SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended: **June 30, 2020**

2. Commission identification number: **74307** 3. BIR Tax Identification No: **000-446-542**

4. Exact name of issuer as specified in its charter: **ORIX METRO Leasing and Finance Corporation**

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

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

7. Address of issuer's principal office: **21st Floor, GT Tower International, Ayala Avenue corner H.V. Dela Costa St., Makati City** Postal Code: **1200**

8. Issuer's telephone number, including area code: **(632) 8858-8888**

9. Former name, former address and former fiscal year, if changed since last report: **Not Applicable**

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

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Bond Programme	**P10,000,000,000**

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

Yes [ ] No [/]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

12. Indicate by check mark whether the registrant:

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

Yes [/] No [ ]

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

Yes [/] No [ ]

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

ORIX METRO LEASING AND FINANCE CORPORATION AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2020

(With comparative Consolidated Statement of Financial Position as of September 30, 2019)

	June 30, 2020 (Unaudited)	September 30, 2019 (Audited)
ASSETS		
Cash and Cash Equivalents	**₱1,006,131,181**	₱863,963,515
Due from Bangko Sentral ng Pilipinas	**8,560,662,597**	4,136,809,112
Securities Purchased Under Repurchase Agreements	**2,046,954,893**	3,910,000,000
Financial Assets at Fair value through Other Comprehensive Income	**1,092,410**	1,092,410
Loans and Receivables	**35,839,582,300**	39,569,570,249
Property and Equipment	**360,847,299**	405,798,308
Equipment for Lease	**2,420,511,955**	2,738,590,659
Right-of-Use Assets	**248,927,220**	209,041,587
Investment Properties	**519,176,187**	494,950,611
Non-current Asset Held-for-Sale	**–**	2,626,660
Prepaid Expenses	**132,804,086**	81,418,100
Other Assets	**701,961,110**	745,163,555
	₱51,838,651,238	₱53,159,024,766
LIABILITIES AND EQUITY		
LIABILITIES		
Bills Payable	**₱36,996,430,313**	₱38,868,316,497
Deposits on Lease Contracts	**1,588,838,255**	1,678,590,413
Accounts Payable and Other Liabilities	**2,259,498,755**	2,740,326,221
Lease Liability	**254,769,314**	215,266,473
Income Tax Payable	**204,204,132**	178,623,375
Derivative Liability	**1,393,870,107**	839,737,964
Deferred Tax Liabilities	**67,342,271**	109,480,137
	42,764,953,147	44,630,341,080
EQUITY		
Equity Attributable to Equity Holders of the Parent Company		
Capital stock	**7,143,891,700**	6,212,079,700
Retained earnings	**2,668,441,970**	2,889,580,262
Net unrealized losses on fair value through other comprehensive income	**(309,911)**	(309,911)
Cash flow hedge reserve	**(546,519,671)**	(432,983,658)
Remeasurement losses on retirement plan	**(191,278,606)**	(140,774,605)
	9,074,225,482	8,527,591,788
Non-controlling Interest	**(527,391)**	1,091,898
	9,073,698,091	8,528,683,686
	₱51,838,651,238	₱53,159,024,766

ORIX METRO LEASING AND FINANCE CORPORATION AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF INCOME

	For the Period Ended June 30 (Unaudited)		For the Quarter Ended June 30 (Unaudited)	
	2020	2019	**2020**	2019
REVENUES				
Financing	**₱3,322,696,015**	₱3,377,585,866	**₱982,311,549**	₱1,139,727,375
Leasing	**1,411,337,390**	1,472,590,651	**447,464,164**	492,411,791
Services	**244,642,175**	219,549,619	**55,902,708**	86,197,846
	4,978,675,580	5,069,726,136	**1,485,678,421**	1,718,337,012
OTHER INCOME	**507,131,809**	599,937,844	**132,601,733**	177,536,979
TOTAL INCOME	**5,485,807,389**	5,669,663,980	**1,618,280,154**	1,895,873,991
General and administrative expenses	**2,742,055,609**	2,725,115,098	**909,702,474**	934,662,002
Interest and financing charges	**1,733,715,387**	1,942,026,773	**566,137,665**	641,509,632
TOTAL EXPENSES	**4,475,770,996**	4,667,141,871	**1,475,840,139**	1,576,171,634
INCOME BEFORE INCOME TAX	**1,010,036,393**	1,002,522,109	**142,440,015**	319,702,357
PROVISION FOR INCOME TAX	**289,011,618**	259,188,831	**39,927,214**	89,263,840
NET INCOME	**₱721,024,775**	₱743,333,278	**₱102,512,801**	₱230,438,517
Attributable to:				
Equity holders of the Parent Company	**₱722,244,064**	₱735,472,327	**₱102,907,963**	₱229,008,089
Non-controlling interest	**(1,219,289)**	7,860,951	**(395,162)**	1,430,428
	₱721,024,775	₱743,333,278	**₱102,512,801**	₱230,438,517
EARNINGS PER SHARE*	**₱10.26**	₱14.23	**₱1.44**	₱3.95

**Attributable to Equity Holders of the Parent Company*

ORIX METRO LEASING AND FINANCE CORPORATION AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the Period Ended June 30 (Unaudited)		For the Quarter Ended June 30 (Unaudited)	
	2020	2019	**2020**	2019
NET INCOME	**₱721,024,775**	₱743,333,278	**₱102,512,801**	₱230,438,517
OTHER COMPREHENSIVE INCOME(LOSS)				
Other comprehensive income/(loss), net of income tax, to be reclassified in profit or loss in subsequent periods:				
Changes in cash flow hedge reserve	**(113,536,013)**	(346,394,532)	**(207,245,266)**	(42,641,667)
Other comprehensive income/(loss), net of income tax, not to be reclassified in profit or loss in subsequent periods:				
Remeasurement loss on retirement plan	**(50,504,001)**	(85,037,500)	**(18,939,000)**	(85,037,500)
Change in net unrealized loss on financial asset at fair value through other comprehensive income	–	(5,760)	–	13,440
OTHER COMPREHENSIVE INCOME(LOSS), NET OF TAX	**(164,040,014)**	(431,437,792)	**(226,184,266)**	(127,665,727)
TOTAL COMPREHENSIVE INCOME(LOSS)	**₱556,984,761**	₱311,895,486	**(₱123,671,465)**	₱102,772,790
Attributable to:				
Equity holders of the Parent Company	**₱558,204,050**	₱304,034,535	**(₱123,276,303)**	₱101,342,362
Non-controlling interest	**(1,219,289)**	7,860,951	**(395,162)**	1,430,428
	₱556,984,761	₱311,895,486	**(₱123,671,465)**	₱102,772,790

ORIX METRO LEASING AND FINANCE CORPORATION AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED JUNE 30, 2020 AND 2019

	Attributable to Equity Holders of the Parent Company							
	Capital Stock	Retained Earnings	Net Unrealized Losses on Fair Value Through Other Comprehensive Income	Remeasurement Losses on Retirement Plan	Cash Flow Hedge Reserve	Total	Non-controlling Interest	Total Equity
Balances at October 1, 2019	**₱6,212,079,700**	**₱2,889,580,262**	**(₱309,911)**	**(₱140,774,605)**	**(₱432,983,658)**	**₱8,527,591,788**	**₱1,091,898**	**₱8,528,683,686**
Net income (loss)	–	**722,244,064**	–	–	–	**722,244,064**	**(1,219,289)**	**721,024,775**
Other comprehensive income (loss)	–	–	–	**(50,504,001)**	**(113,536,013)**	**(164,040,014)**	–	**(164,040,014)**
Total comprehensive income (loss)	–	**722,244,064**	–	**(50,504,001)**	**(113,536,013)**	**558,204,050**	**(1,219,289)**	**556,984,761**
Stock dividends distributed	**931,812,000**	**(931,812,000)**	–	–	–	–	–	–
Cash dividends distributed	–	–	–	–	–	–	**(400,000)**	**(400,000)**
Share issuance costs paid	–	**(11,570,356)**	–	–	–	**(11,570,356)**	–	**(11,570,356)**
Balances at June 30, 2020	**₱7,143,891,700**	**₱2,668,441,970**	**(₱309,911)**	**(₱191,278,606)**	**(₱546,519,671)**	**₱9,074,225,486**	**(₱527,391)**	**₱9,073,698,091**
Balances at October 1, 2018, as restated	₱4,314,851,900	₱3,849,728,101	(₱288,983)	(₱10,924,890)	(₱11,940,854)	₱8,141,425,274	(₱5,446,335)	₱8,135,978,939
Net income	–	735,472,327	–	–	–	735,472,327	7,860,951	743,333,278
Other comprehensive loss	–	–	(5,760)	(85,037,500)	(346,394,532)	(431,437,792)	–	(431,437,792)
Total comprehensive income (loss)	–	735,472,327	(5,760)	(85,037,500)	(346,394,532)	304,034,535	7,860,951	311,895,486
Stock dividends distributed	1,897,227,800	(1,897,227,800)	–	–	–	–	–	–
Share issuance costs paid	–	(30,108,798)	–	–	–	(30,108,798)	–	(7,507,727)
Balances at June 30, 2019	₱6,212,079,700	₱2,657,863,830	(₱294,743)	(₱95,962,390)	(₱358,335,386)	₱8,415,351,011	₱2,414,616	₱8,440,366,698

ORIX METRO LEASING AND FINANCE CORPORATION AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED JUNE 30, 2020 AND 2019

