COVER SHEET

CS200711792

SEC Registration Number

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

(Company's Full Name)

43rd Floor, GT Tower International, Ayala Avenue corner H.V. dela Costa St., Makati City

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

Francisco H. Suarez, Jr. /Atty. Renee Lynn Miciano-Atienza

(Contact Person)

8836-4500

(Company Telephone Number)

12 31

Month *Day*

(Fiscal Year)

17-A

(Form Type)

05 11

Month *Day*

(Annual Meeting)

Certificate of Permit to Offer Securities for Sale (Order #92)

(Secondary License Type, If Applicable)

MSRD

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings (in PHP billion)

89

Total No. of Stockholders

Domestic	Foreign
10.1 bonds	

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

SEC Number CS200711792
File Number __________

GT CAPITAL HOLDINGS, INC.

(Company's Full Name)

43rd Floor, GT Tower International, Ayala Avenue cor H.V. Dela Costa St, Makati City

(Company's Address)

8836-4500

(Telephone Number)

December 31

(Fiscal year ending)

17-A

(Form Type)

(Amendment Designation, if applicable)

December 31, 2021

(Period Ended Date)

None

(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1.	For the fiscal year ended:	**December 31, 2021**
2.	SEC Identification Number:	**CS200711792**
3.	BIR Tax Identification Code:	**006-806-867**
4.	Name of Registrant as specified in its charter:	**GT CAPITAL HOLDINGS, INC.**
5.	Province, country or other jurisdiction of incorporation or organization:	**METRO MANILA, PHILIPPINES**
6.	Industry Classification Code:	(SEC Use Only)
7.	Address of principal office:	**43/F GT Tower International,** **6813 Ayala Avenue corner H. V. Dela Costa St.,** **Makati City, Metro Manila, Philippines** Postal Code: **1227**
8.	Registrant's telephone number, including area code:	**(632) 8836-4500**
9.	Former name, former address, former fiscal year:	**Not Applicable**

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

a) Shares of Stock

Title of Each Class	Number of Shares/ Amount of Debt Outstanding
Common Shares	**215,284,587**
Series A Perpetual Preferred Shares (GTPPA)	**4,839,240**
Series B Perpetual Preferred Shares (GTPPB)	**7,160,760**
Amount of Debt Outstanding	**10,077,470,407**

b) Debt securities: Php10.1 Billion Bonds*

**amount represents only the debt of GT Capital Holdings, Inc. registered with Philippine SEC*

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

Yes [X] No [ ]

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

Type of Share	Stock Exchange
Common Shares	Philippine Stock Exchange
GTPPA	Philippine Stock Exchange
GTPPB	Philippine Stock Exchange
Corporate Retail Bonds	Philippine Dealing and Exchange Corporation

12. Check whether the issuer:

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

Yes [X] No [ ]

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

Yes [X] No [ ]

13. Aggregate market value of voting stock held by non-affiliates: **Php52.0 billion** (based on closing price of Php552.00 as of March 31, 2022 and 94,291,152 outstanding common shares held by public as of December 31, 2021); **Php17.4 million** (based on offer price of Php0.10 per share as of April 13, 2015 and 174,300,000 voting preferred shares as of December 31, 2021)

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

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission. **Not Applicable**

Yes [ ] No [ ]

DOCUMENTS INCORPORATED BY REFERENCE

15. Briefly describe documents incorporated by reference and identify the part of SEC Form 17-A into which the document is incorporated:

(a) 2021 Audited Consolidated Financial Statements of GT Capital Holdings, Inc. and Subsidiaries (incorporated as reference for items 1,7, and 8 of SEC Form 17-A)

(b) 2021 Audited Consolidated Financial Statements of Metropolitan Bank and Trust Company (incorporated as reference for item 1 of SEC Form 17-A)

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PART I.

BUSINESS AND GENERAL INFORMATION

Item 1. **Business**

GT Capital Holdings, Inc. (GT Capital or the Company or the Parent Company or the Group) was incorporated in the Republic of the Philippines on July 26, 2007. The Company's registered office address and principal place of business is at 43/F GT Tower International, 6813 Ayala Avenue corner H. V. Dela Costa St., Makati City, Metro Manila, Philippines. GT Capital is a listed company, of which 56.20% of common shares is owned by Grand Titan Capital Holdings, Inc. (Grand Titan) and the directors and senior officers of GT Capital, while the balance of 43.80% is publicly owned as of December 31, 2021.

GT Capital is a major Philippine conglomerate with interests in market-leading businesses across banking, automotive assembly, importation, distribution and financing, property development, life and non-life insurance, and infrastructure and utilities. GT Capital is the primary vehicle for the holding and management of the diversified business interests of the Ty family in the Philippines. GT Capital's business management, investment decisions and future business development are and will be firmly rooted in its corporate values of integrity, competence, respect, entrepreneurial spirit and commitment to value creation.

As a testament to its market position, GT Capital was listed on the Philippine Stock Exchange (PSE) in April 2012, included in the PSE Index in September 2013, in the Financial Times Stock Exchange (FTSE) All-World Index in March 2014, and in the Morgan Stanley Capital International (MSCI) Philippine Index in May 2015.

GT Capital's portfolio of businesses is well-positioned to benefit from broad-based growth in the Philippine economy and domestic consumption in particular. The portfolio as of December 31, 2021 comprises directly-held interests in the following GT Capital component companies:

- **Automotive assembly, importation, distribution, dealership and financing –** GT Capital primarily conducts its automotive business through its 51.0% interest in Toyota Motor Philippines Corporation (TMP). TMP is engaged in the assembly, importation, and wholesale distribution of Toyota motor vehicles in the Philippines, and is also engaged in the sale of motor vehicle parts and accessories both within the Philippines and abroad through exports. TMP is also engaged in the distribution of Lexus brand motor vehicles in the Philippines. In addition, TMP owns Toyota Makati with one (1) branch – Toyota Bicutan; Toyota San Fernando in Pampanga with two (2) branches – in Plaridel, Bulacan and Hacienda Luisita, Tarlac City; and Lexus Manila, situated in Bonifacio Global City, Taguig.

  GT Capital conducts its automotive dealership business through its 58.10% interest in Toyota Manila Bay Corporation (TMBC). TMBC exclusively distributes Toyota motor vehicles in the Luzon island, primarily servicing the market in Metro Manila. They also offer original Toyota brand motor vehicle parts and accessories, and provide after-sales services to Toyota vehicles.

  GT Capital provides financing for the acquisition of Toyota motor vehicles through its 40.00% interest in Toyota Financial Services Philippines Corporation (TFSPH). TFSPH offers retail loans, finance lease and full-service operating lease to its individual and corporate clients for the acquisition of brand-new and/or certified pre-owned Toyota vehicles. In October 19, 2021, TFSPH launched myTOYOTA Wallet, a digital payment app that brings together a range of payment options in a single platform connected to the entire Toyota ecosystem.

  On June 13, 2016, SEC approved the incorporation of GT Capital Auto and Mobility Holdings, Inc. (GTCAM), formerly GT Capital Auto Dealership Holdings, Inc. (GTCAD). GTCAM is a holding entity primarily for future auto dealerships of the Company. On July 14, 2016, SEC approved the incorporation of Toyota Subic, Inc. (TSB), a joint venture between GTCAM and JBT Global Holdings Inc. (JBT Global), with GTCAM owning 55% and JBT Global owning 45% of TSB's issued and outstanding capital stock. TSB commenced commercial operations on November 8, 2018. On December 29, 2020, GTCAM and Toyota Corolla Sapporo Philippines

Holdings, Inc. (TCSPHI) entered into a share sale and purchase agreement to purchase Toyota Sta. Rosa Laguna, Inc. (TSR) from TMP with 60% of TSR transferred to GTCAM and 40% transferred to TCSPHI. GTCAM also has businesses in the pre-owned vehicle sector through its 56% interest in JBA Philippines, Inc. and 70% interest in Premium Warranty Services Philippines, Inc.

- **Banking** – GT Capital conducts banking services through its 37.15% interest in Metropolitan Bank & Trust company ("MBT" or "Metrobank"). MBT is a universal bank that provides, through itself and other members of the MBT Group, a full range of banking and other financial products and services including corporate, commercial and consumer banking products and services as well as credit card, investment banking and trust services. Metrobank has been listed on the Philippine Stock Exchange since 1981. As of December 31, 2021, the MBT Group had a total of 951 branches in the Philippines, of which 701 were operated by MBT and 250 were operated by Philippine Savings Bank (PSBank); and over 2,300 automated teller machines (ATMs).

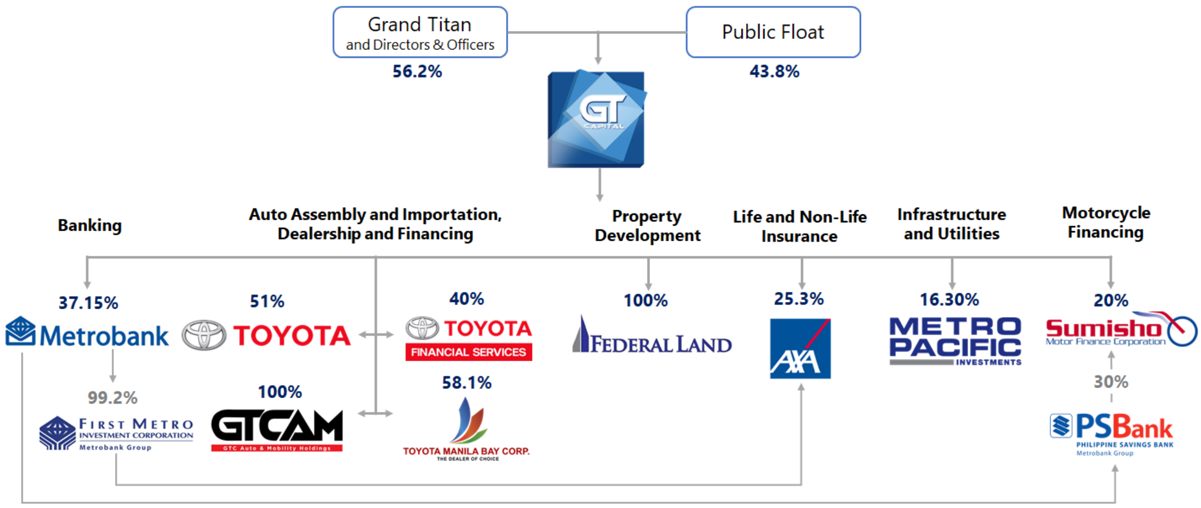
- **Property development** – GT Capital engages in property development business through its wholly-owned subsidiary, Federal Land, Inc. ("Federal Land"). Federal Land primarily focuses on the development of high-rise, vertical residential condominium projects, as well as on master-planned communities that offer residential, retail, office and commercial space. It caters mainly to the upper mid-end market segment with projects in key, strategic urban communities.

- **Life and Non-Life Insurance** – GT Capital conducts its life and non-life insurance business through its 25.3% interest in Philippine AXA Life Insurance Corporation (AXA Philippines), which offers personal and group insurance products in the country, including investment-linked insurance products. AXA Philippines also fully-owns Charter Ping An Insurance Corporation (Charter Ping An or CPAIC) which offers non-life insurance products in the Philippines that includes fire/property, marine, motor car, personal accident, other casualty, and engineering insurance, among others. AXA Philippines distributes its products through a multi-channel distribution network comprised of agents, bancassurance (through MBT and PSBank branches), and corporate solutions.

- **Infrastructure and Utilities –** GT Capital, through its 16.30% stake in Metro Pacific Investments Corporation (MPIC), the Philippines' largest infrastructure conglomerate, has exposure in high-growth infrastructure businesses such as toll roads, water, power, railways, healthcare, and logistics. Among MPIC's portfolio is Manila Electric Company (MERALCO), the country's largest power distribution utility; Maynilad Water Services, Inc., which manages Metro Manila's widest water distribution network; and Metro Pacific Tollways Corporation, operator of the country's largest toll road network.

- **Motorcycle Financing** – GT Capital, through its 20.0% stake in Sumisho Motor Finance Corporation (SMFC), which offers end-user financing for Japanese motorcycle brands. SMFC is a joint venture among GT Capital, PSBank, and Sumitomo Corporation of Japan. Sumisho provides a total financing package that hopes to deliver simple, convenient and hassle-free motorcycle ownership for its clients.

GT Capital's organizational chart as of December 31, 2021 is as follows:



Competition

Many of GT Capital's activities are carried on in highly competitive industries. Given the diversity of GT Capital's businesses, GT Capital companies compete based on product, service and geographic area. While GT Capital is one of the largest conglomerates in the Philippines, the GT Capital companies compete against several companies in various sectors, some of which possess competitive manufacturing, financial, research and development and market resources.

The table below sets out GT Capital's principal competitors in each of the principal industry segments in which the GT Capital companies operate.

Industry Segment	Principal Competitors
Automotive Assembly and Importation	Mitsubishi, Nissan, Hyundai, Suzuki and Ford
Automotive Distribution and Dealership	Dealers of Mitsubishi, Ford, Nissan, Suzuki, Isuzu, Hyundai, Suzuki, Ford, Honda and other Toyota dealers
Automotive Financing	PSBank, East West Bank, BDO, RCBC and BPI
Banking	BDO Unibank Inc. and Bank of the Philippine Islands
Property Development	Ayala Land, Inc., Filinvest Land, Inc., Megaworld Corporation, Century Properties, SM Development Corp., DMCI, Robinsons Land Corporation and Rockwell Land Corporation
Life Insurance	Sun Life of Canada (Philippines), Inc., Pru Life Insurance Corp. of U.K., The Philippine American Life & Gen. Insurance Co., BPI Philam Life Assurance Corp., Inc. and The Manufacturers Life Insurance Co. (Phils.), Inc.
Non-life Insurance	Malayan Insurance Company, Inc., Pioneer Insurance & Surety Corp., BPI/MS Insurance Corp., FPG Insurance Co., Inc. and Standard Insurance Company, Inc.
Infrastructure and Utilities	Ayala Corporation, San Miguel Corporation, DMCI Holdings, Inc., Aboitiz Equity Ventures
Motorcycle Financing	Bank of Makati and Robinsons Bank

Transaction with Related Parties
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 and the parties are subject to common control or common significant influence. Related parties may be individuals or corporate entities. These related parties include subsidiaries, associates, joint venture, key management personnel, stockholders and other related parties which include affiliates. Related party transactions are conducted fairly and on an arms' length basis and are discussed in the accompanying financial statements of the Company.

Developmental and Other Activities
As a holding company, GT Capital has no material patent, trademark, or intellectual property right to its products. The Company's operating companies, however, may have these material intellectual property rights, but the dates and terms of their expiration or renewal are not perceived to have a material adverse effect on the Company. The Company complies with all existing government regulations and environmental laws, the costs of which are not material. GT Capital has no material development activities.

Employees
As of December 31, 2021, the GT Capital group of companies had a combined 19,767 full-time employee headcount (excluding contract and temporary employees), broken down by operating company or division as follows:

Operating Company	Number of Employees
GT Capital	52
MBT (Parent Bank)	13,651
Federal Land	430
TMP	1,857
AXA Philippines and Charter Ping An	2,342
TMBC	947
TFSPH	434
MPIC Parent	54
Total	**19,767**

Risk

Risk Management Framework
The Board of Directors (BOD), supported by its Risk Oversight Committee (ROC), Executive Committee (ExCom), and Audit Committee (Audit Com), oversees the Company's risk management activities and approves GT Capital's risk management policies. The ROC was formed in May 2015 and has the oversight role over the Company's risk management activities. The ExCom covers specific non-financial risks, such as strategic, operational and regulatory risks, while the Audit Com provides oversight over financial reporting risks and internal audit.

The Group's key risks are summarized below:

<u>Profitability Risk</u>
GT Capital's component companies are engaged in various sectors, namely banking, insurance, property development, automotive assembly and distribution, and infrastructure and utilities. GT Capital's component companies may be adversely affected by macroeconomic factors and other business risks. To mitigate this, GT Capital and its component companies continuously monitor key risk indicators, conduct sensitivity analyses, and adjust their business strategies accordingly.

<u>Credit Risk</u>
A significant portion of GT Capital's portfolio includes the financial sector engaged in banking and financial lending activities. These component companies are exposed to credit risk which is prudently managed through cautious lending strategies in the origination, restructuring and disposal process. Sufficient provisions are also in place to mitigate any potential write-offs.

Market Risk
GT Capital's component companies are exposed to risks to market prices based on their unique operations. The component companies may be adversely affected by market factors such as moving interest rates, foreign exchange rates, equity prices, commodity prices and derivatives valuations. These may result in fluctuating lending or funding rates, increases in importation costs, movements in the cost of construction materials among others. These risks are mitigated through appropriate monitoring and hedging transactions.

Liquidity Risk
GT Capital and its component companies are exposed to liquidity risk in their day-to-day operations and is evident through the long-term investments and capital expenditures of the group. Liquidity risk is also unique to the component companies' business model specifically in the banking sector which manages deposits, the insurance sector which manages claims and the real estate sector which entails long-term development. This risk is mitigated through conscious financial planning and monitoring of future obligations and balance sheet funding requirements. Sufficient credit facilities are in place to support any liquidity requirements.

Operational Risk
GT Capital's component companies are exposed to risks in the conduct of its operations, which includes fraud and information security. Incidents in this category may lead to disruption in operations, reputational damage or financial losses.

To mitigate this risk, GT Capital and its component companies maintain robust operational policies, procedures, and controls. Regular internal audits and third-party checks, as necessary, are conducted to identify and address gaps in the performance of various functions.

Regulatory Compliance Risk
GT Capital's component companies are regulated by the Bangko Sentral ng Pilipinas, Insurance Commission, Housing and Land Use Regulatory Board, SEC, Bureau of Internal Revenue, and other regulatory bodies. Rules and implementing guidelines are always evolving, and GT Capital should always be up to date with these new developments.

To mitigate this risk, GT Capital's component companies have their own legal and compliance departments to ensure proper compliance with relevant regulations. In addition, the internal audit department of each component company reports any material non-compliance to their respective audit committees.

Reputational Risk
GT Capital's component companies are exposed to reputational risk. This may lead to negative public perception resulting to the loss of investors, capital providers, employees, and customers. Reputational risk is managed through active engagement with investors and capital fund providers, initiating customer feedback or surveys and performing public sentiment checks. Appropriate communication plans are in place to mitigate potential negative publicity if any.

Portfolio Management Risk
As a holding company, GT Capital aims to have a diversified portfolio that maximizes profitability and creates shareholder value.

To achieve this, GT Capital Management meets on a periodic basis to monitor and review the performance of the portfolio and accordingly recommends the adjustment of business strategies to the Executive Committee and the Board of Directors.

Environmental and Social Risk
GT Capital's component companies are exposed to non-financial risks such as environmental and social impacts in the conduct of their operations. Environmental risks may be brought about by non-compliance with relevant laws and regulations and contribution of climate change. Social risk primarily arises from the component companies' interaction with its stakeholders such as employees, suppliers, customers and other participants in the value chain.

To mitigate this risk, GT Capital's component companies are actively engaging key stakeholders to improve their response to environmental and social risks. In addition, the component companies ensure compliance with all relevant laws and regulations which provide protection to the environment and to participants of its supply chain.

Other Risks

In addition to the standard risks discussed above, other material risks which were identified by GT Capital Management are discussed comprehensively in the "Risk and Opportunities" section as part of the migration to Integrated Sustainability Reporting in alignment with the <IR> framework.

Metropolitan Bank and Trust Company

Metropolitan Bank & Trust Company ("Metrobank" or "MBT" or the "Bank") was incorporated on April 6, 1962 by a group of Filipino businessmen to provide financial services to the Filipino-Chinese community. Since its formation, the Bank has diversified its business, and to date provides a broad range of banking and collateral services to all sectors of the Philippine economy.

MBT's organizational milestones include the following:

- MBT opened its first office in Binondo, Manila on September 5, 1962.
- In 1975, MBT rolled out its first international branch in Taipei, followed by offices in New York, Guam, Hong Kong, and Tokyo towards the early 1980s.
- The Philippine Central Bank authorized Metrobank to operate its Foreign Currency Deposit Unit ("FCDU") on April 15, 1977.
- On February 26, 1981, Metrobank's common shares were listed on the Makati Stock Exchange Inc. and the Manila Stock Exchange, (which unified and now The Philippine Stock Exchange, Inc. or PSE) with the trading symbol "MBT".
- On August 21, 1981, Metrobank became one of the first to be granted a universal banking license by the Philippine Central Bank, now Bangko Sentral ng Pilipinas ("BSP"). This license allowed the Bank to engage in "non-allied undertakings", which include automobile manufacturing, travel services and real estate, as well as finance-related businesses such as insurance, savings and retail banking, credit card services and leasing.

Services/Customers/Clients

Metrobank offers a complete range of commercial and investment banking services. MBT's customer base covers a cross section of the top Philippine corporate market. MBT has always been particularly strong in the middle market corporate sector, a significant proportion of which consists of Filipino-Chinese business.

MBT's principal business activities involve deposit-taking and lending, trade finance, remittances, treasury, investment banking and thrift banking. MBT is also a major participant in the Philippine foreign exchange market. It is accredited as a Government Securities Eligible Dealer ("GSED") and has played an active role in the development of the domestic capital markets.

The Bank provides investment banking services through First Metro Investment Corporation (FMIC) and retail banking through the Bank and its subsidiaries Philippine Savings Bank (PSBank) and Metrobank Card Corporation (MCC) (before the merger). On March 13, 2019, the respective BODs of the Bank and MCC approved the proposal to merge MCC into the Bank which will unlock the value of MCC and help realize the following objectives: (1) improve synergy and cross-sell; (2) increase the profitability and improve capital efficiency; and (3) enable the Bank to be more competitive in the credit card business. The proposed merger was ratified by the stockholders of the Bank on April 24, 2019, approved by the BSP on October 23, 2019, and approved by the SEC on January 3, 2020.

Contribution to Sales/Revenues
The net interest income derived from lending, investment and borrowing activities represents 73.98%, 70.64% and 72.01% of the Group's revenue net of interest and finance charges in 2021, 2020 and 2019, respectively. Other operating income (consisting of service charges, fees and commissions; net trading and securities gains; net foreign exchange gain; gain on sale of investments in an associate; leasing income; profit from assets sold; income from trust operations; dividend income; and miscellaneous income) and share in net income of associates and a joint venture account for 26.02%, 29.36% and 27.99% of the Group's revenue net of interest and finance charges in 2021, 2020 and 2019, respectively.

Contribution of Foreign Offices
The percentage contributions of the MBT Group's offices in Asia, the United States and Europe to the MBT Group's revenue, net of interest and finance charges, and external net operating income for the years 2021, 2020 and 2019 are as follows:

Offices in	**Year**	**Percentage (%) Contribution to**	
		Revenue, Net	External Net Operating Income
Asia (Other than the Philippines)	2021	3.18	3.35
	2020	2.39	3.34
	2019	2.62	2.68
United States	2021	0.49	0.55
	2020	0.36	0.54
	2019	0.41	0.46
Europe	2021	0.03	0.04
	2020	0.03	0.05
	2019	0.04	0.05

Distribution Methods of Products and Services
To remain strongly positioned and retain its leadership, Metrobank continued to upgrade and expand its distribution channels:

1. Branches

Metrobank ended 2021 with 951 branches as compared to 956 in 2020. The Bank believes that it has reached its optimal state in terms of its branch network and is confident that it has the size and scale to pursue its growth plans.

2. Remittance Centers

To further expand the remittance business of MBT and its presence in both the domestic and international market, remittance alliances were established between MBT and several well-established businesses in the country.

<u>2021 - New International Remittance Tie-Ups</u>

a. Buckzy Payments Inc.
b. Chime Inc. dba Sendwave
c. Finshot, Inc.
d. Gmoney Trans Co. Ltd.
e. Japan Remit Finance Co LTD
f. NBL Money Transfer Pte Ltd.
g. NBL Money Transfer SDN BHD
h. Orient Exchange Company (HK) Limited
i. The Commercial Bank of Qatar
j. Tranglo PTE LTD
k. Transferto Mobile Financial Services LTD
l. Viamericas Corporation
m. Western Union Network (Canada) Company

3. ATMs

All of Metrobank's 2,300+ ATMs are full-featured and allow a wide array of financial and non-financial transactions for its clients and those of Bancnet member banks. Apart from being the first bank to secure EMV-chip (Euro MasterCard VISA) certification in the Philippines, it has deployed over 170 Cash Accept Machines to allow clients to make real-time cash deposits to their accounts. Metrobank has installed security device in machines, thus providing more secure and convenient solutions to meet its clients' banking needs.

4. Mobile Banking

Metrobank Mobile Banking is an electronic banking channel that enables customers to perform various financial transactions via Apple iOS and Android mobile banking devices. Enrollment is done online, making banking transactions within a customer's reach anytime, anywhere.

5. Online Banking

Metrobank Online (onlinebanking.metrobank.com.ph) is Metrobank's new online banking platform with an enhanced user experience and interface. This allows clients to have instant access to their accounts and do banking transactions in the most convenient way anytime, anywhere, using any device. Features include: Balance Inquiry, Transaction History, Fund Transfers, Bill Payments, Online Time Deposits, UITF Online, QR Code Transfers, and more.

6. MBOS (Metrobank Business Online Solution) is a web-based application that provides real-time access to client account statement and transaction history. Corporates enrolled in the facility can likewise initiate transactions at their own convenience, a fully integrated platform that supports the latest technology. MBOS embodied new functionalities for Cash and Trade solution for corporate clients

7. E-Government Facilities

- Tax Direct facility is a web-based payment facility of Metrobank that allows both retail and corporate clients to pay their tax dues on tax returns filed through the BIR EFPS website.
- Bancnet's eGov Payment facility is a highly convenient online service that allows clients to electronically remit their monthly SSS, Philhealth and PAG-IBIG contributions and loan payments.

Innovations and Promotions

In 2021, the Metrobank Group continued to introduce campaigns and promotions to address the market's needs.

- Metrobank continues to enhance clients' online banking experience through Metrobank Online, the revamped online banking facility. The platform is an upgrade with new and enhanced features from *Metrobankdirect Personal* which was closed on October 2021. The new features include, among others, online time deposit account opening; online UITF access that allows clients to view, add and redeem investments; and online wealth management services through which clients can request a call with an investment specialist.

- In its commitment to make banking more meaningful to customers, the Bank introduced *Cash Pick-Up* through the Metrobank Mobile App. This service expanded the Bank's reach, enabling clients to send up to PHP 30,000 anywhere in the Philippines through over 10,200 remittance partner outlets.

- Lowered PESONet fees to PHP 50.00 from PHP 100.00 per transaction for online bank transfers using Metrobank Online and the Metrobank Mobile App for transactions worth up to PHP 200,000 a day. PESONet is an online bank transfer solution that can be used by small to large businesses to facilitate secure and convenient payments for salaries, supplier, government goods and services, and other similar transactions.

- Partnered with Western Union to expand direct bank account payout partners for inbound money transfers in the Philippines. Global senders can send money using Western Union's digital services in more than 75 countries and territories or via Western Union's retail Agent network in more than 200 countries and territories.

- Metrobank Cashback Visa Card, wherein cardholders were given up to 8% rebate on their essential spend – groceries, telecoms, school and bookstore purchases. Credit card clients also enjoyed promos with several food and grocery delivery providers such as GrabFood, Pick-A-Roo, PureGo as the Bank helped clients make purchases in a safe manner. Clients were also given perks through shopping platforms such as Lazada and The SM Store. When travel restrictions were eased in the latter part of the year, the Bank offers clients with discounts, stay packages, and other deals with hotels and resorts.

- Promoted Home and Auto Loan Deals that helped clients purchase their dream homes and dream cars through low interest rates, waived fees, and included a pre-qualified Metrobank Credit Card or Metrobank Toyota Mastercard.

- Encouraged migration to online channels through Metrobank Online and Metrobank Mobile App accounts through raffles of electronic Gift Certificates and electronic vouchers for new enrollments.

- Launched a Metro Multi-Themed Equity Fund of Funds that allow clients to invest in overseas digital industries. This UITF enables clients to invest in multiple, high-growth potential industries such as digital health, disruptive innovation, digital security, technology, and consumer trends.

- Metrobank donated to various organizations in support of economic recovery of the Philippines. Since the beginning of the pandemic, more than PHP 346 million pesos have been released towards various pandemic aid programs. As part of Metrobank's 59th anniversary, PhP15 million worth of grants was extended to 12 partner organizations whose programs are aligned with the thrusts in health, education, and livelihood.

- Partnership with AXA Philippines to offer a free AXA Personal Accident Insurance worth PHP 100,000-coverage, daily in-hospital benefit of PHP 500 per day due to accident-related confinement, and free access to emergency services such as roadside ambulance, fire and police assistance via AXA Rescue Line. This is available to for retail and payroll clients who will open a qualified Savings or Checking deposit account with Metrobank during the promotion period.

- PSBank introduced online account opening through its Mobile App, with just one government ID and a selfie, making banking simpler and safer. Customers can open up to two accounts online and new customers may also request a PSBank Debit or Prepaid Mastercard for their newly opened deposit account and have it ready for pick up at any PSBank branch or delivered to their registered mailing address. PSBank likewise partnered with Electronic Commerce Payments Inc. (ECPay), the leading electronic payment service provider in the Philippines. With this, customers can now pay their Auto Loan, Home Loan, Flexi Personal Loan, and Business Loan through 7-Eleven, one of ECPay's merchant partners, the biggest convenience store chain in the country with more than 3,000 branches nationwide or through the 7-Eleven CLiQQ app.

- AXA Philippines continued its partnership with Cebu Pacific for customers to get a free life and personal accident insurance coverage as it celebrates the first anniversary of the launch of *CEB Health Protect*. The special promo covers three months, worth PHP 25,000 for life insurance, and PHP 25,000 for personal accident insurance. AXA also launched the *Adopt a Mangrove Seedling* promo to allow customers to give back and help raise mangroves with their registration on Emma by AXA. This was for the benefit of the non-profit organization, Communities Organized for Resource Allocation (CORA)'s program, *CORA WoMANGROVE Warriors*, an environment and livelihood program for women communities in Leyte.

- First Metro Investment Corporation (FMIC) launched *The Trading Room*, a virtual business talk show that gathered an audience of about 300 institutional and retail investors, and corporate issuers. FMIC enabled clients to engage with market experts, foremost executives, policymakers, and market movers and shakers in an insightful and informative but less formal conversation about prevailing market issues and developments. FMIC closed xx investment banking deals with different private companies and facilitated Retail Treasury Bonds with the government.

- First Metro Securities Brokerage Corporation (FMSBC) launched several investment literacy webinars to provide clients with economic and market information, analysis and guidance. In 2021, FMSBC continued to innovate to best serve the needs of its growing customers. It introduced a newly redesigned standard trading platform optimized to provide exceptional user experience for desktop and laptop, featuring a fresh look and additional tools to give investors the edge they need to reach their investment goals. FMSBC was awarded as the *Best Online Broker* and *Best Online Trading Platform* by London-based publishing firm International Finance. It was also awarded as *Best Brokerage House* and *Most Innovative Online Trading Platform* by Global Economics. It named the *Best Stock Brokerage House*, *Most Innovative Online Broker* and *Best Trading Platform* by The Global Brands Magazine Awards.

- First Metro Asset Management Inc. (FAMI) conducted financial literacy online sessions to guide clients on financial management. FAMI also launched a *You Always Remember Your Firsts* online campaign, which aims to highlight one's firsts, considered as milestones and memorable in a person's life. Since one's firsts are unforgettable, FAMI wants to ensure you're doing it right the first time when it comes to investing. The series feature guests who share their firsts and also imparted financial advice and tips to FAMI viewers.

Competition
The Bank faces competition from both domestic and foreign banks. The number of foreign banks operating in the country has increased in recent years, in part as a result of the liberalization of the banking industry by the Government in 1994 and again in 2014.

As of December 31, 2021, the Philippine universal/commercial banking sector consisted of 46 banks, including 26 foreign bank entities. In terms of classification, there are 21 universal banks and 25 commercial banks. Of the 21 universal banks, 12 are private domestic banks, three are government banks and six are branches of foreign banks. Of the 25 commercial banks, five are private domestic banks, two are subsidiaries of foreign banks and 18 are branches of foreign banks. The ten largest universal/commercial banks in the country accounted for over 80% of total assets, loans and total deposits of the universal/commercial banking system based on published statements of condition as of September 30, 2021.

Products and services offered by the larger commercial banks are fairly similar, and banks have used competitive pricing to attract clients. Customer coverage, accessibility and customer experience also act as other key differentiating factors. The smaller domestic banks and foreign banks, on the other hand usually operate in smaller niche markets.

The BSP has been encouraging consolidation among banks in order to strengthen the Philippine banking system. Mergers and consolidations may result in greater competition as it strengthens the financial capabilities of a smaller group of "top tier" banks. In December 2016, the BSP issued a memorandum providing regulatory incentives for mergers, consolidations and acquisition of majority or all outstanding shares of stock of a bank or quasi bank.

Transactions with and/or Dependence on Related Parties
Transactions with related parties and with certain directors, officers, stockholders and related interests (DOSRI) are discussed in Note 31 of the audited financial statements of Metrobank as presented in the accompanying Index to Exhibits.

Patents, Trademarks, Copyrights, Licenses, Franchises, Concessions, and Royalty Agreements Held
MBT's major products and service lines are sold through Metrobank trade names or trademarks, among others:

1. For ATMs: Metrobank Prime Debit Card, Metrobank Debit Card and Metrobank Prepaid Card
2. For credit cards: Metrobank Rewards Plus Visa; Metrobank Titanium Mastercard; Metrobank Cashback Visa; Metrobank Femme Signature Visa; Metrobank Travel Platinum Visa; Metrobank Peso Platinum Mastercard; Metrobank World Mastercard; Metrobank ON Mastercard; Metrobank MFree Mastercard; Toyota Mastercard; PSBank Credit Mastercard. Features: Cash2Go; Balance Transfer; Bills2Pay; M Here (Shopping Perks & Privileges); Rewards and PayNow.
3. Prepaid Card: YAZZ Reloadable Prepaid Visa; Victory Liner Premiere Visa; NWorld Prepaid Visa; PisoPay Prepaid Visa; AXA Rewards Card; Ardeur Bonus Card; JAC Liner My Ride Prepaid VISA; WeEvolve Prepaid VISA; UniPrint Elite Prepaid VISA; IAM Worldwide Prepaid VISA; GMBT Premier Prepaid VISA; Synergreens

Prepaid Visa; Rusty Lopez Rewards Prepaid VISA; Metrobank Prepaid Mastercard; Metrobank PayCard; Sta. Ana Multipurpose Cooperative Prepaid Mastercard and STI Alumni Association Prepaid Mastercard.

4. For internet banking: Online Banking and MBOS
5. For mobile banking: Metrobank Mobile Banking
6. For remittance services: Metro Remit, PayStation, CollectAnywhere, PayAnywhere and Payroll Plus
7. For consumer lending: MetroHome and MetroCar
8. For special current account: Account One
9. For special savings account for kids below 18 years old.: Fun Savers Club (FSC)
10. For Trust products: Metro Money Market Fund; Metro Short Term Fund; Metro Max-3 Bond Fund; Metro Max-5 Bond Fund; Metro Corporate Bond Fund; Metro Balanced Fund; Metro Unit Paying Fund; Metro Equity Fund; Metro Philippine Equity Index Tracker Fund; Metro High Dividend Yield Fund; Metro MultiThemed Equity Fund of Funds; Metro$ Money Market Fund; Metro$ Short Term Fund; Metro$ Max-3 Bond Fund; Metro$ Max-5 Bond Fund; Metro$ Asian Investment Grade Bond Fund; Metro $ World Equity Feeder Fund; Metro$ Eurozone Equity Feeder Fund; Metro$ US Equity Feeder Fund; Metro$ Japan Equity Feeder Fund; Metro$ US Investment Grade Corporate Bond Feeder Fund; Metro Aspire Bond Feeder Fund; Metro Aspire Balanced Feeder Fund, Metro Aspire Equity Feeder Fund, Metrobank PERA Money Market Fund; Metrobank PERA Bond Fund and Metrobank PERA Equity Fund.

Corporate licenses include the following:

1. For Metrobank: expanded commercial banking license, FCDU license, license for trust operations, type 2 limited dealer authority, government securities eligible dealer (GSED) with broker-dealer of securities functions
2. For PSBank: thrift banking license, FCDU license, license for trust operations, GSED (non-market maker) as
   dealer-broker, type 3 limited user authority and quasi-banking license
3. For FMIC: investment house and investment company adviser (ICA)
4. For ORIX Metro: financing company and quasi-banking license
5. For MBCL: financial license to expire on January 13, 2040

All the Bank's trademark registrations are valid for 10 years. The Bank closely monitors the renewal dates of registrations to protect and secure its rights to these trademarks. Corporate licenses issued by different regulatory bodies have no specific expiration dates except for the GSED licenses of Metrobank and PSBank which is renewable annually every November.

Government Approval of Principal Products or Services

The MBT Group regularly obtains approvals and permits from regulatory bodies and agencies, as applicable, prior to the offering of its products and services to the public.

Effect of Existing or Probable Government Regulations

BSP Reporting

Regulatory Qualifying Capital

Under existing BSP regulations, the determination of the compliance with regulatory requirements and ratios is based on the amount of the "unimpaired capital" (regulatory net worth) as reported to the BSP, which is determined on the basis of regulatory accounting policies that differ from PFRS in some respects.

The Group complied with BSP Circular No. 781, Basel III Implementing Guidelines on Minimum Capital Requirements, which provides the implementing guidelines on the revised risk-based capital adequacy framework particularly on the minimum capital and disclosure requirements for universal banks and commercial banks, as well as their subsidiary banks and quasi-banks, in accordance with the Basel III standards. BSP Circular No. 781 sets out a minimum CET1 ratio of 6.00% and Tier 1 capital ratio of 7.50%; capital conservation buffer of 2.50% comprised of CET1 capital and Total Capital Adequacy Ratio (CAR) of 10.00%. These ratios shall be maintained at all times. Further, BSP Circular No. 856 covers the implementing guidelines on the framework for dealing with domestic systemically important banks (DSIBs) in accordance with the Basel III standards. Banks identified as

DSIBs shall be required to have higher loss absorbency, on top of the minimum CET1 capital and capital conservation buffer.

Qualifying capital and risk-weighted assets (RWA) are computed based on BSP regulations. The Group and its individually regulated operations have complied with all externally imposed capital requirements throughout the year.

The Internal Capital Adequacy Assessment Process (ICAAP) supplements the BSP's risk-based capital adequacy framework. In compliance with this, the Group has adopted and developed its ICAAP framework to ensure that appropriate level and quality of capital are maintained by the Group. Under this framework, the assessment of risks extends beyond the Pillar 1 set of credit, market and operational risks and onto other risks deemed material by the Group. The level and structure of capital are assessed and determined in light of the Group's business environment, plans, performance, risks and budget as well as regulatory edicts.

Basel III Leverage Ratio (BLR)
BSP Circular Nos. 881 and 990 cover the implementing guidelines on the BLR framework designed to act as a supplementary measure to the risk-based capital requirements and shall not be less than 5.00%. Effective July 1, 2018, the monitoring of the leverage ratio was implemented as a Pillar I minimum requirement.

Liquidity Coverage Ratio (LCR)
BSP Circular No. 905 provides the implementing guidelines on LCR and disclosure standards that are consistent with the Basel III framework. The LCR is the ratio of high-quality liquid assets to total net cash outflows which should not be lower than 100.00%. Compliance with the LCR minimum requirement commenced on January 1, 2018 with the prescribed minimum ratio of 90.00% for 2018 and 100.00% effective January 1, 2019.

Net Stable Funding Ratio (NSFR)
On June 6, 2018, the BSP issued BSP Circular No.1007 covering the implementing guidelines on the adoption of the Basel III Framework on Liquidity Standards – NSFR. The NSFR is aimed to promote long-term resilience against liquidity risk by requiring banks to maintain a stable funding profile in relation to the composition of its assets and off-balance sheet activities. It complements the LCR, which promotes short term resilience of a bank's liquidity profile. Banks shall maintain an NSFR of at least 100 percent (100%) at all times. The implementation of 10 the minimum NSFR shall be phased in to help ensure that covered banks can meet the standard through reasonable measures without disrupting credit extension and financial market activities. An observation period was set from July 1 to December 31, 2018. Effective, January 1, 2019, banks shall comply with the prescribed minimum ratio of 100%.

The details of CAR, BLR, LCR and NSFR of the Group and the Bank, as reported to the BSP, are discussed in Note 4 of Metrobank's Audited Financial Statements.

Applicable Tax Regulations

Under Philippine tax laws, the RBU of the Bank and its domestic subsidiaries are subject to percentage and other taxes (presented as 'Taxes and licenses' in the statements of income) as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax (GRT) and documentary stamp tax (DST). Income taxes include regular corporate income tax (RCIT) and 20.00% final taxes paid, which is a final withholding tax on gross interest income from government securities and other deposit substitutes.

On March 26, 2021, Republic Act (RA) No. 11534, otherwise known as Corporate Recovery and Tax Incentives for Enterprises (CREATE) was signed into law. CREATE reduced the RCIT rate from 30% to 25% depending on the criteria set by the law effective July 1, 2020. With the implementation of this Act, interest expense allowed as a deductible expense shall be reduced by 20.0% of the interest income subjected to final tax compared to the 33.0% reduction prior to the Act.

The regulations also provide for MCIT of 2.0% (prior to CREATE) and 1.0% from (July 1, 2020 to June 30, 2023 before reverting to 2.0%) on modified gross income and allow a NOLCO. The MCIT and NOLCO may be applied against the Group's and the Bank's income tax liability and taxable income, respectively, over a threeyear period from the year of inception. For the taxable years 2020 and 2021, the NOLCO incurred can be carried over as a deduction for the next five consecutive taxable years, pursuant to Revenue Regulation (RR) No. 25-2020. Current tax regulations also provide for the ceiling on the amount of EAR expense (Note 25) that can be claimed as a deduction against taxable income. Under the regulation, EAR expense allowed as a deductible expense for a service company like the Parent Company and some of its subsidiaries is limited to the actual EAR paid or incurred but not to exceed 1.00% of net revenue.

FCDU offshore income (income from non-residents) is tax-exempt while gross onshore income (income from residents) is subject to 10.00% income tax. In addition, interest income on deposit placements with other FCDUs and offshore banking units (OBUs) is taxed at 15.00%. Income derived by the FCDU from foreign currency-denominated transactions with non-residents, OBUs, local commercial banks including branches of foreign banks, is tax-exempt while interest income on foreign currency loans from residents other than OBUs or other depository banks under the expanded system is subject to 10.00% income tax.

The applicable taxes and tax rates for the foreign branches of the Bank are discussed in Note 28 of Metrobank's Audited Financial Statements as presented in the accompanying Index to Exhibits.

Research and Development Costs
For the last three fiscal years, MBT has not incurred any expenses for research and development.

Employees
Metrobank Parent Company had 13,651 employees as of December 31, 2021. By year-end 2022, the Bank projects to have hired 14,451 employees.

	Officers	Rank and File	Total
As of year-end 2021:			
AVPs and up:	590		590
Senior Managers and down:	6,158	6,903	13,061
	6,748	6,903	13,651
By year-end 2022 (projected):			
AVPs and up:	569		569
Senior Managers and down:	6,204	7,678	13,882
	6,773	**7,678**	**14,451**

Majority of the MBT's rank and file employees are members of the employees' union. Benefits or incentive arrangements of the rank-and-file employees are covered by the Collective Bargaining Agreement (CBA) that is effective for three years. MBT continues to ensure that its employees are properly compensated. The latest CBA that is effective for three years beginning January 2022 will end in December 2024. MBT has not experienced any labor strikes and the management of MBT considers its relations with its employees and the union to be harmonious.

Risk Management
The MBT Group has exposures to the following risks from its use of financial instruments: (a) credit; (b) liquidity; and (c) market risks. Detailed discussions and analysis on Risk Management of MBT are disclosed in Note 4 of Metrobank's Audited Financial Statements.

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

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

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

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

Liquidity Risk
Liquidity risk is the current and prospective risk to earnings or capital arising from the inability to meet obligations when they come due. This may be caused by the inability to liquidate assets or to obtain funding to meet liquidity needs. The MBT Group manages its liquidity risk by holding adequate stock of high-quality liquid assets, analyzing net funding requirements over time, diversifying funding sources and contingency planning. To measure the prospective liquidity needs, the MBT Group uses Maximum Cumulative Outflow (MCO), a liquidity gap tool to project short-term as well as long-term cash flow expectations on a business-as-usual condition. The MCO is generated by distributing the cash flows of the MBT Group's assets, liabilities and off-balance sheet items to time bands based on cash flow expectations such as contractual maturity, nature of the account, behavioral patterns, projections on business strategies, and/or optionality of certain products. The incorporation of behavioral cash flow assumptions and business projections or targets results in a dynamic gap report which realistically captures the behavior of the products and creates a forward-looking cash flow projection.

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

The MCO is monitored regularly to ensure that it remains within the set limits. The Bank generates and monitors daily its MCO, while the subsidiaries generate the report at least monthly. The liquidity profile of the MBT Group is reported monthly to the Bank's ALCO and ROC. To supplement the business-as-usual scenario parameters reflected in the MCO report, the MBT Group also conducts liquidity stress testing to determine the impact of extreme factors, scenarios and/or events to the MBT Group's liquidity profile. Liquidity stress testing is performed quarterly on a per firm basis, and at least annually on the Bank's group-wide level.

Market Risk
Market risk is the possibility of loss to future earnings, fair values or future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates, foreign exchange rates, and other market factors. Market risk originates from holdings in foreign currencies, debt securities and derivatives transactions. Depending on the business model for the product, i.e., whether they belong to the trading book or banking book, the MBT Group applies different tools and processes to manage market risk exposures. Risk limits, approved by the BOD, are enforced to monitor and control this risk. RSK, as an independent body under the ROC, performs daily market risk analyses to ensure compliance to policies and limits, while Treasury Group manages the asset/liability risks arising from both banking book and trading operations in financial markets. The ALCO, chaired by the President, manages market risks within the parameters approved by the BOD.

As part of group supervision, MBT regularly coordinates with subsidiaries to monitor their compliance to their respective risk tolerances and to ensure alignment of risk management practices. Each subsidiary has its own risk management unit responsible for monitoring its market risk exposures. MBT, however, requires regular submission of market risk profiles which are presented to ALCO and ROC in both individual and consolidated forms to provide senior management and ROC a holistic perspective, and ensure alignment of strategies and risk appetite across the Group.

Market Risk - Trading Book
In measuring the potential loss in its trading portfolio, MBT uses VaR. VaR is an estimate of the potential decline in the value of a portfolio, under normal market conditions, for a given "confidence level" over a specified holding period. MBT measures and monitors the Trading Book VaR daily, and this value is compared against the set VaR limit. Meanwhile, the MBT Group VaR is monitored and reported monthly. The limitations of the VaR methodology are recognized by supplementing VaR limits with other position and sensitivity limit structures and by doing stress testing analysis. These processes address potential product concentration risks, monitor portfolio vulnerability and give the management an early advice if an actual loss goes beyond what is deemed to be tolerable to the bank, even before the VaR limit is hit.

Stress testing is performed by MBT on a quarterly basis and the results are reported to the ALCO and, subsequently, to the ROC and BOD. On the Bank's group-wide perspective, stress testing is done, at least, annually. The results are reported by MBT's Risk Management Group to the BOD through ROC.

Market Risk - Banking Book
The MBT Group has in place their own risk management system and processes to quantify and manage market risks in the banking book. To the extent applicable, these are generally aligned with MBT's framework/tools.

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

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

MBT Group calculates EaR using Historical Simulations (HS) approach, with one-year horizon and using five years data. EaR is then derived as the 99th percentile biggest drop in net interest income.

Foreign Currency Risk
Foreign exchange risk is the probability of loss to earnings or capital arising from changes in foreign exchange rates. Foreign currency liabilities generally consist of foreign currency deposits in MBT Group's FCDU account. Foreign currency deposits are generally used to fund MBT Group's foreign currency-denominated loan and investment portfolio in the FCDU. Banks are required by the BSP to match the foreign currency liabilities with the foreign currency assets held in FCDUs. Outside the FCDU, MBT Group has additional foreign currency assets and liabilities in its foreign branch network. The MBT Group's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines.

<u>Federal Land, Inc.</u>

Federal Land was incorporated on May 28, 1997, primarily to acquire, develop and sell properties of every kind and description including but not limited to real estate and bonds, debentures, promissory notes, shares of capital stock, or other securities or obligations. On the other hand, the main principal activities of the Federal Land Group (i.e., Federal Land and its subsidiaries) are to acquire, develop, lease and sell properties of every kind and description and to act as a marketing agent for and in behalf of any real estate development company or companies. The Federal Land Group is also engaged in the business of trading of goods such as petroleum, non-fuel products on wholesale or retail basis, maintains a petroleum service station and engaged in the food and restaurant service.

Federal Land's registered office is at 20th Floor, GT Tower International, Ayala Ave. cor. H.V. Dela Costa Street, Makati City. Federal Land is a wholly-owned subsidiary of GT Capital.

Products and Services/Customers/Clients
Federal Land's primary products and services are residential sales and commercial and office leasing. Below is a listing of types of Federal Land's projects.

Property Development Projects
Federal Land has a diverse portfolio of property development projects that focus on master-planned communities and residential developments. Many of Federal Land's residential development projects are components of Federal Land's master-planned communities. However, Federal Land also develops stand-alone residential projects. Residential properties are developed and sold while commercial and retail properties are generally developed and leased to generate recurring income. Prior to its formation, the Ty family property companies were historically focused on developing stand-alone residential condominiums and commercial properties.

Master-planned Community Developments
Federal Land and its affiliates own substantial tracts of land in prime areas in Metro Manila and its periphery. Federal Land develops these properties into fully master-planned communities consisting of residential condominium towers, supporting amenities and complementing commercial, retail and institutional establishments. Federal Land believes that by creating a core mix of residential and commercial properties, it can create self-sustaining communities that are attractive places in which to live, work, and enjoy recreational activities.

Residential Developments
Federal Land has historically focused on the development of upper-middle and high-end market residential condominiums. Taking into consideration factors such as location, competitive landscape and target market in the areas where a project will be located, Federal Land's current and future planned residential projects focus on three types of residential developments: township condominium, stand-alone condominium, and house and lot subdivision.

Commercial Developments
Federal Land has a portfolio of commercial buildings and properties that include office properties and retail centers that Federal Land leases to various tenants. In most cases, Federal Land is also the property manager for these projects. The leases and management fees are sources of recurring income that enhance the company's revenues and strengthen its cash flows. Federal Land will continue to contribute to its sources of recurring income by identifying and developing properties that are apt for such uses in areas where demand for leasing spaces are identified.

Retail Buildings
Federal Land is currently developing retail centers in Pasay City, Marikina City, and Taguig City. These centers are in addition to the existing "Blue Bay Walk," an outdoor shopping center located at Metro Park in Pasay City that was opened in 2014.

Aside from the retail centers, Federal Land owns and operates various retail spaces located at the podium / ground floor spaces of the various residential towers. An enclosed mall called Met Live that is also located in Metro Park, was opened in 2019.

Contribution to Sales/Revenues
Please refer to Part II Item 7 – Management Discussion and Analysis (MD&A) on Property Development.

Competition
The Philippine real estate development industry is highly competitive. With respect to township developments in Metro Manila and high-rise condominiums, Federal Land's major competitors are Ayala Land, Inc., Filinvest Land, Inc., Megaworld Corporation, Century Properties, SM Development Corp., DMCI, Robinsons Land Corporation and Rockwell Land Corporation. Federal Land believes that it is a strong competitor in the mid to high-end market due to the quality of its products and the materials used in construction and finishing. Federal Land also believes that its association with the GT Capital group allows it to reach a wider network of potential customers, including the lucrative overseas-based investor market.

Sources and Availability of Raw Materials and the Names of Principal Suppliers

	Name of Contractor	**Nature of Works**
1	EEI Corporation	General Construction
2	DM Consunji, Inc. (DMCI)	General Construction
3	Millennium Erectors Corporation	General Construction
4	Universal Steel Smelting Co.,Inc.	General Construction
5	N.S. Mangio Construction & Dev't. Corp.	General Construction
6	C-E Construction	General Construction
7	SteelAsia Manufacturing Corporation	Owner Supplied Rebars
8	Beta Electromechanical Corporation	Electrical
9	Good Fortune Builders and Construction, Inc.	General Construction
10	Republic Cement Services, Inc.	Owner Supplied Cement
11	Holcim Phils, Inc.	Owner Supplied Cement
12	S & H Electrical Construction Corporation	Electrical
13	Meralco Energy, Inc.	Electrical
14	Irvine Construction Corporation	Sanitary/Plumbing
15	Armstrong Plumbing Corp	Sanitary/Plumbing

Transactions with and/or Dependence on Related Parties
Federal Land, in its regular conduct of its business, has entered into transactions with its associate and other related parties principally consisting of cash advances and reimbursement of expenses, leasing agreements, acquisition of undeveloped land and management agreements.

1) *Land for Development*
   In 2015, Federal Land purchased four parcels of land all located at Macapagal and five parcels of land in the Ortigas area from Hill Realty and Metrobank, respectively, for a total consideration of Php6.7 billion. These parcels of land were acquired at their fair market values at the time of the acquisition.

   In 2019, Federal Land purchased one parcel of land located in Shaw, Mandaluyong and one parcel of land in Boni Serrano, Quezon City from its parent Company, GT Capital, for a total consideration of Php1.1 billion.

   In 2020, the Federal Land acquired from its parent Company, GT Capital, parcels of land located in General Trias, Cavite for a total purchase price of Php7.4 billion. FLI paid an initial amount of Php0.3 billion with the remaining portion to be paid in annual installment for fifteen (15) years. The land property was recorded in the books at its present value of P4.9 billion.

2) *Real Estate Sales*
In 2016, Horizon Land sold a parcel of land to Toyota Cubao, Inc. (TCI) located at Sumulong Highway, Marikina for Php187.5 million.

In 2018, Federal Land sold parcels of land in the BGC area to Sunshine Fort North Bonifacio Realty Development Corporation and North Bonifacio Landmark Realty Development Inc. for Php5.6 billion and Php1.5 billion, respectively.

In 2018, Topsphere Realty Development Co. Inc. sold a parcel of land located in Laguna to Alveo-Federal Land Communities Inc. for Php419 million.

3) *Management Fees*
Management fee pertains to the income received from a joint venture of Federal Land with Federal Land Orix Corporation (FLOC), Bonifacio Landmark Realty Development Corporation (BLRDC), Sunshine Fort North Bonifacio Development Realty Corporation, North Bonifacio Landmark Realty Development, Inc. and Metrobank.

4) *Lease agreements*
Federal Land also leased its mall and offices to some of its associates and affiliates. The lease term ranged from 1 to 5 years.

Effect of Existing or Probable Government Regulations
Federal Land ensures compliance with the new and existing government regulations. The effect of government regulations in Federal Land's operations has been taken into consideration in making business decisions.

Patents, Trademarks, Copyrights, Licenses, Franchises, Concessions, and Royalty Agreements Held
Federal Land has intellectual property rights on the use of the various trademarks and names for its development projects. Most of Federal Land's projects have been issued a Certificate of Registration by the Intellectual Property Office. Federal Land believes that its trademark and the names of its development projects play a significant role in its effort to create brand recall and strengthen its position in the real estate industry.

Below are Federal Land's trademarks and the names of its development projects:

Registered logo / Brand
Federal Land – GT Capital Holdings (keeping you in mind)
Veritown Fort
Park West ("PW" logo)
Park West of Hyatt ("PW" logo)
Park East Residences
Central Park West
Madison Park West
Times Square West (with "TS" logo)
Park Avenue
"Landmark" Landmark Bonifacio Realty and Dev't Corp.
Riverview Mansion – Where new beginnings flow
One Wilson Square ("W" logo)
Villa Valencia (the bamboo silhouette logo)
Six Senses Residences
Palm Beach Villas
Blue Bay Walk
Club Le Pav
Club MET
Park Metro
Paseo de Roces (with a crown logo)
Oriental Garden Makati

Registered logo / Brand
One Lilac Place
The Capital (with the letter "C" logo)
The Oriental Place (with the letter "TP" logo)
Peninsula Garden Midtown Homes
Marquinton Residences
Tropicana Garden City – Your New Garden City in the East
Florida Sun Estate – The Newest Sunshine State in the East
The Plaza at Florida Sun Estates
One Xavier Mansion
Santa Monica South
Tropicana Promenada
Kew ("Q" logo)
Rio
One Bloomberg Place
Omni Orient – A Federal Land Subsidiary
My HOBS
Metropolitan Technological Complex
Shanghai Park Towers
Oriental Garden Heights
Veritown Fort
Park West ("PW" logo)
Park West of Hyatt ("PW" logo)
Park East Residences
Central Park West
Madison Park West
Times Square West (with "TS" logo)
The Grand Midori Ortigas
The Seasons Residences
The Estate Makati
Quantum Residences
Mi Casa

Federal Land has pending applications for intellectual property rights relating to its various developments and projects. Several applications have already been processed but await the release of the certificate of registration from the Philippine Intellectual Property Office.

Government Approval of Principal Products or Services

As part of the normal course of its business, Federal Land has secured various government approvals such as Board of Investments (BOI) registrations, development permits and licenses to sell, among others.

Research and Development Costs

Federal Land's research and development activities focus on construction materials, engineering, sales and marketing. Federal Land does not consider the expense for such research and development activities to be material.

Employees
As of December 31, 2021, full-time employees of Federal Land totaled 430. The table below provides a breakdown of Federal Land's employees.

Type of Employee	**Number of Employees**
Senior and Junior Officers	241
Staff	189
Total	**430**

Risks
- Substantially all of Federal Land's business activities are conducted in the Philippines and all of its assets are located in the country, which exposes Federal Land to risks associated with the Philippines, including the performance of the domestic economy.
- Federal Land faces risks relating to its commercial and residential property development businesses, including risks relating to project cost and completion.
- Federal Land faces certain risks related to the cancellation of sales involving its residential projects and if it were to experience a material number of sales cancellations, its historical revenues would be overstated.
- Fluctuations in interest rates, changes in Government regulations could have a material adverse effect on Federal Land's and its customers' ability to obtain financing.
- Federal Land's reputation may be affected if projects are not completed on time or if projects do not meet customers' requirements.
- Independent contractors may not complete projects on time.
- Given the current geographic concentration of Federal Land's real estate sales, its results of operations would suffer if the residential development industry in its current markets were to decline.
- Natural or other catastrophes, including severe weather conditions, may materially disrupt Federal Land's projects and may not complete on time.
- Federal Land has a number of related-party transactions with affiliated companies.
- Federal Land is exposed to risks associated with the operation of its commercial and retail leasing businesses.
- Adoption of new accounting rules may result in a restatement of Federal Land's financial statements.

Toyota Motor Philippines Corporation

Incorporated on August 3, 1988, TMP is the leading and largest automotive company in the Philippines. Established through a joint venture among GT Capital, Toyota Motor Corporation (TMC), and Mitsui & Co. Ltd., TMP has been a part of the country's automotive industry for more than 30 years. Through its wide array of vehicle models and enormous span of sales distribution and service network, TMP achieved its 20th consecutive Triple Crown in 2021, topping the industry in overall passenger car and commercial vehicle sales.

Principal Products or Services and their Markets Indicating the Relative Contribution to Sales/Revenues
TMP is authorized to distribute Toyota products that are approved for distribution in the Philippines by TMC and Toyota Motor Asia Pacific (TMAP) according to their Toyota Distributor Agreement. TMP's products are divided into three categories: (1) vehicle sales, (2) local sales of service parts and (3) export sales of original equipment manufacturer (OEM) parts and service parts.

Vehicle Sales
Vehicle sales are divided into locally-manufactured vehicles using both imported and locally-manufactured parts and components, as well as Completely Built Units (CBU) vehicles, which are wholly imported. TMP sells two models of locally-assembled vehicles, or Completely Knocked Down (CKD) units, the passenger car Vios and the commercial vehicle Innova. All other vehicle models sold by TMP are imported CBU vehicles. In addition to the sub-compact-sized Vios, the other Toyota passenger car models sold in the Philippines are the low-cost Wigo, hatchback Yaris and Prius C, compact-sized Prius, and Corolla, the mid-sized Camry and the sport/specialty 86 and Supra. The Lexus passenger car line-up includes the IS 350, IS 300h, ES 350, RC 350, RC F, LS 500, LC 500, and LC 500 Convertible.

Aside from the Innova, TMP's commercial vehicles include pick-ups, SUVs, multi-purpose vehicles, vans and minibuses such as Hilux, RAV4, Corolla Cross, Raize, Rush, Fortuner, LC200, Prado, FJ Cruiser, Avanza, Hiace, Alphard, and Coaster. Lexus sells the UX 200, NX 300, RX 350, RX 350 L, RX 450h, GX 460, LX 570, and LM 350.

Local Sales of Service Parts
TMP offers a wide range of after-sales parts consisting of service parts, oils and chemicals and accessories. A substantial portion of the service parts that TMP sells locally are sourced from TMC and Toyota Daihatsu Engineering & Manufacturing (TDEM), with the remaining portion manufactured by both TMP and local suppliers.

Export Sales
Parts manufactured by local suppliers is exported to Toyota subsidiaries and affiliates abroad through Toyota Motor Philippines Logistics, Inc., a wholly-owned subsidiary by Toyota Motor Philippines Corporation.

The table below shows the sales breakdown by vehicle sales, local sales of service parts and export sales, and their respective contribution to total revenue, for each of the last three years:

	2019		**2020**		**2021**	
	Sales (Php mn)	% of Total Revenues	Sales (Php mn)	% of Total Revenues	Sales (Php mn)	% of Total Revenues
Vehicle sales						
Locally-manufactured vehicles	39,150.1	24%	24,374	24%	33,776.3	26%
Imported CBU vehicles	111,759.5	67%	61,324	67%	79,204.6	61%
Local sales of service parts	7,664.9	5%	5,214	5%	6,066.2	5%
Services	735.0	0.4%	889	0.4%	1,210.8	1%
Export sales of OEM parts and service parts	7,033.1	4%	6,073	4%	8,631.3	7%
Total	**166,342.6**	**100%**	**97,874**	**100%**	**128,889.2**	**100%**

Distribution Methods of Products and Services
The table below sets out the geographic breakdown of TMP's retail vehicle sales for the periods indicated.

	2019		**2020**		**2021**	
Sales in units	Sales	% of Total	Sales	% of Total	Sales	% of Total
Metro Manila	64,756	40%	37,000	37%	46,948	36%
Provincial	97,255	60%	63,019	63%	82,719	64%
Total	**162,011**	**100%**	**100,019**	**100%**	**129,667**	**100%**

As of December 31, 2021, the Toyota and Lexus dealer network in the Philippines consisted of 73 dealers, of which 19 dealers are in Metro Manila. TMP owns direct interests in four dealerships: 100% of Toyota Makati, Inc., 55% of Toyota San Fernando Pampanga, Inc., and 75% of Lexus Manila, Inc. Approximately 36% of TMP's sales in 2021 were in Metro Manila while 64% of total sales in 2021 were made outside of Metro Manila. GT Capital has a 58.05% interest in Toyota Manila Bay Corporation dealership, while the remaining dealerships are independent companies who have entered into dealership agreements with TMP. TMP enters into dealership agreements based on criteria set out in the Toyota Distributor Agreement. TMP provides each Toyota dealer with periodic performance reviews, training and education. In addition, TMP sets individual sales and operational targets for each dealership.

