational units as well as of the personnel subject of the 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 all the Committee members.

Members	No. of Meetings attended	%Percentage of attendance to the board meetings (total of 12 meetings)
Carlos R. Alindada *Chairman*	12	100
Paul A. Aquino	12	100
Jose S. Sandejas	12	100

Risk Management Committee

The Risk Management Committee 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 modification or amendment 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 RMC, which meets every month, is composed of three (3) members of which two (2) are independent directors, including the Chairperson. 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 all the Committee members.

Members	No. of Meetings attended	%Percentage of attendance to the board meetings (total of 12 meetings)
Jose S. Sandejas *Chairman*	12	100
Paul A. Aquino	12	100
Wilson L. Sy	12	100

Compensation Committee

The Compensation Committee is composed of six (6) 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 the Committee members.

Members	No. of Meetings attended	%Percentage of attendance to the board meetings (total of 1 meeting)
Lourdes Josephine T. Gotianun - Yap *Chairman*	1	100
Jonathan T. Gotianun	1	100
Mercedes T. Gotianun	1	100
Antonio C. Moncupa, Jr.	1	100
Jesus Roberto S. Reyes	1	100
Jose S. Sandejas	1	100

Trust Committee

The Trust Committee assists the Board in fulfilling its responsibilities to oversee the proper management and administration of the Bank's trust and other fiduciary businesses. 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 the cultivation 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 all the Committee members.

Members	No. of Meetings attended	%Percentage of attendance to the board meetings (total of 4 meetings)
Jonathan T. Gotianun *Chairman*	4	100
Lourdes Josephine T. Gotianun- Yap	4	100
Mercedes T. Gotianun	4	100
Jesus Roberto S. Reyes	4	100
Robert B. Ramos	4	100

Independent Auditing

Audit is an essential part of our governance framework and internal control system. Our Internal Audit, which performs year-round audits to check operational efficiency, and our external audit firm, which validates annually the accuracy of financial statements, work independently and collaboratively to examine and evaluate the controls in place and determine if they are working as intended.

Internal Audit

Internal Audit (IA), which provides functional support to the Audit Committee, is mandated to evaluate the effectiveness as well as recommend appropriate courses of action to senior management and the Board to improve the Bank's risk management, compliance, internal controls, and corporate governance processes.

Cascading Compliance

It is our firm belief that compliance with corporate governance standards and regulatory guidelines and directives is a shared responsibility of everyone in the organization. Each employee is expected to have a working knowledge of all relevant laws, rules and regulations applicable to his assignment and must fulfill his tasks in compliance with the Bank's policies, code of conduct and standards of good governance.

The Compliance Office, headed by the Chief Compliance Officer, is vested with the role of designing the Bank's Compliance Program and overseeing and coordinating its effective implementation towards the sound management of compliance risks. It is also its responsibility to propagate the right compliance culture across the organization.

We have appointed Business Compliance Officers (BCOs) in every unit of the Bank responsible for ensuring the consistent implementation in his unit of the Bank's Compliance Program and cascaded regulatory issuances. As designated by the Vice Chairman & CEO, the heads of our business units are automatically assigned to perform this role, having the sole responsibility for efficiently running the day-to-day operations in his unit. The BCOs are each tasked to appoint a Deputy Business Compliance Officer (DBCO) to serve as their eyes on the ground and facilitate faster and easier coordination with the Bank's Compliance Division.

In addition, our governance units, namely Compliance, Risk Management, and Internal Audit, coordinate and work together in meeting the common governance, risk management and internal control goals of the Bank.

Making Good Governance Work

It is important for all our stakeholders that we act with integrity, transparency, and accountability in the Bank. And our commitment goes beyond the close of every banking day. We strive to earn trust in the way we manage our business responsibly at every encounter.

Corporate Governance Manual

Our strong focus on upholding the highest corporate governance principles is enshrined in our Corporate Governance Manual. The Manual was designed to define the framework of rules, systems, and processes governing the performance of the Board and EastWest management. It establishes the structure by which we carry out corporate governance and serves as reference for all the members of the Board and Senior Management in the conduct of their duties and responsibilities.

Every member of our organization is made aware of these policies, and the Board of Directors and Senior Management commit themselves to the principles and best practices contained in this manual. An electronic copy of the manual is available in EastWest's corporate website, www.ewbanker.com.

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 penalties in accordance with the Bank's Code of Discipline and Ethics.

Conflict of Interest

We seek to ensure transparency and fairness in all our dealings with stakeholders and our public. We have established policies to prevent potential conflict of interest, which we have defined as any situation wherein our directors, officers, and employees have a competing interest against the Bank or our customers. All our directors, officers, and employees are prohibited from engaging in any transaction where their personal interests could compromise their judgement or ability to act in the best interest of the Bank or our customers.

The Code of Discipline and Ethics governs conflict of interest in all employees, and any inquiry into this matter is coursed through the Human Resources Group and duly discussed with the employee's direct supervisor and the Chief Compliance Officer.

Dividend Policy

Dividends may be declared from the surplus profits arising from the business of the Bank at such time and in such percentage as the Board of Directors may deem proper. No dividends may be declared that will impair the Bank's capital. Stock dividends shall be declared in accordance with the law. The Board has set 20% to 30% of earnings will be declared as dividends. This policy has been put on hold in the meantime that the Bank is in a 'full speed' growth plan. The decision was made in lieu of making a capital call. The Board expects dividends to resume when the capital level of the Bank increases to its target level of at least 11% CET 1 ratio.

Insider Trading

As a publicly listed company, we are governed by the rules of the Philippine Stock Exchange (PSE) and the Securities and Exchange Commission (SEC) in disclosing trading transactions from directors to principal officers. Our internal policy requires all these individuals to secure prior clearance in any trading transaction, as well as to inform our Investor Relations Office and the Office of the Corporate Secretary on such trading transactions within one banking day after transaction execution.

Information is deemed properly disseminated via disclosures in the form of SEC filings, PSE disclosures, press releases, or placements on our website. We prohibit any of the Bank's directors, officers, and employees privy to sensitive or material information about our company, products, or services to pursue agreements or transactions involving those products or services in his or another person's behalf.

Related Party Transactions

We have formulated and implemented policies and procedures that would ensure the integrity and transparency of related party transactions (RPT) between and among the Bank and our parent company, joint ventures, subsidiaries, affiliates, major stockholders, officers, and directors, and relevant parties. As these transactions may give rise to a conflict of interest, we keep them at an arm's length basis and afford such related party no special favor or treatment.

Our RPT Committee conducts a periodic review of RPT policies and procedures, including materiality thresholds and internal limits and endorses revisions, if necessary, for Board approval and confirmation of the majority vote of stockholders.

Anti-Money Laundering

EastWest sees current policies to combat money laundering as an opportunity to increase our vigilance and our knowledge of our customers. We continue to comply with the provisions of the Anti-Money Laundering Act (AMLA), with our Compliance Division overseeing our overall direction in this area. We continued to strengthen our AML program in 2018 and further enhanced transaction monitoring and keeping in touch with news and developments in the market that could create huge reputational risks apart from actual financial damage.

We take pride in having 100% awareness of our anti-money laundering policy in our ranks, as it is a foundational training course for each member of the organization. Even those who are not in the frontlines are required to take the course to know the basic rules and protect the business. In our EastWest stores, we conduct specialized AML courses and briefings during service and sales clinics to reinforce proper client identity process from onboarding to continuous monitoring of account activity and all other controls that ensure the Bank's protection against unlawful activity.

Whistle-Blowing Policy

Our ethical culture is supported by an environment where concerns can be raised without fear of retaliation. We provide various means for raising concerns, including the ability to report them on an anonymous basis. All reports are investigated, and breaches of the Code of Discipline and Ethics are dealt with swiftly and decisively.

Our program known as Ethics-Direct encourages employees, clients, shareholders, and third-party partners to report any incident or knowledge of misconduct, irregularity, or breach of ethics that can go against the interest of the Bank and its stakeholders. Each whistleblower's identity is well-protected.

Various channels of communication – including direct supervisors and managers, a designated officer, and the Whistle Blowing committee – are open and ready to accommodate complaints and reports of undesirable acts and behavior.

Employee Health, Safety, and Wellness

We treat the health, safety, and well-being of our employees as a benchmark for the success of our corporate governance. We provide health insurance, group life insurance, and retirement benefits to all full-time employees to help guard their wellness. In addition, we built and continue to improve the EastWest Learning & Development to form a learning community where EastWestbankers hone their skills and build competencies in their specific disciplines. We also organized unit representatives into an Employee Relations Council to address employee concerns and grievances.

Ecological Protection

We uphold the pressing responsibility of protecting the environment through water and energy conservation programs we have put in place. We do our share in carbon reduction and ensuring socioeconomic stability through policies that make our value chain eco-friendly, socially responsible, and consistent with the sustainability goals that other banks and industries have purposely set to achieve going forward.

Retirement of Senior Officers

The retirement age of Senior Officers is generally the same as with all other bonafide EastWestbankers as embodied in the Plan Rules and Regulations of the EastWest Employees' Retirement Plan. The normal retirement date for our employees is attainment of age sixty (60) but there may be cases that calls for late retirement, which the Board will approve.

MATERIAL RELATED PARTY TRANSACTIONS

For the Year 2018 (amounts in Php)

Category	Amount/Volume	Outstanding Balance
Subsidiaries		
Receivables purchased	Php1,350,322	Php5,910,020
Accounts receivable	_	202,586
Deposit liabilities	_	265,133
Accounts payable	_	18,650
Interest expense	487	_
Service fee expense	47,991	_
Service fee income	673	_
Commission expense	128,711	_
Rent income	306	_

Terms and Conditions/Nature
Receivables purchased by the Parent Company from EWRB
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
Earned interest at the respective bank's deposit slip
Cash reloading transactions between EWRB and the Parent Company
Interest expense on deposits of EWRB and EWIB
Service fees paid to EWRB for account servicing equivalent to 0.37% of loans amounts collected by EWRB on behalf of the Parent Company for the receivables purchased and for collection of credit card payments
Service fees paid to EWRB for account servicing equivalent to 0.37% of loans amounts collected by the Parent Company on behalf of EWRB for the receivables sold
Commission expense paid by the Parent Company to QMIS
Rent of office space leased to subsidiaries

BOARD OF DIRECTORS

Standing from left to right:

Back: **JESUS ROBERTO S. REYES**, President, Deputy CEO & Director - **BENEDICTO M. VALERIO, JR.**, Corporate Secretary - **CARLOS R. ALINDADA**, Independent Director - **WILSON L. SY**, Director
Front: **MERCEDES T. GOTIANUN**, Director - **ANTONIO C. MONCUPA, JR.**, Vice Chairman & Chief Executive Officer.

Standing from left to right:

Back: **PAUL A. AQUINO**, Independent Director - **GREGORIO U. KILAYKO**, Independent Director - **ATTY. JOSE MARIA G. HOFILEÑA**, Independent Director
Front: **JONATHAN T. GOTIANUN**, Chairman - **LOURDES JOSEPHINE GOTIANUN-YAP**, Director - **ISABELLE THERESE G. YAP**, Director

BOARD OF DIRECTORS

JONATHAN T. GOTIANUN
CHAIRMAN

Age & Nationality
66 years old, Filipino

Board Position, Since
Chairman of the Board since April 2007

Committees
Chairman of the Executive and Trust committees; member of Corporate Governance & Compliance, Compensation, and Related Party Transaction Committees

Concurrent Positions
Chairman of Filinvest Development Corp., Filinvest Land, Inc., Cotabato Sugar Central Co., Inc., Davao Sugar Central Co., Inc., CountryWide Water Services, Inc., East West Rural Bank, Inc., East West Ageas Life Insurance Corp., and East West Leasing and Finance Corp.; Director of Filinvest Alabang, Inc., FDC Misamis Power Corp., FDC Utilities, Inc., and FDC Hotels Corp.; Director and Vice President of Pacific Sugar Holdings Corp.

Past Positions
Vice Chairman and Director of EastWest Bank from 1994 to 2007

Education
Commerce degree from the Santa Clara University in California and Masters in Management degree from the Kellogg School of Management, Northwestern University in Evanston, Illinois, USA

ANTONIO C. MONCUPA, JR.
VICE CHAIRMAN & CHIEF EXECUTIVE OFFICER

Age & Nationality
60 years old, Filipino

Board Position, Since
Director and Chief Executive Officer since 2007 and Vice Chairman since May 1, 2017

Committees
Member of the Executive and Compensation Committees

Concurrent Positions
Director of Pasberfund Realty Holdings, Bancnet, Philippine Rural Reconstruction Movement, East West Leasing & Finance Corp., LGU Guaranty Corp., Bankers Association of the Philippines and Philippine Payments Management, Inc.; Vice Chairman/Director of East West Rural Bank, Inc.

Past Positions
President of EastWest Banking Corp.; Director of East West Ageas Life Insurance Corporation; Executive Vice President and Chief Financial Officer of the International Exchange Bank

Education
Double degree in Economics and Accounting from the De La Salle University and Masters in Business Administration degree from the University of Chicago

JESUS ROBERTO S. REYES
DIRECTOR, PRESIDENT AND DEPUTY CEO

Age & Nationality
60 years old, Filipino

Board Position, Since
President and Deputy Chief Executive Officer since May 1, 2017 and Director since April 27, 2017

Committees
Member of the Executive, Compensation, and Trust committees

Concurrent Positions
Chairman of EastWest Insurance Brokerage, Inc. and Assurance Solutions Insurance Agency, Inc.; Director of East West Rural Bank, Inc. and East West Leasing and Finance Corp.; Director & Treasurer of East West Ageas Life Insurance Corp.

Past Positions
Treasurer and Chief Financial Officer of Union Bank of the Philippines

Education
Mechanical Engineering degree from the University of the Philippines-Diliman and Masters in Business Management degree from the Asian Institute of Management

MERCEDES T. GOTIANUN
DIRECTOR

Age & Nationality
90 years old, Filipino

Board Position, Since
Director since 1995

Committees
Member of the Executive, Compensation, and Trust committees

Concurrent Positions
Chairman of Filinvest Alabang, Inc.; Chairman, President & CEO of Andremerc Holdings Corp.; Director of Filinvest Development Corp., Filinvest Land, Inc., A. L.Gotianun, Inc., Davao Sugar Central Corp., Cotabato Sugar Central Company Inc., High Yield Sugar Farm Corp., FDC Misamis Corp., Team Gladiola, Inc., and FDC Utilities, Inc.; Vice Chairman of Pacific Sugar Holdings Corp.

Education
Pharmacy degree, Magna cum laude, from the University of the Philippines

LOURDES JOSEPHINE GOTIANUN - YAP
DIRECTOR

Age & Nationality
64 years old, Filipino

Board Position, Since
Director since August 2000

Committees
Chairman of the Compensation Committee; member of the Executive and Trust Committees

Concurrent Positions
President and Director of Filinvest Land, Inc., Filinvest Alabang, Inc., Filinvest Development Corp., Mimosa Cityscapes, Inc., Festival Supermall, Inc., and a Director of Chroma Hospitality, Inc., High Yield Sugar Farm Corp., Cotabato Sugar Central Company Inc., Davao Sugar Central Corp., Pacific Sugar Holdings Corp.

Education
Business Management degree from the Ateneo de Manila University and Masters in Business Administration, Major in Finance degree from the University of Chicago

WILSON L. SY
DIRECTOR

Age & Nationality
66 years old, Filipino

Board Position, Since
Director since April 2016

Committees
Member of the Risk Management Committee

Concurrent Positions
Chairman & Director of Wealth Securities, Inc.; Chairman of Manila Stock Exchange Found, Inc.; Director of Philippine Stock Exchange Vantage, Securities, Inc., Philequity Management, Inc., Asian Alliance Holdings Corp., Pacific Online Systems Corp., Xcell Property Ventures, Inc., Monte Oro Resources & Energy, Inc., Vantage Financial Corp., Leisure & Resorts World Corp., MORE Coral Corp. MORE Minerals Corp., MORE Reedback Corp., MORE Oil & Gas Corp., Sinag Energy Philippines, Inc.; Member, Board of Trustee at Ateneo De Manila Univ. Corp.

Past Positions
Chairman of the Philippine Stock Exchange from 1996-1998 and Director of Yehey! Corporation and International Exchange Bank

Education
Management Engineering degree from the Ateneo de Manila University

PAUL A. AQUINO
INDEPENDENT DIRECTOR

Age & Nationality
76 years old, Filipino

Board Position, Since
Independent Director since October 2009

Committees
Chairman of the Corporate Governance & Compliance Committee and Related Party Transaction Committee; member of the Audit and Risk Management Committees

Concurrent Positions
Independent Director of East West Ageas Life Insurance Corp.; Director of Skycable, Inc.; President/Trustee of Keitech (Kananga EDC Institute of Technology); Honorary Consul of the Government of Malta; Consultant of Energy Development Corp.; Trustee of Tanging Yaman

Past Positions
President/CEO PNOC- Energy Dev. Corp.

CARLOS R. ALINDADA
INDEPENDENT DIRECTOR

Age & Nationality
82 years old, Filipino

Board Position, Since
Independent Director since April 2002

Committees
Chairman of the Audit Committee; member of the Corporate Governance & Compliance Committee and Related Party Transaction Committee

Concurrent Positions
Independent Director of Tanduay Distillers, Inc., Bahay Pari Solidaritas Fund, Datem, Inc. and Home Credit Philippines

Past Positions
Chairman and Managing Partner of SGV & Co.; Director of the National Power Corp.; Commissioner of the Energy Regulation Commission; Chairman of Review Oil Deregulation Law and Committee - SSS

Education
Accounting degree from the University of the East and Masters in Business Administration in Corporate Finance degree from New York University; finished an Advance Management Program at Harvard University

JOSE S. SANDEJAS*
INDEPENDENT DIRECTOR

Age & Nationality
79 years old & Filipino

Board Position, Since
Independent Director since April 2002

Committees
Chairman of the Risk Management Committee; member of the Corporate Governance & Compliance, Audit, Compensation, and Related Party Transaction Committees

Concurrent Positions
"Chairman of Diversified Holdings, Inc., Primegates Property, Inc., Sun Oil, Inc., Radix, Inc., Ostrea Mineral Laboratories, Inc., Marubeni Scholarship Foundation, Inc. and PAREF School; Chairman and President of MFI Foundation; Vice Chairman of Philippine Cancer Society; Director of TCGI Engineers, Taikisha Phils., Inc., De La Salle University – Lipa and Philippine Institute of Pure & Applied Chemistry (PIPAC)"; Director of Petron Corporation, Asian Hospital, Inc. and Asia United Banking Corporation

Education
Chemical Engineering degree from the De La Salle University and Materials Engineering doctorate degree from the Rensselaer Polytechnic Institute

*RETIRED AS OF APRIL 22, 2019

ATTY. BENEDICTO M. VALERIO, JR.
CORPORATE SECRETARY

Age & Nationality
60 years old, Filipino

Board Position, Since
Corporate Secretary since April 2007 and Director from July 2012 to April 2017

Concurrent Positions
Corporate Secretary of East West Ageas Life Insurance Corp., Ardent Development Corp., Hospitality Int'l., Inc., Lodging Concepts, Inc., Tribal DDB, Inc., Monserrat Holdings, Inc., and Hospitality Innovations, Inc.

Past Positions
Assistant Corporate Secretary and General Counsel of International Exchange Bank

Education
Commerce degree from the De La Salle University, Bachelor of Laws degree from the Ateneo de Manila University, and Masters in Business Administration degree from the Ateneo Graduate School of Business

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ISABELLE THERESE G. YAP
DIRECTOR

Age & Nationality
31 years old, Filipino

Board Position, Since
Director since April 22, 2019

Concurrent Positions
Special Projects Officer

Past Positions
Previously worked in multinational companies like McKinsey & Company, SingTel, HSBC

Education
Business Management, Double Major Finance and Marketing degree from Singapore Management University, with a Masters degree in Business Administration from Harvard Business School

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GREGORIO U. KILAYKO
INDEPENDENT DIRECTOR

Age & Nationality
64 years old, Filipino

Board Position, Since
Director since April 22, 2019

Concurrent Positions
Independent Director of Belle Corporation, SM Prime Holdings, Inc., Philequity Funds

Past Positions
Country Representative of James Capel Securities (Philippines), President of ING Baring Securities (Philippines) and ABN-Amro Securities (Philippines), Chairman and CEO of ABN-Amro Bank (Philippines), Manager of NCRD, Bureau of Energy Development, Treasury, Philippine National Oil Company

Education
B.S. Industrial Management Engineering degree at De La Salle University, with a Masters Degree in Energy Management and Business Administration from University of Pennyslvania

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ATTY. JOSE MARIA G. HOFILEÑA
INDEPENDENT DIRECTOR

Age & Nationality
57 years old, Filipino

Board Position, Since
Director since April 22, 2019

Concurrent Positions
Dean at Ateneo de Manila School of Law, Director of Vitasoy-URC, Inc.