	June 30, 2020 (Unaudited)	June 30, 2019 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱1,010,036,393**	₱1,002,522,109
Adjustments for:		
Depreciation and amortization	**1,027,693,085**	998,716,488
Provision for credit and impairment losses	**361,800,000**	251,228,494
Amortization of debt transaction costs	**140,702,497**	155,111,780
Net movement in retirement liability	–	(26,935,847)
Interest accretion and other movement in lease liability and ROU assets	**13,077,994**	13,266,523
Gain on foreclosure of other assets – chattels	**(15,510,708)**	2,208,573
Net gain on sale of:		
Equipment for lease	**(97,830,972)**	(114,555,376)
Non-current asset held for sale	**(2,531,990)**	(114,138,564)
Other assets - chattels	**(15,044,226)**	(17,961,049)
Property and equipment	**(26,061)**	(1,707,175)
Investment properties	**(75,368)**	–
Dividend income	–	(3,456)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Loans and receivables	**3,141,493,357**	75,901,145
Prepaid expenses	**(77,589,668)**	(75,614,300)
Other assets	**(85,450,797)**	(9,526,002)
Increase (decrease) in:		
Bills payable - deposit substitutes	**(4,124,987,283)**	(1,201,432,268)
Deposits on lease contracts	**(89,752,158)**	96,815,290
Accounts payable and other liabilities	**41,156,675**	(71,318,324)
Net cash provided by operations	**1,227,160,770**	962,578,041
Income taxes paid	**(308,519,983)**	(440,460,284)
Net cash provided by operating activities	**918,640,787**	522,117,757
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property and equipment	**(27,229,444)**	(69,829,821)
Software	**(17,936,158)**	(23,821,424)
Equipment for lease	**(499,286,672)**	(675,156,641)
Investment properties	**(29,393,352)**	(29,776,752)
Proceeds from sale of:		
Property and equipment	**439,617**	2,029,228
Non-current assets held for sale	**5,158,649**	59,255,426
Equipment for lease	**169,005,241**	170,522,657
Other assets – chattels	**183,915,977**	126,899,033
Dividends received	–	3,456
Net cash used in investing activities	**(215,326,142)**	(439,874,838)

(Forward)

	June 30, 2020 (Unaudited)	June 30, 2019 (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES		
Availments of bills payable - bank borrowings net of debt transaction costs	**₱11,029,982,290**	₱27,661,885,183
Settlements of bills payable - bank borrowings	**(8,917,583,688)**	(29,355,983,088)
Payments of lease liability	**(101,865,906)**	(96,463,190)
Share issuance costs paid	**(10,871,295)**	(30,108,799)
Net cash provided by (used in) financing activities	**1,999,661,401**	(1,820,669,894)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**2,702,976,044**	(1,738,426,975)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		
Cash and cash equivalents	**863,963,515**	477,693,318
Due from Bangko Sentral ng Pilipinas (BSP)	**4,136,809,112**	6,082,721,354
Securities purchased under repurchase agreement	**3,910,000,000**	–
	8,910,772,627	6,560,414,672
CASH AND CASH EQUIVALENTS AT END OF PERIOD		
Cash and cash equivalents	**1,006,131,181**	435,587,870
Due from BSP	**8,560,662,597**	4,166,399,827
Interbank call loan receivables	–	220,000,000
Securities purchased under repurchase agreements	**2,046,954,893**	–
	₱11,613,748,671	₱4,821,987,697

OPERATIONAL CASH FLOWS FROM INTEREST		
Interest received	**₱4,872,538,945**	₱4,802,117,528
Interest paid	**1,811,708,003**	1,858,378,564
Dividend received	–	3,456

ORIX METRO LEASING AND FINANCE CORPORATION AND SUBSIDIARIES
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying unaudited interim condensed consolidated financial statements of ORIX METRO Leasing and Finance Corporation (OMLFC or the Parent Company) and its subsidiaries (collectively referred herein as the Group) have been prepared in accordance with PAS 34, *Interim Financial Reporting*. Accordingly, the unaudited interim condensed consolidated financial statements do not include all of the information and disclosures required in the annual audited financial statements and should be read in conjunction with the Groups' annual audited financial statements as at and for the year ended September 30, 2019.

The financial statements have been prepared on a historical cost basis except for financial assets at fair value through other comprehensive income (FVOCI) and derivative instrument designated as hedges which are measured at fair value.

The unaudited interim condensed consolidated financial statements reflect all adjustments which are of normal recurring nature, and in the opinion of management, necessary for a fair statement of the results for the interim periods presented.

Each entity within the Group determines its own functional currency and items reported in their respective financial statements are measured using that functional currency. The functional currency of the Parent Company and all subsidiaries is Philippine Peso (₱). The accompanying financial statements are presented in Philippine peso. All values are rounded to the nearest peso except when otherwise indicated.

Statement of Compliance

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

Presentation of Financial Statements

The Group and the Parent Company present its statement of financial position broadly in order of liquidity.

Basis of Consolidation

The interim condensed consolidated financial statements include the financial statements of the following subsidiaries:

Subsidiary	Effective Percentage of Ownership	Industry	Country of Incorporation	Date of Incorporation
OMLF Insurance Agency, Inc. (OIAI)	100.0	Insurance Agency	Philippines	November 11, 1980
OMLF International Trading and Development Corporation (OITDC)	100.0	Real Estate Lease	Philippines	September 25, 1986
ORIX Auto Leasing Philippines Corporation (OALPC)	100.0	Car Lease and Repairs and Maintenance	Philippines	September 14, 1989
ORIX Rental Corporation (ORC)	100.0	Car and Equipment Lease	Philippines	January 28, 1999
OMLF Servicer Corporation (OSC)	60.0	Collection Service	Philippines	December 28, 2007

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

The Group reassesses whether or not it has control over an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of financial position and statement of income from the date the Group gains control until the date the Group ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared on the same reporting period as the Parent Company using consistent accounting policies. All significant intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full in the consolidation.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interest having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

Non-controlling Interests
Non-controlling interest represents the portion of profit or loss and net assets not owned, directly or indirectly, by the Parent Company.

Non-controlling interests are presented separately in the consolidated statement of income, consolidated statement of comprehensive income, and within equity in the consolidated statement of financial position, separately from Parent Company's shareholders' equity. Any losses applicable to the non-controlling interests are allocated against the interests of the non-controlling interest even if this results in the non-controlling interest having a deficit balance. Acquisitions of non-controlling interests that do not result in a loss of control are accounted for as equity transactions, whereby any difference between the amounts by which the non-controlling interests are adjusted and the fair value of the consideration paid or received shall be recognized directly in equity and attributed to the owners of the Parent Company.

Changes in Accounting Policies and Disclosures
The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the annual financial statements as of and for the year ended September 30, 2019.

Significant Accounting Policies

Foreign Currency Translation
Transactions and balances
Foreign currency-denominated assets and liabilities are translated to Philippine peso using the Philippine Dealing System (PDS) closing rate prevailing at the reporting date while foreign currency-denominated income and expenses are translated using the PDS exchange rates as at the date of the transaction. Foreign exchange gains or losses arising from foreign currency transactions and revaluation of foreign currency-denominated assets and liabilities are credited to or charged against profit or loss in the period in which the rates change.

Fair Value Measurement
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:

i. In the principal market for the asset or liability, or
ii. 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:

i. Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date
ii. Level 2 - inputs other than quoted prices included within Level 1 that are observable either directly or indirectly
iii. Level 3 - inputs are unobservable inputs for the asset or liability

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

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

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, cash in banks, due from BSP and securities purchased under repurchase agreements that are convertible to known amounts of cash and with original maturities of three months or less from dates of placements and which are subject to an insignificant risk of changes in value.

Financial Instruments - Initial Recognition and Subsequent Measurement

Date of recognition

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

Initial recognition of financial instruments

All financial instruments are initially measured at fair value. Except for financial assets and financial liabilities at FVTPL, the initial measurement of financial instruments includes transaction costs.

'Day 1' difference

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

Classification and Subsequent Measurement

Financial assets are measured at FVTPL unless these are measured at FVOCI or at amortized cost. Financial liabilities are classified as either financial liabilities at FVTPL or financial liabilities at amortized cost. The

classification of financial assets depends on the contractual terms and the business model for managing the financial assets. Subsequent to initial recognition, the Group may reclassify its financial assets only when there is a change in its business model for managing these financial assets. Reclassification of financial liabilities is not allowed. As of June 30, 2020 and September 30, 2019, the Group has no financial liabilities at FVTPL.

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

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

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

Financial assets at amortized cost
Financial assets at amortized cost are debt financial assets that meet both of the following conditions: (1) these are held within a business model whose objective is to hold the financial assets in order to collect contractual cash flows; and (ii) the contractual terms give rise on specified dates to cash flows that are SPPI on the outstanding principal amount. This accounting policy relates to the statement of financial position captions 'Cash and Cash Equivalents', 'Due from BSP', 'Interbank Call Loan Receivables' and Securities Purchased under Repurchase Agreements (SPURA)', and 'Loans and Receivables'.

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

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

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

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as cross currency interest rate swaps to hedge its foreign currency risks and interest rate risks and commodity price risks. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment
- Hedges of a net investment in a foreign operation

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined).

Hedge effectiveness testing

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

To test the hedge effectiveness, the Group compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risk (e.g., changes in the forward exchange rates or interest rate risk) as represented by a hypothetical derivative.

For prospective effectiveness, the hedge accounting shall continue if the effectiveness criteria as of inception are still met on an ongoing basis. The Group performs prospective effectiveness at each reporting date. Further, the Group assess whether the risk management objective for the hedging relationship has changed. When there is a change in risk management objective, the hedge accounting shall be discontinued.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognized in OCI in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Group uses cross currency swap agreements as hedges of its exposure to foreign currency and interest rate risks on its dollar denominated borrowings.

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognized in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

The Group's cash flow hedges consist principally of cross-currency swaps that are used to protect against exposures to variability in future interest and principal cash flows on its issued floating rate euro notes due to changes in interest rate risk and/or foreign currency risk. The hedging ratio is established by matching the notional of the derivatives against the principal of the hedged issued foreign currency debt.

Derecognition of Financial Assets and Liabilities

Financial assets

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

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

Financial liabilities

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

Reverse repurchase agreements

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

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master-netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Impairment of Financial Assets

Overview of the ECL principles

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

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

Definition of "default" and "cure"

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit impaired, in all cases when the borrower becomes over 90 days past due on its contractual payments. As a part of a qualitative assessment of whether a customer is in default, the Group also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted. An instrument is considered to be no longer in default (i.e. to have cured) when it no longer meets any of the default criteria and has exhibited a satisfactory track record.