Competition

Industry Trends
Automotive sales in the Philippines can be classified either as sales of locally-assembled or CKD vehicles or imported CBU vehicles. The overall market growth has been reflected in positive absolute trends for both segments, but over the past five years, imported CBU vehicles have captured an increasingly larger share of the market. CBU market share was 74 % in 2021 as compared to 59% in 2011 according to Chamber of Automotive Manufacturers in the Philippines, Inc. (CAMPI) and Association of Vehicle Importers and Distributors (AVID). This trend is attributable to increasing number of imported models available versus locally-produced models, which is expected to continue with further tariff reduction in imported CBU vehicles under upcoming and current Free Trade Agreements (FTAs) and Economic Partnership Agreements (EPAs) such as the Philippines-US FTA, Japan-Philippines Economic Partnership Agreement, and ASEAN-Korea FTA.

New vehicles account for the largest share of the Philippine automotive market. Stronger purchasing power continues to boost vehicle sales potential. This is brought about by stable macroeconomic fundamentals and rising income levels sustaining the increase in number of middle-income households. Regulations such as the stricter implementation of the prohibition on importation of second-hand vehicles have also supported this trend over the years.

Part of industry/geographic area in which the business competes
Please see **Distribution Methods of the Products or Services.**

Principal methods of competition (price, service, warranty or product performance)
Competition has a direct effect on selling price of vehicles. In general, vehicle price setting is based on specification differences. However, upward or downward price adjustments may be made to respond to competitors' pricing strategy and the target market's purchasing behavior. It may sometimes be necessary to maintain the current prices of some vehicle models despite increasing costs in order to narrow the gap with competitors or maintain market share. In an effort to mitigate the effects of competitive pricing, TMP pushes high-profit models or variants and introduces limited or special edition models.

For after-sales services, the main competitors of Toyota are the three-star garages like Motech and Rapide. These workshops offer services that are, on the average, 50% lower than Toyota rates primarily due to the use of non-genuine parts and lower overhead expense.

Compared to other brands, Toyota labor rate per hour is still one of the lowest at Php450/hour for Periodic Maintenance and Php500/hour for General Job (GJ). These rates are at least 32% lower than the service centers of other brands. In terms of service parts, average prices of Toyota Genuine Parts are at par vs Genuine Parts of other makes.

Principal Competitors (including relative size and financial and market strengths of competitors)
TMP's major competitors in the Philippines are Mitsubishi, Ford, Nissan, Suzuki, and Isuzu. Based on industry data compiled by CAMPI and AVID, the top six automotive companies in the Philippines accounted for 90.6% of total vehicles sold in 2021. Toyota has been the top selling brand measured by units sold in the Philippines for passenger and commercial vehicles since 2002, with a 46.3% market share in 2021, which is 32.6 percentage points higher than its closest competitor, Mitsubishi with 13.7%. Ford and Nissan had market shares of 7.1% and 7.0% in 2021, respectively. Aside from Toyota, other multinational automotive companies also have manufacturing and assembly plants in the Philippines, such as Mitsubishi. Ford closed its manufacturing and assembly plant in December 2012 but the facility was later acquired by Mitsubishi to strengthen their assembly operations and to accommodate press plant operations.

Advantage over competitors
Given the tight competition in the Philippine automotive market, TMP believes that four key factors have contributed to TMP being the most preferred car manufacturer in the Philippines:
- Product: quality, durability and reliability;
- Value for money: affordable vehicles that command high resale values in the market;
- Worry-free ownership: personalized maintenance programs and high standards of customer care; and
- Pioneering technologies: sustainable innovation from a global leader in manufacturing technology.

Raw Materials

Sources and availability of raw materials and dependence on one/limited number of suppliers
The parts and components requirement of TMP are sourced from Japan and ASEAN countries through TDEM and from local suppliers. TMP purchases raw materials, parts, components, equipment and other supplies from TMC, foreign subsidiaries of TMC, affiliates and other foreign and local suppliers authorized by TMC. TMP has full responsibility to ensure compliance of all localized parts and components in accordance with TMC's standards.

The table below shows the sources of parts for each of the last three years:

Source	**2019**	**2020**	**2021**
TMC/TDEM			
Japan-sourced	9%	8%	10%
Multi-sourced	57%	55%	54%
Local Suppliers	34%	37%	36%
TOTAL	**100%**	**100%**	**100%**

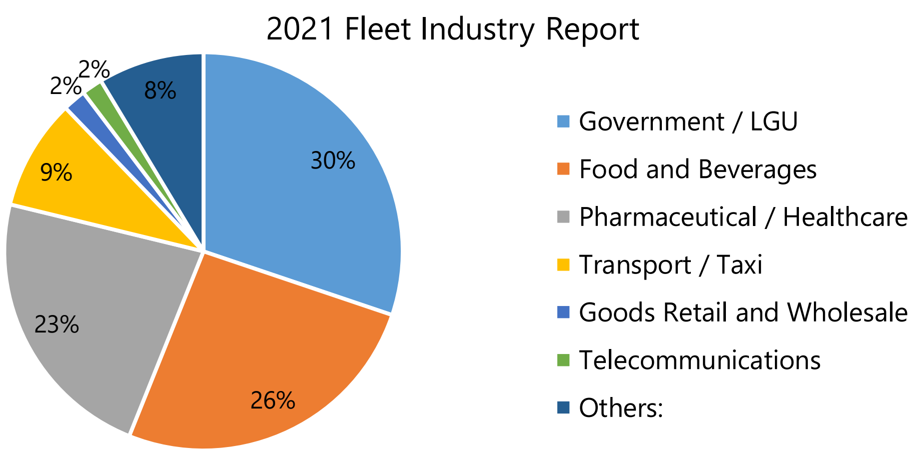
TMP established its supply chain based on Toyota standards in terms of supplier capability, cost competitiveness and economies of scale, which are the reasons for single-sourced commodities. Being aware of the supply chain risks in the auto parts manufacturing industry, TMP has put in place supply risk management programs such as a back-up supply database to immediately identify back-up source (local or regional) for each part, financial risk management and labor risk management.

Names of principal suppliers : Toyota Daihatsu Engineering & Manufacturing Co., Ltd.,
Major existing supply contracts : Overseas OE Parts Import Agreements

Customers

In addition to general consumer sales, TMP's products are also sold to fleet accounts such as government entities, food and beverage companies, pharmaceutical companies, and others. In 2021, 8.5% (11,037 units) of TMP's products were sold to fleet account customers.

The chart below provides a breakdown of TMP's fleet account customers by category for the year ended December 31, 2021:



Major existing sales contracts
Not applicable

Transactions with and/or Dependence on Related Parties
As a member of the GT Capital Group, TMP continues to benefit from this affiliation in several ways. GT Capital has a 40% interest in TFSPH, which is a joint venture between GT Capital and Toyota Financial Services Corporation of Japan. TFSPH provides financing to both the general public and Toyota dealerships for the purchase of cars and the acquisition of vehicle inventories, respectively. While TMP does not have any ownership interest in TFSPH, TFSPH's financing promotions for retail and wholesale customers help to support sales of TMP's products. MBT's credit card subsidiary, MCC, and TMP have also developed a Toyota Mastercard, a loyalty and credit card in one, where rewards earned on purchases made with the Toyota Mastercard can be used to purchase items at any Toyota dealership. In addition, certain GT Capital companies maintain fleet accounts for the purchase of Toyota cars for their business operations. In terms of management, TMP is also able to draw upon the significant managerial experience of the GT Capital companies to complement its own managerial resources.

Principal Terms and Expiration Dates of All Patents, Trademarks, Copyrights, Licenses, Franchises, Concessions and Royalty Agreements Held

TMP acquired the rights to use the "Toyota" and "Lexus" brand names through the Toyota Distributor Agreement and Lexus Distributor Agreement, respectively, with TMC and Toyota Motor Asia Pacific (TMAP).

These distributor agreements, which are renewable every 3 years, will be renewed for another 3 years upon its expiration on November 30, 2021. According to the distributor agreements: (i) TMC and TMAP have agreed to grant TMP an exclusive distributorship of Toyota and Lexus products in the Philippines, thereby supplying TMP with Toyota and Lexus vehicles, parts and accessories, non-exclusive rights to use Toyota and Lexus trademarks and service marks, including the use of such trademarks by local Toyota and Lexus dealerships, solely in connection with the distribution, sale and service of Toyota and Lexus products; and (ii) TMP has agreed to continuously purchase Toyota and Lexus products from TMC, TMAP, and/or other such suppliers designated by TMC, and to obtain any governmental approvals or certifications necessary for the import, sales, service, use, registration, and/or homologation of Toyota and Lexus products in the Philippines.

TMP has also entered into a Technical Assistance Agreement with TMC, whereby TMP is licensed to manufacture Toyota vehicles and parts of proper and specified quality and obtain technical assistance from TMC. This agreement will expire on April 30, 2024, subject to renewal. Under this agreement, TMP pays TMC royalties on all licensed products and such amount shall be fixed in accordance with the agreement.

Government Approval of Principal Products or Services
TMP regularly obtains approvals, certifications and permits from regulatory bodies and agencies, as applicable, prior to the offering of its products and services to the public.

Effect of Existing or Probable Governmental Regulations on the Business
The Philippine automotive industry is subject to various laws and government regulations. These include: (a) standards and technical regulations that affect vehicle performance such as safety, environment and energy standards; and (b) regulations governing environmental performance of manufacturing companies. The Government also imposes tariffs, taxes and other levies. TMP has incurred, and expects to incur in the future, significant costs in complying with these regulations.

Employees

The following table provides a breakdown of TMP's employees as of December 31, 2021.

	2021
Regular	
Senior Officers	91
Junior Officers	532
Rank and File	1,234
Temporary	
Trainees	0
Outsourced Services	1,924
Total	**3,781**

Note:
Senior Officers include all Assistant Vice Presidents and up.
Junior Officers include all Supervisors up to Section Managers.
Rank and File are all other Team Members

Expiration dates of Collective Bargaining Agreements (CBA)

TMP has two certified and recognized labor unions, one for rank-and-file employees known as Toyota Motor Philippines Corporation Labor Organization (TMPCLO) and one for supervisory employees known as Toyota Motor Philippines Corporation Supervisory Union (TMPCSU).

The 5–year and 3-year Collective Bargaining Agreements (CBAs) for the Political and Economic Provisions, respectively, for both TMPCLO and TMPCSU were renegotiated. As a result, the 5-year CBA on political provisions with both unions shall be implemented from July 2021 to June 2026 while the 3-year CBA on Economic Provisions will be in effect from July 2021 to June 2024.

Supplemental benefits or incentive arrangements

TMP applies a progressive benefit structure with a set of base benefits applicable to all employees and a supplementary, variable scheme where individual employees choose from a menu of benefits appropriate to their individual needs/situational preferences, subject to level of entitlement. TMP has also funded a non-contributory defined benefit retirement plan covering all of its regular employees. The plan is administered by trustees. The benefits are based on the years of service and percentage of final basic salary. TMP's normal retirement age is 55 years. Early retirement is allowed at 50 years of age.

Major Risks

The Philippine automotive industry is highly volatile.

The Philippine automotive market has been subject to considerable volatility in demand and TMP's business is highly sensitive to sales volume. Demand for vehicles depends to a large extent on general, social, political and economic conditions in the Philippines. Demand may also be affected by factors directly impacting vehicle prices or the cost of purchasing and operating vehicles such as sales and financing incentives, prices of raw materials and parts and components, and the cost of fuel, exchange rates and governmental regulations (including tariffs, import regulations and other taxes). Volatility in demand may lead to lower vehicle unit sales and increased inventory, which may result in higher selling expenses per vehicle and could materially and adversely affect TMP's business, financial condition and results of operations.

The Philippine automotive market is highly competitive.

The Philippine automotive market is highly competitive. TMP faces strong competition from vehicle manufacturers and importers in the Philippines. TMP's competitors also have relationships with joint venture partners and recognized international auto brands. Factors affecting competition include product quality and features, innovation and development time, production capacity, pricing, reliability, safety, fuel economy, customer service and financing terms. Increased competition may lead to lower vehicle unit sales and increased inventory, which may result in higher selling expenses and may adversely affect TMP's financial condition and results of operations. Further, under the ASEAN-Korea free trade agreement, tariffs on vehicles from Korea were reduced to 15% from 20% in 2012 and were further reduced to 5% beginning January 2016 leading to greater competition from Korean brands. Competition has a direct effect on selling prices of vehicles. In general, vehicle price setting is based on specification differences. However, upward or downward price adjustments may be made to respond to competitors' pricing strategy and the target market's purchasing behavior. TMP's ability to maintain its competitiveness will be fundamental to its future success in existing and new markets and its market share. In addition, under the terms of the Toyota Distributor Agreement with TMC and TDEM, TMP is required to meet certain business targets including, among others, annual sales plan and market share. Should TMP fail to meet its expected business targets, its right to distribute Toyota brands in the Philippines may be terminated. There can be no assurance that TMP will be able to compete successfully in the future, which could materially and adversely affect TMP's business, financial condition and results of operations.

The Philippine automotive industry is subject to various governmental regulations.
The Philippine automotive industry is subject to various laws and government regulations. These include: (a) standards and technical regulations that affect vehicle performance such as safety, environment and energy standards; and (b) regulations governing environmental performance of manufacturing companies. The Government also imposes tariffs, taxes and other levies. TMP has incurred, and expects to incur in the future, significant costs in complying with these regulations. New legislation or changes in existing legislation may also subject TMP to additional costs in the future and could materially and adversely affect TMP's business, financial condition and results of operations.

TMP's success depends on its ability to continue offering innovative, new, price-competitive products and services that meet and satisfy customer demand on a timely basis.
Meeting and satisfying customer demand with attractive new vehicles and reducing product development time are critical elements to the success of automotive manufacturers. The timely introduction of new vehicle models at competitive prices and meeting rapidly changing customer preferences and demands are fundamental to TMP's success. There is no assurance that TMP may adequately perceive and identify changing customer preferences and demands with respect to quality, styling, reliability, safety and other features in a timely manner. Even if TMP succeeds in perceiving and identifying customer preferences and demands, there is no assurance that TMP will be capable of manufacturing and introducing new, price-competitive products in a timely manner with its available technology, intellectual property, sources of raw materials and parts and components, and production capacity. Further, there is no assurance that TMP will be able to implement capital expenditures at the level and periods planned by management. TMP's inability to develop and offer products that meet customer demand in a timely manner could result in a lower market share and reduced sales volumes and margins, and could materially and adversely affect TMP's business, financial condition and results of operations.

TMP's success depends on its ability to market and distribute effectively, and to maintain its brand image.
TMP's success in the sale of vehicles depends on its ability to market and effectively distribute based on distribution networks and sales techniques tailored to the needs of its customers, as well as its ability to maintain and further cultivate the Toyota brand image. There is no assurance that TMP will be able to develop sales techniques and distribution networks that effectively adapt to customer preferences or changes in the regulatory environment in the Philippines. Nor is there assurance that TMP will be able to cultivate and protect the Toyota brand image. Toyota's inability to maintain well-developed sales techniques and distribution networks or a positive brand image may result in decreased sales and market share and could materially and adversely affect TMP's business, financial condition and results of operations.

TMP's ongoing success depends on the non-termination and repeated renewal of distributor agreements with TMC and TMAP.
TMP acquired the rights to use the "Toyota" and "Lexus" brand names through the Toyota Distributor Agreement and the Lexus Distributor Agreement, respectively, with TMC and TMAP. These distributor agreements were last renewed on December 1, 2018 with an expiration date of November 30, 2021. According to the distributor agreements: (i) TMC and TMAP have agreed to grant TMP an exclusive distributorship of Toyota and Lexus products in the Philippines, thereby supplying TMP with Toyota and Lexus vehicles, parts and accessories, non-exclusive rights to use Toyota and Lexus trademarks and service marks, including the use of such trademarks by local Toyota and Lexus dealerships, solely in connection with the distribution, sale and service of Toyota and Lexus products; and (ii) TMP has agreed to continuously purchase Toyota and Lexus products from TMC, TMAP, and/or other such suppliers designated by TMC, and to obtain any governmental approvals or certifications necessary for the import, sales, service, use, registration, and/or homologation of Toyota and Lexus products in the Philippines.

The distributor agreements can be terminated at the option of TMC upon the occurrence of various events which include:

- breach of any material provision of the distributor agreement by TMP;
- discontinuation of a material part of the business activities of TMP as a Toyota or Lexus authorized distributor;
- issuance of an order by any relevant government authority for TMP to discontinue, or the cancellation or withdrawal of any license or permission to operate, a material part of TMP's business activities as a Toyota or Lexus authorized distributor;
- the election by TMC to terminate the agreement, after consultation with TMAP, in the event that: (a) TMP fails in any material respect to achieve any of the business targets; and (b) TMP fails to make significant progress in achieving such business targets within six months after TMAP has given guidance or advice to TMP to improve its performance; and (c) TMAP deems that there is no justifiable reason for such failure;
- the election by TMC to terminate a distributor agreement in the event that:
  (a) TMP has implemented, without prior notification to TMC and TMAP, any of the following significant changes in its organization: (i) merger or acquisition of any company or organization; (ii) assignment or disposition of all or a substantial portion of its assets or business to any third party; (iii) change of its executives or high-ranked employees, such as department/division general managers and above; (iv) relocation, expansion, reduction, or closing down of its head offices or other important facilities; (v) change of its main shareholders or any person or entity which has substantial control over TMP as well as listing all or a part of its shares on any stock exchange; and (vi) any other significant change in its business or organization; or
  (b) failure by TMP to satisfy the request of TMC and/or TMAP for TMP to suspend such significant changes or to modify the contemplated organization scheme such as to prevent or reduce possible impairment of TMC and/or TMAP's interests or TMP's performance or the ability to perform as a Toyota or Lexus authorized distributor.

If either of the Toyota Distributor Agreement or Lexus Distributor Agreement were to be terminated, TMP shall be required to: (i) immediately and fully settle all of its outstanding liabilities to the other parties in relation to the relevant agreement; (ii) immediately terminate all dealership agreements and any other contracts concluded between TMP and any third party in relation to the relevant agreement; (iii) collect and remove all data, facility signs, signboards, posters, advertising or technical materials and printed matters related to Toyota or Lexus products, software for the sale and service of Toyota or Lexus products, and all tools and implements designed for servicing Toyota or Lexus products located in the facilities of TMP and/or the dealers, and deliver at its own cost and expense to TMC and/or TMAP or dispose of a part or a whole of them in accordance with the instructions of TMC and/or TMAP; (iv) remove from its facilities and cease using the name of TMC and any of the trademarks, service marks, and any mark confusingly similar thereto, cancel the relevant registrations thereof, and cause all dealers to do the same; (v) refrain from conducting itself and cause each dealer to refrain from conducting itself in such manner as would lead a third party to believe that TMP or any dealer is still an authorized distributor or dealer of Toyota or Lexus brand products in the Philippines; (vi) in the event that TMP fails to comply with the above obligations, TMP shall allow TMC and TMAP to enter its premises at any time for the removal and disposal of all items bearing Toyota or Lexus trademarks and any marks confusingly similar thereto, as well as all items that should have been delivered to TMC and/or TMAP or disposed of by TMP, wherein TMP shall reimburse TMC and TMAP for all expenses incurred in exercising such right if so requested by TMC and TMAP; (vii) allow TMC and TMAP to repurchase Toyota or Lexus products which are new, unused, undamaged, and in good and saleable condition or dispose of such products in accordance with instructions of TMC and/or TMAP in the event that the products are not repurchased.

Further, any decreases in product quality, negative allegations or negative events associated to the Toyota group of companies outside of the Philippines could tarnish the image of the brands and may cause consumers to choose other vehicles. Further, there can be no assurance that these brand names will not be adversely affected in the future by events such as actions that are beyond TMP's control and which could materially and adversely affect TMP's business, financial condition and results of operations.

A third party could inappropriately use the trademark and trade name "Toyota" or any of the trademarks and trade names that TMP uses.
TMP has a license to use the "Toyota" name and logo in the Philippines. There is no assurance that the steps taken by TMP or TMC will prevent misappropriation or infringement of the intellectual property rights of TMC. In addition, policing unauthorized use of intellectual property rights is difficult and sometimes practically infeasible. The Philippine automotive industry has experienced unauthorized copies of vehicles and auto parts from time to time. Such misappropriation or infringement could materially and adversely affect TMP's business, financial condition and results of operations.

Product recalls could materially adversely affect TMP's reputation and financial condition.
TMP may recall its products to address performance, compliance, or safety-related issues. While no recalls on TMP manufactured automobiles have occurred in the past, there can be no assurance that such recalls will not occur in the future. The costs TMP would incur in connection with such recalls typically include the cost of the part being replaced and labor to remove and replace the defective part. If the defective part or vehicle is the fault of TMP, it will be responsible for such costs. Otherwise, costs are claimed from TDEM. In addition, if not handled properly by TMP, TDEM and TMC, product recalls can harm TMP's reputation and cause it to lose customers, particularly if those recalls cause consumers to question the safety or reliability of TMP's products. Any costs incurred or lost sales caused by future product recalls could materially and adversely affect TMP's business, financial condition and results of operations. Conversely, not issuing a recall or not issuing a recall on a timely basis can harm TMP's reputation and cause it to lose customers.

Dealer misconduct is difficult to detect and could harm TMP's reputation or lead to litigation costs.
TMP sells its vehicles to a dealer network consisting primarily of third-party dealers over which it has limited direct supervision. Dealer misconduct could result in negative publicity for TMP and the other dealers in the network and result in reputational or financial harm to TMP and the other dealers. Misconduct could include:

- engaging in misrepresentation or fraudulent activities and statements when marketing or selling vehicles, parts or services to customers;
- hiding unauthorized or unsuccessful activities, resulting in unknown and unmanaged risks or losses; or
- not complying with laws or TMP's control policies or procedures.

TMP cannot always deter or detect dealer misconduct, and the precautions it takes to detect and prevent these activities may not be effective in all cases. There can be no assurance that agent or employee misconduct will not materially and adversely affect TMP's business, financial condition and results of operations.

TMP may be unable to maintain its current distributor network or attract new distributors.
TMP is heavily dependent on its distribution network. The success of TMP's business depends on maintaining good relations with existing distributors as well as attracting new ones. Although TMP believes it has good relations with its existing distributors, there can be no assurance that its distributors will continue to do business with TMP or that TMP will be able to attract new quality distributors. If TMP does not succeed in maintaining its current distribution network or in attracting new distributors to support future growth, TMP's market share may decline and could materially and adversely affect TMP's business, financial condition and results of operations.

The continued competitiveness of TMP may be adversely affected if it fails to successfully reduce its costs.
TMP believes that competition has led to, and will likely continue to lead to, an increase in selling expenses. At the same time, prices of raw materials, including steel, as well as energy costs, are increasing due to high demand. Therefore, despite relatively high levels of consumer demand for vehicles in the Philippines, it has become necessary for automotive manufacturers in the Philippines to reduce costs in order to remain competitive. TMP has taken various measures to reduce costs in connection with its operations. However, the effectiveness of such measures is not assured. If TMP is unable to reduce overall costs, its competitive position may suffer, which in turn could materially and adversely affect TMP's business, financial condition and results of operations. TMP's ability to maintain its competitiveness will be fundamental to its future success in existing and new markets. There can be no assurance that TMP will be able to compete successfully in the future.

Unfavorable foreign currency rate fluctuations would have an adverse impact upon TMP's financial condition and results of operations.
TMP imports CBU vehicles, parts, and raw materials. The costs of such imported items are mainly denominated in U.S. dollars and Japanese Yen. Depreciation of the Philippine peso could adversely affect TMP's financial condition and results of operations.

TMP is subject to a number of risks associated with its supply chain.
Any interruption in the supply of raw materials, parts and components from any key suppliers could materially and adversely affect TMP's business, results of operations and financial condition. TMP obtains a significant proportion of its raw materials from a limited number of suppliers in the Philippines and abroad. In addition, inexpensively re-sourced from another supplier due to long lead times and new contractual commitments may be required by another supplier in order to provide the components or materials.

In 2011, TMP's supply chain was impacted by the earthquake and tsunami that struck Japan in March 2011 as well as the floods in Thailand which occurred during the second half of 2011. Both events impacted TMP's ability to source parts and imported vehicle units, thereby reducing TMP's production and sales figures for 2011. TMP also experienced an increase in costs for its supplies as a result of these two natural disasters. While TMP believes production and sales forecasts have since returned to normal following these events and countermeasures were done to improve TMP's and its suppliers' risk management plan, there can be no assurance that similar supply chain disruptions will not occur in the future. Any future supply chain disruptions caused by natural disasters and other incidents could have a material adverse impact on TMP's business, financial condition and results of operations. Increases in prices for raw materials that TMP and its suppliers use in manufacturing their products or parts and components, such as steel and plastic parts, may lead to higher production costs for parts and components. This could, in turn, negatively impact TMP's future profitability because TMP may not be able to pass all those costs on to its customers or require its suppliers to absorb such costs. As a response to the increasing competition in the market, TMP conducts extensive programs to continuously improve local parts suppliers' overall competitiveness in terms of safety, quality, delivery, and cost.

The manufacturing activities and operations of TMP could be adversely affected if it fails to obtain raw materials and CKD parts in a timely fashion or at a reasonable price.
Raw materials and CKD parts used by TMP are, and will continue to be, sourced from suppliers located in the Philippines, Japan and other ASEAN countries, including TMC and TDEM. If TMP's suppliers fail to meet their commitments or to enter into agreements with TMP on commercially reasonable terms, and TMP is unable to locate alternative suppliers in a timely fashion, the manufacturing activities and operations of TMP could be materially adversely affected. This may be the case where TMP is dependent on a sole supplier or a limited number of suppliers for a critical input, and it may find it difficult to replace such supplier in a timely manner and at a reasonable market price.

TMP relies heavily on the technology and processes of TMC which TMP uses under its Toyota Technical Assistance Agreement with TMC.
TMP has acquired the right to use TMP's Toyota Production System ("TPS"), which is based on just-in-time production and quality control processes and feedback mechanisms. Under the Technical Assistance Agreement, which was last renewed on May 1, 2019 and is valid until April 30, 2024, TMP may request assistance for technical know-how on manufacturing, engineering and other know-how and information relating to licensed products. TMC is paid royalties based on the value added by TMP in the manufacture of each vehicle or part. If the Technical Assistance Agreement were to expire, or if TMP or TMC were to terminate the agreement, TMP would no longer be permitted to use TMC's processes or produce the licensed vehicles or parts, which would materially and adversely affect TMP's business, financial condition and results of operations.

TMP's success depends on its ability to attract and retain senior management and key technical personnel.
TMP relies on experienced, capable and talented senior managers and highly-skilled technical personnel to operate its business. TMP expects increased competition for such employees not only from other automotive companies but also from other industries in the Philippines and abroad. TMP's business, results of operations and financial condition could be adversely affected if such experienced and talented senior managers and skilled technical personnel are not retained by TMP.

Philippine AXA Life Insurance Corporation

GT Capital has interests in the life insurance business through its 25.3% ownership of shares in AXA Philippines, the second largest insurance company in the Philippines in terms of total premium income as of 2020 based on submitted Annual Statements. AXA Philippines is a joint venture between the AXA Group, one of the world's largest insurance groups, and the MBT Group, one of the Philippines' largest financial conglomerates. To complement its life insurance business, AXA Philippines announced in April 2016 the completion of the acquisition of 100% interest in Charter Ping An Insurance Corporation ("Charter Ping An"), the fifth largest non-life insurance company in terms of Gross Premiums Written in the Philippines as of 2020. With such acquisition, AXA Philippines and Charter Ping An are now a provider of a comprehensive suite of products, personal and group insurance in the Philippines, covering life insurance and investment-linked insurance products, savings and investment, health coverage, property and casualty insurance. Together, AXA Philippines and Charter Ping An distribute its products in the Philippines through a multi-channel distribution network comprised of agents, bancassurance, and corporate solutions.

AXA Philippines is part of the AXA Group, one of the world's largest insurance groups and asset managers. With its headquarters in Paris, the AXA Group operates in Western Europe, North America, the Asia Pacific region and in certain regions of Africa and the Middle East. The AXA Group conducts its operations in the Philippines through its 45.0% interest in AXA Philippines. The AXA Group's remaining joint venture partners are GT Capital, with a 25.3% shareholding and FMIC, which owns 28.2%, with 1.5% held by other shareholders.

Over the past years, AXA Philippines has developed into a multi-line, multi distribution channel company offering traditional and unit-linked products for individual and group clients with a nationwide coverage through 951 MBTC and PSBank branches, being serviced by 658 salaried financial executives and 50 AXA Philippines branch offices that are home to its growing network of 6,238 exclusive financial advisors as of December 31, 2021.

Products
AXA Philippines and Subsidiary offers a range of life, non-life and investment-linked insurance products in the Philippines.

Life Insurance
Life insurance contracts offered by AXA Philippines primarily include: (i) traditional whole life participating policies; (ii) investment-linked products; and (iii) various non-participating products mostly catering to start-up life protection and savings needs.

Type	*Features*
Life-traditional and investment-linked	Ensures that the family will continue to live in comfort even after the sudden loss of the breadwinner
Health and critical illness	Covers the cost of unexpected critical illness and major health-related expenses
Retirement	Secures funds for the worry-free retirement
Education, Savings and investments	Helps you achieve your future goals and ensure your needs for the years to come

Non-life Insurance
Charter Ping An offers a wide array of insurance products designed to provide protection or indemnification to counterparties against financial loss, damage or liability arising from an unknown or contingent event. These insurance products are as follows:

Type	*Features*
Motor Car Insurance	Provides comprehensive coverage for vehicles. Standard coverage includes Own Damage (OD)/Theft, Acts of Nature (AON), Excess Bodily Injury (EBI) and Third-Party Property Damage (TPPD).
Fire Insurance	Provides coverage for property/ies (i.e., building, contents, improvements, etc.) against unforeseen losses due to perils. It is a product that is designed to protect hard-earned investments in the midst of the vulnerability of modern society to

	natural catastrophes.
Personal Accident Insurance	Provides monetary compensation for death or bodily injury as a result of accidental, violent, external and visible means. It provides financial security in case of unforeseen events or accidents.
Engineering Insurance	Provides a comprehensive and adequate protection to contract works/erection works, construction plant and equipment and/or machinery, and computer data and equipment. It also covers third-party claims for property damage and bodily injury in connection with the construction and erection works.
Marine Insurance	Covers losses or damages of cargo regardless of the nature of the mode of conveyances (be it by land, sea or air), acquired or held between the point of origin and final destination.
Bond	Bond is a three-party agreement where Charter Ping An (i.e., the surety company) guarantees the performance of an obligation of the Bond Applicant (Principal/Obligor) to a Third Party (Obligee/Bond Beneficiary), by virtue of contract or as required by law.
Liability Insurance	Pays, on behalf of the insured, all sums which the insured shall be legally liable to pay for all reason of liability imposed on the insured by law for compensation due to bodily injury and/or property damage occurring during the period of insurance within the geographical limits as a result of the occurrence and happening in connection with the insured's business.

Contribution to Sales/Revenues

Life Insurance
AXA Philippines posted an Annualized Premium Equivalent of Php5.2 billion and Php6.2 billion for 2020 and 2021, respectively. Net insurance premium amounted to Php31.3 billion and Php38.9 billion for 2020 and 2021, respectively.

Non-life Insurance
Charter Ping An posted Php3.9 billion and Php3.4 billion Gross Premiums Written in 2020 and 2021, respectively. Net Premiums Earned amounted to Php3.3 billion and Php2.8 billion in 2020 and 2021, respectively.

Distribution Methods of Products and Services

Life Insurance
The distribution network is the starting point of AXA Philippines' relationship with its customers. AXA Philippines' distribution strategy focuses on strengthening traditional channels and developing new ones, such as the internet and strategic partnerships. Staff hiring, retention, market conduct, streamlined sales techniques and presentations, and sales performance metrics are the main initiatives to strengthen distribution channels. AXA Philippines believes the diversification of its distribution channels can help develop new relationships with potential AXA customers.

AXA Philippines distributes its products through three main channels: traditional agency, bancassurance, and corporate solutions that include brokers and in-house distribution channels for corporate accounts.

Agency
Direct written premiums are generated through exclusive agents, as only exclusive agents are allowed for life insurance distribution under Philippine regulations. Exclusive agents are prohibited from distributing insurance products for any other life insurance companies. Exclusive agents accounted for approximately 43% and 40% of AXA Philippines' total new business in 2020 and 2021, respectively. AXA Philippines have agents throughout its 50 branches located in strategic locations in Metro Manila, Cebu and Davao, as well as elsewhere throughout the Philippines. In addition to the 50 branches owned or leased by AXA Philippines, there are also a handful of franchise branches that are owned and operated by exclusive agents and co-branded under the AXA Philippines name. AXA Philippines believes that its agency distribution channel is important to its future success and intends to increase its current total number of 6,238 agents as of December 31, 2021 to 6,648 by 2022.

All of AXA Philippines' agents are required to enter into agency agreements before distributing AXA Philippines products. Agents are not considered to be AXA Philippines employees. These agreements set out the terms under which agents act for AXA Philippines, the activities they are authorized to carry out on AXA Philippines' behalf, prohibited activities, types of products they are authorized to sell and the criteria for payment of commission. In addition, agents are required to be licensed by the Philippine Insurance Commission. Agents are responsible for submitting a customer's information and their application for an insurance policy to be processed by the head office.

Bancassurance
Bancassurance refers to the sales of insurance through banking institutions. AXA Philippines utilizes financial executives, who are AXA Philippines employees placed within key MBT branches throughout the Philippines, to provide insurance advisory services to bank-sourced clients. AXA Philippines' bancassurance related products are aimed at complementing MBT's existing line of financial products, thereby providing MBT customers with a complete set of financial and insurance solutions. MBT and AXA Philippines also cross-market their products through joint advertising campaigns and promotional offers, such as tie-ups with MCC. Bancassurance accounted for 57% and 60% of AXA Philippines' total annualized premium equivalent in 2020 and 2021, respectively. The cross-marketing of AXA Philippines products at bank branches is the main component of AXA Philippines' marketing efforts.

Non-life Insurance
Charter Ping An's interactions with its clients or policyholders are through its distribution networks, sales channels, partners and those with mutual business interests:

Branches
Charter Ping An has 21 branches nationwide, located in Makati, Manila, Quezon City, Muntinlupa, Calamba (Laguna), Batangas, Naga, Tarlac, Dasmariñas (Cavite), Bulacan, Cabanatuan, San Fernando (Pampanga), Baguio City, Dagupan (Pangasinan), Isabela, Iloilo, Bacolod, Cebu, Cagayan de Oro, Davao, and General Santos.

Sales Channels
Charter Ping An's products and services are sold through its intermediaries, namely licensed agents, licensed brokers, MBT and PSBank (through the Bancassurance platform) and synergy with the GT Capital group.

Partners
Several service providers and partners are necessary for product enhancements, including car dealers, accredited repair shops and adjusters for claims.

Competition

Life Insurance
AXA Philippines faces competition in the Philippines for its products. Competition in the life insurance industry is based on many factors. AXA Philippines believes the principal competitive factors that affect its business are distribution channels, quality of sales force and advisors, price, investment management performance, historical performance of investment-linked insurance contracts and quality of management. AXA Philippines' major competitors in the Philippines are also affiliated with international insurance companies. Many insurance companies in the Philippines offer products similar to those offered by AXA Philippines and in some cases, use similar marketing techniques and banking partnership support. AXA Philippines' principal competitors are Sun Life of Canada (Philippines), Inc., Pru Life Insurance Corp. of U.K., The Philippine American Life & Gen. Insurance Co., BPI Philam Life Assurance Corp., Inc. and The Manufacturers Life Insurance Co. (Phils.), Inc..

The tables below show the total premium income and percentage of total market share for AXA Philippines and its principal competitors as of December 31, 2021.

Amounts in Php millions, except for percentage	**2021**	
	Amount	**% of total**
1. Sun Life of Canada (Philippines), Inc.	45,465.69	14.65%
2. AXA Philippines	38,943.17	12.55%
3. Pru Life Insurance Corp. of U.K.	38,052.62	12.27%
4. Allianz PNB Life Insurance, Inc.	29,962.00	9.66%
5. FWD Life Insurance Corporation	18,825.60	6.07%
6. BDO Life Assurance Company, Inc	18,291.93	5.90%

Source: Philippine Insurance Commission (based on 2020 Annual Statements)

The total market premium income in 2021 amounted to Php310.2 billion.

Non-life Insurance
Based on the Insurance Commission's released non-life industry GPW results, the average industry growth for the past four years (2018-2021) was 5.3% while Charter Ping An's average growth was -12.1%. Market share decreased to 3.3% in 2021 from 5.0% in 2020. In terms of industry performance, Charter Ping An in 2021 is eighth in ranking in terms of GPW, and fifth in ranking in the NPW.

The Philippine insurance industry has generated stable results despite high exposure to natural catastrophes. The government drives a national and natural catastrophe protection schemes. The issues on capital requirements, regulatory requirements, tax and consolidation remain. There is an increasing consciousness and demand for microinsurance which contributed to the stable growth of the insurance industry.

Primary products sold in the country are the traditional lines. Motor Car and Fire insurance remain to be the main driver in terms of premium volume.

As of March 1, 2022, the Philippine insurance industry is composed of 50 non-life insurance companies, 5 of which are deemed composite life and non-life companies.

Transactions with and/or Dependence on Related Parties

Life Insurance
Transactions between related parties are based on terms similar to those offered to non-related parties. Parties are 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 and the parties are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Related party transactions as of December 31, 2021 consist mainly of the following:

Entities with joint control over the Company	**Terms**	**Conditions**
AXA Asia		
Accounts receivable	Interest-free, settlement in cash	Unsecured, no impairment
Shared Service Costs	Interest-free, settlement in cash	Unsecured, no impairment
Accounts payable	Interest-free, settlement in cash	Unsecured, no impairment
Accrued expenses	Interest-free, settlement in cash	Unsecured, no impairment
GT Capital Holdings, Inc.		
Premium income	Interest-free, settlement in cash	Unsecured, no impairment
Investment in equity securities	Interest-free, settlement in cash	No impairment
Dividend income	Interest-free, settlement in cash	-
First Metro Investment Corporation		
Premium income	Interest-free, settlement in cash	Unsecured, no impairment
Gross experience refund	-	-

Subsidiary		
Charter Ping An Insurance Corporation		
Shared service income	Interest-free, settlement in cash	Unsecured, no impairment
Accounts receivable	Interest-free, settlement in cash	Unsecured, no impairment
Other related parties		
Metropolitan Bank and Trust Company		
Savings, current and time deposits accounts	7-59 days, 0.2500%-0.3000%	Unsecured, no impairment
Unit investment trust funds	At NAV, settlement in cash	Unsecured, no impairment
Realized gain on UITF	-	-
Interest income	7-59 days, 0.2500%-0.3000%	Unsecured, no impairment
Investment in equity securities	Interest-free, settlement in cash	Unsecured, no impairment
Dividend income	Interest-free, settlement in cash	Unsecured, no impairment
Commission expense	Interest-free, settlement in cash	Unsecured, no impairment
Rental expense	Interest-free, settlement in cash	Unsecured, no impairment
Rental income	Interest-free, settlement in cash	Unsecured, no impairment
Rental deposits	Interest-free, settlement in cash	Unsecured, no impairment
Bank charges	Interest-free, settlement in cash	Unsecured, no impairment
Premium income	Interest-free, settlement in cash	Unsecured, no impairment
Claims	Interest-free, settlement in cash	Unsecured, no impairment
Gross experience refund	Interest-free, settlement in cash	Unsecured, no impairment
Annual fees	-	Unsecured, no impairment
Credit card fees	-	Unsecured, no impairment
Accounts payable	-	-
Philippine Savings Bank		
Savings, current and time deposits accounts	32-63 days, 0.1250% - 0.5250%	Unsecured, no impairment
Interest income	32-63 days, 0.1250% - 0.5250%	Unsecured, no impairment
Commission expense	-	Unsecured, no impairment
Bank charges	-	Unsecured, no impairment-
Premium income	Interest-free, settlement in cash	Unsecured, no impairment
Claims	Interest-free, settlement in cash	Unsecured, no impairment
Gross experience refund	Interest-free, settlement in cash	Unsecured, no impairment
Federal Land, Inc.		
Premium income	Interest-free, settlement in cash	Unsecured, no impairment
Rental deposits	-	Unsecured, no impairment
Rent expense	-	-
Association dues	-	-
Gross experience refund	Interest-free, settlement in cash	Unsecured, no impairment
AXA PPP		
Reinsurance recoveries	Interest-free, settlement in cash	Unsecured, no impairment
Premiums ceded to reinsurer	Interest-free, settlement in cash	Unsecured, no impairment
AXA Global P&C		
Reinsurance recoveries	Interest-free, settlement in cash	Unsecured, no impairment
Premiums ceded to reinsurer	-	Unsecured, no impairment
AXA France Vie		
Reinsurance recoveries	Interest-free, settlement in cash	Unsecured, no impairment
Premiums ceded to reinsurer	-	Unsecured, no impairment
AXA Group Operations Philippines, Inc.		
IT Services	Interest-free, settlement in cash	Unsecured, no impairment
Shared service income	Interest-free, settlement in cash	Unsecured, no impairment
Assist and Assistance Concept, Inc.		
Service Fees	Interest-free, settlement in cash	Unsecured, no impairment
Architas		
Accounts Receivable	Interest-free, settlement in cash	Unsecured, no impairment
Expense recharge	-	-

Toyota Motor Philippines Corporation		
Premium income	Interest-free, settlement in cash	Unsecured, no impairment
Claims	Interest-free, settlement in cash	Unsecured, no impairment
Gross Experience Refund	Interest-free, settlement in cash	Unsecured, no impairment
Orix Rental Corporation		
Premium income	Interest-free, settlement in cash	Unsecured, no impairment
Rent Expense	Interest-free, settlement in cash	Unsecured, no impairment
Orix Metro Leasing and Finance Corporation		
Premium income	Interest-free, settlement in cash	Unsecured, no impairment
Claims	-	Unsecured, no impairment
AXA Group Operations Hong Kong Limited		
IT Services	Interest-free, settlement in cash	Unsecured, no impairment
AXA Group Operations SAS		
Software Licenses	Interest-free, settlement in cash	Unsecured, no impairment
Accounts Receivable	-	-
AXA Group Operations Malaysia Sdn. Bhd.		
Actuarial Services	-	Unsecured, no impairment
PT Mandiri Axa General Insurance		
Accounts Receivable	-	Unsecured, no impairment

Non-life insurance
Charter Ping An, in its usual conduct and course of business, has entered into transactions with its associate and other related parties principally consisting of cross selling activities, service requirements and leasing agreements as of December 31, 2021.

Entity with control over the Company	Terms	Conditions
Philippine AXA Life Insurance Corporation		
Shared service cost	-	-
Accounts payable and accrued expenses	Due and demandable; non-interest bearing	Unsecured; no impairment
Other related parties		
Metropolitan Bank and Trust Company		
Direct premiums	-	-
Premiums receivable	Due and demandable; non-interest bearing	Unsecured; no impairment
Investment expense	-	-
Bank charges	-	-
Time deposit placements	57 to 63 days; 0.25% to 0.30%	-
Interest income on time deposits	0.25% to 0.30%	-
Accrued interest on time deposits	0.25% to 0.30%	-
Savings and current deposits	0.125% to 0.625%	-
Interest income on savings deposits	0.125% to 0.625%	-
Investment in AFS equity securities	Common Shares	-
Unrealized gain on equity Securities	-	-
Rent expense	-	-
Rental and security deposits	Non-interest bearing	No impairment
Utilities	-	-
CUSA/Association dues	-	-
Plan assets	-	No Impairment
First Metro Investment Corporation		
Direct premiums	-	-
Premiums receivable	Due and demandable; non-interest bearing	Unsecured; no impairment

Philippine Savings Bank		
Direct premiums	-	-
Premiums receivable	Due and demandable; non-interest bearing	Unsecured; no impairment
Time deposit placements	30 to 43 days; 0.20% to 0.53%	-
Accrued interest on time deposits	0.20% to 0.53%	-
Interest income on time deposits	0.20% to 0.53%	-
Savings and current deposits	0.25% to 0.50%	-
Interest income on savings deposit	0.25% to 0.50%	-
Other underwriting expense	-	-
Investment expense	-	-
Federal Land Inc.		
Direct premiums	-	-
Premiums receivable	Due and demandable; non-interest bearing	Unsecured; no impairment
Rent expense	-	-
Rental and security deposits	Due and demandable; non-interest bearing	-
Utilities	-	-
Association dues	-	-
ORIX Metro Leasing and Finance Corporation		
Direct premiums	-	-
Premiums receivable	Due and demandable; non-interest bearing	Unsecured; no impairment
ORIX Auto Leasing Phils. Corporation		
Direct premiums	-	-
Premiums receivable	Due and demandable; non-interest bearing	Unsecured; no impairment
LMI Insurance Agency, Inc,		
Commission Expense	-	-
Commission Payable	Due and demandable; non-interest bearing	-
OMLF Insurance Agency, Inc,		
Commission Expense	-	-
Commission Payable	Due and demandable; non-interest bearing	-
TMBC Insurance Agency Corporation		
Commission Expense	-	-
Commission Payable	Due and demandable; non-interest bearing	-
ORIX Rental Corporation		
Direct premiums	-	-
Premiums receivable	Due and demandable; non-interest bearing	Unsecured; no impairment
Toyota Financial Services Philippine Corporation		
Direct premiums	-	-
Premiums receivable	Due and demandable; non-interest bearing	Unsecured; no impairment
Toyota Manila Bay Corporation		
Direct premiums	-	-
Premiums receivable	Due and demandable; non-interest bearing	Unsecured; no impairment
Toyota Motors Philippines Corporation		
Direct premiums	-	-
Premiums receivable	Due and demandable; non-	Unsecured; no impairment

	interest bearing	
Cathay International Resources Corporation		
Direct premiums	-	-
Premiums receivable	Due and demandable; non-interest bearing	Unsecured; no impairment
GT Capital Holdings		
Direct premiums	-	-
Premiums receivable	Due and demandable; non-interest bearing	Unsecured; no impairment
Dividend income	-	-
Investment in AFS equity securities	Common shares	-
Investment in AFS debt securities	10 years, 5.09%	Unsecured; no impairment
Interest income on debt securities	5.09%	-
Accrued interest on AFS debt securities	5.09%	-
Unrealized gain on equity securities	-	-
AXA Global P & C (AXA Global RE)		
Reinsurer's share of gross premiums on insurance contracts	-	-
Commission income	-	-
Funds held by ceding company	Non–interest bearing	Unsecured; no impairment
Reinsurance recoverable on paid losses	Due and demandable; non–interest bearing	Unsecured; no impairment
Reinsurance recoverable on unpaid losses	Non–interest bearing	Unsecured; no impairment
First Metro Securities Brokerage Corporation		
Direct premiums	-	-
Premiums receivable	Due and demandable; non-interest bearing	Unsecured; no impairment
Investment expense	-	-
AXA Group Operations Hongkong Limited (formerly AXA Technologies Services Asia Limited)		
Service fee	-	-
Accounts payable	-	-
AXA Asia	-	-
Service fee	-	-
Accounts payable and accrued expenses	Non-interest bearing	Unsecured; no impairment
First Metro Asset Management, Inc.	-	-
Direct premiums	-	-
XL Insurance Co. SE (Singapore Branch) (formerly AXA Corporate Solutions Assurance Singapore Branch)		
Reinsurer's share of gross premiums on insurance contracts	-	-
Commission income	-	-
Reinsurance recoverable on unpaid losses	Due and demandable; non–interest bearing	Unsecured; no impairment
Reinsurance recoverable on paid losses	Due and demandable; non–interest bearing	Unsecured; no impairment
Due to reinsurer	Non–interest bearing	Unsecured; no impairment
AXA Insurance Singapore PTE LTD		
Reinsurer's share of gross premiums on insurance contracts	-	-
Commission income	-	-
Due to reinsurer	Non–interest bearing	Unsecured; no impairment

AXA Group Operations SAS (formerly AXA Group Solutions SAS/AXA Services SAS)		
Professional fees	-	-
Sumisho Motor Finance Corporation		
Direct premiums Premiums receivable	- Due and demandable; non-interest bearing	- Unsecured; no impairment
Bonifacio Landmark Realty & Development Corporation (formerly Morano Holdings Corporation)		
Direct premiums Premiums receivable	- Due and demandable; non-interest bearing	- Unsecured; no impairment
AXA General Insurance Hong Kong Limited		
Reinsurer's share of gross premiums on insurance contracts Commission income	- -	- -
Horizon Land Property and Development Corporation		
Direct premiums Premiums receivable	- Due and demandable; non-interest bearing	- Unsecured; no impairment
AXA Business Services PVT LTD		
Professional fees	-	-
Assist and Assistance Concept, Inc.		
Other underwriting expense	-	-

Effect of Existing or Probable Government Regulations

Fixed capitalization requirements
On August 5, 2013, the President of the Philippines approved Republic Act No. 10607 to be known as the "New Insurance Code" which provides the new capitalization requirements for all existing insurance companies based on net worth on a staggered basis starting June 30, 2013 up to December 31, 2022.

On January 13, 2015, the IC issued Circular Letter No. 2015-02-A clarifying the minimum capitalization and net worth requirements of new and existing insurance companies in the Philippines. All domestic life and non-life insurance companies duly licensed by the IC must have a net worth of at least ₱250.00 million by December 31, 2013. The minimum net worth of the said companies shall remain unimpaired at all times and shall increase to the amounts as follows:

Networth	Compliance Date
₱550,000,000	December 31 ,2016
₱900,000,000	December 31, 2019
₱1,300,000,000	December 31, 2022

As of December 31, 2021 and 2020, the Group has complied with the minimum net worth requirements.

RBC requirements
In 2006, the IC issued Memorandum Circular (IMC) No. 6-2006 and IMC No. 7-2006 adopting a risk-based capital framework to establish the required amounts of capital to be maintained by life and non-life insurance companies, respectively, in relation to their investment and insurance risks. The RBC ratio of a company shall be calculated as Net worth divided by the RBC requirement. Net worth shall include the Company's paid-up capital, contributed and contingency surplus and unassigned surplus. Revaluation and fluctuation reserve accounts shall form part of net worth only to the extent authorized by the Insurance Commissioner.

In 2016, the IC issued Circular Letter No. 2016-68, *Amended Risk-Based Capital (RBC2) Framework,* pursuant to Section 437 of the Amended Insurance Code. The RBC ratio shall be calculated as Total Available Capital (TAC) divided by the RBC requirement. TAC is the aggregate of Tier 1 and Tier 2 capital minus deductions, subject to applicable limits and determinations. Tier 1 Capital represents capital that is fully available to cover losses of the insurer at all times on a going-concern and winding up basis (e.g. Capital Stock, Statutory Deposit, Capital Stock Subscribed, Contributed Surplus, etc.). Tier 2 Capital does not have the same high-quality characteristics of Tier 1 capital, but can provide an additional buffer to the insurer [e.g. Reserve for Appraisal Increment – Property and Equipment, Remeasurement Gains (Losses) on Retirement Pension Asset (Obligation), etc.]. Tier 2 Capital shall not exceed 50% of Tier 1 Capital.

The minimum RBC ratio is set at 100%. All insurance companies are required to maintain the minimum RBC ratio and not fail the Trend Test.

The following table shows how the RBC ratio was determined by the Group based on its calculations:

Life Insurance

	2020	2021
Total available capital	₱8,783,121,122	₱8,069,051,451
RBC requirement	3,247,785,933	3,931,025,400
RBC Ratio	**270%**	**205%**

Non-life Insurance

	2020	2021
Total available capital	₱2,431,782,205	₱1,792,373,320
RBC requirement	802,858,159	881,633,046
RBC Ratio	**303%**	**203%**

The final amount of the RBC ratio can be determined only after the accounts of the Group have been examined by the IC. In 2020, the RBC ratio of AXA Philippines and Charter Ping An was determined to be at 268% and 297%, respectively, based on the examination made by the IC.

New regulatory framework
Pursuant to the powers vested in the Insurance Commissioner by Sections 189, 200, 437 and 438 of Republic Act (RA) No. 10607, otherwise known as the Insurance Code, as amended, the following regulatory requirements and actions for the new regulatory framework are hereby adopted and promulgated:

(a) Circular Letter No. 2016-65, *Financial Reporting Framework under Section 189 of the Amended Insurance Code (Republic Act No. 10607)*, prescribes the new financial reporting framework (FRF) that will be used for the statutory quarterly and annual reporting. This also includes rules and regulations concerning Titles III and IV of Chapter III of the Amended Insurance Code and all other accounts not discussed in the Amended Insurance Code but are used in accounting of insurance and reinsurance companies. This circular was further amended by CL No. 2018-54 to clarify the provisions of Section 6.1 ("Miscellaneous Provisions").

(b) Circular Letter No. 2016-66, *Valuation Standards for Life Insurance Policy Reserves*, provides a change in the basis of valuation of the life insurance policy reserves from Net Premium Valuation (NPV) to Gross Premium Valuation (GPV) which now considers other assumptions such as morbidity, lapse and/or persistency, expenses, non-guaranteed benefits and margin for adverse deviation. This CL was further amended by CL 2018-75, *Discount Rates for Life Insurance Policy Reserves as of 31 December 2018*, which prescribes the use of PHP BVAL Reference rates from Bloomberg for Philippine Peso policies.

(c) Circular Letter 2018-18, *Valuation Standards for Non-Life Insurance Policy Reserves*, prescribes the new valuation methodology for the non-life insurance companies. This CL supersedes CL No. 2016-67 and amends CL No. 2015-06 *"New Reserves Computation for the Compulsory Insurance Coverage for Migrant Workers."* CL No. 2018-18 was further supplemented by CL No. 2018-76, *Discount Rates for Non-Life Insurance Policy Reserves as of 31 December 2018*, prescribing the use of Peso spot and forward rates derived from the PHP BVAL Reference rates from Bloomberg and the Dollar spot and forward rates derived from the International Yield Curve from Bloomberg for Peso-denominated and US Dollar-denominated policies, respectively.

(d) Circular Letter No. 2016-68, *Amended Risk-Based Capital (RBC2) Framework*, prescribes that all insurance companies must satisfy the minimum statutory RBC ratio of 100% and not fail the Trend Test as stated under Section 3 of this Circular. The RBC ratio of an insurance company shall be equal to the Total Available Capital (TAC) divided by the RBC requirement.

Implementation requirements and transition accounting

(e) Circular Letter No. 2016-69, *Implementation Requirements for Financial Reporting, Valuation Standards for Insurance Policy Reserves and Amended Risk-based Capital (RBC2) Framework*. The new regulatory requirements under Circular Letters 2016-65, 2016-66, 2016-67 and 2016-68 shall take effect beginning January 1, 2017.

This circular was further amended by CL No. 2018-19 allowing companies to set the Margin for Adverse Deviation (MfAD) as follows:

Period Covered	Percentage (%) of company specific MfAD
2017	0%
2018	50%
2019 onwards	100%

(f) Circular Letter No. 2017-15, *Regulatory Requirements and Actions for the New Regulatory Framework*. The cumulative prior year impact of the changes arising from the adoption of the New Financial Reporting Framework, including the revaluation of the reserves for Claims and Premiums Liabilities computed based on the new valuation standards for non-life insurance policy reserves as provided under CL No. 2016-67, shall be recognized in Retained Earnings – Transition Adjustments account except for items listed in Section 2.1. All changes in valuation shall be measured net of any tax effect.

(g) Circular Letter No. 2017-30, *Regulatory Requirements and Actions for the New Regulatory Framework (Life Insurance Business)*. The cumulative prior year impact of the changes arising from the adoption of the New Financial Reporting Framework, including the change in the valuation basis from Net Premium Valuation (NPV) to Gross Premium Valuation (GPV) as well as any change in assumptions under GPV computed based on the new valuation standards for life insurance policy reserves as provided under CL No. 2016-66, shall be recognized in Retained Earnings – Transition Adjustments account except for items listed in Section 2.1. All changes in valuation shall be measured net of any tax effect.

(h) Circular Letter No. 2020-58, *Regulatory Relief on the admittance of Premiums Receivable due to COVID-19 pandemic*. The basis for admitting Premium Receivable account (direct agents, general agents and insurance brokers) for all non-life insurance and professional reinsurance companies shall be adjusted from ninety (90) days to one hundred eighty (180) days from the date of issuance of the policies. This rule shall be applied to annual and quarterly financial reports for the year 2020 unless extended or changed as deemed necessary by this Commission.

(i) Circular Letter No. 2021-43, Extension of the Regulatory Relief on the admittance of Premiums Receivable due to COVID-19 pandemic. This rule shall be applied to annual and quarterly financial reports for the year 2021 unless extended or changed as deemed necessary by this Commission.

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

Life Insurance
Under the terms of the joint venture agreement between AXA SA and other shareholders, AXA Philippines has the right to use the "AXA" name in the Philippines and does not own any intellectual property rights.

Non-life Insurance
AXA Philippines acquired 100% interest in Charter Ping An in April 2016. In January 2017, AXA Philippines and Charter Ping An secured the approval of the Insurance Commission to co-brand and use the "AXA" name for both the life and general insurance lines.

Government Approval of Principal Products or Services

Life and Non-life Insurance
The development of new products is organized, managed, and coordinated primarily within AXA Philippines and duly approved by the Insurance Commission.

Research and Development Costs

Life and Non-life Insurance
The development of new products is organized, managed and coordinated primarily within AXA in the Philippines. Any related costs to product development pertain to the salaries and training expenses incurred for the product team who manages the product development cycle.

Employees

Life Insurance
As of December 31, 2021, AXA Philippines had 932 full-time employees and 869 sales employees as shown below:

Type	**No. of Employees**
Senior Officers	104
Managers and Officers/Supervisors	305
Rank and File	523
Sales	869
Total	**1,801**

AXA Philippines has no collective bargaining agreements with its employees and none of its employees belong to a labor union. AXA Philippines believes its relationships with its employees are generally good.

Currently, AXA Philippines has no plans for additional hiring except in the ordinary course of business expansion.

Non-life Insurance
As of December 31, 2021, Charter Ping An had 541 full-time employees. The breakdown of full-time employees is provided below:

Type	**No. of Employees**
Senior Officers	14
Managers and Officers/ Supervisors	64
Rank and File	463
Total	**541**

Risks

Life Insurance

- AXA's growth is dependent on its ability to attract and retain individual agents;
- AXA's business and prospects would be materially and adversely affected to the extent its bancassurance activities are impaired, and may lose out on potential new business if unable to develop alternative distribution channels;
- Agent and employee misconduct could harm AXA's reputation or lead to regulatory sanctions or litigation costs;
- AXA's business and prospects may be adversely affected by changes in consumers' preferences, purchasing power, and the general economic and financial market environment;
- AXA may be exposed to various risks as AXA expands its range of products and services;
- Market volatility and fund manager performance may affect the return on investment-linked products and the demand for such products;
- Service quality of healthcare vendors may affect the attractiveness of health products and reputation of AXA
- Inability to retain customers may adversely affect AXA's cashflows and earnings;
- Defaults on AXA's debt investments, defaults of reinsurance counterparties or inability to secure reinsurance cover may materially and adversely affect its profitability;
- Future actual claims may not be consistent with the assumptions used in pricing AXA's products and establishing reserves for its obligations, which could materially and adversely affect its earnings. This includes uncertainties on the emergence of, duration, and lasting impact of pandemics and climate change;
- AXA requires certain regulatory approvals in the ordinary course of its business and the failure to obtain such approvals in a timely manner or at all may adversely affect its business and results of operations;
- AXA's business is dependent on its ability to attract and retain key personnel, including senior management, underwriting personnel, actuaries, information technology specialists, investment managers and other professionals;
- AXA depends on efficient, uninterrupted and secure operation of its information technology system;
- AXA may need additional capital in the future, and there is no assurance that it will be able to obtain such capital on acceptable terms or at all.

Non-life Insurance

- CPA continues to launch new products to give its clients a comprehensive and cost-effective insurance protection for themselves and their properties;
- CPA competes to secure accounts, even captive markets, i.e., accounts or clients of companies that belong to the group, but prioritizes in ensuring the execution of its underwriting strategies in protecting its profitability;
- CPA's business and prospects would be materially and adversely affected to the extent its distribution channels are impaired;
- CPA requires certain regulatory approvals in the ordinary course of its business and the failure to obtain such approvals in a timely manner or at all may adversely affect its business and results of operations;
- CPA must be consistent in submitting reportorial reports as required by the Insurance Commission. Any default would result in a penalty for each day of delay;
- CPA must uphold its assurance to policyholders that any claim will be treated in a professional manner and, when meritorious, settled immediately without undue delay. Since claims payment is one of the key factors in advertising the strength of CPA, any default or wrongdoing would impair the ability of CPA to solicit business;
- Future actual claims may not be consistent with the assumptions used in pricing CPA's products and establishing reserves for its obligations, which could materially and adversely affect its earnings, this includes uncertainties on the emergence of, duration, and lasting impact of pandemics and climate change;
- CPA fund managers must be conservative regarding investments since their decisions could result in heavy losses;
- CPA and other insurance companies are required by the Insurance Commission to protect their policyholders against Catastrophic (CAT) Events. Costs for CAT protection trend upward in the long term

due to climate change but short-term cost volatilities occur due to actual CAT claims experience year-on-year;

- Defaults of reinsurance counterparties or inability to secure reinsurance cover may materially and adversely affect its profitability.
- CPA operation and reportorial requirements are dependent on the reliability of its Information Technology (IT) system, thus, effectiveness must be reviewed and updated regularly. This IT system must be adaptable to changes in reportorial requirements;
- CPA consistently complies with its tax obligations since any failure to do so would result in heavy penalties or even the revocation of CPA's license to operate;
- CPA's business is dependent on its ability to attract and retain key personnel, including senior management, underwriting personnel, actuaries, information technology specialists, investment managers and other professionals; and,

CPA must continuously review its Underwriting Guidelines to eliminate avoidable losses. For unavoidable losses like catastrophic events, CPA should ensure that all payments to policy holders are in accordance with its self-imposed guidelines.

Toyota Manila Bay Corporation

TMBC was incorporated on July 15, 1996 and its registered address is Central Business Park, Roxas Boulevard, Brgy. 076, Pasay City. TMBC also does business under the names Toyota Dasmarinas-Cavite (TDM) and Toyota Abad Santos, Manila (TAS). On June 15, 2012, TMBC became a joint-venture between the Metrobank Group, comprised of Titan Resources Corporation, FMIC and Toyota Cubao Inc. (TCI); and Mitsui & Co., Ltd. (Mitsui), one of Japan's largest general trading companies with the latter acquiring 40% share of the company.

TCI was incorporated on January 19, 1989 and its registered address is 926 Aurora Boulevard, Cubao, Quezon City. TCI also does business under the name Toyota Marikina (TMK).

On March 7, 2016, the SEC approved the merger of TMBC and TCI. Consequently, TMBC became the surviving entity and absorbed all of TCI's assets and liabilities. The consolidation of resources resulted in economies of scale, cost reduction, and better span of control. Prior to the merger, GT Capital owned 53.8% majority stake of TCI, with Mitsui owning 40%, the balance of the remaining TCI shares was held by individual stockholders. As of December 31, 2019, TMBC is 58.10% owned by GT Capital.

TMBC is authorized by TMP to distribute and retail Toyota products in the Philippines. TMBC's business fields are mainly divided into three categories: (1) vehicle sales, (2) parts sales and (3) aftersales services.

Principal Products and Services

Vehicle sales
As of December 31, 2019 TMBC sells a full lineup of Toyota models, sub-divided between passenger car and commercial vehicles category, as seen below:

Type	**Models**
Passenger Cars (PC)	Vios, Yaris, Wigo, Prius, Corolla Altis, Camry, 86, Supra
Commercial Vehicles (CV)	Innova, Avanza, Hiace, Alphard, Coaster, Hilux, Land Cruiser, FJ Cruiser, Fortuner, Rav4, Rush, Corolla Cross, Prado

Parts sales
TMBC offers genuine Toyota parts, accessories, oils and chemicals. Toyota Genuine Parts and Accessories are made to the same exacting standards of the Toyota vehicles and are designed specifically for each model.