Past Positions
Partner in Sycip Salazar Hernandez & Gatmaitan

Education
Bachelor of Arts degree with Honors from Ateneo de Manila University, and Bachelor of Laws at Ateneo de Manila School of Law; Masters of Laws from Harvard University Law School

SENIOR MANAGEMENT

SEVP & Head, Loans, Wealth, and Markets, Treasurer

- 49 years old, Filipino
- Over 27 years of banking experience
- Former EVP & Head of Financial Markets in Security Bank
- Graduate of Ateneo de Manila University, BS Management Engineering and Asian Institute of Management, Masters in Business Management

SEVP & Head, Consumer Lending

- 56 years old, Filipino
- Over 33 years of banking experience
- Former Head of Consumer Credit of Standard Chartered Bank Philippines
- Graduate of the University of the Philippines Diliman, AB Economics, Cum Laude and Masters in Business Administration

SEVP & Head, Retail Banking

- 54 years old, Filipino
- Over 22 years of banking experience
- Former Center Head of International Exchange Bank
- Graduate of the University of Sto. Tomas, BS Accounting, and Asian Institute of Management, Masters in Business Administration

EVP & Head, Corporate Banking Group

- 57 years old, Filipino
- More than 30 years of banking and finance experience
- Former Senior Vice President and Head of Security Bank's Corporate Banking Group
- Graduate of University of Sto. Tomas, BS Commerce, Major in Business Administration, Magna Cum Laude

SVP & Head, Corporate Banking

- 55 years old, Filipino
- Over 20 years of banking experience focusing on corporate banking
- Former Corporate and Commercial Banking Head of Philippine Bank of Communications
- Graduate of A.B. Economics, Ateneo de Manila University, Masters in Business Administration in Ateneo Graduate School of Business

SVP & Chief Information Officer

- 50 years old, Filipino
- Over 23 years of evolving experiences in Information Technology with strong emphasis in the Software development modelling and implementation, Infrastructure analysis and architecting, risk mitigation, digital transformation
- Former SVP and Chief Information Officer of Security Bank
- Graduate of California Polytechnic University Pomona, Bachelor of Science, Business Administration/ Computer Information Systems

SENIOR MANAGEMENT

SVP & Trust Officer

- 43 years old, Filipino
- Over 20 years of finance and banking experience
- Former First Vice-President and Trust Officer of Union Bank of the Philippines
- Graduate of B.S. Management Engineering, Ateneo de Manila University, Asian Institute of Management, Masters in Business Management, and University of Asia and the Pacific (UA&P), Masters in Business Economics
- Chartered Financial Analyst, CFA Institute

SVP & Chief Audit Executive

- 56 years old, Filipino
- Over 25 years of banking experience
- Former FVP & Department Head of the Internal Audit Division of Rizal Commercial Banking Corporation
- Graduate of the Polytechnic University of the Philippines, B.S. Accountancy, Cum Laude
- Certified Public Accountant, Certified Information Systems Auditor, Certified Internal Auditor, and Certified Risk and Information Systems Control

SVP & Chief Compliance Officer

- 53 years old, Filipino
- Over 20 years of experience in the financial markets area covering specific areas of securities regulation
- Former Managing Director of Philippine Dealing & Exchange Corp. for almost 12 years

SVP & Head, Regional Branch Banking

- 46 years old, Filipino
- 24 years of banking experience
- Former Center Head-Manila Area of International Exchange Bank
- Graduate of the University of Sto Tomas, Hotel and Restaurant Management, and Asian Institute of Management, Management Development Program

SVP & Chief Transformation Officer

- 46 years old, Singaporean
- Over 24 years Asia-Pacific work experience in Organization Development and Human Resources
- Former HR Director for Asia Pacific at LVMH – DFS Group
- Graduate of UCLA, San Diego USA, BS Business Administration and Asia Pacific International Institute, New Zealand, Masters in Business Administration

FVP & Head, Human Resources

- 62 years old, Filipino
- Over 25 years of extensive HR experience
- Former SVP & Country Head of Human Resources Philippines, Standard Chartered Bank
- Graduate of St. Paul College Manila, BS Psychology and Ateneo de Manila University, Clinical Psychology

FVP & Chief Risk Officer

- 43 years old, Filipino
- 20 years of banking experience
- Former Senior Manager of International Exchange Bank
- Graduate of De La Salle University, B.S. Accountancy
- Certified Public Accountant

FVP & Head, Legal Services

- 59 years old, Filipino
- Over 25 years experience in the law practice, the last 13 years of which is with the banking industry
- Former Legal Counsel of Union Bank of the Philippines
- Graduate of Manuel L. Quezon College of Law, Bachelor of Laws
- Certified Public Accountant

SENIOR MANAGEMENT

FVP & Head, Credit Management

- 60 years old, Filipino
- Over 30 years experience in credit, account management, FX trading, and stock brokerage
- Former Securities Head of United Coconut Planters Bank
- Graduate of Ateneo de Manila University, A.B. Economics

FVP & Chief Information Security and Data Protection Officer

- 61 years old, Filipino
- More than 30 years of management experience in Information Technology and IT Security
- Former VP & Information Security Department Head and Data Protection Officer of United Coconut Planters Bank
- Graduate of Philippine School of Business Administration, BSBA Major in Accounting
- Certified Public Accountant, Certified Information Systems Auditor

FVP & Head, Bank Operations

- 59 years old, Filipino
- Over 31 years of work experience in Treasury and Financial Management
- Former First Vice President and unit Head of the Retail Sales Unit Distribution Group in Union Bank of the Philippines
- Graduate of Philippine School of Business Administration, Bachelor in Science in Business Administration, Major in Accounting, Cum Laude

FVP & Head, Wealth Management

- 45 years old, Filipino
- Over 20 years of banking experience
- Former Vice President and Head of Ortigas Branch of Standard Chartered Bank
- Graduate of Ateneo de Manila University, Bachelor of Arts, Major in Economics

SVP & Head, Central Branch Operations 1

- 53 years old, Filipino
- Almost 30 years of banking experience, specifically on audit and bank operations
- Former SVP & Head of Operations in One Network Bank
- Graduate of University of Sto. Tomas, Bachelor of Science in Commerce, major in Accounting, Master in Business Administration from De La Salle University
- Certified Public Accountant

SAVP & OIC of Customer Service

- 49 years old, Filipino
- Over 25 years of banking experience
- Former AVP and Card Sales Department Head of Equitable Cardnetwork, Inc.
- Graduate of University of the Philippines (Los Banos), Bachelor of Science in Economics, Cum Laude, Master in Economics from University of the Philippines (Diliman)

FVP & Head, Bank Marketing and Corporate Communications

- 50 years old, Filipino
- Over 20 years of banking experience focusing on credit cards marketing
- Former Vice President of American International Group
- Graduate of University of Sto. Tomas, Bachelor of Science in Commerce, Major in Business Administration

**as of 2019*

SENIOR OFFICERS

Chairman
Gotianun, Jonathan T.

Chief Executive Officer
Moncupa, Antonio Jr. C.

President and Deputy CEO
Reyes, Jesus Roberto S.

Senior Executive Vice President
Algarra, Rafael Jr. S.
Fernandez, Jacqueline S.
Susmerano, Gerardo

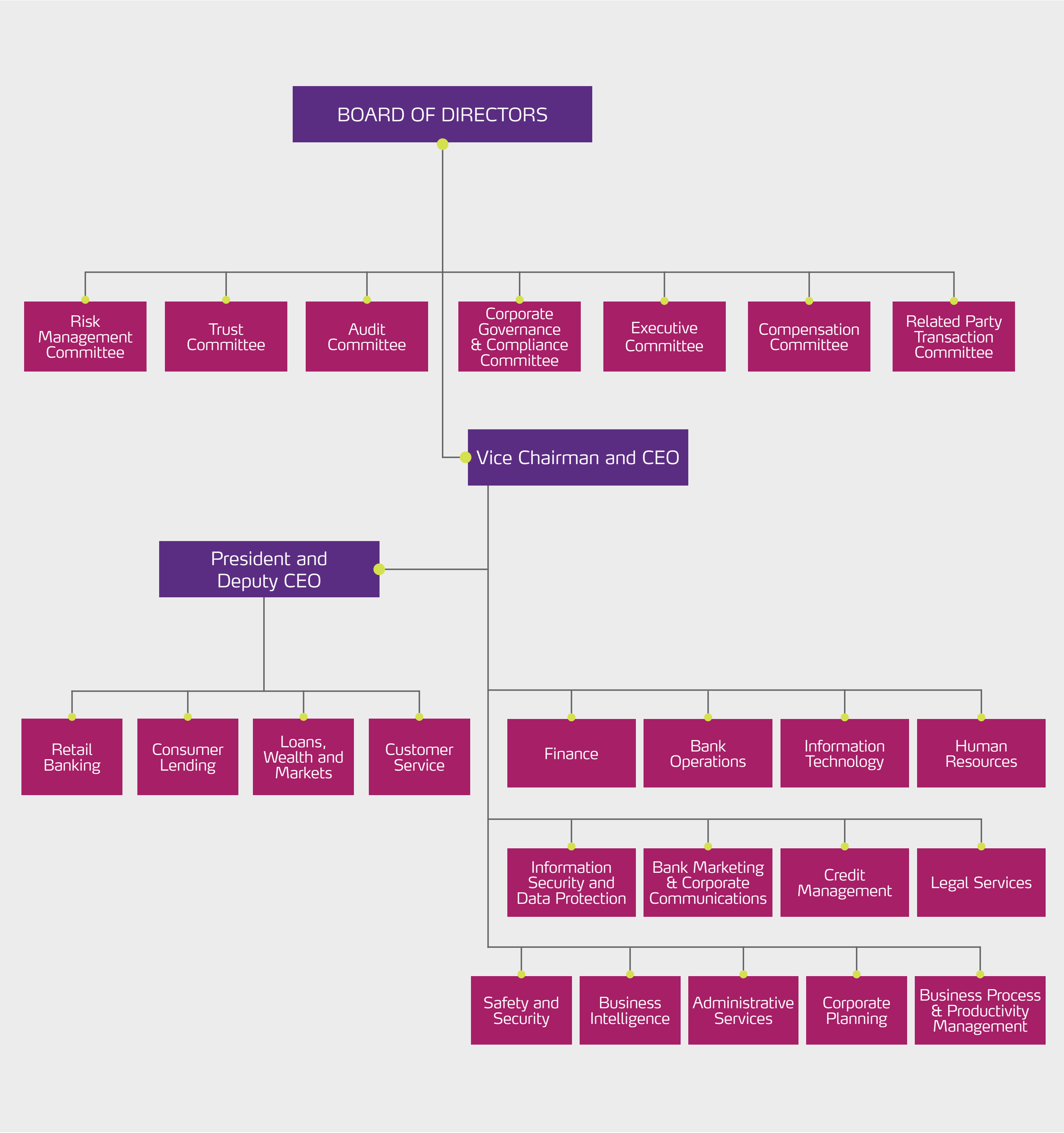
Executive Vice President
Arcilla, Mariza E.

Senior Vice President
D' Cruz, Raymond M.
Elizaga, Eriberto Luis S.
Oquialda, Eloida F.
Pusag, Cecilio Frederick M.
Ramos, Robert Rol Richard Raymond B.
Rivera, Eleanor B.
Serrano, Salvador R.
Uy, Ivy B.

First Vice President
Abrogar, Gerald K.
Ang, Grace N.
Butalid, Armin C.
Cayabyab, Minda L.
Ching, Adrian S.
De Guzman, Raul Victor M.
De Lara, Alastair S.
Gonzales, Anna Maria V.
Jao, Glenn Conrad N.
Legaspi, Jocelyn C.
Ona, Lourdes A.
Peralta, Renato P.
Pichay, Ramoncito Pedro R.
Regala, Manuel Joey A.
Solosa, Patrick Dennis L.
Tamayo, Aylwin Herminia P.
Tamayo, Richard Chester C.
Villaraza, Alessandro L.

Vice President
Abad, Josephine Vilma A.
Aguinaldo, Ma. Sheila S.
Alviar, Jennifer E.
Beltran, Maria Margarita C.
Bersamina, Julius P.
Caisido, Randy M.
Caliwan, Mary Jane D.
Carlos, Rodolfo Jr. M.
Castañeda, Marie Perpetua Socorre H.
Chan, Aurora Socorro O.
Charvet, Rosalie D.
Chua, Paulina L.
Crisologo, Alexander Phillippe D.
Dela Cruz, Efren Jr. O.
Dimla, Alvin S.
Garcia, Eduardo S.
Gomez, Claude Lorenz D.
Guzman, Ires C.
Lao, Christopher S.
Lazo, Macrina P.
Lim, Steve L.
Lorenzana, Stephanie Belina F.
Lozon, Renato D.
Lucio, Eva Joyce B.
Macalintal, Anna Lynn E.
Manalastas, Manuel L.
Mendoza, Genevie O.
Mulimbayan, Maria Cecilia A.
Navarro, Christina M.
Nonato, Herman D.
Raval, Assissi C.
Reboredo, Raymond T.
Rodriguez, Ben Valentino Jr. U.
Rodriguez, Paulo Jose L.
Roque, Carmina Jeanne D.
Ruiz, Ian Jericho Nazareth E.
Salcedo, Paolo M.
Sampang, Renato Z.
Sison, Rafael Jr. Z.
Tanlapco, Trina Maria A.
Unson, Margaret Mary S.
Valera, Valerie Mariflor G.
Velez, Rodrigo Thelmo S.

ORGANIZATIONAL CHART



SUBSIDIARIES

EastWest Rural Bank (EWRB) soldiered through a 2018 fraught with numerous challenges, emerging resilient and hopeful for the year ahead.

EWRB earned a net income of Php220 million in 2018 despite the almost half year suspension of its main business, the Teachers' Salary Loan Program.

Total deposit generation increased by 17% to Php19.4 billion. It was also able to sustain growth in its total assets to Php25.8 billion. It ended the year with an equity of Php3.9 billion.

EWRB was conferred the Pagtugon Award for the Rural Banks Category by BSP for the year 2018. This award is given in recognition of EWRB's excellence and dedication in addressing the issues and concerns of customers referred to the Bank by BSP. The Bank has always placed customer responsiveness at the core of its operations, and this award is a testament to its unwavering commitment in responding to its customer needs.

For 2019, EWRB aims to continue responding appropriately with regards to its teachers' lending program. While the new rules set by the Department of Education is in the process of stabilizing, it will remain cautious on its approach. It also seeks to increase its SSS Pensioners' Loan Portfolio by executing strategies and activities to raise more brand awareness in the market.

EWRB was conferred the **Pagtugon Award** for the Rural Banks Category by BSP for the year 2018. This award is given in recognition of EWRB's excellence and dedication in addressing the issues and concerns of customers referred to the Bank by BSP. The Bank has always placed customer responsiveness at the core of its operations, and this award is a testament to its unwavering commitment in responding to its customer needs

Standing from left to right:

Nelson P. Casiano, People Support Group Leader - **Jo Ann S. de Asis**, Customer Experience Management Group Leader - **Veronica G. Acuña**, **Elpidio F. Masbad III**, President & CEO - **Sheila M. Bajado**, Finance Services Group Leader - **Joseph Jay S. Loayon**, Administrative Services Group Leader - **Hera A. Duka**, Looans Operations Group Leader

SUBSIDIARIES

EastWest Insurance Brokerage, Inc. (EWIB) outdid itself once again in 2018. The wholly-owned subsidiary earned Php73.7 million, 17% more than it did in 2017.

EWIB's remarkable 2018 growth came about with the increasing penetration of the insurance requirements of the Filinvest Group. of companies. Aside from the increasing business from EastWest as a result of the robust growth of its consumer portfolio, EWIB brokered the insurance needs of Misamis Power Plant and Sugar Group, which is fully owned by Filinvest.

These endeavors were attributed to EWIB's further streamlining of its structure to focus completely on sales. EWIB established an operations and administration team to relieve its marketing team of administrative duties. It also launched the iSmart system to provide crucial help for management information and analytics.

EWIB looks forward to 2019 as it anticipates the entry of other Filinvest Group businesses into its fold. However, EWIB will not stop there; it also endeavors to continue being proactive in the generation of new businesses, and renewing as well as bolstering incentive programs for referrers within EastWest's top performers.

EWIB settles further into success from the foundation it has built over the past few years, maintaining its top-notch quality of service by hiring the best people to provide their skills and expertise – and drive the Bank's inspiring growth.

EWIB settles further into success from the foundation it has built over the past few years, maintaining its top-notch quality of service by hiring the best people to provide their skills and expertise – and drive the Bank's inspiring growth.

Standing from left to right:

Ms. Racquel Lourdes L. Mendoza, AVP, FDC/Direct Marketing Team Leader - **Mr. George W. Villafuerte**, Claims Team Leader **Mr. Raymund R. Baloto**, Operations and Admin Team Leader - **Mr. Peter Roy R. Locsin**, President and CEO - **Ms. Emilia P. Viernes**, Commercial / Retail Sales Team Leader - **Mr. Gilbert F. Estigoy**, Corporate Sales Team Leader - **Ms. Rowena S. Zialcita**, Accounting and Finance Team Leader

AFFILIATE

Troo bancassurance business with EastWest posts a solid growth

In 2018, Troo achieved an insurance premium income of Php1.4 billion – up by 63% from 2017. According to statistics published by the Insurance Commission, Troo further improved its market ranking. Despite being in operation for just a few years, Troo is now the 15th largest life insurer out of 31 companies, based on New Business Premiums.

Revenue growth was driven by fundamental improvements of our bancassurance business through the nearly 400 EastWest stores. Insurance sales benefited from the launch of Variable Unit-Linked solutions: Regular Premium BuildWealth and Single Premium BoostWealth. In addition, more than 90% of the home loan borrowers of EastWest were covered by life insurance of Troo.

The year 2018 also saw the start of a business relationship between Troo and Filinvest. Mortgage redemption insurance became available to customers of Filinvest properties.

With the insurance solutions of Troo, EastWest now offers a complete menu of financial services to every Filipino – from life protection, investment & wealth building to education and estate planning. By the end of 2018, Troo's assets under management has reached Php2 billion. Troo contributed about Php300 million to EastWest's fee income.

EastWest and its joint-venture bancassurance partner, Ageas, made an additional capital infusion of Php500 million in 2018 to fund future growth initiatives. This is evidence of the confidence and commitment from both joint-venture partners in Troo.

In 2019, Troo will further invest in its technology and digital capabilities, positioning itself as an insurtech company. The company will launch its GoTroo digital customer engagement portal. The ultimate goal of which is to provide a great experience to customers as well as optimize operational processes.

Troo will also expand into new distribution channels and service new customer segments through EastWest Priority, EastWest Corporate Banking and Consumer Lending groups. All these will be supported by launching new insurance solutions.

It is the ambition of Troo to be among the top 10 life insurance companies in the coming years.

In 2018, Troo achieved an insurance premium income of Php1.4 billion – up by 63% from 2017. According to statistics published by the Insurance Commission, Troo further improved its market ranking. Despite being in operation for just a few years, Troo is now the 15th largest life insurer out of 31 companies, based on New Business Premiums.