Significant Increase in Credit Risk (SICR)

In order to determine whether an instrument is subject to 12-month or Lifetime ECL, the Group assesses whether there has been a SICR since initial recognition. The criteria for determining whether credit risk has increased significantly vary by portfolio and include qualitative factors, including a backstop based on delinquency. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Group's internal credit assessment, the borrower or counterparty is determined to have well-defined credit weaknesses. These may include adverse trends or developments of financial, managerial, economic or political nature, or a significant weakness in collateral. Credit weakness may be manifested by unfavorable record or unsatisfactory characteristics or may only be potential that deserves management's close attention and may lead to significant losses or may result in collection or liquidation of the outstanding loan amount to be highly improbable. If contractual payments are more than thirty (30) days past due, the credit risk is deemed to have increased significantly since initial recognition. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. In subsequent reporting periods, if the credit risk of the financial asset improves such that there is no longer a SICR since initial recognition, the Group shall revert to recognizing a 12-month ECL.

Staging assessment

For non-credit-impaired financial assets:

- Stage 1 is comprised of all non-impaired financial assets which have not experienced a SICR since initial recognition. The Group recognizes a 12-month ECL for Stage 1 financial assets.
- Stage 2 is comprised of all non-impaired financial assets which have experienced a SICR since initial recognition. The Group recognizes a lifetime ECL for Stage 2 financial assets.

For credit-impaired financial assets:

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

Financial assets that are credit-impaired on initial recognition are classified as purchased or originated credit-impaired (POCI) assets. These are recorded at fair value at original recognition and interest income is

subsequently recognized based on a credit-adjusted EIR. ECL is only recognized or released to the extent that there is a subsequent change in the ECLs.

Assessment of ECL on a collective basis

The Group calculates ECL either on an individual or a collective basis. The Group performs collective impairment by grouping exposures into smaller homogenous portfolios based on a combination of borrower and account characteristics. Accounts with similar risk attributes (i.e. facility, asset size, type of borrowers) are pooled together for calculating provisions based on the ECL models.

ECL parameters and methodologies

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

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

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

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

For receivables under the operating lease arrangements, the Group applies a simplified approach in calculating ECL which does not require tracking of changes in credit risk, but instead recognizes a loss allowance based on lifetime ECL at each reporting date. The Group establishes an impairment analysis using a provision matrix that considers historical loss experience, adjusted for forward-looking inputs and assumptions.

Forward-looking information

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

Restructured Loans

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

Residual Value of Leased Assets and Deposits on Lease Contracts
The residual value of leased assets, which approximates the amount of guaranty deposit paid by the lessee at the inception of the lease, is the estimated proceeds from the sale of the leased asset at the end of the lease term. At the end of the lease term, the residual value of leased assets is generally applied against the guaranty deposit of the Parent Company's lessee when the lessee decides to buy the leased asset.

Deposits on Operating Leases
Deposits on lease contracts are initially recognized at fair value. Fair values are estimated using the discounted cash flow methodology using applicable rates for similar types of instruments. The excess of the principal amount of the deposit over its fair value is accounted for as deferred lease income under 'Accounts Payable and Other Liabilities' in the statement of financial position. This is amortized over the lease term on a straight-line basis and recognized as 'Leasing' in the statement of income. Interest accretion on the deposits on lease contracts is accounted for using the effective interest method.

Equity
Capital stock is measured at par value for all shares issued and outstanding. When the shares are sold at a premium, the difference between the proceeds and the par value is credited to 'Additional paid-in capital' in the statement of financial position.

Retained earnings represent all accumulated profits or losses of the Group less dividend distributions to stockholders and other capital adjustments.

Dividends on Common Shares
Cash dividends on common shares are recognized as a liability and deducted from equity when approved by the respective Board of Directors (BOD) of the Group. Stock dividends are deducted from retained earnings when approved by the respective BOD and stockholders of the Group. Dividends declared during the period but are approved after the reporting date are dealt with as an event after the reporting period.

Revenue Recognition
The Group is primarily engaged in the financing business and leases under both finance and operating lease arrangements. In addition, the Group also earns income from services such as repairs, maintenance, commissions in their agency transactions, among others. The revenues from these services are within the scope of PFRS 15, *Revenue from Contracts with Customers*.

To account for the revenues arising from contracts with customers, the Company applies the following five step model.

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.

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

For the periods ended June 30, 2020 and 2019, the following are the specific recognition criteria:

Leasing income

a) Finance Lease

The excess of aggregate lease rentals plus the estimated residual value over the cost of the leased equipment constitutes the unearned lease income. The unearned lease income is amortized over the term of the lease, commencing on the month the lease is executed, using the effective interest method.

Unearned lease income ceases to be amortized when the lease contract receivables become past due for more than three months.

b) Operating Lease
   Rent income from operating leases is recognized on a straight-line basis over the lease terms on ongoing leases.

Financing income
Finance charges are included in the face value of the notes receivable financed and with a corresponding credit to the unearned finance income account. This is amortized to income over the term of the financing agreement using the effective interest method.

Unearned finance income ceases to be amortized when the notes receivable financed become past due for more than three months.

Commission income
Commissions are recognized as income when the insurance premiums collected from the customers are remitted to the insurance company.

Income from sale of properties and repossessed chattels
Income is recognized upon completion of the earning process (i.e. when the control is transferred to the buyer) and the collectability of the sales price is reasonably assured.

Interest income
Interest income from deposits and interest-bearing derivative instruments is recognized as the interest accrues using effective interest method.

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

Service charges and other miscellaneous income
Service charges are recognized as revenue when the related services are rendered.

Service income on maintenance and fleet management services
Service income related to maintenance and fleet management services are recognized separately from the lease components in the Group's operating lease arrangements. They are stand ready obligations, where the Group is standing ready to provide the services available to the customers to use as and when it decides to do so. Revenue is recognized over-time, measured based on the passage of time (i.e. straight-line basis).

Expense Recognition
Expenses are recognized when it is probable that decrease in future economic benefits related to decrease in asset or an increase in liability has occurred and that the decrease in economic benefits can be measured reliably. Expenses that may arise in the course of ordinary regular activities of the Group include among others the operating expenses on the Group's operations.

Property and Equipment and Equipment for Lease
Property and equipment and equipment for lease are carried at cost less accumulated depreciation and amortization and any impairment in value.

The initial cost of property and equipment and equipment for lease comprises their purchase price, including import duties and taxes and any directly attributable costs of bringing the assets to their working condition and location for their intended use. Expenditures incurred after the equipment for lease and property and equipment have been put into operation, such as repairs and maintenance, are normally charged against current operations in the period 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 the assets beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of the assets.

Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Leasehold improvements are amortized over the shorter of the terms of the covering leases or the estimated

useful lives of the improvements.

The estimated useful lives of the depreciable properties are as follows:

Building	30 years
Furniture, fixtures and equipment	3-5 years
Leasehold improvements	5 years or term of the lease, whichever is shorter
Equipment for lease	3-7 years

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

The carrying values of the property and equipment and equipment for lease 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 amount, an impairment loss is recognized (see accounting policy on Impairment of Non-financial Assets).

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization are removed from the accounts, and any resulting gain or loss is reflected in 'Net gain (loss) on sale of properties' under 'Other Income' in the statement of income.

Investment Properties

Investment properties, which include land and building, are initially recognized at cost including transaction costs.

Subsequent to initial recognition, investment properties are stated 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 property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in 'Net gain (loss) on sale of properties' included under 'Other Income' in the statement of income in the period of retirement or disposal.

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

Depreciation is calculated on a straight-line basis using the useful life of thirty (30) years from the time of acquisition of the depreciable investment properties.

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 Assets - Chattels

Other assets - chattels comprise repossessed vehicles. Other assets – chattel acquired through an exchange transaction is measured at fair value of the asset acquired unless the fair value of such asset cannot be determined, in which case, it is measured at the fair value of the asset given up.

Subsequent to initial recognition, repossessed chattels are stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis using the remaining useful lives from the time of acquisition of the vehicles. The useful lives of repossessed chattels are estimated to be no longer than three (3) years.

Non-current Asset Held for Sale

A non-current asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable.

Non-current asset held for sale is measured at the lower of its carrying amount and fair value less costs to sell.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets 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 estimated useful 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 is reviewed at least at each reporting 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 consistent with the function of the intangible asset.

The Group's intangible assets with indefinite useful lives include local vehicle franchise for licensing agreements to operate a tourist rent-a-car service. Such intangible assets are tested for impairment annually either individually or at the CGU level and are not amortized.

The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite 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.

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.

Impairment of Non-financial Assets

Investments in subsidiaries, property and equipment, equipment for lease, investment properties, other assets – chattels and right-of-use assets

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

An impairment loss is charged against operations in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to the revaluation increment of the said asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount.

That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation

and amortization, had no impairment loss been recognized for the asset in prior periods. Such reversal is recognized in the statement of income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such reversal, the depreciation expense is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Intangible assets
Intangible assets with indefinite useful lives are tested for impairment annually at reporting date either individually or at the CGU level, as appropriate. Intangible assets with finite lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

<u>Leases</u>
Group as a lessee

ROU assets
The Group recognizes ROU assets at the commencement date of the lease. These are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized ROU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. ROU assets are subject to impairment. See policy on Impairment of Non-financial Assets.

Lease liabilities
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed lease payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

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

The Group assesses the low-value assets based on the value of the assets when it is new, regardless of the age of the asset being leased. The Group identifies the underlying asset as low value only if:

- the Group can benefit from the use of the underlying asset on its own or together with other resources that are readily available to the Group; and
- the underlying asset is not highly dependent on, or highly interrelated with, other assets.

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

The Group has the option, under some of its leases to renew the lease term. Should these options determined to be enforceable, the Group applies judgment in evaluating whether it is reasonably certain to exercise the option to renew. It considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew.