After-sale services
TMBC's aftersales services include general job, preventive maintenance, express maintenance, body work and other ancillary businesses provided to Toyota car owners.

The table below shows the pro-forma consolidated breakdown of vehicle sales, parts sales and aftersales services, and their respective contribution to total revenue, for each of the last three years:

Category	As of December 31					
	2019		2020		2021	
	Sales (Php Mn)	*% to Total Revenues*	*Sales (Php Mn)*	*% to Total Revenues*	*Sales (Php Mn)*	*% to Total Revenues*
Vehicle sales	21,049	91.0%	11,661	89.9%	13,624	90.2%
Parts sales	1,388	6.0%	855	6.6%	991	6.6%
After sales Services	683	3.0%	450	3.5%	486	3.2%
Total	**23,120**	**100.0%**	**12,966**	**100.0%**	**15,101**	**100.0%**

Distribution Methods of Products and Services
TMBC provides its products and services to customers through the following dealers:

2019 Data	**TMB**	**TDM**	**TAS**	**TCI**	**TMK**
Started Operations	Aug. 6, 1999	Oct. 24, 2003	Jan. 27, 2011	Jan. 19, 1989	Aug. 19, 1998
Location	Pasay City, Metro Manila	Dasmariñas, Cavite	Manila City	Quezon City	Marikina City
Brand New Vehicles Sold	4,532	2,848	2,544	3,709	2,598
Units Received for Service	35,079	33,804	16,845	20,753	18,408
Brand New Vehicles Sold (2021)	3,136	1,917	2,424	2,803	2,175
Units Received for Service (2021)	22,572	20,585	12,781	13,972	14,280

GT Capital owns these five dealers out of the 71 Toyota outlets across the Philippines through TMBC.

The table below sets out the geographic breakdown of the revenue for the periods indicated.

Outlet	As of December 31					
	2019		2020		2021	
	Sales (Php Mn)	*% to Total Revenues*	*Sales (Php Mn)*	*% to Total Revenues*	*Sales (Php Mn)*	*% to Total Revenues*
TMB	6,194	26.8%	3,446	26.6%	7,036	26.3%
TDM	3,634	15.7%	2,111	16.3%	4,109	15.4%
TAS	4,062	17.6%	2,424	18.7%	5,107	19.1%
TCI	4,890	21.2%	2,646	20.4%	5,618	21.0%
TMK	4,340	18.8%	2,339	18.0%	4,890	18.3%
Total	**23,120**	**100.0)**	**12,966**	**100.0%**	**26,760**	**100.0%**

Components and Raw Materials
TMBC's inventory of Toyota vehicles and genuine parts is principally supplied by Toyota Motor Philippines Corporation. Likewise, TMBC does not have any major existing supply contracts.

Competition

Market Trends
TMBC believes its direct and principal competitors are other Toyota dealers in the geographic areas in which they operate. As of December 31, 2019, Toyota Motor Philippines have 19 dealerships in Metro Manila and 52 dealerships in the provinces. Out of the total vehicles sold by these dealerships, TMBC accounted for 9.7% share as of December 31, 2021.

TMBC also competes with three-star workshops and to some extent, gasoline stations in offering after sales service.

Advantage over competitors
TMBC boasts of its financial strength and wide marketing network within the GT Capital group. Aside from TFS, majority of the business are client referrals from MBT and PSBank, which serve also as financing partners of the company. Moreover, TMBC enjoys the benefits of having a strong Toyota brand name, and the dominant position of Toyota in the Philippine automotive market.

Customers
The customers of TMBC can be divided into retail and fleet customers. Retail or individual clients are normally comprised of walk-in clients, referrals from banks, and repeat customers.

For the year 2021, TMBC's retail customer base is comprised of:

First time car buyers	40.1%
Additional car buyers	58.2%
Replacement car buyers	1.7%
Total	100.0%

In addition to general consumer sales, fleet accounts consist of taxi companies and corporate accounts purchasing vehicles in bulk.

The table below shows the TMBC's customer statistics per dealer outlet, respectively.

Outlet	As of December 31, 2019			
	Sales Volume to Fleet	*% to Total Sales Volume*	*Sales Volume to Retail*	*% to Total Sales Volume*
TMB	1,389	7.8%	3,259	18.4%
TDM	282	1.6%	2,699	15.2%
TAS	749	4.2%	2,226	12.5%
TCI	600	3.4%	3,394	19.1%
TMK	645	3.6%	2,512	14.1%
TOTAL	**3,665**	**20.6%**	**14,090**	**79.4%**

Outlet	As of December 31, 2020			
	Sales Volume to Fleet	*% to Total Sales Volume*	*Sales Volume to Retail*	*% to Total Sales Volume*
TMB	669	6.2%	2,185	20.4%
TDM	163	1.5%	1,615	15.1%
TAS	381	3.6%	1,620	15.1%
TCI	296	2.8%	1,958	18.3%
TMK	372	3.5%	1,450	13.5%
TOTAL	**1,881**	**17.6%**	**8,828**	**82.4%**

Outlet	As of December 31, 2021			
	Sales Volume to Fleet	*% to Total Sales Volume*	*Sales Volume to Retail*	*% to Total Sales Volume*
TMB	823	6.6%	2,313	18.6%
TDM	216	1.7%	1,701	13.7%
TAS	480	3.9%	1,944	15.6%
TCI	960	7.7%	1,843	14.8%
TMK	571	4.6%	1,604	12.9%
TOTAL	**3,050**	**24.5%**	**9,405**	**75.5%**

Financing Terms

Customers are usually required to pay a 20% down payment, with the remaining balance payable in three to five years. They can either choose between bank financing or through GT Capital's financing arm, TFSPH. With a more aggressive "all-in" financing package and promotions from banks, financing the purchase of brand-new vehicles becomes accessible to a wide array of customers.

Innovation and Promotion

Most advertisements of vehicles on mass media are conducted by TMP on behalf of the dealerships of Toyota. Also TMBC independently conducts campaigns such as displays at shopping malls and other commercial areas as well as thru social media.

Intellectual Property

TMBC acquired the rights to use the "Toyota" brand names through the Toyota Dealership Agreement with TMP. If TMBC's annual performance can meet TMP's requirements, the dealership agreement is renewed every February of each year. TMBC's dealership agreement was renewed in February 2020, and is expected to be renewed for an additional year in accordance with TMP's annual performance target.

TMBC has also registered its logo with the Intellectual Property Office last March 26, 2013 with a validity of 10 years but is expected to be renewed upon expiration.

Regulatory and Environmental Matters

The Philippine automotive industry is subject to various laws and government regulations. These regulations include environmental protection and conservation rules that regulate the levels of air, water, noise and solid waste pollution produced by automotive manufacturing activities of TMP. If TMP complies with these regulations by spending more costs, TMBC may be affected indirectly. With regards to its general operations as a business entity, TMBC is also subject to the general trade related laws and policies, enforced through the Department of Trade and Industry. Moreover, Toyota Manila Bay is also subject to the enacted Presidential Directives and Issuances, the most recent of which is the "Philippine Lemon Law", an act strengthening consumer protection in the purchase of brand new motor vehicles, approved in July 15, 2014.

Employees

The following table provides a breakdown of TMBC's employees for the period indicated.

	2021
Regular	**898**
Officers	49
Team Members	849
Probationary	**49**
Outside Contractors	**208**
Agency-contracted	206
Fixed term employee	2
TOTAL	**1,155**

Currently, TMBC has no plans for additional hiring except in the ordinary course of business expansion.

Risks
The Philippine automotive market has been subject to considerable volatility in demand. Demand for vehicles depends to a large extent on general, social, political and economic conditions in the Philippines. Demand may also be affected by factors directly impacting vehicle prices or the cost of purchasing and operating vehicles such as sales and financing incentives, prices of raw materials and parts and components, and the cost of fuel, exchange rates and governmental regulations (including tariffs, import regulations and other taxes). Volatility in demand may lead to lower vehicle unit sales and increased inventory, which may result in higher selling expenses per vehicle and could materially affect TMBC's business.

<u>Toyota Financial Services Philippines Corporation</u>

Toyota Financial Services Philippines Corporation (TFSPH) was established on August 16, 2002 and started operations in October 2002. TFSPH became a joint-venture between GT Capital and Toyota Financial Services (TFS) Japan with the former acquiring 40% share of TFSPH from Metrobank and PSBank. Its principal office is located at 32nd Floor GT Tower International, Ayala Avenue Corner H.V. dela Costa Street, Makati City.

Principal Products or Services and their Markets indicating the Relative Contribution to Sales/Revenues
TFSPH's primary purpose is to engage in, carry on and undertake the general business of financing by extending credit facilities to (i) customers of Toyota vehicles dealers in the Philippines and (ii) commercial or industrial enterprise, including distributors and dealers, who are engaged in the distribution and sale of Toyota vehicles in the Philippines, through (a) purchasing, discounting, rediscounting or factoring commercial papers, account receivables or negotiable instruments, (b) inventory financing, (c) leasing, (d) sale-back arrangements, (e) hire purchase agreements, (f) direct lending with or without security, as well as to engage in quasi-banking operations with prior approval by the Bangko Sentral ng Pilipinas and any other business of financing company that maybe directly or indirectly necessary, or useful for the accomplishment and furtherance of its primary purpose.

Currently, TFSPH offers retail loans, finance lease and full-service operating lease to its individual and corporate clients and wholesale financing for Toyota dealers for the acquisition of brand-new and/or certified pre-owned Toyota vehicles.

The table below shows the breakdown of the income derived from lending/financing, full service lease/operating lease and wholesale financing and other operating income (consisting of interest on deposits, service charges, fees, and gain or loss on sale of assets held for sale) and their respective contribution to total revenue for the last three years:

Category	**2019**		**2020**		**2021**	
	Amount (PhP M)	*% to Total Revenues*	*Amount (PhP M)*	*% to Total Revenues*	*Amount (PhP M)*	*% to Total Revenues*
Interest Income (Retail Loans)	955.9	13.75%	825.2	11.59%	919.5	9.44%
Interest Income (Finance Lease)	5,885.5	84.65%	6,255.2	87.83%	8,355.6	85.76%
Interest Income (Wholesale)					0.1	0.00%
Rental Income (Operating Lease)	1.6	0.02%	6.2	0.09%	8.3	0.09%
Other Income	110.1	1.58%	35.4	0.49%	459.2	4.71%
Total	**6,953.1**	**100.00%**	**7,122.0**	**100.00%**	**9,742.7**	**100.00%**

'* *Figures for 2021 is based on unaudited FS*

Distribution Methods of Products and Services
The table below sets out the geographic breakdown of units financed by TFSPH for the periods indicated.

Location	**2019**		**2020**		**2021**	
	Units	*%*	*Units*	*%*	*Units*	*%*
Metro Manila	13,238	38.9%	14,662	36.5%	21,064	36.4%
Outside Metro Manila	20,792	61.1%	25,547	63.5%	36,766	63.6%
TOTAL	34,030	100%	40,209	100%	57,830	100%

Competition

Geographic area in which the business competes
Please see *Distribution Methods of Products and Services.*

Principal methods of competition
TFSPH offers competitive interest rates and attractive financing products. TFSPH also focuses on efforts to significantly reduce loan processing time to enhance customer service. TFSPH continues to innovate products and services to make Toyota vehicle acquisition more affordable to its customers.

Principal Competitors
TFSPH considers the following as its closest competitors in financing Toyota vehicles in 2021: BDO, BPI, PS Bank, RCBC and EastWest.

Advantage over competitors

Products

- TFSPH is the only financing company that offers Finance Lease and Full Service Operating Lease to retail customers where they can enjoy lower cash out lay – no chattel mortgage fees.
- TFSPH offers lower rates for Toyota Certified Used Vehicles compared to banks' used car rates in support of the Toyota Certified Used Vehicles program of TMP.

Relationship with Distributor (TMP) and Dealers
- TFSPH has joint sales programs with both TMP and dealers through exclusive promos and packages.

Transactions with and/or dependence on related parties:
- Toyota Dealers (nationwide) – Auto sales financing
- Toyota Motor Philippines Corporation – Auto sales and financing product packages

Patents, Trademarks, Copyrights, Licenses, Franchises, Concessions, and Royalty Agreements Held
Corporate licenses issued by SEC and BSP (Quasi Bank) have no specific expiration date.

Government Approval of Principal Products or Services
TFSPH obtains approvals and permits from regulatory bodies and agencies, as applicable, prior to the offering of its products and services to the public.

Effect of Existing or Probable Government Regulations
Capital Adequacy
Under existing BSP regulations, the determination of the compliance with regulatory requirements and ratios is based on the amount of the "unimpaired capital" (regulatory net worth) as reported to the BSP, which is determined on the basis of regulatory accounting policies that differ from PFRS in some respects.

The risk-based capital ratio of a bank, expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than 10.00%. Qualifying capital and risk-weighted assets (RWA) are computed based on BSP regulations. RWA consist of total assets less cash on hand, due from BSP, loans covered by hold-out on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits and other non-risk items determined by the Monetary Board (MB) of the BSP. TFSPH has complied with all externally imposed capital requirements throughout the year.

In December 2010, the Basel Committee for Banking Supervision published the Basel III framework (revised in June 2011) to strengthen global capital standards, with the aim of promoting a more resilient banking sector. On January 15, 2013, the BSP issued Circular No. 781, Basel III Implementing Guidelines on Minimum Capital Requirements (the Circular), which provides the implementing guidelines on the revised risk-based capital adequacy framework particularly on the minimum capital and disclosure requirements for universal banks and commercial banks, as well as their subsidiary banks and quasi-banks, in accordance with the Basel III standards.

The Circular sets out a minimum Common Equity Tier 1 (CET1) ratio of 6.0% and Tier 1 capital ratios of 7.5%. It also introduced a capital conservation buffer of 2.5% comprised of CET1 capital. BSP existing requirement for Total CAR remained unchanged at 10% and these ratios shall be maintained at all times. TFSPH is required to comply with the Circular effective on January 1, 2014.

- TFSPH has taken into consideration the impact of the foregoing requirements to ensure that the appropriate level and quality of capital are maintained on an ongoing basis. As of December 31, 2021, CET1/Tier 1 and Total Capital Adequacy ratios are 13.49% and 13.57%, respectively.

Applicable Tax Regulations

- Under Philippine tax laws, TFSPH is subject to percentage and other taxes (presented as 'Taxes and licenses' in the statement of income) as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax (GRT) and documentary stamp tax (DST). Income taxes include 25% regular corporate income tax (RCIT) and 20.00% final taxes paid, which is a final withholding tax on gross interest income from government securities and other deposit substitutes. Interest allowed as a deductible expense is reduced by an amount equivalent to 20% of interest income subjected to final tax.

Current tax regulations also provide for the ceiling on the amount of Entertainment, Amusement and Recreational (EAR) expenses that can be claimed as a deduction against taxable income. Under the regulation, EAR expense, allowed as a deductible expense for a service company like TFSPH, is limited to the actual EAR paid or incurred but not to exceed 1.00% of gross revenue. The regulations also provide for MCIT of 1.00% on modified gross income and allow a NOLCO. The MCIT and NOLCO may be applied against TFSPH's income tax liability and taxable income, respectively, over a three-year period from the year of inception.

Research and Development Costs

For the last three fiscal years, TFSPH has not incurred any expenses for research and development.

Employees

The following table provides the breakdown of TFSPH employees for the period indicated.

	2021
Senior Officers (AVPs and up)	23
Officers (SM and down)	143
Rank and File	268
Sub total	**434**
Outsourced Services	76
Total	**510**

TFSPH continues to ensure that its employees are properly compensated. TFSPH has not experienced any labor strikes and the management of TFSPH considers its relations with its employees to be harmonious.

Risk Management
TFSPH operates an Enterprise Risk Management system which enables the Company to achieve corporate objectives while addressing and monitoring risks it faces in its financing activities.

Risk Management Framework
The BOD has overall responsibility for the oversight of TFSPH's risk management process. Supporting the BOD in this function are certain Board-level committees such as Risk Oversight Committee (ROC), Audit Committee (AC) and senior management committees through the Executive Committee, Asset and Liability Committee (ALCO) and Credit Committee (CRECOM).

TFSPH has exposures to the following risks arising from its operations; (a) credit; (b) liquidity; (c) market; (d) operational; and (e) information technology risks.

Credit Risk
Credit risk is the risk that TFSPH suffers losses when a counterparty fails to meet its financial obligations. TFSPH manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties, related groups of borrowers, for market segmentation, and industry concentrations, and by monitoring exposures in relation to such limits. The same is true for treasury-related activities. Each business unit is responsible for the quality of the overall credit portfolio and for monitoring and controlling all portfolio-wide credit risk. Regular reviews of business units and credit processes are undertaken by Risk Management Department (RMD) through the Credit Risk Review Unit and periodic audits are conducted by Internal Audit Department (IAD).

Liquidity Risk
Liquidity risk is defined as the current and prospective risk to earnings or capital arising from TFSPH's inability to meet its obligations when they become due. TFSPH manages its liquidity risk through analyzing net funding requirements under alternative scenarios, diversification of funding sources and contingency planning. To ensure that funding requirements are met, TFSPH manages its liquidity risk by holding sufficient liquid assets of appropriate quality.

Market Risk
Market risk is the risk that exposure to changes in market rates may negatively affect TFSPH's value and the ability to meet obligations as they mature. The ALCO oversees management of interest risk exposures through monitoring of set of risk limits to properly monitor and manage the market risks. The risk limits are approved by the BOD. A critical element of the interest rate risk management consists of measuring the risks associated with fluctuations in market interest rates on the Company's net interest income.

Operational Risk
Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or external events. Risk management tools being used to identify, measure, control and monitoring operational risk include Risk Control Self-Assessment, Business Impact Analysis, Operational Key Risk Indicators, and Operational Risk Event Reporting. The TFSPH Operational Risk Management Framework traces its foundations to Toyota's philosophy of Kaizen or "continuous improvement". Kaizen principles guide the Company in reducing process errors and eliminating manual processes while, at the same time, deliver quality products and services to customers, avoid redundancies, lower operating costs and increase organizational learning and productivity.

Information Technology Risk
Information Technology (IT) risk is any potential adverse outcome, such as disruption, violation of regulations, damage/loss, associated with the use or reliance on computer hardware, software, devices, systems, applications, and networks. To manage IT risk exposures, TFSPH has an established IT Risk Management system covering IT Governance, risk identification and assessment of information assets, IT controls implementation, and measurement and timely monitoring of IT key risk indicators.

Information Security and Privacy Risk
Information Security and Privacy risk is the likelihood that individuals will experience problems resulting from data processing, and the impact of these problems should they occur. Information Security and Privacy risk includes but is not limited to technical measures that lack appropriate safeguards, social media attacks, mobile

malware, third-party access, negligence resulting from improper configuration, outdated security software, social engineering and lack of encryption. TFSPH has an established Corporate Information Security Policy to provide assurance for protecting TFSPH information assets against any unauthorized access, disclosure, modification, transfer, storage, misuse or destruction intended or otherwise. Preserving their value by requiring the use of security practices and control mechanisms to restrict employees, agents of the company, and others without authority from sharing, distributing, using, or destroying these assets. The policy ensures that the computer and communication resources used in support of TFSPH business and administrative operations comply with legal, functional, and procedural specifications so as to provide reasonable assurance that the company's business is not hindered, damaged, destroyed, or contaminated by unauthorized actions. TFSPH also provides periodic Information Security trainings and awareness programs for all team members.

TFSPH promotes an open communication about risk issues including risk strategies across the organization. Any issues that pose significant risk to the Company should be endorsed and discussed with RMD and relayed to Senior Management and ROC for proper direction and further guidance.

Metro Pacific Investments Corporation

(A) Business Development

Metro Pacific Investments Corporation (the "Parent Company" or "MPIC") was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission ("SEC") on March 20, 2006 as an investment holding company. MPIC's common shares of stock are listed in and traded through the Philippine Stock Exchange ("PSE").

The principal activities of the Parent Company's subsidiaries and equity method investees are described in Notes 1, 10 and 41 of MPIC's Audited Consolidated Financial Statements. The Parent Company and its subsidiaries are collectively referred to as "the Company" or "the Group".

Metro Pacific Holdings, Inc. ("MPHI") owns 43.97% and 43.1% of the total issued and outstanding common shares of MPIC as at December 31, 2021 and 2020, respectively. As sole holder of the voting Class A Preferred Shares, MPHI's combined voting interest as a result of all of its shareholdings is estimated at 57.02% and 56.2% as at December 31, 2021 and 2020.

MPHI is a Philippine corporation whose stockholders are Enterprise Investment Holdings, Inc. ("EIH"; 60.0% interest), Intalink B.V. (26.7% interest) and First Pacific International Limited ("FPIL"; 13.3% interest). First Pacific Company Limited ("FPC"), a company incorporated in Bermuda and listed in Hong Kong, through its subsidiaries, holds a direct 40.0% equity interest in EIH and investment financing which under Hong Kong Generally Accepted Accounting Principles, require FPC to account for the results and assets and liabilities of EIH and its subsidiaries as part of FPC group of companies in Hong Kong.

MPIC is a leading infrastructure holding company in the Philippines. MPIC's intention is to maintain and continue to develop a diverse set of infrastructure assets through its investments in water, toll roads, power generation and distribution, healthcare services, light rail and logistics. MPIC is therefore committed to investing through acquisitions and strategic partnerships in prime infrastructure assets with the potential to provide synergies with its existing operations.

The list of MPIC's subsidiaries is disclosed in Note 41, Consolidated Subsidiaries to MPIC's 2021 Audited Consolidated Financial Statements.

(B) MPIC's Business and Significant Subsidiaries

For management purposes, the Company is organized into the following segments based on services and products:

- *Power*, which primarily relates to the operations of Manila Electric Company ("MERALCO") in relation to the distribution, supply and generation of electricity. The investment in MERALCO is held both directly and indirectly through Beacon Electric Asset Holdings, Inc. ("Beacon Electric").

  The investment in Global Power Power Corporation ("GBPC") which is held through Beacon Electric's wholly-owned entity, Beacon PowerGen Holdings Inc. ("BPHI", now merged with Beacon Electric as the surviving entity; see Note 33), has been sold to Meralco PowerGen Corporation ("MGen"), a wholly-owned subsidiary of MERALCO on March 31, 2021. In view of the sale, the assets and liabilities of GBPC were deconsolidated.

- *Toll Operations*, which primarily relate to operations and maintenance of toll facilities by Metro Pacific Tollways Corporation ("MPTC") and its subsidiaries NLEX Corporation ("NLEX Corp."), Cavitex Infrastructure Corporation ("CIC") and foreign investees, CII Bridges and Roads Investment Joint Stock Company ("CII B&R"), Don Muang Tollway Public Ltd ("DMT") (sold in February 2021) and PT Nusantara Infrastructure Tbk ("PT Nusantara"). Certain toll projects are either under pre-construction or on-going construction as at December 31, 2021.

- *Water*, which relates to the provision of water and sewerage services by Maynilad Water Holding Company, Inc. ("MWHC") and its subsidiaries, Maynilad Water Services, Inc. ("Maynilad") and Philippine Hydro, Inc. ("PHI"), and other water-related services by MetroPac Water Investments Corporation ("MPW") and its foreign investees, B.O.O. Phu Ninh Water Treatment Plant Joint Stock Company ("PNW") and Tuan Loc Water Resources Investment Joint Stock Company ("TLW").

- *Rail*, which primarily relates to Metro Pacific Light Rail Corporation ("MPLRC") and its subsidiary, Light Rail Manila Corporation ("LRMC"), the concessionaire for the operations and maintenance of the Light Rail Transit – Line 1 ("LRT-1") and construction of the LRT-1 south extension.

- *Others*, which represent holding companies and operations of subsidiaries and other investees involved in logistics, healthcare, fuel storage, real estate, provision of services and waste-to-energy projects.

The businesses of the Company have been affected by the global outbreak of a novel strain of coronavirus ("COVID-19"), which was first reported in city of Wuhan, Hubei Province, People's Republic of China. While the outbreak was initially concentrated in China, in January 2020, the World Health Organization declared the COVID-19 outbreak as a "Public Health Emergency of International Concern" and as a pandemic on March 11, 2020. COVID-19 has severely affected and continues to seriously affect the global economy. Several nations and territories, including the Philippines, have imposed strict quarantine measures, social distancing rules, closure of work sites, restaurants, bars and non-essential services, and even complete lockdowns of certain populations or areas. These measures resulted in drastically reduced economic activities, which brought down demand for the businesses of the Group.

The COVID-19 pandemic has created significant public health concerns as well as economic disruption, uncertainty, and volatility, all of which have impacted and may continue to impact the Group's businesses. The mobility restrictions implemented by the Republic of the Philippines ("Government" or "ROP") has affected the average daily traffic plying the Company's toll roads business, and consequently toll revenues. Its light rail operation was temporarily suspended and was limited to a maximum capacity of 30% from October 2020 until it was recently increased to 70% in November 2021 and 100% in March 2022. Demand for water is still behind pre-pandemic levels as consumption from non-domestic customers remain low. Power demand from the commercial and industrial sectors declined but it was partially offset by the higher consumption from residential customers during lockdowns.

Government authorities in other countries where the Group and its associated companies operate, such as Indonesia, Vietnam and Thailand, have also adopted measures, including lockdowns and closure of non-essential businesses, in an attempt to control the spread of the virus and mitigate the impact of the outbreak.

Refer to Note 5, *Operating Segment Information* of MPIC's 2021 Audited Consolidated Financial Statements for the impact of COVID-19 on the businesses of MPIC and the reconciliation of the segment information to the amounts reflected in the consolidated financial statements.

Except as stated in the preceding and succeeding paragraphs, and in the discussion for each of MPIC's significant subsidiaries, there has been no other business development such as bankruptcy, receivership or similar proceeding not in the ordinary course of business that affected MPIC for the past three years.

(B.1a) Power - MERALCO

Business Development

The investment in MERALCO is held directly by MPIC at 10.5% and held indirectly through Beacon Electric at an effective interest of 35.0% as at December 31, 2021 and 2020, respectively.

MERALCO is the Philippines' largest electric power distribution company, with franchise area covering 9,685 square kilometers. It provides power to more than 7.4 million customers in 36 cities and 75 municipalities including the whole of Metro Manila, provinces of Rizal, Cavite, and Bulacan, and parts of Pampanga, Batangas, Laguna and Quezon. Electricity distribution within the MERALCO franchise area accounts for over 50% of the power requirements of the country.

Through Clark Electric Distribution Corporation ("Clark Electric"), a 65%-owned subsidiary, MERALCO holds the power distribution franchise of Clark Special Economic Zone ("CSEZ") in Clark, Pampanga. Clark Electric's franchise area covers 320 square kilometers and 2,568 customers as at December 31, 2021.

MERALCO is organized into two major operating segments, namely, power [distribution, generation and retail electricity supply ("RES")] and other services.

Electricity distribution
This is principally electricity distribution and supply of power on a pass-through basis covering all captive customers in the MERALCO and the Clark Electric franchise areas in Luzon. Electricity distribution within the MERALCO franchise area accounts for approximately 55% of the power requirements of the country. Clark Electric's franchise area covers CSEZ and its sub-zones.

Shin Clark Power Holdings, Inc. ("Shin Clark") is a consortium consisting of MERALCO holding a 60% stake; and Axia Power Holdings Philippines Corporation (a wholly owned subsidiary of Marubeni Corporation), KPIC Netherlands BV, a wholly owned subsidiary of the Kansai Electric Power, Inc., and Chubu Electric Power Co., Inc., collectively holding 40% in Shin Clark. Shin Clark manages the development, operation, and maintenance of the electric power distribution system in the 9,450-hectare New Clark City located within the CSEZ in the towns of Capas and Bamban, Tarlac, through a joint venture agreement with the Bases Conversion and Development Authority ("BCDA"). On September 15, 2021, BCDA secured the endorsement from the Governance Commission for Government Owned and Controlled Corporations for the incorporation of the joint venture company. As of April 7, 2022, the documents for the incorporation of the joint venture company with BCDA has been endorsed by the Governance Commission for government owned and controlled corporation and is awaiting approval and signature of the President of the ROP.

Power generation
MGen, the power generation arm of MERALCO, owns 100% of GBPC, following the completion of the sale by BPHI, a wholly owned subsidiary of BEAHI, and by JG Summit Holdings, Inc., of 56% and 30%, respectively, of the shares in GBPC to MGen in March 2021. GBPC is the largest independent power producer in the Visayas.

<u>MGen</u>
MGen owns an effective 58% equity stake in PacificLight Power Pte Ltd. ("PacificLight Power") in Jurong Island, Singapore. PacificLight Power owns and operates a 2 x 400 Megawatt ("MW") combined cycle turbine power plant mainly fueled by liquefied natural gas.

MGen, through San Buenaventura Power Limited, a 51% owned joint venture entity, constructed and owns a 455 MW (net) supercritical coal-fired power plant in Mauban, Quezon. The Power Supply Agreement ("PSA") with MERALCO was approved by the Energy Regulatory Commission ("ERC") on May 19, 2015. The power plant began commercial operations on September 26, 2019.

MGen is developing a 2 x 600 MW (net) coal-fired power plant in Atimonan, Quezon through its wholly owned subsidiary, Atimonan One Energy, Inc. ("A1E"), which plant is expected to be the first ultra-supercritical coal-fired facility to be built in the Philippines. Advance site preparation and early engineering are currently being conducted. A1E is classified as a "Committed Project of National Significance" by the Department of Energy ("DOE") and has the requisite Department of Environment and Natural Resources ("DENR") approvals and permits. It is also recognized by the Board of Investments ("BOI") as a registered "Pioneer Project".

MGen Renewable Energy, Inc. ("MGreen") is a wholly owned subsidiary of MGen engaged in the development, financing, construction and operation of solar-powered generation facilities. It has a 60% equity in Powersource First Bulacan Solar, Inc. ("First Bulacan"). First Bulacan has developed a 80 MWdc/50 MWac utility scale solar facility located in San Miguel, Bulacan which is currently the largest single operating solar plant in the country. First Bulacan was synchronized to the grid on May 12, 2021 and has since delivered solar energy to MERALCO under an ERC-approved PSA. The PSA is for a period of 20 years.

MGreen has a 70% equity in Nortesol III Inc. ("NorteSol"), a company engaged in the development, construction and operation of power plant and related facilities using renewable energy and hybrid energy systems. Nortesol is developing a 110 MWdc/90 MWac floating facility in Laguna de Bay while awaiting the leasing policy from the Laguna Lake Development Authority ("LLDA").

LagunaSol Corporation, a 100% owned subsidiary of MGreen, was incorporated on September 24, 2020 to engage in the development, construction and operation of a power plant and related facilities using solar energy.

GBPC

GBPC owns 1,091 MW (gross) of operating coal and diesel-fired power plants in the Visayas and Mindoro Island. GBPC also has a 50% interest in Alsons Thermal Energy Corporation, which holds a 75% interest in Sarangani Energy Corporation ("Sarangani Energy"). Sarangani Energy's first 105 MW (net) circulating fluidized bed ("CFB") plant in Maasim, Sarangani started commercial operations in 2016 while its 105 MW (net) CFB plant started commercial operations in September 2019.

On June 30, 2021, GBPC broke ground for its first renewable project – a 115 MWdc solar plant in Baras, Rizal. The plant is expected to start commercial operations in 2022.

Retail Electric Supply

RES covers the sourcing and supply of electricity to qualified contestable customers. MERALCO and Clark Electric also operate as local retail electricity suppliers within their respective franchise area under a separate business unit, MPower and Cogent Energy, respectively. Under Retail Competition and Open Access ("RCOA"), qualified contestable customers who opt for contestability and elect to be among contestable customers may source their electricity supply from any retail electricity suppliers, including MPower and Cogent Energy.

The ERC granted the following subsidiaries distinct RES licenses to operate as retail electricity suppliers within Luzon and Visayas: Vantage, a wholly owned subsidiary of MERALCO; Solvre, a wholly owned subsidiary of MGen; MeridianX, a wholly owned subsidiary of Comstech, on January 10, 2017, February 9, 2017 and February 9, 2017, respectively. On April 21, 2021, Phoenix Power, a wholly owned subsidiary of MERALCO, was issued a RES license by the ERC while Vantage RES renewal is on-going. Clarion, a wholly owned subsidiary of Clark Electric, submitted the requirements for its RES licensing to ERC. As at April 7, 2022, the approval of its RES licensing is pending with the ERC. Global Energy Supply Corporation ("GESC"), a wholly owned subsidiary of GBPC, was issued a RES license by the ERC on September 12, 2011 to September 12, 2021. On September 10, 2021, GESC's RES license was renewed for another five (5) years beginning September 13, 2021.

Other Services

The other services segment is involved principally in electricity-related services, such as: electro-mechanical engineering, construction, consulting and related manpower services, e-transaction and bills collection, telecommunications services, rail-related operations and maintenance services, insurance and re-insurance, e-business development, power distribution management, energy systems management, harnessing renewable energy, electric vehicle and charging infrastructure solutions. These services are provided by MIESCOR, Miescor Builders, Inc. and Miescor Logistics, Inc. (collectively known as "MIESCOR Group"), Corporate Information Solutions, Inc., CIS Bayad Center, Inc., Customer Frontline Solutions, Inc. and Fieldtech Specialist, Inc. (collectively referred to as "CIS Group"), eMeralco Ventures, Inc., Paragon Vertical Corporation and Radius Telecoms, Inc. (collectively referred to as "e-MVI Group"), MRail, Inc., Comstech, eSakay, Inc. Lighthouse Overseas Insurance Limited, Meralco Financial Services, Inc., Meralco Energy, Inc. and MSpectrum, Inc.

Franchise and Regulation of Rates

MERALCO holds a congressional franchise under Republic Act ("RA") No. 9209 effective June 28, 2003. RA No. 9209 grants MERALCO a 25-year franchise valid through June 28, 2028 to construct, operate, and maintain the electric distribution system in the cities and municipalities of Bulacan, Cavite, Metro Manila, and Rizal and certain cities, municipalities, and barangays in the provinces of Batangas, Laguna, Pampanga, and Quezon. On October 20, 2008, the ERC, granted MERALCO a consolidated certificate of public convenience and necessity for the operation of electric service within its franchise coverage, effective until the expiration of MERALCO's congressional franchise.
MERALCO was among the first entrants to the Performance-Based Regulation ("PBR") scheme. Rate-setting under PBR is governed by the Rules for Setting Distribution Wheeling Rates. The PBR scheme sets tariffs based on the Regulatory Asset Base ("RAB") of the Distribution Utility ("DU"), and the required operating and capital expenditures to meet operational performance and service level requirements responsive to the need for adequate, reliable and quality power, efficient service, and growth of all customer classes in the franchise area as approved by the ERC. PBR also employs a mechanism that penalizes or rewards a DU depending on its network and service performance. Rate filings and setting are done every regulatory period ("RP") where one RP consists of four regulatory years ("RY"). A regulatory year begins on July 1 and ends on June 30 of the following year. Refer to Note 30, *Contingencies* to the attached 2021 Audited Consolidated Financial Statements containing disclosures on *Performance-Based Regulations*.

The rates charged by MERALCO are subject to approval by the ERC, based on forecasted levels of capital and operating expenditures. On July 10, 2015, the ERC provisionally approved the interim average rate proposed by MERALCO of ₱1.3810 per kWh and the rate translation per customer class, which was reflected in customer bills starting July 2015. The ERC's determination also lays out the metrics used to evaluate MERALCO's performance for the period, the amount of investment it will have to make in the franchise area as well as the tariff to be imposed for MERALCO to earn an appropriate return on its RAB. The fourth RP for MERALCO commenced on July 1, 2015 and ended on June 30, 2019. However, MERALCO did not undergo rate setting for the fourth RP because the PBR final rules are still pending. MERALCO is currently subject to an interim Maximum Average Price of ₱1.3810 per kWh for its fourth RP.

MERALCO also files with the ERC applications for confirmation and approval of over-recoveries and/or under-recoveries of pass-through costs. There is an over-recovery where collections from MERALCO customers exceed the ERC approved interim average rates. Over-recoveries are required to be refunded by MERALCO to its customers. On the other hand, under-recoveries refer to advances made by MERALCO for pass-through costs. These advances consist mainly of unrecovered or differential generation and transmission charges, which are recoverable from the customers, as allowed by law.

Tariff Categories

- Residential is the rate class applicable to residential customers for all domestic purposes such as lighting and cooling, in a single dwelling unit.
- General Service A is the rate class applicable to non-industrial and industrial customers with a connected load of less than five kilowatts.
- General Service B is the rate class applicable to non-residential customers with a connected load of five to less than 40 kilowatts.
- General Power is the rate class applicable to non-industrial and industrial customers with a minimum demand of 40 kilowatts for general power, heating and/or lighting. Non-industrial customers are those whose main economic activity is agriculture, construction, trading, transportation operation and administration,

communication services, storage and warehousing, waterworks and supply, financial services, real estate, restaurant and hotel services, and other community, social and personal services. On the other hand, industrial customers are those whose main economic activity is mining and quarrying, manufacturing and processing, electricity generation and distribution, and gas and steam manufacturing.

- Government Hospitals, Metered Street-lighting Service and Charitable Institutions is the rate class applicable to Government hospitals duly registered and certified by the Department of Health, metered streetlights, traffic lights, certain public parks under the National Park Development Committee and duly registered facilities of charitable institutions.
- Flat Street-lighting Service is the rate class applicable to customers who wish to avail of public street-lighting at a fixed monthly rate. Streetlamps for this service are installed by MERALCO on existing distribution poles in accordance with company specifications for equipment, installation, maintenance and operation.
- Embedded Generators Wheeling Power to Non-MERALCO Customers and/or the Wholesale Electricity Spot Market ("WESM") is the rate class applicable to embedded generators connected to the distribution utility system with a minimum capacity of 40 kilowatts for wheeling of power to non-MERALCO customers and/or selling to the WESM.

Different tariffs are applicable to distinct customer groups categorized by the purpose of use and load characteristics. The tariff will also vary according to voltage level of the electricity consumed.

Lifeline Rate

Lifeline Discount or Lifeline Subsidy is a socialized pricing mechanism under Section 73 of the Electric Power Industry Reform Act ("EPIRA") to benefit marginalized and low-income captive market customers. In MERALCO's case, as approved by the ERC, residential customers with a monthly consumption of up to 100 kWh enjoy a "Lifeline Discount" to be applied to the total of the generation, transmission, system loss, distribution, supply and metering charges. The discount varies according to consumption and is funded by a "Lifeline Subsidy Charge" that is paid by subsidizing customers.

The Lifeline Discount or Lifeline Subsidy scheme would have expired on June 26, 2021. On May 27, 2021, the Government extended the validity of the program for another period of 50 years or until 2071. The implementing rules and regulations for the extension are still being finalized by the ERC.

System Loss Charge

System loss in a distribution system is the difference between the electric energy input to the system and electric energy output from the system. It refers to technical and non-technical losses occurring in a distribution system during the conveyance of electricity to end-users. System loss charge is the tariff component associated with the cost of technical and non-technical system losses.

For the 13th consecutive year, MERALCO managed to outperform the prescribed regulatory system loss cap. As of December 31, 2021, MERALCO's system loss rate was at 5.85%, well below the system loss cap of 6.5% (previously 7.25% prior to January 1, 2021). This consistent performance is due to MERALCO's continued investments in its distribution system and technologies that reduce system loss, alongside joint efforts with law enforcement and local government units to deter electricity pilferage.

Customers

MERALCO's and Clark Electric's markets are categorized into four sectors and the consolidated relative contributions to sales of each are as follows:

	Contribution in terms of Sales Volume	
	2021	2020
Commercial	33.1%	33.9%
Residential	36.7%	37.9%
Industrial	29.9%	27.9%
Streetlights	0.3%	0.3%
Total	100.00%	100.00%

MERALCO's customers are mass-based such that the loss of a few customers would not have a material adverse effect on MPIC and its subsidiaries taken as a whole. There is also no single customer that accounts for twenty percent (20%) or more of the segment's sales.

Competition

Distribution of electricity at its usable voltage to end-consumers is performed by investor-owned electric utilities, notably MERALCO and Clark Electric, a few local government-owned utilities and numerous electric cooperatives which sell to households as well as commercial and industrial enterprises located within their franchise areas at retail rates regulated by the ERC. Given that distributors are assigned franchise areas, as well as the significant investment involved in the setting-up of a distribution network, MERALCO and Clark Electric have no significant competition in their franchise areas.

Since the start of RCOA in June 2013, a total of 484 contestable customers have switched to MPower, the Meralco RES unit. MPower, with a group of highly competent engineers and commercial executives with broad experience in the power industry, including load profiling and forecasting, energy operations and management, and its customer-centric product and price offerings, among others, has created significant value for its customers through its service offerings and reliable supply portfolio.

Distribution

MERALCO and Clark Electric have distribution facilities comprising land, various buildings and improvements, and property and equipment, such as substation equipment, towers, poles, underground conduits and conductors and overhead conductors and devices.

As of December 31, 2021, MERALCO has 10 networks sector offices, 38 business centers and 17 customer centers or extension offices. Its network facilities consist of 131 substations [total capacity of 20,408 megavolt amperes ("MVA")], 1,002 circuits (total of 41,529 circuit-km.) and 209,482 distribution transformers in service (total capacity of 17,689 MVA).

Clark Electric's facilities consist of subtransmission and distribution assets and buildings and improvements located in CSEZ. As of December 31, 2021, Clark Electric's distribution facilities in service include four substations with a capacity of 100 MVA at 230 kilovolt ("kV") – 69 kV level and 183 MVA at 69 kV – 13.8 kV level. Its present distribution network consists of 2,008 distribution transformers, 37.8 circuit-km. linear length of sub-transmission lines, 159.12 circuit-km. linear length of primary lines, and 27.82 circuit-km. linear length (111.29 conductor length) of secondary lines and service drops.

Source and availability of raw materials

MERALCO and Clark Electric do not operate their own generation capacity. Both purchase all of the power they distribute from the power generators under PSA and Power Purchase Agreements ("PPA") or through the WESM. WESM is a venue where suppliers and buyers trade electricity as a commodity.

(B.1b) Others – Energy-from-Waste

METPower

METPower Venture Partners Holdings, Inc. ("METPower"), a wholly owned subsidiary of MPIC, is a trailblazing waste management platform which provides customers with long-term solutions for managing their organic waste. METPower's anaerobic digestion technology uses organic waste to produce biogas, a clean and sustainable biofuel that serves as a viable and cost-effective replacement for diesel and LPG.

In November 2018, METPower signed agreements with Dole Philippines Inc. ("Dole") to design, construct and operate two integrated waste-to-energy facilities for Dole. These projects use the derived biogas from the anaerobic digestion of fruit waste to supply a portion of the fuel and power requirements of Dole's canneries located in South Cotabato in Mindanao. The biogas facilities, with construction completion expected within the second half of 2022, will have a capacity of 5.7 MW of clean energy, and is expected to reduce Dole's CO2 emissions by 100,000 tons per year.

Others

The MPIC-led consortium with Covanta Energy, LLC and Macquarie Group, Ltd. is currently discussing and negotiating the terms of its Quezon City solid waste management facility project with the Quezon City local government. The waste treatment facility proposes to convert municipal waste into electricity.

(B.2) Toll Operations

Business Development

The Company holds its toll road assets through MPTC.

As at December 31, 2021, MPTC's subsidiaries hold the following concession rights:

- Through its 75.1% effective interest in NLEX Corp:
  - Construction, operation and maintenance of the North Luzon Expressway ("NLEX")
  - Management, operation and maintenance of the Subic-Clark-Tarlac Expressway ("SCTEX").
  - Construction, operation and maintenance of the NLEX-South Luzon Expressway Connector Road ("Connector Road").

- Through CIC, which holds the concession rights for the operation and maintenance of the Manila-Cavite Toll Expressway ("CAVITEX").

- Through its wholly owned subsidiary, MPCALA Holdings, Inc. ("MPCALA"), which was granted the concession to design, finance, construct, operate and maintain the 44.6-km Cavite Laguna Expressway ("CALAX").

- Through its wholly owned subsidiary, Cebu Cordova Link Expressway Corporation ("CCLEC"), which holds the concession rights for the construction, the operation and maintenance of the Cebu-Cordova Link Expressway ("CCLEX").

MPTC also has the following foreign investments:

- *76.3% effective interest in PT Nusantara.* PT Nusantara is a leading infrastructure company in Indonesia. Nusantara's areas of operations comprise of toll roads, ports, water and energy which serve over 103 million customers, 550,000 households, 266 factories and 210 vessels.

  PT Nusantara's concession assets comprise of toll roads, water concession rights and power supply. Toll road concession rights cover the following toll road sections: (a) Tallo-Hasanuddin Airport; (b) Soekarno Hatta Harbor – Pettarani; and (c) Pondok Ranji and Pondok Aren. The water concession rights pertain to right to treat and distribute clean water in the Serang District, Banten and Province of North Sumatera in Indonesia. The power supply services pertain to the biomass powerplant located in Jalan Raya Wajok Hulu, West Kalimantan.

- *44.9% effective interest in CII B&R.* CII B&R has various road and bridge projects in and around Ho Chi Minh City and its current portfolio includes 140.0 kilometers of roads operating at approximately 52,000 vehicles per day and roads under pre-construction or on-going construction covering a total of 40.4 kilometers. MPTC acquired CII B&R in 2015 through an equity investment and financing transaction with Ho Chi Minh City Infrastructure Investment Joint Stock Co. ("CII") of Vietnam that effectively provided MPTC a 44.9% minority equity interest in CII B&R.

In February 2021, MPTC, through its indirect subsidiary, FPM Tollway (Thailand) Ltd., sold its stake in AIF Toll Roads Holdings (Thailand) Co. Ltd., which owns about 29.45% of Thai toll road operator Don Muang Tollway Public Co. Ltd. ("DMT") for approximately ₱7.2 billion or U.S.$149 million at the time of the sale. DMT operates a 21-km elevated toll road in Bangkok, Thailand.

NLEX

The NLEX is a modern toll expressway that was commissioned by the Philippine Government to replace the ageing North Luzon Diversion Road and to facilitate the development of the Subic and CSEZ. The NLEX has been open and operating since February 2005. In February 2019, NLEX Harbor Link Segment 10, a segment of NLEX, opened to the public. C3-R10 Section of NLEX Harbor Link Segment 10 was completed in June 2020.

The NLEX has 31 exits and interchanges, four toll barriers and ten rest and service areas, and consists of eight lanes through Metro Manila, which narrows to six and then four lanes as it enters the more rural areas to the north. The NLEX also features modern safety and anti-congestion measures, including roadside assistance, emergency telephone lines, closed-circuit televisions for monitoring traffic flows, guardrails and fences, and runaway ramps and weigh scales for trucks and other commercial vehicles.

The NLEX serves as a gateway to travelers going to Central and Northern Luzon from the National Capital Region and vice versa. It starts from Balintawak, Quezon City, passes through the National Capital Region, traverses the agricultural provinces north of Manila, and ends in Sta. Ines, Mabalacat, Pampanga. For the year ended December 31, 2021, the majority of NLEX users were Class 1 vehicles (e.g., cars) comprising 79% of traffic volume; the rest were made up of Class 2 vehicles (e.g., buses) and Class 3 vehicles (e.g., trucks).

From its inception, NLEX Corp. has been engaged in the rehabilitation of, and the installation of a toll road collection system on the NLEX which has been carried out in phases.

- Phase I

  In March 2001, NLEX Corp., through a competitive bidding process, awarded the construction contract for Segments 1, 2 and 3 of Phase I to Leighton Contractors (Asia) Limited ("LCAL"). LCAL was the main contractor for the rehabilitation work and Egis, a minority stockholder of NLEX Corp., was the main subcontractor for the toll, telecommunications, and traffic management systems. Construction of Phase I started in February 2003. On January 26, 2005, the independent certification engineer responsible for the project issued a "Certificate of Substantial Completion" in respect of Phase I. On January 27, 2005, the Toll Regulatory Board ("TRB") issued a Toll Operation Permit for the operation and maintenance of Phase I (consisting of Segments 1, 2, 3 and 7) in favor of NLEX Corp., which became effective on February 8, 2005. The permit allowed NLEX Corp. to commence commercial operations on the NLEX on February 10, 2005.

- Phase II

  NLEX Corp. began construction of Segment 8.1, the first element of Phase II, in April 2009 and started commercial operation in June 2010. Segment 8.1 is a four-lane roadway of approximately 2.7 km, connecting Mindanao Avenue to the NLEX, south of the existing Valenzuela interchange. The project involved the establishment of a toll plaza on Mindanao Avenue and is expected to reduce traffic congestion at the main Balintawak entry point to the NLEX, and thereby facilitate access to the NLEX, particularly during peak hours of traffic. Phase II also comprises Segments 8.2, 9 and 10 (described below).

  As in Phase I, Segment 8.1 is equipped with toll collection, traffic management and telecommunication systems and other safety features. NLEX Corp. obtained the approval of the TRB for an integrated concession period for Phase I and Segment 8.1, and the extension of the toll road concession period by seven years from December 31, 2030 to December 31, 2037. The extension of the concession was due to negotiations with the TRB in light of the delayed implementation of Segment 8.1 and may not apply to subsequent expansion projects, including Segments 8.2, 9 and 10.

  Segment 8.2 is an 11.3 km project that extends NLEX's Harbor Link reach from the ports of Manila in the west towards Quezon City in the east up to C5, corner CP Garcia & Katipunan Avenue. This serves as the East-West 24/7 Truck Route decongesting North EDSA, Quirino, Mindanao, Congressional, Luzon and Commonwealth avenues. The Segment 8.2 Project, otherwise known as the "C5 North Link" will be implemented by sections in tandem with Department of Public Works and Highways ("DPWH")'s acquisition of rights-of-way and National Housing Authority's resettlement of Informal Settler Families occupying its alignment along Republic and

Luzon avenues. The first two km section of this project from Mindanao Avenue to Quirino Highway in Novaliches, Quezon City, is targeted to be completed in 2023.

NLEX Corp. completed and opened the 2.6 km C3 to R10 portion of the Segment 10 on June 15, 2020 despite the pandemic. Earlier, the 2.4 km Segment 9 and the 5.6 km Segment 10 were completed and opened to the public on March 19, 2015 and February 28, 2019, respectively. Collectively, they are known as the "Harbor Link" which connects the NLEX concession towards the Port Area of Manila. The Harbor Link promotes commerce by allowing 24/7 access for commercial and cargo vehicles of the Port Area to and from NLEX, while reducing travel time for motorists accessing NLEX from Western Metro Manila.

- Phase III

  NLEX Corporation is currently finalizing its plans for Phase III of the NLEX, which is planned to be a 40-km extension of the NLEX from San Fernando, Pampanga to Dinalupihan, Bataan.

Repair and maintenance of the NLEX are divided into three main categories:

- Routine maintenance of the road and equipment, which consists of the mechanical sweeping of the road surface, the cleaning of drains, gullies and manholes, the removal of debris and grease from the road surface, cleaning up after accidents, the replacement of consumable equipment, minor repairs to pavements and structures, preventive maintenance to various equipment, and the maintenance and replacement of equipment. These are covered by the operator's fees.

- Repairs and replacement, including pavement repair/resurfacing or overlay, repair of drainage network, repair of fences, structural foundations, replacement of fixed operating equipment parts, exterior painting of buildings and structures, upgrading of software and hardware, etc. The cost of repairs and replacements are borne by NLEX Corp.

- Improvements and expansions, which include the upgrading of toll plazas and interchanges, including establishing new toll lanes as required. Costs associated with these improvements and expansions are to be borne by NLEX Corp.

Toll collections are the most important aspect of NLEX's operation. The NLEX has two sections: an "open toll" section and a "closed toll" section. The 27.8-km open toll section (located within Metro Manila) charges a flat toll per entry based on the class of vehicle. Toll rates for the 76.9-km closed toll section are variable and are calculated according to the distance travelled on the closed toll section and the class of vehicle.

Vehicles using the NLEX are categorized into one of three classes for purposes of assessing appropriate toll rates:

- Class 1 includes "Light Vehicles", such as cars, "jeepneys" (elongated jeeps with covered roofs and room to seat 16 to 40 passengers) and vans;

- Class 2 includes "Buses", and including tourist, school and public utility buses, as well as two-axle trucks and Class 1 vehicles higher than seven feet or with more than two axles; and,

- Class 3 includes "Heavy Vehicles", including trucks with three or more axles.

NLEX Corporation operates a total of 209 toll lanes on the NLEX. Toll fees are collected either in cash, through a manual toll fee payment or by electronic toll collection system. NLEX Corp. has implemented various types of electronic toll collection systems including Easy Trip RFID, contactless credit cards and beep cards.

All toll collection processes and operations are computerized, and a global validation and security system is being implemented for the NLEX to control leakage and fraud. NLEX Corp. has implemented various systems and procedures to control toll leakage and fraud in the NLEX operations, including:

- in the closed system, the automatic encoding of transit tickets with entry information, including the location, time and date of ticket delivery;

- surveillance systems for the oversight and verification of the decisions of toll collectors;

- systems that track and confirm toll collections, including manual and automatic checks at multiple levels: (i) at the toll booth; (ii) the plaza computer system at each toll plaza; and (iii) a central toll computer system;

- the production of end-of-shift reports by toll collectors, including checks on the total toll receipts at the end of each shift, which are cross-checked against data collected by automatic vehicle counters, and regular audits of such end-of-shift reports;

- the promotion of cashless electronic toll collection systems, for example through a digital tollways program launched in August 2017;

- the protection of cash receipts in safes located inside buildings on small toll plazas or in strong rooms on larger toll plazas, with daily cash bank deposits delivered by armored vehicles; and,

- surveillance and controls over cash counting, collection and deposit processes.

SCTEX

The SCTEX is a 94-km, four-lane expressway north of Manila, connecting the Subic Bay Freeport Zone in Zambales with the NLEX near the CSEZ in Angeles City and extending to the Central Techno Park in Tarlac City and is the longest toll expressway in the Philippines. Together with the NLEX, the SCTEX significantly reduces travel times between Manila, Subic, Clark and Tarlac.

On February 9, 2015, NLEX Corporation received the Notice of Award from the BCDA for the management, operation and maintenance of the 94-kilometer SCTEX. On February 26, 2015, NLEX Corp and BCDA entered into a Business Agreement involving the assignment of BCDA's rights and obligations relating to the management, operation and maintenance of SCTEX as provided in the SCTEX concession and on May 22, 2015, the Supplementary Toll Operation Agreement was executed by and among the Government, the BCDA and NLEX Corporation. The assignment includes the exclusive right to use the SCTEX toll road facilities and the right to collect toll until October 30, 2043. The management, operation and maintenance of the SCTEX was officially turned over to NLEX Corp. on October 27, 2015. NLEX Corp. shall pay the BCDA monthly concession fees amounting to 50% of the audited gross toll revenues of the SCTEX for the relevant month from effective date of October 27, 2015 to October 30, 2043.

Connector Road

On November 23, 2016, NLEX Corp. and the Government acting through the DPWH signed a concession agreement for the design, financing, construction, operation and maintenance of the Connector Road. The Connector Road will be a four-lane toll expressway structure with a length of eight km all passing through and above the right of way of the Philippine National Railways starting at NLEX Segment 10 in C3 Road Caloocan City and connecting to the South Luzon Expressway ("SLEX") through the Metro Manila Skyway Stage 3 Project. The concession period will commence on the commencement date of its construction, and shall end on its thirty-seventh anniversary, unless otherwise extended or terminated in accordance with the concession agreement. The construction of the Connector Road commenced in February 2019 and is expected to be completed by 2023.

Under the concession agreement, NLEX Corporation will pay the DPWH periodic payments as consideration for the grant of right of way for the project.

CAVITEX

CIC holds the concession for the CAVITEX under the CAVITEX Toll Road Concession Agreement. The first phase of the CAVITEX is a 14 km long toll road built in two segments running from Airport Road to Cavite. The concession period extends to 2033 for the originally built road and to 2046 for a subsequent extension. The second phase of the CAVITEX (C5 South Link Expressway), which will connect the C5 road in Taguig to one of the segments in the CAVITEX, commenced construction in June 2017 and is expected to be fully completed by 2022. Segment 3A-1, a segment of the C5 South Link, commenced operations in July 2019. The remaining portions of the CAVITEX Phase II are expected to be completed in 2023. The concession term will be 27 years.

CALAX

MPCALA was granted the concession to design, finance, construct, operate and maintain the CALAX. On July 10, 2015, MPCALA signed the concession agreement for the CALAX with the DPWH. Under the concession agreement, MPCALA is granted the concession to design, finance, construct, operate and maintain the 44.6 km CALAX, including the right to collect toll fees, over a 35-year concession period. The CALAX is a closed-system tolled expressway connecting the CAVITEX and the SLEX. Construction is ongoing with expected full completion by 2023. Sub-sections 6 to 8, a segment of CALAX, commenced operations in October 2019 and CALAX Laguna segment interchanges which are part of the sub-section 6 to 8 opened last August 18, 2020. These interchanges are the Laguna Boulevard Interchange and the Laguna Technopark Interchange. On August 24, 2021, CALAX Subsection 5 which connects Silang East to Sta. Rosa-Tagaytay Road Interchange was inaugurated. This extends the expressway's operating sections from 10 to 14.24 km.

CCLEX

CCLEC entered into a concession agreement with the Cebu City and Municipality of Cordova (as the grantors) on October 3, 2016 under which it was granted concession rights to design, finance, construct, operate and maintain the 8.9 km CCLEX, including the right to collect toll fees over a 35-year concession period (including the construction period). CCLEX consists of the main alignment starting from the Cebu South Coastal Road and ending at the Mactan Circumferential Road, inclusive of interchange ramps aligning the Guadalupe River, the main span bridge, approaches, viaducts, causeways, low-height bridges, at-grade road, toll plazas and toll operations center. No upfront payments or concession fees are to be paid but the Cebu City and Municipality of Cordova, the grantors, shall share 2% of the project's revenue. Construction of the project is ongoing and on October 5, 2021, the CCLEX main bridge has been completed. CCLEX is estimated to be operational by the second quarter of 2022.

Status of Toll Roads

The following table summarizes the estimated length, construction cost and target completion of the MPIC Group's toll roads:

Toll Road Projects	Length *(In km)*	Construction Cost** *(In ₱ billions)*	Target Completion
Expansions to existing roads			
CAVITEX Segment 4 Extension	1.2	2.2	2023
CAVITEX – C5 South Link	7.7	14.5	2023
NLEX-C5 North Link (Segment 8.2) Section 1A	2.0	1.6	2023
Stand-alone road projects			
NLEX-SLEX Connector Road	8.0	15.7	2023
Cebu Cordova Link Expressway	8.9	32.8	2022
CALAX	44.6	21.3**	2023
TOTAL	72.4	₱88.1	

**Construction Cost (inclusive of FOE, Security and Other Costs and exclusive of Concession Fee)*
***Excluding concession fee*

Toll Roads and Other Infrastructure Projects in Indonesia and Vietnam

<u>Indonesia</u>

PT Nusantara, through its subsidiaries, holds investments in the following:

1. Toll road operators – PT Bintaro Serpong Damai ("BSD"), PT Jalan Tol Seksi Empat ("JTSE"), and PT Makassar Metro Network ("MMN")

2. Water and waste management service providers – PT Sarana Catur Tirta Kelola ("SCTK") and PT Dain Celicani Cemerlang ("DCC")
3. Power supply providers – PT Rezeki Perkasa Sejahtera Lestari ("RPSL").

BSD entered into a Toll Road Operational Authority Agreement with PT Jasa Marga (Persero) Tbk ("Jasa Marga") for the development and operations of Pondok Aren - Serpong toll road lane for a period of 28 years, including the construction period. The toll road has been in operation since 1999. Pondok Aren - Serpong toll road lane is a 7-km toll road that connects Serpong and Pondok Aren, South Tangerang, Indonesia.

JTSE entered into a Toll Road Concessionaire Agreement with the Department of Public Works of the Republic of Indonesia ("DPU") for the right to develop, operate and maintain Makassar Section IV Toll Road for a period of thirty-five (35) years, including the construction period. The toll road has been in operation since 2008. Makassar Section IV toll road is a 12-km toll road that connects Tallo Bridge to the Mandai Makassar intersection, providing access to Sultan Hasanuddin International Airport as well as the national road to Maros, Indonesia.

MMN entered into a joint operation agreement with Jasa Marga, a third-party toll road operator in Indonesia, for the operations of Ujung Pandang toll road. MMN will operate the said toll road for thirty (30) years and after which, the toll roads, including all the facilities in the area, will be handed over to Jasa Marga. The toll road has been in operation since 1998. In October 2017, MMN was granted by the Ministry of Public Works Republic Indonesia the extension of the concession period for the Ujung Pandang toll road to 2043. Ujung Pandang toll road is a 6-km toll road which connects Soekarno-Hatta port in Makassar and A.P. Pettarani road (Urip Sumoharjo flyover). Pettarani toll road, which is an extension of the Ujung Pandang toll road, is a 4-km toll road that will connect Soekarno-Hatta Port (Makassar) and Sultan Hasanuddin Airport to Makassar's business district and city center. Construction of the Pettarani toll road was completed in March 2021 with toll collection commencing in May 2021.

SCTK is a water treatment plant and water distribution company which operates in Desa Cijeruk, East Serang Regency, Banten, Indonesia and accommodates industrial, commercial and household needs of clean water at total capacity of 375 liters per second. Its water treatment plant sources its raw water from Ciujung River, East Serang, Banten, which is serving over 140 factories in various industrial estates.

DCC is a holder of a 20-year water treatment concession in Medan Industrial Estate or Kawasan Industri Medan ("KIM"), North Sumatera. The plant is servicing potential demand of up to 250 liters per second of clean water supply and sources its raw water from the Deli River to supply clean water to 153 factories in the KIM Industrial Estate.

RPSL is an independent power producer for Siantan Biomass Powerplant in Mempawah, West Kalimantan with a capacity of 15 MW. It is contracted to supply 8 MW to the State Electricity Company and is the first biomass power plant in West Kalimantan.

Effect of Existing or Probable Governmental Regulations on the Business

The Toll Roads business of the MPIC Group is mainly affected by the ability of MPTC's subsidiaries and associates to secure the tariff adjustments they are owed under the regulatory frameworks that govern their concessions. For example, NLEX Corporation and CIC derive substantially all of their revenues from toll collections from the users of the toll roads. See "*Legal Proceedings*" and the notes to the MPIC Group's financial statements included in this Offering Circular.

Revenues contributed by foreign entities

Revenue contribution from PT Nusantara amounted to ₱1.2 billion (U.S.$23.2 million) in 2020 and ₱1.5 billion (U.S.$30.4 million) in 2021.

Distribution

Toll road revenues are from manual toll fee payment, electronic toll collection and badges/cards for buses, trucks and jeepneys.

Competition

While the toll road companies were granted sole right to operate and maintain toll roads under their respective concession agreements, alternative routes and roads are the toll roads' competitors:

- *NLEX*. A viable alternative road to North Luzon is the MacArthur Highway, a road extending from Manila to Pangasinan that passes through small towns. The NLEX has historically served as the main artery between Metro Manila and Central and Northern Luzon and as such, it has a long and stable track record of traffic volume. Further, the NLEX has a stable service area, which is characterized by the lack of comparable competing traffic routes and the resilience of the user profile.

- *CAVITEX*. The free alternative routes to the R1 Expressway and R1 Extension are Quirino Avenue, Aguinaldo Highway, Tirona Highway and Evangelista Road. While these roads are complementary to the R1 Expressway and R1 Extension, they do not offer the same direct and contiguous route from northern Cavite to Metro Manila and vice-versa. The alternative roads have limited capacity and narrow lanes and are controlled by traffic lights and stop signs which are heavily congested at peak times.