Standing from left to right:

Rowena Empalmado, Chief Investment Officer - **Milot Valencia**, Chief Bancassurance Officer - **Mike Wood**, Chief Actuary and Chief Risk Officer - **Dominik Smeets**, Chief Strategy and Business Development Officer - **Calvin Kohchet-Chua**, Chief Legal and Compliance Officer - **Jennie Zheng**, Chief Financial Officer - **Lois Dalida**, Chief Human Resources Officer
Seated from (left to right): **Hans Loozekoot**, President & CEO - **Hans Van Wuijckhuijse**, Chief Operating Officer

CAPITAL ADEQUACY RECONCILIATION

CAPITAL ADEQUACY RECONCILIATION	CONSOLIDATED		
(Php in millions, except percentages)	For the year ended December 31		
	2018		
	Tier 1 Capital	Audited Financial Statement	Reconciling Item
Tier 1 capital			
Paid up common stock	22,499.75	22,499.75	–
Additional paid-in capital	5,209.06	5,065.06	144.00
Retained earnings	9,818.66	10,767.40	(948.74)
Undivided profits	4,464.61	4,508.06	(43.46)
Other Comprehensive Income:			–
Net unrealized gains or losses on AFS Securities	(10.29)	(10.29)	–
Actuarial Gains (Losses) on Retirement Benefits Plan	31.65	(77.99)	109.64
Cumulative foreign currency translation	(94.82)	(94.82)	–
Total	**41,918.62**	**42,657.17**	**(738.56)**

CAPITAL ADEQUACY RECONCILIATION	CONSOLIDATED		
(Php in millions, except percentages)	For the year ended December 31		
	2017		
	Tier 1 Capital	Audited Financial Statement	Reconciling Item
Tier 1 capital			
Paid up common stock	14,999.84	14,999.84	–
Additional paid-in capital	5,209.06	5,209.06	–
Retained earnings	13,490.29	13,714.57	(224.29)
Undivided profits	5,025.82	5,050.70	(24.88)
Other Comprehensive Income:			–
Net unrealized gains or losses on AFS Securities	(4.05)	(4.05)	–
Actuarial Gains (Losses) on Retirement Benefits Plan	(103.78)	32.13	(135.91)
Cumulative foreign currency translation	3.26	3.26	–
Total	**38,620.44**	**39,005.52**	**(385.08)**

CAPITAL ADEQUACY RECONCILIATION	SOLO		
(Php in millions, except percentages)	For the year ended December 31		
	2018		
	Tier 1 Capital	Audited Financial Statement	Reconciling Item
Tier 1 capital			
Paid up common stock	22,499.75	22,499.75	–
Additional paid-in capital	5,209.06	5,065.06	144.00
Retained earnings	9,792.10	10,767.40	(975.30)
Undivided profits	4,491.47	4,508.06	(16.60)
Other Comprehensive Income:			–
Net unrealized gains or losses on AFS Securities	(10.29)	(10.29)	–
Actuarial Gains (Losses) on Retirement Benefits Plan	31.65	(77.99)	109.64
Cumulative foreign currency translation	(94.82)	(94.82)	–
Total	**41,918.92**	**42,657.17**	**(738.26)**

CAPITAL ADEQUACY RECONCILIATION	SOLO		
(Php in millions, except percentages)	For the year ended December 31		
	2017		
	Tier 1 Capital	Audited Financial Statement	Reconciling Item
Tier 1 capital			
Paid up common stock	14,999.84	14,999.84	–
Additional paid-in capital	5,209.06	5,209.06	–
Retained earnings	13,490.29	13,714.57	(224.29)
Undivided profits	5,026.19	5,050.70	(24.51)
Other Comprehensive Income:			–
Net unrealized gains or losses on AFS Securities	(4.05)	(4.05)	–
Actuarial Gains (Losses) on Retirement Benefits Plan	(103.59)	32.13	(135.72)
Cumulative foreign currency translation	3.26	3.26	–
Total	**38,621.00**	**39,005.52**	**(384.51)**

CAPITAL ADEQUACY RECONCILIATION

	CONSOLIDATED	
	For the years ended December 31	
	2018	2017
	(Php in millions, except percentages)	
Tier 1 capital		
Paid up common stock	22,499.75	14,999.84
Additional paid-in capital	5,209.06	5,209.06
Retained earnings	9,818.66	13,490.29
Undivided profits	4,464.61	5,025.82
Other Comprehensive Income:		
Net unrealized gains or losses on AFS Securities	(10.29)	(4.05)
Actuarial Gains (Losses) on Retirement Benefits Plan	31.65	(103.78)
Cumulative foreign currency translation	(94.82)	3.26
	41,918.62	38,620.43
Deduction from Tier 1 capital		
Total outstanding unsecured credit accommodations both direct and indirect, to directors, officers, stockholders and their related interests (DOSRI)	1.70	0.98
Investments in equity of unconsolidated subsidiary banks and quasi-banks, and their financial allied undertakings or subsidiary securities dealers/brokers and insurance companies after deducting related goodwill, if any (for both solo and consolidated basis and as applicable)	844.65	673.32
Defined benefit asset	–	128.06
Deferred income tax	2,346.06	2,173.49
Goodwill and other intangible assets	6,888.96	6,899.59
Total CET1 capital	31,837.25	28,744.99
Tier 2 capital		
General loan loss provision, limited to a maximum of 1% of credit risk-weighted assets and any amount in excess thereof shall be deducted from the credit-risk weighted assets in computing the denominator of the risk based capital ratio	2,621.91	743.24
Unsecured subordinated debt / Instruments eligible as Tier 2 capital	5,000.00	6,217.02
Total Tier 2 capital	7,621.91	6,960.27
Total qualifying capital	39,459.16	35,705.26
Total Risk-Weighted Assets	309,283.42	254,252.39
Total Credit Risk-Weighted Assets	267,828.40	218,153.57
Total Market Risk-Weighted Assets	2,495.80	3,940.03
Total Operational Risk-Weighted Assets	38,959.22	32,158.79
Capital ratios:		
Common Equity Tier 1 (CET1) Ratio	10.29%	11.31%
Tier 1 Ratio	10.29%	11.31%
Capital Conservation Buffer	4.29%	5.31%
Capital Adequacy Ratio (CAR)	12.76%	14.04%

	SOLO	
	For the years ended December 31	
	2018	2017
	(P in millions, except percentages)	
Tier 1 capital		
Paid up common stock	22,499.75	14,999.84
Additional paid-in capital	5,209.06	5,209.06
Retained earnings	9,792.10	13,490.29
Undivided profits	4,491.47	5,026.19
Other Comprehensive Income:		
Net unrealized gains or losses on AFS Securities	(10.29)	(4.05)
Actuarial Gains (Losses) on Retirement Benefits Plan	31.65	(103.59)
Cumulative foreign currency translation	(94.82)	3.26
	41,918.92	38,621.00
Deduction from Tier 1 capital		
Total outstanding unsecured credit accommodations both direct and indirect, to directors, officers, stockholders and their related interests (DOSRI)	1.70	0.98
Investments in equity of unconsolidated subsidiary banks and quasi-banks, and their financial allied undertakings or subsidiary securities dealers/brokers and insurance companies after deducting related goodwill, if any (for both solo and consolidated basis and as applicable)	4,386.45	4,027.42
Defined benefit asset	-	123.13
Deferred income tax	2,219.99	2,087.56
Goodwill and other intangible assets	6,854.83	6,878.81
Total CET1 capital	28,455.95	25,503.10
Tier 2 capital		
General loan loss provision, limited to a maximum of 1% of credit risk-weighted assets and any amount in excess thereof shall be deducted from the credit-risk weighted assets in computing the denominator of the risk based capital ratio	2,433.36	667.60
Unsecured subordinated debt / Instruments eligible as Tier 2 capital	5,000.00	4,972.57
Total Tier 2 capital	7,433.36	5,640.17
Total qualifying capital	35,889.31	31,143.27
Total Risk-Weighted Assets	281,010.71	231,472.09
Total Credit Risk-Weighted Assets	243,335.74	198,082.63
Total Market Risk-Weighted Assets	2,495.80	3,940.03
Total Operational Risk-Weighted Assets	35,179.17	29,449.43
Capital ratios:		
Common Equity Tier 1 (CET1) Ratio	10.13%	11.02%
Tier 1 Ratio	10.13%	11.02%
Capital Conservation Buffer	4.13%	5.02%
Capital Adequacy Ratio (CAR)	12.77%	13.45%

RISK EXPOSURE

	0%	20%
Cash on Hand	7,126,114,045.02	
Checks and Other Cash Items		59,126,997.90
Due from Bangko Sentral ng Pilipinas	40,577,383,017.43	
Due from Other Banks		237,760,467.80
Financial Assets Designated at Fair Value through Profit or Loss		
Equity Securities		
Available-for-Sale (AFS) Financial Assets		
1. Debt Securities		
2. Equity Securities		
Held-to-Maturity (HTM) Financial Assets		
1. Non Defaulted Exposures		
Sovereign	6,741,731,371.96	1,996,610,084.27
Multilateral Agencies		
LGU and Public Sector Entities		
Government Corporation		
Banks		
Corporates		2,633,960,348.15
2. Defaulted Exposures		
Loans and Receivables		
1. Interbank Loans Receivable		5,862,670,000.00
2. Loans and Receivables -Others		
2.1 Non defaulted exposures		
Sovereign		
LGU and Public Sector Entities		
Government Corporation		
Corporates		2,770,801,020.82
Microfinance/Small and Medium Enterprises		
Loans to individual for housing purposes		
Loans to Individuals		
2.1 Defaulted exposures		
Housing Loans		
Other than housing loans		
Sales Contract Receivable		
1. Non Defaulted Exposures		
2. Defaulted Exposures		
Real and Other Properties Acquired		
Total Exposures Excluding Other Assets		
Other Assets		
Total Exposures Including Other Assets	54,696,996,541.30	13,560,928,918.94
Total Risk weighted On-Balance Sheet Assets	-	2,712,185,783.79

CONSOLIDATED 2018				
50%	75%	100%	150%	TOTAL
				7,126,114,045.02
				59,126,997.90
				40,577,383,017.43
9,919,064,453.12		166,581,695.20		10,323,406,616.12
				10,329,701.33
		10,329,701.33		10,329,701.33
				251,769,396.85
				251,768,106.89
		1,289.96		1,289.96
				37,419,275,825.96
				37,419,275,825.96
15,085,351,972.28		429,930,419.74		24,253,623,848.25
				-
				-
		2,454,704,964.59		2,454,704,964.59
409,176,835.52		9,077,067.80		418,253,903.31
		7,658,732,761.66		10,292,693,109.81
				227,644,134,803.78
				5,862,670,000.00
				221,781,464,803.78
				213,811,054,133.74
				–
		810,947,540.05		810,947,540.05
				–
		50,438,845,873.92		53,209,646,894.74
	12,814,255,095.95	339,073,634.43		13,153,328,730.38
7,565,036,658.59				7,565,036,658.59
		139,072,094,309.98		139,072,094,309.98
				7,970,410,670.04
		777,116,317.60		777,116,317.60
			7,193,294,352.44	7,193,294,352.44
				129,201,619.07
		103,914,831.62		103,914,831.62
			25,286,787.45	25,286,787.45
			1,477,393,634.20	1,477,393,634.20
				325,018,135,657.66
		14,316,395,330.13		14,316,395,330.13
32,978,629,919.50	12,814,255,095.95	216,587,745,738.02	8,695,974,774.09	339,334,530,987.80
16,489,314,959.75	9,610,691,321.96	216,587,745,738.02	13,043,962,161.14	258,443,899,964.66

RISK EXPOSURE

	0%	20%
Cash on Hand	6,689,356,915.71	
Checks and Other Cash Items		49,809,295.64
Due from Bangko Sentral ng Pilipinas	39,321,213,201.24	
Due from Other Banks		372,635,404.62
Financial Assets Designated at Fair Value through Profit or Loss		
Debt Securities		
Equity Securities		
Available-for-Sale (AFS) Financial Assets		
1. Debt Securities		
2. Equity Securities		
Held-to-Maturity (HTM) Financial Assets		
1. Non Defaulted Exposures		
2. Defaulted Exposures		
Loans and Receivables		
1. Interbank Loans Receivable		12,388,350,743.60
2. Loans and Receivables -Others		
2.1 Non defaulted exposures		
Sovereign		
LGU and Public Sector Entities		579,180,624.28
Government Corporation		
Corporates		
Microfinance/Small and Medium Enterprises		
Loans to individual for housing purposes		
Loans to Individuals		
2.1 Defaulted exposures		
Housing Loans		
Other than housing loans		
Sales Contract Receivable		
1. Non Defaulted Exposures		
2. Defaulted Exposures		
Real and Other Properties Acquired		
Total Exposures Excluding Other Assets		
Other Assets		
Total Exposures Including Other Assets	49,418,097,669.06	13,442,442,402.79
Total Risk weighted On-Balance Sheet Assets	–	2,688,488,480.56

CONSOLIDATED 2017					
	50%	75%	100%	150%	TOTAL
					6,689,356,915.71
					49,809,295.64
					39,321,213,201.24
	8,878,587,231.25		332,004,530.07		9,583,227,165.94
					77,945,923.23
					67,583,721.90
			10,362,201.33		10,362,201.33
					1,799.96
					–
			1,799.96		1,799.96
					6,955,278,778.24
					6,571,492,225.39
				383,786,552.85	383,786,552.85
					206,406,104,484.78
					12,388,350,743.60
					194,017,753,741.18
					188,874,834,127.03
					–
	119,873,006.53				699,053,630.81
			138,435,684.93		138,435,684.93
			42,714,186,662.88		42,714,186,662.88
		10,428,154,581.43	480,522,792.59		10,908,677,374.02
	5,363,006,216.87		183,156,008.61		5,546,162,225.48
			128,868,318,548.91		128,868,318,548.91
					5,142,919,614.15
			790,169,805.44		790,169,805.44
				4,352,749,808.71	4,352,749,808.71
					127,272,360.90
			88,992,866.52		88,992,866.52
				38,279,494.38	38,279,494.38
				1,398,022,690.56	1,398,022,690.56
					270,608,232,616.20
			12,010,258,904.28		12,010,258,904.28
	14,937,537,612.00	10,428,154,581.43	188,219,420,708.70	6,172,838,546.50	282,618,491,520.48
	7,468,768,806.00	7,821,115,936.07	188,219,420,708.70	9,259,257,819.74	215,457,051,751.07

RISK EXPOSURE

	0%	20%
Cash on Hand	7,054,219,061.02	
Checks and Other Cash Items		43,432,525.88
Due from Bangko Sentral ng Pilipinas	39,968,275,214.34	
Due from Other Banks		237,760,467.80
Financial Assets Designated at Fair Value through Profit or Loss		
Equity Securities		
Available-for-Sale (AFS) Financial Assets		
1. Debt Securities		
2. Equity Securities		
Held-to-Maturity (HTM) Financial Assets		
1. Non Defaulted Exposures		
Sovereign	6,741,731,371.96	1,018,174,381.87
Multilateral Agencies		
LGU and Public Sector Entities		
Government Corporation		
Banks		
Corporates		2,633,960,348.15
2. Defaulted Exposures		
Loans and Receivables		
1. Interbank Loans Receivable		5,862,670,000.00
2. Loans and Receivables -Others		
2.1 Non defaulted exposures		
Sovereign		
LGU and Public Sector Entities		
Government Corporation		
Corporates		2,770,801,020.82
Microfinance/Small and Medium Enterprises		
Loans to individual for housing purposes		
Loans to Individuals		
2.1 Defaulted exposures		
Housing Loans		
Other than housing loans		
Sales Contract Receivable		
1. Non Defaulted Exposures		
2. Defaulted Exposures		
Real and Other Properties Acquired		
Total Exposures Excluding Other Assets		
Other Assets		
Total Exposures Including Other Assets	54,015,993,754.21	12,566,798,744.52
Total Risk weighted On-Balance Sheet Assets	-	2,513,359,748.90

SOLO 2018				
50%	75%	100%	150%	TOTAL
				7,054,219,061.02
				43,432,525.88
				39,968,275,214.34
9,919,064,453.12		21,903,859.94		10,178,728,780.86
				10,329,701.33
		10,329,701.33		10,329,701.33
				251,769,396.85
				251,768,106.89
		1,289.96		1,289.96
				37,419,275,825.97
				37,419,275,825.97
16,063,787,674.68		429,930,419.74		24,253,623,848.25
				-
				-
		2,454,704,964.59		2,454,704,964.59
409,176,835.52		9,077,067.80		418,253,903.32
		7,658,732,761.66		10,292,693,109.81
				204,083,867,081.44
				5,862,670,000.00
				198,221,197,081.44
				191,273,879,026.40
				-
		810,947,540.05		810,947,540.05
				-
		50,438,845,873.92		53,209,646,894.74
	12,814,255,095.95	339,073,634.43		13,153,328,730.38
7,565,036,658.59				7,565,036,658.59
		116,534,919,202.64		116,534,919,202.64
				6,947,318,055.04
		777,116,317.60		777,116,317.60
			6,170,201,737.44	6,170,201,737.44
				129,201,619.07
		103,914,831.62		103,914,831.62
			25,286,787.45	25,286,787.45
			1,476,322,756.95	1,476,322,756.95
				300,615,421,963.71
		14,044,974,621.36		14,044,974,621.36
33,957,065,621.91	12,814,255,095.95	193,634,472,086.64	7,671,811,281.84	314,660,396,585.07
16,978,532,810.95	9,610,691,321.96	193,634,472,086.65	11,507,716,922.76	234,244,772,891.22

RISK EXPOSURE

	0%	20%
Cash on Hand	6,657,337,720.23	
Checks and Other Cash Items		49,310,008.62
Due from Bangko Sentral ng Pilipinas	38,792,298,513.25	
Due from Other Banks		372,635,404.62
Financial Assets Designated at Fair Value through Profit or Loss		
Equity Securities		
Available-for-Sale (AFS) Financial Assets		
1. Debt Securities		
2. Equity Securities		
Held-to-Maturity (HTM) Financial Assets		
1. Non Defaulted Exposures		
Sovereign	3,407,527,552.11	
Multilateral Agencies		
LGU and Public Sector Entities		
Government Corporation		
Banks		
Corporates		52,466,334.65
2. Defaulted Exposures		
Loans and Receivables		
1. Interbank Loans Receivable		12,388,350,743.60
2. Loans and Receivables -Others		
2.1 Non defaulted exposures		
Sovereign		
LGU and Public Sector Entities		579,180,624.28
Government Corporation		
Corporates		
Microfinance/Small and Medium Enterprises		
Loans to individual for housing purposes		
Loans to Individuals		
2.1 Defaulted exposures		
Housing Loans		
Other than housing loans		
Sales Contract Receivable		
1. Non Defaulted Exposures		
2. Defaulted Exposures		
Real and Other Properties Acquired		
Total Exposures Excluding Other Assets		
Other Assets		
Total Exposures Including Other Assets	48,857,163,785.59	13,441,943,115.77
Total Risk weighted On-Balance Sheet Assets	-	2,688,388,623.15

SOLO 2017				
50%	75%	100%	150%	TOTAL
				6,657,337,720.23
				49,310,008.62
				38,792,298,513.25
8,878,587,231.25		310,321,125.45		9,561,543,761.32
				10,362,201.33
		10,362,201.33		10,362,201.33
				1,799.96
				-
		1,799.96		1,799.96
				6,570,688,773.08
				6,570,688,773.08
576,071,157.35				3,983,598,709.46
				-
				-
		2,009,895,421.51		2,009,895,421.51
				-
		524,728,307.46		577,194,642.11
			383,786,552.85	
				186,785,619,088.61
				12,388,350,743.60
				174,397,268,345.01
				169,468,083,406.51
				-
119,873,006.53				699,053,630.81
		138,435,684.93		138,435,684.93
		42,714,186,662.88		42,714,186,662.88
	10,428,154,581.43	480,522,792.59		10,908,677,374.02
5,363,006,216.87		183,156,008.61		5,546,162,225.48
		109,461,567,828.39		109,461,567,828.39
				4,929,184,938.50
		790,169,805.44		790,169,805.44
			4,139,015,133.06	4,139,015,133.06
				127,272,360.90
		88,992,866.52		88,992,866.52
			38,279,494.38	38,279,494.38
			1,396,882,864.19	1,396,882,864.19
				249,951,317,091.49
		11,758,551,405.08		11,758,551,405.08
14,937,537,612.00	10,428,154,581.43	168,470,891,910.15	5,957,964,044.48	261,709,868,496.57
7,468,768,806.00	7,821,115,936.07	168,470,891,910.14	8,936,946,066.71	195,386,111,342.07

PRODUCTS & SERVICES

EASTWEST BANK

Deposits

Peso Checking
- Regular Checking
- Cheque Max
- ChequeMax Rewards
- ChequeMax Plus (Family Ties)

Peso Savings
- Passbook Savings
- Account Passbook Savings with Debit Card
- Regular Savings with Debit Card
- Super Saver Kiddie Savings
- Family Ties

Time Deposits
- Peso Time Deposit
- Long Term Negotiable Certificates of Deposit

Foreign Currency
- Savings – USD, RMB, EUR, JPY, SGD, GBP, AUD, HKD, NZD
- Time Deposit - USD, RMB, EUR, JPY, SGD, GBP, AUD

Prepaid Cards
- General Purpose Prepaid Card
- Gift Card
- Travel Money Card
- Family Ties

Consumer Loans

Auto Loan
- Auto Financing
- Fleet Financing
- Refinancing

Home Loan
- Home Acquire/Condo Acquire
- Lot Acquire
- Top-up Loan
- Home Construct
- Home Improvement
- Reimbursement Refinancing
- Home Equity

Personal Loan

Credit Cards
- EastWest Priority Banking Visa Infinite
- EastWest Platinum Mastercard
- EastWest Visa Platinum
- EastWest Dolce Vita Titanium Mastercard
- EastWest EveryDay Titanium Mastercard
- EastWest Gold & Classic Mastercard
- EastWest Gold & Classic Visa
- EastWest Practical Mastercard
- Hyundai Mastercard
- DLSAA Mastercard

Corporate Credit Facilities

Working Capital Loans and Facilities
- Short Term Loan
- Revolving Promissory Note
- Revolving Credit Facility
- Trade Check Discounting Facility
- Export Advance Line Inventory
- Financing Floor Stock Financing Facility

Trade Finance
- Domestic Letters of Credit
- Import Letters of Credit
- Other Types of Documentary Credits
- Trust Receipt Facility
- Export Bills Purchase Facility

Guarantees
- Standby Letters of Credit (SBLC) – Domestic and Foreign
- Bank Guarantees
- Committed Credit Line

Bills Purchase
- Line Domestic Bills Purchase Line
- Foreign Bills Purchase Line

Term Financing
- Term Loans
- Project Financing

Treasury Products

Foreign Exchange
- Spot
- Forwards
- Swaps

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

Trust Products

Corporate Solutions
- Employee Benefit Trust / Retirement Account Fund Management

Personal Investment
- Personal Management Trust
- Investment Management Account

Investment Funds
- EastWest Peso Money Market Fund
- EastWest Peso Short Term Fund
- EastWest Peso Intermediate Term Bond Fund
- EastWest Dollar Intermediate Term Bond Fund
- EastWest Peso Long Term Bond Fund
- EastWest PSEi Tracker Fund
- EastWest PhilEquity Feeder Fund

Other Fiduciary Accounts
- Escrow Agency
- Mortgage Trust Indenture

Cash Management Services

Collection Services
- Auto Debit Arrangement
- Bills Collect
- Check Warehousing

Disbursement Services
- Check Writing
- Electronic Invoice Presentment & Payment
- Supplier Payments

Liquidity Management
- Services Account
- Sweeping

Payroll Services
- Payroll Crediting Services
- Payroll with Human Resource Information System (HRIS)
- Payroll with Timekeeping

Other Services
- Government Payments
- Emerging Enterprise Lending
- Revolving Credit Facility
- Trade Check Discounting
- Line Revolving Promissory Note
- Line Term Loan

Electronic Banking Services
- Automated Teller Machine
- Cash Acceptance Machine
- EastWest Online Personal
- EastWest Online Corporate
- EastWest Mobile