Group as lessor
Finance leases, where the Group transfers substantially all the risks and benefits incidental to ownership of the leased item to the lessee, are included in the statement of financial position under 'Loans and receivables' account. A lease receivable is recognized at an amount equal to the net investment in the lease. All income resulting from the receivables is included in 'Leasing' in the statement of income.

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Contingent rents are recognized as revenue in the period in which they are earned.

Retirement Cost
Defined benefit plan
The Group has a funded, noncontributory defined benefit plan administered by a trustee. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive upon retirement, usually dependent on one or more factors such as age, years of service and compensation. The Group's retirement cost is determined using the projected unit credit method. The retirement cost is generally funded through payments to a trustee-administered fund, determined by periodic actuarial calculations.

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
- 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 recognized in the other comprehensive income account 'Remeasurement gains (losses) on retirement plan' are not reclassified to

another equity account in subsequent periods. Plan assets are assets that are held by a long-term employee benefit fund. 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.

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

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

Income Taxes
Current tax
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 substantially enacted as at the reporting date.

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

Deferred tax liabilities are recognized for all taxable temporary differences.

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

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

be utilized.

Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recovered.

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 substantially enacted at the reporting date.

Deferred tax relating to items recognized directly in OCI is also recognized in OCI and not in the statement of income.

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

Events After the Reporting Period

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

Standards Issued but not yet Effective

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

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*
- 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*

Deferred effectivity

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

2. Significant Accounting Judgments and Estimates

The preparation of the accompanying financial statements in accordance with PFRS requires the Group to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses and disclosures of contingent assets and contingent liabilities, if any. 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 estimates are reflected in the financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

(a) *Determining the lease classification*

Finance Leases

Group as lessor

The Parent Company has determined that it has transferred all the significant risks and rewards of ownership of the properties to the lessees, that at the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all the fair value of the leased asset.

Operating Leases

Group as lessor

The Group has also entered into lease arrangement and has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases. Accordingly, these are accounted for as operating leases. In determining whether or not the arrangement is an operating lease, the Group considers retention of ownership title to the leased property, period of lease contract relative to the estimated useful economic life of the leased property and bearer of executory costs, among others.

(b) *Determining the lease term of contracts with renewal and termination options – Group as lessee*

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

The Group has several lease contracts that include extension and termination options. Upon adoption of PFRS 16, the Group determined that generally, the options to extend or terminate the lease are not included in the determination of the lease term. These optional periods are not enforceable, as the Group cannot enforce the extension of the lease without the agreement from the lessor, and therefore, the Group does not have the right to use the asset beyond the non-cancellable period.

Estimates

(a) *Assessing credit losses on loans and receivables*

The measurement of impairment losses under PFRS 9 across all categories of financial assets requires judgment, in particular, the estimation of the amount and timing of future cash flows, including collectability, collateral values and other credit enhancements, when determining impairment losses.

Under PFRS 9, additional judgments are also made in assessing whether there is significant increase in credit risk. These estimates are driven by a number of factors, changes of which can result in different levels of allowances.

The Group's impairment calculations are outputs of statistical models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the impairment models that are considered accounting judgements and estimates include:

- the Group's criteria defining default and for assessing if there has been a significant increase in credit risk;
- the segmentation of financial assets when impairment is assessed on a collective basis;
- development of impairment models, including the various formulas and the choice of inputs;
- determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs; and
- selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the impairment models.

It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary. Increases or decreases on the allowance for impairment losses are recorded under operating expenses in profit or loss.

(b) *Leases - Estimating the incremental borrowing rate*

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow with similar term and with similar security, the funds necessary to obtain an asset of a

similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not denominated in the functional currency).

The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the credit spread for a stand-alone credit rating).

(c) *Defined benefit retirement plan*
The cost of the defined benefit retirement plan as well as the present value of the defined benefit obligation is determined using actuarial valuation. The actuarial valuation involves making various assumptions. These include the determination of the discount rates and future salary increases. 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 single weighted average discount rate, management considers the interest rates of government securities, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

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3. Financial Risk Management

The Group's financial instruments consist of FVOCI financial assets, loans and receivables, financial liabilities at amortized cost and derivatives designated as part of hedging relationship. The main risks arising from the Group's financial instruments are credit risk, market risk and liquidity risk.

Risk Management Framework
The Group's risk management is a top-down process that starts with the BOD who is responsible for establishing and maintaining a sound risk management system and setting the overall institutional risk tolerance for the Group. The BOD, through the Risk Oversight Committee (ROC) and with the assistance of the Risk Management Department, is actively involved in planning, approving, reviewing, and assessing all risks involved within the Group and is responsible for setting its overall corporate governance strategy and risk appetite.

The Group reviews the policies for managing each risk which are summarized as follows:

(a) Credit Risk
The Group manages credit risk, i.e., the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, by setting limits for individual and group of borrowers and for geographical and industry segments. The Group maintains a general policy of avoiding excessive exposure in any particular sector of the economy.

While the Group actively seeks to increase its exposure in industries which it believes possess attractive growth opportunities, it also actively seeks to reduce its exposure in industries where growth potential is minimal. Although the Group's leasing and loans portfolio is composed of transactions with a wide variety of businesses, the results of operation and financial condition of the Group may be adversely affected by any downturn in these sectors as well as in the Philippine economy in general.

Credit risk concentration
Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location. In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

Management of credit risk

The Group faces potential credit risks every time it extends funds to borrowers, commits funds to counterparties, and guarantees the paying performance of its clients. The Group manages its credit risk at various levels (i.e., strategic level, portfolio level down to individual credit or transaction) by adopting a credit risk management environment that has the following components:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting and compliance with regulatory requirements;
- Establishment of authorization limits for the approval and renewal of credit facilities; and
- Limiting concentrations of exposure to counterparties, geographies and industries for loans.

Credit quality and impairment assessment

The Group's Risk Management Department has transitioned and run new internal rating systems for its key loan sub-portfolio for purposes of impairment assessment. The models incorporate both qualitative and quantitative information, and in addition to information specific to the borrower, utilize supplemental external information that could affect the borrowers' default behavior. From these internal rating models, the Group determines the PDs, which are then adjusted to incorporate both current and forward-looking information for ECL calculation.

For purposes of ECL calculation, the receivables from customers are disaggregated between corporate, individual borrowers and other loans. Corporate loans are further segmented among Large corporates, Medium enterprises and Small and micro entities. Individual borrowers are further segmented between Individual business and Individual personal.

Collateral and other credit enhancements

The Parent Company holds collateral against loans and receivables in the form of real estate and chattel mortgages, guarantees, and other registered securities over assets. Management monitors the fair value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained for its review of the adequacy of the allowance for impairment losses. Collateral, usually, is not held against investment securities, and no such collateral was held as of June 30, 2020 and September 30, 2019.

It is the Parent Company's policy to dispose assets acquired in an orderly fashion. The proceeds of the sale of the foreclosed assets classified as 'Investment Properties' and 'Other assets - chattels' are used to reduce or repay the outstanding claim.

Financial assets whose terms have been renegotiated

Restructured loans are defined as performing or non-performing loans whose principal terms and conditions have been modified in accordance with an agreement setting forth a new plan of payment or a schedule of payment on a periodic basis. When the loan account becomes past due and is being restructured or extended, the approval of the BOD is required before loan booking and is always governed by the BSP rules on restructuring. Restructuring of loans to directors, officers, stockholders, and related interests (DOSRI) also requires BOD approval.

(b) Market Risk

The Group's market risk (the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument) originates from its holdings of equities and foreign currency-denominated loans. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchange rates, commodity prices, equity prices and other market changes.

The RMD performs monthly market risk analyses to ensure compliance with its policies and procedures. Assets and liabilities of the Group maybe mismatched and are vulnerable to movements in yields. Positive or negative gap is executed depending on the outlook on interest rates.

Interest rate risk

The Parent Company follows a prudent policy on managing its assets and liabilities so as to ensure that

exposure to fluctuations in interest rates are kept within acceptable limits. The Parent Company's policy is to manage its interest cost using a mix of fixed and floating rate debt.

The Parent Company monitors its exposures to fluctuations in interest rates by measuring the impact of interest rate movements on its interest income. This is done by modeling the impact of various changes in interest rates to the Parent Company's interest-sensitive assets and liabilities.

Foreign currency risk
Foreign currency risk is the probability of loss to earnings or capital arising from changes in foreign exchange rates. The Group's foreign currency risk arises from its foreign currency liabilities, which consist of US$-denominated borrowings with the banks. The Group's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines.

(c) Liquidity Risk
The primary business of financing companies entails the borrowing and re-lending of funds. Consequently, financing companies are subject to substantial leverage, and may therefore be exposed to the potential financial risks that accompany borrowing. In relation to its various borrowing arrangements, the Group is currently subject to certain requirements relating to the maintenance of acceptable liquidity and leverage ratios. The Treasury Marketing and Funds Management Department has the primary responsibility for managing the Group's sources of financing and cash position. The Group believes that its current policies with respect to liquidity and leverage are prudent. The Group maintains what it believes to be a sufficient cash level and manages its liquidity by managing the maturity profile of its outstanding loans. The Group expects no material change in its policies relating to liquidity and leverage.

The Group expects that its continued asset expansion will result in higher funding requirements in the future. The Group currently has adequate credit lines from various banks and deposit substitutes generated from the quasi-banking functions of the Parent Company.

4. Fair Value Measurement

The Group held the following assets that are measured at fair value at a recurring basis and assets and liabilities for which fair values are disclosed, at their corresponding level in the fair value hierarchy. The table below also summarizes the Group's and assets and liabilities for which carrying amounts do not approximate fair values.