- PT Nusantara's competitors are mostly within Indonesia's toll road networks or free alternative roads. BSD belongs to a wide toll road network in the Jakarta metropolitan area, hence, there are various alternative toll roads but serving different routes. However, competition with these other toll roads within the network is present for customers coming from West of the metropolitan area to Central Jakarta and vice versa. For Nusantara's toll roads located in Makassar, there are free alternative roads to BMN and JTSE but have limited capacity and are heavily congested during peak times. There are no other toll roads in Makassar.

Traffic volumes on the toll roads are likewise affected by competition from alternative modes of transportation and there can be no assurance that existing modes of transport will not significantly improve their services.

MPTC continues to promote traffic growth on these toll roads by providing more entry and exit points along the expressway. Likewise, MPTC continues to boost the value proposition of its toll roads by implementing measures to enhance customer satisfaction, safety, and convenience. While MPIC believes there is no significant threat posed by competing toll roads in the Philippines covered by NLEX Corp. and CIC's concessions, there is competition elsewhere from Ayala Corporation, which was awarded the contract to build the Daang Hari-SLEX Link, and San Miguel Corporation, which is the controlling shareholders of the company(ies) operating the Metro Manila Skyway, South Luzon Expressway, Tarlac-Pangasinan-La Union Expressway and NAIA Expressway.

Source and availability of raw materials

On October 1, 2016, CIC and Metro Pacific Tollways Data Services Inc**.** ("MPTDSI"), a wholly owned subsidiary of MPTC entered into a Toll Collection Services Agreement to facilitate the toll collection function of CIC. PEA Tollway Corporation and MPTDSI provide CIC with the following operations and maintenance services:

- collection of toll fees from motorists at toll plazas, both in cash and electronic form;
- routine maintenance and repairs of the road and equipment, and,
- management of CAVITEX in order to, among other things, improve traffic flows, maintain road safety, and enhance the facilities and services along CAVITEX.

Costs and effects of compliance with environmental laws

Prior to the commencement of construction activities, the grantee must obtain an environmental compliance certificate ("ECC") from the DENR. An ECC typically requires the grantee to submit its proposed policies for, among others, (1) relocation and compensation of individuals and families who are affected by the toll road project, (2) mitigation of the effects of the toll road project on the natural environment, (3) environmental monitoring, and (4) public information and education regarding the toll road project. In addition, the ECC typically requires the grantee to submit a quarterly report of its environmental monitoring activities.

NLEX Corp. and CIC have dedicated teams that regularly monitor compliance with its ECCs and ensure measurement of significant environmental metrics for purposes of compliance with the reporting requirements under its loan agreements. Quarterly air quality sampling is conducted to measure the level of pollutants and harmful particulates along the toll roads. A solid and hazardous waste management system is also in place to ensure proper waste disposal and compliance with the Ecological Solid Waste Management Act of 2001 and Toxic Substances and Hazardous Wastes Control Act of 1990. All required areas for reclamation and re-vegetation are regularly monitored and maintained to prevent soil erosion and scouring along river banks and slope areas.

PT Nusantara ensures that all projects are reviewed and evaluated against the following social and environment requirements of relevant and applicable Indonesian laws on environment, health, safety and social issues. They committed to follow a Social and Environmental Management System that details the policy, operating procedures, institutional arrangements and workflow to identify social and environmental risks that may arise from the projects it is involved in, and therefore ensure the avoidance, minimization or mitigation of those risks during the entire cycle from project inception, through appraisal, tendering, award, construction, maintenance and decommissioning.

Status of any publicly announced product or services

Toll Collection Interoperability Agreement.

Refer to Note 29, *Significant Contracts, Agreements and Agreements* attached to MPIC's 2021 Audited Consolidated Financial Statements

(B.3a) Water - Maynilad

Business Development

Manila Water Holdings Company, Inc. ("MWHCI"), a joint venture between MPIC, DMCI Holdings, Inc. ("DMCI") and Marubeni Corporation, holds controlling shares in Maynilad, which, in turn holds the exclusive concession granted by the Metropolitan Waterworks and Sewerage Systems ("MWSS"), on behalf of the Government, to provide water and sewerage services in the West Zone of the Greater Metro Manila. MPIC's effective ownership in Maynilad was at 52.9% as of December 31, 2021.

Maynilad's subsidiaries are Philippine Hydro, Inc. ("PHI") and Amayi Water Solutions, Inc. ("Amayi"). PHI owns and operates three plants that supply treated bulk water to the Legaspi City Water District in Albay, Norzagaray Water District, Santa Maria Water District, Bocaue Water District in Bulacan and in Bambang, Nueva Vizcaya. Amayi was organized to engage in the distribution of water outside the West Zone of the Greater Metro Manila.

Concession Agreements

In February 1997, Maynilad entered into a concession agreement with MWSS, with respect to the West Zone of Greater Metro Manila. Under the concession agreement, MWSS grants Maynilad the sole right to manage, operate, repair, decommission and refurbish all fixed and movable assets required to provide water and sewerage services in the West Zone of Greater Metro Manila for 25 years ending in May 2022. In September 2009, MWSS approved an extension of its concession agreement with Maynilad for another 15 years to May 2037.

On May 18, 2021, Maynilad and MWSS signed a Revised Concession Agreement ("RCA") that will govern the provision by Maynilad of water and wastewater services in the West Zone of the MWSS Service Area upon its effectivity. Among the highlights of the RCA are the following:

- confirmation of the continuation of the concession period until July 31, 2037;
- imposition of a tariff freeze until December 31, 2022;
- removal of Corporate Income Tax ("CIT") from among Maynilad's recoverable expenditures as well as the foreign currency differential adjustment;
- capping the annual inflation factor to 2/3 of the consumer price index;

- imposition of rate caps for water and sewerage services to 1.3x and 1.5x, respectively, of the previous standard rate;
- removal from the ROP Letter of Undertaking of the non-interference of the Government in the rate-setting process, change in the nature of the ROP's liability from being a primary obligor to being a guarantor, and the limitation of the ROP's financial guarantees to cover only those loans that are existing as of the signing of the RCA;
- replacement of the market-driven appropriate discount rate with a 12% fixed nominal discount rate;
- retention of the Rate Rebasing mechanism where, subject to the rate caps, the rates for the provision of water and wastewater services will be set at a level that will allow Maynilad to recover, over the term of the concession, expenditures efficiently and prudently incurred (except CIT) and to earn a reasonable rate of return (i.e., 12% fixed nominal discount rate), and (i) waiver of certain arbitral awards against MWSS and the ROP (see "Legal Proceedings" for more information). The parties are in the process of fulfilling the conditions to the effectivity of the RCA.

Maynilad's subsidiary, PHI, supplies potable water to parts of Bulacan under bulk water supply agreements with the water districts of Norzagaray, Santa Maria and Bocaue for 10-25 years until 2034.

On February 19, 2019, Amayi entered into a concession agreement with the Municipality of Boac, Marinduque. The concession agreement shall be effective for a period of 25 years beginning on the commencement date. To date, the implementation of the concession agreement has not yet commenced pending the compliance by the local government unit of Boac with the conditions precedent in the concession agreement.

Non-Revenue Water

NRW refers to the volume of water lost in Maynilad's distribution system due to leakage, theft from illegal connections or metering errors.

Maynilad has established a dedicated team whose sole purpose is to reduce NRW by improving the billing system, replacing meters for commercial and high-usage customers, undertaking comprehensive leak repairs, reducing illegal connections, servicing pipe replacement and rehabilitating distribution lines. The District Metered Area ("DMA") program, which ensures that piped water is properly metered and billed, is a central part of Maynilad's water service improvement plan. Originally, water service areas were based on political and/or geographic boundaries and could contain two or more entry and outflow points. DMAs now have a single water entry and outflow point which enables Maynilad to effectively monitor, control and distribute water. DMAs also facilitate efficient account administration, especially in densely populated areas. Maynilad's NRW has improved significantly from 66% at the time it took over the water services for the West Zone in 1997. In 2019, Maynilad's average NRW measured at the DMA improved further to 26.4% from 29.8% in 2018. However, as of December 31, 2021, Maynilad's NRW level was at 31.8%. Due to the current pandemic conditions requiring the availability of potable water at all times, Maynilad had to prioritize activities and infrastructure projects that will ensure compliance with its service obligations. The regular NRW control measures that were usually implemented under normal conditions were postponed to ensure 24/7 water supply in the West Zone, to the fullest extent possible, especially in the elevated areas and those situated at the fringes of Maynilad's pipe network. In addition, quarantine restrictions further caused delays in planned repairs and maintenance activities.

Water Quality

Maynilad believes that its water quality surpasses the Philippine National Standard for Drinking Water set by the Department of Health which is based on World Health Organization water quality guidelines. During tests conducted by Maynilad in 2019, Maynilad water samples obtained an average bacteriological compliance score which surpassed the threshold of 95% set in the Original Concession Agreement. Maynilad collects regular samples on a monthly basis for bacteriological examination of treated surface water and ground water sources.

Water at the Maynilad treatment plants undergoes daily bacteriological and physio-chemical analysis. Sampling on deep wells within the coverage area is conducted jointly with the MWSS Regulatory Office and undergoes monthly bacteriological analysis.

Sewerage Operations

Maynilad is responsible for the provision of sewerage and sanitation services through the operation of new and existing sewerage systems and treatment facilities as well as a program for the regular emptying of septic tanks in the West Zone.

Maynilad operates sewerage systems that collect wastewater generated from households and establishments and convey it to Maynilad's sewage treatment facilities for treatment prior to disposal. Maynilad currently operates 20 wastewater treatment facilities for the treatment and disposal of sewage and septage generated in the West Zone. As at December 2021, Maynilad expanded its sewerage coverage to reach 21.6% of the water served population in its concession area. Maynilad is also building a total of five new sewage treatment facilities in Valenzuela, Cupang, Tunasan, Ayala Southvale and Las Piñas to serve approximately 810,000 customers and upgrading the Dagat-Dagatan Sewage and Septage Treatment Plant for approximately another 760,000 customers.

Maynilad also operates 105 desludging tankers, which are used to empty individual septic tanks and transport the septage collected to the nearest septage treatment plant.

Tariff Structure and Rate Regulation

The MWSS Regulatory Office determines Maynilad's water tariffs in accordance with the terms of the Original Concession Agreement. Different water tariff schedules apply to the four main categories of retail customers: residential, semi-business, commercial, and industrial. Each category has its own cost structure, divided into nine consumption bands for residential and semi-business and 33 bands for commercial and industrial customers. Industrial and commercial customers, on average, pay three to five times more than residential and semi-business customers for the same volume of water consumed.

Maynilad billings to customers consist of the following:

a. Water charges:
    - Basic charges represent the basic tariff charged to consumers for the provision of water services.
    - FCDA is the tariff mechanism that allows Maynilad to recover foreign exchange losses or to compensate foreign exchange gains on a current basis beginning January 1, 2002 until the Expiration Date.
    - Maintenance service charge represents a fixed monthly charge per connection. The charge varies depending on the meter size.

b. Environmental charge represents 20% of the water charges, except for maintenance charge.

c. Sewerage charge represents 20% of the water charges, excluding maintenance service charge, for all consumers connected to Maynilad's sewer lines. Effective January 1, 2012, pursuant to RO Resolution No. 11-007-CA, sewerage charge applies only to commercial and industrial customers connected to sewer lines.

In accordance with the law, a 12% value added tax is applied to the total charges of the customer.

Water tariff rates are adjusted according to the provisions of the Original Concession Agreement. However, once the RCA takes effect, Maynilad's water tariffs will be regulated and adjusted in accordance with its provisions.

MWSS Compliance with the 12% Limit on Return on Rate Base

The MWSS's charter imposes a 12% limit on the return on rate base for the MWSS. The National Water Resources Board ("NWRB"), which is mandated to determine the compliance of the MWSS Concessionaires with the 12% return on rate base limit, has confirmed that this rate applies to the entire waterworks system, including the income and assets held by the MWSS, Manila Water Company, Inc. ("Manila Water", which holds the East Zone concession of Metro Manila) and Maynilad. Pursuant to the Original Concession Agreement, if the tariff rates determined to be appropriate for Maynilad would cause a breach of the MWSS 12% return on rate base limit, the charter limitation would be observed, but the MWSS Regulatory Office ("MWSS RO") will treat the excess amount (and interest accrued thereon at the Appropriate Discount Rate as Expiration Payment. However, Maynilad may also agree, in place of the Expiration Payment in exchange for some other benefit, such as an adjustment to one or more of its coverage targets.

Concession Fees

In accordance with the Original Concession Agreement, Maynilad paid concession fees of ₱989.8 million for the year ended December 31, 2021 (as compared to ₱1.66 billion and ₱1.97 billion for the years ended December 31, 2020 and 2019, respectively.

Capital Expenditure Plans

Capital expenditure has been used to rehabilitate facilities inherited from the MWSS, as well as the design and build plan of various new projects to improve water and sewerage services in order to meet the service obligations under the Original Concession Agreement. Maynilad plans to continue to rehabilitate and expand its water utilities network, reduce its NRW levels, improve water pressure and water supply management, expand sanitation services and integrate new technology and information technology into the system.

Customers

Maynilad has no direct competition given that it has right to provide water and sewerage services to the West Zone of the Greater Metro Manila under its concession agreement with the Government.

Distribution

Water is distributed through Maynilad's network of pipelines, pumping stations and mini-boosters. As of December 31, 2021, Maynilad's network consisted of around 7,748 km of total pipeline, 38 pumping stations, and 37 reservoirs. Under the Original Concession Agreement, if Maynilad fails to meet any service obligation which continues for more than 60 days or 15 days in cases where the failure could adversely affect public health or welfare, it is subject to penalties in the amount equal to 25% of the costs needed to meet such requirements. If such failure continues for more than 180 days, Maynilad is subject to penalties in the amount equal to 50% of the costs needed to meet such requirements. 16 psi is the minimum pressure at which water will reach the third floor of a building without a need for a pump. A number of factors affect the pressure of water supplied by Maynilad. In general, replacing faulty pipes and adding pumping facilities increase water pressure, while expansion of the system decreases system-wide water pressure.

Competition

Maynilad has no direct competition given that it has right to provide water and sewerage services to the West Service Area under its concession agreement with the Philippine Government.

Under Maynilad's Concession Agreement, MWSS grants Maynilad (as contractor to perform certain functions and as agent for the exercise of certain rights and powers under the Charter), the sole right to manage, operate, repair, decommission and refurbish all fixed and movable assets required (except certain retained assets of MWSS) to provide water and sewerage services in the West Service Area up to 2037.

Source and availability of raw materials

Under Maynilad's Concession Agreement, MWSS supplies raw water to Maynilad's distribution system and is required to supply a minimum quantity of raw water. Maynilad currently receives substantially all of its water from MWSS.

Maynilad has some supply side risk in that: (i) it secures most of its supply from a single source – the Angat dam; and (ii) this water source is shared by another water concessionaire, a hydroelectric plant, and the needs of farmers for irrigation. A water usage protocol is in place to ensure all users receive water as expected within the constraints of available supply. Following significant water supply disruption in late 2009 arising indirectly from typhoons, the business entered 2010 with less water supply available than allowed for in its concession. Maynilad has worked to moderate its reliance on Angat by developing the Putatan Water Treatment Plant while continuing to reduce leakage and theft rates.

Transactions with related parties

Maynilad entered into certain construction contracts with D.M. Consunji, Inc., a subsidiary company of DMCI, in relation to the provision of engineering, procurement and construction services to Maynilad. Refer to Note 19, *Related Party Transactions* attached to MPIC's 2021 Audited Consolidated Financial Statements for further details.

Costs and effects of compliance with environmental laws

Maynilad's wastewater facilities are required to be maintained in compliance with environmental standards set primarily by the DENR regarding effluent quality. All projects are assessed for their environmental impacts, and, where applicable, must obtain an ECC from the DENR prior to construction or expansion. Subsequent to construction, effluents from facilities, such as sewage and septage treatment plants, are routinely sampled and tested against DENR standards using international quality sampling and testing procedures.

Maynilad has made efforts to meet and exceed all statutory and regulatory standards. Maynilad's regular maintenance procedures involve regular disinfection of service reservoirs and mains and replacement of corroded pipes. Maynilad believes all wastewater treatment processes and effluents meet the current standards of the DENR.

Maynilad's Dagat-Dagatan Sewage and Septage Treatment Plant in Caloocan is the first facility of its kind in the Asia-Pacific Region to attain triple international standard accreditations on Quality Management (ISO 9001:2008) and Environmental Management (ISO 14001:2004) in January 2007, and Occupational Safety and Health Management (OHSAS 18001:2007).

(B.3b) Water - MPW

Business Development

MPIC's wholly-owned subsidiary, MPW is pursuing water infrastructure projects and other water-related investments across the Philippines.

As at December 31, 2021, MPW's subsidiaries hold the following concession rights (see Note 29, *Significant Contracts, Agreements and Commitments* to the 2020 Audited Consolidated Financial Statements):

- *Through 95% in Cagayan De Oro Bulk Water Inc. ("COBI") through its wholly owned subsidiary, MetroPac Cagayan De Oro Holdings, Inc. ("MCOH").* COBI, a joint venture between MCOH and Cagayan de Oro Water District ("COWD"), holds a 30-year bulk water supply agreement to supply up to 100 million liters per day ("MLD") of treated water to COWD ("CDO Project"). Operations commenced effective December 31, 2017.

- *Through 80% in Metro Iloilo Bulk Water Supply Corporation ("MIBWSC").* MIBWSC, a joint venture between MPW and Metro Iloilo Water District ("MIWD"), holds a 25-year bulk water supply project to supply MIWD up to 170 MLD ("Metro Iloilo Bulk Project"). On July 5, 2016, MIBWSC officially took over water production operations from MIWD.

- *Through 80% in Metro Pacific Iloilo Water Inc. ("MPIWI").* MPIWI, a joint venture between MPW and MIWD, holds a 25-year concession to rehabilitate, operate, maintain and expand MIWD's existing water distribution system and provide sanitation services to MIWD's service area ("Metro Iloilo Distribution Project"). MPIWI commenced operations in July 1, 2019.

- *Through 80% in Metro Pacific Dumaguete Water Services Inc. ("MDW").* MDW, a joint venture between MPW and Dumaguete City Water District's ("DCWD") holds a 25-year concession to rehabilitate, operate, maintain and expand DCWD's existing water distribution system and develop wastewater facilities to serve DCWD's service area ("Metro Dumaguete Distribution Project"). MPDW commenced operations on February 1, 2021.

- *Through 55.41% in B.O.O Phu Ninh Water Treatment Plant Joint Stock Company ("PNW").* Pursuant to a 50-year BOO contract with the Chu Lai Open Economic Zone Authority, PNW is licensed to develop a water supply system that will meet clean water demand in the Chu Lai Open Economic Zone, and urban areas, industrial zones and adjacent rural areas in Quang Nam province. PNW has substantially completed the construction and commissioning of a water treatment plant with capacity of 25 MLD.

MPW also has an interest in the following entities:

- *Effective interest of 27% in Laguna Water District Aquatech Resources Corp. ("LARC") through its direct ownership of 30% in EquiPacific HoldCo Inc. ("EquiPacific").* LARC, a joint venture between EquiPacific and Laguna Water District ("LWD"), implements the joint venture project for the financing, rehabilitation, improvement, expansion, operation and maintenance of the water supply and distribution system within LWD's franchise area covering the municipalities of Los Baños, Bay, Calauan and Victoria of the Province of Laguna. LARC commenced operations on January 1, 2016.

- *Effective economic interest of 19.9% in Cebu Manila Water Development, Inc. ("CMWD") through its direct ownership of 39% in Manila Water Consortium Inc. ("MWCI").* CMWD holds a 20-year water purchase agreement for the supply of 18 MLD for the first year and 35 MLD of water for the 2nd to 20th year to Metropolitan Cebu Water District.

- *Effective interest of 49% in Tuan Loc Water Resources Investment Joint Stock Company ("TLW") through its wholly owned subsidiary, Metro Pacific TL Water International Limited.* TLW is one of the largest water companies in Vietnam, with 310 MLD of installed capacity. TLW's main project assets are the: (1) Song Lam Raw Water Plant, (2) Ho Cau Moi Water Treatment Plant, and (3) Nhon Trach 6A Sewage Treatment Plant.

MPW also has a 65% ownership in EcoSystem Technologies International, Inc. ("ESTII"). ESTII is engaged in the business of designing, supplying, constructing, installing, and operating and maintaining wastewater and sewage treatment plant facilities. The transaction allows MPIC, through MPW, to diversify its water sector investment holdings and invest in the high growth wastewater Engineering, Procurement and Construction (EPC) and Operation & Maintenance (O&M) markets. ESTII owns certain patents and utility models relating to water/wastewater treatment, the use of which are governed by an exclusive and perpetual license.

Dependence on Licenses and Government Approval

Various Government agencies and regulatory bodies require the possession of certain licenses and permits with respect to water extraction, treatment and distribution. Maynilad, MPW and their subsidiaries maintain compliance with the requirements and conditions for obtaining and maintaining such licenses and permits.

The guidelines implemented by the NWRB and/or the Local Water Utilities Administration regulate the water tariffs that may be charged by water distribution companies to customers. MPW maintains adequate operational and financial documentations, conducts robust studies and implementation plans, and maintains regular dialogue with local government and regulatory authorities to ensure compliance with the requirements and conditions needed for the approval of proposed water tariff adjustments.

Customers

MPW's investees were granted sole right to supply and/or distribute water to districts/areas as per their respective joint venture agreements with the local water districts. For the year ended December 31, 2021, revenues from these customers do not represent a significant percentage of MPIC's consolidated water revenues.

Revenues contributed by foreign entities

Revenue contribution from the water concession operated by PNW amounted to ₱23.86 million for the year ended December 31, 2021.

Foreign contribution from investments in PNW (prior to date of business combination) and TLW under share in equity in net earnings is disclosed in Note 10, *Investments and Advances* attached to MPIC's 2021 Audited Consolidated Financial Statements.

Distribution

MPW, through its subsidiaries and associates, delivers treated water to customers through a system of transmission and distribution pipelines, reservoirs and pumping stations

Competition

The water supply agreements that are in place, and the significant cost of putting up competing water production and distribution facilities in the same service area generally restrict other private water operators' from supplying to customers currently being served by MPW through its subsidiaries and associates.

Source and availability of raw materials

Sources of water requirements as follows:

Company	Water Source
Domestic:	
MIBWSC	Maasin Dam
LARC	90% from groundwater, and 10% from a bulk water supplier
MPDW	100% groundwater
Vietnam:	
Song Lam Raw Water Plant	Lam River
Ho Cau Moi Water Treatment Plant	Cau Moi Lake
PNW Water Treatment Plant	Phu Ninh Lake

MIBWSC currently sources a significant portion of its raw water requirement from the Maasin Dam and treats close to around eighty percent (80%) of its water requirement through the Sta. Barbara water treatment plant. Other sources of water by MIBWSC are groundwater and bulk water suppliers. MIBWSC is undertaking preparatory activities for the development of additional water sources and the construction of new water treatment facilities for the expansion phases.

MPIWI sources all its potable water requirements from the Metro Iloilo Water District.

Transactions with related parties

ESTII, a subsidiary of MPW, entered into contracts with Maynilad for the construction of wastewater treatment plants. MPIW entered into contracts with Maynilad for the establishment of geographic information system and non-revenue water assessment services. MIBWSC and COBI entered into a management services agreements with MPW for the provision of accounting, treasury, branding, corporate governance, information technology and other management services. Transactions with Maynilad are eliminated in the process of consolidation.

Costs and effects of compliance with environmental laws

All projects are assessed for their environmental impacts, and, where applicable, must obtain an Environmental Compliance Certificate from the DENR prior to construction or expansion.

Properties

Maynilad is tasked to manage, operate, repair, decommission and refurbish certain specified MWSS facilities in the West Zone of Greater Metro Manila. The legal title to these assets remains with MWSS. The legal title to all property, plant and equipment contributed to the existing MWSS system by Maynilad during the concession period remains with Maynilad until the expiration date (or on early termination date) at which time, all rights, titles and interest in such assets will automatically vest to MWSS.

Maynilad leases the office space and branches where service outlets are located, equipment and service vehicles, renewable under certain terms and conditions to be agreed upon by the parties.

MPW, through its subsidiaries and associates, took over the operations of water distribution from certain water districts upon the commencement of such water projects. Legal title to such assets remains with these water districts. The legal title to assets acquired and constructed during the term of such projects accrue to the joint venture companies until the expiration date (or the early termination date), after which all rights, titles and interest in such assets automatically vest to these water districts.

MPW, through the share purchase transactions, has gained proportionate ownership over the assets in TLW and PNW. Legal title to all existing assets remained in TLW and PNW after the purchase transaction.

(B.4) Rail

Business Development

MPIC operates its rail business through its subsidiary, Metro Pacific Light Rail Corporation ("MPLRC"). MPLRC's main activity is the holding of shares both at Light Rail Manila Holdings Inc. ("LRMH") as well as LRMC. LRMC holds the exclusive concession granted by the DOTr and Light Rail Transportation Authority ("LRTA"), on behalf of the Government to operate and maintain the existing LRT-1, as well as to extend the south line from Baclaran to Niog, Cavite. LRMH holds shares in LRMC. On May 28, 2020, MPIC entered into an agreement with Sumitomo for the acquisition by Sumitomo of a 34.9% interest in MPLRC (see Note 4, *Business Combinations and Changes in Non-controlling Interests* attached to the Audited Consolidated Financial Statements). MPLRC has an aggregate 55% interest in LRMC. MPIC's effective stake in LRMC (through MPLRC) as of December 31, 2021 was 35.8%.

With the implementation of Enhanced Community Quarantine ("ECQ") or Modified Enhanced Community Quarantine ("MECQ"), two of the strictest forms of lockdown to combat COVID-19 in NCR, LRT-1 operations were suspended. In June 2020, LRT-1 resumed operations but at a limited capacity of 13%. In October 2020, following the DOTr's directive to gradually increase maximum passenger capacities, LRMC adjusted passenger loading capacity to 30%. In November 2021, the passenger capacity for rail lines and selected public utility vehicles operating in Metro Manila and its adjacent provinces was increased to 70%. Starting March 1, 2022, all public transportation was finally allowed to operate at full capacity.

The majority of LRMC's capital expenditure of ₱4.5 billion in 2021 was used for the rehabilitation of the train system, structural repairs and improvements, and the construction of the LRT-1 Cavite extension. Most of its station improvement project for 20 stations has been completed ahead of schedule. The expansion work on the LRT-1 Cavite extension covering five stations is ongoing. However, long-overdue tariff increases remain a financial obstacle to the development of the LRT-1 Cavite extension. Since the start of civil works in September 2019, the project completion rate has now reached 69.1% for Phase 1 of the LRT-1 Cavite extension. For the year ended December 31, 2021, LRT-1 had total ridership of more than 44 million.

Patents, Trademarks, Licenses, Franchises, Concessions or Labor Contract

On October 2, 2014, LRMC entered into a concession agreement with DOTr and LRTA. Under the concession agreement, DOTr and LRTA granted LRMC the exclusive right to operate and maintain the existing LRT-1 and construct an 11.7-kilometer extension from the present end-point at Baclaran to the Niog area in Bacoor, Cavite. LRMC was formally awarded the project by the DOTr and LRTA following the submission of a lone bid with a premium of ₱9.35 billion. The concession period is for 32 years from takeover date and ends in 2047.

DOTr granted an operating franchise to LRMC on September 11, 2015. LRMC took over the operations and maintenance of LRT-1 on September 12, 2015.

Dependence on Licenses and Government Approval

Necessary Government approvals in relation to the operation of the rail business and the related non-rail revenues have been secured and documented in the relevant concession agreement.

On July 30, 2014, the SC issued a temporary restraining order on the commencement of the construction of common station at the vicinity of the existing MRT-3 North Avenue Station along EDSA. Although the common station is a deliverable of the Government, LRMC's business is materially impacted by any potential delays because ridership is expected to increase materially with the completion of common station. Under the concession agreement, the Government is obligated to hand over the common station to LRMC by April 1, 2019 or 54 months after the signing date. The "notice to proceed" for the construction of the common station was issued by the Government in 2019 and the expected completion date is now 2022. This is three years behind the original deadline stated in the concession agreement.

LRMC also depends on the Government approvals for the acceptance and the funding of any potential liquidated damages resulting from unfulfilled obligations.

Effect of Existing or Probable Governmental Regulations on the Business

The main variable affecting the earnings growth of the Light Rail segment is the ability of LRMC to secure the fare adjustments and ability to collect the liquidated damages under the concession agreement that governs LRMC's concession.

The concession agreement establishes an initial fare rate and an adjustment formula for setting the appropriate fares. The fare adjustment is scheduled every two calendar years beginning on August 1, 2016, with a starting initial fare supposedly implemented on August 1, 2014. If the fares approved by the Government are lower than the fares stipulated in the concession agreement, the Philippine Government is obligated to pay the difference and keep LRMC whole.

LRMC continues to await approval by the Government of the full initial fares as stipulated in the concession agreement.

Republic Act No. 11314, otherwise known as the "Student Fare Discount Act", which was signed on April 17, 2019, grants students who ride LRT-1 an entitlement of 20% fare discount. As a noticeable percentage of LRT-1 riders are students, the law would have some negative effect on revenues. This would be slightly offset by tax benefits under the law. Subject to the provisions under section 29.3 of the Concession Agreement, this may be characterized as a "Material Adverse Government Action (Change in Law)" for which LRMC would be entitled to compensation.

In 2020, as part of the Government's measure to address and mitigate the spread of COVID-19, the DOTr issued the Guideline for the Management of Emerging Infectious Disease. This guideline provides that the rail sector should observe one-meter physical distancing measures inside the trains. This resulted in as low as a 13% maximum operating capacity for LRT Line 1 upon lifting of ECQ in Metro Manila and 30% up until November 2021, which are significantly below LRT-1's actual capacity pre-COVID-19. Although all public transportation systems are now allowed to operate at 100%, these capacity restrictions resulted in a significant decline in LRMC's ridership and farebox revenue for year 2020 and to date.

Customers

The rail business of LRMC enjoys a sole concession of the LRT-1. This transport system is widely used by the public such that the loss of a few customers would not have a material adverse effect on MPIC. There is also no single customer that accounts for twenty percent (20%) or more of the segment's sales.

Distribution

Rail farebox revenues are from manual fare payment through single journey tickets and usage of pre-paid credits on stored value cards. Non-farebox revenues are primarily from direct payments by tenants and advertising partner.

Competition

While LRMC was granted the sole right to operate and maintain LRT-1, customers have non-rail alternatives such as buses and jeepneys.

Source and availability of raw materials

LRMC purchases spare parts from various suppliers, including foreign suppliers from Germany and Japan, for the rehabilitation of the existing light rail vehicles ("LRVs").

Under the LRT-1 Concession Agreement, included in the Grantors' responsibilities is the procurement of 120 LRVs. The additional LRVs are intended to increase the fleet of LRT-1 in preparation for the Cavite extension as well as to retire the Generation 1 trains. In January 2021, the first of the thirty (30) Generation-4 ("Gen-4") train sets committed by the Government arrived in the Philippines. The state-of-the-art passenger train sets, each with 4 LRVs has a maximum design speed of up to 70 kph and can accommodate around 1,400 passengers per trip. These new trains will undergo rigorous testing and commissioning before it is used for commercial operations.

Transactions with related parties

In 2014, AF Payments Inc. ("AFPI"), in which MPIC has a stake of 20%, was granted the rights and obligations to design, finance, construct, operate, and maintain the Automated Fare Collection System Project ("AFCS Project") for LRT-1, Light Rail Transit Line 2 ("LRT-2"), and Metro Railway Transport 3 ("MRT-3"). The AFCS Project, which was founded under the Build-Operate-Transfer Law, accommodates a contactless smartcard technology for stored value and single journey ridership. When AFPI bid for the AFCS Project, AFPI won the bid because it will not be charging public transport offices fees for the use of its system. As such, LRMC is not paying AFPI for the use of its system (see Note 19, *Related Party Transactions* attached to the 2021 Audited Consolidated Financial Statements).

In 2017, LRTA and MERALCO entered into a memorandum of agreement for the relocation of electrical sub-transmission and distribution facilities which will be affected by the construction works of the Cavite Extension. LRTA shall pay MERALCO all costs and expenses to be incurred for the relocation of its facilities (relocation charge). The agreement requires LRTA to enter into an Escrow Agreement to facilitate its payment of relocation charges. MERALCO may suspend the implementation of the relocation activities should LRTA fail to settle such charges. Since LRTA will only pay upon completion of the activities and MERALCO wants to receive advance payment for the costs to be incurred, LRMC has entered into a memorandum of agreement with MERALCO to pay in advance such charges to enable execution of the relocation activities. MERALCO shall reimburse LRMC of the relocation charges upon receipt from the Escrow Agent or LRTA (see Note 19, *Related Party Transactions* attached to the 2021 Audited Consolidated Financial Statements).

Other transactions with related parties [Meralco, Maynilad, Philippine Long Distance Telephone Company, Inc. ("PLDT"), Smart and others] were made in the ordinary course of business and are for daily operation and general administration.

Costs and effects of compliance with environmental laws

LRMC's facilities are required to be maintained in compliance with the environmental standards set primarily by the DENR. ECC have been issued previously to LRTA, namely ECC 0801004-7110 issued 2008, and ECC-O-8507-078-208 issued 1987 for the existing LRT-1 rail system.

For the commencement of the construction of the LRT-1 Cavite extension, LRTA has already obtained an ECC from the DENR under reference no. ECC-CO-1305-0018 issued in 2013. The ECC requires the proponent to abide by the following conditions: (i) implementation of a Solid Waste Management Program, (ii) implementation of a dust control system at the construction site, (iii) construction and installation of drainage structures, (iv) implementation of a social development program including priority employment for local residents within the direct impact areas, (v) conduct and submit a Traffic Impact Assessment and a Traffic Management Program, (vi) submit evidence of compliance to all pertinent environmental regulations, (vii) set up an Environmental Guarantee Fund, a Multipartite Monitoring Team ("MMT") and an Environmental Monitoring Fund, (viii) establish an Environmental unit, and (ix) submit a joint undertaking between grantor and concessionaire. Regulations require the grantee to submit a quarterly report of its environmental monitoring activities and a semi-annual report of its compliance to the above stated ECC.

LRMC has a dedicated environmental team that regularly monitors compliance not only with its ECCs but also with the International Finance Corporation Performance Standards as stipulated in its Concession Agreement. LRMC has established its Environmental and Social Management System that ensures measurement of significant environmental and social metrics for purposes of compliance with the reporting requirements. In addition, the presence of the MMT, established in January 2016, validates all the environmental activities and measurements of LRMC. LRMC has monthly Lenders Technical Advisers audits conducted by ARUP and commissioned TUV Rheinland to conduct independent environmental monitoring and compliance audits for the LRT-1 Cavite extension project. LRMC achieved ISO 14001 certification in July 2017 and was recertified in November 2020. Since LRMC assumed LRT-1 operations in 2015, no Notice of Violation was received, and no environmental incident has occurred.

Status of any publicly announced products and services

Additional units of e-tap loading kiosks for Beep Cards were deployed, resulting in a total of 65 active kiosks in the entire line as of December 31, 2021. LRMC also entered into lease agreements with various merchants to expand its commercial business.

In December 2020, LRMC, in partnership with Bayad Center, launched its first Bayad Center lane in Balintawak station to provide a more convenient payment option to LRT-1 commuters.

On February 13, 2019, the DOTr signed the contract for the development of the Unified Common Station ("UCS") which will provide a connection between LRT-1, MRT-3, Manila Mass Rapid Transit Line 7 and the Metro Manila Subway. (See Note 29, *Significant Contracts, Agreements and Commitments* to the attached 2021 Audited Consolidated Financial Statements).

(B.5) Others

Fuel Storage

Philippine Coastal Storage and Pipeline Corporation ("PCSPC") operates the petroleum storage and pipeline facilities of the former US military bases, namely Subic Bay Naval Base and Clark Air Force Base. MPIC indirectly owns 50% of PCSPC through a partnership with Keppel Infrastructure Fund Management Pte. Ltd. (in its capacity as trustee-manager of Keppel Infrastructure Trust) ("KIT").

Strategically located in the Subic Bay Freeport Zone, PCSPC is the largest independent petroleum product import terminal in the Philippines with a storage capacity of approximately 6.0 million barrels. The 150-hectare facility comprises of 87 storage tanks, two piers and a pipeline infrastructure connecting the entire facility. For 2021, the average storage capacity of PCSPC was at 5.8 million barrels, with an average utilization rate of 71%.

On August 6, 2004, PCSPC was registered with Subic Bay Metropolitan Authority ("SBMA") as a Subic Bay Freeport Zone Enterprise under the Republic Act No. 7227, otherwise known as the "Bases Conversion and Development Act of 1992", as amended. As a registrant, it is entitled to a special tax rate of 5% on gross income and shall enjoy all rights, privileges and benefits established under the Act.

PCSPC has an operating lease agreement with SBMA covering its terminal facilities amounting to U.S.$3.9 million per year. The lease, as amended, is for a fifth-year term, to expire on March 31, 2043, with an option to extend until March 2058. The lease rate is the same throughout the term of the lease until March 31, 2043. However, when the option to extend the lease is exercised, the rate will be increased to U.S.$0.45/square meter per month.

PCSPC has storage agreements with various customers wherein it shall make available its facilities and provide services for the storage and handling of commodities as described therein. The term of the contract varies from six months to twenty years, which can be renewed subject to mutual agreement between the parties. Customers range from minor to major oil players and logistics.

Hospitals

MPIC has created the Philippines' first nationwide chain of leading private hospitals to deliver comprehensive in-patient and out-patient hospital services, including medical and surgical services, diagnostic, therapeutic intensive care, research and training facilities in strategic locations in the Philippines. Following a 40% economic interest sell-down in December 2019 to a consortium consisting of KKR (through its Asian Fund III) and GIC through its subsidiary Arran Investments Pte. Ltd., MPIC has a 20% economic interest in MPHHI, which in turn has various ownership interests in the respective companies owning and/or operating the hospitals (together, the "MPIC Hospital group"). The MPIC Hospital group has investments in 19 full-service hospitals across the Philippines — nine hospitals in Metro Manila and ten around the country (Bulacan, Tarlac, Calamba and Los Baños, Laguna, Bacolod, Bohol, Butuan, Davao, Zamboanga and General Santos). The MPIC Hospital group portfolio also includes two healthcare colleges, Davao Doctors College and Riverside College in Bacolod, primary care clinics, central clinical laboratory, and six operating cancer centers.

The MPIC Hospital group has the largest network of premier private hospitals in the Philippines with approximately 3,800 beds, about 9,500 accredited doctors and more than 13,000 staff as of December 2021. The MPIC Hospital group reported revenue and a total patient census of ₱20,293 million and 3.2 million, respectively, in 201, an increase of 37% and 23%, respectively, from the preceding year.

As MPHHI is the single largest shareholder in the majority of the hospital management companies in which it has an interest, it is well positioned to provide modern professional management skills and expertise to the hospitals, whose other shareholders are mostly the founding doctors or families of the hospitals.

The healthcare sector is at the epicenter of the COVID- 19 pandemic and MPHHI continues to face challenges with the increase in reported cases. The MPIC Hospital group is also in the process of implementing the vaccination program for the employees and families of employees of the MPIC Group.

Real Estate

The MPIC Group also has real estate investments through Landco Pacific Corporation ("Landco"), which develops leisure communities, resort-inspired condominiums and luxury home communities, and Metro Vantage Properties, Inc. ("MVPI"), which develops, designs and markets real estate properties. In 2021, Landco's sales were at an all-time high since 2016, with 85% of sales from beachtown projects (Playa Laiya, Club Laiya, Playa Calatagan, Calatagan South Beach, Playa Azalea and Costa Azalea). Landco continues to explore opportunities in undeveloped properties.

On March 31, 2022, MPIC entered into deeds of absolute sale of shares for the acquisition of a total of 6,354,634 common shares, representing an aggregate of 61.9% of the issued and outstanding capital stock of Landco, for a total consideration of ₱429 million with the following sellers: (a) ABHC owning 6,252,011 shares; and (b) individual shareholders owning a total of 102,623 shares. As a result of the transaction, Landco shall become a wholly-owned subsidiary of MPIC. The total consideration amounting to ₱429 million shall be offset against the existing receivables of MPIC. The parties' existing obligations were settled upon closing. Prior to this transaction, MPIC holds 38.1% ownership interest in Landco.

Logistics

MPIC's logistics business is comprised of its wholly owned subsidiary MetroPac Logistics Company, Inc. ("MPLCI"), which owns 99.1% of MetroPac Movers, Inc. ("MMI").

Considering the changing landscape in the logistics space driven by the pace of digitalization in e-commerce and rapidly evolving end-to-end consumer behavior, MMI is currently reassessing its priorities to direct its focus on areas where it can best serve the needs and demands of the market. As such, it has decided to discontinue investments in capital intensive, large-scale warehousing including the previously announced Sta. Rosa logistics hub. This decision is also in line with the ongoing recalibration of capital allocation plans of MPIC. MMI have ceased warehousing operations as at December 31, 2021.

(C) MPIC Parent Company's present employees

As at December 31, 2021, the Parent Company has a total headcount of 54 employees (Administrative: 41, Rank and File: 13), who are neither unionized nor covered by special incentive arrangements. The Parent Company does not expect to increase its headcount in the next twelve months.

(D) MPIC Parent Company's major risks

Risks relating to the COVID-19 pandemic are described in a dedicated section of this report and not repeated throughout each of the other sections.

As an investment and management company, MPIC undertakes risk management at three distinct levels: entering new investments; financial stability of the holding company and within each operating company.

(D.1) On entering new investments

Prior to making a new investment, any business to be acquired is subject to an extensive due diligence including financial, operational, regulatory, environmental, social, and governance risk assessments. Risks to investment returns are then calibrated and specific measures to manage these risks are determined. The Company is highly selective in the investment opportunities it examines. Due diligence is conducted on a phased basis to minimize costs of evaluating opportunities that may ultimately not be pursued.

MPIC's investments involve to varying degrees, a partnership approach with MPIC co-investing with partners that provide operational and technological inputs, thereby mitigating risks associated with new and unfamiliar business areas.

Financing for new investments is through a combination of debt and/or equity by reference to the underlying strength of the cash flow of the target business and the overall financing position of MPIC itself.
MPIC's geographic focus is predominantly the Philippines but with some additional assets in Indonesia and Vietnam. MPIC is mitigating its foreign investment risk through partnerships with reputable and influential local firms in these countries and engaging strong and reputable advisers.

(D.2) On ongoing Management of the Financial Stability of the Holding Company

MPIC does not guarantee the borrowings of its investee companies but there are standard cross-default and cross-acceleration provisions in its loan agreements. Financial stability of the holding company, including its dividend commitment to shareholders, is managed by reference to the ability of the investee companies to remit dividends to MPIC to cover operating costs and service borrowings. MPIC avoids currency and investment cycle mismatches by borrowing instruments mostly in Philippine Pesos or in currency that matches operating cash flows, and primarily long-term tenors, most of which carry fixed rates.

MPIC sets the level of debt on the Parent Company's balance sheet to withstand variability of dividend receipts from its operating companies associated with regulatory and other risks described below.

(D.3) Risk Management within the Operating Companies

Each of the operating companies has a management team which is responsible for having their own plan to manage risk. These are reviewed semi-annually by their respective Risk Management Committees and periodically by MPIC.

a) *Political and Regulatory risks.* A significant majority of MPIC's invested capital is deployed into businesses which are heavily regulated by the Government: electricity distribution; water supply and distribution along with sewage treatment; toll roads; and light rail. Each of these businesses has concession or franchise agreements which involve a degree of operating performance obligation in order to retain rights and earn expected returns, and which contain terms that would allow the Government to take over in times of public emergency or when the public interest so requires. In some cases, these agreements provide for retrospective assessment of the extent of overall operational and financial performance sometimes over a period of years.

Risks arising from these types of businesses include the potential for differences with regulators involving interpretation of the relevant agreements – either during the period in question or in retrospect. To manage these risks, the operating companies have dedicated regulatory management groups with experienced personnel. Their duty is to manage the relationship with regulators, keep management up to date on the status of the relationship and ensure companies are well prepared for any forthcoming regulatory changes or challenges.

The Group has a sizeable amount of pending past due revenue claims accumulated for its water, toll and rail businesses. The risk of being unable to collect these claims is mitigated by continuing to deliver service obligations as effectively as possible and maintaining open communication lines with the various responsible government agencies.

Water

Maynilad continues to adopt and implement efforts to improve efficiency in the performance of its service obligations under the Concession Agreement to mitigate regulatory and political issues.

Apart from the RCA and the grant of the franchise as discussed in Note 25, Contracts, Agreements and Commitments attached to the 2021 Audited Consolidated Financial Statements, the following changes in political and regulatory environment will affect Maynilad.

The House of Representatives passed, on its third reading, a bill that seeks to create the Department of Water Resources ("DWR") and the Water Regulatory Commission ("WRC") with the objective of centralizing the regulation of all water service providers. Once this bill is passed into law, MWSS will be an attached agency of the DWR, and will continue to facilitate the exercise by the Concessionaires of its agency powers. On the other hand, the economic and regulatory units and functions of the MWSS will be transferred to the WRC, which has quasi-judicial powers. Accordingly, all disputes arising from the Concession Agreement will now have to be resolved by the courts and no longer through arbitration.

There are other laws which have been enacted in 2021 and early 2022, which include, among others, Republic Act No. 11595 or the amendment to the Retail Trade Liberalization Law ("RTLL"), Republic Act No. 11659 or the amendments to the Public Service Act ("PSA"), and Republic Act No. 11647 or the Foreign Investments Act ("FIA").

The amendments to the RTLL mainly reduces the minimum paid up capital of a foreign retailer equivalent in Philippine pesos from US$2.5 million to ₱25 million, and the categories of enterprises in which foreign retailers can engage or invest in have been removed.

On the other hand, under the amendments to the PSA, the transfer of the Public Service Commission's powers to the various administrative agencies was made clear and specific. More importantly, Congress limited the definition of a "public utility" to: (i) distribution of electricity, (ii) transmission of electricity, (iii) petroleum and petroleum products pipeline transmission, (iv) water and wastewater pipeline systems, (v) seaports, and (vi) public utility vehicles.

Finally, under the amendments the FIA, the policy direction shifted to foreign investments that will contribute to economic growth, productivity, global competitiveness, employment creation, technological advancement, and countrywide development, but emphasizing protection of national security. The bill also creates an Investment Promotions Council which will integrate all promotion and facilitation efforts to encourage foreign investments. Small and medium-sized domestic market enterprises with paid-in equity capital less than the equivalent of US$200,000 remains to be reserved to Philippine nationals. Public officers and employees involved in foreign investment promotion are also held to the highest standards of accountability, and will be subject to maximum penalties for their violations.

Maynilad participates in all the hearings of the House Committee on Government Reorganization to ensure that the inputs of the water concessionaires will be considered in the final version of the bill creating the WRC. Maynilad is also monitoring the developments in the bills certified as urgent.

Toll Roads

Following the implementation of the cashless transaction by the Toll Regulatory Board as a way to help mitigate the spread of COVID-19 virus, there have been numerous complaints on the inconsistent performance of the MPTC's RFID system resulting in the imposition of penalties and a ten-day suspension of the collection of toll fees by a local government unit. In response thereto, MPTC has presented plans and enhancements to the relevant LGU to address the system issues including Account Management System Upgrades (real time update of load balances) and barrier-less system through the adoption of Automatic License Plate Recognition System, among others.

Power

MERALCO is similarly faced with material regulatory uncertainty in respect of the timing and detail of its next rate rebasing. Details of MERALCO's specific regulatory risks are discussed in MERALCO's 2021 Audited Financial Statements as also uploaded on the edge website of the PSE.

Storage

PCSPC is under a long-term lease agreement with the SBMA. As one of its largest income contributors, SBMA is incentivized to maintain a good relationship with PCSPC and assist in the growth of its business. PCSPC's political risk exposure, if not properly managed, may come in the form of imposing revisions to the terms of its lease with the SBMA.

b) *Competition and Market*. There is strong competition in bidding for Public-Private Partnership ("PPP") projects offered by the Government, and this may reduce forecast equity returns for winning bids. MPIC's preferred approach is to provide unsolicited proposals to government in order to receive Original Proponent Status on its ideas. In this way it seeks to increase the prospect of winning projects and avoid plain vanilla 'lowest return on capital' bidding.

Toll roads. At the moment, the existing toll roads in the Philippines operate in different geographical areas and mostly with different alignments. Thus, there is hardly any competition among the toll road concession owners and operators. Competition may however exist between them in bidding for government-initiated toll road projects.

Power. Power generation through GBPC and MGEN is becoming increasingly competitive due to RES, migration of contestable customers from the captive market, increasing numbers of competitors, and the amended CSP rules. This is being addressed by using efficient processes and technology and low-cost fuel to remain competitive.

Storage. The prolonged effect of COVID-19 and delayed vaccine rollout has affected the demand for fuel products which in effect slowed down fuel storage requirements. Fuel demand is expected to recover to 2019 levels by 2023-2024. Closure of refineries, however, has increased demand for finished fuel products in the medium term. To offset demand fallout, PCSPC continues to study and promote operating efficiencies and save costs.

c) *Supply risk*. Prospective vendors, suppliers, contractors and service providers undergo a stringent accreditation process. One of the accreditation requirements is the submission of a contingency plan or a Business Continuity Plan (if available) to ensure availability of supply of goods and services by these vendors/suppliers/contractors/service providers in times of crisis.

Water

Maynilad has fundamental supply side risk in that: (i) it sources 91% of its supply from the Angat dam; and (ii) this water source is shared by another water concessionaire, a hydro-electric plant, and the needs of farmers for irrigation.

Maynilad has moderated reliance on Angat by operationalizing a 300MLD Water Treatment Plant at Putatan in Laguna Lake. Among the projects in the pipeline include a 300MLD plant at Teresa, Rizal in connection with the planned Kaliwa Dam project. However, this may be delayed due to COVID-19 pandemic. The 188 MLD Sumag Diversion Project being undertaken by Maynilad and Manila Water has not yet remobilized pending the renewal of the gratuitous permits by the Provincial Government of Quezon. Maynilad also has other plans in place including the reduction of its non-revenue water and the construction of modularized water treatment plants ("MoTP") that will draw raw water from certain identified dams of the National Irrigation Authority in Cavite. The MoTP in two of the four locations are expected to be energized in 2022. Part of the additional supply augmentation is the installation of additional MoTPs in Parañaque (10 MLD) and Valenzuela (1 MLD).

Toll Roads

The accreditation process in the MPTC group is a continuous process. This is to ensure that MPTC builds and expands its vendor pool and that there will always be available suppliers, contractors and service providers who can service its requirements. Admittedly, the pandemic has slowed down the arrival of some imported goods (e.g. computers, etc.). The delay, however, has not substantially impacted operations and did not result into business interruptions.

Power

The power generation companies in the MPIC portfolio depend on varying grades of coal for fuel. Primary supply sources are backed up by alternative supply sources. Appropriate level of inventories are also maintained.

The electricity distributed by MERALCO and Clark Electric are contracted through PSAs and long-term PPAs with generators. Any unsourced volume through the PSAs and PPAs is purchased from the WESM.

The demand for electricity changes over time and the supply of electricity should match such demand. Based on forecasted demand, Meralco and Clark Electric conduct Competitive Selection Process for all prospective PSAs to have adequate supply of electricity.

d) *Safety and Security risk.*

Rail

LRMC manages significant operational, safety and security risks in running the LRT-1. LRMC is mitigating these risks by establishing a Safety Management System driven from the top, appointing a strong senior management team with extensive light rail operating experience and using appropriate engineering and administrative controls. Furthermore, the team has adopted state-of-the art security systems like CCTVs and the digitization of reporting process via the RIA (Report, Inform, Action) platform. The risk of terrorism in the trains and stations, which is assessed as a key risk of LRMC, is also mitigated through strict inspection of incoming passengers using metal detectors, installation of x-ray screening devices in high density stations, baggage search/inspection using K-9 security and continuous conduct of safety and security drills and exercises. Regular safety and security drills and exercises are being conducted as part of the emergency response and business continuity management to account for the safety hazards and security threats.

Water

For Maynilad, possible common safety-related incidents include slips, trips and falls into a confined space such as in wastewater treatment plants. These incidents become more acute with the presence of dangerous gases such as methane and hydrogen sulfide as well as possible oxygen reduction. Chlorine, a hazardous chemical, is used by Maynilad in the decontamination of the waste and effluent water. Maynilad is mitigating these risks through closely monitoring employees who are at higher risk for hazard exposure and providing preventive measures including extensive safety training.

Any incident of poor water quality distributed by Maynilad could hurt the health and safety of its customers. Maynilad mitigates this risk by performing both quality assurance and quality control checks to ensure that the water distributed to the customers is compliant with the 2017 Philippine National Standard for Drinking Water. The process control laboratories of its La Mesa and Putatan plants conduct quality assurance at every stage of the treatment process. For water distribution, Maynilad's WaterLab performs quality control activities through daily testing of water samples collected from customers' taps at a ratio of 1 sample per 10,000 population.

Power

For MERALCO, safety risks relate to those operating an above ground power distribution system, serving approximately 7.4 million residential, commercial and industrial customer accounts. The primary risks are death, injury from fall, burn or electrocution. Extensive training is conducted on using safety equipment and operating protocols to minimize unsafe incidents.

Toll roads

MPTC's operational safety risks concern accidents due to possible driver error, poor vehicle maintenance, combination of the nature of road design and vehicle mishandling, or violations of the Limited Access Facility Law, which prohibits, among others, the movement of pedestrians on expressways. These risks are mitigated by road user safety campaigns, careful traffic management, optimized design and construction, and coordination with Local Government Units and other government agencies.

MPTC is also exposed to all safety risks inherent in construction activities as well as natural disasters.

The Group has institutionalized monitoring and reporting of work-related fatalities and serious injuries including significant environmental non-compliances and major governance and corruption issues, if any, for review by the MPIC Risk Management Committee.

e) *Climate change risk and related issues.* Extreme or unusual weather patterns associated with climate change are key risks for the Group. MPIC's principal operating companies' mitigation measures include: weather hardening for above ground power distribution; increasing water processing capacity for highly turbid water; and improved drainage and flood protection for toll roads. The principal operating companies have also formalized and are continuously improving their Business Continuity Plans including coordination with government and private organizations such as the Philippine Institute of Volcanology and Seismology, National Disaster Risk Reduction and Management Council and Philippine Disaster Resilience Foundation ("PDRF") together with the operating companies' respective regulators.

   Climate change is resulting in variable rainfall patterns leading to a combination of reduced water supply (see supply risk) and increased turbidity of water sources including an increase in algae bloom making it harder for Maynilad to sustain service levels. This risk is mitigated through increased investment in water treatment capabilities and working with the Government to explore new water sources.

   For LRMC, intensified water reuse and recycling are being implemented. LRMC has zero effluent discharge.

   The Group is also trying to mitigate this risk through carbon offsetting initiatives such as tree planting and other greening initiatives, use of solar power, use of clean and efficient technology in our coal operations and exploring renewable energy sources (e.g. biogas and energy from waste) to complement our existing coal investments. Waste reductions are also encouraged for Scope 3 GhG and installation of bike lanes in Libertad Street Pasay and bike racks in all LRT-1 stations were completed in 2021. Waste reductions are also encouraged for Scope 3 GhG and installation of bike lanes in Libertad Street Pasay and bike racks in all LRT-1 stations were completed in 2021.

f) *Environmental risk*. As a storage facility mainly for petroleum products, there is exposure to potential leaks from pipelines and the storage tanks. If not addressed properly, this could affect the soil and water quality within the freeport zone and lead to significant environmental and political risks. There are currently no major environmental issues in PCSPC and occurrences of leaks have been properly managed by the team. Regulatory reporting requirements of DENR have also been met by PCSPC management. Further, the business plan has already taken into account capital and operating expenditure items to ensure proactive environmental management of the facility. See Note 30, *Contingencies* attached to the 2021 Audited Consolidated Financial Statements for the *Clean Water Act Case* and *Order Relating to Effluent Quality*.

g) *Cybersecurity risk including increasing data privacy protection requirements*. Any disruption due to cyberattacks may result in service interruption, especially damaging for our utilities, lost revenue, increased costs for protection, remediation costs, reputational damage and regulatory fines. The Group is continuously enhancing its cybersecurity skills and processes, including risk now associated with expanded working from home which increases exposures to possibly unsecured residential networks used by employees. Maynilad and LRMC focus on continual implementation of awareness campaign to strengthen the people aspect of security controls with the employees as first line of defense. The Group is also reviewing and purchasing appropriate insurance coverage. In addition, there is an ongoing procurement of additional tools and applications like IT Patch Management, IT Asset Management and expansion of SIEM capacity to cater to more analysis and correlation of relevant logs to identify, detect, and block security threats.

Other risks associated with the Group's operations, specifically on its Environmental, Social and Governance aspects are discussed in MPIC's Annual Sustainability Reports which can be downloaded from the MPIC website.

(D.4) Financial Risk Management

The financial risks of MPIC's operating companies are primarily: interest rate risk, foreign currency risk, liquidity risk, credit risk and equity price risk (see Note 34, Financial *Risk Management Objectives and Policies* attached to the 2021 Audited Consolidated Financial Statements for more details on these risks).

Liquidity risk. MPIC has ample liquidity to support its essential investment projects, meet debt obligations and to maintain the current level of dividend payments to shareholders. It is reasonable for MPIC to anticipate reduced dividend income from its operations. MPIC is also alert to the rapid decline in financial liquidity around the world and will modify its investment program accordingly.

Maynilad has been unable to access additional credit during the Government's review of the Maynilad CA. Now that the RCA has been signed, creditors are only waiting for the delivery of the RCA annexes (including in particular, the signed Letter of Undertaking from Government) before fully restoring credit to Maynilad and pursuing new financing arrangements.

Maynilad has implemented tight control processes over expenditures and deferral of projects in order to preserve cash. There is currently no need for short-term debt funding or shareholder support.

To date MPIC's other major investees have maintained ample liquidity during the COVID-19 pandemic.

Equity Price Risk. MPIC's operating companies are generally not faced with equity price risk beyond that normal for any listed company, where relevant.

The regulatory returns for MERALCO are benchmarked in part to the changing cost of equity (and debt) in the Philippines with a positive correlation between rising equity risk premiums and nominal returns. For more details on MERALCO's risk factors, see MERALCO's Information Statement which should be uploaded on the Edge website of the PSE.

Refer to the Risk Management section of MPIC's Annual Report for the Company's risk governance structure and overview of risk management process.

(D.5) COVID-19 Pandemic-related risks

The Group has set its priorities during this crisis as: health and safety of its employees; uninterrupted delivery of services; and preservation of cash to support these priorities.

a) Health and safety of the Group's employees

Across the operations of MPIC group, various skeletal, rotating weekly shifts, and remote working protocols have been introduced to limit the potential for COVID-19 infections amongst personnel, the majority of whom are retained on full pay. All have been briefed on hygiene, social distancing and procedure to follow in the event of infection concerns, including self-isolation. Details of the measures implemented by the Group are disclosed in a separate report using SEC Form 17-C (COVID-19 Impact and risk mitigation strategies) which the Company submitted to and uploaded on the PSE/SEC website on March 16, 2020.

The Group has institutionalized monitoring of COVID-19 infection cases among its employees, consultants, contractors and other service providers. The Human Resources personnel of the Group are also regularly conducting general health checks among employees including those who are working remotely. New protocols for employees working in the field or in their offices include testing for the virus, as well as door to door shuttling as deemed necessary. The Group is encouraging work from home where possible.

The Group has also started to roll out its vaccination program among its employees and their dependents as a way to protect them from severe effects of the virus and ensure service continuity. Inoculations have started in July 2021 and boosters have been made readily available.

b) Uninterrupted delivery of services

Most of our businesses are engaged in the provision of essential services and, with the exception of LRT-1, have operated throughout the pandemic.

Water

To help maintain service levels and support hygiene in the population during the community quarantine, the NWRB ensured that the water allocation from Angat Dam is steady throughout 2021.

Maynilad also recognizes the possible presence of the SARS-CoV-2 virus, the type of coronavirus responsible for the COVID-19 disease, shed in the feces of infected individuals. However, based on WHO Interim Guidance released on July 29, 2020, infectious SARS-CoV-2 has not been detected in treated and untreated wastewater. Instead, ribonucleic acid, which are fragments only of SARS-CoV-2, are found in untreated wastewater. It was also mentioned that the inactivation of the virus may be achieved through disinfection in wastewater treatment facilities.

However, the risk of infection among frontline personnel, customers, and service providers is still present. Necessary health protocols and work arrangements are in place to protect both its workers and customers.

With this, Maynilad ensures the continuous operation of its wastewater management programs to provide sewerage and sanitation services even during the pandemic.

Power

With the rising new cases and implementation of a stricter quarantine, MERALO assured that there will be no disconnection activities in its franchise area for the entire duration of ECQ and MECQ.

The COVID-19 pandemic has resulted in health-related risks of the employees and business partners that may affect the business operations of MERALCO.

The implementation of community quarantines or lockdowns may hamper its regular business process or activities such as implementation of electrification projects, processing of service applications, meter reading, delivery of bills and disconnection notices, and acceptance of payments. The COVID-19 pandemic may also lead to corporate image or reputation risks if MERALCO will not be able to provide electric services and even financial impact if the affected customers will not be pay their bills.

MERALCO is currently implementing controls to prevent and minimize the spread of the virus among its workforce and partners such as safety and health protocols and flexible work arrangements. It is also implementing various initiatives to ensure the continuity of services such as coordination with government agencies to allow MERALCO personnel and partners to work within the lockdown areas, promote the use of digital channels such as online inquiries, online payments to avoid physical contacts between its workforce and the customers.

Toll Roads

NLEX, SCTEX, CAVITEX and CALAX have remained open to facilitate unhampered movement of essential goods and transit of medical workers during the ECQ. Average daily vehicle entries, although still below pre-COVID-19 levels, have improved as the country relaxes quarantine measures and more people are getting vaccinated against COVID-19.

The movement restrictions associated with the various quarantine measures to contain the infection of COVID-19 resulted in a sharp fall in traffic volume from which there has also been a swift partial recovery. Customer facing personnel, mainly toll booth attendants and patrol crew personnel, were all issued with appropriate PPE. The business has substantially implemented the cashless toll settlement effective December 1, 2020, as mandated by the TRB, to limit infection risks. Based on average electronic toll collection for the month of December 2020, radio frequency identification ("RFID") usage peaked at 98-100% in CAVITEX and CALAX, and 76-79% in NLEX and SCTEX. However, with the recent order of TRB extending the availability of cash collection lanes in the toll plazas, average RFID usage based on average electronic toll collection for 2021 in CAVITEX and CALAX was at 86% and 79%, respectively, and 72% and 66% in NLEX and SCTEX, respectively.

Rail

When Metro Manila was placed under ECQ and MECQ, the rail sector was not allowed to operate. Subsequently, 13% of LRMC's passenger loading capacity was allowed by DOTr to ensure observance of physical distancing. In October 2020, DOTr allowed LRMC to gradually increase capacity to maximum of 30%. This was increased in November 2021 and March 2022 to 70% and 100%, respectively. LRMC continues to implement COVID-19 related safety measures, while coordinating with local authorities and technical working groups for the transportation sector and strictly implementing the Government guidelines to further increase capacity.

c) Cash preservation

There have been significant revenue reductions in some of our investee companies as a result of the prevailing COVID 19 pandemic, quarantine restrictions and work from home arrangement. While Maynilad's billed volume is down compared with same period last year, these circumstances have, in combination, shifted billed volume from higher-tariff paying non-domestic customers to lower-tariff domestic customers.