EASTWEST RURAL BANK

Deposits

Current Accounts
- Regular CA - Individual
- Regular CA - Corporation

Savings Accounts
- ATM Savings
- Passbook Savings
- Special Savings

Loans
- Teachers' Salary Loan
- Micro and Small Business Loan
- SSS Pensioners Loan

EASTWEST BANK STORES
as of February 19, 2019

METRO MANILA

169 Mall
4/F, Unit 4H 09-11, 168 Mall
Building 5, Soler St., Binondo, Manila
Tel: 708-4488 / 708-4595
708-4596

999 Shopping Mall
3/F, Unit 10 & 3C-2, 999 Shopping
Mall 2, C.M. Recto Street
Tondo, Manila
Tel: 516-7194 / 516-7182
516-2120

A. Bonifacio-Balingasa
G/F, 2/F & 3/F, Units D & E, Winston
Building, No. 880 A. Bonifacio
Avenue, Brgy. Balingasa, Quezon City
Tel: 361-0192/ 361-0632
361-0637

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
Tel: 450-1083 / 450-1257

Acropolis
Unit 1B, G/F, Richmond Centre
Building, Lot 46, Block 11
E. Rodriguez Jr. Avenue
Brgy. Bagumbayan, Acropolis
Quezon City
Tel: 696-5995 / 696-5997

Alabang-Frabelle
Frabelle Alabang Bldg.
1100 Madrigal Business Park
Alabang Zapote Rd.
Alabang, Muntinlupa City
Tel: 850-8483 / 807-4481

Alabang Entrata
Unit G3 & G4, Entrata Filinvest
Corporate City, Alabang,
Muntinlupa City
Tel: 856-0685 / 519-6407
553-4295 / 553-4295 loc 107

Alabang Hills
Don Gesu Bldg., Don Jesus Blvd.
Brgy. Cupang, Muntinlupa City
Tel: 551-0983 / 551-0980
551-0985

Alabang Madrigal
G/F, CTP Alpha Bldg., Investment
Drive, Madrigal Business Park
Ayala Alabang, Muntinlupa City
Tel: 850-8092 / 850-8094 to 95
850-8093

Alabang-Commerce Ave.
Spectrum Center, Block 28
Commerce Ave. cor. Filinvest Ave.
Filinvest City Alabang, Muntinlupa City
Tel: 524-0875 / 524-0879
524-0879

Alabang-Westgate
Westgate, Filinvest Corporate City
Alabang, Muntinlupa City, 1770
Tel: 771-0813 to 14 / 771-0816
771-0811

Amorsolo-Queensway
G/F, Queensway Building
No. 118 Amorsolo St.
Legaspi Village, Makati City
Tel: 511-1933 / 511-7107
511-7006 / 511-1933

Annapolis
G/F, The Meriden Condominium
Building, Unit 1A, Annapolis St.
North East, Greenhills, San Juan City
Tel: 705-1517 / 722-6830
705-1623 - telefax

Anonas
No. 94 Anonas Street corner K-6th
East Kamias, Quezon City
Tel: 434-0057 / 434-0058
924-3402 / 924-3402

Aurora Blvd.-Anonas
Rosario Building, No. 999 Aurora
Blvd., near corner Lauan and
Anonas Sts., Bgy. Duyan-duyan
Project 3, Quezon City
Tel: 291-3376 / 294-6402

Ayala Ave-Rufino
G/F, Unit 1, Rufino Bldg.
6784 Ayala Ave. cor. V. A. Rufino St.
Makati City
Tel: 845-0096 / 844-7464
511-8274 / 511-8274

Ayala Ave-SGV
SGV 1 Bldg., 6760 Ayala Avenue
Makati City
Tel: 621-9811 / 550-2538 &
550-2539

Ayala Ave.-Makati Sky Plaza
G/F, Makati Sky Plaza Bldg.
6788 Ayala Avenue, Makati City
Tel: 887-7368 / 844-1599
887-6223 / 886-7019
886-7047

Ayala Ave.-Herrera
G/F, PBCom Tower, 6795 Ayala Ave.
cor. V. Rufino St., (formerly Herrera
St.), Salcedo Village, Makati City
Tel: 784-5642 to 46 / 815-1685
815-1683

Ayala Ave.-MSE
G/F, Makati Stock Exchange Building,
Ayala Triangle, Ayala Ave., Makati City
Tel: 659-8625 to 26 / 659-8020

Baclaran
2/F, New Galleria Baclaran Shopping
Mall, LRT South Terminal, Taft Ave.
Extension, Pasay City
Tel: 851-3429 / 851-3488
851-3584

Baesa Town Center
Baesa Town Center Retail Store#4
#232 Quirino Highway
Baesa, Quezon City
Tel: 990-4537 to 39

Bagumbayan
184-B, E. Rodriguez, Jr. Avenue
Bagumbayan, Libis, Quezon City
Tel: 709-1729 / 709-1730
911-3601

Balintawak-A. Bonifacio
G/F, 2/F & 3/F, Units D & E, Winston
Building, No. 880 A. Bonifacio
Avenue, Brgy. Balingasa, Quezon City
Tel: 442-1802 / 442-1728
442-1634

Banawe-Kaliraya
Titan 168 Building, 126 Banawe
Street near corner Kaliraya St.
Brgy. Tatalon, Quezon City
Tel: 711-0925 / 521-4749

Banawe-N. Roxas
No. 42 Banawe Ave.
cor. Nicanor Roxas, Quezon City
Tel: 354-4980 / 354-5978
354-5024

Banawe-Sct. Alcaraz
Unit ABC, G/F, #740 Banawe Ave.
near cor. Scout Alcaraz, Quezon City
Tel: 354-5042 / 354-5043
354-5044

Benavidez
Unit 103, One Corporate Plaza
Benavidez St., Legaspi Village
San Lorenzo, Makati City
Tel: 812-0263 / 812-0230
812-0019

Better Living-Peru
Blk 9, Lot 3, Doña Soledad Ave.
cor. Peru St., BetterLiving
Parañaque City
Tel: 511-1213 / 511-1224

BetterLiving-Doña Soledad
No. 100 Doña Soledad Avenue
Betterliving Subd., Barangay Don
Bosco, Parañaque City 1711
Tel: 823-4284 / 823-4280
821-5113

BF Homes-Aguirre
No. 327 Aguirre Avenue
BF Homes, Parañaque City
Tel: 808-7066 / 808-4963
856-0149

Bicutan-East Service Rd
G/F, Waltermart Bicutan
East Service Rd. cor. Mañalac Ave.
Brgy. San Martin de Porres
Parañaque City
Tel: 556-2690 / 837-2987

Binondo
G/F, A. CBK Building, 493 Quintin
Paredes St., Binondo, Manila
Tel: 247-3708 / 247-3615
247-3652 / 243-7110

Blumentritt-Rizal Ave.
No. 2412 Rizal Avenue
Sta. Cruz, Manila
Tel: 230-4276 / 230-4366

Boni Avenue
G/F, Lourdes Bldg. II, 667 Boni Ave.
Bgy. PlainView, Mandaluyong City
Tel: 655-9409 / 655-9412
654-6106

Boni Serrano Ave.
No. 107 Boni Serrano Avenue
Brgy. Lipunan ng Crame, Quezon City
Tel: 532-1478 / 532-1475

C. Raymundo Ave.
G/F, ITSP Building
No. 172 C. Raymundo Ave.
Brgy. Maybunga, Pasig City
Tel: 640-5690 / 640-4206
641-0607 / 640-3422

Caloocan-A. Mabini
G/F, Gee Bee Bldg.
No. 428 A. Mabini St.
Brgy. 15, Zone 2, Caloocan City
Tel: 294-8403 / 294-8404

Chino Roces-Bagtikan
G/F, High Pointe Bldg.
No. 1184 Chino Roces Ave.
near corner Bagtikan
Brgy. San Antonio, Makati City
Tel: 478-7783 / 478-7781

Chino Roces-Dela Rosa
G/F, King's Court II Bldg.
No. 2129 Don Chino Roces Ave.
cor. Dela Rosa St., Makati City
Tel: 864-0632 to 33 / 864-0792

Chino Roces-La Fuerza
Unit/s 10 & 11, La Fuerza Plaza 1
2241 Don Chino Roces Avenue
Makati City
Tel: 478-9705 / 519-7142

City Place Square
3/F, C-P2-3, Cityplace Square
Reina Regente near corner
Felipe II St., Binondo, Manila
Tel: 621-1292 / 621-1293

Commonwealth
G/F, Crissant Plaza Bldg.
No. 272 Commonwealth Ave.
Brgy. Old Balara, Quezon City
Tel: 355-7736 / 355-7596

Congressional Ave.
Congressional Ave., Brgy. Bahay Toro
Project 8, Quezon City
Tel: 926-6609 / 926-5934
426-8587/ 928-6047

Cubao-Araneta Center
G/F, Philamlife Building, Aurora Blvd.
corner General Araneta Street
Cubao, Quezon City
Tel: 709-7697 / 709-7702
709-7709

Cubao-P. Tuazon
G/F, Prince John Condominium
No. 291 P. Tuazon Ave.
corner 18th Ave., Cubao, Quezon City
Tel: 913-4730 / 913-5266
912-1816

Del Monte
271 Del Monte cor. Biak na Bato
Quezon City
Tel: 367-1813 / 367-1822
367-1939

Del Monte-D. Tuazon
No. 155 Del Monte Ave.
Brgy. Manresa, Quezon City
Tel: 416-4712 / 416-1627

Divisoria
No. 802 Ilaya St.
Binondo, Manila
Tel: 244-9972 / 247-4307
244-9928

Don Antonio Heights
Lot 24, Block 7, Holy Spirit Drive
Don Antonio Heights, Brgy. Holy Spirit
Quezon City
Tel: 376-0817 / 376-0820
376-0647

E. Rodriguez Ave.
G/F, MC Rillo Bldg.
No. 1168 E. Rodriguez Ave.
Brgy. Mariana, Quezon City
Tel: 695-3520 / 695-3519
695-3521

E. Rodriguez Ave.-Cubao
No. 1731 E. Rodriguez Sr. Avenue
Brgy. Pinagkaisahan, Cubao
Quezon City
Tel: 477-0285 / 477-3979

EASTWEST BANK STORES
as of February 19, 2019

E.Rod-Welcome Rotonda
G/F, AEK Bldg.
No. 40 E. Rodriguez Sr. Ave.
Brgy. Don Manuel, Quezon City
Tel: 255-3865 / 255-3997

Eastwood City
Unit D, Technoplaza One Building
Eastwood City Cyberpark
No. 188 E. Rodriguez Jr. Ave.
Bagumbayan, Quezon City
Tel: 234-1389 / 234-1392
234-1390

EDSA Howmart
No. 1264 EDSA near corner Howmart
Road, Brgy. A. Samson, Quezon City
Tel: 990-9588 to 89 / 990-9811

EDSA-Kalookan
No. 490 EDSA, Kalookan City
Tel: 364-1858 to 60 / 364-1862

EDSA-Muñoz
G/F, Lemon Square Bldg.,
1199 EDSA Muñoz, Bgry. Katipunan,
Quezon City
Tel: 376-5168 / 376-5087
441-2354

Elcano
G/F, Elcano Plaza Building
No. 622 Elcano Street
Binondo, Manila
Tel: 242-0254 / 242-0256
242-0259

Escolta
Unit 3, G/F, First United Bldg.
413 Escolta corner Banquero St.
Binondo, Manila
Tel: 242-4635 / 245-3983
247-6536

Evangelista
No. 1806 Evangelista St.
corner Hen. Mojica St.
Brgy. Bangkal, Makati City
Tel: 846-9500 / 846-8516 to 17

F. Ortigas Jr.
Unit G103, G/F, AIC Gold Tower
Condominium, F. Ortigas, Jr. Road
corner Garnet and Sapphire Sts.
Ortigas Center, Pasig City
Tel: 687-0037 / 687-0039
687-0036

Fairview
No. 72 Commonwealth Ave.
corner Camaro St., East Fairview
Quezon City
Tel: 430-5260 / 332-8598
709-2583

Festival Mall-Expansion Wing
Space No. 2219.1, FSM Expansion
Mall, Inc., FCC, Alabang-Zapote Road
Muntinlupa City
Tel: 838-2260 / 845-2649

Festival Mall Level 1
X-cite Area, Level 1, Festival
Supermall, Filinvest Corp. City
Alabang, Muntinlupa City, 1781
Tel: 842-5981 / 850-6461

Festival Mall Level 2
Level 2, Unit 2115 - 2118, Festival
Supermall Filinvest Corporate City
Alabang, Muntinlupa City 1781
Tel: 850-3722 to 23
850-3605

G. Araneta Ave.
Units A & B, Ilo Bldg.
No. 195 G. Araneta Ave.
Brgy. Santol, Quezon City
Tel: 715-4580 / 715-9671
715-0885

General Luis-Kaybiga
No. 4 Gen. Luis St.
Barangay Kaybiga, Caloocan City
Tel: 922-5346 / 921-8167
Fax:922-5346

Gil Puyat-Dian
G/F, Wisma Cyberhub Building
No. 45 Sen. Gil Puyat Ave.
Makati City
Tel: 845-0493 / 845-0487
845-0479

Gil Puyat-F.B. Harrison
No. 131 Gil Puyat Avenue Extension
Brgy 24, Zone 4, Pasay City
Tel: 831-7636 / 831-7637

Gil Puyat-Metro House
G/F, Metro House Bldg.
345 Sen. Gil Puyat Ave.
Makati City
Tel: 890-8102 / 890-8625
890-8591 / 890-8323
890-8420

Gil Puyat-Pacific Star
G/F, Pacific Star Bldg.
Sen Gil Puyat Ave., Makati City
Tel: 403-3368 / 403-7657
403-3519

Gil Puyat-Salcedo Vill.
Unit 1C, G/F, Country Space 1 Bldg.
Gil Puyat Avenue, Makati City
Tel: 823-2685 / 823-5220

Grace Park-11th Ave.
G/F, Remcor V Building
Block 172, Lot 5, Rizal Avenue Ext.
Caloocan City
Tel: 376-5825 / 361-0107
376-5562

Grace Park-3rd Ave.
No. 215 Rizal Avenue Ext., Brgy. 45
Grace Park West, Caloocan City
Tel: 310-5081 / 310-3394
310-3394

Grace Park-7th Ave.
G/F, Units 1,2, & 3, No. 330
Rizal Ave. Ext., near cor. 7th Avenue
East Grace Park, Caloocan City
Tel: 709-5560 / 709-5548
709-5567

Grace Park-8th Ave.
No. 896 8th Avenue cor. J. Teodoro
Grace Park, Caloocan City
Tel: 361-7545 / 361-8856
364-9576

Greenhills Shopping Center
Units G-102B, Greenlanes Arcade
Greenhills Shopping Center
San Juan City
Tel: 721-8292 / 721-4886
721-3674

Greenhills-Connecticut
Unit B, G/F, Fox Square Building
No. 53 Connecticut Street
Northeast Greenhills, San Juan City
Tel: 705-1413 / 705-1428
721-2100

Greenhills-North
G/F, BTTC Bldg., Ortigas Ave.
cor. Roosevelt St., Greenhills
San Juan City
Tel: 477-3741 / 477-3499
477-3365

Greenhills-Promenade
Unit 3, G/F & 2/F, Promenade
Building, Missouri Street
Greenhills, San Juan City
Tel: 571-7737 / 571-5985

Greenhills-West
G/F, ALCCO Bldg., Ortigas Avenue
Greenhills-West, San Juan City
Tel: 721-9605 / 727-7629
721-7289

H.V. Dela Costa
Unit GFC-2, Classica 1 Condominium
("Building"), 112 H.V. Dela Costa St.
Salcedo Village, Makati City
Tel: 550-2289 / 550-2268
550-2261

Intramuros
G/F, BF Condominium
104 A. Soriano Avenue
corner Solana St., Intramuros, Manila
Tel: 527-2631 / 527-2627
527-2604

J.P. Rizal
No. 805 J.P. Rizal cor. F. Zobel St.
San Miguel Village, Makati City
Tel: 511-0789 / 511-0791 to 92

Jose Abad Santos-Tayuman
G/F & 2/F, Cada Bldg.
1200 Tayuman St., cor. Jose Abad
Santos Ave., Tondo, Manila
Tel: 230-2339 / 230-2342
230-2336

Juan Luna-Binondo
No. 580 Juan Luna St.
Binondo, Manila
Tel: 523-0275 / 523-0282

Juan Luna-Pritil
G/F, 1953-1955 Juan Luna St.
Tondo, Manila
Tel: 230-2143 / 230-2217
354-4969

Julia Vargas
G/F, Unit 101 One Corporate Centre
Office Condominium, Doña Julia
Vargas Avenue corner Meralco
Avenue, Ortigas Center, Pasig City
Tel: 655-1597 / 655-3339
655-1312

Jupiter-Paseo de Roxas
No. 30 Jupiter cor. Paseo de Roxas
Sts., Brgy. Bel-Air, Makati City
Tel: 823-1989 / 823-1952

Kalayaan-Matalino
No. 123 Kalayaan Avenue
near corner Matalino St.
Brgy. Central, Diliman, Quezon City
Tel: 293-9601 / 293-9495

Kalentong
No. 908 Gen. Kalentong Street
Mandaluyong City
Tel: 534-0669 / 534-0667

Kamias
No. 10 Kamias Rd.
cor. Col Salgado St., Brgy. West
Kamias, Quezon City
Tel: 376-2979 / 376-6136
961-8088

Kamuning
JPY Bldg., No. 52 Kamuning Road
Brgy Kamuning, Quezon City
Tel: 412-0573 / 448-7080

Katipunan-St. Ignatius
No. 132 Katipunan Ave.
St. Ignatius Village, Quezon city
Tel: 913-2370 / 913-2398

Lagro
Lot 2-B-6 Quirino Highway
Lagro, Novaliches, Quezon City
Tel: 709-1997 / 352-4948
352-6151

Las Piñas-Almanza
Aurora Arcade Bldg., Alabang Zapote
Road, Almanza Uno, Las Piñas City
Tel: 551-0597 / 551-0612
551-0596

Las Piñas-BF Resort
B.F. Resort Drive, Phase IV, BF Resort
Village, Las Piñas City 1740
Tel: 822-2802 / 822-2699
822-4357

Las Piñas-J. Aguilar Ave.
J. Aguilar Avenue corner Casimiro
Drive, Brgy. BF International
Las Piñas City, Metro Manila
Tel: 478-7276 / 478-7361

Las Piñas-Marcos Alvarez
No. 575 Marcos Alvarez Ave.
Talon V, Las Piñas
Tel: 550-2163 / 550-2165
550-2167

Las Piñas-Pamplona
Lot 16B PSD 208390, Alabang
Zapote Road, Las Piñas City
Tel: 872-4883 / 873-5090
873-1925

Legaspi-Aguirre
G/F, Unit 1-B, The Biltmore
No. 102 Aguirre Street
Legaspi Village, Makati City
Tel: 807-1593 / 807-1539

Legaspi-Dela Rosa
G/F, I - Care Bldg.
No. 167 Legaspi cor. Dela Rosa Sts.
Legaspi Village, Makati City
Tel: 844-5810 / 845-0006

Legaspi-Rufino
G/F, Libran Bldg., Legaspi St.
corner V.A. Rufino Ave.
Legaspi Village, Makati City
Tel: 519-7398 / 519-8125
519-1785

Leviste
Unit Ground B, LPL Mansions
Building, 122 L.P. Leviste Street
Salcedo Village, Makati City
Tel: 828-9858 / 828-9897

Loyola Heights-Katipunan
Unit 13, Elizabeth Hall Bldg.
Lot 1 Blk. 41, Katipunan Avenue
Loyola Heights, Quezon City
Tel: 426-0420 / 426-0403
426-0361

Makati Ave.-Juno
Unit No. 2, A and W Building
No. 1 Juno St. corner Makati Avenue
Brgy. Bel-air, Makati City
Tel: 880-0529 / 880-0526
552-1941

Malabon-Gov. Pascual
Gov. Pascual Ave. cor. Maria Clara St.
Acacia, Malabon City
Tel: 351-7619 / 332-9441
332-9606

EASTWEST BANK STORES

as of February 19, 2019

Malabon-Potrero
Unit 1 & 2, Mary Grace Bldg.
No. 142 MacArthur Highway
Potrero, Malabon
Tel: 352-5490 / 352-7682
442-7583

Malabon-Rizal Avenue
No. 726 Rizal Ave.
Brgy. Tanong, Malabon City
Tel: 441-5267 / 441-4446
441-4738

Mandaluyong-Wack-Wack
G/F, Unit JI-E, Jovan Condominium
Shaw Blvd. corner Samat St.
Madaluyong City
Tel: 570-4017 / 570-4031
570-4013 - telefax

Mandaluyong-Libertad
G/F, Units A, B & C, Dr. Aguilar Bldg.
No 46 D.M. Guevarra St.
cor. Esteban St., Highway Hills
Mandaluyong City
Tel: 534-5507 / 535-3091
534-7617

Mandaluyong-Shaw Blvd.
G/F, Unit No. 7, Sunshine Square
Liberty Center, Shaw Blvd.
Mandaluyong City
Tel: 534-3942 / 534-7958
534-3940

Marikina-Concepcion
Bayan-Bayanan Ave.
Concepcion, Marikina City
Tel: 625-2092 / 625-2092