	June 30, 2020				
		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 OCI:					
AFS financial assets:					
Quoted equity securities	**₱1,092,410**	**₱1,092,410**	**₱1,092,410**	**₱–**	**₱–**
Assets for which fair values are disclosed					
Financial assets					
Loans and receivables					
Receivable from customers:					
Lease contract receivables	**5,458,788,186**	**5,207,196,100**	**–**	**–**	**5,207,196,100**
Notes receivable finance:					
Commercial loans	**27,097,633,200**	**27,357,622,001**	**–**	**–**	**27,357,622,001**
Auto loans	**8,151,087**	**8,282,001**	**–**	**–**	**8,282,001**
Others	**2,629,676,753**	**2,750,589,876**	**–**		**2,750,589,876**
Non-financial assets					
Investment properties	**519,176,187**	**521,761,079**	**–**	**–**	**521,761,079**
Total assets	**₱35,714,517,823**	**₱35,846,543,467**	**₱1,092,410**	**₱–**	**₱35,845,451,057**

	June 30, 2020				
		Fair Value			
	Carrying Value	**Total**	**Quoted Prices in active market (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Liabilities for which fair values are disclosed					
Financial liabilities					
Bills payable	**₱36,996,430,313**	**₱34,112,373,371**	**₱–**	**₱–**	**₱34,112,373,371**
Deposits on lease contracts	**1,588,838,255**	**1,305,871,499**	**–**	**–**	**1,305,871,499**
Financial assets designated as hedge instrument:					
Cross-currency swap	**1,393,870,107**	**1,393,870,107**	**–**	**1,393,870,107**	**–**
Total liabilities	**₱39,979,138,675**	**₱36,812,114,977**	**₱–**	**₱1,393,870,107**	**₱ 35,418,244,870**

	September 30, 2019				
		Fair Value			
	Carrying Value	Total	Quoted Prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value					
Financial assets					
Financial assets at OCI:					
AFS financial assets:					
Quoted equity securities	₱1,092,410	₱1,092,410	₱1,092,410	₱–	₱–
Assets for which fair values are disclosed					
Financial assets					
Loans and receivables					
Receivable from customers:					
Lease contract receivables	6,026,123,530	5,024,641,120	–	–	5,024,641,120
Notes receivable finance:					
Commercial loans	29,237,688,974	29,898,043,849	–	–	29,898,043,849
Auto loans	7,378,433	7,346,859	–	–	7,346,859
Others	3,901,673,682	4,031,350,440	–	–	4,031,350,440
Non-financial assets					
Investment properties	494,950,611	499,295,634	–	–	499,295,634
Total assets	₱39,668,907,640	₱39,461,770,312	₱1,092,410	₱–	₱39,460,677,902
Liabilities for which fair values are disclosed					
Financial liabilities					
Bills payable	₱38,868,316,497	₱40,831,842,387	₱–	₱–	₱40,831,842,387
Deposits on lease contracts	1,678,590,413	1,480,073,129	–	–	1,480,073,129
Financial assets designated as hedge instrument:					
Cross-currency swap	839,737,964	839,737,964	–	839,737,964	–
Total liabilities	₱41,386,644,874	₱43,151,653,480	₱–	₱839,737,964	₱42,311,915,516

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

Cash and cash equivalents (excluding cash on hand), due from BSP, other short-term receivables and accounts payable and other liabilities
Fair values approximate carrying amounts given the short-term nature of these instruments.

Financial assets at FVOCI/ AFS financial assets
Fair values are based on quoted prices published in markets.

Derivative financial instrument
Fair value of the derivative instrument is determined using a valuation technique using market observable inputs including foreign exchange rates and interest rate curves prevailing at the reporting date. For the cross-currency swaps, discounted cash flow model is applied. This valuation model discounts each cash flow of the derivatives

at a rate that is dependent on the tenor of the cash flow.

Loans and receivables (excluding other short-term receivables)
Fair values are estimated by discounted cash flow methodology, using the Group's current incremental lending rates for similar type of loans.

Bills payable and deposits on lease contracts
Fair values are estimated using the discounted cash flow methodology using the Group's current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued.

Inputs used in estimating the fair values of loans and receivables, bills payable and deposits on lease contracts categorized under Level 3 include risk-free rates and applicable risk premium.

Investment properties and non-current asset held for sale
The fair value of the investment properties and the non-current asset held for sale, measured at Level 3, has been determined based on valuations made by accredited external and/or in-house appraisers on the basis of recent sales transactions of similar properties in the same areas as the investment properties and taking into account the economic conditions prevailing at the time the valuations were made. They make use of market data approach which involves correlation and analysis of comparable lots, either recently sold or offered for sale in the market, upon which the market value of subject property is estimated.

Description of the valuation techniques and significant unobservable inputs used in the valuation of the Group's investment properties are as follows:

Valuation Techniques	
Market data approach	A process of comparing the subject property being appraised to similar comparable properties recently sold or being offered for sale.

Significant Unobservable Inputs	
Price per square meter	The unit price assigned to the property
Size	Size of lot in terms of area. Evaluate if the lot size of property or comparable conforms to the average cut of the lots in the area and estimate the impact of lot size differences on land value.
Shape	Particular form or configuration of the lot. A highly irregular shape limits the usable area whereas an ideal lot configuration maximizes the usable area of the lot which is associated in designing an improvement which conforms with the highest and best use of the property.
Location	Location of comparative properties whether on a main road, or secondary road. Road width could also be a consideration if data is available. As a rule, properties located along a main road are superior to properties located along a secondary road.

5. Loans and Receivables

This account consists of:

	June 30, 2020 (Unaudited)	September 30, 2019 (Audited)
Receivables from customers:		
Lease contract receivables:		
Lease contract receivables	**₱5,091,084,680**	₱5,724,933,656
Residual value of leased assets	**1,021,170,501**	1,103,330,369
	6,112,255,181	6,828,264,025
Unearned lease income	**(533,623,546)**	(670,548,839)
	5,578,631,635	6,157,715,186
Notes receivable financed:		
Commercial loans	**31,052,751,177**	33,789,912,099
Auto loans	**10,314,620**	8,870,537
Others	**3,074,943,222**	4,549,538,725
	34,138,009,019	38,348,321,361
Unearned finance income:		
Commercial loans	**(2,973,800,728)**	(3,916,886,573)
Auto loans	**(1,545,281)**	(1,440,113)
Others	**(321,431,370)**	(549,675,923)
	(3,296,777,379)	(4,468,002,609)
	30,841,231,640	33,880,318,752
Other receivables:		
Receivables – trade	**492,897,907**	250,543,964
Receivables from employees	**13,528,242**	13,470,515
Others	**164,845,882**	156,830,107
	671,272,031	420,844,586
Allowance for credit losses	**(1,251,553,006)**	(889,308,275)
	₱35,839,582,300	₱39,569,570,249

Lease contract receivables, which are solely accounts of the Parent Company, are due in monthly installments with terms ranging from one (1) to five (5) years.

Notes receivables financed - others mainly consists of personal loans and employee loans. This also consists of all other loan products of the Company that are collateralized by cars and equipment.

The effective interest rates of receivables from customers range from 9.0% to 15.0% and 7.0% to 12.0% for the nine months period ended June 30, 2020 and 2019, respectively.

Of the total receivables from customers of the Group as of June 30, 2020 and September 30, 2019, 10.84% and 11.8%, respectively, are subject to periodic interest repricing. The remaining receivables from customers earn annual fixed interest rates range from 6.0% to 12.0% and 6.0% to 9.0% for the nine months period ended June 30, 2020 and 2019.

Receivables - trade represents primarily the receivables of the subsidiaries from their clients under the operating lease arrangements and the reimbursable expenses of the Parent Company from its customers.

Changes in the allowance for credit losses on loans and receivables follow:

	June 30, 2020 (Nine months) (Unaudited)	September 30, 2019 (One year) (Audited)
Balance at beginning of period	**₱889,308,275**	₱576,543,158
Movements during the period:		
Provision for credit and impairment losses	**361,800,000**	363,172,206
Accounts written-off	–	(50,407,089)
Other adjustments	**444,731**	–
	362,244,731	312,765,117
Balance at end of period	**₱1,251,553,006**	₱889,308,275

The net non-performing loans (NPLs) of the Parent Company as reported to the BSP follow:

	June 30, 2020	September 30, 2019
Total NPLs	**₱1,863,459,389**	₱1,498,018,840
Less NPLs fully covered by allowance for credit losses	**253,201,739**	121,269,212
	₱1,610,257,650	₱1,376,749,628

As of June 30, 2020 and September 30, 2019, all NPLs of the Parent Company are secured with collaterals.

Under BSP Circular No. 941, loans, investments, receivables, or any financial asset shall be considered non-performing, even without any missed contractual payments, when it is considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full payment of principal and interest is unlikely without foreclosure of collateral, if any. All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest are unpaid for more than ninety (90) days from contractual due date, or accrued interests for more than ninety (90) days have been capitalized, refinanced, or delayed by agreement.

Loans are classified as non-performing in accordance with BSP regulations, or when, in the opinion of management, collection of interest or principal is doubtful. Loans are not classified as performing until interest and principal payments are brought current or the loans are restructured in accordance with existing BSP regulations, and future payments appear assured. Loans which do not meet the requirements to be treated as performing loans shall also be considered as NPLs.

Under BSP Circular No. 1011, BSP issued guidelines on impairment of financial instruments to align with the requirements of PFRS 9 including classification of credit exposures into three stages in measuring ECL.

6. 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. Parties are also considered to be related if they are subjected to common control or common significant influence. Related parties may be individuals or corporate entities. Transactions between related parties are based on terms similar to those offered to non-related parties.

In the ordinary conduct of business, the Parent Company has transactions with its ultimate parent, MBTC, and with its subsidiaries. These transactions are done in the normal conduct of operations and are recorded in the same manner as transactions entered into with other third parties.