Both Maynilad and MERALCO have experienced a substantial increase in accounts receivable and days sales outstanding over the course of the COVID pandemic. This is due in large part to regulatorily mandated bill payment extensions and deferred meter disconnections for non-payment of bills. Both businesses, however, have restored cash collections to normal levels.

The Toll Roads' revenues have also been significantly affected with buses and other public transportation still being curtailed. As the economy slowly opens up, buses and other public transportation are now allowed to operate and travel to any destination at full capacity. However, there are still a significant number of passengers who are hesitant to travel on public transportation. Work from home arrangements across business sectors also contribute to the reduction in travel.

The Group has implemented cash preservation measures across the portfolio and has enough liquidity to support current operations and select capital expenditures.

Refer to the Enterprise Risk Management section of MPIC's Integrated Report for the Company's risk governance structure and overview of risk management process.

Item 2. **Properties**

As of December 31, 2021, GT Capital leases its office space at GT Tower International located at 43/F GT Tower International, 6813 Ayala Avenue corner H. V. Dela Costa St., Makati City, Metro Manila, Philippines.

On October 18, 2019, GT Capital and PCFI executed a Deed of Assignment to assign, transfer and convey the selected properties of PCFI to GT Capital. As of December 31, 2021, GT Capital has real properties for sale and investment properties amounting to P14.7 billion and P0.6 billion, respectively.

Any possible future acquisitions of real property within the next twelve (12) months are still under review, depending on the finalization of various factors.

Descriptions of the properties of each of the GT Capital companies are listed below:

<u>Metrobank</u>

MBT's head office is located at Metrobank Plaza, Sen. Gil J. Puyat Avenue, 1200 Makati City. MBT owns the premises occupied by its head office, including most of its branches. The following table provides a geographic breakdown of MBT's Philippine branch network as of December 31, 2021:

Location	No. of Branches
Metro Manila	429
Luzon (excluding Metro Manila)	291
Visayas	134
Mindanao	97
Total	**951**

<u>Federal Land</u>

As of December 31, 2021, Federal Land owned a total land bank with an area of 249.88 hectares. The table below provides a breakdown of Federal Land's land bank.

Location	Area (in hectares)
Metropolitan Park	18.44
Other Pasay Area	1.02
Grand Central Park	5.51
Makati City	0.65
Mandaluyong City	4.99
Pasig City	0.91
Manila City	0.56
Parañaque City	0.28
Quezon City	1.12
San Juan City	0.11
Iloilo City	0.29
Cavite	148.74
Biñan Laguna	48.80
Sta. Rosa Laguna	7.92
Marikina Sumulong	9.37
Alabang Muntinlupa	0.11
Cebu City	1.07
	249.88

Federal Land's major real properties that generate lease income from lease of commercial and office spaces are the GT International Tower (GT Tower), Met Live, iMet, Blue Bay Walk and Philippine AXA Life Centre (Phil AXA Centre).

GT Tower has 47 floors, and 536 parking slots, with an aggregate area of 43,042 square meters. One floor is used as Federal Land's principal headquarters, measuring 1,168 square meters.

The Met Live offers retails spaces and office floors in the integrated-community of Metro Park in Bay Area, Pasay City. It has a leasable area totaling of 39,257 square meters.

iMet is a 4-tower BPO complex located at the Bay Area in Pasay City. It has a floor plate of 2,029 square meters per office floor, making up a total of approximately 21,000 square meters. There are retail spaces at the ground level.

Bluebay Walk has a total area of 14,765 square meters which is being leased out to various tenants. Rent is paid on a fixed per square meter basis and/or variable rent based on a certain percentage of sales of the retail tenant. Lease contracts provide for a pre-agreed annual increase over the term of the lease.

The office property at Phil AXA Centre measures 7,829 square meters of floor area, comprising 25 units. The units are owned by Horizon Land, a wholly-owned subsidiary of Federal Land.

Mitsukoshi Mall is the retail component of the joint venture among Federal Land, Normura Real Estate, and Mitsukoshi Isetan. It sits on the retail podium of the 4-tower Seasons Residences. The mall is slated to open in 2022, and will house largely Japanese world-class establishments, with the renowned Mitsukoshi supermarket and beauty sections as anchor, and junior anchor tenants.

Toyota Motor Philippines

TMP is the owner and administrator of the Toyota Special Economic Zone (TSEZ) in Santa Rosa City, Laguna, Philippines. Its principal office and manufacturing facilities are located within TSEZ. TMP also leases office space at GT Tower International, Ayala Avenue corner H.V. dela Costa St., Makati City, Philippines.

TMP also owns the land along the South Luzon Expressway in Bicutan, Parañaque City, Philippines, where its head office was previously located. A portion of the property is currently leased to Toyota Bicutan, Parañaque, a branch of Toyota Makati, Inc., which is a wholly-owned subsidiary of TMP.

Philippine AXA Life Insurance Corporation and Subsidiary

AXA Philippines
AXA Philippines' head office is currently under lease at the 30th, 33rd, 34th and 35th floor of GT Tower International. AXA continues to own the premises occupied by its customer relation and training offices at the ground floor of the Phil AXA Centre in Makati.

AXA owns certain investment properties including office space, condominium units and parking slots at the Skyland Plaza in Makati.

Charter Ping An
Charter Ping An's head office is currently under lease at 29th of GT Tower International.

Charter Ping An has 21 branches nationwide: 5 in Metro Manila; 10 in Luzon; 3 in Visayas; and 3 in Mindanao. Its branches are leased either from Metrobank or from other lessors. Moreover, CPAIC has collocated and integrated offices with AXA Philippines, a total of 7 One AXA offices nationwide. The term of the lease ranges from three to five years renewable under mutually-acceptable terms and conditions.

Toyota Manila Bay

The following table provides a breakdown of TMBC outlets' properties as of December 31, 2021.

Outlet	Leases or Owned	Lot Area	Remarks
TMB	Owned Leased	5, 000.0 sqm 1,500.0 sqm	Showroom, Service and Stockyard Service Parking and Stockyard
TDM	Owned	8,891.1 sqm 1,000.0 sqm 1,000.0 sqm 7,954.0 sqm	Stockyard and Service Showroom and Service Showroom and Service Stockyard
TAS	Leased Owned	1,802.2 sqm 4,000.0 sqm 4,631.28 sqm 1,949.9 sqm	Service and Stockyard Stockyard Showroom and Service New land purchase with ongoing ejectment case
TCI	Owned Leased	3,542.0 sqm 9,721.5 sqm 1,250.0 sqm	Showroom and Service Service and Stockyard Stockyard
TMK	Owned Leased	5,000.0 sqm 2,310.2 sqm	Showroom, Service and Stockyard Stockyard

TFSPH

As of December 31, 2021, TFSPH leases its offices at the following locations:

Head Office:

- 32/F and 42/F GT Tower International, 6813 Ayala Avenue corner H. V. Dela Costa St., Makati City, Metro Manila, Philippines.

Business Hubs:

- Davao Business Center - Manuel Morales Building 109 J/P Laurel Avenue, Bajada brgy. 12-B Davao City
- Lipa Business Center - Unit 6 GF Seasons Mall Building, JP Laurel Highway, Tambo, Lipa City Batangas
- San Fernando Business Center - Aria Place, GF Building, Unit 112 Jose Abad Santos Ave., Dolores San Fernando City, Pampanga
- Bacolod Business Center – Sugarland Hotel, Araneta St. Singcang, Bacolod City
- Isabela Lending Desk - Km. 321 Daang Maharlika Highway, Brgy. Malapat, Cordon, Isabela
- CDO Business Center – KM.2 National High-way, Kauswagan, Cagayan De Oro City
- Dagupan Lending Desk - Diversion Road, Brgy. San Miguel, Calasiao Pangasinan
- Cebu Business Center - Door B&C Esperanza Bldg. AC Cortez Ave. Mandaue City
- Nueva Ecija Lending Desk - Km. 106 Maharlika Highway, Barangay Gomez, Santa Rosa, Nueva Ecija

TFSPH stockyards under lease, which contains repossessed assets, are as follows:

Stockyard	Address	LOT AREA
1	JP Rizal St., Brgy. Sala, Cabuyao, Laguna (6 warehouses)	13,478 sqm
2	Seahawk Business Complex Pitogo, Consolacion, Cebu City (2 warehouses)	850 sqm
3	Alijis Highway Bacolod City	1521 sqm
4	Door3-B Green Acres Compound Mintrade Drive Agdao Davao City	2000 sqm
5	12th Street, Nazareth, Cagayan de Oro City (2 warehouses)	1,400 sqm
6	Gabuco Road 1, Brgy. San Jose Puerto Princesa Palawan.	240 sqm
7	155 JP Rizal Tejeros, Makati City	620 sqm

Metro Pacific Investments Corporation

Power Segment. The properties of MERALCO and Clark Electric are located within their respective franchise areas to efficiently serve their customers. These properties are in good condition, except for ordinary wear and tear, and are adequately insured.

MERALCO's assets include utility plant assets, which are part of its RAB. RAB consists of electrical capital assets and non-electric capital assets. In addition, MERALCO also holds assets held for future substation or branch sites or retired office or sector sites, which are recognized as "Investment Properties" in its financial statements.

MERALCO's facilities in Pasig City host the networks system, which is the heart of the electric distribution operations, the telecommunications and trunk radio system, logistics process, customer retails services and other support services organizations.

Radius Telecoms, Inc., MERALCO's telecommunications subsidiary, owns 7,635 km of fiber optic cables and telecommunications infrastructure in certain parts of Metro Manila.

MGen, through its subsidiaries, Atimonan Land Ventures Development Corporation ("ALVDC") and Calamba Aero Power Corporation ("CAPC"), owns several parcels of land for the development and construction of power plant projects. The land of ALVDC, located in Atimonan, Quezon, is intended to be used by A1E for its 2 x 600 MW (net), ultra super-critical coal-fired plant project, while the land of CAPC is intended to be used in the future for a power plant project in Calamba, Laguna.

GBPC's power generation subsidiaries owned power generation facilities, buildings, land and other land improvements and property and equipment for the operation of its business.

The properties of MERALCO and its subsidiaries are free from any mortgage, charge, pledge, lien or encumbrance, except for the power plant projects of GBPC's power generation subsidiaries which have been mortgaged or pledged as security for their long-term debt.

MERALCO also has various lease contracts as lessee for periods ranging from one year to 30 years covering certain office spaces, payment offices and substation sites and towers.

MERALCO has a board-approved annual capital expenditure budget which mainly represents planned expenditures for the electric capital projects of the power distribution business. The capital expenditure budget shall address requirements in areas with large concentration of core customers, correct normal deficiencies in the system, stretch loading limits of MERALCO facilities and initiate practical and cost-effective projects to correct system deficiencies. These capital expenditures are financed through funds from operating and financing activities of MERALCO.

Toll Operations Segment. NLEX Corp. and CIC own their head office buildings in Balintawak, Caloocan City and Parañaque City, respectively. Other equipment, which is relatively insignificant, consists of transportation equipment and office equipment primarily located in their respective head offices. NLEX Corp. and CIC do not own the parcels of land over which the toll roads have been built, which parcels of land are owned by the ROP. In 2017 and 2016, NLEX Ventures Corporation, a wholly owned subsidiary of NLEX Corp., acquired parcels of land located in Valenzuela City. A parcel of land acquired in 2016 is presently the site of a service facility under a lease agreement, while the others are being developed as a property for lease with business proponents.

Metro Pacific Tollways South Corporation, a wholly owned subsidiary of MPTC, acquired a parcel of land in Cavite which was developed into headquarters for concessions held in the southern part of Luzon. Metro Pacific Tollways Vizmin Corporation, a wholly owned subsidiary of MPTC, also acquired a parcel of land in Cordova, Cebu which is to be developed into headquarters for CCLEC.

PT Nusantara's properties consist of land, building and building improvements. PT Nusantara and its subsidiaries, PT Margautama Nusantara and BSD, own building units which serve as their office space in South Jakarta and Banten, Indonesia. PT Inpola Meka Energi, another indirectly owned subsidiary, owns a parcel of land which serves as the site of construction of its hydro-power plant located in the Province of North Sumatera, Indonesia. Other equipment consists of transportation equipment, machinery and office equipment primarily located in their office and operation sites.

Water Segment. Maynilad is tasked to manage, operate, repair, decommission and refurbish certain specified MWSS facilities in the West Zone of Greater Metro Manila. The legal title to these assets remains with MWSS. The legal title to all property, plant and equipment contributed to the existing MWSS system by Maynilad during the concession period remains with Maynilad until the expiration date (or on early termination date) at which time, all rights, titles and interest in such assets will automatically vest to MWSS.

Maynilad leases the office space and branches where service outlets are located, equipment and service vehicles, renewable under certain terms and conditions to be agreed upon by the parties.

MPW, through its subsidiaries and associates, took over the operations of water distribution from certain water districts upon the commencement of such water projects. Legal title to such assets remains with these water districts. The legal title to assets acquired and constructed during the term of such projects accrue to the joint venture companies until the expiration date (or the early termination date), after which all rights, titles and interest in such assets automatically vest to these water districts.

MPW, through the share purchase transactions, has gained proportionate ownership over the assets in TLW and PNW. Legal title to all existing assets remained in TLW and PNW after the purchase transaction

Rail Segment. Under the LRT-1 concession agreement, the ownership of the existing LRT-1 system taken over by LRMC remains with the grantors (i.e., the LRTA and DOTr). This includes the existing depot, railway system, rolling stock, stations and track. Moreover, the ownership of all items procured by the grantors after LRMC's takeover, including any new LRVs, will remain with the grantors. The ownership of the planned railway infrastructure extension (south of the Baclaran station) and new signaling system will vest to the Grantors upon the final commissioning and acceptance. LRMC does not own the parcels of land over which the railway system lies as these are owned by the grantors.

Logistics. On separate dates in 2018, MMI purchased lands in San Rafael, Bulacan and General Trias, Cavite with a total combined area of approximately 480,000 square meters, which were initially intended for the construction of mega distribution centers. Refer to Note 13, Property, Plant and Equipment and Note 29, Significant Contracts, Agreements and Commitments attached to MPIC's 2021 Audited Consolidated Financial Statements.

Item 3. **Legal Proceedings**

Except as disclosed herein or in the Information Statements of the Company and its subsidiaries and affiliates, there have been no material pending legal proceedings, bankruptcy petitions, convictions by final judgment, orders, judgments or decrees, or violations of a securities or commodities law for the past five years and the preceding years to which GT Capital or any of its subsidiaries or affiliates or its directors or executive officers is a party or of which any of its material properties are subject in any court or administrative government agency.

In any event, below are the legal proceedings involving the Company and its subsidiaries and affiliates that may be significant:

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

Toyota Motor Philippines
In the normal course of business, TMP may be subject to labor and customer claims. Based on record, there are no major outstanding claims against the Company that would have a material adverse effect on its financial position, operating results or cash flows.

Philippine AXA Life Insurance Corporation and Subsidiary

AXA Philippines
The Company is a defendant in several lawsuits arising from the normal course of carrying out its insurance business. The Company currently does not believe these proceedings will have a material adverse effect on the Company's financial position.

Charter Ping An
Currently, there are ten (10) major cases which can materially affect Charter Ping An. However, Charter Ping An has strong legal positions in these cases and the outstanding amount of claims involved is not material to GT Capital Group.

TMBC
Pending litigations of all branches of TMBC are all within its normal course of operations and has no imminent threat that will substantially disturb its business or create a situation that might probably lead to a stoppage of the operations.

TFSPH
TFSPH is not involved in any legal actions arising in the ordinary course of business.

Fed Land
Fed Land is not involved in any significant pending legal proceedings.

MPIC
MPIC is a party to various legal matters and claims arising in the ordinary course of business. These various legal proceedings are properly disclosed in Note 30 to MPIC's 2021 Audited Consolidated Financial Statements.

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

There were no matters submitted during the fourth quarter of the fiscal year to the vote of security holders, through the solicitation of proxies or otherwise. The Annual Meeting of the Stockholders of GT Capital was held on May 17, 2021, and the results thereof were submitted to the Securities and Exchange Commission in the corresponding SEC Form 17-C and disclosed through the Philippine Stock Exchange and the Philippine Dealing and Exchange Corporation.

PART II.

OPERATIONAL AND FINANCIAL INFORMATION

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

Market Information

The Company's common shares have been listed and traded at the PSE since April 20, 2012. The high and low sales prices for each period within the last two calendar years and the first quarter of 2022 are as follows:

In Php	High	Low
	2020	
1st Quarter (Jan 1 to Mar 31)	875	389
2nd Quarter (Apr 1 to June 30)	530	368
3rd Quarter (July 1 to Sept 30)	468	380
4th Quarter (Oct 1 to Dec 31)	669	380
	2021	
1st Quarter (Jan 1 to Mar 31)	595	506
2nd Quarter (Apr 1 to June 30)	628.5	501
3rd Quarter (July 1 to Sept 30)	629.5	510
4th Quarter (Oct 1 to Dec 31)	620	519
	2022	
1st Quarter (Jan 1 to Mar 31)	596	500

Source: Philippine Stock Exchange

As of March 31, 2022, the closing price of the Company's shares of stock is Php552.00 per share.

Holders

As of March 31, 2022, the Company had 90 stockholders of record, including PCD Nominee Corporation (Filipino) and PCD Nominee Corporation (Non-Filipino).

The top 20 stockholders of the Corporation's Common Shares as of March 31, 2022 are as follows:

	NAME OF STOCKHOLDER	NO OF SHARES *	RATIO (%) TO TOTAL AMOUNT SUBSCRIBED
1.	Grand Titan Capital Holdings, Inc.	120,413,658	55.932%
2.	PCD Nominee Corp. (Filipino)	52,846,870	24.547%
3.	PCD Nominee Corp. (Non-Filipino)	41,146,486	19.113%
4.	Ty Siao Kian	223,560	0.104%
5.	La Filipina Uy Gongco Corporation	147,190	0.068%
6	Ty, Arthur Vy	111,780	0.052%
	Ty, Alfred Vy	111,780	0.052%
7.	Ty, Mary Vy	110,662	0.051%
8.	Bloomingdale Enterprises, Inc.	34,261	0.016%
9.	Po, Tiong King C.	31,000	0.014%
10.	De Castro, Salud D.	21,603	0.010%
11.	United Life Assurance Corporation	11,178	0.005%
12.	Chua, Josephine Ty	9,371	0.004%
13.	Chan, Asuncion C.	6,707	0.003%
14.	Choi, Anita C.	4,471	0.002%
15.	Mar, Peter or Annabelle C. Mar	3,353	0.002%
16.	Baguyo, Dennis G.	2,515	0.001%
17.	Ty, Alesandra T. ITF Adam Zachary T. Ty	2,422	0.001%
	Ty, Alesandra T. ITF Alexa Marie T. Ty	2,422	0.001%
18.	Choi, Dennis C.	2,236	0.001%
	Choi, Diana C.	2,236	0.001%

	Choi, Davis C.	2,236	0.001%
	Croslo Holdings, Corp.	2,236	0.001%
19.	Ong, Donnel Kelvin Tan	2,000	0.001%
20.	Poli, Jean Pierre Albert	1,780	0.001%

**Fully subscribed and paid up*

Dividends
As a policy, the Corporation has a target annual dividend payout of Php3.00 per share, payable out of its unrestricted retained earnings. Such declaration will take into consideration factors such as restrictions that may be imposed by current and prospective financial covenants; projected levels of operating results, working capital needs and long-term capital expenditures; and regulatory requirements on dividend payments, among others.

In 2019, 2020 and 2021, the Company paid cash dividends to its stockholders as follows:

Year	Common stock	Total	Voting Preferred Stock	Total	Record Date	Payment Date
2019	Php3.00 per share (regular)	Php598.0 million	3.77% PDST-R2 3Y rate as of April 13, 2015 (regular)	Php657,111.0 (regular)	April 10, 2019	April 25, 2019
2020	Php3.00 per share (regular) Php3.00 per share (special)	Php645.9 million (regular) Php645.9 million (special)	3.77% PDST-R2 3Y rate as of April 13, 2015 (regular)	Php657,111.0 (regular)	June 5, 2020	June 19, 2020
2021	Php3.00 per share (regular)	Php645.8 million	3.77%PDST-r2 3Y rate as of April 13, 2015 (regular)	Php657,111.0 (regular)	April 7, 2021	April 21, 2021

On March 25, 2022, the Board of Directors of the Company approved the declaration of cash dividends for common and voting preferred stockholders as follows. There are no restrictions limiting payment of dividends on common shares. Cash dividends for common and voting preferred stockholders are as follows:

Year	Common stock	Total	Voting Preferred Stock	Total	Record Date	Payment Date
2022	Php3.00 per share (regular)	Php645.9 million (regular)	3.77% PDST-R2 3Y rate as of April 13, 2015 (regular)	Php657,111.0 (regular)	April 8, 2022	April 22, 2022

Recent Sale of Unregistered or Exempt Securities

On March 26, 2019, the Board of Directors approved the declaration of a 8.0% stock dividend in favor of GT Capital's stockholders of common stock as of record date equivalent to approximately 15,590,000 shares. On May 8, 2019, stockholders' approval has been obtained during the Annual Stockholders' Meeting. The record and payment dates were set on July 8, 2019 and August 1, 2019, respectively. On July 30, 2019, the 8.0% stock dividend equivalent to 15,947,003 common shares were issued and listed in the Philippine Stock Exchange. The same is an exempt transaction under Section 10.1 (d) of the Securities Regulation Code.

Item 6. **Market of Issuer's Securities Other Than Common Equity**

On October 14, 2016, the Philippine SEC approved the offering of up to 12.00 million cumulative, non-voting, non-participating, non-convertible, redeemable peso-denominated perpetual preferred shares (the Offer) with a par value of Php100.00 per share at an offer price of Php1,000.00 per share for a total offer price of Php12.00 billion. The Offer consists of Series A and Series B with dividend rates per annum of 4.6299% and 5.0949%, respectively. Both series of said perpetual preferred shares were listed on the PSE on October 27, 2016. The proceeds from the Offer were used to refinance short-term loans and fund strategic acquisitions.

The closing price of Perpetual Preferred Shares Series A and Series B is Php995.00 and Php1,014.00 per share, respectively, as of December 31, 2021.

Dividends

On December 17, 2021, the Board of Directors of the Company approved the declaration of cash dividends for Perpetual Preferred Shares. Details of the Parent Company's dividend distributions to preferred shareholders are as follows:

Series A

Year	Perpetual Preferred Stock (GTPPA)	Total	Record Date	Payment Date
2019	Php11.57475 per share	Php56.01 million	January 3, 2020	January 27, 2020
2019	Php11.57475 per share	Php56.01 million	April 3, 2020	April 27, 2020
2019	Php11.57475 per share	Php56.01 million	July 3, 2020	July 27, 2020
2019	Php11.57475 per share	Php56.01 million	October 5, 2020	October 27, 2020
2020	Php11.57475 per share	Php56.01 million	January 4, 2021	January 27, 2021
2020	Php11.57475 per share	Php56.01 million	April 5, 2021	April 27, 2021
2020	Php11.57475 per share	Php56.01 million	July 5, 2021	July 27, 2021
2020	Php11.57475 per share	Php56.01 million	October 4, 2021	October 27, 2021
2021	Php11.57475 per share	Php56.01 million	January 5, 2022	January 27, 2022
2021	Php11.57475 per share	Php56.01 million	April 5, 2022	April 27, 2022
2021	Php11.57475 per share	Php56.01 million	July 5, 2022	July 27, 2022
2021	Php11.57475 per share	Php56.01 million	October 5, 2022	October 27, 2022

Series B

Year	Perpetual Preferred Stock (GTPPB)	Total	Record Date	Payment Date
2019	Php12.73725 per share	Php91.21 million	January 3, 2020	January 27, 2020
2019	Php12.73725 per share	Php91.21 million	April 3, 2020	April 27, 2020
2019	Php12.73725 per share	Php91.21 million	July 3, 2020	July 27, 2020
2019	Php12.73725 per share	Php91.21 million	October 5, 2020	October 27, 2020
2020	Php12.73725 per share	Php91.21 million	January 4, 2021	January 27, 2021
2020	Php12.73725 per share	Php91.21 million	April 5, 2021	April 27, 2021
2020	Php12.73725 per share	Php91.21 million	July 5, 2021	July 27, 2021
2020	Php12.73725 per share	Php91.21 million	October 4, 2021	October 27, 2021
2021	Php12.73725 per share	Php91.21 million	January 5, 2022	January 27, 2022
2021	Php12.73725 per share	Php91.21 million	April 5, 2022	April 27, 2022
2021	Php12.73725 per share	Php91.21 million	July 5, 2022	July 27, 2022
2021	Php12.73725 per share	Php91.21 million	October 5, 2022	October 27, 2022

Item 7. **Management's Discussion and Analysis or Plan of Operation**

CALENDAR YEAR ENDED DECEMBER 31, 2021 VERSUS YEAR ENDED DECEMBER 31, 2020

GT Capital Consolidated Statements of Income	**Audited Year Ended December 31**		**Increase (Decrease)**	
(In Million Pesos, Except for Percentage)	**2021**	2020	**Amount**	**Percentage**
REVENUE				
Automotive operations	**150,964**	113,975	36,989	32%
Real estate sales and interest income on real estate sales	**7,269**	9,455	(2,186)	(23%)
Equity in net income of associates and joint venture	**11,065**	6,355	4,710	74%
Rent income	**1,046**	1,751	(705)	(40%)
Sale of goods and services	**589**	457	132	29%
Commission income	**288**	107	181	169%
Interest income	**247**	197	50	25%
Other income	**3,175**	2,123	1,052	50%
	174,643	134,420	40,223	30%
COSTS AND EXPENSES				
Cost of goods and services sold	**102,959**	76,479	26,480	35%
Cost of goods manufactured and sold	**32,111**	23,554	8,557	36%
General and administrative expenses	**13,455**	13,032	423	3%
Interest expense	**6,270**	6,323	(53)	(1%)
Cost of real estate sales	**3,123**	4,120	(997)	(24%)
Cost of rental	**655**	589	66	11%
	158,573	124,097	34,476	28%
INCOME BEFORE INCOME TAXES	**16,070**	10,323	5,747	56%
PROVISION FOR INCOME TAX	**1,821**	1,986	(165)	(8%)
NET INCOME	**14,249**	8,337	5,912	71%
ATTRIBUTABLE TO:				
Equity holders of the Parent Company	**10,983**	6,546	4,437	68%
Non-controlling interests	**3,266**	1,791	1,475	82%
	14,249	8,337	5,912	71%

GT Capital Holdings, Inc. ("GT Capital" or the "Parent Company" or the "Company") consolidated net income attributable to equity holders of the Parent Company grew by 68% from Php6.55 billion in 2020 to Php10.98 billion in 2021. The growth was principally due to the 30% increase in consolidated revenues with major increases registered in automotive operations (+32%) and equity in net income of associates and joint ventures (+74%).

Core net income attributable to equity holders of the Parent Company grew by 48% from Php7.44 billion in 2020 to Php10.99 billion in 2021 after adding back Php0.07 billion share in non-recurring expenses incurred by Metro Pacific Investments Corporation (MPIC) and deducting Php0.06 billion amortization of fair value adjustments arising from various business combinations and Core net income attributable to equity holders of the Parent Company amounted to Php7.44 billion in 2020 after adding back the Php0.89 billion non-recurring expenses incurred by MPIC, and amortization of fair value adjustments arising from various business combinations.

The financial statements of Federal Land Inc. ("Federal Land"), Toyota Motor Philippines Corporation ("TMP"), Toyota Manila Bay Corporation ("TMBC") and GT Capital Auto and Mobility Holdings, Inc. ("GTCAM") are consolidated in the financial statements of the Group. The investments in other component companies Metropolitan Bank and Trust Company ("Metrobank"), Philippine AXA Life Insurance Corporation ("AXA Philippines"), Toyota Financial Services Philippines Corporation ("TFSPC"), Metro Pacific Investments Corporation ("MPIC") and Sumisho Motor Finance Corporation ("SMFC") are reported through equity accounting.

Of the nine (9) component companies, only AXA Philippines posted a decline in net income, while Federal Land, TMP, TMBC, GTCAM, Metrobank, MPIC, TFSPC, and SMFC reported growth in their respective net income.

Automotive operations comprising the sale of assembled and imported auto vehicles and spare parts grew by 32% from Php113.98 billion in 2020 to Php150.96 billion in 2021 due to a 30% increase in wholesale volume from 97,863 units to 127,539 units.

Real estate sales and interest income from real estate sales dropped by 23% from Php9.46 billion to Php7.27 billion due to the Parent Company's sale of lots to third parties in 2020.

Equity in net income of associates and joint ventures increased by 74% from Php6.36 billion in 2020 to Php11.07 billion in 2021 primarily due to significant increases in the net income of the following associates:

(1) Metrobank by 60% from Php13.83 billion to Php22.16 billion due to a 71% decrease in provisions for credit and impairment losses; and
(2) MPIC by 213% from Php4.75 billion to Php10.12 billion for the year ended December 31, 2021 arising from the gain recognized from the sale of Global Business Power and Don Muang Tollways in the first quarter of 2021.

Rent income declined by 40% from Php1.75 billion to Php1.05 billion primarily due to termination of various lease agreements.

Sale of goods and services increased by 29% or Php131.95 million due to higher fuel sales and sales of food franchises arising from the easing of quarantine restrictions.

Commission income increased by Php0.18 billion from Php0.11 billion in 2020 to Php0.29 billion in 2021 due to an increase in booked sales of Federal Land.

Interest income grew by 25% from Php0.20 billion in 2020 to Php0.25 billion in 2021 due to higher time deposit placements in 2021.

Other income grew by 50% or Php1.05 billion mostly due to the tax incentives utilized by TMP from the Comprehensive Automotive Resurgence Strategy (CARS) program.

Consolidated costs and expenses increased by 28% from Php124.10 billion in 2020 to Php158.57 billion in 2021. TMP contributed Php124.89 billion comprising cost of goods sold for manufacturing and trading activities, general and administrative expenses and interest expenses. TMBC contributed Php15.15 billion consisting of cost of goods and services sold, general and administrative expenses and interest expenses. Federal Land contributed Php9.02 billion consisting of cost of real estate sales, cost of goods and services sold, general and administrative expenses, cost of rental and interest expenses. GT Capital Parent Company contributed Php5.04 billion consisting of cost of real estate sales, interest expenses and general and administrative expenses. GTCAM accounted for the balance of Php4.47 billion consisting of cost of goods and services sold, general and administrative expenses and interest expenses.

Cost of goods and services sold grew by 35% from Php76.48 billion to Php102.96 billion relative to the increase in automotive sales.

Cost of goods manufactured comprising cost of materials, labor and overhead incurred in the assembly of vehicles from TMP increased by Php8.56 billion from Php23.55 billion to Php32.11 billion due to an increase in sales volume of assembled vehicles.

Cost of real estate sales dropped by 24% from Php4.12 billion to Php3.12 billion relative to the decrease in real estate sales.

Cost of rental increased by 11% from Php0.59 billion to Php0.66 billion due to an increase in operating expenses incurred in the leasing business such as taxes and licenses, depreciation, maintenance and other overhead expenses.

Provision for income tax declined by 8% from Php1.99 billion to Php1.82 billion primarily due to lower corporate income tax rate from 30% to 25%.

Net income attributable to non-controlling interest increased by 82% from Php1.79 billion to Php3.27 billion due to a higher in net income of subsidiaries which are not wholly-owned.

Consolidated Statements of Financial Position	**Audited December 31**		**Increase (Decrease)**	
(In Million Pesos, Except for Percentage)	**2021**	2020	**Amount**	**Percentage**
ASSETS				
Current Assets				
Cash and cash equivalents	**17,404**	17,114	290	2%
Financial assets at fair value through profit or loss	**8,712**	3,709	5,003	135%
Receivables	**15,852**	18,833	(2,981)	(16%)
Contract assets	**6,157**	6,183	(26)	(0%)
Inventories	**78,817**	74,735	4,082	5%
Due from related parties	**155**	202	(47)	(23%)
Prepayments and other current assets	**14,070**	12,380	1,690	14%
Total Current Assets	**141,167**	133,156	8,011	6%
Noncurrent Assets				
Financial assets at fair value through other comprehensive income	**16,311**	12,740	3,571	28%
Receivables – net of current portion	**3,766**	7,048	(3,282)	(47%)
Contract asset – net of current portion	**7,114**	6,852	262	4%
Investment properties	**15,646**	16,253	(607)	(4%)
Investments and advances	**186,187**	184,757	1,430	1%
Property and equipment	**14,918**	11,612	3,306	28%
Goodwill and intangible assets	**9,938**	9,965	(27)	(0%)
Deferred tax assets	**1,174**	1,402	(228)	(16%)
Other noncurrent assets	**1,573**	1,195	378	32%
Total Noncurrent Assets	**256,627**	251,824	4,803	2%
TOTAL ASSETS	**397,794**	384,980	12,814	3%
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts and other payables	**34,203**	29,998	4,205	14%
Contract liabilities – current portion	**3,384**	4,006	(622)	(16%)
Short-term debt	**9,127**	28,007	(18,880)	(67%)
Current portion of long-term debt	**9,423**	5,012	4,411	88%
Current portion of liabilities on purchased properties	**304**	598	(294)	(49%)
Current portion of bonds payable	–	4,995	(4,995)	(100%)
Customers' deposits	**910**	506	404	80%
Dividends payable	**590**	589	1	0%
Due to related parties	**193**	515	(322)	(63%)
Income tax payable	**161**	472	(311)	(66%)
Other current liabilities	**1,316**	843	473	56%
Total Current Liabilities	**59,611**	75,541	(15,930)	(21%)

	Audited December 31		Increase (Decrease)	
(In Million Pesos, Except for Percentage)	**2021**	2020	**Amount**	**Percentage**
Noncurrent Liabilities				
Long term debt – net of current portion	**112,755**	95,429	17,326	18%
Bonds payable – net of current portion	**10,077**	10,065	12	0%
Liabilities on purchased properties - net of current portion	**1,658**	2,657	(999)	(38%)
Pension liabilities	**1,629**	1,934	(305)	(16%)
Deferred tax liabilities	**3,232**	3,225	7	0%
Other noncurrent liabilities	**3,753**	3,944	(191)	(5%)
Total Noncurrent Liabilities	**133,104**	117,254	15,850	14%
TOTAL LIABILITIES	**192,715**	192,795	(80)	(0%)
Equity attributable to equity holders of Parent Company				
Capital stock	**3,370**	3,370	–	0%
Additional paid-in capital	**98,827**	98,827	–	0%
Retained earnings				
Unappropriated	**88,982**	79,234	9,748	12%
Appropriated	**400**	400	–	0%
Other comprehensive gain (loss)	**143**	(853)	996	117%
Other equity adjustments	**2,322**	2,322	–	0%
	194,044	183,300	10,744	6%
Non-controlling interests	**11,035**	8,885	2,150	24%
TOTAL EQUITY	**205,079**	192,185	12,894	7%
TOTAL LIABILITIES AND EQUITY	**397,794**	384,980	12,814	3%

The major changes in GT Capital's consolidated balance sheet from December 31, 2020 to December 31, 2021 are as follows:

Consolidated assets grew by 3% or Php12.81 billion from Php384.98 billion as of December 31, 2020 to Php397.79 billion as of December 31, 2021. Total liabilities decreased by Php0.08 billion from Php192.80 billion to Php192.72 billion while total equity increased by Php12.89 billion from Php192.19 billion to Php205.08 billion.

ASSETS

Financial assets at fair value through profit or loss increased by Php5.00 billion from Php3.71 billion to Php8.71 billion due to additional investments in unit investment trust placement by the Parent Company.

Receivables – current dropped by 16% from Php18.83 billion to Php15.85 billion due to collections during the period.

Inventories increased by 5% or Php4.08 billion from Php74.74 billion to Php78.82 due to higher construction progress of real estate projects.

Due from related parties decreased by 23% billion due to lower management fee billings of Federal Land to its related parties.

Prepayments and other current assets increased from Php12.38 billion to Php14.07 billion comprising of input VAT, advances to contractors and suppliers, creditable withholding taxes, ad valorem taxes, prepaid expenses and other current assets from Federal Land, (Php7.05 billion); TMP, (Php4.12 billion); GT Capital, (Php2.66 billion); TMBC, (Php0.18 billion); and GTCAM, (Php0.06 billion).

Financial assets at fair value through other comprehensive income increased by Php3.57 billion from Php12.74 billion to Php16.31 billion due to marked-to-market gains on investments.

Noncurrent portion of receivables declined by 47% or Php3.28 billion due to the settlement of the long-term receivables of TMP and reclassifications to current portion.

Property and equipment increased by 28% from Php11.61 billion to Php14.92 billion due to land acquisition and improvements of TMP.

Deferred tax assets declined by 16% from Php1.40 billion to Php1.17 billion due to the decline in TMP's deferred tax assets arising from the remeasurement of tax assets from 30% to 25% resulting from the implementation of the CREATE law.

Other noncurrent assets increased by Php0.38 billion from Php1.19 billion to Php1.57 billion due to higher deposits in rental, utilities, guarantee, and construction bonds.

LIABILITIES

Accounts and other payables increased to Php34.20 billion from Php30.00 billion primarily due to inventories purchases of TMP.

Contract liabilities dropped by 16% or Php0.62 billion coming from the increase in percentage of project completion by Federal Land.

Short-term debt decreased by Php18.88 billion from Php28.01 billion to Php9.13 billion due to Php48.90 billion loan payments made during the period, offset by Php30.02 billion new loan availments.

Current portion of long-term debt grew by 88% or Php4.41 billion due to reclassification from noncurrent portion of the of the Parent Company's JPY loans partially due in 2022.

Current portion of liabilities on purchased properties declined by Php0.29 billion from Php0.59 billion to Php0.30 billion due to scheduled payments.

Current portion of bonds payable amounting to Php5.00 billion with maturity date of August 7, 2021 were paid in full.

Customers' deposit increased by 80% from Php0.51 billion to Php0.91 billion with TMBC, TMP, and GTCAM accounting for Php0.44 billion, Php0.42 billion, Php0.05 billion, respectively.

Due to related parties decreased by Php0.32 billion from Php0.51 billion to Php0.19 billion mainly due to Federal Land's related parties.

Income tax payable declined by 66% from Php0.47 billion to Php0.16 billion primarily due to lower corporate income tax rate from 30% to 25%.

Other current liabilities grew by 56% from Php0.84 billion to Php1.32 billion mostly attributable to higher VAT payable. TMP, Federal Land, and TMBC accounted for Php0.71 billion, Php0.44 billion, Php0.08 billion, respectively. GT Capital and GTCAM contributed to the remaining balance of Php0.08 billion.

Non-current portion of long-term debt grew by 18% or Php17.33 billion due to the Php27.72 billion new loan bookings (net of Php0.10 billion deferred financing costs), offset by Php5.32 billion partial loan payments, Php4.57 billion reclassification to current portion of long term debt, and Php0.50 billion foreign exchange gain on the Parent's foreign currency denominated debt.

Non-current portion of liabilities on purchased properties decreased by Php1.00 billion due to the payments made during the year and amortization of deferred financing cost.

Pension liabilities decreased by 16% from Php1.93 billion to Php1.63 billion due to the actuarial changes arising from experience adjustments and arising from changes in financial assumptions, offset by the take up of retirement expenses for the period.

Other noncurrent liabilities dropped by 5% from Php3.94 billion to Php3.75 billion mostly attributable to the decline in deferred VAT payable of the Parent Company.

EQUITY

Unappropriated retained earnings increased by 12% from Php79.23 billion to Php88.98 billion arising from the Php10.98 billion consolidated net income earned attributable to the Parent Company in 2021, net of Php1.23 billion cash dividends paid.

Other comprehensive income amounted to Php142.75 million versus other comprehensive loss of Php853.48 million as of December 31, 2020 due to the marked-to-market gains on financial assets at Fair Value Other Comprehensive Income of the Group.

Non-controlling interest (NCI) increased by 24% from Php8.89 billion to Php11.04 billion mainly due to higher net income of subsidiaries which are not wholly-owned.

Key Performance Indicators of the Company and its Component Companies

The following are the key performance indicators of the Company for the years ended December 31, 2019, 2020 and 2021.

	In Million Pesos, except for percentages		
Income Statement	**2019**	**2020**	**2021**
Total Revenues	222,941	134,420	174,643
Net Income attributable to Equity Holders of GT Capital Holdings	20,309	6,546	10,983
Balance Sheet			
Total Assets	357,654	384,980	397,794
Total Liabilities	168,334	192,795	192,715
Equity attributable to GT Capital Holdings, Inc.	177,469	183,300	194,044
Return on Equity *	9.78%	4.06%	5.87%

**Core net income attributable to GT Capital's common stockholders divided by the average equity where average equity is the sum of equity attributable to GT Capital's common stockholders at the beginning and end of the year divided by 2.*

Banking

Metrobank

	In Billion Pesos, except for percentages and ratios		
	2019	**2020**	**2021**
Net income attributable to equity holders	28.1	13.8	22.2
Net interest margin on average earning assets	3.84%	3.98%	3.39%
Operating efficiency ratio	54.6%	49.6%	59.0%
Return on average assets	1.20%	0.6%	0.9%
Return on average equity	9.5%	4.4%	6.9%

	2019	**2020**	**2021**
Total assets	2,450.8	2,455.2	2,502.8
Total liabilities	2,132.3	2,122.0	2,175.1
Equity attributable to equity holders of the parent company	309.6	324.2	318.5
Tier 1 capital adequacy ratio	16.2%	19.3%	19.3%
Total capital adequacy ratio	17.5%	20.2%	20.1%
Non-performing loans ratio	1.3%	2.4%	2.2%
Non-performing loans coverage ratio	103.0%	163.0%	174.7%

Notes:

(1) *Operating efficiency ratio is the ratio of total operating expenses (excluding provisions for credit and impairment loss and income tax) to total operating income (excluding share in net income of associates and joint venture).*
(2) *Return on average asset is the net income attributable to equity holders of the parent company divided by the average total assets*
(3) *Return on average equity is the net income attributable to equity holders of the parent company divided by the average total equity attributable to equity holders of the parent company*
(4) *Capital adequacy ratios as of December 31, 2019, 2020 and 2021 were computed based on Basel III standards.*
(5) *Non-performing loans ratio is the ratio of net non-performing loans divided by total loans – excluding interbank loans.*
(6) *Non-performing loans coverage ratio is the ratio of the total allowance for probable losses on loans divided by gross non-performing loans*

Metrobank consolidated net income grew by 60.2% from Php13.8 billion in 2020 to Php22.2 billion in 2021. This was primarily due to lower provisions for credit and impairment losses in 2021 amounting to Php11.8 billion compared to Php40.8 billion booked in 2020.

Net interest income declined by 12.8% from Php86.1 billion in 2020 to Php75.1 billion in 2021, comprising 74.4% of total operating income. CASA deposits increased by 11.5% from Php1.3 trillion to Php1.5 trillion, which resulted in CASA ratio improvement from 73.0% in 2020 to 75.8% of total deposits in 2021.

Non-interest income fell by 26.5% from Php35.1 billion in 2020 to Php25.8 billion in 2021 on account of the 72% decline in trading and securities, and foreign exchange gains partially offset by higher miscellaneous income.

Total assets grew slightly by 1.9% from Php2.46 trillion as of December 31, 2020 to Php2.50 trillion as of December 31, 2021 primarily due to increases in cash and other cash items, due from other banks, investment securities and property and equipment, partially offset by decreases in loans and receivables, due from BSP, interbank loans receivable and SPURA, investments in associates and JV, deferred tax assets and other assets.

Total liabilities, increased by 2.5% from Php2.12 trillion as of December 31, 2020 to Php2.18 trillion due mainly to increases in deposit liabilities, accrued interest and other expenses and subordinated debts partially offset by decreases in bills payable and Securities Sold Under Repurchase Agreements, derivative liabilities, manager's checks and demand drafts outstanding, income taxes payable, and bonds payable.

Equity attributable to equity holders of the parent company fell by 1.8% from Php324.2 billion as of December 30, 2020 to Php318.5 billion as of December 31, 2021 due to the net effect of the cash dividends paid and unrealized loss on FVOCI offset by the net income reported for the year.

Property Development

Federal Land, Inc.

	In Million Pesos, except for ratios		
	2019	**2020**	**2021**
Real Estate Sales*	9,843.8	6,471.3	7,182.3
Revenues	13,166.8	9,250.9	10,374.9
Net income attributable to equity holders of the parent	1,611.4	623.7	981.9
	2019	**2020**	**2021**
Total assets	92,319.1	109,376.6	113,508.4
Total liabilities	55,169.2	72,431.3	76,268.7
Total equity attributable to equity holders of the parent	37,039.4	36,828.2	37,100.4
Current ratio	2.3x	2.0x	3.4x
Debt to equity ratio	1.0x	1.3x	1.4x

** Includes interest income on real estate sales*

Notes:

(1) Current ratio is the ratio of total current assets divided by total current liabilities.

(2) Debt to equity ratio is the ratio of total loans divided by total equity attributable to equity holders of the parent company

Federal Land's reservation sales amounted to Php10.6 billion in 2021, declining 25.0% year-on-year as project launches were postponed amidst the soft property market during the pandemic.

Real estate sales increased by 11.0% to Php7.2 billion on the back of strong incremental construction growth despite strict lockdowns. Revenues posted a 12.2% year-on-year growth due to higher income contribution from joint venture projects. Net income attributable to equity holders of the parent grew faster at 57.4% from Php0.6 billion in 2020 to Php1.0 billion in 2021 due to the improvement in gross profit margin from 51% to 57% and the positive impact of CREATE law on taxes.

Total assets of Federal Land ended at Php113.5 billion as of December 31, 2021 from Php109.4 billion as of December 31, 2020 due to the increase in inventory partially offset by the reduction in cash used for the settlement of liabilities.

Property Company of Friends, Inc.

On July 4, 2019, the Philippine Competition Commission approved the redemption of PCFI shares in exchange for selected assets. The resulting profit after taxes from the operations of PCFI from January to June 2019 and the gain on redemption of PCFI shares amounted to Php3.81 billion. PCFI was then deconsolidated in the financial statements of GT Capital (see Note 12 of the Consolidated Financial Statements).

Automobile Assembly and Importation and Dealership and Financing

Toyota Motor Philippines (TMP)

	In Million Pesos, except for ratios		
	2019	**2020**	**2021**
Sales	168,615.50	99,846.77	131,275.23
Gross Profit	21,143.20	13,022.00	14,544.54
Operating Profit	12,786.20	4,545.46	6,640.65
Net income attributable to Parent	9,082.40	3,305.73	6,023.71
	2019	**2020**	**2021**
Total Assets	38,750.90	45,058.54	44,936.57
Total Liabilities	23,142.40	35,558.35	32,083.86
Total Equity	15,608.40	9,500.19	12,852.71
Total Liabilities to Equity ratio*	1.5x	3.7x	2.5x

**Total Liabilities to Equity ratio is a measure of the company's financial leverage which is calculated by dividing total liabilities by total equity*

TMP's consolidated sales grew from Php99.8 billion in 2020 to Php131.3 billion in 2021 as wholesales volume increased by 30.3% from 97,863 units to 127,539 units. TMP retail sales volume also improved by 29.6% from 100,019 units to 129,667 units. Retail sales volume, however, was slightly better than industry's performance which saw a 15.9% volume growth from 241,924 to 280,338 units. As a result, TMP market share improved from 41.3% in 2020 to 46.3% in 2021, driven by the Vios, Hilux, and Wigo.

In 2021, TMP increased its auto dealership complement from 71 to 73 with the opening of two (2) dealer outlets in Dipolog City, Zamboanga del Norte and Lucena City, Quezon.

The overall financial performance of TMP was largely driven by the easing of community quarantine restrictions as vaccines became available and COVID cases waned. Recovery in demand for vehicles caused net income to increase from Php3.3 billion in 2020 to Php6.0 billion in 2021. Other than higher vehicle sales, demand for spare parts also increased as the population became more comfortable in going out to have their cars serviced for repairs and deferred periodic maintenance services. The overall increase in topline was also met with improved margins due to cost-cutting initiatives, which lowered indirect expenses and cushioned the increase brought about by higher selling expenses arising from volume growth. Lastly, TMP recorded a one-time gain from the sale of Toyota Santa Rosa.

As of December 31, 2021, TMP directly owns seven (6) dealer outlets namely Toyota Makati with one (1) branch Toyota Bicutan, Toyota San Fernando in Pampanga with two (2) branches in Plaridel Bulacan and Toyota Tarlac in Tarlac City, Lexus Manila, situated in Bonifacio Global City, Taguig City.

Toyota Manila Bay Corporation (TMBC)

	In Million Pesos, except for ratios		
	2019	**2020**	**2021**
Net Sales	23,579.6	13,220.4	15,348.1
Gross Profit	1,655.1	1,136.2	1,434.9
Net Income*	224.3	24.5	154.9
	2019	**2020**	**2021**
Total Assets	7,578.6	6,519.1	6,056.7
Total Liabilities	5,072.4	4,030.4	3,391.4
Total Equity	2,506.2	2,488.7	2,665.3

**Note: Includes booked commission income from insurance*

Consolidated sales, comprising of vehicle sales, spare parts and maintenance services, increased by 16.1% from Php13.2 billion in 2020 to Php15.3 billion in 2021. Following the recovery of the Philippine economy, sales rebounded from a low base brought about by the pandemic. However, despite TMP's 29.6% retail sales growth, TMBC trailed and grew by only 16.3% year-on-year, leading to lower penetration rate from 10.7% in 2020 to 9.6% in 2021.

Consolidated net income increased by 526.2% from Php24.5 million in 2020 to Php153.6 million in 2021 as volume recovered and margins improved.

TMBC currently owns five (5) dealer outlets namely Toyota Manila Bay, Toyota Abad Santos, Toyota Cubao and Toyota Marikina, all situated within Metro Manila; and Toyota Dasmariñas in Cavite.

Toyota Financial Services Philippines Corporation (TFSPC)

	In Million Pesos, except for ratios		
	2019	**2020**	**2021**
Gross Interest Income	6,958.7	7,172.8	9,374.9
Net Interest Income	3,082.1	3,261.48	4,832.2
Net Income	579.6	130.4	732.6
Finance Receivable-net	75,450.0	93,425.7	110,266.1
	2019	**2020**	**2021**
Total Assets	83,443.7	104,160.1	122,139.4
Total Equity	9,416.8	11,329.0	14,331.6

TFSPC recorded a 30.7% growth in gross interest income from Php7.2 billion in 2020 to Php9.4 billion in 2021, as finance receivables increased by 18.0% from Php93.4 billion to Php110.3 billion on a year-on-year basis. Booking volume increased by 43.8% from 40,212 units in 2020 to 57,830 units, aligned with the overall growth in TMP's sales volume due to higher penetration rate from 40.2% to 44.6%.

Net income, further increased by 461.6% to Php130.4 million in spite of higher provisions for credit losses and increased ROPA losses.

Sumisho Motor Finance Corporation (SMFC)

	In Million Pesos, except for ratios		
	2019	2020	2021
Gross Interest Income	1,655.4	1,757.4	1,671.4
Net Interest Income	1,436.1	1,511.6	1,483.7
Net Income	354.8	77.2	200.4
Finance Receivable	6,620.0	6,250.2	5,460.1
	2019	2020	2021
Total Assets	7,124.5	7,681.7	6,498.4
Total Equity	2,521.1	2,296.2	2,572.0

SMFC recorded a 4.9% decline in gross interest income from Php1.8 billion in 2020 to Php1.7 billion in 2021. Bookings, however, increased by 9.4% from 40,943 units in 2020 to 44,794 units in 2021.

Net income grew by 159.7% from Php77.2 billion in 2020 to Php200.4 billion in 2021 due to lower provisions for credit losses.

<u>Life and Non-Life Insurance</u>

Philippine AXA Life Insurance Corporation and Subsidiary (AXA Philippines)

The following are the major performance measures used by AXA Philippines for the period ended 2019, 2020 and 2021.

In Million Pesos, except ratios				
	AXA Philippines			Consolidated
	2019	2020	2021	2021
Gross Premiums	26,541.3	31,602.0	39,346.9	43,187.6
Net income after tax	3,388.6	2,829.9	2,759.7	2,250.7
Net Profit Margin (%)[1]	11.8%	8.3%	6.5%	
Total Assets	132,278.6	146,497.2	170,117.9	177,277.5
Total Liabilities	119,268.6	133,371.5	156,904.5	165,713.2
Total Equity	13,010.0	13,125.7	13,213.3	11,564.3
Solvency ratio[2]	435.0%	270%	182%	

Notes:

(1) Net profit margin (%) is the ratio of Net profit over Total Revenues.

(2) Solvency ratio is calculated as the insurance company's net worth divided by the Risk-based Capital (RBC) requirement of the Insurance Commission based on Memorandum Circular (IMC) No. 6-2006. Net worth shall include the company's paid-up capital, contributed and contingency surplus, and unassigned surplus.

New business from life insurance expressed in Annualized Premium Equivalent increased by 18.5% from Php5.2 billion in 2020 to Php6.2 billion in 2021. This was driven by the strong growth in both Single Premium and Regular Premium, increasing by 50.2% and 6.9%, respectively. As a result, premium revenue reached Php39.3 billion in 2021, 24.5% higher than the previous year. The reported premium revenue mix of life insurance shifted to 54%/46% (Single Premium vs. Regular Premium) in 2021 from 45%/55% in 2020. By distribution platform, bancassurance, sales agency and other channels accounted for 61%, 36% and 3% of premium revenues, respectively.

Gross written premiums of the non-life insurance declined from Php3.9 billion in 2020 to Php3.4 billion in 2021 as the resumption of quarantine restrictions continue to impact mobility and consumer spending.

Consolidated net income stood at Php2.3 billion in 2021, 22.4% lower than the previous year resulting from higher death claims from the life business and lower earned premiums and higher attritional and NatCat losses from the general insurance business.

Infrastructure and Utilities

Metro Pacific Investments Corporation (MPIC)

In Million Pesos, except for Percentage			
	2019	**2020**	**2021**
Core net income	15,602	10,238	12,325
Net income attributable to equity holders	23,856	4,748	10,119
	2019	**2020**	**2021**
Total assets	611,778	617,796	584,334
Total liabilities	365,733	373,451	347,469
Total equity attributable to owners of Parent Company	190,962	184,858	193,304

MPIC reported share in the consolidated operating core income at Php17.1 billion in 2021, an 11% increase from the same period last year, driven by the following:

- Higher volume sold for power; Core net income contribution of Manila Electric Company (Meralco) to MPIC was Php11.2 billion;
- Improved traffic on toll roads and the shift in tax regime to Optional Standard Deduction; Core net income contribution of Metro Pacific Tollways Corporation (MPTC) to MPIC was Php3.9 billion;
- Partially offset by the drop in billed water volumes and limited light rail services; Core net income contribution of Maynilad Water Services (Maynilad) and core net loss contribution of Light Rail Manila Corporation (LRMC) to MPIC was Php2.8 billion and Php0.3 billion, respectively.

Reported net income attributable to equity holders rose by 113% from Php4.7 billion in 2020 to Php10.1 billion in 2021 due to the gain on sale of Global Business Power Corporation (Php4.6 billion) and Don Muang Tollways (Php1.1 billion). Excluding non-recurring income or expenses, MPIC reported a core net income of Php12.3 billion in 2021, 20% higher than the same period last year.

Except for (ii), (iv),(vi) and (vii), the Company does not know of:

(i) Any known trends or any known demands, commitments, events, uncertainties that will result or that are reasonably likely to result in the Company's liquidity increasing or decreasing in any material way;
(ii) Any events that would trigger direct or contingent financial obligation (including contingent obligation) that is material to the Company, including any default or acceleration of an obligation except those disclosed in the notes to the financial statements;
(iii) Any material off balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the Company with unconsolidated entities or other persons created during the reporting period;
(iv) Any material commitments for capital expenditures, their purpose and sources of funds for such expenditures except as discussed below.

The GT Capital Group's 2022 capital expenditures ("CAPEX") budget is presented as follows:

Component Company	**In Php Billion**	**Nature**	**Funding source**
Metrobank	Php 3.0-5.0B	Mainly for IT investments	Internal
Federal Land[1]	3.4	Landbanking and leasing projects	Internal and Debt
TMP	2.1	New Model Introduction, Specs upgrade, and special projects	Internal
TMBC	0.2	Dealership expansion and property improvements	Internal
TFS	0.3	Hardware, Software, FFE , Leasehold improvement & Co. Cars	Internal; Debt
SMFC	0.1	Software, Computer equipment, Transportation Equipment, Leasehold Rights and Improvement, FFE	Internal; Debt
AXA Philippines[2]	0.4	Refurbishments and sales expansion; IT equipment and software	Internal
GTCap-Parent	4.9	Mainly investments/acquisitions	Internal; Debt
Total	**Php14.4 -16.4B**		

1. *Excludes construction of vertical residential buildings and house construction*
2. *Includes CPAIC*

(v) Any known trends, events or uncertainties that have had or are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations;
(vi) Any significant elements of income or loss that did not arise from the Company's continuing operations except those disclosed in the audited financial statements;
(vii) The causes of any material change from period to period including vertical and horizontal analysis of any material item, the causes of material changes are discussed in the MD & A; and
(viii) Any seasonal aspects that had a material effect on financial condition or results of operation of the Company.

CALENDAR YEAR ENDED DECEMBER 31, 2020 VERSUS YEAR ENDED DECEMBER 31, 2019

GT Capital Consolidated Statements of Income	Audited Year Ended December 31		Increase (Decrease)	
(In Million Pesos, Except for Percentage)	2020	2019	Amount	Percentage
CONTINUING OPERATIONS				
REVENUE				
Automotive operations	113,975	192,966	(78,991)	(41%)
Real estate sales and interest income on real estate sales	9,455	9,844	(389)	(4%)
Equity in net income of associates and joint venture	6,355	14,578	(8,223)	(56%)
Rent income	1,751	1,526	225	15%
Sale of goods and services	457	802	(345)	(43%)
Interest income on deposits and investments	197	443	(246)	(56%)
Commission income	107	252	(145)	(58%)
Other income	2,123	2,529	(406)	(16%)
	134,420	222,940	(88,520)	(40%)
COSTS AND EXPENSES				
Cost of goods and services sold	76,479	133,943	(57,464)	(43%)
Cost of goods manufactured and sold	23,554	36,819	(13,265)	(36%)
General and administrative expenses	13,032	13,595	(563)	(4%)
Interest expense	6,323	6,453	(130)	(2%)
Cost of real estate sales	4,120	5,340	(1,220)	(23%)
Cost of rental	589	435	154	35%
	124,097	196,585	(72,488)	(37%)
INCOME BEFORE INCOME TAXES	10,323	26,355	(16,032)	(61%)
PROVISION FOR INCOME TAX	1,986	5,057	(3,071)	(61%)
NET INCOME FROM CONTINUING OPERATIONS	8,337	21,298	(12,961)	(61%)
NET INCOME FROM DISCONTINUED OPERATIONS	–	3,814	(3,814)	(100%)
NET INCOME	8,337	25,112	(16,775)	(67%)
ATTRIBUTABLE TO:				
Equity holders of the Parent Company				
Profit for the year from continuing operations	6,546	16,586	(10,040)	(61%)
Profit for the year from discontinued operations	–	3,723	(3,723)	(100%)
	6,546	20,309	(13,763)	(68%)
Non-controlling interests				
Profit for the year from continuing operations	1,791	4,712	(2,921)	(62%)
Profit for the year from discontinued operations	–	91	(91)	(100%)
	1,791	4,803	(3,012)	(63%)
	8,337	25,112	(16,775)	(67%)

GT Capital Holdings, Inc. ("GT Capital" or the "Parent Company" or the "Company") consolidated net income attributable to equity holders of the Parent Company dropped by 68% from Php20.31 billion in 2019 to Php6.55 billion in 2020. The decline was principally due to the 40% decrease in consolidated revenues with major drops registered in auto sales (-41%) and equity in net income of associates and joint ventures (-56%) arising from the ongoing pandemic conditions.

Core net income attributable to equity holders of the Parent Company declined by 53% from Php15.78 billion in 2019 to Php7.44 billion in 2020 after adding back the Php0.89 billion non-recurring expenses incurred by Metro Pacific Investments Corporation (MPIC), and amortization of fair value adjustments arising from various business combinations. Core net income for 2019 amounted to Php15.78 billion from a reported net income of Php20.31 billion after deducting the Php3.58 billion total income from redemption of investment in Property Company of

Friends, Inc. ("PCFI"), and Php1.28 billion share in MPIC's non-recurring gain; and adding back the Php0.33 billion amortization of fair value adjustments arising from business combinations.

The financial statements of Federal Land Inc. ("Federal Land"), Toyota Motor Philippines Corporation ("TMP"), Toyota Manila Bay Corporation ("TMBC") and GT Capital Auto Dealership Holdings, Inc. ("GTCAD") are consolidated in the financial statements of the Group. The investments in other component companies Metropolitan Bank and Trust Company ("Metrobank"), Philippine AXA Life Insurance Corporation ("AXA Philippines"), TFSPC, Metro Pacific Investments Corporation ("MPIC") and Sumisho Motor Finance Corporation ("SMFC") are reported through equity accounting.

Of the nine (9) component companies, only AXA Philippines posted growth in net income, while Federal Land, TMP, TMBC, GTCAD, Metrobank, MPIC, TFSPC, and SMFC reported declines in their respective net income. GTCAD reported a higher net loss of Php10 million in 2020 as compared to the previous year.

Automotive operations comprising the sale of assembled and imported auto vehicles and spare parts decreased by 41% from Php192.97 billion in 2019 to Php113.98 billion in 2020 due to a 40% drop in wholesale volume from 163,493 units to 97,863 units amid the quarantine restrictions imposed nationwide.

Equity in net income of associates and joint ventures declined by 56% from Php14.58 billion in 2019 to Php6.36 billion in 2020 primarily due to decreases in the net income of the following associates:

(1) Metrobank by 50% from Php28.06 billion to Php13.83 billion due to a significant increase in provisions for credit and impairment losses as a result of proactive measures to better prepare the Bank for risks associated with the pandemic;
(2) MPIC by 80% from Php23.86 billion to Php4.75 billion as the quarantine restrictions reduced toll traffic in both domestic and regional toll roads, suspension and subsequent reduction of ridership capacity in its rail operations and decreased commercial and industrial demand from the power and water businesses; and
(3) TFSPC by 77% from Php0.58 billion to Php0.13 billion due to a significant increase in provisions for credit and impairment losses.

Rent income grew by 15% from Php1.53 billion to Php1.75 billion primarily due to rate escalation and higher newly signed lease spaces against back-outs and termination.

Sale of goods and services declined by 43% or Php0.35 billion to Php457 million due to lower fuel sales and the closure of food franchises amid the community quarantine.

Interest income dropped by 56% from Php0.44 billion in 2019 to Php0.20 billion in 2020 due to lower time deposit placements.

Commission income decreased by Php0.14 billion from Php0.25 billion in 2019 to Php0.11 billion in 2020 due to a decline in booked sales of Federal Land arising also from restrictions in construction and equity payments in compliance with the Bayanihan Act of the government.

Other income declined by Php0.41 billion from Php2.53 billion to Php2.12 billion with: (1) TMP contributing Php0.65 billion consisting of ancillary income, foreign exchange gain and other income; (2) Federal Land contributing Php0.64 billion comprising real estate forfeitures, management fees and other income; (3) GT Capital contributing Php0.44 billion arising from dividend income from its FVOCI investments and gain on sale of FVTPL investments; (4) TMBC contributing Php0.35 billion consisting of ancillary income on finance and insurance commissions and other income. The remaining balance of Php0.04 billion came from GTCAD.