Marikina-Gil Fernando
Gil Fernando Ave.
cor. Estrador St., Midtown Phase 1
San Roque, Marikina City
Tel: 681-7143 / 681-7384

Marikina-J.P. Rizal
No. 367 J.P. Rizal St.
Sta. Elena, Marikina City
Tel: 645-2890 / 645-0655
645-7241 / 645-2890

Marikina-Parang
JNJ Bldg., No. 108 BG Molina St.
Parang, Marikina
Tel: 625-5541 / 625-6230

Masambong
L.G. Atkimson Bldg.
No. 627 Del Monte Ave.
Brgy. Masambong, Quezon City
Tel: 709-7701 / 376-6108
376-6952

Masangkay
1411-1413 Masangkay St.
Tondo, Manila
Tel: 230-2363 / 230-2364
230-2332

Mayon
No. 170 Mayon Avenue
Quezon City
Tel: 354-4695 / 354-4717 to 18

Mayon-Dapitan
No. 181 Mayon St.
near corner Dapitan St.
Brgy. Sta. Teresita, Quezon City
Tel: 230-4750 / 230-4751

Metropolitan Avenue
Savana Bldg. 3, Metropolitan Avenue
corner Venezia St., Bgy. Sta Cruz
Makati City
Tel: 556-8947 / 556-8948

MIA Road
Salud-Dizon Building 1
No. 5 MIA Road, Tambo
Parañaque City
Tel: 808-1825 / 556-9266

Muntinlupa
G/F, Remenes Center Building
No. 22 National Highway
Putatan, Muntinlupa City, 1772
Tel: 846-9311 / 659-1008
659-0366

Navotas-M. Naval
No. 895 M. Naval Street
Brgy. Sipac-Almasen, Navotas City
Tel: 355-4148 / 283-9403
283-9536

Navotas-North Bay
G/F, Unit 2 Melandria III Building
No. 1090 Northbay Blvd.
Navotas City
Tel: 922-0812 / 922-1173
922-1163

New Manila
G/F, AAP Building
No. 683 Aurora Blvd.
New Manila, Quezon City
Tel: 722-6239 / 725-1700
725-7340 / 726-3202

North EDSA
UGF, Units 4, 5, 6 & 7 EDSA Grand
Residences, EDSA cor. Corregidor St.
Quezon City
Tel: 376-1176 / 376-3059
376-2832

Novaliches-Gulod
Lot 489-B2, Quirino Highway
Brgy. Gulod, Novaliches, Quezon City
Tel: 355-2741 / 355-2630
355-2700

Novaliches-Talipapa
G/F, Units C, D, E, F & G
No. 526 Quirino Highway
Brgy. Talipapa, Novaliches
Quezon City
Tel: 332-3592 / 709-6909

Ongpin
G/F, Unit G1, Strata Gold
Condominium Bldg.
No. 738 Ongpin St., Binondo, Manila
Tel: 353-4414 / 241-0451

Ortigas-Orient Square
G/F, Orient Square Building
Emerald Ave., Ortigas Center
Pasig City
Tel: 910-5621

Ortigas-ADB Avenue
G/F, Units G1 & G2, ADB Avenue
Tower, ADB Avenue, Ortigas Center
Pasig City
Tel: 532-0292 / 532-0313

Ortigas-Emerald
G/F, Unit 103, Hanston Bldg.
Don F. Ortigas Jr. Road
Ortigas Center, Pasig City
Tel: 477-4975 / 477-5371
477-5368

Ortigas-Garnet
Unit 102, Prestige Tower
Emerald Ave., Ortigas Center
Pasig City
Tel: 631-0079 / 631-0135
234-1272

Ortigas-Rockwell
Unit No. W-01, Tower 1
The Rockwell Business Center
Ortigas Avenue, Pasig
Tel: 633-6909 / 633-6766

P. Ocampo Avenue
No. 245 P. Ocampo Ave. corner
Flordeliz St., Brgy. La Paz, Makati City
Tel: 887-2321

Paco
No. 1050 Pedro Gil St.
Paco, Manila
Tel: 527-4539 / 527-3609
527-32-98

Padre Faura
G/F, Units A-D, Metrosquare Bldg. 2
No. 1241 M.H. Del Pilar St. corner
Padre Faura St., Ermita, Manila
Tel: 404-0536 / 404-0537

Pasay-D. Macapagal Blvd
No. 8 President Diosdado
Macapagal Blvd., Pasay City
Tel: 511-8351 to 53

Pasay-Libertad
Unit 265-E Nemar Building
Libertad St., Pasay City
Tel: 550-2427 / 550-1328
550-2428

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
Tel: 886-9014 / 886-8809

Paseo de Magallanes
G/F, Unit 102, Tritan Plaza Building
San Antonio St., Paseo de
Magallanes, Makati City
Tel: 478-4856 to 58

Paseo de Roxas-Legaspi
G/F, 111 Paseo de Roxas Bldg.
111 Paseo de Roxas St.
corner Legaspi St., Legaspi Village
Makati City
Tel: 840-5442 / 840-5450

Paseo-Philam Tower
G/F, Philamlife Tower, 8767 Paseo de
Roxas St., Makati City, 1226
Tel: 884-8810

Pasig Boulevard
corner Pasig Blvd. and Lakeview
Drive, Brgy. Bagong Ilog, Pasig City
Tel: 661-8790 / 661-8785 to 86

Pasig Rosario
Unit 3, 1866 Ortigas Ave., Ext.
Rosario, Pasig City
Tel: 628-4390 / 628-4300
234-1992

Pasig-Kapasigan
A. Mabini corner Blumentrit Street
Brgy. Kapasigan, Pasig City
Tel: 642-8559 / 643-8729
575-3200 loc. 8308

Pasig-Santolan
G/F, Santolan Bldg., 344 A. Rodriguez
Avenue, Santolan, Pasig City
Tel: 654-0196 / 654-0246
646-0951

Pasig-Shaw Blvd.
Units A & B, Karina Bldg.
No. 33 Shaw Blvd., Brgy. San
Antonio, District 1, Pasig City
Tel: 570-9356 / 401-3740
635-7311

Pasig-Valle Verde
102 E. Rodriguez, Jr. Ave.
Ugong, Pasig City
Tel: 695-3345 / 655-3337
640-0033

Paso De Blas
No. 191 Paso de Blas
Valenzuela City
Tel: 332-2246 / 332-2061
332-2620

Pasong Tamo Extension
G/F, Dacon Bldg.
2281 Pasong Tamo Extension
Makati City
Tel: 892-2825 / 867-2756
867-2755 / 575-3888 loc 8324

Pateros
M. Almeda corner G. De Borja Street
San Roque, Pateros
Tel: 941-5366

Paz M. Guazon
Units 5 & 6, Topmark Bldg.
1763 Paz M. Guazon Street
Paco, Manila
Tel: 516-2263 / 562-0206

Pedro Gil
No. 574 Pedro Gil Street
Malate, Manila
Tel: 256-2018 / 256-2019

Perea
G/F, Greenbelt Mansion
106 Perea Street, Legaspi Village
Makati City
Tel: 511-0317 / 511-0998

Pioneer
UG-09, Pioneer Pointe Condominium
Pioneer St., Highway Hills
Mandaluyong City
Tel: 584-3515 / 584-3392
584-3515 - telefax

President's Avenue
No. 35 President's Avenue
BF Homes, Parañaque City 1700
Tel: 807-5549 / 519-7355

Project 8-Shorthorn
G/F, West Star Business Center Bldg.
No. 31 Shorthorn St., Brgy. Bahay
Toro, Project 8, Quezon City
Tel: 952-4526 / 332-4339

EASTWEST BANK STORES
as of February 19, 2019

Quezon Ave-Dr. Garcia
G/F, Kayumanggi Press Bldg.
No. 940 Quezon Ave.
near cor. Dr. Garcia St.
Brgy. Paligsahan Quezon City
Tel: 709-7805 / 709-7807 to 08

Quezon Ave-Scout Albano
Quezon Ave., near cor. Scout Albano
Bgy. South Triangle, Quezon City
Tel: 352-8100 / 352-8163
352-8160

Quezon Ave-Scout Santiago
Unit No. 2G-7 and 2G-8
Sunshine Boulevard Plaza, No. 1328
Quezon Ave. cor. Scout Santiago St.
Brgy. South Triangle, Quezon City
Tel: 372-8214 to 15
373-8957

Quezon Ave.-Banawe
G/F, PPSTA 1 Building, Quezon Ave.
cor. Banawe St., Quezon City
Tel: 743-4715 / 412-1681
743-0775

Quiapo
E & L Haw Dynasty Bldg.
No. 502 Evangelista St.
corner P. Paterno St., Quiapo, Manila
Tel: 353-0052 / 353-0053
353-0037

Rada
G/F, Unit No. 102, La Maision Rada
Condominium Bldg., Rada St.
Legaspi Village, Makati City
Tel: 804-2865 to 66

Regalado
Regalado Ave. cor. Archer St.
North Fairview Subd., Quezon City
Tel: 939-5459 / 417-2822

Roosevelt-Frisco
No. 184 Roosevelt Avenue
San Francisco del Monte, Quezon City
Tel: 411-8035 / 372-9480
372-1090

Roosevelt-Sto. Niño
282 Roosevelt Avenue
Brgy. Sto. Niño, San Francisco del
Monte, Quezon City
Tel: 922-1723 / 709-1354
922-9420

Roxas Boulevard
G/F, DENR Building, 1515 Roxas
Boulevard, Ermita, Manila
Tel: 525-3605 / 526-0533

Salcedo
G/F, First Life Center, 174 Salcedo St.
Legaspi Village, Makati City
Tel: 815-8747 / 815-8810
815-8490 / 815-8669

Sampaloc-J. Figueras
No. 427-433 J. Figueras Street
Sampaloc, Manila
Tel: 735-0082 / 735-0083

San Juan
EastWest Bank Bldg.
F. Blumentritt, corner M. Salvador
Barangay San Perfecto, San Juan City
Tel: 723-8991 / 725-5442
727-8522

San Lorenzo-A. Arnaiz
The E-Hotels Makati Bldg., No. 906
A. Arnaiz Ave., (formerly Pasay Rd.)
San Lorenzo Village, Makati City
Tel: 812-0211 / 845-0295
845-0263

San Miguel Ave.
G/F, Medical Plaza Building
San Miguel Avenue, Ortigas Center
Pasig City
Tel: 637-5121 / 637-5649
637-5251

Soler
G/F, R & S Tower, 941 Soler St.
Binondo, Manila
Tel: 244-0169 / 243-5872
243-6406

Sto. Cristo
Unit 108, Sto. Cristo condominium
Sto Cristo corner Ilang-Ilang Sts.
San Nicolas, Binondo, Manila
Tel: 247-7110 / 247-7112
242-2796

Sucat-Evacom
8208 Dr. A. Santos Avenue
Barangay San Isidro, Parañaque City
Tel: 822-4249 / 822-7217
822-9791

Sucat-Kabihasnan
G/F, Unit 3 & 4, Perry Logistics Center
Building, Ninoy Aquino Avenue
Parañaque City
Tel: 553-5064 / 553-5400
553-5401

Sucat-Kingsland
G/F and 2/F, No. 5 & 6
Kingsland Building, Dr. A. Santos
Avenue, Sucat, Parañaque City
Tel: 553-5108 / 553-5110
553-5107

Sucat-NAIA
Unit 707-6, Columbia Air Freight
Complex, Miescor Drive, Ninoy Aquino
Ave., Brgy. Sto. Niño Parañaque City
Tel: 852-2949 / 852-2846
852-2732

T. Alonzo
No. 623 T. Alonzo St., Brgy. 300
Zone 029, Sta. Cruz, Manila
Tel: 733-7627 / 733-7645
733-9387

T.M. Kalaw
A-1,2,3 & 4 Ditz Bldg.
444 T.M. Kalaw St., Ermita, Manila
Tel: 353-9756 / 353-9739

Taft Avenue
Philippine Academy of Family
Physicians (PAFP) Bldg.
2244 Taft Avenue, Manila
Tel: 708-5241 / 708-5973
708-5902

Taft-Nakpil
RLR Building, 1820 Taft Avenue
near corner Nakpil Street
Malate, Manila
Tel: 525-0495 / 525-0428

Tandang Sora
Lot 80 - A Kalaw Hills Subd.
Brgy. Culiat, Tandang Sora
Quezon City
Tel: 951-2550 / 951-0813
456-6989

Tektite
G/F, East Tower, PSE Center
Exchange Drive, Ortigas Center
Pasig City
Tel: 667-3211 / 637-4164
637-4165 / 575-3888
loc. 8349

The Fort-Active Fun
G/F, Active Fun Building
9th Avenue corner 28th Street
City Center, Bonifacio Global City
Taguig City
Tel: 856-7423 / 856-7490

The Fort-B3 Bonifacio High St.
G/F, Quadrant 3 Wumaco Bldg. 2
7th Avenue B3, Bonifacio High Street
Bonifacio Global City, Taguig
Tel: 856-2406 / 403-7132

The Fort-Beaufort
The Beaufort, G/F, 5th Avenue
cor. 23rd St., Bonifacio Global City
Taguig City
Tel: 808-2225 / 575-3888
loc. 3882, 3894 - 3896, 3869

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
Tel: 800-8546 / 800-8671

The Fort-Burgos Circle
G/F, Units H & I, Crescent Park
Residences, 30th St. corner 2nd Avenue
Bonifacio Global City, Taguig City
Tel: 478-5481 to 83
478-5483

The Fort-F1 Center
G/F, Unit D, F1 City Center
32nd Street near corner 5th Avenue
Bonifacio Global City, Taguig City
Tel: 478-3834 / 478-4326
478-5213

The Fort-Marajo Tower
G/F, The Marajo Tower, 26th St.
corner 4th Avenue, Fort Bonifacio
Global City, Taguig
Tel: 856-0201 / 856-2722
856-4275

The Fort-PSE Tower
5th Floor, One Bonifacio High Street
– Philippine Stock Exchange Tower
(One BHS – PSE Tower), 5th Avenue
cor. 28th Street, Bonifacio Global City
Taguig City
Tel: 851-4649 / 851-4723

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
Tel: 551-4072 / 831-6759

Timog Ave.
G/F, Timog Arcade, Timog Avenue
cor. Sct. Torillo, Quezon City
Tel: 376-7884 / 376-7886
376-7881

Timog-Mother Ignacia
No. 21 Timog Ave., Brgy. South
Triangle, Quezon City 1103
Tel: 374-3619 / 374-2358

Tomas Mapua-Lope de Vega
G/F & 2/F, Valqua Building.
1003 Tomas Mapua St. cor.
Lope de Vega St., Sta. Cruz, Manila
Tel: 711-0423 / 711-0412
711-0411

Tomas Morato
No. 257 Tomas Morato St. near
cor. Scout Fuentabella, Quezon City
Tel: 929-5313 / 928-6286
928-2163

Tordesillas
Unit 105, Le Metropole
Condominium, H.V. Dela Costa
cor. and Tordesillas Sts. &
Sen. Gil Puyat Ave., Salcedo Village
Makati City
Tel: 828-8407 / 828-8586

UN Avenue
MAGCOOP Bldg., UN Avenue St.
near corner A. Mabini St.
Ermita, Manila
Tel: 354-5082 / 524-7753
524-7811

UP Village
No. 65 Maginhawa St.
U.P. Village, Diliman, Cuezon City
Tel: 433-8625 / 376-0215
376-1452

Valenzuela-Dalandanan
Malanday Machinery's Commercial
Bldg., No. 212 KM. 15 MacArthur
Highway, Brgy. Dalandanan
Valenzuela City
Tel: 277-0276 / 277-0246
277-0251
Fax: 277-0276

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
Tel: 440-5635 / 456-7921
Fax: 440-5635

Valenzuela-Marulas
JLB Enterprises Bldg.
KM 12, McArthur Highway
Marulas, Valenzuela City
Tel: 445-0670 / 291-8961
291-0053

Valero
G/F, Retail 1B, Paseo Park View
Tower 1, 140 Valero St.
Salcedo Village, Makati City
Tel: 751-0002 to 03 / 817-3733

Visayas Avenue
G/F, K.L. Group Bldg.
Units B, C, & D, No. 15 Visayas Ave.
Brgy. Vasra, Quezon City
Tel: 441-6604 / 441-6621

West Avenue
No. 108 West Avenue
corner West Lawin Street
West Triangle, Quezon City
Tel: 928-5920 / 927-1185
927-1597 / 927-2502

West Service Road
West Service Road corner
Sampaguita Avenue, UPS IV Subd.
Parañaque City, 1700
Tel: 822-3910 to 11
822-3907

EASTWEST BANK STORES
as of February 19, 2019

Wilson
No. 220–B Wilson St., San Juan City
Tel: 696-7366 / 661-9330
696-7365

Xavierville
No. 60 Xavierville Avenue
Xavierville Subdivision
Brgy. Loyola Heights, Quezon City
Tel: 364-5379 / 363-9498

Ylaya-Padre Rada
G/F, Josefa Building
No. 981 Ylaya Street corner
Padre Rada Street, Tondo, Manila
Tel: 243-9006 / 243-9005

LUZON

Angeles-Balibago
Saver's Mall Bldg., MacArthur
Highway, Balibago, Angeles City
Tel: (045) 458-0613
(045) 458-0616

Antipolo-Marcos Hi-way
Ciannat Complex, Marcos Highway
Brgy. Mayamot, Antipolo City
Tel: 682-2250 / 682-2251

Antipolo-ML Quezon
No. 146 M.L. Quezon Ave.
cor. F. Dimanlig St., San Roque
Antipolo City
Tel: 661-9677 / 661-9676

Bacoor-Aguinaldo Hi-way
General E. Aguinaldo Highway
Talaba, Bacoor City, Cavite
Tel: (046) 417-0482 / 417-0395
(046) 417-0345

Bacoor-Molino
G/F, Units 101, 102 & 103
VCENTRAL Mall Molino Bldg.
Molino Blvd., Bacoor City, Cavite
Tel: (046) 424-2518
(046) 424-2037
(046) 424-1965

Baguio-Legarda
G/F, Lindi Hotel, #12 Legarda Road
Baguio City
Tel: (075) 442-5288 / 442-4404

Baguio City-Session Rd.
Unit B, 101 Lopez Bldg.
Baguio Session
Tel: (074) 424-8507 / 424-8524
(074) 442-3339

Baguio-Rizal Monument
One VF Tower, Benjamin Salvosa
Drive, Brgy. Rizal Monument
Baguio City
Tel: (074) 448-0513 to 0514

Baliuag
Doña Remedios Trinidad Highway
corner Benigno S. Aquino Ave.
Baliuag, Bulacan
Tel: (044) 766-4878 / 766-5308
(044) 466-5177

Bataan-Balanga
Don Manuel Banzon Ave.
cor. Cuaderno St., Doña Fransica
Balanga City, Bataan
Tel: (047) 237-0350 to 51

Bataan-Dinalupihan
Bgy. San Ramon
Dinalupihan, Bataan
Tel: (047) 636-0040

Bataan-Mariveles
8th Avenue, Freeport Area of Bataan
(FAB), Mariveles, Bataan
Tel: (047) 633-1782 / 633-1783

Batangas City
54-A D. Silang St. cor. Pastor St.
Brgy. 14 Poblacion, Batangas City
Tel: (043) 723-7665 / 300-6143
(043) 300-6143

Batangas City-Pallocan
Unit Nos. 6, 7, and 8, Mayvel Center
Building, Manuela Pastor Avenue
Brgy. Pallocan West, Batangas City
Tel: (043) 740-6559 / 740-6560

Batangas-Balayan
cor. Paz St. and Union St.
Poblacion, Balayan, Batangas
Tel: (043) 740-3618
(043) 740-3619

Batangas-Bauan
J.P. Rizal Street corner San Agustin
Street, Bauan, Batangas
Tel: (043) 702-4970 to 71
(043) 702-4972

Batangas-Lemery
G/F, LDMC Building, Ilustre Ave.
Brgy. Rizal, Lemery, Batangas
Tel: (043) 740-2602
(043) 409-3009

Batangas-Nasugbu
J.P. Laurel Street, Poblacion
Nasugbu, Batangas
Tel: (043) 740-1103

Batangas-Rosario
Rosario-Padre Garcia-Lipa Road
Poblacion Rosario, Batangas
Tel: (043) 740-2554
(043) 417-1349

Batangas-Sto. Tomas
KM 67 Maharlika Highway, Poblacion
Sto. Tomas, Batangas
Tel: (043) 702-8636

Batangas-Tanauan
No. 98 J.P. Laurel Highway
Brgy. Darasa, Tanauan City
Tel: (043) 702-4939 / 702-3943
(043) 702-1764

Benguet-La Trinidad
KM 5, Central Pico, La Trinidad
Benguet
Tel: (074) 422-1544
(074) 422-1629

Bulacan-Sta. Maria
No. 115 M. De Leon St.
Brgy., Poblacion, Sta. Maria, Bulacan
Tel: (044) 769-2426
(044) 769-2499

Bulacan-Balagtas
Burol 1st, McArthur Highway
Balagtas, Bulacan
Tel: (044) 308-2072

Bulacan-Plaridel
Lot 1071- A, Daang Maharlika Road (Prev. Cagayan Valley Road)
Banga First, Plaridel, Bualacan
Tel: (044) 794-9947 / 794 -1140
(044) 794-3500