Below are the transactions of the Parent Company with its related parties:

Category	Amount/Volume for the period ended June 30, 2020 (Unaudited)	Outstanding Balances as of June 30, 2020 (Unaudited)	Terms and Conditions/Nature
Parent Company			
MBTC			
Cash and cash equivalents		**₱686,834,282**	These are savings and current deposit accounts with an annual interest rates ranging from 0.5% to 1.7%.
Deposits	**₱134,120,148,541**		
Withdrawals	**(134,023,142,173)**		
Interest income	**195,283**		This represents interest earned on the above savings deposit accounts.
Derivative liability		**1,393,870,107**	This represents the fair value of the cross-currency swaps.
Bills payable – bank borrowings		**5,124,838,202**	These are dollar-denominated three-year borrowing with floating interest rate at 3 months USD-LIBOR plus credit spread ranging from 0.8% to 1.0% designated as hedged item in a cash flow hedge.
Availments	**63,250,562**		
Settlements	**(268,943,446)**		
Interest expense on bank borrowings	**112,755,564**		This represents the interest expense incurred on the above borrowings and the net interest expense on the cross-currency swaps.
Accrued interest payable		**14,963,373**	Accrued interest on the above bills payable
Interest expense on lease liability	**581,814**		This represents interest expense on lease liability related to office space leased.
Entities under common control			
Philippine Savings Bank (PS Bank)			
Cash and cash equivalents		**26,122,331**	These are savings and current deposit accounts with an annual interest rates ranging from 0.01% to 0.05%.
Deposits	**1,187,044,326**		
Withdrawals	**(1,196,334,099)**		
Interest income	**2,837**		This represents interest earned on the above savings deposit accounts.
Affiliates			
Federal Land, Inc.*			
Interest expense on lease liability	**3,279,079**		This represents interest expense on lease liability related to office space leased.
Subsidiaries			
OALPC, ORC, OIAI, OITDC, OSC			
Receivables from subsidiaries**		**382,388**	This refers to various advances for repairs and maintenance made by branches of OALP and ORC's share in office rentals and share in salaries of employees. Non-interest bearing, unsecured and due on demand. No impairment provided.
Additions	**62,344,281**		
Collections	**(62,015,874)**		
Payables to subsidiaries***		**₱–**	Insurance premiums received on

Additions	**45,769,484**		behalf of OIA. Non-interest bearing and due on demand.
Settlements	**(47,747,400)**		
Bills payable – deposit substitutes		**48,796,814**	Placements of deposit substitutes with interest ranging from 2.5% to 5.9% per annum and with tenor of 18 to 365 days; unsecured
Additions	**195,076,212**		
Settlements	**(200,553,182)**		
Interest expense	**1,275,2621**		This represents interest expense incurred on the above bills payable.
Accrued interest payable		**212,929**	Accrued interest on the above bills payable
Interest expense on lease liability	**11,857**		This represents interest expense on lease liability to ORC related to office space leased for OMLFC-Calamba.
Rental expense	**20,454,305**		This represents car rental expenses to OALP and ORC and warehouse rental expenses to OITDC.
Management fee income	**5,886,000**	**27,000**	This pertains to management fees for the office and administrative services rendered to OIAI, OITDC and OSC.

Category	Amount/Volume for the period ended June 30, 2019 (Unaudited)	Outstanding Balances as of September 30, 2019 (Unaudited)	Terms and Conditions/Nature
Parent Company			
MBTC			
Cash and cash equivalents		₱602,332,243	These are savings and current deposit accounts with an annual interest rates ranging from 0.5% to 1.7%.
Deposits	₱183,624,797,867		
Withdrawals	(183,470,626,489)		
Interest income	122,211		This represents interest earned on the above savings deposit accounts.
Derivative liability		839,737,964	This represents the fair value of the cross-currency swaps.
Bills payable – bank borrowings		5,330,531,086	These are short-term unsecured borrowings with interest rate of 4.9% annum and dollar-denominated three-year borrowing with floating interest rate at 3 months USD-LIBOR plus credit spread ranging from 0.8% to 1.0% designated as hedged item in a cash flow hedge.
Availments	2,581,390,244		
Settlements	(346,370,019)		
Interest expense on bank borrowings	140,088,602		This represents the interest expense incurred on the above borrowings and the net interest expense on the cross-currency swaps.
Accrued interest payable		₱26,849,240	Accrued interest on the above bills payable

Interest expense on lease liability	239,771		This represents interest expense on lease liability related to office space leased.
Entities under common control			
Philippine Savings Bank (PS Bank)			
Cash and cash equivalents		30,138,565	These are savings and current deposit accounts with an annual interest rates ranging from 0.1% to 1.7%.
Deposits	1,426,540,146		
Withdrawals	(1,428,318,043)		
Interest income	1,304		This represents interest earned on the above savings deposit accounts.
Affiliates			
Federal Land, Inc.*			
Interest expense on lease liability	1,898,113		This represents interest expense on lease liability related to office space leased.
Subsidiaries			
OALPC, ORC, OIAI, OITDC, OSC			
Receivables from subsidiaries**		53,980	This refers to various advances for repairs and maintenance made by branches of OALP and ORC's share in office rentals and share in salaries of employees. Non-interest bearing, unsecured and due on demand. No impairment provided.
Additions	126,891,948		
Collections	(126,891,948)		
Payables to subsidiaries**		1,977,916	Insurance premiums received on behalf of OIA. Non-interest bearing and due on demand.
Additions	53,810,519		
Settlements	(53,810,519)		
Bills payable – deposit substitutes		54,273,784	Placements of deposit substitutes with interest ranging from 2.5% to 5.9% per annum and with tenor of 18 to 365 days; unsecured
Additions	479,485,598		
Settlements	(517,406,918)		
Interest expense	1,964,371		This represents interest expense incurred on the above bills payable.
Accrued interest payable		198,488	Accrued interest on the above bills payable
Interest expense on lease liability	38,455		This represents interest expense on lease liability to ORC related to office space leased for OMLFC-Calamba.
Rental expense	18,839,930		This represents car rental expenses to OALP and ORC and warehouse rental expenses to OITDC.
Management fee income	5,886,000	-	This pertains to management fees for the office and administrative services rendered to OIAI, OITDC and OSC.

*Federal Land Inc. is a subsidiary of GT Capital Holdings, Inc., which has significant influence over MBTC.
**Receivables from subsidiaries are presented in 'Others' under 'Other receivables'.
*** Payables to subsidiaries are presented in 'Accounts payable' under 'Accounts Payable and Other Liabilities'.

Affiliates are companies indirectly connected to the Parent Company by reason of interlocking directors and/or officers and those that are under common control or common significant influence.

The accounting and administrative functions of the subsidiaries, except for OALPC and ORC, are being handled by the Parent Company at a cost under a Contract of Sharing Agreement.

Transactions with subsidiaries have been eliminated in the interim condensed consolidated financial statements. In the ordinary course of business, the Parent Company has loan transactions with investees and with certain DOSRI. Existing banking regulations limit the amount of individual loans to DOSRI, 70.0% of which must be secured, to the total of their respective deposits and book value of their respective investments in the Parent Company. Such limit does not apply to loans secured by assets considered as non-risk as defined in the regulations. In the aggregate, loans to DOSRI generally should not exceed the respective total regulatory capital or 15.0% of total loan portfolio, whichever is lower. As of June 30, 2020 and September 30, 2019, the Parent Company was in compliance with such regulations.

For the periods ended June 30, 2020 and 2019, compensation of key management personnel of the Group and the Parent Company (covering officer positions starting from Assistant Vice President and up) included under 'Compensation and employees' benefits' under 'General and Administrative Expenses' in the statements of income follows:

	June 30, 2020 (Unaudited)	June 30, 2019 (Unaudited)
Short-term employee benefits	**₱32,171,504**	₱32,331,801
Post-employment pension and medical benefits	**6,628,500**	2,337,628
	₱38,800,004	₱34,669,429

Short-term employee benefits include salaries, paid annual leave and paid sick leave, profit sharing and bonuses and non-monetary benefits.

Regulatory Reporting
BSP Circular No. 423 dated March 15, 2004 amended the definition of DOSRI accounts. The following table shows information relating to the Parent Company loans, other credit accommodations and new guarantees classified as DOSRI accounts under regulations existing prior to said circular and new DOSRI loans, other credit accommodations granted under said circular as of June 30, 2020 and September 30, 2019:

	June 30, 2020 (Unaudited)	September 30, 2019 (Audited)
Total outstanding DOSRI accounts	**₱29,763,214**	₱27,447,829
Percent of DOSRI accounts to total loans	**0.08%**	0.06%
Percent of unsecured DOSRI accounts to total DOSRI accounts	**64.21%**	62.90%

BSP Circular No. 560 which became effective on February 22, 2007 provides the rules and regulations that govern loans, other credit accommodations and guarantees granted to subsidiaries and affiliates of the banks/quasi-banks. Under the said Circular, the total outstanding exposures to each of the said subsidiaries and affiliates shall not exceed 10.0% of the lending bank's/quasi-bank's net worth, the unsecured portion of which shall not exceed 5.0% of such net worth. Further, the total outstanding exposures to subsidiaries and affiliates shall not exceed 20.0% of the net worth of the lending bank/quasi-bank; and the subsidiaries and affiliates of the lending bank/quasi-bank are not related interest of any director, officer and/or stockholder of the lending institution, except where such director, officer or stockholder sits in the BOD or is appointed officer of such corporation as representative of the bank/quasi-bank.

As of June 30, 2020 and September 30, 2019, the Group has no outstanding DOSRI accounts granted prior to the approval of BSP Circular No. 423.

Total interest income on DOSRI loans amounted to ₱1.09 million and ₱0.79 million for the nine months periods ended June 30, 2020 and 2019, respectively, is included under 'Financing' in the statements of income.

As of June 30, 2020 and September 30, 2019, the retirement fund of employees amounting to ₱602.5 million and ₱507.8 million, respectively, for the Group is being managed by the Trust and Banking Group of MBTC.

7. Segment Information

The Group's operating businesses are organized and managed separately according to the different markets served, with each segment representing a strategic business unit.

The Group's operating segments are as follows:

- Countryside Branches
  Countryside branches comprised of 90% of the Parent Company's branch network throughout the country, this business segment gives the advantage of capturing the high yielding mortgage loans business to small and medium enterprises (SMEs) in the provinces. Branches in key cities in the countryside also target medium and large corporates offering them leasing and financing services.