Consolidated costs and expenses decreased by 37% from Php196.59 billion in 2019 to Php124.10 billion in 2020. TMP contributed Php95.79 billion comprising cost of goods sold for manufacturing and trading activities, general and administrative expenses and interest expenses. TMBC contributed Php13.29 billion consisting of cost of goods and services sold, general and administrative expenses and interest expenses. Federal Land contributed

Php8.00 billion consisting of cost of real estate sales, cost of goods and services sold, general and administrative expenses, cost of rental and interest expenses. GT Capital Parent Company contributed Php6.00 billion consisting of cost of real estate sales, interest expenses and general and administrative expenses. GTCAD accounted for the balance of Php1.02 billion consisting of cost of goods and services sold, general and administrative expenses and interest expenses.

Cost of goods and services sold dropped by 43% from Php133.94 billion to Php76.48 billion relative to the decline in wholesale volume of completely-built-up (CBU) units from 109,574 to 62,404 units.

Cost of goods manufactured and sold comprising cost of materials, labor and overhead incurred in the assembly of vehicles from TMP declined by Php13.27 billion from Php36.82 billion to Php23.55 billion due to a decline in wholesale volume of completely-knocked-down (CKD) units from 53,919 to 35,459 units.

Cost of real estate sales dropped by 23% from Php5.34 billion to Php4.12 billion relative to the decrease in real estate sales of Federal Land.

Cost of rental increased by 35% from Php0.44 billion to Php0.59 billion due to an increase in operating expenses incurred in the leasing business such as taxes and licenses, depreciation, maintenance and other overhead expenses.

Provision for income tax declined by 61% from Php5.06 billion to Php1.99 billion due to lower taxable income in 2020 vis-à-vis 2019.

Net income from discontinued operations of Php3.81 billion in 2019 pertain to the gain on redemption of PCFI shares and the income earned by PCFI from January to June 2019.

Net income attributable to non-controlling interest decreased by 63% from Php4.80 billion to Php1.79 billion due to a decline in net income of subsidiaries which are not wholly-owned.

Consolidated Statements of Financial Position	Audited December 31		Increase (Decrease)	
(In Million Pesos, Except for Percentage)	2020	2019	Amount	Percentage
ASSETS				
Current Assets				
Cash and cash equivalents	17,114	12,133	4,981	41%
Financial assets at fair value through profit or loss	3,709	4,698	(989)	(21%)
Receivables	18,833	13,382	5,451	41%
Contract assets	6,183	5,095	1,088	21%
Inventories	74,735	72,189	2,546	4%
Due from related parties	202	209	(7)	(3%)
Prepayments and other current assets	12,380	10,416	1,964	19%
Total Current Assets	133,156	118,122	15,034	13%
Noncurrent Assets				
Receivables – net of current portion	7,048	3,421	3,627	106%
Contract asset – net of current portion	6,852	5,556	1,296	23%
Financial assets at fair value through other comprehensive income	12,740	12,373	367	3%
Investment properties	16,253	15,347	906	6%
Investments and advances	184,757	178,059	6,698	4%
Property and equipment	11,612	13,159	(1,547)	(12%)
Goodwill and intangible assets	9,965	10,040	(75)	(1%)
Deferred tax asset	1,402	1,141	261	23%
Other noncurrent assets	1,195	436	759	174%
Total Noncurrent Assets	251,824	239,532	12,292	5%
TOTAL ASSETS	384,980	357,654	27,326	8%
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts and other payables	29,998	25,234	4,764	19%
Contract liabilities – current portion	4,006	4,553	(547)	(12%)
Short-term debt	28,007	12,890	15,117	117%
Current portion of long-term debt	5,012	4,974	38	1%
Current portion of liabilities on purchased properties	598	432	166	38%
Current portion of bonds payable	4,995	3,899	1,096	28%
Customers' deposits	506	560	(54)	(10%)
Dividends payable	589	589	–	0%
Due to related parties	515	204	311	152%
Income tax payable	472	875	(403)	(46%)
Other current liabilities	843	1,371	(528)	(39%)
Total Current Liabilities	75,541	55,581	19,960	36%

(In Million Pesos, Except for Percentage)	Audited December 31 2020	2019	Increase (Decrease) Amount	Percentage
Noncurrent Liabilities				
Long term debt – net of current portion	95,429	87,149	8,280	10%
Bonds payable – net of current portion	10,065	15,040	(4,975)	(33%)
Liabilities on purchased properties - net of current portion	2,657	3,352	(695)	(21%)
Pension liabilities	1,934	1,222	712	58%
Deferred tax liabilities	3,225	3,138	87	3%
Other noncurrent liabilities	3,944	2,852	1,092	38%
Total Noncurrent Liabilities	117,254	112,753	4,501	4%
TOTAL LIABILITIES	192,795	168,334	24,461	15%
Equity attributable to equity holders of Parent Company				
Capital stock	3,370	3,370	–	0%
Additional paid-in capital	98,827	98,827	–	0%
Retained earnings				
Unappropriated	79,234	74,569	4,665	6%
Appropriated	400	400	–	0%
Other comprehensive loss	(853)	(2,019)	1,166	(58%)
Other equity adjustments	2,322	2,322	–	0%
	183,300	177,469	5,831	3%
Non-controlling interests	8,885	11,851	(2,966)	(25%)
TOTAL EQUITY	192,185	189,320	2,865	2%
TOTAL LIABILITIES AND EQUITY	384,980	357,654	27,326	8%

The major changes in GT Capital's consolidated balance sheet from December 31, 2019 to December 31, 2020 are as follows:

Consolidated assets increased by 8% or Php27.33 billion from Php357.65 billion as of December 31, 2019 to Php384.98 billion as of December 31, 2020. Total liabilities increased by 15% or Php24.46 billion from Php168.33 billion to Php192.80 billion while total equity increased by Php2.87 billion from Php189.32 billion to Php192.19 billion.

Cash and cash equivalents increased by Php4.98 billion from Php12.13 billion to Php17.11 billion with TMP, Federal Land, GT Capital, GTCAD and TMBC accounting for Php6.77 billion, Php5.29 billion, Php3.86 billion, Php0.76 billion, Php0.43 billion, respectively.

Financial assets at fair value through profit or loss (FVTPL) declined by Php0.99 billion from Php4.70 billion to Php3.71 billion due to partial withdrawal of unit investment trust placement by the Parent Company.

Receivables – current increased by 16% from Php13.38 billion to Php15.52 billion with TMP contributing Php10.32 billion consisting of trade and non-trade receivables; Federal Land contributing Php2.33 billion, a majority of which were installment contract receivables, rent receivable and other receivables; TMBC contributing Php1.89 billion comprising of trade and non-trade receivables; GT Capital contributing Php0.86 billion consisting of trade receivable, dividend receivable and other receivables; and GTCAD accounting for the remaining Php0.13 billion representing trade receivables from the sale of automobiles and after-sales maintenance services.

Contract assets-current increased by 21% from Php5.10 billion to Php6.18 billion due to the excess of the progress of work over the right to an amount collectible from the unit buyers of Federal Land.

Prepayments and other current assets grew by 19% from Php10.42 billion to Php12.38 billion comprising of input VAT, advances to contractors and suppliers, creditable withholding taxes, ad valorem taxes, prepaid expenses and other current assets amounting to Php3.58 billion, Php2.63 billion, Php1.57 billion, Php 1.38 billion, Php0.75 billion and Php2.47 billion, respectively.

Non-current receivables increased by Php6.94 billion from Php3.42 billion to Php10.36 billion due to an increase in long-term receivables of GT Capital, Federal Land and TMP.

Non-current contract assets increased by Php1.30 billion from Php5.55 billion to Php6.85 billion due to the excess of the progress of work over the right to an amount collectible from the unit buyers of Federal Land.

Investment properties grew by 6% from Php15.35 billion to Php16.25 billion due to the reclassification from inventories of Federal Land.

Property and equipment declined by 12% or Php1.55 billion due to depreciation and amortization expenses during the period.

Deferred tax assets grew by 23% from Php1.14 billion to Php1.40 billion arising from the recognition of deferred tax from the net operating loss carry over during the period.

Other non-current assets increased from Php0.44 billion to Php1.20 billion comprising long-term deposits, non-current input tax, other non-current assets and retirement assets from Federal Land, (Php1.02 billion); GT Capital, (Php0.09 billion); TMP, (Php0.07 billion); and TMBC, (Php0.02 billion).

LIABILITIES

Accounts and other payables increased by 19% from Php25.23 billion to Php30.00 billion with TMP, Fed Land, TMBC, GT Capital and GTCAD accounting for Php19.49 billion, Php8.25 billion, Php1.78 billion, Php0.36 billion and Php0.12 billion, respectively.

Contract liabilities - current portion decreased by 12% from Php4.55 billion to Php4.01 billion coming from increase in percentage of completion of Federal Land.

Short-term debt increased by Php15.12 billion from Php12.89 billion to Php28.01 billion to the increased working capital requirements of Federal Land and TMP.

Current portion of liabilities on purchased properties increased by Php0.17 billion due to the reclassification from non-current portion of Federal Land.

Current portion of bonds payable increased by Php1.10 billion due to the reclassification from non-current portion of Php4.99 billion bonds due in August 2021, offset by the full settlement of Php3.90 billion bonds due in February 2020.

Customers' deposit declined by 10% from Php0.56 billion to Php0.51 billion with TMBC, TMP, and GTCAD accounting for Php0.25 billion, Php0.24 billion, Php0.01 billion, respectively.

Due to related parties increased by Php0.31 billion from Php0.20 billion to Php0.52 billion due mainly from Federal Land's related parties.

Income tax payable dropped by 46% from Php0.88 billion to Php0.47 billion due to the lower taxable income for 2020.

Other current liabilities declined by Php0.53 billion from Php1.37 billion to Php0.84 billion primarily due to the lower output tax payable arising from lower sales of TMP and Federal Land.

Long term debt – net of current portion increased by Php8.28 billion from Php87.15 billion to Php95.43 billion mainly due to the new availments of Federal Land and the Parent Company to refinance the bonds that matured in February 2020.

Bonds payable – net of current portion dropped by 33% from Php15.04 billion to Php10.07 billion due to reclassification to current portion of bonds due in August 2021 and amortization of deferred financing cost.

Liabilities on purchased properties - net of current portion decreased by Php0.70 billion due to the Php 0.60 billion payments during the year and Php0.17 billion reclassification to current portion, offset by the amortization of deferred financing cost.

Pension liabilities grew by Php0.71 billion from Php1.22 billion to Php1.93 billion due to increased retirement benefit obligation of TMP and Federal Land.

Other noncurrent liabilities grew by 38% or Php1.09 billion from Php2.85 billion to Php3.94 billion mainly due to the deferred output VAT on installment sale of lots by the Parent Company.

EQUITY

Unappropriated retained earnings increased by Php4.67 billion from Php74.57 billion to Php79.23 billion mainly due to the Php6.55 billion consolidated net income earned attributable to the Parent Company in 2020, net of Php1.88 billion cash dividends declared.

Other comprehensive loss improved by Php1.17 billion from Php2.02 billion to Php0.85 billion primarily due to the mark-to-market gain on financial assets at FVOCI of the Group.

Non-controlling interest (NCI) decreased by 25% from Php11.85 billion to Php8.88 billion largely due to the declaration of cash dividends by subsidiaries which are not wholly-owned.

LIQUIDITY AND CAPITAL RESOURCES

In 2019, 2020 and 2021, GT Capital's principal source of liquidity came from cash dividends received from the investee companies, availment of loans, issuance of bonds and issuance of preferred shares of stock. As of December 31, 2021, GT Capital's cash and cash equivalents reached Php17.40 billion.

The following table sets forth selected information from GT Capital's statement of cash flows for the periods indicated.

	In Million Pesos		
	2019	**2020**	**2021**
Net cash provided by (used in) operating activities	(4,184)	(11,155)	10,227
Net cash used in investing activities	(3,482)	(4,037)	(6,622)
Net cash provided by (used in) financing activities	5,309	20,021	(3,237)
Effects of exchange rate changes on cash and cash equivalents	137	152	(78)
Net increase (decrease) in cash and cash equivalents	(2,220)	4,981	290
Cash and cash equivalents at the beginning of the period	14,353	12,133	17,114
Cash and cash equivalents of continuing operations at end of the period	12,133	17,114	17,404

Cash flows from operating activities

Net cash used in operating activities amounted to Php4.18 billion and Php11.15 billion in 2019 and 2020, respectively, while the net cash provided by operating activities in 2021 amounted to Php10.23 billion. In 2019, operating cash amounting to Php18.43 billion was used to increase financial assets at FVTPL by Php1.38 billion, receivables by Php6.32 billion and inventories by Php6.78 billion and to pay dividends, income taxes and interest amounting to Php4.91 billion, Php4.61 billion and Php6.13 billion, respectively. In 2020, operating cash amounting to Php10.73 billion was used to increase inventories by Php3.41 billion, prepayments and other current assets by Php1.96 billion and pay dividends, income taxes and interest amounting to Php6.49 billion, Php2.21 billion and Php6.33 billion, respectively. In 2021, cash generated from operations, dividend, and interest received amounting to Php11.77 billion, Php8.21 billion, and Php1.65 billion, respectively, were used to pay interest, dividends and income taxes amounting to Php6.00 billion, Php2.99 billion, and Php2.32 billion, respectively.

Cash flows used in investing activities

Net cash used in investing activities amounted to Php3.48 billion, Php4.04 billion and Php6.62 billion in 2019, 2020 and 2021, respectively. In 2019, cash flows used in investing activities went to pay for additional investment in associates and a joint venture by Php1.04 billion, property and equipment by Php1.82 billion, and investment properties by Php1.10 billion. In 2020, cash flows used in investing activities went to increase investment in associates and a joint venture by Php2.10 billion and property and equipment by Php0.87 billion. In 2021, cash flows used in investing activities went to the acquisition of additional property and equipment by Php5.16 billion and increase investments in joint ventures by Php 1.01 billion.

Cash flows from financing activities

Net cash provided by financing activities amounted to Php5.31 billion and Php20.02 billion in 2019 and 2020, respectively, while the net cash used in financing activities in 2021 amounted to Php3.24 billion. In 2019, cash flows from financing activities came from loan availments of Php43.98 billion which were used to partially settle Php36.15 billion in outstanding loans and Php2.99 billion bonds payable. In 2020, cash flows from financing activities came from Php67.80 billion in new loans which were used to partially settle Php44.43 billion in outstanding loans and Php3.90 billion bonds payable. In 2021, the cash flows from financing activities that came from the proceeds from loan availments amounting to Php57.65 billion were used to refinance other loans amounting to Php54.38 billion, and settle bonds payable amounting to Php5.00 billion and partially settle liabilities on purchased properties amounting to Php1.29 billion.

Item 8. **Financial Statements**

The consolidated financial statements and schedules as listed in the accompanying Index to Exhibits are filed as part of this SEC Form 17-A.

The accounting policies adopted in preparation of the consolidated financial statements are consistent with those of the previous year except for the new and amended Philippine Financial Reporting Standards (PFRS), Philippine Accounting Standards (PAS) and the Philippine Interpretations of International Financial Reporting Interpretation Committee (IFRIC) which were adopted as of January 1, 2021.

The Group will also adopt several amended and revised standards and interpretations subsequent to 2021.

Please refer to Note 2 of the attached Company's audited financial statements on the Summary of Significant Accounting Policies for the accounting of the new PFRS and PAS which became effective in 2021 and new PFRS and PAS that will be effective subsequent to 2021.

Item 9. **Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

The Company has engaged the services of SGV & Co. during the two most recent fiscal years. There have been no disagreements with SGV & Co. on any matter of accounting principles or practices, financial statement disclosures or auditing scope or procedure.

INDEPENDENT AUDITORS

The consolidated financial statements of the Company and its subsidiaries as of and for the years ended December 31, 2019, 2020 and 2021 have been audited by SGV & Co. (a member firm of Ernst & Young Global Limited), independent auditors, as stated in their reports

SGV & Co. has neither shareholdings in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities in the Company. SGV & Co. will not receive any direct or indirect interest in the Company or in any securities thereof (including options, warrants or rights thereto) pursuant to or in connection with the Offer. The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

In relation to the audit of the Company's annual financial statements, its Corporate Governance Manual provides that the audit committee shall, among other activities (i) evaluate significant issues reported by the external auditors in relation to the adequacy, efficiency and effectiveness of the Company's policies, controls, processes and activities; (ii) ensure that other non-audit work provided by the external auditors is not in conflict with their functions as external auditors; (iii) ensure the Company's compliance with acceptable auditing and accounting standards and regulations; and (iv) approve all related fees paid to the independent auditors.

The following table sets out the aggregate fees for audit and audit-related services, inclusive of out-of-pocket expenses and value-added-tax for each of the years ended December 31, 2019, 2020 and 2021 for professional services rendered by SGV & Co. to GT Capital:

	2019	**2020**	**2021**
		(in Php million)	
Audit and Audit-Related Services	3.04	2.48	2.61
Non-Audit Services	0.04	0.06	0.40
Total	3.08	2.54	3.01

Audit services rendered include the audit of the financial statements and supplementary schedules for submission to SEC, and review of annual income tax returns. Non-audit services were also provided by SGV & Co. for validation of stockholders' votes during Stockholder's Meeting.

The Audit Committee has the primary responsibility of recommending to the Board of Directors the appointment, re-appointment or removal of the external auditor and the fixing of the audit fees. The Board of Directors and stockholders approve the Audit Committee's recommendation.

PART III.

CONTROL AND COMPENSATION INFORMATION

Item 10. **Directors and Executive Officers of the Issuer**

(a) The incumbent Directors and Executive Officers of the Company as of December 31, 2021 are as follows:

(i) Board of Directors

Board of Directors

Office	Name	Age	Citizenship
Chairman	Arthur Vy Ty	55	Filipino
Co-Vice Chairman	Francisco C. Sebastian	68	Filipino
Co-Vice Chairman	Alfred Vy Ty	54	Filipino
Director/President	Carmelo Maria Luza Bautista	64	Filipino
Lead Independent Director	Renato C. Valencia	80	Filipino
Independent Director	Wilfredo A. Paras	75	Filipino
Independent Director	Rene J. Buenaventura	67	Filipino
Independent Director	Consuelo D. Garcia	67	Filipino
Director	David T. Go	68	Filipino
Director	Regis V. Puno	63	Filipino
Director	Pascual M. Garcia III	68	Filipino
Board Advisers			
Adviser	Mary Vy Ty	81	Filipino
Adviser	Guillermo Co Choa	62	Filipino
Adviser	Jaime Miguel G. Belmonte	58	Filipino

Period of Directorship

Name	Date First Elected	No. of Years Served (as of end of term 2022)
Arthur Vy Ty	June 3, 2011	11
Francisco C. Sebastian	May 12, 2014	8
Alfred Vy Ty	February 14, 2012	10
Carmelo Maria Luza Bautista	August 5, 2011	11
Renato C. Valencia	May 10, 2017*	6
Wilfredo A. Paras	May 14, 2013	9
Rene J. Buenaventura	May 9, 2018	4
Consuelo D. Garcia	May 17, 2021	1
David T. Go	May 12, 2014	8
Regis V. Puno	May 9, 2018	4
Pascual M. Garcia III	May 17, 2021**	3

**Prior to May 10, 2017, Mr. Valencia was first elected as an independent director of the Company on February 14, 2012 and served as Independent Director until May 14, 2013.*

***Prior to May 17, 2021, Mr. Garcia was first elected as a director of the Company on May 9, 2018 and served as Director until March 27, 2020.*

Board Committees:

The members of the Executive Committee are:

Arthur Vy Ty	- Chairman
Alfred Vy Ty	- Vice-Chairman
Carmelo Maria Luza Bautista	- Member
Francisco C. Sebastian	- Member
Mary Vy Ty	- Adviser
Solomon S. Cua	- Adviser

The members of the Audit Committee are:

Wilfredo A. Paras	- Chairman
Renato C. Valencia	- Member
Rene J. Buenaventura	- Member
Regis V. Puno	- Member

The members of the Risk Oversight Committee are:

Rene J. Buenaventura	- Chairman
Renato C. Valencia	- Member
Wilfredo A. Paras	- Member
David T. Go	- Member
Consuelo D. Garcia	- Member

The members of the Compensation Committee are:

Renato C. Valencia	- Chairman
Alfred Vy Ty	- Member
Rene J. Buenaventura	- Member

The members of the Nominations Committee are:

Renato C. Valencia	- Chairman
Wilfredo A. Paras	- Member
Rene J. Buenaventura	- Member
Carmelo Maria Luza Bautista	- Adviser

The members of the Corporate Governance and Related Party Transactions Committee are:

Renato C. Valencia	- Chairman
Wilfredo A. Paras	- Member
Rene J. Buenaventura	- Member
Anjanette Ty Dy Buncio	- Adviser

The business experience of the members of the Board for the last five (5) years is as follows:

Arthur V. Ty, 55 years old, Filipino, was elected as Chairman of GT Capital Holdings, Inc. in May 2016. Prior to this, he was the Corporation's Vice Chairman since its inception in 2007 before assuming the Chairmanship in 2012 up to June 2014. He was the President of Metropolitan Bank and Trust Company (Metrobank), a listed company, from 2006 to 2012 and was appointed as its Chairman in April 2012. He also serves as the Chairman of Metropolitan Bank (China) Ltd., Inc. and Metrobank Foundation, Inc.; Vice Chairman and Director of Philippine Savings Bank (PSBank), a listed company; and Vice Chairman of AXA Philippines. He is also a Director of Federal Land, Inc. He earned his Bachelor of Science degree in Economics from the University of

California, Los Angeles and obtained his Master in Business Administration degree from Columbia University, New York in 1991.

Francisco C. Sebastian, 67 years old, Filipino, is co-Vice Chairman of GT Capital since May 2016. Prior to assuming this post, he was Chairman of GT Capital since June 2014, when he was first elected to the board. He joined the Metrobank Group in 1997 as President of First Metro Investment Corporation, the investment arm of Metropolitan Bank & Trust Company (Metrobank), a post he held for 14 years until he became its Chairman in 2011. Mr. Sebastian concurrently serves as Vice Chairman of Metrobank since 2006. He is also a director of Metro Pacific Investments Corporation (MPIC), and Federal Land, Inc. He worked in Hong Kong for 20 years from 1977, initially as an investment banker for Ayala International Finance Limited and Filinvest Finance (HK) Ltd. From 1984, until he joined the Metrobank Group, he owned and managed his own business services and financial advisory firm in Hong Kong. He earned his Bachelor of Arts in Economics (Honors) from the Ateneo de Manila University and graduated Magna Cum Laude in 1975.

Alfred V. Ty, 54 years old, Filipino, has been a Vice Chairman of the Corporation since February 14, 2012 and has served as a Director of the Corporation since 2007. He is also a Director of Metropolitan Bank and Trust Company (Metrobank) and Chairman of Toyota Motor Philippines Corporation (TMP). He graduated from the University of Southern California in 1989 with a degree in Business Administration, after which he lived in Japan for two years. Some of his other current roles and positions include: Vice Chairman of Metro Pacific Investments Corporation, a listed company; Chairman, Federal Land, Inc.; Member of the Board of Trustees, Metrobank Foundation, Inc.; Chairman, Toyota Motor Philippines Foundation (TMPF); and President, GT Foundation, Inc. (GTFI).

Carmelo Maria Luza Bautista, 65 years old, Filipino, assumed the role of President and Director of GT Capital in 2011. Prior to his election, Mr. Bautista joined First Metro Investment Corporation (FMIC) in April of 2008 as Executive Director and was appointed as Chairman of the Risk Management Committee. He later assumed the position of Head of FMIC's Investment Banking Group in 2009. Mr. Bautista has been in the Banking and Financial Services sector for 44 years. Some highlights of his previous scope of responsibilities over this period include: Program Director at Citibank Asia Pacific Banking Institute; Vice President and Head of the Local Corporate and Public Sector Groups at Citibank-Manila; Vice President-Real Estate Finance Group, Citibank N.A.-Singapore Branch; Vice President-Structured Finance at Citibank N.A.-Singapore Regional Office; Country Manager of ABN AMRO Bank-Philippines; and President and CEO of Philippine Bank of Communications (PBCOM). Mr. Bautista has a Master's degree in Business Management from the Asian Institute of Management, where he graduated in the Dean's Citation List. He also has a Bachelor's degree, Major in Economics, from the Ateneo de Manila University. Mr. Bautista currently serves as Chairman of Toyota Financial Services Philippines Corporation (TFSPH), as well as Director of Federal Land, Inc., Toyota Motor Philippines Corporation (TMP), AXA Philippines, GT Capital Auto and Mobility Holdings, Inc. (GTCAM), Toyota Subic, Inc., GT Mobility Ventures, Inc., and Toyota Manila Bay Corporation (TMBC). He is also an Adviser to the Board of Trustees of GT Foundation, Inc. and an Independent Director of Vivant Corporation, a listed company.

Renato C. Valencia, 80 years old, Filipino, is the Chairman of Omnipay, Inc., Lead Independent Director of GT Capital and iPeople Inc., and Independent Director of EEI Corporation. His past positions include: President/CEO, Social Security System (SSS); Chairman/CEO, Union Bank of the Philippines; President/CEO, Roxas Holdings, Inc.; Vice Chairman/Director, San Miguel Corporation (SMC); Chairman, Philippine Savings Bank (PSBank); Independent Director, Metropolitan Bank & Trust Company (Metrobank); Advisory Board Member, Philippines Coca-Cola System Council, and Director: Philippine Long Distance Telephone Company (PLDT), Manila Electric Company (Meralco), Philex Mining Corporation, Far East Bank and Trust Company, Roxas and Company, Inc., Bases Conversion Development Academy (BCDA), Fort Bonifacio Development Corporation, Philippine Veterans Bank, and Makati Stock Exchange. He is a graduate of the Philippine Military Academy, with a Bachelor's degree in General Engineering, and the Asian Institute of Management, with a Master's degree in Business Management.

Wilfredo A. Paras, 75 years old, Filipino, was elected as Independent Director of GT Capital on May 14, 2013. He currently holds various positions in other Philippine corporations, such as: Independent Director of Philex Mining Corporation, a listed company, (2011-present); Independent Director of RL Commercial REIT, Inc. (2021-present); Member of the Board of Trustees and Treasurer of Dualtech Training Center (2012- present);

He also served as the Executive Vice President/Chief Operating Officer and Director of JG Summit Petrochemical Corporation; President of Union Carbide Philippines; President/Director of Union Carbide-Indonesia; Managing Director of Union Carbide Singapore; and Business Director for Union Carbide Asia-Pacific. Mr. Paras holds a Bachelor of Science (BS) in Industrial Pharmacy degree from the University of the Philippines and a Master's degree in Business Administration (MBA) from the De La Salle University Graduate School of Business. He finished a Management Program from the University of Michigan, Ann Arbor, Michigan, USA. He has a certificate on Leading with Finance from the Harvard Business School Online. He is also a Teaching Fellow of the Institute of Corporate Directors.

Rene J. Buenaventura, 67 years old, Filipino, is an Independent Director of GT Capital Holdings, Inc. He is also the Vice Chairman of Equicom Manila Holdings, Inc., a holding company for businesses engaged in healthcare, banking and finance, and information technology. In addition to his appointment to GT Capital's Board, he also holds the following positions: Independent Director of UBS Philippines, Inc., Independent Director of AIG Insurance Philippines Inc., Independent Director of Lorenzo Shipping Corporation, and Independent Director of DDMP REIT, Inc. He is likewise a Director and Member of the Executive Committee of Maxicare Healthcare Corporation and President of Cliveden Management Corporation. Mr. Buenaventura is a Certified Public Accountant and graduated Summa Cum Laude for Bachelor of Arts, major in Behavioral Sciences and Bachelor of Science in Commerce, major in Accounting at De La Salle University in the Philippines. He also earned his Master in Business Administration from the same university.

Dr. David T. Go, 68 years old, Filipino, has been a Director of GT Capital since May 2014. He garnered his Doctor of Philosophy degree in International Relations from New York University in 1982. He currently serves as Vice Chairman and Treasurer of Toyota Motor Philippines Corporation (TMPC). He is also the Vice Chairman of Toyota Aisin Philippines, Inc.; Director and Treasurer of Toyota Financial Services Philippines Corporation (TFSPH); President of Toyota Motor Philippines Foundation, Inc. and Toyota Motor Philippines School of Technology, Inc.; Chairman of Toyota San Fernando, Inc., Toyota Manila Bay Corporation (TMBC), and TMP Logistics, Inc. Dr. Go has no directorship in other listed companies aside from GT Capital.

Atty. Regis V. Puno, 63 years old, Filipino, assumed the role of Director and Member of the Audit Committee of GT Capital in 2018. He is currently Special Legal Counsel of the Metrobank Group and the Corporate Secretary of Metrobank. In addition, he is also Of Counsel of Angara Abello Concepcion Regala & Cruz Law Offices (ACCRALAW), and formerly a Senior Partner of Puno & Puno Law Offices. He was also a former Undersecretary of the Department of Justice. Atty. Puno has a Master of Laws Degree from the Georgetown University Law Center, Washington D.C., U.S.A. He obtained his Bachelor of Laws degree from the Ateneo de Manila University, where he graduated with honors, and has a Bachelor's degree in Economics from the University of the Philippines. He is also a Director of Lepanto Consolidated Mining Co. and LMG Chemicals Corporation, both publicly listed companies.

Pascual M. Garcia III, 68 years old, Filipino, is a Director of GT Capital Holdings, Inc. He held several positions in other companies, among which are: Vice Chairman, Cathay International Resources Corporation; Chairman, Omni-Orient Management Corporation; Chairman, Metpark Commercial Estate Association, Inc.; Chairman, Central Realty & Development Corporation; Chairman, Crown Central Properties; Chairman, Alveo-Federal Land Communities, Inc.; Chairman, Topsphere Realty Development Co. Inc.; Chairman, Fed South Dragon Corporation; Chairman, Federal Retail Holdings Inc.; Chairman, Magnificat Resources Corporation; Co-Vice Chairman, Sunshine Fort North Bonifacio Commercial Management Corporation; President, Bonifacio Landmark Realty & Development Corporation; President, North Bonifacio Landmark Realty and Development Inc.; President, Federal Land-Orix Corporation; President, ST 6747 Resources Corporation; Director, Horizon Land Resources Development Corporation and Director, Sunshine Fort North Bonifacio Realty and Development Corporation. He is also the former President of Federal Land, Inc. Prior to joining Federal Land, he was the President and Director of Philippine Savings Bank (PSBank) from 2001 to 2013; Co-Vice Chairman of Property Company of Friends, Inc. from 2016 to 2019; Director of Toyota Financial Services Philippines Inc. from 2007 to 2017 and Director of Sumisho Motor Finance Corporation from 2009 to 2016. Mr. Garcia earned his Bachelor's degree in Commerce, major in Management, from the Ateneo de Zamboanga University.

Consuelo D. Garcia, 67 years old, Filipino, was elected as an Independent Director of GT Capital Holdings, Inc. on May 17, 2021. She is a Senior Consultant for Challengers and Growth Markets in ING Bank, N.V., Manila. She currently holds the following positions: Independent Director of ACEN Corporation, The Philippine Stock Exchange, Inc., Sun Life Investment Management and Trust Corporation, and Far Eastern University, Inc.; Independent Director and Trustee of ING Foundation Philippines, Inc.; Member of the Board of Directors of the Financial Executives Institute of the Philippines (FINEX) and Liaison Director to the Finex Capital Markets Development Committee, and the Information, Communications and Technology Committee and member of the Capital Markets Development Council; ; and a Fellow of the Institute of Corporate Directors. She was formerly the Country Manager and Head of Clients of ING Bank N.V., Manila from September 2008 until November 15, 2017. Ms. Garcia previously worked with SGV in audit and in Bank of Boston, Philippine Branch. Ms. Garcia is a Certified Public Accountant and she graduated Magna Cum Laude for Bachelor of Science in Business Administration, major in Accounting from the University of the East

** Independent director – The Corporation has complied with the Guidelines set forth by SRC (Securities Regulation Code) Rule 38 regarding the Nomination and Election of Independent Director. The Corporation's By-Laws incorporate the procedures for the nomination and election of independent director/s in accordance with the requirements of the said Rule. The Corporation's By-laws were amended for this purpose and such amendment was approved by the SEC on January 13, 2012.*

The business experience of the Board Advisers for the last five (5) years is as follows:

Mary Vy Ty, 81 years old, Filipino, was appointed as Board Adviser of GT Capital in June 2014. Prior to this, she served as the Corporation's Treasurer since its incorporation in 2007. Mrs. Ty has more than 50 years of experience in banking and general business. She currently holds the following positions: Assistant to the Group Chairman, Metropolitan Bank & Trust Company (Metrobank); Adviser, Metrobank Foundation, Inc. and Federal Land, Inc.; Adviser, Manila Medical Services, Inc.; Adviser, Horizon Land Development Corporation; Chairperson, Horizon Royale Holdings, Inc.; Director, Grand Titan Capital Holdings, Inc.; Chairperson, Ausan Resources Corporation; Chairperson, Grand Estate Property Corporation; Chairperson, Inter-Par Philippines Resources Corporation; and Chairperson of Philippine Securities Corporation, Tytana Corporation, and Federal Homes, Inc. Previously, Mrs. Ty held the position of Director for First Metro Investment Corporation. She earned her collegiate degree from the University of Santo Tomas.

Guillermo Co Choa, 62 years old, Filipino, was appointed as Board Adviser of GT Capital in June 2016. He is currently the Chairman and President of Property Company of Friends, Inc. Mr. Choa earned his Bachelor's Degree in Commerce, Major in Marketing, from De La Salle University and his Master's degree in Business Economics from the University of Asia and the Pacific.

Jaime Miguel G. Belmonte, 57 years old, Filipino, was elected as an Independent Director of GT Capital on July 11, 2012. He is also the President and Chief Executive Officer of The Philippine Star (since 1998); President and Chief Executive Officer of BusinessWorld (since 2015); President and Publisher of Pilipino Star Ngayon (since 1994) and PM Pang-Masa (since 2003); President of Pilipino Star Printing Company (since 1994); President of Nation Broadcasting Corporation of the Philippines (since 2016); and President of Hastings Holdings Inc. Mr. Belmonte is also the President of Cebu-based The Freeman and Banat News (since 2004); Vice Chairman of People Asia magazine; and a member of the Board of Advisers of Manila Tytana College (since 2008). Aside from GT Capital, Mr. Belmonte also sits on the board of Cignal TV, Nation Broadcasting Corporation of the Philippines, and Hastings Holdings Inc. He earned his undergraduate degree from the University of the Philippines in Diliman. Mr. Belmonte has no directorships in other listed companies aside from GT Capital.

Nominee Directors

As of the date of this report, the nominees for independent directors are Messrs. Renato C. Valencia, Rene J. Buenaventura, Ms. Consuelo D. Garcia and Mr. Gil B. Genio. Messrs. Valencia, Buenaventura were nominated by Wendy Saez Co and Mr. Genio, as well as Ms. Garcia were nominated by Christine M. Conanan. The four (4) nominees for independent directors are not related either by consanguinity or affinity to the person who nominated them.

Based on Section 2.1.4 of GT Capital's Manual on Corporate Governance, the stockholders must elect at least three (3) independent directors as defined by existing laws and regulations.

Aside from the above nominees for independent directors, the other nominees for director are Messrs. Arthur Vy Ty, Alfred Vy Ty, Francisco C. Sebastian, Carmelo Maria Luza Bautista, Pascual M. Garcia III, David T. Go, and Atty. Regis V. Puno.

All the nominees, except Mr. Gil B. Genio, are incumbent directors of GT Capital. The experience and qualifications of the nominated incumbent directors are found above. The experience and qualifications of Mr. Gil B. Genio is as follows:

> **Gil B. Genio**, 61 years old, Filipino, was nominated for the first time as Independent Director of GT Capital. He is currently an Independent Director at Insular Life Assurance Company, a mutual life company. Prior to his nomination with GT Capital, Mr. Genio worked as an executive for Globe Telecom and Ayala Corporation for a combined 24 years. He was Globe Telecom's Chief Technology and Information Officer (CTIO) from November 2015 to April 2021, as well as its Chief Strategy Officer (CSO) from 2011 to April 2021. As CTIO, Mr. Genio led all functions related to product development and management, network, information technology, and information security. He drove the overall vision, development and execution of architecture and strategies, proactively responding to business and market demands. In addition, Mr. Genio's CTIO responsibilities included the enterprise data analytics function and enterprise fraud risk management. As CSO, Mr. Genio led overall corporate strategy and business development efforts. He also performed other legal entity functions for Globe such as CEO of Globe Capital Venture Holdings, and Director at its strategic joint ventures, Global Telehealth, Inc., BellTel, ETPI, and others. He also became COO of Bayan Telecommunications (Bayantel) and Isla Communications (Islacom) as they were acquired, and before they were integrated into Globe. His executive roles in Globe prior to his CTIO appointment included: COO for Business and International Markets (2010- 2015), Group Head for Business Customers (2003-2010), Head of Carrier Services (2002-2010), Group Head for the Residential and Business Fixed Network Group (2000-2003), and Chief Financial Officer (1997-2000). Prior to joining Globe, Mr. Genio worked in Ayala Corporation starting 1997, and was eventually seconded to Globe Telecom. He retired from Ayala Corporation in 2018 and became a direct employee of Globe. Before joining Ayala in 1997, Mr. Genio had spent more than 12 years with Citibank in the Philippines, Singapore, Japan, Hong Kong, and New York, with stints in financial control, risk management, product development, treasury audit, corporate audit and market risk review. Mr. Genio has previously served with a variety of industry associations. His past affiliations include: Vice Chairman (2012-2014) then Chairman (2014-2016) of the GSM Association Asia Pacific (GSMA AP); member (2012-2014) of the Advisory Board for Mobile World Capital Barcelona; member of the Board of Trustees of the IT and Business Process Association of the Philippines or iBPAP (2011-2013; 2015-2016). He had also served in the Advisory Boards of Globe's technology partners Amdocs and Cloudera. Mr. Genio has a Master's degree in Business Management from the Asian Institute of Management. He earned his Bachelor of Science degree in Physics from the University of the Philippines and graduated Magna Cum Laude in 1980.

Review of qualifications of candidates nominated as Directors, including Independent Directors, is conducted by the Nominations Committee prior to the stockholders' meeting. The Nominations Committee prepares a Final List of Candidates of those who have passed the Guidelines, Screening Policies and Parameters for nomination as Director of the Corporation, and which list contains information about the nominees. Only nominees whose names appear on the Final List of Candidates shall be eligible for election as Directors of the Corporation. No other nomination shall be entertained or allowed on the floor during the actual Annual Stockholders' Meeting.

The Directors of the Corporation are elected at the Annual Stockholders' Meeting to hold office until the next succeeding annual meeting and until their respective successors have been appointed or elected and qualified. The Directors possess all the qualifications and none of the disqualifications provided for in the SRC (Securities Regulation Code) and its Implementing Rules and Regulations, as well as the Corporation's By-laws.

In case of resignation, disqualification or cessation of any directorship, and only after notice has been made with the Commission within five (5) days from such resignation, disqualification or cessation, may the vacancy be filled by the vote of at least a majority of the remaining directors, if still constituting a quorum, upon the nomination of the Nominations Committee; otherwise, said vacancies shall be filled by stockholders in a regular or special meeting called for that purpose. A director so elected to fill a vacancy shall serve only for the unexpired term of his or her predecessor in office.

The Nominations Committee created by the Board under its Manual on Corporate Governance nominated the following for election to the Board of Directors at the forthcoming Annual Stockholders' Meeting:

Arthur Vy Ty
Francisco C. Sebastian
Alfred Vy Ty
Carmelo Maria Luza Bautista
Renato C. Valencia
Rene J. Buenaventura
Pascual M. Garcia III
Dr. David T. Go
Atty. Regis V. Puno
Consuelo D. Garcia
Gil B. Genio

The Corporation has complied with the Guidelines set forth by SRC Rule 38 regarding the Nomination and Election of Independent Directors. The same provision has been incorporated in the Amended By-Laws of the Corporation.

(ii) Executive Officers

Name	Office	Age	Citizenship
Carmelo Maria Luza Bautista	President	64	Filipino
Francisco H. Suarez, Jr.	Executive Vice President/Chief Financial Officer	62	Filipino
Anjanette T. Dy Buncio	Treasurer	53	Filipino
Alesandra T. Ty	Assistant Treasurer	41	Filipino
Vicente Jose S. Socco	Chairman, GTCAM	62	Filipino
Antonio V. Viray	Corporate Secretary	82	Filipino
Jocelyn Y. Kho	Assistant Corporate Secretary	67	Filipino
Jose B. Crisol, Jr.	Senior Vice President/Head, Investor Relations, Strategic Planning and Corporate Communication	55	Filipino
Joyce B. de Leon	First Vice President/Chief Risk Officer	47	Filipino
Reyna Rose P. Manon-og	First Vice President/Controller and Head, Accounting and Financial Control	39	Filipino
Susan E. Cornelio	Vice President/Head, Human Resources and Administration	50	Filipino
Leo Paul C. Maagma	Vice President/Chief Audit Executive	51	Filipino
Renee Lynn Miciano-Atienza	Vice President /Head, Legal and Compliance	39	Filipino
Don David C. Asuncion	Vice President/GTCAM	42	Filipino
Stephen John S. Comia	First Vice President/Head of Property Management	44	Filipino

Period of Officership

Name	Office	Period Held
Carmelo Maria Luza Bautista	President	2011-Present
Francisco H. Suarez, Jr.	Executive Vice President/Chief Financial Officer	2012-Present
Anjanette T. Dy Buncio	Treasurer	2007-Present
Alesandra T. Ty	Assistant Treasurer	2012-Present
Vicente Jose S. Socco	Chairman of GTCAM	2019-Present
Antonio V. Viray	Corporate Secretary	2009-Present
Jocelyn Y. Kho	Assistant Corporate Secretary	2011-Present
Jose B. Crisol, Jr.	Senior Vice President/Head, Investor Relations, Strategic Planning and Corporate Communication	2012-Present
Reyna Rose P. Manon-og	First Vice President/Controller and Head, Accounting and Financial Control	2011-Present
Joyce B. De Leon	Chief Risk Officer	2020-Present
Susan E. Cornelio	Vice President/Head, Human Resources and Administration	2012-Present
Leo Paul C. Maagma	Vice President/Chief Audit Executive	2018-Present
Renee Lynn Miciano-Atienza	Vice President /Head, Legal and Compliance	2016-Present
Don David C. Asuncion	Vice President	2020-Present
Stephen John S. Comia	First Vice President / Head of Property Management	2021-Present
Winston Andrew L. Peckson	Consultant	2016-Present

Francisco H. Suarez, Jr., 62 years old, Filipino, serves as GT Capital's Executive Vice President and Chief Financial Officer (CFO). He was appointed to the position on February 16, 2012. He is also a Director and the Treasurer of GT Capital Auto and Mobility Holdings, Inc., Toyota Subic Bay, GT Mobility Ventures and JBA Philippines, Director of Toyota Sta Rosa, Inc. and Premium Warranty Services Philippines, Inc., Adviser to the Board of Toyota Manila Bay Corp., and Corporate Secretary of Toyota Financial Services Philippines Corporation. Over his tenure, he successfully supervised the launch of the Corporation's initial public offering, a top-up private placement, two retail bond issuances, several bilateral fixed-rate term loans and two series of perpetual preferred shares. Mr. Suarez brings to GT Capital over 40 years of solid and extensive experience in investment banking and financial management. Prior to joining GT Capital, he was the CFO of three subsidiaries of the ATR KimEng Group. For a time, he also served as Executive Director of ATR KimEng Capital Partners, Inc. Before this, he was appointed as the CFO of PSI Technologies, Inc., and, prior to that, of SPI Technologies, Inc. Previously, he was a Director for Corporate Finance at Asian Alliance Investment Corporation. He has also assumed various positions in Metrobank, International Corporate Bank (InterBank), Far East Bank and Trust Company, and the National Economic Development Authority. Mr. Suarez graduated from De La Salle University with a Bachelor of Science degree in Applied Economics and is a candidate for the Master in Business Administration degree at the Ateneo de Manila University.

Anjanette Ty Dy Buncio, 53 years old, Filipino, was appointed as GT Capital's Treasurer in May 2015. Prior to this, she served as the Corporation's Assistant Treasurer since 2007. She holds several other positions in other companies among which are: Director, Treasurer and Executive Vice President of Federal Land, Inc.; Director and Chairman of the Board of Manila Medical Services lnc.; Treasurer and Corporate Secretary of Bonifacio Landmark Realty Development Corp.; Senior Vice President of Metrobank Foundation Inc.; Senior Vice President of GT Foundation Inc.; and Executive Vice President and Corporate Secretary of Pro Oil Corporation. She graduated from the International Christian University in Tokyo, Japan with a Bachelor of Social Science Degree in Economics.

Alesandra T. Ty, 41 years old, Filipino, was appointed Assistant Treasurer of GT Capital on February 14, 2012. She was appointed as a Director of GT Capital in 2020. She graduated from the Ateneo de Manila University with a Bachelor of Science degree in Legal Management. She then earned her Master's in Business Administration from the China Europe International Business School in Shanghai, China. She is currently Director and Corporate Treasurer of AXA Philippines; Corporate Secretary and Corporate Treasurer of First Metro Investment Corporation; Corporate Secretary of GT Foundation, Inc.; Senior Vice President and Treasurer of Federal Homes, Inc.; and Executive Vice President of Grand Titan Capital Holdings, Inc.

Vicente Jose Saniel Socco, 62 years old, is the Chairman of GT Capital Auto and Mobility Holdings, Inc. (GTCAM). GTCAM is a wholly-owned subsidiary of GT Capital and is the vehicle for the management of the Group's mobility initiatives and automotive dealerships. He brings forty-one years of expertise in the automotive sector. Mr. Socco began his career with Toyota in the Philippines as a member of its marketing team. He was then appointed General Affairs Manager of Toyota's Manila Representative Office in 1984, until Toyota Motor Philippines Corporation (TMP) opened in 1988, where he rose through the ranks to become Senior Vice President (SVP) for Marketing and After-Sales. In 2001, Mr. Socco joined the regional headquarters of Toyota in Singapore. Mr. Socco was appointed SVP of Lexus Asia in 2007, concurrent with his roles as the Executive-in-Charge for country operations at Toyota Motor Asia Pacific (TMAP). In 2012, he assumed the role of Executive Vice President and acting Chief Operating Officer for the region. Then, in 2014, he was assigned to Toyota's global headquarters as Project General Manager for TMAP in Japan. He then returned to Singapore in 2017 as EVP for Lexus Asia until his retirement in July 2019. Mr. Socco garnered his Bachelor of Science in Economics at the University of the Philippines in Diliman and completed the Executive Development Program of the Wharton School of the University of Pennsylvania.

Atty. Antonio V. Viray, 82 years old, Filipino, has served as Corporate Secretary of GT Capital since 2009. His legal profession started as a litigation lawyer of the Feria Law Office (then Feria Manglapus & Associates). He then embarked on a banking career with the Philippine Savings Bank (PSBank) holding the positions of Senior Vice-President for Loans, Legal, Administrative, Branch Operations and Corporate Secretary. When PSBank was acquired by Metropolitan Bank & Trust Company (Metrobank), he was recruited as General Counsel (then Special Counsel) of Metrobank, later becoming Senior Vice President, Corporate Secretary, and Director. He is currently Corporate Secretary of Grand Titan Capital Holdings, Inc., Chief Legal Adviser of the Bankers Institute of the Philippines (BAIPhil) and Of Counsel of Feria Tantoco Daos Law Firm. His foundations as a respected corporate lawyer and secretary were provided by Colegio de San Juan de Letran (Letran College), where he graduated Valedictorian of his Associate in Arts, the University of Santo Tomas, where he finished his Bachelor of Laws as Valedictorian and Magna Cum Laude; and Northwestern University School of Law in Chicago, Illinois, U.S.A., where he obtained his Master of Laws (emphasis on Corporation Law) degree through a Ford Foundation Fellowship Grant. He placed 19th in the 1961 BAR exams. He was principal counsel in the joint ventures of the Metrobank Group with Toyota Motors Corporation, AXA Insurance and ANZ Bank (for Metrobankcard). As Of Counsel of Feria Law Office, he helped oversee some joint ventures of the Federal Land Group.

Jocelyn Y. Kho, 67 years old, Filipino, has served as GT Capital's Assistant Corporate Secretary since June 2011. Previously, she was the company's Controller until 2010. Before this, Ms. Kho worked for Metropolitan Bank & Trust Company (Metrobank) as Vice President under the Office of the Assistant to the Group Chairman from 1978 to 2009. She concurrently holds the following positions: Assistant Corporate Secretary, Grand Titan Capital Holdings, Inc.; Controller; Director and Treasurer, Global Business Holdings, Inc., Circa 2000 Homes, Inc., Nove Ferum Holdings, Inc. and Horizon Royale Holdings, Inc.; Director, Senior Vice President and Corporate Secretary, Federal Homes, Inc.; Director, Treasurer and Corporate Secretary of Crown Central Properties Corporation; Director of Cathay International Resources, Inc. and Magnificat Resources Corporation; Corporate Secretary, Federal Land, Inc.; and Norberto & Tytana Ty Foundation, Inc.; Assistant Treasurer, Horizon Land Property Dev't Corp.; Chairman, Multi Fortune Holdings, Inc.; Chairman and President, MBTC Management Consultancy, Inc., Granview Realty and Development Corporation, Cellini Holdings, Inc., and Service Leasing Corporation; Director and President, Harmony Property Holdings, Inc., Splendor Fortune Holdings, Inc., and Splendor Realty Corporation. She earned her Bachelor of Science degree in Commerce, major in Accounting, from the University of Santo Tomas in 1975, and is a candidate for the Master of Science degree in Taxation from Manuel L. Quezon University.

Jose B. Crisol, Jr., 55 years old, Filipino, serves as Senior Vice President and Head of the Investor Relations, Strategic Planning, and Corporate Communication Department of GT Capital. He was appointed to the position on July 26, 2012. He also serves as a Director of Toyota Sta. Rosa, Inc. Before joining the Corporation, he was the Assistant Vice President for Investor Relations of SM Investments Corporation (SM). Prior to working with SM, he was a Director at the Department of Trade and Industry (DTI), heading its Trade and Industry Information Center. He also served for a time, on a concurrent basis, as Head of DTI's Office of Operational Planning. His other past employment includes occupying various positions at The Philippine American Life Insurance Company and Merrill Lynch Philippines, Inc., among others. He holds a Master in Business Economics degree from the University of Asia and the Pacific, and a Bachelor of Science degree in Economics from the University of the Philippines - Diliman. He completed his primary and secondary education at the Ateneo de Manila University.

Reyna Rose Paner-Manon-og, 40 years old, Filipino, is the Controller and First Vice President of GT Capital. She was appointed Controller in October 2011 and serves as Head of the Accounting and Financial Control Department. Before joining the conglomerate, she was the Assistant Vice President and Head of the Financial Accounting Department of United Coconut Planters Bank. Prior to this, she was a Director at Sycip Gorres Velayo & Company (SGV & Co.), where she gained seven years of experience in external audit. Ms. Manon-og is a Certified Public Accountant and a Cum Laude graduate of Bicol University with a Bachelor of Science degree in Accountancy. She completed the Strategic Business Economics Program of the University of Asia and the Pacific.

Joyce B. De Leon, 47 years old, Filipino, serves as Chief Risk Officer and First Vice President of GT Capital Holdings, Inc. She was appointed to the position on 19 October 2020. Ms. De Leon brings close to 16 years of solid risk management experience to the company, across various local and international financial institutions. Prior to GT Capital, she was the First Vice President and Head of Market and Liquidity Risk for BDO Unibank, Inc. and a member of its asset and liability committee. Previously, for close to a decade, she served as Senior Vice President and Head of Risk Management for Maybank ATR Kim Eng, building the Risk Management function from the ground up and engaging in the investment bank and stock brokerage's management risk, credit and underwriting, management, and executive committees. Before this, she was the Country Head for Market Risk of Standard Chartered Bank, with purview of the bank's risk reporting in Vietnam. For a time, she also served as Market Risk Manager for Philippine Savings Bank (PSBank), the thrift bank subsidiary of the Metrobank Group. Ms. De Leon garnered her Master's degree in International Business (MIB) at the University of Melbourne in Australia, her Master in Business Administration (MBA) degree, major in Finance, with distinction, and Bachelor of Arts in Psychology from De La Salle University.

Susan E. Cornelio, 50 years old, Filipino, joined GT Capital on July 4, 2012 as its Head of Human Resources and Administration. Prior to this, she served as Vice President and Head of Compensation and Benefits of Sterling Bank of Asia and as Assistant Vice President and Head of Compensation and Benefits of United Coconut Planters Bank. She has had other HR stints from the following institutions: Metrobank, ABN AMRO Offshore Banking, Solidbank, and Citytrust. She holds a Bachelor of Science in Commerce major in Accounting from Sta. Isabel College and a Master Certificate in Human Resources and International HR Practices from Cornell University's School of Industrial and Labor Relations. She obtained a Master's degree in Business Economics from the University of Asia and the Pacific.

Leo Paul C. Maagma, 51 years old, Filipino, was appointed the Chief Audit Executive of GT Capital Holdings, Inc. in April 2018. With over 28 years of extensive work experience—more than 23 years in audit and five years in accounting, accounts receivables, treasury, and payroll—Mr. Maagma began his career in an external auditing firm, then spent five years in a food manufacturing company, and nearly 15 years in a business engaged in the distribution of health care products. He spent eight of his more than two decades in audit work at the regional and country head offices of two multinational companies, Zuellig Pharma Corporation (Zuellig) and Unilever Bestfoods (Unilever). Before joining GT Capital, for 14½ years, Mr. Maagma served in various capacities at Zuellig—Internal Audit Manager from 2012 to 2018, Accounts Receivable Manager from 2010 to 2012, Corporate Internal Audit Manager from 2007 to 2010, and Internal Audit Manager from 2003 to 2007. At Zuellig, he was chiefly responsible for the Philippine subsidiary's internal audit function, while assisting in regional risk–based internal audits for the Zuellig Pharma Group across 12 countries in the Asia-Pacific region. Prior to his time at Zuellig, Mr. Maagma held several positions at Unilever from 1998 to 2003: Regional Information Systems Audit Supervisor, Category Accounting Manager, and Treasury Manager. Previously, he performed other supervisory roles in audit in Empire East Land Holdings, Inc. and Ernst and Young International. Mr. Maagma earned his Master's degree in Business Administration (MBA) from the Asian Institute of Management (AIM). Aside from this, he is a Certified Public Accountant (CPA), Chartered Business Administrator (CBA), and a certified Information Security Management Systems (ISMS) Internal Auditor. He graduated from the University of Santo Tomas with a Bachelor of Science degree in Commerce, major in Accountancy.

Atty. Renee Lynn Miciano-Atienza, 39 years old, Filipino, is Vice President and Head of the Legal & Compliance Department of GT Capital. She was appointed to her position on May 11, 2016 and has been with GT Capital since August 2012. She concurrently holds the following positions: Director, GT Capital Auto and Mobility Holdings, Inc.; Director, Toyota Subic, Inc. Prior to joining the Corporation, she was the Head of the Investigation and Enforcement Department of the Capital Markets Integrity Corporation (CMIC). Before joining CMIC, she was the Officer-in-Charge of the Prosecution and Enforcement Department of the PSE. She was also Legal Counsel of the Office of Senator Miguel Zubiri, and prior to entering law school, a trader for United Coconut Planters Bank. She earned her Bachelor of Science degree in Management from the Ateneo de Manila University and finished her Juris Doctor degree in the same university. In 2019, she completed the Strategic Business Economics Program of the University of Asia and the Pacific.

Don David C. Asuncion, 42 years old, Filipino, is the Vice President of GT Capital Auto and Mobility Holdings, Inc. (GTCAM), the conglomerate's wholly-owned subsidiary for the Group's automotive holdings. He brings to GT Capital more than 20 years of expertise in the automotive sector. Mr. Asuncion began his career with Toyota Motor Philippines in 2002 handling franchise development and area operations in 2006. In 2008, he joined Ford Group Philippines taking on diverse roles in Business Development, Customer Service, and Sales. Subsequently, in 2012, he joined Bermaz Auto Philippines (formerly Berjaya Auto Philippines) as the company's General Sales Manager and later General Manager for Sales and Marketing. In 2019, he assumed the role of Assistant Vice President for Mitsubishi Motors Philippines Corporation where he was most recently employed prior to joining GTCAM. Mr. Asuncion garnered his Bachelor of Science degree in Management at the Ateneo de Manila University.

Stephen John San Juan Comia, 44 years old, Filipino, serves as First Vice President and Head of the Property Management Department of GT Capital. He is also the Project Director of the Group for Cavite Projects. He brings to GT Capital more than 16 years of experience in the property sector having worked for Ayala Land, Inc. from 2005 until 2021 where he served as the Estate Development Head. Mr. Comia handled land acquisition and overall master-planning, development, sales, marketing, and property management of various estate developments. The estates that he handled include Nuvali in Sta. Rosa and Calamba, Laguna, Arca South in Taguig, The Junction Place in Novaliches, and Vermosa in Imus and Dasmariñas, Cavite. Mr. Comia holds a Master in Business Administration degree from the Asian Institute of Management and a Bachelor of Science degree in Management Engineering from the Ateneo de Manila University.

Directorships in Other Reporting Companies and Subsidiaries

The following are directorships held by Directors and Executive Officers in other reporting (listed) companies and subsidiaries of the Corporation during the last five years:

Name of Corporation	**Position**
Arthur Vy Ty	
Metropolitan Bank & Trust Company	Chairman/Director
Metropolitan Bank (China) Ltd., Inc.	Chairman
Metrobank Foundation, Inc.	Chairman
Philippine Savings Bank	Vice-Chairman/Director
First Metro Investment Corporation	Vice-Chairman/Director*
Philippine AXA Life Insurance Corporation	Vice-Chairman/Director
Federal Land, Inc.	Director
Francisco C. Sebastian	
Metropolitan Bank & Trust Company	Vice Chairman/Director
Federal Land, Inc.	Director
Metro Pacific Investments Corporation	Director
Alfred Vy Ty	
Toyota Motor Philippines Corporation	Chairman/Director
Federal Land, Inc.	Chairman/Director
Metropolitan Bank & Trust Company	Director
Metrobank Foundation, Inc.	Trustee
Metro Pacific Investment Corporation	Director
GT Capital Auto and Mobility Holdings, Inc.	Director
Toyota Motor School of Technology, Inc.	Vice Chairman/Director
Federal Land-Orix Corporation	Vice Chairman/Director
Carmelo Maria Luza Bautista	
Toyota Motor Philippines Corporation	Director
Federal Land, Inc.	Director
Philippine AXA Life Insurance Corporation	Director
GT Capital Auto and Mobility Holdings, Inc.	Director
Toyota Subic, Inc.	Director
Toyota Financial Services Philippines Corporation	Chairman/Director
GT Mobility Ventures, Inc.	Chairman/Director
Vivant Corporation	Independent Director
JBA Philippines, Inc.	Director*
Toyota Manila Bay Corporation	Director

David T. Go	
Toyota Manila Bay Corporation	Chairman/Director
Toyota Motor Philippines Corporation	Vice-Chairman/Director/ Treasurer
GT Capital Auto and Mobility Holdings, Inc.	Chairman/President/Director*
Toyota Subic, Inc.	Chairman/Director*
Toyota Financial Services Philippines Corporation	Director/Treasurer
Toyota Cubao, Inc.	Chairman/Director
Rene J. Buenaventura	
Lorenzo Shipping Corporation	Independent Director
AIG Insurance, Philippines	Independent Director
UBS Investments, Philippines, Inc.	Independent Director
Consumer Creditscore Philippines, Inc.	Chairman
Equitable Foundation	Trustee
Go Kim Pah Foundation	Trustee
Maxicare Healthcare Foundation	Director
Algo Leasing and Finance, Inc.	Vice Chairman
Equicom Savings Bank	Vice Chairman
Renato C. Valencia	
iPeople, Inc.	Chairman
EEI Corporation	Independent Director
Anglo Philippine Holdings Corporation	Independent Director
Metropolitan Bank & Trust Company	Independent Director
Wilfredo A. Paras	
Philex Mining Corporation	Independent Director
Consuelo D. Garcia	
AC Energy Corporation	Independent Director
The Philippine Stock Exchange, Inc.	Independent Director
Sun Life Investment Management and Trust Corporation	Independent Director
Far Eastern University, Incorporated	Independent Director
Financial Executives Institute of the Philippines	Director
ING Foundation Philippines, Inc.	Trustee
Murrayhill Realty and Development Corp.	Director
Anjanette Ty Dy Buncio	
Federal Land, Inc.	Director/Treasurer/Senior Vice President
Alesandra T. Ty	
Philippine AXA Life Insurance Corporation	Director/Treasurer
Sumisho Motorcycle Finance Corp.	Director
Vicente Jose S. Socco	
GT Capital Auto and Mobility Dealership Holdings, Inc.	Chairman/Director
GT Mobility Ventures, Inc.	Chairman/President
Toyota Manila Bay Corporation	Director
Toyota Motor Philippines Corporation	Director

Toyota Subic, Inc.	Chairman/Director
JBA Philippines Inc.	Chairman/Director
Premium Warranty Services Philippines, Inc.	Chairman /Director
Toyota Santa Rosa, Laguna, Inc.	Chairman/Director
Francisco H. Suarez, Jr.	
GT Capital Auto and Mobility Holdings, Inc.	Director/Treasurer
Toyota Subic, Inc.	Director/Treasurer
GT Mobility Ventures, Inc.	Director/Treasurer
JBA Philippines, Inc.	Director/Treasurer
Toyota Manila Bay Corporation	Director*
Premium Warranty Services Philippines, Inc.	Director/Treasurer
Toyota Santa Rosa, Laguna, Inc.	Director
Jose B. Crisol, Jr.	
Toyota Santa Rosa, Laguna, Inc.	Director
Renee Lynn Miciano-Atienza	
GT Capital Auto and Mobility Holdings, Inc.	Director
Toyota Subic, Inc.	Director

**Past Directorships*

The following will be nominated as officers of the Corporation during the Organizational Meeting:

Office	Name
Chairman	Francisco C. Sebastian
Vice Chairman	Alfred Vy Ty
President	Carmelo Maria Luza Bautista
Treasurer	Anjanette T. Dy Buncio
Assistant Treasurer	Alesandra T. Ty
Corporate Secretary	Antonio V. Viray
Assistant Corporate Secretary	Jocelyn Y. Kho
Chief Financial Officer	Francisco H. Suarez, Jr.
Chairman of GTCAM	Vicente Jose S. Socco
Head, Investor Relations, Strategic Planning & Corporate Communications	Jose B. Crisol, Jr.
Controller and Head, Accounting and Financial Control	Reyna Rose P. Manon-og
Chief Risk Officer	Joyce B. De Leon
Head, Human Resources & Administration	Susan E. Cornelio
Chief Audit Executive	Leo Paul C. Maagma
Head, Legal and Compliance	Renee Lynn Miciano-Atienza
Vice President of GTCAM	Don David C. Asuncion
Head, Property Management	Stephen John S. Comia

The following will be nominated as Board Advisers during the Organizational Meeting:

Adviser	Mary Vy Ty
Adviser	Guillermo Co Choa
Adviser	Jaime Miguel G. Belmonte

(b) Significant Employees

The Corporation does not believe that its business is dependent on the services of any particular employee.

(c) Family Relationships

Mary Vy Ty is the wife of the late Dr. George S.K. Ty. Arthur Vy Ty, Alfred Vy Ty, Anjanette T. Dy Buncio, and Alesandra T. Ty are the children of Dr. George S.K. Ty and Mary Vy Ty. All other directors and officers are not related either by consanguinity or affinity. There are no other family relationships known to the registrant other than the ones disclosed herein.