Bulacan-San Jose Del Monte
Dalisay Resort, Gov. F. Halili Avenue
Tungkong Mangga, San Jose del Monte, Bulacan
Tel: (044) 815-6128

Cabanatuan-Maharlika
Maharlika Highway, Brgy. Dicarma
Cabanatuan City, Nueva Ecija
Tel: (044) 958-8847 / 958-8846

Cabanatuan-Melencio
Melencio St. corner Gen. Luna St.
Cabanatuan City
Tel: (044) 464-1634
(044) 464-1635

Calamba
G/F, SQA Bldg., Brgy. Uno, Crossing
Calamba City, Laguna
Tel: (049) 545-9018
(049) 545-9614

Calamba-National Road
No. 1425 National Road, Brgy. Uno Crossing, Calamba, Laguna
Tel: (049) 508-7466 to 77

Candelaria
corner National Highway and Ona Street, Brgy. Poblacion
Candelaria, Quezon
Tel: (042) 717-5528
(042) 717-5529

Carmona
Lot 1947-B, Paseo de Carmona Compound, Governor's Drive
Brgy. Maduya, Carmona, Cavite
Tel: (046) 482-0410 / 482-0411
(046) 482-0412

Cavite-Rosario
Lot 616 F1, Gen. Trias Drive
Tejeros Convention, Rosario, Cavite
Tel: (046) 435-1107

Cavite City
P. Burgos Ave., Brgy. Caridad
Cavite City
Tel: (046) 431-0510
(046) 431-7931

Cavite-Naic
Ibayo Silangan cor. Sabang Road
Naic, Cavite
Tel: (046) 412-0144 / 412-0146
(046) 412-0143

Cavite-Silang
No. 132 J. P Rizal Street
corner E. Montoya Street
Brgy. San Vicente I, Silang, Cavite
Tel: (046) 413-2600 / 683-3218
(046) 512-4317

Cavite-Tanza
Antero Soriano Highway
Daang Amaya 2, Tanza, Cavite
Tel: (046) 431-2097 / 431-2378
(046) 431-2328

Cavite-Trece Martires
G/F, Dionets Commercial Place Building, Trece Martires-Indang Road
Brgy. San Agustin, Trece Martires City Cavite
Tel: (046) 514-0071
(046) 419-0211

Dagupan-A.B. Fernandez
New Star Bldg., A.B Fernandez Avenue, Dagupan City
Tel: (075) 529-1903 / 529-1920
(075) 529-2162

Dagupan-Perez
Lot 194 D1-A & Lot 194 D1-B
Brgy. Pogo Chico, Perez Blvd.
Dagupan City
Tel: (075) 522-2284
(075) 522-9221

Dasmariñas
KM. 31 Gen. Emilio Aguinaldo Highway, Brgy. Zone 4
Dasmariñas City, Cavite
Tel: (046) 424-1454 / 424-1589
(046) 424-1461

General Trias
G/F, Unit 102 VCentral Gentri Bldg.
Governor's Drive, Manggahan
General Trias, Cavite
Tel: (046) 476-0596 / 476-0598
(046) 476-0600

Ilocos Norte-San Nicolas
Barangay 2, San Nicolas, Ilocos Norte
Tel: (077) 670-6465
(077) 677-1084

Ilocos Sur-Candon
G/F, KAMSU Building, Brgy San Jose
Candon City, Ilocos Sur
Tel: (077) 674-0253 / 674-0255
(077) 674-0214

Imus
G/F, LDB Bldg., 552 Gen. Aguinaldo Highway, Imus City, Cavite
Tel: (046) 471-5188
(046) 471-5088

Isabela-Roxas
Maharlika Highway, Brgy. Bantug
Roxas, Isabela, 3320
Tel: (078) 624-0450
(078) 624-0449

Isabela-Cauayan
Maharlika Highway
Cauayan City, Isabela
Tel: (078) 652-3945
(078) 652-3946

Isabela-Ilagan
Maharlika Highway corner Florencio Apostol Street, Calamagui 1
Ilagan, Isabela
Tel: (078) 624-0193
(078) 624-0098

Isabela-Santiago
Midori Bldg., National Highway
Villasis, Santiago City, Isabela, 3311
Tel: (078) 305-0344

Kawit-Centennial
Centennial Road, Tabon
Kawit, Cavite
Tel: (046) 484-9756
(046) 484-9775

EASTWEST BANK STORES
as of February 19, 2019

La Union-Agoo
MacArthur Highway
Barangay San Antonio
Agoo, La Union
Tel: (072) 687-0016
(072) 687-0017

La Union-San Fernando
Kenny Plaza, Brgy. Catbangen
Quezon Ave., San Fernando La Union
Tel: (072) 700-0008
(072) 888-2638

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
Tel: (049) 511-7426

Laguna-Cabuyao
No. 26 J.P. Rizal Street, Poblacion
Cabuyao City, Laguna
Tel: (049) 534-0979
(049) 534-0980

Laguna-Sta. Cruz
Sun Moon Arcade Building
No. 129 P. Guevara Ave.
Poblacion 2 , Sta Cruz, Laguna
Tel: (049) 523-4336
(049) 523-4318

Laoag City
G/F, Puregolds Bldg.
Commercial Unit No. 3 & 4
Nolasco St., cor Castro Ave., and
J.P. Rizal, Laoag City
Tel: (077) 770-5196
(077) 770-5195

Legazpi City
Block 2 Lot 3-B, Landco Business
Park, Legaspi City, Albay
Tel: 480-8237 / 480-6659

Lipa City
No. 18, Lot 712 ABC, B. Morada
Avenue, Lipa City, Batangas
Tel: (043) 784-1336 / 784-1396
(043) 784-1377

Lucena City
Quezon Avenue corner Rosas Street
Barangay 8, Lucena City, Quezon
Tel: (042) 373-7623 / 373-7626
(042) 373-7625

Malolos
G/F, BUFECO Bldg.
No. 1197 Brgy. Sumapang Matanda
MacArthur Highway
Malolos, Bulacan
Tel: (044) 794-4534

Meycauayan-Malhacan
Meycauayan Tollgate
Meycauayan City, Bulacan
Tel: (044) 769-9394
(044) 769-9382

Mindoro-Calapan
G/F, Paras Bldg., J.P. Rizal St.
Bgy. San Vicente South, Calapan,
Oriental Mindoro
Tel: (043) 288-1809
(043) 288-1871

Montalban-Rizal
No. 240 E. Rodriguez Highway
Manggahan, Rodriguez, Rizal
Tel: 368-4051 / 368-4050

Naga City
G/F, LAM Bldg., No. 19 Peñafrancia
Avenue, Zone 1, Brgy. San Francisco
Naga City, Camarines Sur
Tel: (054) 472-6502

Nueva Ecija-Gapan
TSI Bldg., Jose Abad Santos Ave.
Sto. Niño, Gapan, Nueva Ecija
Tel: (044) 486-2258
(044) 486-2248

Nueva Ecija-San Jose
Paulino Building, Brgy. Abar 1st
Maharlika Road, San Jose, Nueva Ecija
Tel: (044) 958-1563 / 958-1580
(044) 958-1556

Nueva Ecija-Talavera
Lot No. 269–A Maharlika Road
Poblacion, Talavera, Nueva Ecija
Tel: (044) 958-3849 / 958-3865

Nueva Vizcaya-Solano
Maharlika Road, Poblacion
Solano, Nueva Vizcaya
Tel: (078) 392-0112 / 392-0938

Olongapo City
No. 1215 Rizal Ave.
West Tapinac, Olongapo City
Tel: (047) 222-8592 to 94
(047) 222-8594

Pampanga-Angeles City
Unit 4-7, AYA Bldg.
Sto. Rosario Street, Brgy. San Jose
Angeles City, Pampanga
Tel: (045) 879-1637 / 879-1837
322-6527

Pampanga-Apalit
Bgy. San Vicente, Apalit, Pampanga
Tel: (045) 652-0037 / 652-0038

Pampanga-Clark
Pavilion 16 Berthaphil Clark Center
Jose Abad Santos Ave., TFZ Clark
SPCL Ecozone, Angeles City
Pampanga
Tel: (045) 499-4382 / 499-4381

Pampanga-Guagua
Goodluck Bldg., No. 303 Guagua-
Sta. Rita Arterial Road
Brgy. San Roque, Guagua, Pampanga
Tel: (045) 458-0567 / 458-0566
(045) 458-0570

Pangasinan-Mangaldan
Cadastral Lot No. 335 Rizal Ave.
Brgy. Poblacion, Mangaldan
Pangasinan
Tel: (075) 540-5023 / 540-5024

Pangasinan-Alaminos
BHF Blue Horizon Bldg., Quezon Ave.
Poblacion, Alaminos City, Pangasinan
Tel: (075) 633-4026 / 633-4028

Pangasinan-Lingayen
Avenida Rizal East Road
Lingayen, Pangasinan
Tel: (075) 206-0080 / 206-0081

Pangasinan-Rosales
Estrella Compound, Carmen East
Rosales, MacArthur Highway
Pangasinan
Tel: (075) 636-9990 / 632-1017
632-0976

Pangasinan-San Carlos
Palaris St. cor. Jaycees St.
San Carlos, Pangasinan
Tel: (075) 632-3095 / 632-3096

San Fernando-Dolores
Felix S. David Bdg., MacArthur
Highway, Dolores, San Fernando City
Pampanga
Tel: (045) 961-7936 and 38

San Fernando-JASA
G/F, Units 1A &1B Kingsborough
Commercial Center Building
Jose Abad Santos Avenue
San Fernando, Pampanga 2000
Tel: (045) 435-0379 / 435-4738

San Fernando-Sindalan
T & M Building, MacArthur Highway
Brgy. Sindalan, San Fernando
Pampanga
Tel: (045) 455-11-92 / 455-13-82
(045) 455-2105

San Mateo
Lot 551-A-8 Gen. Luna St.
Brgy. Ampid, San Mateo, Rizal
Tel: 997-1911 / 997-1913

San Pablo
Lots 2365 & 3152
J.P. Rizal Avenue, Poblacion
San Pablo City, Laguna
Tel: (049) 503-2834 to 36

San Pedro
National Highway, Brgy. Nueva
San Pedro, Laguna
Tel: (049) 478-9552 to 53
Telefax: 869-1086

Sorsogon City
Ma. Bensuat T. Dogillo Bldg.
Magsaysay St., Poblacion
Sorsogon City
Tel: (056) 421-5778 / 421-5081

Sta. Rosa
Unit No. 6, Paseo 5 - Paseo de Sta
Rosa, Greenfield City, Don Jose
Santa Rosa City, Laguna
Tel: (049) 508-2112 / 508-2106

Subic Bay
No. 1109 Rizal Highway, Subic Bay
Freeport Zone, Olongapo City
Tel: (047) 250-2775 / 250-2776

Tabaco City
Manuel Cea Bldg. I, Santillan St.
Poblacion, Tabaco City, Albay
Tel: (052) 487-4132 / 487-6202

Tagaytay
G/F, Unit 1001.1, Fora Mall, Emilio
Aguinaldo Highway, Brgy. Crossing
East, Rotunda, Tagaytay City, Cavite
Tel: (046) 423-3929 / 423-3928

Tarlac-Concepcion
Lot No. 1889, B1,B2,B3
L. Cortez St., San Nicolas
Concepcion, Tarlac
Tel: (045) 628-2908 / 628-2670

Tarlac-McArthur Highway
Lot No. 27 Block 17, McArthur
Highway corner Calle Manuel
San Sebastian Village, Tarlac, Tarlac
Tel: (045) 628-3293 / 628-329

Tarlac-F. Tañedo
Mariposa Bldg., F. Tañedo St.
Tarlac City
Tel: (045) 982-1937 / 982-1691
(045) 982-3567

Tarlac-Paniqui
No. 130 M.H. Del Pilar St.
cor. MacArthur Highway
Paniqui, Tarlac City
Tel: (045) 491-38-46 / 491-3847
(045) 491-0590

Taytay-Manila East
Manila East Road, Brgy. San Juan
Taytay, Rizal
Tel: 570-4128 / 570-4711

Taytay-Ortigas Ext.
Vallley Fait Town Center, Ortigas Ave.
Extension, Taytay, Rizal
Tel: 660-9227 / 660-1828
660-1826

Tuguegarao City
College Ave. cor Rizal and
Bonifacio St., Brgy. 08, Poblacion
Tuguegarao City
Tel: (078) 844-0958

Urdaneta City
S&P Bldg., McArthur Highway
Nancayasan, Urdaneta City
Tel: (075) 656-2825 / 656-2838

Vigan
Quezon Ave.
Vigan City, Ilocos Sur
Tel: (077) 674-0066 / 674-0373
(077) 674-0370

Zambales-Iba
Lot No. 1-A, Zambales-Pangasinan
Provincial Road, Brgy. Sagapan
Iba, Zambales
Tel: (047) 603-0374 / 602-1433

VISAYAS

Antique-San Jose
St. Nicolas Building
T.A. Fornier Street, San Jose, Antique
Tel: (036) 540-7398 / 540-7385

Bacolod-East
East Two Corporate Center Building
Circumferential Road
Brgy. Villamonte, Bacolod City
Tel: (034) 432-0830 / 432-0831

Bacolod-Araneta
Unit 1A & 1B, Metrodome Building
Araneta-Alunan St., Sincang
Barangay 39, Bacolod City
Tel: (034) 435-2887 / 435-1546

Bacolod-Hilado
Hilado Street, Bacolod City
Tel: (034) 435-1730 / 435-1722

EASTWEST BANK STORES

as of February 19, 2019

Bacolod-Lacson
Lacson corner Luzuriaga Sts.
Bacolod City
Tel: (034) 433-8320 to 8321

Bacolod-Mandalagan
Lopues Mandalagan Corp. Bldg.
Brgy. Mandalagan, Bacolod City
Tel: (034) 441-1141 / 441-0844
(034) 441-1145

Boracay
Alexandrea Bdlg., Main Road
Brgy. Balabag, Boracay Island
Malay, Aklan
Tel: (036) 288-2677 / 288-2688

Catbalogan City
Curry Avenue corner San Bartolome
Street, Catbalogan City, Samar
Tel: (055) 543-8041

Cebu IT Park
G/F, Calyx Center, W. Ginonzon Street
corner Abad Street, Asia Town
IT Park, Cebu City
Tel: (032) 236-0675 / 236-2278

Cebu Mactan
G/F, Bldg. II, M. L. Quezon National
Highway Pusok, Lapu-lapu City
Tel: (032) 238-4958 / 236-6517

Cebu-A.C. Cortes
Carlos Perez Building
A.C. Cortes Avenue, Brgy. Ibabao
Mandaue City, Cebu
Tel: (032) 236-1458 / 253-7741

Cebu-A.S. Fortuna
AYS Bldg., A.S. Fortuna St.
Brgy. Banilad, Mandaue City, Cebu
Tel: (032) 236-4792 / 236-4794

Cebu-Banilad
G/F, Unit 101 of PDI Condominium
Gov. M. Cuenco Ave. corner
J. Panis St., Banilad, Cebu City
Tel: (032) 232-5582 / 232-5588

Cebu-Basak Pardo
South Point Place Building
N. Balasco Ave., South Road
Basak Pardo, Cebu City
Tel: (032) 236-6954 / 236-6980

Cebu-Freedom Park
CLC Bldg., 280 Magallanes St.
near corner Noli Me Tangere
Cebu City
Tel: (032) 236-9280 / 236-9285

Cebu-Fuente Osmeña
G/F, Cebu Women's Club Building
Fuente Osmeña, Cebu City
Tel: (032) 260-2381 / 236-9371
236-9368

Cebu-Grand Cenia
Grand Cenia Bldg.
Archbishop Reyes Avenue, Cebu City
Tel: (032) 417-1709 / 233-5643

Cebu-Juan Luna
Stephen Jo Building
Juan Luna, Cebu City
Tel: (032) 236-7528 / 236-7536

Cebu-M. Velez
No. 151, M. Velez St.
Guadalupe, Cebu City
Tel: (032) 236-0152 / 236-0131

Cebu-Magallanes
Go Quiaco Bldg., Magallanes cor.
Gonzales Sts., Cebu City
Tel: (032) 254-1940 / 254-1005

Cebu-Mandaue North Road
G/F, ALDO Bldg., North Road
Basak, Mandaue City, Cebu
Tel: (032) 236-5582 / 520-3599

Cebu-Mandaue Subangdaku
Kina Building, National Highway
Subangdaku, Mandaue City, Cebu
Tel: (032) 346-5268 / 420-5779

Cebu-Minglanilla
G/F, La Nueva-Minglanilla Center
Ward 2, Poblacion, Minglanilla
Cebu, 6046
Tel: (032) 236-9314 / 236-9324

Cebu-N. Escario
Cebu Capitol Commercial Complex
Bldg., N. Escario Street, Cebu City
Tel: (032) 253-9226 / 255-8250

Cebu-Park Mall
Alfresco 4, Units 39, 40 & 40A
Parkmall, Mandaue City
Tel: (032) 505-4057 / 505-3755

Cebu-Talisay
Paul Sy Bldg., Highway Tabunok
Talisay City, Cebu
Tel: (032) 236-9434 / 236-9433

Dumaguete City
Don Joaquin T. Villegas Bldg.
Colon St., Dumaguete City
Tel: (035) 226-3797 226-3798

Iloilo-Diversion
The 21 Avenue Building, Benigno
Aquino Avenue, Mandurriao, Iloilo City
Tel: (033) 323-1107 / 323-1108

Iloilo-Iznart
G/F, B&C Square Bldg., Iznart St.
cor. Solis St., Iloilo City
Tel: (033) 338-1207 / 338-1961

Iloilo-Jaro
Jaro Townsquare, Mandaue Foam
Building, Quintin Salas, Jaro, Iloilo City
Tel: (033) 320-0241 / 320-0247

Iloilo-Ledesma
Sta. Cruz Arancillo Bldg.
Ledesma corner Fuentes Sts.
Iloilo City
Tel: (033) 336-0441 / 336-0443

Iloilo-Molo
GT Plaza Mall, MH del Pilar St.
Molo, Iloilo City
Tel: (033) 330-2003 / 330-2004

Kalibo
Roxas Avenue Extension
Kalibo, Aklan
Tel: (036) 268-3461 / 268-3462

Ormoc City
G/F, Hotel Don Felipe Annex Bldg.
Bonifacio St., Ormoc City
Tel: (053) 255-8689 / 255-8693
(053) 561-0150

Palawan
Rizal Avenue, Brgy. Manggahan
Puerto Princesa City, Palawan
Tel: (048) 433-0186 / 433-0187

Roxas City
Corner Roxas Avenue and Osmeña St.
(formerly Pavia St.), Roxas City, Capiz
Tel: (036) 6200-652 / 6200-134

Silay
Rizal Street, Silay City
Negros Occidental
Tel: (034) 441-3863 / 441-3866

Tacloban City-Marasbaras
G/F, JGC Bldg., Brgy. 77
Marasbaras, Tacloban City
Tel: (053) 325-3596 / 323-0133

Tacloban-J. Romualdez
RUL Building, Justice Romualdez St.
Brgy. 15, Tacloban City
Tel: (053) 832-2717 / 832-2534

Tagbilaran City
CPG Avenue, 2nd District
Tagbilaran City
Tel: (038) 411-0903 / 411-0904
(038) 411-0911

MINDANAO

Bukidnon-Valencia
Tamay Lang Lang Park Lane Bldg.
G. La Viña Ave., Poblacion
Valencia City, Bukidnon
Tel: (088) 828-4068 / 828-4078

Butuan City
G/F, Deofevente Bldg.
Lot No. 7, Governor J. Rosales Ave.
Brgy. Imadejas, Butuan City
Tel: (085) 225-9620 / 342-7757
(085) 225-9620

Butuan-P. Burgos
Units 1, 2, and 3, G/F, FSUU Building
P. Burgos corner San Francisco
Streets, Brgy. Sikatuna, Butuan City
Tel: (085) 225-0432 / 225-0429

Cagayan de Oro-Pueblo de Oro
VLC Tower One, B1 L1, Gran Via St.
Pueblo de Oro, Cagayan de Oro City
Tel: (088) 881-5148 / 881-5149

Cagayan de Oro-Carmen
RTS Bldg., Vamenta Blvd.
Carmen, Cagayan de Oro City
Tel: (088) 880-0265 / 880-1342

Cagayan de Oro-Cogon
De Oro Construction Supply, Inc. Bldg.
Don Sergio Osmeñia St. cor. Limketkai
Drive, Cagayan de Oro City
Tel: (088) 850-0336 / 850-0371

Cagayan de Oro-Lapasan
Lapasan Highway
Cagayan de Oro City
Tel: (088) 850-1870 / 850-1869

Cagayan de Oro-Velez
Juan Sia Bldg., No. 50 Don Apolinar
Velez St., Cagayan de Oro City
Tel: (088) 857-8801 to 02

Cotabato City
No. 31 Quezon Avenue
Poblacion 5, Cotabato City
Tel: (064) 421-5961 / 421-5962

Davao-Agdao
Door 2 & 3, Cabaguio Plaza
Cabaguio Ave., Agdao, Davao City
Tel: (082) 222-2029 / 222-0072

Davao-Bajada
Carolina Uykimpang Bldg.
corner Iñigo St., J.P. Laurel Avenue
Davao City
Tel: (082) 285-2701 / 285-2700

Davao-Buhangin
G/F, D3G Bldg., Km. 5 Buhangin Road
cor. Gladiola St., Buhangin, Davao City
Tel: (082) 221-7420 / 221-8186
(082) 221-6596