- Head Office and Metro Manila Branches
  Head Office and Metro Manila Branches segment caters to both multinational and other big local companies for their leasing and financing requirements as well as SMEs in building their businesses in Metro Manila.

- Subsidiaries
  This segment consists of four (4) wholly owned subsidiaries engaged in businesses that provide synergy to the Parent Company, that is, operating leases of motor vehicles, computers and other equipment, factory and warehouse leasing, an insurance agency and one (1) 60% owned subsidiary engaged in the general servicing business providing credit and collection functions.

For common expenses, the Group allocates them among operating segments based on loan portfolio balances.

The following tables present revenue and income information of the Group's operating segments measured in accordance with PFRS as of June 30, 2020 and September 30, 2019, and for the periods ended June 30, 2020 and 2019:

	Countryside Branches	Head Office and Metro Manila Branches	Subsidiaries	Total
For the period ended June 30, 2020 (Unaudited)				
Results of Operations:				
Revenues – leasing and financing	**₱3,211,586,817**	**₱461,470,182**	**₱1,060,976,406**	**₱4,734,033,405**
Revenues – services	**75,529,729**	**12,283,084**	**156,829,362**	**244,642,175**
Other income	**117,214,979**	**152,530,383**	**237,386,447**	**507,131,809**
Total income	**3,404,331,525**	**626,283,649**	**1,455,192,215**	**5,485,807,389**
Total expenses	**2,768,992,201**	**513,989,669**	**1,192,789,126**	**4,475,770,996**
Income before income tax	**635,339,324**	**112,293,980**	**262,403,089**	**1,010,036,393**
Provision for income tax	**182,888,449**	**32,324,887**	**73,798,282**	**289,011,618**
Net income	**₱452,450,875**	**₱79,969,093**	**₱188,604,807**	**₱721,024,775**

Statement of Financial Position as of June 30, 2020 (Unaudited)	**Countryside Branches**	**Head Office and Metro Manila Branches**	**Subsidiaries**	**Total**
Total assets	**₱30,056,011,411**	**₱17,304,791,206**	**₱4,477,848,621**	**₱51,838,651,238**
Total liabilities	**2,161,071,344**	**37,877,287,054**	**2,726,594,749**	**42,764,953,147**
Other Segment Information for the period ended June 30, 2020:				
Capital expenditures	**₱173,995,768**	**₱35,797,464**	**₱480,570,997**	**₱690,364,229**
Depreciation and amortization	**182,144,055**	**68,333,425**	**777,215,605**	**1,027,693,085**
Provision for credit losses – net	**233,776,260**	**126,223,740**	**1,800,000**	**361,800,000**

For the period ended June 30, 2019 (Unaudited)	Countryside Branches	Head Office and Metro Manila Branches	Subsidiaries	Total
Results of Operations:				
Revenues – leasing and financing	₱3,153,144,741	₱512,407,884	₱1,184,623,893	₱4,850,176,518
Revenues – services	145,664,222	47,184,240	26,701,157	219,549,619
Other income	146,236,547	67,997,390	385,703,907	599,937,844
Total income	3,445,045,510	627,589,514	1,597,028,957	5,669,663,981
Total expenses	2,847,483,158	516,683,694	1,302,975,019	4,667,141,871
Income before income tax	597,562,352	110,905,820	294,053,938	1,002,522,110
Provision for income tax	164,594,386	25,965,070	68,629,376	259,188,832
Net income	₱432,967,966	₱84,940,750	₱225,424,562	₱743,333,278
Statement of Financial Position as of September 30, 2019 (Audited)				
Total assets	₱33,566,160,361	₱15,096,815,029	₱4,496,049,375	₱53,159,024,766
Total liabilities	2,578,544,044	39,204,247,330	2,847,549,706	44,630,341,080
Other Segment Information for the period ended June 30, 2019:				
Capital expenditures	₱169,893,134	₱34,877,588	₱623,199,225	₱827,969,947
Depreciation and amortization	153,589,682	50,382,163	794,744,643	998,716,488
Provision for credit losses – net	187,018,375	53,814,454	10,395,665	251,228,494

8. Other Information

Commitments and Contingent Liabilities

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

Subsequent Events

There were no subsequent events that took place after June 30, 2020.

Earnings Per Share

Earnings per share is determined by dividing the net income for the period by the weighted average number of

common shares issued and outstanding during the nine months period, computed as follows:

	June 30, 2020 (Unaudited)	June 30, 2019 (Unaudited)
Net income*	**₱722,244,063**	₱735,472327
Weighted average number of common shares	**70,403,570**	51,679,433
Earnings per share	**₱10.26**	₱14.23

**Attributable to Equity Holders of the Parent Company*

Dividends
There was no dividend declaration during the period ended June 30, 2020.

Issuance of Securities
In October 2019, the Parent Company issued the first tranche bonds of P4.2 billion from its P10.0 billion retail bond programme. Subsequently, the Parent company's retail bonds were listed in the Philippine Dealing and Exchange Corporation on November 15, 2019.

Material Events
There were no material events that took place during the period ended June 30, 2020, except for the issuance of debt securities mentioned above.

Group's Pandemic Response
Starting March 16, 2020, Metro Manila and many provinces were placed in Enhanced Community Quarantine due to COVID-19 Pandemic and General Community Quarantine by end of June 2020. In response to the threat of COVID-19, the Group has put in place several precautionary measures to reassure its employees, customers and stakeholders that their health, safety and well-being are of utmost importance. This includes deployment of skeletal workforce to the Disaster Recovery Site in Calamba Office, re-assignment of employees based in Head Office in Makati to the nearest branches where they reside and implementation of flexible work arrangements.

The management believes that tourism and its related industries are among the most adversely affected by this crisis but the Company has very limited exposure to these industries as the bulk of the clients are SMEs engaged in consumer and agri-product industries considered essential at this time.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Results of Operations (For the Period Ended June 30, 2020 and 2019)

Total revenue for the period ended June 30, 2020 was ₱5.49Bn, a decrease of 3.24% from ₱5.67Bn in the same period last year. The Group's main revenue coming from financing, leasing and services decreased to ₱4.98Bn which is 1.80% lower compared to ₱5.07Bn of the same period last year. The Group's leasing and financing business is slightly affected by COVID-19 pandemic which slip its revenue by 4.16% and 1.63%, respectively.
Revenue from other sources also decreased to ₱507Mn or 15.45% lower from ₱600Mn in the same period last year mainly due to the decrease in net profit from sale of assets by ₱132Mn. Results of operations during the third quarter of the fiscal year was slightly affected by the Enhanced General Community Quarantine implemented in the country. The COVID-19 Pandemic adversely affected the tourism and related industries amongst the businesses in the country but the Company has very limited exposure as the concentration of the clients are engaged in consumer and agri-products businesses which are considered essentials during the crisis.

Interest and financing charges decreased by 10.73% to ₱1.73Bn consisting of finance charges from bank borrowings of ₱1.42Bn, deposit substitutes of ₱292Mn and interest on lease liability of ₱13Mn. The decrease of P208Mn in interest and financing charges was mainly due to the decrease in bills payable balance to a monthly average of ₱36.89Bn for the period ended June 30, 2020 from an average of ₱39.03Bn in the same period of last year.

General and administrative expenses increased by 0.6% to ₱2.74Bn from ₱2.72Bn driven by the increase in major expenses such as provision for estimated credit losses (₱110.5Mn) and depreciation & amortization (₱19.5Mn, net of decrease in rent expense following the adoption of PFRS 16). The above increase was offset by the decrease in various expenses including taxes and licenses (₱20.2Mn), insurance expense (₱10.9Mn), fuel and lubricants (₱ 10.0Mn), stationery and office supplies (₱5.2Mn) and other miscellaneous expenses (₱81.8Mn) due to the continuous cost-cutting efforts implemented starting in the middle of the last fiscal year.

As a result, the Group's net income after tax decreased by 3.0% to ₱721Mn for the period ended June 30, 2020 from ₱743Mn in the same period of last year.

Financial Condition (June 30, 2020 and September 30, 2019)

The Group's asset base decreased by 2.48% to ₱51.84Bn in June 2020 from ₱53.16Bn in September 2019. Loans and receivables, which comprised 69.14% of total resources, decreased by 9.43% or ₱3.73Bn to ₱35.84Bn from ₱39.57Bn. Loans and receivables are primarily composed of lease receivables, finance receivables and other loans amounting to ₱37.09Bn before allowance for credit losses. Due from and placements with the BSP account for 16.51% of total assets, while equipment for lease account for 4.67%. Total liabilities decreased by 4.18% to ₱42.76Bn from ₱44.63Bn driven by decrease in bills payable to ₱37.0Bn from ₱38.87Bn and accounts payable and other liabilities to ₱2.26Bn from ₱2.74Bn while lease liability increased from ₱215Mn to ₱255Mn, and increase in derivative liability resulting from mark-to-market of cross currency swap from ₱840Mn to ₱1.40Bn. Bills payable, composed of bank borrowings and deposit substitutes, account for 86.5% of total liabilities. Bank borrowings for the year increased by 7.08% to ₱31.61Bn from ₱29.52Bn while deposit substitutes decreased by 43.14% to ₱5.39Bn from ₱9.47Bn. Bonds payable issued by the Parent Company amounted to ₱4.16Bn with fixed rate corporate bond.