(d) Certain Relationships and Related Transactions

There are no known related party transactions other than those described in Note 27 (Related Party Transactions) of the Notes to the Consolidated Financial Statements. Related Party Transactions are made on an arm's length basis.

(e) Involvement in Legal Proceedings

The Corporation is not aware of any of the following events having occurred during the past five years up to the date of this report that are material to an evaluation of the ability or integrity of any director, nominee for election as Director, executive officer, underwriter or controlling person of the Corporation:

(1) any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;

(2) any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;

(3) being subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities;

(4) being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated; and

(5) a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

Item 11. **Executive Compensation**

Summary compensation table of Directors

Name of Director	Per diem	Bonus	Allowance	Grand Total
Carmelo Maria Luza Bautista Arthur Vy Ty Alfred Vy Ty Francisco C. Sebastian David T. Go Regis Villanueva Puno Pascual M. Garcia III Renato C. Valencia Rene De Jesus Buenaventura Wilfredo A. Paras Consuelo D. Garcia				
Total	Php18.20 million	Php 10.10 million	Php 2.02 million	Php 30.32 million

The directors receive per diems, bonuses and allowances that are already included in the amounts stated in the table. Aside from the amounts stated, there are no other compensation plans or arrangements between the directors and the Corporation.

Standard Agreement

For the year 2021, the average per diem of directors amounts to P275,758 per meeting. Directors receive compensation based on their qualifications, skills and experience and their attendance in board and committee meetings.

The total yearly compensation of directors does not exceed ten percent (10%) of the net income before income tax of the corporation during the preceding year.

Directors do not participate in the determination of their own per diems or compensation.

Summary compensation table of Executive Officers

The following table identifies the Corporation's President and four most highly-compensated executive officers (the "Named Executive Officers") and summarizes their aggregate compensation in 2020, 2021, and 2022. The amounts (in Php millions) set forth in the table below have been prepared based on what the Corporation paid its executive officers in 2020 and 2021, and what the Corporation expects to pay in 2022.

Name and Principal Position	Year	Salary	Bonus	Other Annual Compensation
Named Executive Officers*..	2020	54.40	23.88	-
	2021	59.6	27.21	-
	2022**	63.3	27.38	-
All other Officers as a Group.....................	2020	48.85	22.80	
	2020	50.01	21.13	
	2021**	54.01	22.82	

** Named executive officers include: Carmelo Maria Luza Bautista (President), Vicente Saniel Socco (Chairman of GTCAM), Francisco H. Suarez, Jr. (Chief Financial Officer), Jose B. Crisol (Head, Investor Relations, Strategic Planning and Corporate Communication) and Joyce B. De Leon (First Vice President).*

*** Figures for the year 2022 are estimates*

Employment contracts between the Company and named executive officers

The Company has no special employment contracts with its executive officers. The Corporation has employment contracts with its officers in compliance with the applicable labor laws and regulations.

Warrants and options outstanding

There are no outstanding warrants or options held by the CEO, executive officers, and all officers and directors as a group.

Stock option plan

The Company has no employee stock option plan.

Item 12. **Security Ownership of Certain Beneficial Owners and Management**

As of March 31, 2022, the following are the owners of more than 5% of the Company's voting stocks:

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent (%)
Common	Grand Titan Capital Holdings, Inc. 43rd Floor GT Tower International 6813 Ayala Avenue cor. H.V. Dela Costa St., Makati City	Same as the Record Owner Arthur Vy Ty is authorized to vote the shares held by Grand Titan Capital Holdings, Inc.	Filipino	120,413,658	55.93%
Common	PCD Nominee Corp. (Filipino)	Various Clients[1]	Filipino	52,846,870	24.55%
Common	PCD Nominee Corp. (Non-Filipino)	Various Clients[1]	Foreign	41,146,486	19.11%
Voting Preferred	Grand Titan Capital Holdings, Inc. 43rd Floor GT Tower International 6813 Ayala Avenue cor. H.V. Dela Costa St., Makati City	Same as the Record Owner Arthur Vy Ty is authorized to vote the shares held by Grand Titan Capital Holdings, Inc.	Filipino	54,899,406	31.50%
Voting Preferred	Nove Ferum Holdings, Inc. 43rd Floor GT Tower International 6813 Ayala Avenue cor. H.V. Dela Costa St., Makati City	Same as the Record Owner Arthur Vy Ty is authorized to vote the shares held by Grand Titan Capital Holdings, Inc.	Filipino	47,261,757	27.12%
Voting Preferred	82 Alpha Holdings, Corporation 43rd Floor GT Tower International 6813 Ayala Avenue cor. H.V. Dela Costa St., Makati City	Same as the Record Owner Alfred Vy Ty is authorized to vote the shares held by Grand Titan Capital Holdings, Inc.	Filipino	39,594,789	22.72%
Voting Preferred	Neiman Rhodes holdings, Inc. 43rd Floor GT Tower International 6813 Ayala Avenue cor. H.V. Dela Costa St., Makati City	Same as the Record Owner Anjanette Ty Dy Buncio is authorized to vote the shares held by Grand Titan Capital Holdings, Inc.	Filipino	13,299,452	7.63%
Voting Preferred	Philippine Geiko Holdings, Inc. 43rd Floor GT Tower	Same as the Record Owner Alesandra T. Ty is	Filipino	13,299,452	7.63%

	International 6813 Ayala Avenue cor. H.V. Dela Costa St., Makati City	authorized to vote the shares held by Grand Titan Capital Holdings, Inc.			

(1) *PCD Nominee Corporation ("PCDNC") is a wholly owned subsidiary of the Philippine Central Depository ("PCD") and acts as trustee-nominee for all shares lodged in the PCD system where trades effected on the Philippine Stock Exchange are finally settled and lodged. Persons who opt to trade through the PCD do not receive stock certificates as an evidence of ownership, as trading using the PCD is completely paperless. Beneficial ownership of shares lodged with the PCDNC (Filipino/Non-Filipino) remains with the lodging stockholder.*

Security Ownership of Management as of March 31, 2022

Title of Securities	Name of Beneficial Owner of Common Stock	Amount and Nature of Beneficial Ownership (D) direct/ (I) indirect	Citizenship	Percent of Class
Common	Arthur V. Ty	111,780 (D) 13,149 (I)	Filipino	0.0519% 0.0061%
Common	Alfred V. Ty	111,780 (D) 13,149 (I)	Filipino	0.0519% 0.0061%
Common	Francisco C. Sebastian	112 (D) 143,802 (I)	Filipino	0.0001% 0.0668%
Common	Anjanette T. Dy Buncio	132,144 (I)	Filipino	0.0061%
Common	Carmelo Maria Luza Bautista	1,118 (D) 13,413 (I)	Filipino	0.0005% 0.0062%
Common	Francisco H. Suarez, Jr.	5,589 (I)	Filipino	0.0026%
Perpetual Preferred Shares (GTPPA)	Francisco H. Suarez, Jr.	1,000 (I)	Filipino	0.0207%
Common	Alesandra T. Ty	21,794 (I)	Filipino	0.0101%
Perpetual Preferred Share (GTPPA)	Alesandra T. Ty	1,900 (I)	Filipino	0.0393%
Perpetual Preferred Shares (GTPPB)	Alesandra T. Ty	1100 (I)	Filipino	0.0154%
Common	Wilfredo A. Paras	1,118 (D)	Filipino	0.0005%
Common	Renato C. Valencia	218(D)	Filipino	0.0001%
Common	Farrah Lyra Q. De Ala	509 (I)	Filipino	0.0001%
Common	Reyna Rose P. Manon-og	624(I)	Filipino	0.0002%
Common	David T. Go	112(D)	Filipino	0.0001%
Common	Regis V. Puno	112(D) 2,000 (I)	Filipino	0.0001% 0.0010%
Common	Rene J. Buenaventura	112(D)	Filipino	0.0001%
Common	Pascual M. Garcia III	112 (D)	Filipino	0.0001%
Common	Consuelo D. Garcia	1,000 (I)	Filipino	0.0001%
Common	Renee Lynn Miciano-Atienza	50(I)	Filipino	0.0000%

Perpetual Preferred Shares (GTPPB)	Renee Lynn Miciano-Atienza	50 (I)	Filipino	0.0007%
Common	Vicente Jose S. Socco	0	Filipino	0.0000%
Common	Antonio V. Viray	0	Filipino	0.0000%
Common	Jocelyn Y. Kho	6,080 (I)	Filipino	0.0028%
Common	Jose B. Crisol, Jr.	0	Filipino	0.0000%
Perpetual Preferred Shares (GTPPB)	Jose B. Crisol, Jr.	50 (I)	Filipino	0.0007%
Common	Joyce B. De Leon	0	Filipino	0.0000%
Common	Susan E. Cornelio	0	Filipino	0.0000%
Common	Leo Paul C. Maagma	0	Filipino	0.0000%
Common	Don David C. Asuncion	0	Filipino	0.0000%
Common	Stephen John S. Comia	0	Filipino	0.0000%
Total Common GTPPA GTPPB		226,574 (D) 353,303(I) 2,900(I) 1,200(I) 583,977 (Total)		0.1052% 0.1641% 0.0599% 0.0167%

Voting Trust Holders of 5% or More
There are no persons holding more than 5% of a class under a voting trust or any similar agreements as of December 31, 2021.

Change in Control
The Company is not aware of any change in control or arrangement that may result in a change in control of the Company since the beginning of its last fiscal year.

There are no existing or planned stock warrant offerings. There are no arrangements which may result in a change in control of the Company.

Item 13. **Certain Relationships and Related Transactions**

The Corporation maintains business relationships and has entered into transactions with related parties. The Corporation's Corporate Governance and Related Party Transactions Committee passes upon and provides clearance for related party transactions with material significance. In all cases, the Committee shall make its decision taking into consideration the best interest of the Corporation. If approved by the Committee, the proposed related party transaction is then recommended and endorsed to the Board for approval. For transactions of material significance, transactions are evaluated for fairness through a third-party evaluator or assessor. Any ongoing contractual or other commitments as a result of the arrangement are stated in Note 27, *Related Party Transactions,* to the Consolidated Financial Statements. Transactions with related parties of material significance are made in the ordinary course of business, do not deviate substantially from market terms and conditions and are made on an arm's length basis.

There are no known related party transactions other than those described in Note 27, *Related Party Transactions*, to the Consolidated Financial Statements. Related Party Transactions are made on an arm's length basis.

There are no known transactions with parties that fall outside the definition of "related parties" under SFAS/IAS No. 24 with whom the registrants or its related parties have a relationship that enables the parties to negotiate terms of material transactions that may not be available from the other, more clearly independent, parties on an arm's length basis.

Transactions with Promoters
There are no transactions with promoters within the past five (5) years.

Events after the Reporting Period
For detailed discussion, please refer to Note 37 of the Consolidated Financial Statements for December 31, 2021 which forms part of the Annex of this SEC17-A report.

PART IV.

EXHIBITS AND SCHEDULES

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

(a) Exhibits – see accompanying Index to Exhibits

(b) Reports on SEC Form 17-C

Reports on SEC Form 17-C[1] were filed during the period covered by this report and are listed below:

	Date	Particulars
1.	January 11, 2021	SEC approval of Amendment of Articles of Incorporation
2.	March 15, 2021	Notice of Full-Year 2020 Analyst and Investor Briefing
3.	March 22, 2021	Declaration of Regular Cash Dividends for Common Stockholders
4.	March 22, 2021	Notice of Annual or Special Stockholders' Meeting
5.	March 26, 2021	GT Capital Full-Year 2020 Core Net Income Reaches Php 7.4 Billion
6.	May 6, 2021	Notice of First Quarter 2021 Analyst and Investor Briefing
7.	May 17, 2021	Press Release: GT Capital Consolidated Net Income up 60% in First Quarter 2021
8.	May 17, 2021	Resignation of Senior Officer
9.	May 17, 2021	Results of 2021 Annual Stockholders, Meeting
10.	July 28, 2021	Notice of First Half 2021 Analyst and Investor Briefing
11.	August 13, 201	Appointment of Senior Officer
12.	August 16, 2021	Press Release: GT Capital First Half 2021 Consolidated Net Income Rises 143%
13.	October 1, 2021	Press Release: GT Capital Auto to boost PH secondhand car sector with Premium Warranty

[1] Pursuant to SEC Notice dated March 17, 2020, all reports filed with PSE Edge beginning March 17, 2020 during effective period were considered as having been filed with Commission.

	Date	Particulars
14.	October 14, 2021	Press Release: GT Capital Donates Covid-19 Vaccines to the City of Makati
15.	November 3, 2021	Notice of Ninth Months 2021 Analyst and Investor Briefing
16.	November 12, 2021	Press Release: GT Capital January to September 2021 Consolidated Net Income Grows 168% to Php8.7 Billion
17.	December 17, 2021	Declaration of Quarterly Cash Dividends for GTPPA and GTPPB

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 177 of the Revised Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on APR 12 2022 April ____ 2022.

GT Capital Holdings, Inc.

By:

[redacted]

Arthur V. Ty
Chairman

[redacted]

Carmelo Maria Luza Bautista
President

[redacted]

Francisco H. Suarez, Jr.
Chief Financial Officer

[redacted]

Atty. Antonio V. Viray
Corporate Secretary

[redacted]

Reyna Rose P. Manon-og
Comptroller

[redacted]

Atty. Renee Lynn Miciano-Atienza
Head, Legal and Compliance

SUBSCRIBED AND SWORN to before me this APR 12 2022 _____ day of April 2022 affiant(s) exhibiting to me his/their Government Identifications, as follows:

NAMES	GOVERNMENT ID NO.	DATE OF ISSUE	PLACE OF ISSUE
Arthur V. Ty	[redacted]	[redacted]	[redacted]
Carmelo Maria L. Bautista			
Francisco H. Suarez, Jr.			
Antonio V. Viray			
Reyna Rose P. Manon-og			
Renee Lynn Miciano-Atienza			

Doc No. 122;
Page No. 25;
Book No. 14;
Series of 2022.

Notary Public

ATTY. MELISSA B. REYES
Notary Public for Makati City until June 30, 2022
Roll No. 41639 / Appointment No. M-120
IBP 054764 / PTR No. 6618489
45/F GT Tower International, Ayala Avenue
Corner H.V. Dela Costa, Makati City

INDEX TO EXHIBITS

I. FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

A. 2021 Audited Consolidated Financial Statements and Supplementary Schedules – GT Capital Holdings, Inc.

Statement of Management's Responsibility for Financial Statements
Independent Auditors' Report
Consolidated Statements of Financial Position as of December 31, 2021 and 2020.
Consolidated Statements of Income for the Years Ended December 31, 2021, 2020 and 2019
Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2021, 2020 and 2019
Consolidated Statements of Changes in Equity for the Years Ended December 31, 2021, 2020 and 2019
Consolidated Statements of Cash Flow for the Years Ended December 31, 2021, 2020 and 2019
Notes to Consolidated Financial Statements

Supplementary Schedules
Independent Auditors' Report on Supplementary Schedules
Reconciliation of Retained Earnings Available for Dividend Declaration
Supplementary Schedules Required by Annex 68-E

A. Financial Assets
B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related parties)
C. Amounts Receivable from Related Parties which are Eliminated During the Consolidation of the Financial Statements
D. Long-Term Debt
E. Indebtedness to Related Parties (Long-Term Loans from Related Companies)
F. Guarantees of Securities of Other Issues
G. Capital Stock

Map of Relationship between and among the Parent Company, Subsidiaries, Jointly Controlled Entities and Associates
Schedule of Financial Soundness Indicators

B. 2021 Audited Financial Statements - Metropolitan Bank and Trust Company

GT CAPITAL
HOLDINGS, INCORPORATED

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

The management of GT Capital Holdings, Inc. (the Company) is responsible for the preparation and fair presentation of the parent and consolidated financial statements including the schedules attached therein, as of December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Signature: [redacted]
Arthur V. Ty, Chairman of the Board

Signature: [redacted]
Carmelo Maria L. Bautista, President

Signature: [redacted]
Francisco H. Suarez, Jr., Chief Financial Officer

March 25, 2022

43rd Floor, GT Tower International, 6813 Ayala Avenue corner H.V. Dela Costa Street, 1227 Makati City, Philippines
Tel: +632 836-4500 • Fax: +632 836-4159 • E-mail: gtcap@gtcapital.com.ph

REPUBLIC OF THE PHILIPPINES)
CITY OF MAKATI) S.S.

SUBSCRIBED AND SWORN to before me on MAR 2 8 2022, affiants exhibiting to me their respective Tax Identification Numbers, as follows:

Arthur V. Ty
Carmelo Maria L. Bautista
Francisco H. Suarez, Jr.

[redacted]

ATTY. MELISSA D. REYES
Notary Public for Makati City until June 30, 2022
Roll No. 41639 / Appointment No. M-120
IBP 054764 / PTR No. 6618489
45/F GT Tower International, Ayala Avenue
Corner H.V. Dela Costa, Makati City

Doc. No. 83
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Book No. 14
Series of 2022

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

SEC Registration Number

C	S	2	0	0	7	1	1	7	9	2

C O M P A N Y N A M E

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

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

43rd Floor, GT Tower International, Ayala Avenue corner H.V. Dela Costa St., Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AACFS		

C O M P A N Y I N F O R M A T I O N

Company's Email Address	Company's Telephone Number	Mobile Number
gtcap@gtcapital.com.ph	8836-4500	

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
89	2nd Wednesday of May	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Francisco H. Suarez, Jr.	francis.suarez@gtcapital.com.ph	8836-4500	

CONTACT PERSON's ADDRESS

43rd Floor, GT Tower International, Ayala Avenue corner H.V. Dela Costa St., Makati City

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

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

SGV
Building a better
working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
GT Capital Holdings, Inc.
43rd Floor, GT Tower International
Ayala Avenue corner H.V. Dela Costa Street
Makati City

Opinion

We have audited the consolidated financial statements of GT Capital Holdings, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements as at December 31, 2021 and 2020, and for each of the three years in the period ended December 31, 2021 are prepared in all material respects, in accordance with Philippine Financial Reporting Standards (PFRSs), as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission (SEC) as described in Note 2 to the consolidated financial statements.

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 2 to the consolidated financial statements which indicates that the consolidated financial statements have been prepared in accordance with PFRSs, as modified by the application of the financial reporting reliefs as issued and approved by the SEC in response to the COVID-19 pandemic. The impact of the application of the financial reporting reliefs, which are applicable to the Group's Real Estate Segment, specifically under Federal Land Group, on the 2021 consolidated financial statements are discussed in detail in Note 2. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

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

Impairment Testing of Goodwill and Customer Relationship

Under PFRSs, the Group is required to annually test the amount of goodwill and intangible assets with indefinite useful life. As of December 31, 2021, the Group has goodwill attributable to the acquisition of various businesses and intangible asset with indefinite useful life relating to customer relationship with carrying values of ₱5.93 billion and ₱3.88 billion, respectively, which are significant to the consolidated financial statements. In addition, management's assessment process requires significant judgment and is based on assumptions which are subject to higher level of estimation uncertainty due to the current economic conditions that have been impacted by the COVID-19 pandemic, specifically the forecasts of future cash flows, expected gross margins, discount rates, long-term growth rates, attrition rates, and earnings before interest and taxes (EBIT) margin on key customers.

The disclosures in relation to the significant assumptions and carrying values of goodwill and customer relationship are included in Note 13 to the consolidated financial statements.

Audit Response

We involved our internal specialist to evaluate the assumptions and methodologies used. These assumptions include forecasts of future cash flows, expected gross margins, discount rates, long-term growth rates, attrition rates, and EBIT margin on key customers. We compared the key assumptions used, such as discount rates and growth rates against the historical performance of the cash-generating unit (CGU), industry/market outlook and other relevant external data, taking into consideration the impact associated with the COVID-19 pandemic. We tested the parameters used in the determination of the discount rates against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive, specifically those that have the most significant effect on the determination of the recoverable amount of goodwill and customer relationship.

Real Estate Revenue Recognition

The Group’s real estate revenue recognition process, policies and procedures are significant to our audit because these involve the application of significant judgment and estimation in the following areas: (a) assessment of the probability that the entity will collect the total consideration from the buyer; (b) application of the output method as the measure of progress in determining real estate revenue; (c) determination of the actual costs incurred as cost of sales; and (d) recognition of cost to obtain a contract.

In evaluating whether collectability of the total amount of consideration is probable, the Group considers the significance of the buyer’s initial payments in relation to the total contract price (buyer’s equity). Collectability is also assessed by considering factors such as past history with the buyer, and age and pricing of the property. Management regularly evaluates the historical sales cancellations and back-outs, after considering the impact of the COVID-19 pandemic, if it would still support its current threshold of buyers’ equity before commencing revenue recognition.

In measuring the progress of its performance obligation over time, the Group uses the output method. This method measures progress based on physical proportion of work done on the real estate project which requires technical determination by the Group’s specialists (project engineers). This is based on the monthly project accomplishment report prepared by the project engineers as approved by the construction manager, which integrates the surveys of performance to date of both the sub-contracted construction activities and those that are fulfilled by the Group itself.

In determining the actual costs incurred to be recognized as cost of sales, the Group estimates costs incurred on materials, labor and overhead which have not yet been billed by the contractor.

The Group identifies sales commission after contract inception as the cost to obtain the contract. For contracts which qualified for revenue recognition, the Group capitalizes the total sales commission due to sales agent as cost to obtain the contract and recognizes the related commission payable. The Group uses the percentage-of-completion (POC) method in amortizing sales commission consistent with the Group’s revenue recognition policy.

The assessment of the stage of completion and level of buyer’s equity involves significant management judgment as disclosed in Note 3 to the consolidated financial statements.

Audit Response

We obtained an understanding of the Group’s revenue recognition process, policies, and procedures.

For the buyer’s equity, we evaluated management’s basis of the buyer’s equity by comparing these to the historical analysis of sales cancellations from buyers with accumulated payments above the collection threshold. We also considered the impact of the COVID-19 pandemic to the level of cancellations during the year. We traced the analysis to supporting documents.

For the application of the output method, in determining real estate revenue, we obtained an understanding of the Group's processes for determining the POC, and performed tests of the relevant controls. We obtained the certified POC reports prepared by the project engineers and assessed their competence, capabilities, and objectivity by reference to their qualifications, experience, and reporting responsibilities. For selected projects, we conducted ocular inspections, made relevant inquiries, including inquiries on how the COVID-19 pandemic affected the POC during the period, and obtained the supporting details of POC reports showing the completion of the major activities in project construction.

For the cost of sales, we obtained an understanding of the Group's cost accumulation process and performed tests of the relevant controls. For selected projects, we traced costs accumulated, including those incurred but not yet billed costs, to supporting documents such as accomplishment reports and progress billings from contractors.

For the recognition of cost to obtain a contract, we gained an understanding of the sales commission process. For selected contracts, we agreed the basis for calculating the sales commission capitalized and the portion recognized in profit or loss, particularly (a) the percentage of commission due against contracts with sales agents, (b) the total commissionable amount (i.e., net contract price) against the related contract to sell, and (c) the POC used in calculating the sales commission against the POC used in recognizing the related revenue from real estate sales.

Accounting for Investments in Significant Associates

The Group has investments in Metropolitan Bank & Trust Company (MBTC) and Metro Pacific Investments Corporation (MPIC) that are both accounted for under the equity method. The application of the equity method of accounting over these investments, particularly the determination of the Group's share in net income of these associates and the assessment for impairment of these investments, is a key audit matter because the Group's equity in the net earnings of these associates contributed ₱10.06 billion, or 62.55% of the Group's consolidated net income in 2021, and the Group's investments in these associates accounted for 63.52% and 41.14% of the consolidated total noncurrent assets and total assets, respectively, of the Group as of December 31, 2021.

The Group's share in MBTC's net income is significantly affected by MBTC's application of the expected credit loss (ECL) model in calculating the allowance for credit losses for its loans and receivables; and recognition of deferred tax assets.

MBTC's application of the ECL model is significant to our audit as it involves the exercise of significant management judgment. The key areas of judgment in calculating ECL include: segmenting MBTC's credit risk exposures; determining the method to estimate ECL; defining default; identifying exposures with significant deterioration in credit quality, taking into account extension of payment terms and payment holidays provided as a result of the COVID-19 pandemic; determining assumptions to be used in the ECL model such as the counterparty credit risk rating, the expected life of the financial asset, expected recoveries from defaulted accounts and impact of any financial support and credit enhancements extended by any party; and incorporating forward-looking information, including the impact of the COVID-19 pandemic, in calculating ECL. Meanwhile, the recognition of deferred tax assets is significant to our audit because it requires significant judgment and is based on assumptions such as availability of sufficient taxable income in the future and the timing of the reversal of the temporary differences that are affected by expected future market or economic conditions and the expected performance of MBTC. The estimation uncertainty on MBTC's expected performance has increased as a result of the uncertainties brought about by the COVID-19 pandemic.

The Group's share in MPIC's net income is significantly affected by the recoverability of goodwill, service concession assets (SCAs) not yet available for use, and SCA related to West Zone concession; amortization of SCAs using the units-of-production (UOP) method; and revenue on water and sewerage services from the Metropolitan Waterworks and Sewerage System (MWSS) West Service Area.

MPIC has goodwill and SCAs not yet available for use, which are required to be tested for impairment at least annually. In addition, there is an ongoing discussion with MWSS on the provisions of Maynilad Water Services, Inc. (Maynilad)'s Concession Agreement identified for renegotiation and amendment, which is an impairment indicator and thus requires an assessment of the recoverability of MPIC's SCA related to Maynilad. This matter is important to our audit because the impairment assessment of goodwill and SCAs not available for use involves significant management judgment and estimates. Moreover, the SCAs related to the toll roads and water concession agreements of MPIC are being amortized using the UOP method. The UOP amortization method involves significant management judgment and estimates, particularly in determining the total expected traffic volume and the total estimated volume of billable water over the remaining periods of the concession agreements. In addition, because of the COVID-19 pandemic, there is a heightened level of uncertainty on the future economic outlook and market forecast. Lastly, water and sewerage service revenue recognition is significant to our audit because it is affected by the completeness of data captured during meter readings, which involves processing large volumes of data from multiple locations and different billing cut-off dates for different customer groups classified into residential, semi-business, commercial or industrial; propriety of the application of the relevant rates to the billable consumption of different customer groups; and reliability of the systems involved in processing bills and recording revenues.

Moreover, the Group assesses the impairment of its investments in associates and joint ventures whenever events or changes in circumstances indicate that the carrying amounts of the investments may not be recoverable. As of December 31, 2021, the fair values of the Group's investments in MBTC and MPIC have declined compared to their carrying values, which is an impairment indicator. The assessment of the recoverable amount of the investments in MBTC and MPIC requires significant judgment and involves estimation and assumptions about the revenue growth rate, terminal growth rate, discount rate, as well as the market price, the applicable discount and net asset values of component businesses. In addition, because of the COVID-19 pandemic, there is a heightened level of uncertainty on the future economic outlook and market forecast.

The relevant disclosures related to the Group's investments in associates are provided in Note 8 to the consolidated financial statements.

Audit Response

For MBTC's application of the ECL model, we obtained an understanding of the Board-approved methodologies and models used for the different credit exposures and assessed whether these considered the requirements of PFRS 9, *Financial Instruments*, to reflect an unbiased and probability-weighted outcome, and to consider the time value of money and the best available forward-looking information.

We (a) assessed MBTC's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) tested the definition of default and significant increase in credit risk criteria against historical analysis of accounts, credit risk management policies and practices in place, and management's assessment of the impact of the COVID-19 pandemic on the counterparties; (c) tested MBTC's application of internal credit risk rating system, including the impact of the COVID-19 pandemic on the borrowers, by reviewing the ratings of sample credit exposures; (d) assessed whether expected life is different from the contractual life by testing the maturity dates reflected in MBTC's records and considering management's assumptions regarding future collections, advances, extensions, renewals and modifications; (e) tested loss given default by inspecting historical recoveries and related costs, write-offs and collateral valuations, and the effects of any financial support and credit enhancements provided by any party; (f) tested exposure at default considering outstanding commitments and repayment scheme; (g) evaluated the forward-looking information used for overlay through statistical test and corroboration using publicly available information and our understanding of MBTC's lending portfolios and broader industry knowledge, including the impact of the COVID-19 pandemic; and (h) tested the effective interest rate used in discounting the expected loss.

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

We recalculated impairment provisions on a sample basis. We involved our internal specialist in the performance of the above procedures.

For MBTC's recognition of deferred tax assets, we involved our internal specialist in interpreting the tax regulations, testing the temporary differences identified by MBTC and the applicable tax rate. We also re-performed the calculation of the deferred tax assets. We evaluated the management's assessment on the availability of sufficient taxable income in the future in reference to financial forecast and tax strategies. We evaluated management's forecast by comparing the loan portfolio and deposit growth rates to the historical performance of MBTC and the industry, including future market circumstances and taking into consideration the impact associated with the COVID-19 pandemic.

For MPIC's impairment testing of goodwill and SCAs, we involved our internal specialist in evaluating the methodologies and the assumptions used in the determination of the recoverable amounts of the CGUs. These assumptions include the expected volume of traffic for the toll roads and ridership for the rail, billed water volume for the water concession, growth rates and discount rates. For the West Zone Concession, assumptions include the concession period, forecasted cashflows under probability-weighted scenarios, and the discount rate considering the risks surrounding the Concession Agreement. We compared the forecasted revenue growth against the historical data of the CGUs, taking into consideration the impact associated with the COVID-19 pandemic, and inquired of management and operations personnel about the plans to support the forecasted revenues. We also compared the key assumptions such as traffic volume, rail ridership and water volume against historical data and against available studies by independent parties that were commissioned by the respective subsidiaries of MPIC. In cases where volume was determined by management specialists, we reviewed the reports of the management specialists and gained an understanding of the methodology and the basis of computing the forecasted volume. We tested the weighted average cost of capital (WACC) used in the impairment test by comparing it with WACC of other comparable companies in the region. For the West Zone Concession, we discussed with management and its legal counsel the status of the review of the Concession Agreement and inquired of any correspondences with MWSS during the year; and reviewed the bases of the cashflow scenarios including the probability weight assigned to each of the scenarios.

For MPIC's amortization of SCAs using the UOP method, we reviewed the report of the management's specialists and gained an understanding of the methodology and the basis of computing the forecasted traffic volume and billable water, taking into consideration the impact associated with the COVID-19 pandemic. We evaluated the competence, capabilities, and objectivity of management's specialists who estimated the forecasted volumes by considering their qualifications, experience and reporting responsibilities. Furthermore, we compared the billable water volume and traffic volume during the year against the data generated from the billing system for water and from the toll collection system for tollways. We recalculated the amortization expense for the year and the SCAs as of year-end based on the established traffic volume and billable water volume.

For MPIC's revenue on water and sewerage services from the MWSS West Service Area, we obtained an understanding of the water and sewerage service revenue process, which includes maintaining the customer database, capturing billable water consumption, uploading captured billable water consumption to the billing system, calculating billable amounts based on MWSS-approved rates, and uploading data from the billing system to the financial reporting system. We also evaluated the design of and tested the relevant controls over this process. In addition, on a sample basis, we performed recalculation of the billed amounts, including the estimated billings during the community lockdown and the subsequent actualization thereto, using the MWSS-approved rates and formulae and compared them with the amounts reflected in the billing statements. Moreover, we involved our internal specialist in performing the procedures on the computer application automated aspects of this process.

For the Group's recoverability of investment in associates, we involved our internal specialist in evaluating the methodology and assumptions used. For the investment in MBTC, we compared the revenue and terminal growth rates to available industry, economic and financial data, taking into consideration the impact associated with the COVID-19 pandemic. We also tested whether the discount rate used represents current market assessment of risks associated with the investment. For the investment in MPIC, we reviewed management's calculation of the recoverable amount using the sum-of-the-parts approach, taking into consideration the market price, the applicable discount and net asset values of MPIC's component businesses.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and the Annual Report for the year ended December 31, 2021 are expected to be made available to us after the date of this auditor's report.

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

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

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

Management is responsible for the preparation of the consolidated financial statements in accordance with PFRSs, as modified by the application of financial reporting reliefs issued and approved by the SEC as described in Note 2 to the consolidated financial statements, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in accordance with PFRSs, as modified by the application of financial reporting reliefs issued and approved by the SEC as described in Note 2 to the consolidated financial statements.

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Vicky Lee Salas.

SYCIP GORRES VELAYO & CO.

Vicky Lee Salas

Vicky Lee Salas
Partner
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Tax Identification No. 129-434-735
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 86838-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-053-2020, November 27, 2020, valid until November 26, 2023
PTR No. 8854312, January 3, 2022, Makati City

March 25, 2022

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(In Millions)

	December 31	
	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱17,404**	₱17,114
Financial assets at fair value through profit or loss (FVTPL) (Note 10)	**8,712**	3,709
Receivables (Note 5)	**15,852**	18,833
Contract assets (Note 21)	**6,157**	6,183
Inventories (Note 6)	**78,817**	74,735
Due from related parties (Note 27)	**155**	202
Prepayments and other current assets (Note 7)	**14,070**	12,380
Total Current Assets	**141,167**	133,156
Noncurrent Assets		
Financial assets at fair value through other comprehensive income (FVOCI) (Note 10)	**16,311**	12,740
Receivables - net of current portion (Note 5)	**3,766**	7,048
Contract assets - net of current portion (Note 21)	**7,114**	6,852
Investment properties (Note 9)	**15,646**	16,253
Investments and advances (Note 8)	**186,187**	184,757
Property and equipment (Note 11)	**14,918**	11,612
Goodwill and intangible assets (Note 13)	**9,938**	9,965
Deferred tax assets - net (Note 29)	**1,174**	1,402
Other noncurrent assets (Note 14)	**1,573**	1,195
Total Noncurrent Assets	**256,627**	251,824
	₱397,794	₱384,980
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Note 15)	**₱34,203**	₱29,998
Contract liabilities (Note 21)	**3,384**	4,006
Short-term debt (Note 16)	**9,127**	28,007
Current portion of long-term debt (Note 16)	**9,423**	5,012
Current portion of liabilities on purchased properties (Notes 20 and 27)	**304**	598
Current portion of bonds payable (Note 17)	**–**	4,995
Customers' deposits (Note 18)	**910**	506
Dividends payable (Note 22)	**590**	589
Due to related parties (Note 27)	**193**	515
Income tax payable	**161**	472
Other current liabilities (Note 19)	**1,316**	843
Total Current Liabilities	**59,611**	75,541

(Forward)

	December 31	
	2021	2020
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 16)	**₱112,755**	₱95,429
Bonds payable (Note 17)	**10,077**	10,065
Liabilities on purchased properties - net of current portion (Notes 20 and 27)	**1,658**	2,657
Pension liability (Note 28)	**1,629**	1,934
Deferred tax liabilities - net (Note 29)	**3,232**	3,225
Other noncurrent liabilities (Note 20)	**3,753**	3,944
Total Noncurrent Liabilities	**133,104**	117,254
Total Liabilities	**192,715**	192,795
Equity		
Equity attributable to equity holders of the Parent Company		
Capital stock (Note 22)	**3,370**	3,370
Additional paid-in capital (Note 22)	**98,827**	98,827
Retained earnings - unappropriated (Note 22)	**88,982**	79,234
Retained earnings - appropriated (Note 22)	**400**	400
Other comprehensive income (loss) (Note 22)	**143**	(853)
Other equity adjustments (Note 22)	**2,322**	2,322
	194,044	183,300
Non-controlling interests (Note 22)	**11,035**	8,885
Total Equity	**205,079**	192,185
	₱397,794	₱384,980

See accompanying Notes to Consolidated Financial Statements.

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(In Millions, Except Earnings Per Share)

	Years Ended December 31		
	2021	2020	2019
CONTINUING OPERATIONS			
REVENUE			
Automotive operations (Note 35)	**₱150,964**	₱113,975	₱192,966
Equity in net income of associates and joint ventures (Note 8)	**11,065**	6,355	14,578
Real estate sales (Note 35)	**5,617**	7,629	7,982
Interest income (Note 23)	**1,899**	2,023	2,305
Rent income (Notes 9 and 30)	**1,046**	1,751	1,526
Sale of goods and services	**589**	457	802
Commission income	**288**	107	252
Other income (Note 23)	**3,175**	2,123	2,529
	174,643	134,420	222,940
COSTS AND EXPENSES			
Cost of goods and services sold (Notes 6 and 24)	**102,959**	76,479	133,943
Cost of goods manufactured and sold (Notes 6 and 25)	**32,111**	23,554	36,819
General and administrative expenses (Note 26)	**13,455**	13,032	13,595
Interest expense (Notes 16 and 17)	**6,270**	6,323	6,453
Cost of real estate sales (Note 6)	**3,123**	4,120	5,340
Cost of rental (Note 30)	**655**	589	435
	158,573	124,097	196,585
INCOME BEFORE INCOME TAX	**16,070**	10,323	26,355
PROVISION FOR INCOME TAX (Note 29)	**1,821**	1,986	5,057
NET INCOME FROM CONTINUING OPERATIONS	**14,249**	8,337	21,298
NET INCOME FROM DISCONTINUED OPERATIONS (Note 12)	–	–	3,814
NET INCOME	**₱14,249**	₱8,337	₱25,112
NET INCOME ATTRIBUTABLE TO:			
Equity holders of the Parent Company			
Net income for the year from continuing operations	**₱10,983**	₱6,546	₱16,586
Net income for the year from discontinued operations	–	–	3,723
	10,983	6,546	20,309
Non-controlling interests			
Net income for the year from continuing operations	**3,266**	1,791	4,712
Net income for the year from discontinued operations	–	–	91
	3,266	1,791	4,803
	₱14,249	₱8,337	₱25,112
Basic/Diluted Earnings Per Share from Continuing Operations Attributable to Equity Holders of the Parent Company (Note 34)	**₱48.28**	₱27.67	₱74.31
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 34)	**₱48.28**	₱27.67	₱91.60

See accompanying Notes to Consolidated Financial Statements.

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Millions)

	Years Ended December 31		
	2021	2020	2019
NET INCOME FROM CONTINUING OPERATIONS	**₱14,249**	₱8,337	₱21,298
NET INCOME FROM DISCONTINUED OPERATIONS (Note 12)	–	–	3,814
NET INCOME	**14,249**	8,337	25,112
OTHER COMPREHENSIVE INCOME (LOSS)			
CONTINUING OPERATIONS			
Items that may be reclassified to profit or loss in subsequent periods:			
Changes in cumulative translation adjustments	**26**	(15)	(4)
Changes in cash flow hedge reserves (Note 16)	**19**	2	10
Equity in other comprehensive income (loss) of associates and joint ventures (Note 8):			
Cash flow hedge reserve	**149**	(115)	(307)
Remeasurement on life insurance reserves	**236**	(364)	(167)
Translation adjustments	**720**	(241)	(551)
Other equity adjustments	**(21)**	21	–
	1,129	(712)	(1,019)
Items that may not be reclassified to profit or loss in subsequent periods:			
Changes in fair value of financial assets at FVOCI (Note 10)	**3,661**	368	1,699
Equity in changes in fair value of financial assets at FVOCI of associates (Note 8)	**(4,486)**	1,959	2,517
Remeasurement of defined benefit plans (Note 28)	**538**	(466)	(435)
Equity in remeasurement of defined benefit plans of associates (Note 8)	**750**	(412)	(1,066)
Income tax effect	**(322)**	263	450
	141	1,712	3,165
OTHER COMPREHENSIVE INCOME FROM CONTINUING OPERATIONS	**1,270**	1,000	2,146
OTHER COMPREHENSIVE LOSS FROM DISCONTINUED OPERATIONS, NET OF TAX	**–**	–	(220)
TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAX	**1,270**	1,000	1,926
TOTAL COMPREHENSIVE INCOME, NET OF TAX	**₱15,519**	₱9,337	₱27,038
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Equity holders of the Parent Company			
Total comprehensive income for the year from continuing operations	**₱11,979**	₱7,712	₱19,137
Total comprehensive income for the year from discontinued operations	**–**	–	3,379
	11,979	7,712	22,516
Non-controlling interests			
Total comprehensive income for the year from continuing operations	**3,540**	1,625	4,539
Total comprehensive loss for the year from discontinued operations	**–**	–	(17)
	3,540	1,625	4,522
	₱15,519	₱9,337	₱27,038

See accompanying Notes to Consolidated Financial Statements.

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to Equity Holders of the Parent Company								
(In Millions)	Capital Stock (Note 22)	Additional Paid-in Capital (Note 22)	Retained Earnings - Unappropriated (Note 22)	Retained Earnings - Appropriated (Note 22)	Other Comprehensive Income (Loss) (Note 22)	Other Equity Adjustments (Note 22)	Total	Attributable to Non-controlling Interests (Note 22)	Total Equity
Balance at January 1, 2021	**₱3,370**	**₱98,827**	**₱79,234**	**₱400**	**(₱853)**	**₱2,322**	**₱183,300**	**₱8,885**	**₱192,185**
Cash dividends declared (Note 22)	–	–	**(1,235)**	–	–		**(1,235)**	**(1,755)**	**(2,990)**
NCI share on stock issuance of a subsidiary	–	–	–	–	–		**–**	**365**	**365**
Total comprehensive income	–	–	**10,983**	–	**996**		**11,979**	**3,540**	**15,519**
Balance at December 31, 2021	**₱3,370**	**₱98,827**	**₱88,982**	**₱400**	**₱143**	**₱2,322**	**₱194,044**	**₱11,035**	**₱205,079**
Balance at January 1, 2020	₱3,370	₱98,827	₱74,569	₱400	(₱2,019)	₱2,322	₱177,469	₱11,851	₱189,320
Cash dividends declared (Note 22)	–	–	(1,881)	–	–	–	(1,881)	(4,611)	(6,492)
NCI share on additional stock issuance of a subsidiary	–	–	–	–	–	–	–	20	20
Total comprehensive income	–	–	6,546	–	1,166	–	7,712	1,625	9,337
Balance at December 31, 2020	₱3,370	₱98,827	₱79,234	₱400	(₱853)	₱2,322	₱183,300	₱8,885	₱192,185
Balance at January 1, 2019	₱3,211	₱85,592	₱52,223	₱17,000	(₱4,207)	₱2,322	₱156,141	₱24,687	₱180,828
Cash dividends declared (Note 22)	–	–	(1,187)	–	–	–	(1,187)	(4,259)	(5,446)
Stock dividend declared (Note 22)	159	13,235	(13,395)	–	–	–	(1)	–	(1)
Reversal of appropriation upon completion of expansion and acquisition (Note 22)	–	–	16,600	(16,600)	–	–	–	–	–
NCI on acquisition of subsidiaries	–	–	–	–	–	–	–	148	148
Effect of deconsolidation (Note 12)	–	–	19	–	(19)	–	–	(13,247)	(13,247)
Total comprehensive income	–	–	20,309	–	2,207	–	22,516	4,522	27,038
Balance at December 31, 2019	₱3,370	₱98,827	₱74,569	₱400	(₱2,019)	₱2,322	₱177,469	₱11,851	₱189,320

See accompanying Notes to Consolidated Financial Statements.

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Millions)

	Years Ended December 31		
	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax from continuing operations	**₱16,070**	₱10,323	₱26,355
Income before income tax from discontinued operations (Note 12)	**–**	–	2,597
Income before income tax	**16,070**	10,323	28,952
Adjustments for:			
Equity in net income of associates and joint ventures (Note 8)	**(11,065)**	(6,355)	(14,578)
Interest expense (Notes 12, 16 and 17)	**6,270**	6,323	6,453
Depreciation and amortization (Note 11)	**2,188**	2,517	2,417
Pension expense (Note 28)	**408**	324	244
Provisions (Note 26)	**367**	237	213
Interest income (Notes 12 and 23)	**(1,899)**	(2,023)	(2,305)
Dividend income (Note 23)	**(356)**	(333)	(335)
Unrealized foreign exchange losses (gains) (Notes 23 and 26)	**78**	(163)	(137)
Realized and unrealized gain on financial assets at FVTPL (Note 23)	**(89)**	(113)	(135)
Gain on disposal of property and equipment (Notes 11 and 23)	**(34)**	(7)	(15)
Gain on disposal of direct ownership in subsidiaries (Note 12)	**–**	–	(2,341)
Operating income before changes in working capital	**11,938**	10,730	18,433
Decrease (increase) in:			
Short-term investments	**–**	–	64
Financial assets at FVTPL	**(4,908)**	1,109	(1,375)
Receivables	**6,148**	(9,234)	(6,318)
Contract assets	**(237)**	(2,383)	1,876
Inventories	**(3,876)**	(3,413)	(6,784)
Due from related parties	**47**	7	457
Prepayments and other current assets	**(1,689)**	(1,964)	(3,878)
Increase (decrease) in:			
Accounts and other payables	**4,464**	4,873	3,202
Contract liabilities	**(622)**	(546)	(1,054)
Customers' deposits	**404**	(54)	2
Due to related parties	**(322)**	311	–
Other current liabilities	**420**	(519)	787
Cash generated from (used in) operations	**11,767**	(1,083)	5,412
Dividends paid (Note 22)	**(2,990)**	(6,492)	(4,910)
Interest paid	**(5,996)**	(6,330)	(6,126)
Income tax paid	**(2,315)**	(2,207)	(4,612)
Interest received	**1,650**	1,935	2,418
Dividends received (Notes 8, 10 and 12)	**8,214**	3,097	3,742
Contributions to pension plan assets and benefits paid (Note 28)	**(103)**	(75)	(108)
Net cash provided by (used in) operating activities	**10,227**	(11,155)	(4,184)

(Forward)

	Years Ended December 31		
	2021	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of:			
Property and equipment (Note 11)	**₱240**	₱27	₱60
Financial assets at FVOCI	–	–	3
Additions to:			
Investments in associates and joint ventures (Note 8)	**(1,009)**	(2,097)	(1,043)
Property and equipment (Note 11)	**(5,158)**	(874)	(1,822)
Investment properties (Note 9)	**(101)**	(91)	(1,095)
Intangible assets (Note 13)	**(76)**	(29)	(55)
Financial assets at FVOCI	**(388)**	–	–
Impact of business consolidation	**–**	–	149
Impact of deconsolidation of a subsidiary (Note 12)	**–**	–	(1,421)
Increase (decrease) in other noncurrent assets	**(130)**	(973)	1,742
Net cash used in investing activities	**(6,622)**	(4,037)	(3,482)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loan availments (Notes 16 and 38)	**57,647**	67,800	43,984
Payments of loans payable (Note 38)	**(54,377)**	(44,430)	(36,152)
Payments of bonds payable (Note 38)	**(5,000)**	(3,900)	(2,994)
Payment of principal portion of lease liabilities (Note 30)	**(37)**	(99)	(107)
DST on stock dividend issuance	**–**	–	(2)
Increase (decrease) in:			
Liabilities on purchased properties	**(1,293)**	(529)	491
Other noncurrent liabilities	**(542)**	1,159	(59)
Acquisition of noncontrolling interests	**365**	20	148
Net cash provided by (used in) financing activities	**(3,237)**	20,021	5,309
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(78)**	152	137
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**290**	4,981	(2,220)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**17,114**	12,133	14,353
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱17,404**	₱17,114	₱12,133

See accompanying Notes to Consolidated Financial Statements.

1. **Corporate Information**

GT Capital Holdings, Inc. (GT Capital or the Parent Company) was organized and registered with the Philippine Securities and Exchange Commission (SEC) on July 26, 2007. The primary purpose of the Parent Company is to invest in, purchase, or otherwise acquire and own, hold, use, sell, assign, transfer, lease, mortgage, exchange, develop or otherwise dispose of real property of every kind and description, including shares of stocks, bonds, debentures, notes, evidences of indebtedness, and other securities or obligations of any corporation or corporations, associations, domestic or foreign, and to possess and exercise in respect thereof all the rights, powers and privileges of ownership, including all voting powers of any stock so owned.

The common shares of the Parent Company were listed beginning April 20, 2012 and have since been traded in the Philippine Stock Exchange, Inc. (PSE).

Group Activities
The Parent Company, Federal Land, Inc. (Federal Land) and Subsidiaries (Federal Land Group), Toyota Motor Philippines Corporation (Toyota or TMPC) and Subsidiaries (Toyota Group), Toyota Manila Bay Corp. (TMBC) and Subsidiaries (TMBC Group) and GT Capital Auto and Mobility Holdings, Inc. (GTCAM) and Subsidiaries (GTCAM Group) are collectively referred herein as the "Group". The Parent Company, which is the ultimate parent of the Group, is the holding company of the Federal Land Group (real estate business), Toyota Group (automotive business), TMBC Group (automotive business) and GTCAM Group (automotive and mobility business), and is engaged in investing, purchasing and holding shares of stock, notes and other securities and obligations, as well as buying, selling, and leasing of real estate properties.

The principal business interests of the Federal Land Group are real estate development and leasing and selling properties and acting as a marketing agent for and in behalf of any real estate development company or companies. The Federal Land Group is also engaged in the business of trading of goods such as petroleum, non-fuel products on wholesale or retail basis, maintaining a petroleum service station and food and restaurant service.

Toyota Group is engaged in the assembly, manufacture, importation, sale and distribution of all kinds of motor vehicles including vehicle parts, accessories and instruments.

TMBC Group is engaged in purchasing, trading, exchanging, distributing, marketing, repairing and servicing automobiles, trucks and all kinds of motor vehicles and automobile products of every kind and description, motor vehicle parts, accessories, tools and supplies and equipment items.

GTCAM was formerly known as GT Capital Auto Dealership Holdings, Inc. (GTCAD). GTCAM's BOD and the SEC approved the change in name from GTCAD to GTCAM on September 13, 2021 and November 29, 2021, respectively. The principal business interests of GTCAM Group are to invest in, purchase, or otherwise acquire and own, hold, use, sell, assign, transfer, lease, mortgage, exchange, develop, or otherwise dispose of real or personal property of every kind and description, including shares of stocks, bonds, debentures, notes, evidences of indebtedness, and other securities or obligations of any auto dealership or other corporations, associations, domestic or foreign, and to possess and exercise in respect thereof all the rights, powers and privileges of ownership, including all voting powers of any stock so owned. Its secondary purpose is to invest in, purchase, or otherwise acquire own shares of companies engaged in mobility-related services, including those that support the used car market which include auction services, auto portal, used car retail sales operations, inspection, warranty, financing, and parts and service.

The Parent Company also has significant shareholdings in Metropolitan Bank & Trust Company (MBTC or Metrobank), Metro Pacific Investments Corporation (MPIC), Philippine AXA Life Insurance Corporation (AXA Philippines or Phil AXA), Toyota Financial Services Philippines Corporation (TFSPC) and Sumisho Motor Finance Corporation (SMFC).

The registered office address of the Parent Company is at the 43rd Floor, GT Tower International, Ayala Avenue corner H.V. Dela Costa Street, 1227 Makati City.

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying consolidated financial statements of the Group have been prepared using the historical cost basis except for financial assets at fair value through profit or loss (FVTPL), financial assets at fair value through other comprehensive income (FVOCI), and derivative financial instruments that have been measured at fair value. The Group's consolidated financial statements are presented in Philippine Peso (₱), the Group's functional currency. All values are rounded to the nearest million peso unless otherwise indicated.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs), as modified by the application of the financial reporting relief on the accounting for significant financing component as issued and approved by the SEC in response to the COVID-19 pandemic.

The Group has availed of the relief granted by the SEC under Memorandum Circular (MC) No. 34-2020 which further extended the deferral of PIC Q&A 2018-12-D, *Assessing if the transaction price includes a significant financing component* until December 31, 2023. This reporting relief is applicable to the Group's Real Estate Segment, specifically under the Federal Land Group. The details and impact of the adoption of the financial reporting relief are discussed in the section below under "Standards Issued But Not Yet Effective".

SEC MC No. 4-2020 deferring the adoption of IFRIC Agenda Decision on Over Time Transfers of Constructed Goods under Philippine Accounting Standard (PAS) 23, *Borrowing Cost* (the IFRIC Agenda Decision on Borrowing Cost) is not applicable to the Group as it has adopted the IFRIC Agenda Decision retrospectively, effective January 1, 2019. The impact of full retrospective application is presented in the Group's 2019 consolidated financial statements.

PFRSs include Philippine Financial Reporting Standards, Philippine Accounting Standards (PAS) and Interpretations issued by the Philippine Interpretations Committee (PIC).

Basis of Consolidation
The consolidated financial statements of the Group comprise the financial statements of the Parent Company and the following wholly and majority-owned domestic subsidiaries:

	Country of Incorporation	Direct and Effective Percentages of Ownership December 31 2021	2020
Federal Land Group	Philippines	**100.00**	100.00
Toyota Group	-do-	**51.00**	51.00
TMBC Group	-do-	**58.10**	58.10
GTCAM Group	-do-	**100.00**	100.00

Federal Land's Subsidiaries

	Percentages of Ownership 2021	2020
Horizon Land Property and Development Corp. (HLPDC)	**100.00**	100.00
Federal Property Management Corp. (FPMC)	**100.00**	100.00
Federal Land Orix Corporation (FLOC)	**100.00**	100.00
Topsphere Realty Development Company Inc. (TRDCI)	**100.00**	100.00
Bonifacio Landmark Hotel Management Corporation (BLHMC)	**100.00**	100.00
Fed South Dragon Corporation (FSDC)	**100.00**	100.00
Federal Retail Holdings, Inc. (FRHI)	**100.00**	100.00
Magnificat Resources Corp. (MRC)	**100.00**	100.00
Central Realty and Development Corp. (CRDC)	**75.80**	75.80
Federal Brent Retail, Inc. (FBRI)	**51.66**	51.66

Toyota's Subsidiaries

	Percentages of Ownership 2021	2020
Toyota Makati, Inc. (TMI)	**100.00**	100.00
Toyota Motor Philippines Logistics, Inc. (TLI)	**100.00**	100.00
Lexus Manila, Inc. (LMI)	**75.00**	75.00
Toyota San Fernando Pampanga, Inc. (TSFI)	**55.00**	55.00
Toyota Sta. Rosa Laguna, Inc. (TSRLI)	**−**	100.00

On December 29, 2020, GTCAM and Toyota Corolla Sapporo Philippines Holdings, Inc. (TCSPHI) entered into a Share Sale and Purchase Agreement with TMPC. TMPC agreed to sell and transfer its 5,000,000 shares of TSRLI shares with a par value of ₱100.00 per share, representing the aggregate 100% of the total issued and outstanding voting shares of TSRLI, to GTCAM and TCSPHI. 60% of the sale shares equivalent to 3,000,000 shares were sold and transferred to GTCAM and the remaining 40% or 2,000,000 shares were sold and transferred to TCSPHI. The said agreement took effect on January 1, 2021.

TMBC's Subsidiaries

	Percentages of Ownership 2021	2020
Oxfordshire Holdings, Inc. (OHI)	**100.00**	100.00
TMBC Insurance Agency Corporation (TIAC)	**100.00**	100.00

GTCAM's Subsidiaries

	Percentages of Ownership	
	2021	2020
Toyota Sta. Rosa Laguna, Inc. (TSRLI)*	**60.00**	–
GT Mobility Ventures, Inc. (GTMV)	**66.67**	66.67
Toyota Subic, Inc. (TSI)	**55.00**	55.00

** Refer to the narratives on Toyota's Subsidiaries above.*

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Consolidation of subsidiaries ceases when control is transferred out of the Parent Company.

Specifically, the Parent Company controls an investee if, and only if, the Parent Company 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.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

i. the contractual arrangement with the other vote holders of the investee
ii. rights arising from other contractual arrangements
iii. the Group's voting rights and potential voting rights

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intragroup transactions, balances, income and expenses resulting from intragroup transactions and dividends are eliminated in full on consolidation.

Non-controlling Interests
Non-controlling interests (NCI) represent the portion of profit or loss and net assets in a subsidiary not attributed, directly or indirectly, to the Parent Company. The interest of non-controlling shareholders may be initially measured at fair value or share of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, NCI consists of the amount attributed to such interests at initial recognition and the NCI's share of changes in equity since the date of combination.

NCI are presented separately in the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and within equity in the consolidated statement of financial position, separately from the Parent Company's equity.
Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the NCI, even if that results in the NCI having a deficit balance.

If the Group loses control over a subsidiary, it:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any NCI and the cumulative translation differences, recorded in equity;
- recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss; and
- reclassifies the Parent Company's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Business Combinations Involving Entities Under Common Control
A business combination involving entities under common control is accounted for using the uniting of interest method, except when the acquisition is deemed to have commercial substance for the Group, in which case the business combination is accounted for under the acquisition method. The combined entities accounted for by the uniting of interests method reports the results of operations for the period in which the combination occurs as though the entities had been combined as of the beginning of the period. Financial statements of the separate entities presented for prior years are also restated on a combined basis to provide comparative information. The effects of intercompany transactions on assets, liabilities, revenues, and expenses for the periods presented, and on retained earnings at the beginning of the periods presented are eliminated to the extent possible.

Under the uniting of interest method, the acquirer accounts for the combination as follows:

- the assets and liabilities of the acquiree are consolidated using the existing carrying values instead of fair values;
- intangible assets and contingent liabilities are recognized only to the extent that they were recognized by the acquiree in accordance with applicable PFRSs;
- no amount is recognized as goodwill;
- any non-controlling interest is measured as a proportionate share of the book values of the related assets and liabilities; and
- comparative amounts are restated as if the combination had taken place at the beginning of the earliest comparative period presented.

The excess of the cost of business combinations over the net carrying amounts of the assets and liabilities of the acquired companies is recognized within the equity section of the consolidated statements of financial position.

When evaluating whether an acquisition has commercial substance, the Group considers the following factors, among others:

- the purpose of the transaction;
- the involvement of outside parties in the transaction, such as NCI or other third parties; and
- whether or not the transaction is conducted at fair value.

Business Combinations and Goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer elects whether to measure the NCI in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the

date of acquisition. Acquisition-related costs are expensed and included in the consolidated statements of income.

When the Group acquires a business, it assesses the financial assets and liabilities of the acquiree for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. The Group also assesses whether assets or liabilities of the acquiree that are previously unrecognized in the books of the acquiree will require separate recognition in the consolidated financial statements of the Group at the acquisition date.

In a business combination achieved in stages, the Group remeasures its previously held equity interest in the acquiree at its acquisition-date fair value and recognizes the resulting gain or loss, if any, in the consolidated statements of income. Any recognized changes in the value of its equity interest in the acquiree previously recognized in other comprehensive income are recognized by the Group in profit or loss, as if the previously held equity interest are disposed of.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized either in the consolidated statements of income or as changes to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as at the acquisition date that if known, would have affected the amounts recognized as at that date. The measurement period is the period from the date of acquisition to the date the Group receives complete information about facts and circumstances that existed as at the acquisition date and is subject to a maximum of one (1) year.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred, the amount recognized for any NCI in the acquiree and the fair value of the acquirer's previously held interest, if any, over the fair value of the net assets acquired.

If after reassessment, the fair value of the net assets acquired exceeds the consideration transferred, the amount recognized for any NCI in the acquiree and the fair value of the acquirer's previously held interest, if any, the difference is recognized immediately in the consolidated statements of income as 'Gain on bargain purchase'.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Any impairment loss is recognized immediately in the consolidated statements of income and is not subsequently reversed. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Group's cash-generating units (CGU) that are expected to benefit from the combination from the acquisition date irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Goodwill is not amortized but is reviewed for impairment at least annually. Any impairment losses are recognized immediately in profit of loss and is not subsequently reversed.

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

Change in Ownership without Loss of Control
Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and NCI are adjusted by the Group to reflect the changes in its relative interests in the subsidiary. Any difference between the amount by which the NCI is adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the equity holders of the Parent Company.

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the Group.

- Amendment to PFRS 16, *COVID-19-related Rent Concessions beyond June 30, 2021*
  The amendment provides relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:
  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
  - There is no substantive change to other terms and conditions of the lease.

  A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19-related rent concession in the same way it would account for a change that is not a lease modification, that is, as a variable lease payment.

  The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted.

  The Group adopted the amendment beginning April 1, 2021.

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*
  The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free rate (RFR):
  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform;
  - Relief from discontinuing hedging relationships; and

- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

The Group shall also disclose information about:
- The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition.

The Group adopted the amendments beginning January 1, 2021. The details and impact of the adoption are discussed in Note 16.

- PIC Q&A 2018-14, *Accounting for Cancellation of Real Estate Sales* (as amended by PIC Q&A 2020-05)
  On June 27, 2018, PIC Q&A 2018-14 was issued providing guidance on accounting for cancellation of real estate sales. Under SEC MC No. 3-2019, the adoption of PIC Q&A No. 2018-14 was deferred until December 31, 2020. After the deferral period, real estate companies will adopt PIC Q&A No. 2018-14 and any subsequent amendments thereof retrospectively or as the SEC will later prescribe.

  On November 11, 2020, PIC Q&A 2020-05 was issued which supersedes PIC Q&A 2018-14. This PIC Q&A adds a new approach (Approach 3) where the cancellation is accounted for as a modification of the contract (i.e., from non-cancellable to being cancellable). Under this approach, revenues and related costs previously recognized shall be reversed in the period of cancellation and the inventory shall be reinstated at cost. PIC Q&A 2020-05 will have to be applied prospectively upon approval of the FRSC.

  The Group did not avail of the relief provided by the SEC and adopted the PIC Q&A prospectively from approval of the FRSC on November 11, 2020. The adoption of this PIC Q&A did not impact the consolidated financial statements of the Group since it has previously adopted Approach 3 in its accounting for sales cancellation which records repossessed inventory at cost.

Significant Accounting Policies

Current versus Noncurrent Classification
The Group presents assets and liabilities in the consolidated statements of financial position based on current/noncurrent classification. An asset is current when:

- It is expected to be realized or intended to be sold or consumed in normal operating cycle
- It is held primarily for the purpose of trading
- It is expected to be realized within twelve months after the reporting period

All other assets are classified as noncurrent.

A liability is current when:
- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period or there is no unconditional right to defer the settlement of liability for at least twelve months after the reporting period

The Group classifies all other liabilities as noncurrent.

Deferred income tax asset and liability are classified as noncurrent asset and liability, respectively.

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of placement and that are subject to an insignificant risk of changes in value.

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:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic 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 consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing 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 valuers are involved for valuation of significant assets, such as investment properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

The Group, in conjunction with the external valuers, also compares each of the changes in the fair value of each asset with relevant external sources to determine whether the change is reasonable.

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

Financial Instruments – Initial Recognition and Subsequent Measurement
Date of recognition
The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. 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 trade date, which is the date when the Group commits to purchase or sell assets.

a. Financial assets
Initial recognition of financial instruments
At initial recognition, financial assets are classified as, and subsequently measured at amortized cost, FVOCI and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables, except for installment contract receivables, are measured at the transaction price determined under PFRS 15. Refer to the accounting policies on Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVTPL

Financial assets at amortized cost
This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost includes cash and cash equivalents, short-term investments and receivables.

FVOCI (debt instruments)
The Group measures debt instruments at FVOCI if both of the following conditions are met:
- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statement of income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Group does not have debt instruments at FVOCI.

Financial assets designated at FVOCI (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets can no longer be recycled to profit or loss. Foreign exchange revaluations are recognized in OCI. Dividends are recognized as other income in the consolidated statement of income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Group's financial assets at FVOCI includes investments in quoted and unquoted equity instruments.

Financial assets at FVTPL
Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVTPL are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of income.

This category includes investment in UITF as held for trading and classified these as FVTPL.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of Financial Assets

The Group recognizes an allowance for ECLs for all debt instruments not held at FVTPL. ECL represents credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime ECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that results from all possible default events over the expected life of a financial instrument.

For trade receivables, installment contracts receivable and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial assets such as nontrade receivable, loans receivable, due from related parties and other receivables, ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk (SICR) since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash and cash equivalents and short-term investments, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from reputable credit rating agencies to determine whether the debt instrument has SICR and to estimate ECLs.