Davao-C.M. Recto
P&E Building, Poblacion, Brgy. 035
C.M. Recto Avenue, Davao City
Tel: (082) 285-0376 / 228-6016

Davao-Digos
Commercial Space-4, Davao RJ and
Sons Realty & Trading Corporation
Building, V. Sotto Street
Brgy. Zone-1, Digos City
Davao del Sur
Tel: (082) 272-1896 / 272-1897

Davao-Diversion Road
Unit 4 & 5, G/F, D3G Y10 Bldg.
C.P. Garcia National Highway
Brgy. Cabantian, Davao City
Tel: (082) 296-2047 / 296-1648

Davao-J.P. Laurel
J.P. Laurel Avenue, Davao City
Tel: (082) 222-0137 / 222-0138

Davao-Lanang
Lot 6, Blk 5, Insular Village
Pampanga, Lanang, Davao City
Tel: (082) 234-0867 / 234-0726
(082) 237-0687

Davao-Ma-a
G/F, Rosario Bldg.
Don Julian Rodriguez Avenue
Ma-a Road, Davao City
Tel: (082) 327-3547 / 287-0907

Davao-Magsaysay
EWB Bldg., Lot 100-C, Brgy. 030
Poblacion, R. Magsaysay Ave.
Davao City
Tel: (082) 222-1279 / 221-4712

Davao-Matina
Lot 16 Blk 3, McArthur Highway
Matina, Davao City
Tel: (082) 299-0893 / 297-0012

Davao-McArthur Matina
BGP Commercial Complex II Bldg.
McArthur Highway, Matina
Davao City
Tel: (082) 285-8086 / 285-8089

Davao-Panabo City
Quezon Street, Sto. Niño
Panabo City, Davao del Norte
Tel: (084) 628-4022 / 628-4024

EASTWEST BANK STORES
as of February 19, 2019

Davao-Quirino
Centron Building, Quirino Avenue
corner General Luna Street
Davao City
Tel: (082) 224-0582 / 224-0696

Davao-Sta. Ana
G/F, GH Depot Bldg., Gov. Sales St.
Sta. Ana, Davao City
Tel: (082) 221-4021 / 221-0436

Davao-Toril
Saavedra St.
Toril, Davao City
Tel: 082-295-6623 / 295-6621

Dipolog City
G/F, Felicidad II Bldg., Quezon Ave.
Miputak, Dipolog City
Tel: (065) 908-361 / 908-0360
(065) 908-0272

General Santos City-Calumpang
Calumpang Medical Specialist
Building, National Highway
Calumpang, General Santos City
Tel: (083) 552-4739 / 552-4742

General Santos-Pioneer
Pioneer Avenue corner Magsaysay
Avenue, General Santos City
Tel: (083) 552-2472 / 552-2514

General Santos-Santiago
Ireneo Santiago Boulevard
General Santos City
Tel: (083) 552-0530 / 552-0537
(083) 552-0530

Iligan City
G/F, Party Plaza Bldg.
Quezon Ave. Ext., Rabago, Iligan City
Tel: (063) 222-1681 / 221-1682

Kidapawan
Doña Leonila Complex
National Highway, Poblacion
Kidapawan City, North Cotabato
Tel: (064) 577-3989 / 577-3988

Koronadal City
G/F, RCA Building, Gen. Santos Drive
Koronadal City, South Cotabato
Tel: (083) 520-0021 / 520-0013

Ozamiz City
G/F, Casa Esperanza, Don Anselmo
Bernard Ave., Ozamiz City, 7200
Tel: (088) 564-0153 / 564-0158

Pagadian City
BMD Estate Bldg., F. Pajares cor.
Sanson St., Pagadian City
Zamboanga del Sur
Tel: (062) 925-0037 / 215-4681

Surigao City
G/F, EGC Building, Rizal Street
Washington, Surigao City
Tel: (086) 231-5155 to 56

Tacurong
Tacurong City-Lambayong
National Highway, Tacurong
Sultan Kudarat
Tel: (064) 562-0473 / 562-0475

Tagum City
Gaisano Grand Arcade E
Apokon Road cor. Lapu-Lapu Ext.
Brgy. Visayan Village, Tagum City
Tel: (084) 216-4325 / 216-4323

Zamboanga-Canelar
Printex Bldg., Mayor Jaldon St.
Zamboanga City
Tel: (062) 990-1110 / 990-1102

Zamboanga-NS Valderrosa
N.S. Valderrosa St.
corner Corcuerra St., Zamboanga City
Tel: (062) 992-6571 / 992-6574

EASTWEST RURAL BANK STORES
as of March 22, 2019

LUZON

Baguio Store
2F, Jose Miguel Bldg. II, Yandoc St.
corner Naguilian Road
Barangay Kayang Extension
Baguio City, 2600

Baler Store-Lite
Burgos St., Brgy. 3 (Poblacion)
Baler, Aurora, 3200

Batangas Store
G/F, Epicenter National Highway,
Brgy. Balagtas
Batangas City, Batangas, 4200
Tel: (043) 781-0526

Cabanatuan Store
Bulanadi Bldg., Maharlika Highway
Brgy. H. Concepcion, Cabanatuan City
Nueva Ecija, 3100
Tel: (044) 463-0275

Cainta Store
Km. 19, Ortigas Ave. Extension
Don Mariano Subd., Brgy. San Juan
Cainta, Rizal
Tel: (02) 682-0085

Daet Store
Blk. 8, Lot-11, FMDC Bldg.
Central Plaza Complex, Brgy. Lag-on
Daet, Camarines Norte
Tel: (054) 885-0525

Dagupan Store
Units L1L & L1M, Ground Floor
Eastgate Plaza Bldg. A.B. Fernandez
East Avenue, Brgy. Mayombo
Dagupan City, Pangasinan
Tel: (075) 529-0925

Dasmariñas Store
Lot-4, Aguinaldo Highway
Brgy. Salitran, Dasmariñas City
Cavite, 4114
Tel: (046) 424-0149

Gumaca Store
MAJT Bldg., Brgy. Pipisik
Gumaca, Quezon, 4307
Tel: (042) 717-5306

Iriga Store-Lite
Cheema Bldg., Alfelor St.
San Roque (Poblacion), Iriga City
Camarines Sur, Bicol Region
Tel: (054) 811-7447

Irosin Store
M.H. Del Pilar Street
Brgy. San Julian, Irosin, Sorsogon
Tel: (056) 557-3252

Legazpi Store
Door 2 & 3, Bicol Wei Due Fraternity
Building, Quezon Ave., Oro Site
Legazpi City, Albay, 4500

Lucena Store
Land Co Bldg., ML Tagarao St.
Brgy. 3, Lucena City, Quezon, 4301
Tel: (042) 373-0976

Masbate Store
Door 1 & 2, Sanchez Bldg.
Sitio Cagba, Brgy. Tugbo
Masbate City

Meycauayan Store
Manila North Road
McArthur Highway, Brgy. Calvario
Meycauayan City, Bulacan

Naga Store
Door 48 & 49, Crescini Bldg.
CBD 2 Triangulo, Naga City
Camarines Sur, 4400
Tel: (054) 472-0447

Pasig Store
360 Dr. Sixto Antonio Avenue
corner Beverly Hills St.
Brgy. Caniogan, Pasig City
Tel: (02) 643-6334

San Fernando, Pampanga Store
McArthur Highway, Suburbia North
Subdivision, Brgy. Maimpis, City of
San Fernando, Pampanga, 2000
Tel: (045) 860-0947

San Fernando, La Union Store
Diversion Road, Brgy. Pagdaraoan
San Fernando City, La Union, 2500
Tel: (072) 607-8554

Sta. Rosa Store
Hernandez Building
National Road, Brgy. Macabling
Sta. Rosa City, Laguna
Tel: (049) 530-3885

Tanay Store
M. H. Del Pilar, Brgy. Plaza Aldea
Tanay, Rizal Province, 1980
Tel: (02) 941-7265

Tarlac Store
Silayan Business Center Bldg.
Brgy. Santo Cristo, Tarlac City
Tarlac, 2300
Tel: (045) 628-1131

Tuguegarao Store
Don Domingo Street
Brgy. Centro 11, Tuguegarao City
Cagayan Valley, 3500
Tel: (078) 396-2133

Virac Store-Lite
Virac Town Center, Gogon Sirangan
Virac, Catanduanes
Tel: (052) 820-0697

VISAYAS

Bacolod Store
R.S. Bldg., corner Hilado Extension
& 6th Sts., Capitol Shopping Center
Lacson, Bacolod City
Negros Occidental, 6100
Tel: (034) 709-1294

Bantayan Store-Lite
Nemont Bldg., Pres. S. Osmeña
corner Escario Streets, Brgy. Binaoba
Bantayan, Cebu, 6052

Bayawan Store-Lite
FLC Bldg., National Highway
corner Bollos St., Poblacion
Bayawan City, Negros Oriental
Tel: (035) 531-0064

Baybay Store
Oppura Bldg., M.L. Quezon corner
D. Veloso St., Brgy. Poblacion-Zone 9
Baybay, Leyte 6521
Tel: (053) 563-8019

EASTWEST RURAL BANK STORES
as of March 22, 2019

Bogo Store
CPN Bldg., M.H. del Pilar St.
Brgy. Lourdes, Bogo City, Cebu, 6010
Tel: (032) 340-0109

Borongan Store
Doctora Sabate Bldg., Real St.
Brgy. Songco, Borongan City
Eastern Samar, 6800

Cadiz Store-Lite
Unit III, Gustillo Boulevard, Zone II
Cadiz City, Negros Occidental

Calbayog Store
Corner Orquin Street & Magsaysay
Boulevard, Brgy. Balud, Calbayog City

Carcar Store
Ramos Bldg., P. Nellas St.
Poblacion III, Carcar City, Cebu

Catarman Store
Benpres Building, South Diversion
Road, Barangay Macagtas
Catarman, Samar

Cebu City Store
#36, JET House Bldg., Osmeña Blvd.
Brgy. Sambag II, Cebu City
Tel: (032) 253-3760

Culasi Store-Lite
Alpas Bldg., Centro Sur, Poblacion
Culasi, Antique

Danao Store-Lite
FMJ Building, National Road
Brgy. Looc, Danao City

Iloilo Store
National Road, Brgy. Tagbak
Jaro, Iloilo City

Jagna Store-Lite
DQ Lodge Building, Brgy. Looc
Jagna, Bohol

Kabankalan Store
The Crossing, Guazon Street
Brgy. 2, Kabankalan City
Negros Occidental, 6111

La Carlota Store-Lite
Gurrea St., Brgy. 3
La Carlota City

Larena Store
GDM Building, Bonifacio Street
North Poblacion, Larena
Siquijor, 6226
Tel: (035) 377-2344

Maasin Store
R. Kangleon cor. Rafols Sts.
Brgy. Tunga-tunga Maasin City
Southern Leyte, 6600
Tel: (053) 570-8513

Mandaue Store
Northside Business Hub
G. Lopez-Jaena corner, A.P. Cortes St.
Brgy. Tipolo, Mandaue City
Cebu, 6014

Narra Store
National Highway, Brgy. Panacan 2
Narra, Palawan, 5303

Naval Store-Lite
Tacung St., Brgy. P.I. Garcia
Naval, Biliran

Ormoc Store
Real Street, cor. San Vidal
Brgy. District 21, Ormoc City
Leyte, 6541
Tel: (053) 255-3074

Passi Store-Lite
Simeon Aguilar St., Poblacion Ilawod
Passi City, Iloilo

Puerto Princesa Store
201 Whitelines Bldg.
National Highway, Brgy. San Pedro
Puerto Princesa City, Palawan, 5300
Tel: (048) 433-0763

Roxas Store
Unit II, Cler Grand Hotel
Brgy. Lawaan, Roxas City
Capiz, 5800
Tel: (036) 522-8094

San Carlos Store
Center Mall, F. C. Ledesma Avenue
Brgy. Palampas, San Carlos City
Negros Occidental, 6127

Sogod Store
L. Regis St., Brgy. Zone 5
Sogod, Southern Leyte

Tacloban Store
G/F, Insular Life Bldg.
Avenida-Veteranos Avenue
Brgy. 34, Tacloban City, Leyte, 6500
Tel: (053) 523-9189

Tagbilaran Store
G/F, Sum Bldg., #29 San Jose Street
Brgy. Bogu, Cogon District
Tagbilaran City, Bohol, 6300
Tel: (038) 235-6747

Talibon Store
G/F, Edificio Luciano - Aurorita Bldg.
CPG Avenue, Brgy. Poblacion
Talibon, Bohol, 6300
Tel: (038) 515-5860

Tanjay Store
Magallanes St., Cor. Basa St.
Pob. 2, Tanjay City, Negros Oriental
Tel: (035) 522-8177

Toledo Store
#4 Ma. Theresa Isabel Bldg.
Peñalosa Street, Luray I
Toledo City, Cebu, 6038
Tel: (032) 467-8696

Tubigon Store-Lite
G/F, GCA Building, Jose Dual Street
Brgy. Tinangnan, Tubigon, Bohol

MINDANAO

Bayugan Store
Libres Street, Brgy. Taglatawan
Bayugan, Agusan del Sur, 8502
Tel: (085) 343-6018

Butuan Store
Pareñas Bldg., South Montilla Blvd.
Brgy. Golden Ribbon, Butuan City
Agusan del Norte, 8600
Tel: (085) 342-2911

Cabadbaran Store
Rara corner A. Curato Streets
Brgy. 8 Poblacion, Cabadbaran City
Agusan del Norte, 8605

Cagayan de Oro Store
Silverdale Building, Capistrano
corner Mabini Street, Barangay 14
Cagayan de Oro City
Misamis Oriental, 9000

Camiguin Store-Lite
Plaridel Street, Brgy. Poblacion
Mambajao, Camiguin Province

Dapa Store
Mabini Street, Brgy. 11 Poblacion
Dapa, Surigao del Norte, 8417
Tel: (086) 365-1637

Davao City Store
Uyanguren St., Ramon Magsaysay
Avenue, Brgy. 29-C, Davao City
Davao del Sur, 8000

Digos Store-Lite
Dasubarco Bldg.
Ramon Magsaysay St.
corner Jacinto St., Brgy. Zone 3
Digos City

Dipolog Store
General Luna Street corner
Calibo Street, Dipolog City
Zamboanga del Norte, 7100

General Santos Store
UTD Building, J. Catolico Avenue
Lagao, General Santos City
South Cotabato, 9500

Gingoog Store
Doña Graciana St., Brgy. 20
Gingoog City, Misamis Oriental

Ipil Store
Gethsemane St., Purok Malipayon
Poblacion Ipil, Zamboanga Sibugay

Isulan Store
Valdez Bldg. Arcade
National Highway, Brgy. Kalawag II
Isulan, Sultan Kudarat, 9805
Tel: (064) 471-0359

Kabacan Store
National Road, Rizal St.
Brgy. Poblacion, Kabacan
North Cotabato, 9407
Tel: (064) 572-6214 / 572-6214

Kitcharao Store
National Highway, Brgy. Songkoy
Kitcharao, Agusan del Norte, 8609
Tel: (086) 826-7542

Koronadal Store
Purok Mabuhay,Brgy. Zone IV,
Koronadal City, South Cotabato, 9506
Tel: (083) 520-0863 / 228-7610

Madrid Store
Arpilleda corner Buniel St.
Brgy. Quirino, Madrid
Surigao del Sur, 8316

Mangagoy Store
EWRB Building, Espiritu Street
Mangagoy, Bislig City
Surigao del Sur, 8311
Tel: (086) 853-2435

Maramag Store
Ground Floor, Abao Building
Bonifacio Street, P-1A South
Poblacion, Maramag, Bukidnon, 8714

Mati Store
Magricom Bldg. 2, Limatoc Street
Central, Mati City
Davao Oriental, 8200

Midsayap Store
Crossing Poblacion 8
Midsayap, North Cotabato, 9410
Tel: (064) 229-9735

Molave Store
Cinema Building, Zamora Street
Purok Waling-waling
Brgy. Maloloy-on, Molave
Zamboanga del Sur

Nabunturan Store
Amatong Bldg., Purok 11
Poblacion, Nabunturan
Compostela Valley, 8800

Nasipit Store
Roxas St., Brgy. 4, Nasipit
Agusan del Norte, 8602
Tel: (085) 343-2078

Ozamiz Store-Lite
Ground Floor, Clarita L. Yu Building
Don Anselmo Bernad Avenue
Brgy. Aguada, Ozamiz City
Misamis Occidental

Pagadian Store
Vicente Araneta Tolibas Bldg.
Jamisola corner Ariosa St.
Santiago Dist., Pagadian City
Zamboanga del Sur, 7016

Panabo Store-Lite
National Highway
P-3A Brgy. San Francisco
Panabo City, Davao del Norte, 8105

San Francisco Store
Quezon Street, Brgy. 2, San Francisco
Agusan del Sur, 8501
Tel: (085) 343-9469

San Jose Store-Lite
P-1, San Jose
Dinagat Island, 8427

Surigao City Store
Parkway, Km.2, Brgy. Luna
Surigao City, Surigao del Norte, 8400
Tel: (086) 826-6238

Tagoloan Store
National Highway, Brgy. Poblacion
Tagoloan, Misamis Oriental, 9001

Tagum Store
KORE Bldg., Purok Doctolero
Brgy. Magugpo East, Tagum City
Davao del Norte, 8100

Tandag Store
Pimentel Bldg., Donasco Street
Brgy. Bag-ong Lungsod, Tandag City
Surigao del Sur, 8300
Tel: (086) 211-3513

Trento Store
P-7, Juan Luna Street, Brgy. Poblacion
Trento, Agusan del Sur, 8505
Tel: (085) 255-2565

Valencia Store
LCC Building, Purok 2, Sayre Highway
Poblacion, Valencia City, Bukidnon

Zamboanga City Store
Mayor Vitaliano Agan Avenue
Nunez Extension, Brgy. Camino
Nuevo, Zamboanga City

OFF-SITE ATM NETWORK

as of March 22, 2019

LUZON

Aces Agri-Echague
Kilometer 342, Maharlika Highway
Barangay Garit Norte, Magnolia
Chicken Plant, Echague, Isabela

Amosup-Mariners Home
1765 Vasquez cor. Julio Nakpil St.
Malate, Manila

Ayala Fairview Terraces
Ayala Fairview Terraces, Quirino
Highway corner Maligaya Drive
Novaliches, Quezon City

Ayala Mall-Circuit
Ayala Mall Circuit Makati
Hippodromo St., Brgy. Carmona
Makati City

Ayala Mall-Feliz
4th Floor, Ayala Mall Feliz
Marcos Highway corner Amang
Rodriguez, Barangay Dela Paz
Pasig City

Ayala Mall Cloverleaf
3rd Floor near food court Ayala Mall
Cloverleaf, Balintawak, Q.C.

Bataan 2020
Roman Superhighway
Samal, Bataan

Castro Maternity Hospital
M. Ponce St., Subic
Baliuag, Bulacan

Centro Mall Cabuyao
Brgy. Pulo, National Highway Road
Cabuyao, Laguna

Century Mall
Century City Mall, Kalayaan Avenue
corner Salamanca Street
Brgy. Poblacion, Makati City

District Imus
Aguinaldo Highway corner Daang Hari
Road, Brgy. Anabu II-D
Imus, Cavite

DMCI Calaca
Gate 4 DMCI, San Rafael
Calaca, Batangas

DMCI Homes
132 Apolinario St.
Bangkal, Makati City

Eastwood 1800
1880 Eastwood Avenue
Eastwood City Cyberpark
E. Rodriguez, Jr. Ave. (C5), Q.C.