Discussion of Key Financial Ratios

The following financial ratios measure the financial performance of OMLF as of and for the periods ended June 30, 2020 and 2019 and September 30, 2019:

Key Financial Ratios

(In actual PHP)	**June 30, 2020 (Unaudited)**	**June 30, 2019 (Unaudited)**	**September 30, 2019 (Audited)**
Return on Average Assets (1)	**1.83%**	1.95%	**2.08%**
Return on Average Equity (2)	**10.86%**	12.00%	**13.20%**
Net Interest Margin on Average Earning Assets (3)	**6.81%**	6.47%	**6.30%**
Tier 1 Capital Adequacy Ratio (4)	**15.40%**	13.02%	**13.62%**
Capital Adequacy Ratio (5)	**16.28%**	13.63%	**14.36%**
Nonperforming loans (6)	**4.75%**	3.26%	**3.40%**
Nonperforming loans	**1,863,459,389**	1,455,824,751	**1,498,018,840**
Total loans receivable	**39,229,093,699**	44,653,490,913	**44,073,255,017**

(1) Net income divided by average total assets for the period indicated. Average total assets is based on outstanding balances at the beginning and end of the period divided by two.
(2) Net income divided by average total equity for the period indicated. Average total equity is based on outstanding balances at the beginning and end of the period divided by two.
(3) Net interest income divided by average interest-earning assets for the period indicated. Average interest-earning assets are based on outstanding balances at the beginning and end of the period divided by two. (The Group's earning assets comprised of Cash and Cash Equivalents, Interbank Loans Receivable, Securities Purchased under Repurchase Agreement, Lease Contracts Receivable, Notes Receivable Financed, and Equipment for Lease.)
(4) Tier 1 capital divided by total risk weighted assets of the Company as reported to the BSP.
(5) Total qualifying capital divided by total risk-weighted assets of the Company as reported to the BSP.

(6) Non-performing Loan (NPL) Ratio is equal to the amount of non-performing loans divided by the total amount of loans receivable per BSP.

Detailed discussion on some of the key performance indicators of the Company are as follows:

- *Return on Average Assets*
  Return on Average Assets (ROA) or the ratio of annualized net income to average total assets, measured the return on money provided by both stockholders and creditors, as well as how efficiently all assets are managed. ROA decreased to 1.83% from 2.08% on account of the lower net income (annualized) attributable to equity holdings of the Parent Company and lower average assets.

- *Return on Average Equity*
  Return on Average Equity (ROE) or the ratio of annualized net income to average total equity, measured the return on capital provided by both stockholders. ROE increased to 10.86% from 13.20% on account of the lower net income (annualized) attributable to equity holdings of the Parent Company.

- *Net Interest Margin on Average Earning Assets*
  Net interest margin (NIM) is a measure of the difference between interests received and interests paid, adjusted for the total amount of interest-generating assets. NIM increased to 6.81% from 6.30% on account of lower interest cost (annualized).

- *Tier 1 Capital Adequacy Ratio*
  This represents Tier 1 capital over the risk-weighted assets. Tier 1 capital comprises share capital, retained earnings including current year profit, less deferred income tax, certain adjustments are made in PFRS-based results and reserve as prescribed by the BSP. It went up from 13.62% to 15.40% from last year due to decrease in total risk-weighted assets.

- *Capital Adequacy Ratio*
  This represents the ratio of net qualifying capital over the risk-weighted assets. It went up from 14.36% to 16.28% from last year due to decrease in total risk-weighted assets.

- *Non-performing loans*
  Non-performing loans are those considered impaired and/or there is evidence that full repayment of principal and interest is unlikely without foreclosure of collateral, if any. Under existing BSP circulars, loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest are unpaid for more that ninety (90) days from contractual due date. Microfinance and other small loans with similar credit characteristics shall be considered non-performing after it has become past due. OMLFC NPL ratios as at the end of the periods presented are consistently been below industry average despite the pandemic as bulk, the clients are engaged in consumer and agri-products business which are considered essentials during the crisis.

Financial Soundness Indicators

Performance Indicator	As of June 30	
	2020 (Unaudited)	2019 (Unaudited)
a. Currency/Liquidity Ratio	**182.47%**	89.94%
b. Solvency Ratio	**5.45%**	5.59%
c. Debt to Equity Ratio	**471.13%**	494.80%
d. Asset to Equity Ratio	**571.13%**	594.80%
e. Interest Rate Coverage Ratio	**158.26%**	151.62%
f. Net Profit Margin Ratio	**13.14%**	13.11%
g. Capital Adequacy Ratio	**16.28%**	13.63%
h. Tier 1 Capital Adequacy Ratio	**15.40%**	13.02%

SUPPLEMENTARY SCHEDULES REQUIRED BY ANNEX 68-E UNDER SRC RULE 68, AMENDED
For the period ended and as of June 30, 2020

1. Financial Assets

	Number of shares/principal amount of bonds/notes	Amount shown in the statement of financial position	Value based in the market quotation at end of reporting period*	Income/(Loss) received and accrued
Financial Asset at OCI:				
Quoted equity securities	₱448	₱1,092,410	₱1,092,410	₱–
Loans and Receivables				
Receivable from customers:				
Lease contract receivables	₱5,458,788,186	₱5,458,788,186	₱5,207,196,100	₱1,411,337,390
Notes receivable financed:				
Commercial loans	27,097,633,200	27,097,633,200	27,357,622,001	3,028,252,403
Auto loans	5,151,087	5,151,087	8,282,001	909,408
Others	2,629,676,753	2,629,676,753	2,750,589,876	293,534,204
Sub-total	29,732,461,040	29,732,461,040	30,116,493,878	3,322,696,015
Total loans and receivables	₱35,191,249,226	₱35,191,249,226	₱35,323,689,978	₱4,734,033,405

**Loans and receivable (excluding other short-term receivable), fair values are estimated by discounted cash flow methodology, using the Group's current incremental lending rates for similar type of loans.*

Financial assets at FVOCI are investments in equity instruments irrevocably designated at FVOCI and are measured at fair value in the statement of financial position.

Loans and receivables are measured in the statement of financial position at amortized cost using effective interest rate method, less allowance for credit losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and the fees and costs that are an integral part of the effective interest rate (EIR).

2. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties) in the Ordinary Course of Business

Name of and designation of debtor	Balance at Oct. 1, 2019	Additions	Amounts collected	Amounts written-off	Current	Non-current	Balance at June 30, 2020
Staff	₱45,245,803	₱18,516,935	(₱19,307,410)	(₱–)	₱5,077,947	₱39,377,381	₱44,455,328
Officers	21,313,396	9,435,331	(7,656,946)	(–)	998,513	22,093,268	23,091,781
Total	₱66,559,199	₱27,952,266	(₱26,964,356)	(₱–)	₱6,076,460	₱61,470,649	₱67,547,109

3. Amounts of Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements

Name of debtor	Relationship	Balances at Oct. 1, 2019	Additions	Amounts Collected	Amounts written-off	Current	Non-current	Balances at June 30, 2020
ORC	Subsidiary	₱4,200	₱61,938,198	(₱61,560,581)	(₱–)	₱381,817	₱–	₱381,817
OALP	Subsidiary	1,630	9,346	(10,406)	(–)	571	–	571
OITDC	Subsidiary	48,150	49,251	(97,401)	(–)	–	–	–
OIA	Subsidiary	–	331,852	(331,852)	(–)	–	–	–
OSC	Subsidiary	–	15,634	(15,634)	(–)	–	–	–
		₱53,980	₱62,344,281	(62,015,874)	(₱–)	₱382,388	₱–	₱382,388

4. Intangible Assets – Other Assets

Software
The movement in 'Software' of the Group follows:

Cost	
Balance at beginning of period	**₱85,823,496**
Additions	**17,936,158**
Balance at end of period	**103,759,654**
Accumulated Amortization	
Balance at beginning of period	**17,849,417**
Amortizations	**12,018,144**
Balance at end of period	**29,867,561**
Net Book Value	**₱73,892,093**

Franchise
The local vehicle franchises represent the payment made by OALPC to Bel Air Transit Services Corp. (BATCO) for the three (3) the Certificate of Public Convenience granted to BATCO by the Department of Transportation and Communications – Land Transportation Franchising and Regulatory Board (LTFRB) to operate a tourist ren-a-car service and tourist chartered service for 300 units. As of June 30, 2020, the local vehicle franchises are provided with full allowance for impairment losses amounting to ₱15.0 million.

5. Long Term Debt

The table below shows the long-term debt of the Group as of June 30, 2020:

Title of issue and type of obligation	Amount authorized by indenture	Current Portion of long-term debt	Non-current portion of long-term debt
Bank borrowings	₱25,840,285,550	₱5,025,393,604	₱20,502,480,014
Deposit substitutes	1,518,981,450	1,314,206,480	201,043,531
Bonds Payable	4,160,000,000	–	4,131,414,509
	₱31,519,267,000	₱6,339,600,084	₱24,834,938,054

The long-term deposit substitutes have annual interest rates ranging from 3.2% to 7.5% and generally, have tenor of up to two (2) years.

Long-term banks borrowings include unsecured loans payable to various banks and lenders with annual interest rates ranging 4.0% to 7.3% for peso-denominated bills payable and from 1.72% to 2.9% for USD-denominated bills payable. These bank borrowings generally have tenors of up to three (3) years.

6. Indebtedness to Related Parties (Long-Term Loans from Related Companies)

As of June 30, 2020, ORIX METRO Leasing and Finance Corporation has no long-term debt to related parties.

7. Guarantees of Securities of Other Issuers

As of June 30, 2020, ORIX METRO Leasing and Finance Corporation has no guarantees of securities of other issuers.

8. Capital Stock

	Common Stock
Authorized number of shares	100,000,000
Number of shares issued and outstanding as shown under the related statement of financial position caption	71,438,917
Number of shares reserve for options, warrants, conversion and other rights	–
Number of shares held by affiliates	71,438,908
Number of shares held by directors, officers and employees	9

PART II - OTHER INFORMATION

There are no information not previously reported in a report on SEC Form 17-C.

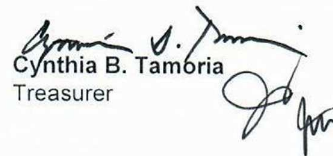
SIGNATURES

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

Issuer: **ORIX METRO Leasing and Finance Corporation**

By:

Constancio B. Tan
President



Cynthia B. Tamoria
Treasurer

Date: **July 14, 2020**