Eastwood Mall
3rd Floor, Eastwood Mall
E. Rodriguez, Jr. Avenue (C5)
Bagumbayan, Libis, Quezon City

EWRB-Baguio
2F, Jose Miguel Bldg., II, Yandoc St.
corner Naguilian Road, Barangay
Kayang Extension, Baguio City, 2600

EWRB-Cabanatuan
Bulanadi Bldg., Maharlika Highway
Brgy. H. Concepcion, Cabanatuan City
Nueva Ecija, 3100

EWRB-Daet
Blk. 8, Lot-11, FMDC Bldg.
Central Plaza Complex, Brgy. Lag-on
Daet, Camarines Norte

EWRB-Irosin
M.H. Del Pilar Street
Brgy. San Julian, Irosin, Sorsogon

EWRB-Masbate
Door 1 & 2, Sanchez Bldg.
Sitio Cagba, Brgy. Tugbo
Masbate City

EWRB Batangas
Ground Floor Epicenter, National
Highway, Brgy. Balagtas, Batangas

EWRB Cainta
Unit 101, East 1900 Building
Gate 3 Vista Verde Executive Village
Felix Ave., Cainta Rizal

EWRB Dagupan
Units L1L & L1M, Ground Floor,
Eastgate Plaza Bldg., A.B. Fernandez
East Avenue, Brgy. Mayombo
Dagupan City, Pangasinan

EWRB Dasmariñas
Lot-4 Aguinaldo Highway
Brgy. Salitran, Dasmariñas City, Cavite

EWRB Gumaca
MAJT Bldg., Brgy. Pipisik
Gumaca, Quezon, 4307

EWRB Legazpi
Door 2 & 3, Bicol Wei Due
Fraternity Bldg., Quezon Ave.
Oro Site, Legazpi City, 4500

EWRB Lucena
Benco Bldg., Enriquez cor. Juarez St.
Lucena City, 4301

EWRB Meycauyan
#2602 Malhacan National Road
Brgy. Malhacan, Meycauayan City
Bulacan, 3020

EWRB Naga
Door 43, Central Business District 2
Terminal, Naga City, 4400

EWRB San Fernando La Union
Brgy. Pagdurawan, Diversion Road
San Fernando, La Union

EWRB San Fernando Pampanga
Suburbia North Subdivision
McArthur Highway, San Fernando
Pampanga

EWRB Sta. Rosa
LC Business Center, National Highway
Brgy. Macabling, Sta. Rosa, Laguna

EWRB Tanay
M.H. del Pilar Street
Plaza Aldea, Tanay Rizal

EWRB Tarlac
Silayan Business Center
Brgy. Santo Cristo, Tarlac City

EWRB Tuguegarao
Don Domingo Street, Tuguegarao City

FastByte-North Cyberzone
FastByte, North Cyberzone
Northgate, Filinvest Corporate City
Alabang, Muntinlupa City

FDC Cyber Sigma BGC
ATM Area, Beside new Bistro Deli
Ground Floor, Cyber Sigma Building
Lawton Ave., Mckinley West Fort
Bonifacio, Taguig City

FEU-NRMF Fairview
Regalado Ave. cor. Dahlia West
Faiview, Quezon City

Filinvest-Mandaluyong
No. 79 EDSA, Mandaluyong City

Filinvest-Mandaluyong 2
7th Floor, Filinvest Building
No. 79 EDSA, Mandaluyong City

Finman Pasi
360 Dr. Sixto Antonio Avenue
Caniogan, Pasig City

FPF Manufacturing Corp
11th Ave. Phase II FAB
Mariveles, Bataan

Glorietta Makati
2nd Floor, Glorietta 1, South Drive
Ayala Center, Makati City

Goldwing
61 F. Balagtas Street
Parang, Marikina City

Harbor Point
Rizal Highway, Subic Bay
Freeport Zone 2222

Hilton Hotel
Newport Blvd., Newport City
Pasay City (Across Resorts World
Manila)

Jollibee Mabalacat
Lot 301, McArthur Highway
Brgy. San Francisco, Mabalacat City

La Suerte
Maharlika Highway, Brgy. Alupaye
Pagbilao, Quezon

Landmark Alabang
ATM # 05, Level 1 (Ground Floor)
Landmark Alabang, Festival Mall
Civic Dr., Alabang, Muntinlupa
Metro Manila

Landmark Makati
Ayala Center Makati, Makati City

Landmark Trinoma
EDSA, corner Mindanao Avenue Ext.
Quezon City

Luckygold Plaza
2nd Floor, Luckygold Plaza Building
58 Ortigas Avenue Extension
Pasig City

Market Market
4th Floor, ATM Center
Market Market, Taguig City

Marquee Mall
3rd Floor, Marquee Mall, Francisco G.
Nepo Ave., Angeles City, Pampanga

Mimosa CitiScape Inc.-Quest Hotel
M. A. Roxas Highway Clark Freeport
Zone Philippines-Mimosa Hotel
(Quest Hotel)

Mitsubishi Laguna
Mitsubishi Motors Philippine Corp.
No. 1 Auto Park Ave., Greenfield
Automotive Park, Sta. Rosa, Laguna

New Rosario Arcade
New Rosario, Ortigas Arcade
Pasig City

One Oasis Ortigas
Building M, Oasis Hub
Ortigas Avenue, Pasig City

Pasong Tamo Head Office
2264 Pasong Tamo Ext.
Brgy. Magallanes, Makati City

Philstar
202 Oca Rail Rd. St.
Port Area, Manila

Powerplant Mall
3rd Floor, R3, Power Plant Mall
Rockwell Center, Makati City

RBC Sheridan
9th FLoor, Rockwell Business Center
Sheridan, Sheridan St.
Mandaluyong City

Robinsons Forum Pioneer
#30 EDSA cor. Pioneer St.
Mandaluyong City

Robinsons Magnolia
Aurora Blvd. cor. Doña Hemady St.
Quezon City

Robinsons Metro East
Marcos Highway, Brgy. Dela Paz
Santolan, Pasig City

Robinsons Place Cainta
2nd Floor, ATM center, Ortigas Avenue
Extension, Brgy. Sto. Domingo
Cainta, Rizal

Robinsons Place Dasmariñas
Level 1, Aguinaldo Highway
cor. Gov's Drive, Sitio Palapala
Dasmariñas, Cavite

Robinsons Place Imus
G/F, E. Aguinaldo Highway
Tanzang Luma V, Imus, Cavite

Robinsons Place Manila
M. Adriatico, cor. Pedro Gil
Malate, Manila

Robinsons Sta. Rosa Market
Level 1, Old National Highway
Brgy. Tagapo, Sta. Rosa, Laguna

Shangri-La Plaza
Lower Ground Level, East Wing
EDSA, Mandaluyong City

Simbayanan
115 M.L Quezon St., Purok 02
New Lower Bicutan, Taguig City

SLU Hospital Baguio
Saint Louis University Hospital
Assumption Road, Baguio City

SM Aura Premiere
LG Parking Entrance near DHL,
SM Aura Premier, 26th Street cor.
McKinley Parkway, Taguig City, 1630

SM Center Sangandaan
3rd Floor, Near Cinema, Samson Road
Sangandaan, Caloocan City

SM Fairview
SM City Fairview Complex, Quirino
Highway, Fairview, Quezon City

SM Mall of Asia
J.W. Diokno Blvd., Mall of Asia
Complex, CBPIA, Pasay City

OFF-SITE ATM NETWORK
as of March 22, 2019

SM Megamall
SM Megamall Bldg., Julia Vargas
cor. EDSA, Wack Wack Village
Mandaluyong City

SM Megamall Wing B
2nd Floor – ATM Center Megamall
Wing B, SM Megamall, EDSA corner
J. Vargas Avenue, Mandaluyong City

SM North EDSA
Parking lot, SM North EDSA Complex
EDSA, Pag asa 1, Quezon City

SM Novaliches
Quirino Highway, San Bartolome
Novaliches, Quezon City

SM San Lazaro
Upper Ground Floor, Felix Huertas
cor. AH Lacson St., Manila

SM Sta. Mesa Supermarket
Ramon Magsaysay
cor. Araneta Avenue, Quezon City

SM Taytay
Manila East Road, Dolores
Taytay, Rizal

Sogo Hotel
Ground Floor, Sogo Corporate Office
629 EDSA, Cubao, Quezon City

St. Clare's Medical Center
1838 Dian Street, Brgy. Palanan
Makati City

St. Paul-Pasig
St. Paul Road, Brgy. Ugong
Pasig City

Super 8 Cogeo
SPI Bldg., Manuel L. Quezon Ave.
Brgy. San Roque, Antipolo, Rizal

The Palms Country Club
1410 Laguna Heights Drive
Filinvest City, Alabang
Muntinlupa City, 1781

Theatre Mall
Ortigas Ave., Greenhills
San Juan

Toyota Dagupan
Service Reception Area
Toyota Dagupan, McArthur Highway
Calasiao City, Pangasinan

Twenty Oaks Mariveles Bataan
Twenty Oaks Duty Free Hypermarket
Mariveles, Bataan

U.P. Town Center
2nd Floor, Beside China Bank ATM
UP Town Center, Katipunan Avenue
Quezon City

Uptown Mall (BGC)
Ground Level, beside National
Bookstore, 9th Avenue corner
36th Street, Bonifacio Global City
Taguig City

Vector-Alabang
Vector One Building
Ground Floor, Northgate Cyberzone
Alabang, Muntinlupa City

Vector 2 Alabang
Chroma Hospitality
8th Floor, Vector 2, Alabang

VISAYAS

Ayala Center Cebu
Level 2 (beside Sanuk) Ayala Center
Cebu Expansion Cebu Business Park
Cebu City

Boracay Villa Lourdes
D' Mall Station 2, Brgy. Balabag
Boracay Island, Malay, Aklan, 5608

BQ Luitton
Luitton Bldg., Gallares Street
Tagbilaran City

Crimson Bay Hotel
Seascape Resort Town, Sitio Dapdap
Lapu-Lapu City, Mactan, Cebu

Crimson Hotel Boracay
Crimson Resort and Spa Boracay
Punta Bunga Cove, Brgy. Yapak
Boracay Island, Malay, Aklan

EWRB-Carcar
Ramos Bldg., P. Nellas St.
Poblacion III, Carcar City, Cebu

EWRB-Catarman
Benpres Building, South Diversion
Road, Barangay Macagtas
Catarman, Samar

EWRB-Kabankalan
The Crossing, Guazon Street
Brgy. 2, Kabankalan City
Negros Occidental, 6111

EWRB-Larena
GDM Building, North Poblacion
Bonifacio Street, Larena
Siquijor, 6226

EWRB-Narra
National Highway, Brgy. Panacan II
Narra, Palawan, 5303

EWRB-San Carlos
Center Mall, F. C. Ledesma Avenue
Brgy. Palampas, San Carlos City
Negros Occidental, 6127

EWRB-Sogod
L. Regis St., Brgy. Zone 5
Sogod, Southern Leyte

EWRB Bacolod
RS Building, corner Hilado &
6th Streets, Capitol Shopping Center
Bacolod City, 6100

EWRB Baybay
D. Veloso corner M. L. Quezon St.
Baybay City, Leyte, 6521

EWRB Bogo
CPN Bldg., M. H. Del Pilar Street
Carbon, Bogo City, Cebu

EWRB Calbayog
Irigon Bldg., Pajarito St.
Calbayog City, Western Samar, 6710

EWRB F. Ramos
V. Yap Bldg., 29 F. Ramos St.
Cebu City, 6000

EWRB Iloilo
Bonifacio Drive infront of
Metro Iloilo Water District, Iloilo City

EWRB Maasin
R. Kangleon St., Tunga-Tunga
Maasin City, Southern Leyte, 6600

EWRB Mandaue Subangdaku
Dayzon Bldg., Lopez Jaena St.
Subangdaku, Mandaue City, 6014

EWRB Ormoc
Juan Luna St., Sabang
Ormoc City, 6541

EWRB Palawan
National Highway, Brgy. San Pedro
Puerto Princesa City, Palawan, 5300

EWRB Roxas
Unit 2, CLER Grand Hotel
Brgy. Lawaan, Roxas City

EWRB Tacloban
G/F, Insular Life Bldg.
Avenida Veterans St.
Brgy. 34, Tacloban City, 6500

EWRB Tagbilaran
G/F, Sum Bldg., 29 San Jose St.
Brgy. Cogon, Tagbilaran City, Bohol

EWRB Talibon
G/F, Edificio Luciano Aurorita Bldg.
CPG Avenue, Poblacion
Talibon, Bohol

EWRB Tanjay
Magallanes St., cor. Basa St.
Pob. 2, Tanjay City, Negros Oriental

EWRB Toledo
Peñalosa St., Luray I
Toledo City, Cebu, 6045

Gaisano Casuntingan
M.L. Quezon Ave., Casuntingan
Mandaue City

Gaisano Country Mall
Ground Floor, Banilad, Cebu City

Gaisano Grand Fiesta Mall
Highway Tabunok, Talisay City

Gaisano Grand Mall Mactan
Brgy. Basak, Agus Road
Lapu-lapu, Cebu

Gaisano Mall Tagum
Apokon Rood cor. Lapu Lapu Ext.
Brgy. Visayan Vill., Tagum City

Gaisano Metro Store Lapu-Lapu
M.L. Quezon Highway
Pajo, Lapu-lapu City, Cebu

Gaisano SRP
South Reclamation Project
Talisay City

Hotel Del Rio
Hotel Del Rio – Iloilo –
M.H. Del Pilar St., Molo, Iloilo City

J Center Mall
AS Fortuna St., Bakilid
Mandaue City, Cebu

La Nueva Supermart
G.Y. Dela Serna St., Lapu-Lapu City

Lifebank Roxas
Km. 2 Brgy. Lawa-an Roxas City

Lifebank Sta. Barbara
Lifebank Sta. Barbara, Bypass Road
Barangay Duyan Duyan
Sta. Barbara, Iloilo

Lovefeeds-Iloilo
Love Feeds New Panay Agri Venture
Brgy. Cabugao Sur, Pavia, Ilollo

Marina Mall (Cebu)
G/F, Bk. C108 Mactan
Lapu-Lapu, Cebu

Robinsons Galleria Cebu
Level 2 - ATM 202, Robinsons
Galleria Cebu, Maxilom -
Osmeña Blvd., 13th Avenue &
Benedicto Street, North Cebu City

SM City-Consolacion
Cebu North Road, Barangay Lamac
Consolacion, Cebu

SM City Cebu
North Reclamation Area, Cebu City

SM City Cebu 2
Lower Ground Floor
North Reclamation Area, Cebu City

SM Seaside Cebu
1024B, SM Seaside City Cebu
SRP-Mambaling Rd., Cebu City

MINDANAO

Abreeza Corporate Center
J.P. Laurel Avenue
Bajada, Davao City

Abreeza Mall
J.P. Laurel Avenue, Bajada
Lanang, Davao City

Apo View Hotel
#150 J. Camus Street, Davao City

Cagayan de Oro Liceo University
RN Pelaez Blvd., Causwagan
Cagayan de Oro City

Davao Doctors Hospital
Davao Doctors Hospital
Dumoy Satellite Out Patient Facility
McArthur Highway, Talomo
Davao City

EWRB-Maramag
Ground Floor, Abao Building
Bonifacio Street, P-1A South
Poblacion, Maramag, Bukidnon, 8714

EWRB-Zamboanga
Nunez Extension, Brgy. Camino
Nuevo, Mayor Vitaliano Agan Avenue
Zamboanga City, 7000

EWRB Bayugan
Libres Street, Taglatawan
Bayugan, Agusan del Sur

OFF-SITE ATM NETWORK

as of March 22, 2019

EWRB Butuan GBI
Montilla Blvd., Butuan City

EWRB Cabadbara
Garame St., Cabadbaran
Agusan del Norte

EWRB Cagayan de Oro
Capistrano corner Mabini St.
Cagayan de Oro City

EWRB Dapa
Mabini St., Brgy. 11, Poblacion Dapa
Surigao del Norte

EWRB Davao Tagum
Magugpo East, Tagum City

EWRB Davao Uyangurin
Uyangurin Street, Ramon Magsaysay
Avenue, Davao City

EWRB Dipolog
General Luna Street corner
Calibo Street, Zamboanga del Norte

EWRB GenSan
Doors 2 & 3 Grace Commercial Bldg.
Jose Catolico Sr. Avenue
Gen. Santos City

EWRB Gingoog
DESMARK Arcade, Brgy. 17
National Highway, Gingoog City, 9014

EWRB Ipil
Eastwest Rural Bank, Inc - Ipil
Zamboanga Ipil, Sibugay, Zamboanga

EWRB Kabacan Cotabato
National Road, Rizal Street
Poblacion, Kabacan, Cotabato

EWRB Kitcharao
Brgy. Songkoy, National Highway
Kitcharao, Agusan del Norte

EWRB Koronadal
UGA Building, Gensan Drive, Purok
Mabuhay, Zone IV, Koronadal City

EWRB Madrid
Arpilleda corner Buniel Street
Brgy. Quirino, Madrid, Surigao del Sur

EWRB Mangagoy
Espiritu Street, Mangagoy
Bislig City, Surigao del Sur

EWRB Mati
Door 5, Magricom Bldg. II
National Highway, Mati
Davao Oriental, 8200

EWRB Midsayap Cotabato
Crossing Poblacion 8
Midsayap, Cotabato

EWRB Molave
Goles Bldg., Mabini Street
Brgy. Madasigon, Molave
Zamboanga del Sur, 7023

EWRB Nabunturan
Purok 11, Brgy. Poblacion
Nabunturan, Compostela Valley

EWRB Pagadian
Jamisola corner Ariosa St.
Santiago Dist., Pagadian City, 7016

EWRB San Francisco
Quezon Street, Barangay 2
San Francisco, Agusan del Sur, 8501

EWRB Surigao
Parkway, Km. 3, Brgy. Luna
Surigao City, Surigao del Norte

EWRB Tagoloan
National Highway, Poblacion
Tagoloan, Misamis Oriental, 9001

EWRB Tandag
Pimentel Bldg., Donasco St.
Bagong Lungsod, Tandag
Surigao del Sur

EWRB Trento
P-7 Juan Luna St., Poblacion Trento
Agusan del Sur, 8505

EWRB Valencia
Alkuino Bldg., Sayre Highway
Poblacion, Valencia City
Bukidnon, 8709

Gaisano Grand Tagum
National Highway
Tagum City, Davao del Norte

Gaisano Mall of Davao
JP Laurel Avenue, Davao City
Upper Ground Floor, ATM Center

Gaisano Mall Toril
Gaisano Mall Toril, Toril
Davao City, 8000

Nasipit
Roxas St., Nasipit
Agusan del Norte

Robinsons Cagayan de Oro
Rosario Crescent cor. Florentino
Street, Limketkai Center
Cagayan de Oro City

SM City Davao
SM City Davao - Annex
Quimpo Blvd., Ecoland
Davao City, 8000

SM Lanang
J.P. Laurel Avenue
Bajada, Lanang, Davao City

Veranza Mall
J. Catolico Ave.
General Santos City

SHAREHOLDER INFORMATION

For shareholder services and assistance,
please write or call:

STOCK TRANSFER SERVICE, INC.
34th Floor, Unit D, Rufino Pacific Tower
6784 Ayala Avenue, Makati City
Metro Manila, Philippines
Tel: +632 403-2410 / 403-2412
Fax: +632 403-2414

OFFICE OF THE CORPORATE SECRETARY
East West Banking Corporation
EastWest Corporate Center
5th Floor, The Beaufort
5th Avenue corner 23rd Street
Bonifacio Global City, Taguig 1634
Metro Manila, Philippines
Tel: +632 575-3871 / 575-3805
Fax: +632 816-0619 / 818-4147
For investor-related inquiries,
please write or call:

INVESTOR RELATIONS OFFICE
East West Banking Corporation
EastWest Corporate Center
5th Floor, The Beaufort
5th Avenue corner 23rd Street
Bonifacio Global City, Taguig 1634
Metro Manila, Philippines
Email: IR@eastwestbanker.com

This 2018 annual report contains forward-looking statements about future events and expectations. These forward-looking statements include words or phrases such as the Bank or its management or other words or phrases of similar import.

Similarly , statements that describe the Bank's objectives, plans or goals are also forward-looking statements. All such statements are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement.

Such forward-looking statements are made based on management's current expectations or beliefs, as well as assumptions made by, and information currently available to, management. These statements speak only as at the date of the report and nothing contained in this report is or should be relied upon as a promise or representation as to the future.

This report does not constitute a prospectus or other offering memorandum in whole or in part nor does it constitute an offer to sell or the solicitation of an offer to buy any securities of the Bank. There shall be no sale of these securities in any state or jurisdiction in which such offer, solicitation or sale would be unlawful prior to any qualification under the securities laws of such state or jurisdiction.

This report has not been and will not be reviewed or approved by any statutory or regulatory authority or any stock exchange in the Philippines or elsewhere. Recipients of this report should undertake their own assessment with regard to investment in the Bank and they should obtain independent advice on any such investment's suitability, inherent risks and merits and any tax, legal and accounting implications which it may have for them.

eastwest

Your dream Our focus

East West Banking Corporation

EastWest Corporate Center

The Beaufort, 5th Avenue corner 23rd Street, Bonifacio Global City Taguig 1634 Metro Manila, Philippines

Customer Service Hotline: 888-1700

www.ewbanker.com

twitter.com/eastwestbanker

facebook.com/eastwestbanker

Audited Financial Statements

Statement of Management's Responsibility for Financial Statements

The management of EAST WEST BANKING CORPORATION (the Bank) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 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

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.

Independent Auditor's Report

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

Statements of Financial Position

	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

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.

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.

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

Statements of Changes in Equity

	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..

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)

Statements of Cash Flows

	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.

Cash and Cash Equivalents
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.

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

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

FCDU

As at the reporting date, the assets and liabilities of the FCDU of the Parent Company are translated into the Parent Company's presentation currency (the Philippine Peso) at PDS closing rate prevailing at the statement of financial position date, and their income and expenses are translated at 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.

<u>Fair Value Measurement</u>

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.

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

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

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

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

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

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of credit risk characteristics such as internal credit risk rating, past-due status 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.

Investment Properties

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

Investment properties 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**	**150,021**	**409,028**
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**	**₱479,528**	**₱149,986**	**₱920,477**

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):

							Carrying Value		
Series	**Issue Date**	**Maturity Date**	**Face Value**	**Coupon Rate**	**Average Effective 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):

	Face Value	Carrying 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

Category	2018 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

Category	2017 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

	2017		
Category	Amount/ Volume	Outstanding Balance	Terms and Conditions/ Nature
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	**5.83%**	7.77%	7.75%	**5.87%**	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**		**Net exposure [c-d]**
				Financial Instruments	**Fair value of financial collateral**	
	[a]	**[b]**	**[c]**	**[d]**		**[e]**
Derivative assets (Note 5)	**₱201,033**	**₱–**	**₱201,033**	**₱136,595**	**₱–**	**₱64,438**
Total	**₱201,033**	**₱–**	**₱201,033**	**₱136,595**	**₱–**	**₱64,438**

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