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

The key inputs in the model include the Group's definition of default and historical data of three years for the origination, maturity date and default date. The Group considers trade receivables and contract assets in default when contractual payment are 120 days past due, except for certain circumstances when the reason for being past due is due to reconciliation with customers of payment records which are administrative in nature which may extend the definition of default to 90 days and beyond. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

Determining the stage for impairment
At each reporting date, the Group assesses whether there has been a SICR for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

The Group considers that there has been a SICR when contractual payments are more than 90 days past due.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed SICR since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

b. *Financial liabilities*
Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include "Accounts and other payables", "Short-term and long-term debts", "Bonds payable", "Liabilities on purchased properties" and "Other current liabilities".

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Loans and borrowings
This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the consolidated statement of income.

This category generally applies to short-term debt, long-term debt, bonds payable and liabilities on purchased properties.

Financial liabilities at FVTPL
Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the consolidated statement of income.

Financial liabilities designated upon initial recognition at FVTPL are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. The Group has not designated any financial liability as at FVTPL.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of income.

c. *Offsetting financial instruments*
Financial assets and financial liabilities are offset and the net amount reported in the consolidated 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. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

d. *Derivative financial instruments and hedge accounting*
Initial Recognition and Subsequent Measurement
The Group uses derivative financial instruments such as interest rate swaps to hedge the risks associated with foreign currency and interest rate fluctuations. Derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into

and are subsequently re-measured 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; or,
- Cash flow hedges when hedging the exposure to variability in cash flows that is 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.

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 the hedged item.

Hedges are accounted for as fair value hedges or cash flow hedges.

Fair value hedge
The change in the fair value of a hedge instrument is recognized in the consolidated statement of income. The change in the fair value attributable to the risk hedged is recorded as part of the carrying value of the hedge instrument and is also recognized in the consolidated statement of income as other expense.

For fair value hedges carried at amortized cost, any adjustment to carrying value is amortized through profit or loss over the remaining term of the hedge using the EIR method. The EIR amortization is initiated when an adjustment exists and no later than when the hedged instrument ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

In case of derecognition, the unamortized fair value of the hedged instrument is recognized immediately in profit or loss.

Cash flow hedges
The effective portion of the gain or loss on the hedging instrument is recognized in OCI, while any ineffective portion is recognized immediately in the consolidated statement of income. 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 the fair value of the hedged instrument.

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 hedged cash flows affect profit or loss.

If hedge accounting is discontinued, the amount accumulated in OCI shall remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount shall be reclassified to profit or loss as a reclassification adjustment. When the hedged cash flow occurs, any amount remaining in accumulated OCI shall be accounted for depending on the nature of the underlying transaction.

Inventories

Real estate inventories

Property acquired that are being developed or constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as real estate inventory. Real estate inventories consist of land and improvements, condominium units held for sale and residential units.

Land and land improvements are carried at the lower of cost or net realizable value (NRV).

Cost includes:

- Acquisition cost of subdivision land;
- Amounts paid to contractors for construction and development of subdivision land, residential houses and lots and condominium units;
- Planning and design costs, cost of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs; and
- Borrowing costs capitalized prior to start of pre-selling activities for the real estate project.

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less costs to complete and the estimated costs of sale. The carrying amount of inventories is reduced through the use of allowance account and the amount of loss is charged to profit or loss.

Construction in progress (CIP) includes development or construction costs incurred for real estate projects that have not yet reached the preliminary stage of completion and/or not yet launched. This account also includes owner supplied materials. Upon reaching the preliminary stage of completion, these are transferred to ‘Condominium units held for sale’.

Costs of condominium units held for sale includes the carrying amount of the land transferred from ‘Land and improvements’ at the commencement of its real estate projects and those costs incurred for construction, development and improvement of the properties, including capitalized borrowing costs.

Costs of residential units include land cost, land improvement costs, borrowing costs, amounts paid to contractors for construction and development, planning and design cost, cost of site preparation, professional fees, property transfer taxes, construction overheads and other related costs.

Gasoline retail, petroleum products and chemicals

Cost is determined using first-in, first-out method. The costs of oil, petroleum products and chemicals include cost incurred for acquisition and freight charges.

Automotive inventories

These are inventories of the Toyota Group which are valued at the lower of cost or NRV. NRV is the estimated selling price in the ordinary course of business, less the estimated costs of completion, marketing and distribution.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials and spare parts	– Purchase cost on a weighted average cost
Finished goods and work-in-process	– Cost of direct material and labor and proportion of fixed and overhead manufacturing costs allocated based on normal operating capacity
Raw materials and spare parts in-transit	– Cost is determined using the specific identification method

Investments in Associates and Joint Ventures
Investments in associates and joint ventures are accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture of the Group. A joint venture (JV) is a contractual agreement whereby two or more parties undertake an economic activity that is subject to joint control.

An investment is accounted for using the equity method from the day it becomes an associate or a joint venture. On acquisition of investment, the excess of the cost of investment over the investor's share in the net fair value of the investee's identifiable assets, liabilities and contingent liabilities is accounted for as goodwill and included in the carrying amount of the investment and is neither amortized nor individually tested for impairment. Any excess of the investor's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment, and is included as income in the determination of the share in the earnings of the investee.

Under the equity method, the investments in and advances to associates and joint ventures are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share in the net assets of the investees, less any impairment in value.

The consolidated statement of comprehensive income reflects the Group's share in the results of operations of the investee companies and the Group's share on movements in the investee's other comprehensive income (OCI) are recognized directly in OCI in the consolidated financial statements. The Group's share on total comprehensive income of an associate is shown in the consolidated statement of income and consolidated statement of comprehensive income. The aggregate of the Group's equity in net income of associates and joint ventures is shown on the face of the consolidated statement of income as part of operating profit and represents profit or loss after tax and NCI in the subsidiaries of the associate and joint venture.

Profits and losses resulting from transactions between the Group and the investee companies are eliminated to the extent of the interest in the investee companies, and for unrealized losses, to the extent that there is no evidence of impairment of the assets transferred. Dividends received from investee companies are treated as a reduction of the accumulated earnings included under 'Investments and advances' account in the consolidated statements of financial position.

The Group discontinues applying the equity method when its investments in investee companies are reduced to zero. Accordingly, additional losses are not recognized unless the Group has guaranteed certain obligations of the associates or joint venture. When the investees subsequently report net income, the Group will resume applying the equity method but only after its equity in the net income equals the equity in net losses of associates and joint ventures not recognized during the period the equity method was suspended.

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

Investment Properties

Investment properties consist of properties that are held to earn rentals and that are not occupied by the companies in the Group. Investment properties, except for land, are carried at cost less accumulated depreciation and amortization and any impairment in residual value. Land is carried at cost less any impairment in value.

Depreciation and amortization of investment properties are computed using the straight-line method over the estimated useful lives (EUL) of the properties which is 10 to 40 years.

Investment properties are derecognized when either they have been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of income in the year of retirement or disposal.

Transfers are made to investment property 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 property 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. Transfers between investment property, owner-occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

CIP is stated at cost. This includes cost of construction and other direct costs. Borrowing costs that are directly attributable to the construction of investment properties are capitalized during the construction period. CIP is not depreciated until such time as the relevant assets are in the location and condition necessary for it to be capable of operating in the manner intended by management.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization and any impairment in value. The initial cost of property and equipment comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the property and equipment to its working condition and location for its intended use, including capitalized borrowing costs.

CIP is stated at cost. This includes cost of construction and other direct costs. CIP is not depreciated until such time that the relevant assets are completed and put into operational use.

Major repairs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the items can be measured reliably. All other repairs and maintenance are charged against operations as incurred.

Depreciation and amortization of property and equipment commences once the property and equipment are available for use and are calculated on the straight-line basis over the following EUL of the property and equipment as follows:

	Years
Transportation equipment	5
Furniture, fixtures and equipment	3 to 5
Leasehold improvements	2 to 10 or lease term (whichever is shorter)
Machinery, tools and equipment	2 to 10
Building	15 to 40
Buildings and land improvements	9 to 25
Other property and equipment	3 to 5

The assets' residual values, EUL 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.

Transfers are made from property and equipment, when there is a change in use, evidenced by ending of owner-occupation, and with a view of sale.

Impairment or losses of items of property, plant and equipment, related claims for or payments of compensation from third parties and any subsequent purchase or construction of replacement assets are separate economic events and are accounted for separately.

When property and equipment are retired or otherwise disposed of, the cost of the related accumulated depreciation and amortization and provision for impairment losses, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Fully depreciated assets are still carried in the accounts until they no longer in use and no further depreciation is charged against current operations.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of the acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the consolidated statement of income in the year in which the expenditure is incurred.

The useful lives of intangible assets with finite life are assessed at the individual asset level. Intangible assets with finite life are amortized over their useful life. Periods and method of amortization for intangible assets with finite useful lives are reviewed annually or earlier when an indicator of impairment exists. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the intangible asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite useful 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.

The Group's intangible assets consist of customer relationship, software costs and franchise. A gain or loss arising from derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the intangible asset and is recognized in the consolidated statement of income when the intangible asset is derecognized.

Customer Relationship
Customer relationship pertains to Toyota's contractual arrangements with its top dealer customers, which adds value to the operations of Toyota and enhances the latter's earnings potential. This is recognized initially at fair value and is assessed to have an indefinite useful life. Following initial recognition, the intangible asset is not amortized but assessed annually for impairment.

Software Costs
Costs related to software purchased by the Group for use in the operations are amortized on a straight-line basis over a period of 3 to 5 years.

Costs that are directly associated with identifiable and unique software controlled by the Group and will generate economic benefits exceeding costs beyond one year, are recognized as intangible assets to be measured at cost less accumulated amortization and provision for impairment losses, if any. Expenditures which enhance or extend the performance of computer software programs beyond their original specifications are recognized as capital improvements and added to the original cost of the software.

Goodwill
Goodwill acquired in a business combination from the acquisition date is allocated to each of the Group's cash-generating units, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on the Group's operating segments as determined in accordance with PFRS 8, *Operating Segments*.

Following initial recognition, goodwill is measured at cost, less any accumulated impairment loss. Goodwill is reviewed for impairment annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired (see Impairment of Non-financial Assets).

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

Goodwill is presented together with the intangible assets in the consolidated statement of financial position.

Impairment of Non-financial Assets
The Group assesses at each financial reporting date whether there is an indication that their nonfinancial assets (e.g., investments in associates and joint venture, investment properties, property and equipment, goodwill and intangible assets), may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell (FVLCTS) and its value-in-use (VIU) 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing the VIU, 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. Impairment losses of continuing operations are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each financial 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. The recoverable 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 years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

This accounting policy applies primarily to the Group's property and equipment and investment properties. Additional considerations for other non-financial assets are discussed below.

Investments in associates and joint ventures
After application of the equity method, the Group determines whether it is necessary to recognize goodwill or any additional impairment loss with respect to the Group's net investment in its associates and joint venture. The Group determines at each financial reporting date whether there is any objective evidence that the investments in associates and joint ventures are impaired.

If this is the case, the Group calculates the amount of impairment as being the difference between the fair value of the associate and joint ventures and the carrying cost and recognizes the amount in the consolidated statement of income.

Intangible assets
Customer relationship is reviewed for impairment annually, similar with goodwill, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For intangible assets with finite useful lives, the carrying amount is assessed and written down to its recoverable amount when an indication of impairment occurs.

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

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

Value-added Tax (VAT)
Revenue, expenses, and assets are recognized net of the amount of sales tax except:

- where the tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case, the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of tax included.

The net amount of VAT recoverable from the tax authority is included under ‘Prepayments and other current assets’ in the consolidated statement of financial position.

Discontinued Operations
A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or
- is a subsidiary acquired exclusively with a view to resale.

The disposal group is excluded from the results of continuing operations and is presented as a single amount as ‘Net income from discontinued operations’ in the consolidated statement of income.

Additional disclosures are provided in Note 12. All other notes to the consolidated financial statements include amounts of disposal group, unless otherwise mentioned.

Equity
The Group records common stock and preferred stock at par value and additional paid-in capital in excess of the total contributions received over the aggregate par values of the equity share. Incremental costs incurred directly attributable to the issuance of new shares are deducted from proceeds.

Capital stock
The Parent Company has issued common stock and preferred stock that are classified as equity. Incremental costs directly attributable to the issue of new common stock are shown in equity as a deduction, net of tax, from the proceeds. All other equity issuance costs are recognized as expense as incurred.

Where the Parent Company purchases its own common stock (treasury shares), the consideration paid, including any directly attributable incremental costs (net of applicable taxes) is deducted from equity attributable to the Parent Company’s equity holders until the shares are cancelled or reissued.

Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects, and is included in equity attributable to the Parent Company's equity holders.

Additional paid-in capital
Amount of contribution in excess of par value is accounted for as an additional paid-in capital. Additional paid-in capital also arises from additional capital contribution from the shareholders.

Retained earnings
The amount included in retained earnings includes profit or loss attributable to the Group's equity holders and reduced by dividend on capital stock. Dividends on capital stock are recognized as a liability and deducted from equity when they are declared. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date. Retained earnings may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

Unappropriated retained earnings represent that portion which can be declared as dividends to stockholders after adjustments for any unrealized items which are considered not available for dividend declaration. Appropriated retained earnings represent that portion which has been restricted and therefore is not available for any dividend declaration.

Other Comprehensive Income
Other comprehensive income comprises items of income and expenses that are recognized directly in equity. OCI items are either reclassified to profit or loss or directly to equity in subsequent periods.

Acquisition of Non-controlling Interest in a Subsidiary
Acquisition of non-controlling interest is accounted for as an equity transaction, whereby the difference between the fair value of consideration given and the share in the net book value of the net assets acquired is recognized in equity. In an acquisition without consideration involved, the difference between the share of the non-controlling interests in the net assets at book value before and after the acquisition is treated as transaction between equity owners under the 'Non-controlling interests' account in the consolidated statement of financial position.

Revenue Recognition
Revenue from contract with customers
The Group primarily derives its revenue from automotive operations and real estate sales. 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 Group expects to be entitled in exchange for those goods or services.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3.

Automotive operations
The Group derives its revenue from automotive operations from the sale of manufactured vehicles, trading of completely built-up vehicles and local and imported auto parts and sale of services. In the sales contract with customers, services other than vehicle sales such as additional service, additional warranty and other services are separated from the sale of vehicles to identify performance obligations.

Timing of revenue recognition may change depending on when the performance obligation is satisfied, either at a point in time or over time. The Group recognizes revenue from goods or services at a point in time when the goods or services are transferred to the customers and fulfills the performance obligations. In order to determine whether the control over the goods or services is transferred over time, the Group determines whether the customer simultaneously obtains and consumes the benefits provided by the Group's performance and whether the assets controlled by the customer and whether the assets created by the Group have no substitute purpose, and whether the Group has the right to make executable claims for the portion that has been completed so far. The Group allocates the transaction prices based on the stand-alone selling prices to the various performance obligations identified in a single contract.

The Group estimates the amounts of consideration depending on which method the entity expects to better predict the amount of consideration to which it will be entitled - the expected value or the most likely amount. Variable consideration is included in the transaction price only to the extent that it is highly probable that a significant reversal in the cumulative amount of revenue recognized will not occur in the future periods.

If the period between the transfer of the goods or services promised to the customer and the payment of the customer is within one year, a practical simple method that does not adjust the promised price for a significant financing component is used.

Real estate sales
The Group derives its real estate revenue from sale of lots, house and lot and condominium units. Revenue from the sale of these real estate projects under pre-completion stage are recognized over time during the construction period (or percentage of completion) since based on the terms and conditions of its contract with the buyers, the Group’s performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

In measuring the progress of its performance obligation over time, the Group uses the output method. The Group recognizes revenue on the basis of direct measurements of the value to customers of the goods or services transferred to date, relative to the remaining goods or services promised under the contract. Progress is measured using survey of performance completed to date. This is based on the monthly project accomplishment report as approved by the construction manager which integrates the surveys of performance to date of the construction activities.

Any excess of progress of work over the right to an amount of consideration that is unconditional, recognized as residential and office development receivables, under trade receivables, is included in the “contract asset” account in the asset section of the consolidated statement of financial position.

Any excess of collections over the total of recognized trade receivables and contract assets is included in the “contract liabilities” account in the liabilities section of the consolidated statement of financial position.

Sale of goods
Sale of goods is recognized from retail customers at the point of sale in the stores. This is measured at the fair value of the consideration received, excluding (or ‘net of,’ or ‘reduced for’) discounts, returns, rebates and sales taxes.

Rendering of services
Marketing fees, management fees from administration and property management are recognized when services are rendered.

Commission income
Commission income is recognized by reference to the percentage of collection of the agreed sales price or depending on the term of the sale as provided under the marketing agreement.

Management fees
Management fees from administrative, property management and other fees are recognized when services are rendered.

Other income
Other income also includes sale of scrap and sludge oil which is recognized when there is delivery of goods to the buyer, and recovery from insurance which is recognized when the right to receive payment is established.

<u>Revenues outside the scope of PFRS 15</u>
Interest income
Interest income is recognized as it accrues using the effective interest method.
Dividend income is recognized when the Group's right to receive the payment is established.

Rent income
Rental income under noncancelable and cancelable leases on investment properties is recognized in the consolidated statement of income on a straight-line basis over the lease term and the terms of the lease, respectively, or based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contract.

Dividend income
Dividend income is recognized when the Group's right to receive the payment is established.
Other income
Other customer related fees such as penalties and surcharges are recognized as they accrue, taking into account the provisions of the related contract.

<u>Expense Recognition</u>
Cost of goods and services sold
Cost of goods sold for vehicles and spare parts includes the purchase price of the products sold, as well as costs that are directly attributable in bringing the merchandise to its intended condition and location. These costs include the costs of storing and transporting the products. Vendor returns and allowances are generally deducted from cost of goods and services sold.

Other cost of goods sold includes Federal Land's gasoline and food products, and are recognized when goods are delivered which is usually at the point of sale in stores. Cost of services are recognized when services are rendered.

Cost of goods manufactured and sold
Cost of goods manufactured and sold includes the purchase price of the products manufactured, as well as costs that are directly attributable in bringing the merchandise to its intended condition and location.

Commissions
Commissions paid to sales or marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Accordingly, when the POC method is used, commissions are likewise charged to expense in the period the related revenue is recognized. These are recorded as 'Prepaid expenses' under 'Prepayments and other current assets' account.

General and administrative expenses
General and administrative expenses constitute costs of administering the business and are expensed as incurred.

Cost of real estate sales
The Group recognizes costs relating to satisfied performance obligations as these are incurred taking into consideration the contract fulfillment assets. These include costs of land, land development costs, building costs, professional fees, depreciation, permits and licenses and capitalized borrowing costs. These costs are allocated to the saleable area, with the portion allocable to the sold area being recognized as costs of sales while the portion allocable to the unsold area being recognized as part of real estate inventories.

Contract costs include all direct materials and labor costs and those indirect costs related to contract performance. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions, and final contract settlements which may result in revisions to estimated costs and gross margins are recognized in the year in which the changes are determined.

Contract Balances
Receivables
A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract assets
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

The contract liabilities also include payments received by the Group from the customers for which revenue recognition has not yet commenced.

Costs to obtain a contract
The incremental costs of obtaining a contract with a customer are recognized as an asset if the Group expects to recover them. The Group has determined that commissions paid to brokers and marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Commission expense is included in the "Real estate costs and expenses" account in the consolidated statement of income.

Costs incurred prior to obtaining contract with customer are not capitalized but are expensed as incurred.

Amortization, derecognition and impairment of capitalized costs to obtain a contract
The Group amortizes capitalized costs to obtain a contract to cost of sales over the expected construction period using percentage of completion following the pattern of real estate revenue recognition. The amortization is included within cost of sales.

A capitalized cost to obtain a contract is derecognized either when it is disposed of or when no further economic benefits are expected to flow from its use or disposal.

At each reporting date, the Group determines whether there is an indication that cost to obtain a contract maybe impaired. If such indication exists, the Group makes an estimate by comparing the carrying amount of the assets to the remaining amount of consideration that the Group expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Group uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

Where the relevant costs or specific performance obligations are demonstrating marginal profitability or other indicators of impairment, judgement is required in ascertaining whether or not the future economic benefits from these contracts are sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific performance indicators that could trigger variable consideration, or service credits. Where a contract is anticipated to make a loss, these judgements are also relevant in determining whether or not an onerous contract provision is required and how this is to be measured.

<u>Pension Costs</u>
The Parent Company and its subsidiaries have funded, noncontributory defined benefit retirement plans, administered by trustees, covering their permanent employees.

Pension cost is actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial valuations are conducted with sufficient regularity, with option to accelerate when significant changes to underlying assumptions occur.

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.

Defined benefit costs comprise the following:

a. service cost;
b. net interest on the net defined benefit liability or asset; and
c. 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 consolidated statements of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries. 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 Philippine 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 consolidated statements of income.

Remeasurements comprising actuarial gains and losses, return on plan assets 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.

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

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 only when reimbursement is virtually certain.

Employee leave entitlement
Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve (12) months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

<u>Income Tax</u>
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 substantively enacted at the financial reporting dates. Effective January 1, 2019, management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

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

Deferred tax liability is recognized for all taxable temporary differences. Deferred tax asset is recognized for all deductible temporary differences, carryforward benefit of unused tax credits from excess minimum corporate income tax (MCIT) and net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward benefit of unused tax credits from MCIT and NOLCO can be utilized. Deferred income tax, however, is not recognized when it arises 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.

The carrying amount of deferred tax asset 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.

Deferred tax asset and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rate and tax laws that have been enacted or substantively enacted at the reporting date.

Foreign Currency Transactions

The Group's consolidated financial statements are presented in Philippine peso, which is also the Group's functional currency. Each entity within the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions denominated in foreign currency are recorded using the exchange rate prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated using the closing exchange rates prevailing at reporting date. Nonmonetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. All foreign exchange difference are taken to the consolidated statements of income.

Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on the Group's business segments is presented in Note 35.

Borrowing Costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets (included in "Real estate inventories" and "Investment properties" accounts in the consolidated statement of financial position). Capitalization ceases when pre-selling of real estate inventories under construction commences. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The interest capitalized is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amounts capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investment.

The capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalized on the purchase cost of a site of property acquired specifically for redevelopment but only where activities necessary to prepare the asset for redevelopment are in progress.

Provisions

Provisions are recognized when the Group has: (a) a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. 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. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the receipt of the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of comprehensive income, net of any reimbursement.

Provision for product warranties

Provision for product warranties are recognized when sale of the related products are consummated. The best estimate of the provision is recorded based on three (3) year warranty coverage provided by the Group as part of the sold product. Reversals are made against provision for the expired portion.

Leases

Group as lessee

The Group assesses at contract inception whether a contract is, or contains a lease. A contract contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and ROU assets representing the right to use the underlying assets.

ROU assets

The Group recognizes ROU assets (included in ‘Property and Equipment’) at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets 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 and lease payments made at or before the commencement date less any lease incentives received.

ROU assets are depreciated on a straight line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

	Years
Land	50
Office space	2 to 3

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 (included in ‘Other current liabilities’ and ‘Other noncurrent liabilities’). In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest (included in ‘Interest expense’) 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 or a change in the lease payments (Note 30).

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of office spaces (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 other equipment that are considered to be of low value (i.e., those with value of less than ₱250,000). Lease payments on short-term leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

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 the leased asset is generally applied against the guaranty deposit of the lessee when the lessee decides to buy the leased asset.

Earnings Per Share
Basic earnings per share is calculated by dividing the net income for the year attributable to the owners of the Parent Company by the weighted average number of common shares outstanding during the year, after considering the retroactive effect of stock dividend declaration, if any.

Diluted earnings per share attributable to owners of the Parent Company is calculated in the same manner assuming that, the weighted average number of common shares outstanding is adjusted for potential common shares from the assumed exercise of dilutive instruments.

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

Events After Financial Reporting Date
Post year-end events that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

Standards Issued But Not Yet Effective
The list below 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 standards and interpretations to have significant impact on its consolidated financial statements.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*
  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

- Amendments to PAS 16 , *Plant and Equipment: Proceeds before Intended Use*
  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

  The amendment are effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

- Amendments to PAS 37, *Onerous contract – Costs of fulfilling a contract*
  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- *Annual Improvements to PFRSs 2018-2020 Cycle*
  - Amendments to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards, Subsidiary as a first-time adopter*
    The amendments permit a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

  - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition financial liabilities*
    The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

- o Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*
  The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

  An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022, with early adoption permitted.

Effective beginning on or after January 1, 2023

- Amendments to PAS 12, *Income Taxes, Deferred tax related to assets and liabilities arising from a single transaction*
  The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

  The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

  An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods beginning on or after January 1, 2023.

- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of accounting estimates*
  The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

  An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023, with early adoption permitted.

- Amendments to PAS 1, *Presentation of Financial Statements, and* PFRS Practice Statement 2, *Disclosure of Accounting Policies*
  The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:
  - o Replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies; and
  - o Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of liabilities as current or non-current*
  The amendments clarify paragraphs 69 to 76 of PAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
  - What is meant by a right to defer settlement;
  - That a right to defer must exist at the end of the reporting period;
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024.

Effective beginning on or after January 1, 2025

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

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:
  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

  On December 15, 2021, the Financial Reporting Standards Council (FRSC) amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission, which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

Deferred effectivity

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

  On January 13, 2016, the FRSC deferred the original effective date of January 1, 2016 of the said amendments until the IASB completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

- Deferral of Certain Provisions of PIC Q&A 2018-12, *PFRS 15 Implementation Issues Affecting the Real Estate Industry* (as amended by PIC Q&As 2020-02 and 2020-04)
On February 14, 2018, the PIC issued PIC Q&A 2018-12 which provides guidance on some PFRS 15 implementation issues affecting the real estate industry. On October 25, 2018 and February 8, 2019, the Philippine SEC issued SEC MC No. 14-2018 and SEC MC No. 3-2019, respectively, providing relief to the real estate industry by deferring the application of certain provisions of this PIC Q&A for a period of three years until December 31, 2020. On December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020 which further extended the deferral of certain provisions of this PIC Q&A until December 31, 2023. The PIC Q&A provisions covered by the SEC deferral that the Group availed in 2021 follows:

	Deferral Period
Assessing if the transaction price includes a significant financing component as discussed in PIC Q&A 2018-12-D (as amended by PIC Q&A 2020-04)	Until December 31, 2023

The SEC Memorandum Circulars also provided the mandatory disclosure requirements should an entity decide to avail of any relief. Disclosures should include:

a. The accounting policies applied.
b. Discussion of the deferral of the subject implementation issues in the PIC Q&A.
c. Qualitative discussion of the impact on the financial statements had the concerned application guidelines in the PIC Q&A been adopted.
d. Should any of the deferral options result in a change in accounting policy (e.g., when an entity excludes land and/or uninstalled materials in the POC calculation under the previous standard but opted to include such components under the relief provided by the circular), such accounting change will have to be accounted for under PAS 8, i.e., retrospectively, together with the corresponding required quantitative disclosures.

After the deferral period, real estate companies would have to adopt PIC Q&A No. 2018-12 and any subsequent amendments thereto retrospectively or as the SEC will later prescribe.

The Group availed of the SEC relief on the accounting for significant financing component of PIC Q&A 2018-12-D. Had this provision been adopted, the mismatch between the POC of the real estate projects and the schedule of payments provided for in the contract to sell which constitutes a significant financing component should be accounted for. The accounting guidance should have been applied retrospectively and would have resulted in restatement of prior year financial statements. Adoption of this guidance would have impacted interest income, interest expense, revenue from real estate sales, installment contracts receivable, contract assets, provision for deferred income tax, deferred tax asset or liability for all years presented, and the opening balance of retained earnings.

As of December 31, 2021, the Group is quantifying the impact of the adoption of PIC Q&A No. 2018-12-D.

3. Management's Judgments and Use of Estimates

The preparation of the consolidated financial statements in compliance with PFRSs requires the Group's management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of reporting date. Actual results could differ from such estimates.

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

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Accounting for redemption of shares in Property Company of Friends, Inc. (PCFI)

In assessing whether the Group has lost control over PCFI, the Group considers if the following factors are still present: (a) power over the investee, (b) exposure, or rights, to variable returns from its involvement with the investee; and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The Group assessed that it lost control over PCFI upon the signing of redemption agreement, combined with the approval of the transaction by the Philippine Competition Commission. See Note 12 for the details of the transaction.

Assessment of control over investees

The determination on whether the Group has control over an investee requires significant judgment. For this, the Group considers the following factors: (a) power over the investee, (b) exposure, or rights, to variable returns from its involvement with the investee; and (c) the ability to use its power over the investee to affect the amount of the investor's returns. In assessing whether the Group has power over the investee, the Group assesses whether it has existing rights that give it the current ability to direct the relevant activities of the investee.

Joint arrangements

The Group has investments in joint arrangements. The Group has joint control over these arrangements as under the contractual arrangements, unanimous consent is required from all the parties to the agreements for all relevant activities.

Determination of significant influence over another entity
The determination of significant influence over another entity, other than the rebuttable presumption of ownership over twenty percent (20.0%), requires significant judgment. In making judgment, the Group evaluates existence of the following:

- representation on the BOD or equivalent governing body of the investee;
- participation in policy-making processes, including participation in decisions about dividends or other distributions;
- material transactions between the entity and its investee;
- interchange of managerial personnel; or
- provision of essential technical information.

As at December 31, 2021 and 2020, the Group determined that it exercises significant influence over MPIC in which it holds 16.30% and 15.98 % ownership interest, respectively. Although the Group holds less than 20.0% of the ownership interest and voting rights in MPIC, the Group considers that it exercises significant influence through its entitlement to nominate at least two (2) out of fifteen (15) directors of MPIC. The Parent Company is also entitled to nominate one (1) out of three (3) members in each of the Audit Committee (AC), Risk Management Committee (RMC) and Finance Committee (FC) of MPIC.

The combination of the Parent Company's 16.30% ownership over MPIC and the representation in the BOD, AC, RMC and FC of MPIC provides the Parent Company with the ability to exercise significant influence over the operating and financial policies of MPIC. Accordingly, the Parent Company accounted for its investment in MPIC as an associate using the equity method of accounting.

Revenue and cost recognition
Selecting an appropriate revenue recognition method for a particular real estate sale transaction requires certain judgments based on, among others:

- buyer's initial payments in relation to the total contract price (or buyer's equity); and
- stage of completion of the project.

Existence of a contract
The Group's primary document for a contract with a customer is a signed contract to sell. It has determined, however, that in cases wherein contract to sell are not signed by both parties, the combination of its other signed documentation such as reservation agreement, official receipts, buyers' computation sheets and invoices, would contain all the criteria to qualify as contract with the customer under PFRS 15.

In addition, part of the assessment process of the Group before revenue recognition is to assess the probability that the Group will collect the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity considers the significance of the customer's initial payments in relation to the total contract price. Collectability is also assessed by considering factors such as past history with the customer, age and pricing of the property. Management regularly evaluates the historical cancellations and back-outs if it would still support its current threshold of customers' equity before commencing revenue recognition.

Revenue recognition method and measure of progress
The Group concluded that revenue for real estate sales is to be recognized over time because: (a) the Group's performance does not create an asset with an alternative use and; (b) the Group has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Group's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date. In addition, the Group requires a certain percentage of buyer's payments of total selling price (buyer's equity), to be collected as one of the criteria in order to initiate revenue recognition. Reaching this level of collection is an indication of buyer's continuing commitment and the probability that economic benefits will flow to the Group. The Group considers that the initial and continuing investments by the buyer of about 10% would demonstrate the buyer's commitment to pay.

The Group has determined that output method used in measuring the progress of the performance obligation faithfully depicts the Group's performance in transferring control of real estate development to the customers.

Definition of default and credit-impaired financial assets
The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria - for installment contracts receivable, the customer receives a notice of cancellation and does not continue the payments.

Qualitative criteria
The customer meets unlikeliness to pay criteria, which indicates the customer is in significant financial difficulty. These are instances where:
a. The customer is experiencing financial difficulty or is insolvent
b. The customer is in breach of financial covenant(s)
c. An active market for that financial assets has disappeared because of financial difficulties
d. Concessions have been granted by the Group, for economic or contractual reasons relating to the customer's financial difficulty
e. It is becoming probable that the customer will enter bankruptcy or other financial reorganization

The criteria above have been applied to the financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) throughout the Group's expected loss calculation.

Incorporation of forward-looking information
The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

To do this, the Group considers a range of relevant forward-looking macro-economic assumptions for the determination of unbiased general industry adjustments and any related specific industry adjustments that support the calculation of ECLs. Based on the Group's evaluation and assessment and after taking into consideration external actual and forecast information, the Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies, monetary authorities and selected private-sector and academic institutions.

The base case represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Group has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Operating lease commitments - Group as lessor
The Group entered into commercial property leases on its retail mall, investment properties and certain units of its real estate projects to different parties for a specific amount depending on the lease contracts. The Group has determined that based on the evaluation of the terms and conditions of the arrangements (i.e., the lease does not transfer the ownership of the asset to the lessee by the end of the lease term, the lessee has no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option is exercisable, and the lease term is not for the major part of the asset's economic life), that it retains all significant risks and rewards of ownership of these properties and so accounts for the contracts as operating leases.

Distinction between investment properties and owner-occupied properties
The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to the other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions cannot be sold separately as of financial reporting date, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

Contingencies
The Group is currently involved in a few legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that these proceedings will have a material effect on the Group's financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings.

Allocation of costs and expenses
Costs and expenses are classified as exclusive and common. Exclusive costs such as raw materials and direct labor are charged directly to the product line. Common costs and expenses are allocated using sales value.

Discontinued operations
The Group determined that the redemption of shares, equivalent to 51% ownership interest, by PCFI will qualify for presentation of the former subsidiary as discontinued operations since it represents a separate line of business and the operations and cash flows of PCFI can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Group (Note 12).

<u>Management's Use of Estimates</u>
The key assumptions concerning the future and other key sources of estimation and uncertainty at the financial reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Revenue recognition
The Group's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenues and costs. The Group's revenue from real estate sales recognized based on the percentage of completion are measured principally on the basis of the estimated completion of a physical proportion of the contract work, and by reference to the actual costs incurred to date over the estimated total costs of the project. The estimation of the total cost of the real estate project requires technical inputs from project development engineers.

The carrying amount of installment contracts receivables is disclosed in Note 5. The Group recognized real estate sales in 2021, 2020 and 2019 amounting to ₱5.62 billion, ₱7.63 billion and ₱7.98 billion, respectively.

Evaluating net realizable value of inventories
Inventories are valued at the lower of cost and net realizable value. The Group reviews its inventory to assess NRV at least annually. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized.

Real estate inventories
The Group adjusts the cost of its real estate inventories to net realizable value based on its assessment of the recoverability of the inventories. In determining the recoverability of the inventories, management considers whether those inventories are damaged or if their selling prices have declined. Likewise, management also considers whether the estimated costs of completion or the estimated costs to be incurred to make the sale have increased. The amount and timing of recorded expense for any period would differ if different judgments were made or different estimates were utilized.

Estimating the useful life of non-financial assets
The Group determines the EUL of its intangibles assets based on the period over which the assets are expected to be available for use. The Group reviews annually the EUL of property and equipment, investment properties and intangible assets based on factors that include asset utilization, internal technical evaluation, and anticipated use of the assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the EUL of intangible assets would increase the recorded amortization expense.

Customer relationship pertains to Toyota's contractual arrangements with its top dealer customers which lay out the principal terms upon which its dealers agree to do business. Management assessed the useful life of the customer relationship to be indefinite since management is of the view that there is no foreseeable limit to the period over which the customer relationship is expected to generate net cash inflows to Toyota.

The said assessment is based on the track record of stability for the auto industry and the Toyota brand. Added to this is the commitment of management to continue to invest for the long term, to extend the period over which the intangible asset is expected to continue to provide economic benefits.

The carrying values of investment properties, property and equipment and customer relationship are disclosed in Notes 9, 11 and 13, respectively.

Evaluating impairment of non-financial assets
The Group reviews input VAT, investments in associates and joint ventures, investment properties, creditable withholding tax, property and equipment, customer relationship, and other noncurrent assets for impairment. This includes considering certain indications of impairment such as significant changes in asset usage, significant decline in assets' market value, obsolescence or physical damage of an asset, plans in the real estate projects, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends.

As described in the accounting policy, the Group estimates the recoverable amount as the higher of the FVLCTS and VIU. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that may affect investments in associates and joint ventures, and property and equipment.

The Group considers the significant or prolonged decline in the quoted market price of MBTC and MPIC as an indicator of impairment. Accordingly, the Group conducted an impairment assessment of its investments in MBTC and MPIC. The Group uses the higher of FVLCTS and VIU in determining the recoverable amount. The recoverable amount of the investment in MBTC has been determined based on the discounted cash flow methodology while that of MPIC is determined based on the sum of the parts of the VIU and FVLCTS of the MPIC Group. Based on the Group's impairment testing, the investments in MBTC and MPIC are determined to be not impaired.

The carrying values of input VAT and creditable withholding taxes, investments in associates and joint ventures, investment properties, property and equipment, customer relationship, and other noncurrent assets are disclosed in Notes 7, 8, 9, 11, 13 and 14, respectively.

Impairment of goodwill and intangible assets with indefinite useful life
The Group conducts an annual review for any impairment in the value of goodwill and intangible assets with indefinite useful life (i.e., customer relationship). Goodwill is written down for impairment when the net present value of the forecasted future cash flows from the business is insufficient to support its carrying value. The Group estimates key inputs such as discounted future cash flows forecasts, expected gross margins, discount rates and long-term growth rates. The Group uses the weighted average cost of capital in discounting the expected cash flows from specific CGUs.

Refer to Note 13 for the details regarding the carrying values of the Group's goodwill and intangible assets as well as details regarding the impairment review and assessment.

Recognition of deferred tax assets
The Group reviews the carrying amounts of deferred taxes at each reporting date and reduces deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. However, there is no assurance that the Group will generate sufficient taxable profit to allow all or part of deferred income tax assets to be utilized. The Group looks at its projected performance in assessing the sufficiency of future taxable income.

The recognized and unrecognized deferred tax assets on temporary differences of the Group are disclosed in Note 29.

Estimating pension and other retirement benefits
The determination of the obligation and cost of pension and other retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 28 and include among others, discount rates, turnover rates and rates of salary increase. While the Group believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions materially affect retirement obligations. The carrying values of pension asset, liability and expense are disclosed in Note 28.

Fair value of financial instruments
Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility, and correlation.

Provision for product warranties
Estimated warranty costs are provided at the time of sale. The provision is based on the estimated costs of future servicing the products sold, the costs of which are not recoverable from customers. A provision is recognized for expected warranty claims on products sold during the last two (2) years, based on past experience of the level of returns and repairs. It is expected that most of these costs will be incurred in the next financial year and all will be incurred within three (3) years as of the reporting date. Provision for product warranty is disclosed in Note 20.

4. Cash and Cash Equivalents

This account consists of:

	2021	2020
Cash on hand	**₱34**	₱23
Cash in banks and other financial institutions (Note 27)	**4,469**	5,394
Cash equivalents (Note 27)	**12,901**	11,697
	₱17,404	₱17,114

Cash in banks earns interest at the prevailing bank deposit rates. Cash equivalents are made for varying periods of up to three months depending on the immediate cash requirements of the Group, and earn interest at the prevailing interest rates ranging from 0.05% to 1.25% in 2021, from 0.125% to 3.75% in 2020, and from 0.05% to 6.70% in 2019 (Notes 23 and 27).

5. **Receivables**

This account consists of:

	2021	2020
Trade receivables	**₱11,132**	₱15,345
Loans receivable (Note 27)	**5,618**	7,219
Accrued rent and commission income (Note 27)	**1,230**	1,306
Nontrade receivables (Note 27)	**1,051**	1,289
Accrued interest receivable (Note 27)	**434**	185
Installment contracts receivables	**335**	347
Management fee receivable (Note 27)	**150**	126
Others (Note 27)	**447**	485
	20,397	26,302
Less: Allowance for credit losses	**779**	421
	₱19,618	₱25,881

Total receivables shown in the consolidated statements of financial position follow:

	2021	2020
Current portion	**₱15,852**	₱18,833
Noncurrent portion	**3,766**	7,048
	₱19,618	₱25,881

Noncurrent portion are as follows:

	2021	2020
Trade receivables	**₱2,442**	₱3,139
Loans receivable	**1,324**	3,909
	₱3,766	₱7,048

Trade Receivables
Trade receivables pertain to receivables from sale of vehicles and/or parts and services. These are noninterest-bearing and generally have 30 days to one-year term. These also include sale of lots with terms of 60 days to five years. Interest rates used in discounting the receivables on sale of lots range from 2.85% to 3.67% in 2021 and 2020.

Loans Receivable
Loans receivable from various counterparties are as follows:

	2021	2020
Real estate	**₱5,618**	₱4,713
Automotive	–	2,506
	₱5,618	₱7,219

Loans receivable from Cathay International Resources Corp. (CIRC)
In 2012, Federal Land entered into a loan agreement with CIRC. Federal Land agreed to lend to CIRC a total amount of ₱705.00 million with a nominal and effective annual interest rate of 3.15% and 4.81%, respectively. The loan will mature on the tenth year anniversary from the date of execution of the agreement. Federal Land used discounted cash flow analyses to measure the fair

value of the loan. The 'Day 1' difference for this receivable amounted to ₱94.22 million at inception in 2012. Accretion of interest in 2021, 2020 and 2019 amounted to ₱6.05 million, ₱10.56 million and ₱10.05 million, respectively (Note 23).

On June 8, 2015, the Board of Federal Land approved the conversion of this receivable to equity in exchange for the common shares of CIRC. Federal Land is yet to apply with the SEC for the conversion as of report date.

In 2021, Federal Land entered into a loan agreement with CIRC for a total amount of ₱50.00 million with nominal interest rate of 6.00% per annum and maturity date on December 24, 2024.

The outstanding balance of long-term loans receivable from CIRC as of December 31, 2021 and 2020 amounted to ₱743.41 million and ₱687.36 million, respectively (Note 27).

Loans receivable from Multi Fortune Holdings, Inc. (MFHI)
In 2021, Federal Land entered into several loan agreements with MFHI. Federal Land agreed to lend to MFHI a total of ₱299.00 million with nominal interest rates ranging from 4.33% to 5.54% per annum and maturity date on December 15, 2031.

In 2020, Federal Land entered into several loan agreements with MFHI. Federal Land agreed to lend to MFHI an aggregate amount of ₱290.00 million payable in 2025 with nominal interest rates ranging from 5.25% to 5.95% per annum.

In 2019, Federal Land entered into a new loan agreement with MFHI. Federal Land agreed to lend to MFHI a total amount of ₱135.00 million with nominal interest rates ranging from 6.06% to 6.60% annually. The loan will mature on the fifth year anniversary of the execution.

In 2017, Federal Land entered into a loan agreement with MFHI. Federal Land agreed to lend to MFHI a total amount of ₱290.00 million with nominal interest rate of 6.60% annually. The loan will mature on the fifth year anniversary of the execution.

Interest income earned in 2021, 2020, and 2019 amounted to ₱45.72 million, ₱31.66 million, and ₱27.64 million, respectively (Note 23).

The total outstanding balance of long-term loans receivables from MFHI as of December 31, 2021 and 2020 amounted to ₱1.01 billion and ₱0.71 billion, respectively.

Loans receivable from Bonifacio Landmark Realty and Development Corporation (BLRDC)
In 2021, Federal Land entered into several loan agreements with BLRDC to lend BLRDC for a total of ₱550.00 million with nominal interest rate of 5.25% and maturity date on August 25, 2028. Interest income earned in 2021 amounted to ₱10.49 million.

In 2020, Federal Land entered into several loan agreements with BLRDC to lend BLRDC for a total of ₱3.31 billion with nominal interest rates ranging from 5.00% to 5.25% and terms of less than one year. Interest income earned amounted to ₱169.56 million and ₱14.04 million in 2021 and 2020, respectively.

Loans receivables of TMPC to local companies
In 2019, TMPC entered into loan agreements with local companies. The loans bear fixed interest rate of 4.00% and is payable for a period of three (3) years up to December 2, 2022. In 2020, additional loans amounting to ₱88.87 million were granted. These loans were settled in 2021. The outstanding

balance of long-term loans receivable as of December 31, 2021 and 2020 amounted to nil and ₱2.51 billion, respectively.

Nontrade Receivables
Nontrade receivables mainly consist of vehicle acquisition plan loans extended to employees which are collectible within one year and expenses of the affiliates which were advanced by the Group (Note 27).

Accrued Rent and Commission Income
Accrued rent pertains to tenants' rentals and their share in utilities (electricity, water and liquefied petroleum gas) and other charges to customers (Note 27). Commission income pertains to commission earned from sale of real estate properties (Note 27).

Installment Contracts Receivables
Installment contracts receivables pertain to receivables from the sale of residential and condominium units. Titles to the sold residential and condominium units are transferred to the buyers only upon full payment of the contract price.

The details of installment contracts receivables and contract assets follow:

	2021	2020
Installment contracts receivables	**₱338**	₱351
Less: Unearned interest income	**3**	4
	335	347
Less: Noncurrent portion	**–**	–
Current portion	**₱335**	₱347

Installment contracts receivables are collected over a period of one to 10 years. The fair value upon initial recognition for Federal Land is derived using the discounted cash flow methodology using discount rate of 8.00% in 2021 and 2020.

Movements in the unearned interest income in 2021 and 2020 follow:

	2021	2020
Balance at beginning of year	**₱4**	₱4
Additions	**1**	1
Accretion (Note 23)	**(2)**	(1)
Balance at end of year	**₱3**	₱4

Management Fee Receivables
Management fee receivables pertain to management fee being charged by the real estate businesses for the conduct of relevant studies for the maintenance, upkeep and improvement of real estate properties and equipment of associates and affiliated companies (Note 27).

Others
Other receivables include receivable from employees and retention, bond and guarantee fee receivables (Note 27).

Allowance for Credit Losses

Changes in the allowance for credit losses on receivables are as follows:

	December 31, 2021		
	Trade Receivables	**Other Receivables**	**Total**
Balance at beginning of year	**₱234**	**₱187**	**₱421**
Provision for (reversal of provision for) credit losses - net (Note 26)	**(6)**	**364**	**358**
Balance at end of year	**₱228**	**₱551**	**₱779**

	December 31, 2020		
	Trade Receivables	Other Receivables	Total
Balance at beginning of year	₱6	₱178	₱184
Provision for credit losses - net (Note 26)	228	9	237
Balance at end of year	₱234	₱187	₱421

6. **Inventories**

This account consists of:

	2021	2020
At cost		
Real estate		
Land and improvements	**₱44,142**	₱42,822
Condominium units held for sale	**13,738**	11,710
Construction in progress	**6,926**	4,552
Gasoline retail and petroleum products (Note 24)	**10**	7
Food (Note 24)	**5**	5
Automotive		
Finished goods	**3,046**	7,637
Work-in-process	**28**	16
Raw materials	**5,043**	4,222
Raw materials in transit	**4,785**	2,784
	77,723	73,755
At NRV		
Automotive		
Spare parts	**1,094**	980
	₱78,817	₱74,735

A summary of movements in real estate inventories (excluding gasoline retail and petroleum products, and food) follows:

	2021			
	Land and improvements	**Condominium units held for sale**	**Construction in progress**	**Total**
Balance at beginning of year	**₱42,822**	**₱11,710**	**₱4,552**	**₱59,084**
Construction and development costs incurred	**1,116**	**4,326**	**2,307**	**7,749**
Land acquired during the year	**114**	**–**	**–**	**114**
Borrowing costs capitalized	**188**	**16**	**508**	**712**
Cost of sales during the year	**(98)**	**(2,890)**	**(135)**	**(3,123)**
Transfers from construction in progress to condominium units for sale	**–**	**204**	**(204)**	**–**
Transfers from investment properties (Note 9)	**–**	**372**	**(102)**	**270**
Balance at end of year	**₱44,142**	**₱13,738**	**₱6,926**	**₱64,806**

	2020			
	Land and improvements	Condominium units held for sale	Construction in progress	Total
Balance at beginning of year	₱43,115	₱12,940	₱4,744	₱60,799
Construction and development costs incurred	18	790	1,744	2,552
Land acquired during the year	427	–	–	427
Borrowing costs capitalized	315	–	327	642
Cost of sales during the year	(1,053)	(2,931)	(136)	(4,120)
Transfers from construction in progress to condominium units for sale	–	911	(911)	–
Transfers to investment properties (Note 9)	–	–	(1,216)	(1,216)
Balance at end of year	₱42,822	₱11,710	₱4,552	₱59,084

Federal Land’s capitalized borrowing costs in its real estate inventories amounted to ₱0.21 billion and ₱0.64 billion in 2021 and 2020, respectively, for loans specifically used to finance Federal Land’s project construction with interest rates ranging from 3.25% to 6.71%, from 4.50% to 6.71%, and from 3.00% to 6.71% in 2021, 2020 and 2019, respectively. Also, Federal Land’s capitalized borrowing costs in respect of its general borrowing amounted to ₱505.12 million and ₱21.53 million in 2021 and 2020, respectively. The average capitalization rate used to determine the amount of borrowing costs eligible for capitalization ranged from 3.10% to 5.57% and from 5.05% to 6.26% in 2021 and 2020, respectively.

Inventories charged to operations follow:

	2021	2020	2019
Cost of goods and services sold (Note 24)	**₱102,959**	₱76,479	₱133,943
Cost of goods manufactured and sold (Note 25)	**32,111**	23,554	36,819
Cost of real estate sales	**3,123**	4,120	5,340
	₱138,193	₱104,153	₱176,102

The cost of the inventories carried at NRV amounted to ₱1.24 billion and ₱1.12 billion as of December 31, 2021 and 2020, respectively.

Allowance for inventory write-down on automotive spare parts inventories follow:

	2021	2020
Balance at beginning of year	**₱141**	₱113
Provision for inventory write-down (Note 26)	**9**	42
Reversal	**(2)**	–
Write-off of scrap inventories	**(5)**	(14)
Balance at end of year	**₱143**	₱141

7. Prepayments and Other Current Assets

This account consists of:

	2021	2020
Input VAT	**₱4,308**	₱3,947
Safeguard bonds	**2,551**	–
Creditable withholding taxes (CWT)	**2,201**	1,572
Advances to contractors and suppliers	**1,706**	2,627
Assets held for sale (Note 19)	**1,127**	539
Prepaid expenses (Note 21)	**1,003**	1,009
Ad-valorem tax	**686**	1,378
Short-term investments (Note 27)	**136**	1,248
Advances to officers, employees and agents (Note 27)	**56**	51
Others	**296**	9
	₱14,070	₱12,380

Input VAT arises from the Group's purchases of goods and services and will be applied against output VAT on sales in the succeeding periods.

Safeguard bonds represent payments made by Toyota to the Bureau of Customs for the provisional safeguard duties on imported vehicles in line with Department Administrative Order No. 20-11 of the Department of Trade and Industry. The imposition of the said provisional duties was dismissed in August 2021 and the above-mentioned amount is pending for refund to Toyota.

CWT is attributable to taxes withheld by third parties arising from service fees, real estate revenue, auto sales and rental income.

Advances to contractors and suppliers pertain to the Group's advances and initial payments for the purchase of construction materials and supplies and contractor services. These are liquidated every progress billing payment and will be due and demandable upon breach of contract.

On February 24, 2020, Federal Land's BOD approved the plans to transfer The Grand Midori - Ortigas Project (TGMO) to FLOC, a subsidiary of Federal Land. In the last quarter of 2020, Federal Land provided notice to its customers that there will be a change in the developer of TGMO. Accordingly, subject to the approval of relevant government regulatory agencies, the project owner and developer of TGMO will be changed to FLOC. The process of transferring ownership of the property and the issuance of license to sell to FLOC is not yet completed as of December 31, 2021. As a result, all assets and liabilities consisting of installment contracts receivables, real estate inventories, contract liabilities and other payables associated to TGMO were reclassified as assets held for sale and liabilities directly associated with assets held for sale (Note 19).

Prepaid expenses mainly include prepayments for supplies, commission, taxes and licenses, rentals, and insurance.

Ad-valorem tax represents advance payments to the Bureau of Internal Revenue (BIR). This is applied against taxes on the manufacture and importation of vehicles which generally occurs within one year from the date the ad-valorem taxes are paid.

Advances to officers and employees amounting to ₱46.79 million and ₱42.15 million as of December 31, 2021 and 2020, respectively, pertain mainly to cash advances for business-related expenses. Advances to officers and employees are liquidated within 30 days after incurrence of expense. Cash advances to agents amounting to ₱9.31 million and ₱9.06 million as of December 31, 2021 and 2020, respectively, pertain to mobilization funds granted to agents to finance their sales-related needs. These advances are subject to liquidation within 30 days after the release of cash advance.

Short-term investments pertain to time deposit placements in an affiliated bank, with interest rates ranging from 0.05% to 0.63% and maturity of less than 12 months (Note 27).

Others include deferred import charges, marginal deposits set aside for payment to the contractors and suppliers, security deposit for operating leases, ancillary services, and deposit for purchase of external services and materials.

8. Investments and Advances

This account consists of:

	2021	2020
Investments in associates	**₱166,620**	₱166,804
Investments in joint ventures	**19,567**	17,903
Advances	**–**	50
	₱186,187	₱184,757

There were no impairment losses for any of these investments in 2021 and 2020.

The movements in the Group's investments in associates follow:

	2021	2020
Cost		
Balance at beginning of year	**₱112,319**	₱111,072
Acquisitions/additional investments during the year	**–**	1,247
Balance at end of year	**112,319**	112,319
Accumulated equity in net income		
Balance at beginning of year	**68,589**	61,993
Equity in net income for the year	**10,430**	6,600
Amortization of FV increment on net asset	**(200)**	(3)
Elimination during the year	**–**	(1)
Recognition of previously deferred gain*	**422**	–
Balance at end of year	**79,241**	68,589

(Forward)

	2021	2020
Dividends received		
Balance at beginning of year	**(₱14,360)**	(₱11,631)
Dividends received during the year	**(7,849)**	(2,729)
Balance at end of year	**(22,209)**	(14,360)
Accumulated equity in other comprehensive income (loss)		
Balance at beginning of year	**(1,429)**	(2,513)
Equity in fair value changes on financial assets at FVOCI for the year	**(4,486)**	1,959
Equity in translation adjustments	**720**	(241)
Equity in remeasurement on life insurance reserves	**236**	(364)
Equity in net unrealized gain (loss) on remeasurement of defined benefit plans	**564**	(291)
Equity in other equity adjustments	**(21)**	21
Balance at end of year	**(4,416)**	(1,429)
Effect of elimination of intragroup profit		
Balance at beginning of year	**1,685**	1,684
Elimination during the year	**–**	1
Balance at end of year	**1,685**	1,685
	₱166,620	₱166,804

** Pertains to intercompany sale of lots in 2014 and 2015, which were subsequently sold to third parties in 2021*

The movements in the Group's investments in joint ventures follow:

	2021	2020
Cost		
Balance at beginning of year	**₱16,605**	₱15,805
Additional investments during the year	**1,009**	800
Balance at end of year	**17,614**	16,605
Accumulated equity in net income		
Balance at beginning of year	**2,388**	2,629
Equity in net income (loss) for the year	**413**	(241)
Balance at end of year	**2,801**	2,388
Dividends received		
Balance at beginning of year	**(62)**	(26)
Dividends received during the year	**(8)**	(36)
Balance at end of year	**(70)**	(62)
Accumulated equity in other comprehensive income (loss)		
Balance at beginning of year	**(317)**	(205)
Equity in net unrealized gain (loss) on remeasurement of defined benefit plans	**(2)**	3
Equity in cash flow hedge reserve	**149**	(115)
Balance at end of year	**(170)**	(317)
Effect of elimination of intragroup profit (loss)		
Balance at beginning of year	**(711)**	(749)
Recognition of deferred gain	**103**	38
Balance at end of year	**(608)**	(711)
	₱19,567	₱17,903

Details regarding the Group's associates and joint ventures follow:

	Nature of Business	Country of Incorporation	2021	2020
Associates:				
MBTC	Banking	Philippines	**37.15**	37.15
MPIC	Infrastructure	-do-	**16.30**	15.98
Phil AXA	Insurance	-do-	**25.33**	25.33
Crown Central Properties Corporation (CCPC)	Real estate	-do-	**48.00**	48.00
Joint ventures:				
BLRDC*	Real estate	-do-	**70.00**	70.00
North Bonifacio Landmark Realty and Development Inc. (NBLRDI)*	-do-	-do-	**70.00**	70.00
Sunshine Fort North Bonifacio Realty and Development Corporation (Sunshine Fort)*	-do-	-do-	**60.00**	60.00
HSL South Food Inc. (HSL)*	-do-	-do-	**60.00**	60.00
Sunshine Fort North Bonifacio Commercial Management Corporation (SFNBCMC)*	-do-	-do-	**51.00**	51.00
Alveo Federal Land Communities, Inc. (AFLCI)	-do-	-do-	**50.00**	50.00
ST 6747 Resources Corporation (STRC)	-do-	-do-	**50.00**	50.00
Pasay Hong Kong Realty Dev't Corp. (PHRDC)	-do-	-do-	**50.00**	50.00
Mitsukoshi Federal Retail, Inc. (MFRI)	-do-	-do-	**40.00**	–
TFSPC	Financing	-do-	**40.00**	40.00
SMFC	-do-	-do-	**20.00**	20.00

** Federal Land does not exercise control at more than 51% ownership over these joint ventures (JV) entities, but instead exercises joint control as Federal Land and the JV partners have contractually agreed to share control over the relevant economic activities of the JV entities.*

The following table summarizes cash dividends declared and paid by the Group's associates and joint ventures (amount in millions, except for dividend per share):

	Declaration Date	Per Share	Total	Record Date	Payment Date
2021					
MBTC	February 17, 2021	₱1.00	₱4,497	March 5, 2021	March 18, 2021
MBTC*	February 17, 2021	3.00	13,492	March 5, 2021	March 18, 2021
MPIC	March 3, 2021	0.0481	1,475	March 18, 2021	March 31, 2021
MPIC*	March 3, 2021	0.0279	856	March 18, 2021	March 31, 2021
SMFC	June 25, 2021	1.93	39	July 12, 2021	July 21, 2021
MPIC	August 4, 2021	0.0345	1,057	August 18, 2021	September 2, 2021
Phil AXA	December 9, 2021	247.00	2,470	November 30, 2021	December 17, 2021

**Special cash dividends*

	Declaration Date	Per Share	Total	Record Date	Payment Date
2020					
MBTC	February 19, 2020	₱1.00	₱4,497	March 6, 2020	March 20, 2020
MPIC	February 26, 2020	0.076	2,399	March 12, 2020	March 20, 2020
SMFC	June 26, 2020	8.88	178	June 26, 2020	July 17, 2020
MPIC	August 5, 2020	0.0345	1,082	August 20, 2020	September 3, 2020
Phil AXA	November 16, 2020	207.00	2,070	November 16, 2020	December 23, 2020

Investment in MBTC

In 2020, the Parent Company's ownership interest in Metrobank increased from 36.65% to 37.15% after acquiring an aggregate of 22.11 million common shares of Metrobank for a total consideration of ₱1.25 billion.

Investment in MPIC
On May 27, 2016, the Parent Company subscribed to 3.60 billion common shares of MPIC for a total subscription price of ₱21.96 billion. On the same day, the Parent Company entered into a Sale and Purchase Agreement with Metro Pacific Holdings, Inc. (MPHI), with the Parent Company as the buyer and MPHI as the seller of 1.30 billion common shares of MPIC for a total consideration of ₱7.94 billion. On August 5, 2016, the SEC approved the increase in the authorized capital stock of MPIC. As a result, the Parent Company's ownership interest is 15.55% of the issued and outstanding capital stock of MPIC.

In relation to the acquisition, the Parent Company capitalized advisory fees and other professional fees amounting to ₱0.24 billion and ₱0.04 billion, respectively, as part of the cost of the investment.

Based on the final purchase price allocation relating to the Parent Company's acquisition of investment in MPIC, the difference of ₱7.41 billion between the Parent Company's share in the carrying values of MPIC's specific identifiable assets and liabilities and total cost of the Parent Company's investment was allocated to the Parent Company's share in the difference between the fair values and carrying values of MPIC's specific and identifiable assets and liabilities amounting to ₱4.68 billion and the remaining balance of ₱2.73 billion for goodwill.

Investment in BLRDC
On June 8, 2012, Federal Land and Orix Risingsun Properties II, Inc. (ORPI) entered into a joint venture agreement for the creation of BLRDC, with Federal Land owning 70% and ORPI owning 30% to develop three (3) main projects, namely (1) residential condominium project, (2) hotel/office building, and (3) operation of the hotel.

Investment in NBLRDI
On June 14, 2018, Federal Land entered into a Joint Venture Agreement with ORPI to incorporate a joint venture company, NBLRDI, in which Federal Land held 70% equity interest. The agreement was entered to develop Grand Hyatt Residences Tower II.

Investment in Sunshine Fort
On July 3, 2017, the Federal Land entered into a Joint Venture Agreement with NREMI Development Company (NRE) to incorporate a joint venture company in which Federal Land held 60% equity interest. In 2017, Federal Land made an initial investment amounting to ₱288.75 million. In 2018, Federal Land made additional investments amounting to ₱4.33 billion.

Investment in AFLCI
On April 29, 2015, Federal Land and Alveo Land Corp. executed a joint venture agreement for the organization of a joint venture, AFLCI, to manage the development of a 45-hectare property along Laguna Boulevard in Biñan, Laguna. AFLCI was incorporated on June 16, 2015. An initial investment amounting to ₱574.13 million was reflected as additions to the investments in associates and joint ventures in 2015. In 2016, an additional investment amounting to ₱17.00 million was made.

Investment in STRC
In June 2016, SM Development Corporation (SMDC) entered into an agreement with Federal Land to incorporate a joint venture company, STRC, in which Federal Land holds a 50% stake. STRC will develop a 3,200 square meter property located along Ayala Avenue as a high-end luxury residential tower. An initial investment amounting to ₱250.00 million was reflected as additions to the investments in associates and joint ventures in 2016.

On December 12, 2016, the BOD of Federal Land approved the additional investment in STRC amounting to ₱750.00 million divided into preferred shares in the amount of ₱712.50 million and common shares in the amount of ₱37.50 million. On January 10, 2017, Federal Land has fully paid its subscription to STRC. The percentage of ownership is retained as SMDC also invested an equivalent amount.

In 2018 and 2017, Federal Land made additional investments in STRC amounting to ₱0.47 billion and ₱0.03 billion, respectively.

Investment in TFSPC
On August 29, 2014, the Parent Company signed a Sale and Purchase Agreement with MBTC and Philippine Savings Bank (PSBank), a majority owned subsidiary of MBTC, to purchase their respective shares in TFSPC representing 15.00% and 25.00%, respectively, of ownership interest for an aggregate consideration of ₱2.10 billion.

In 2021, 2020 and 2018, the Parent Company remitted ₱800.00 million, ₱800.00 million and ₱720.00 million, respectively, to TFSPC in response to the latter's equity call upon its stockholders.

Investment in SMFC
On August 11, 2017, the Parent Company acquired 4.0 million common shares, representing 20% ownership in SMFC for a total consideration of ₱379.92 million from PSBank and PSBank Retirement Fund.

In relation to the acquisition, the Parent Company capitalized documentary stamp taxes amounting to ₱1.50 million as part of the cost of the investment.

Fair Value of Investments in Associates and Joint ventures
Phil AXA and CCPC as well as BLRDC, NBLRDI, Sunshine Fort, SFNBCMC, AFLCI, STRC, PHRDC, TFSPC and SMFC are private companies and there are no quoted market prices available for their shares.

As of December 31, 2021 and 2020, the fair values of the Group's investments in PSE-listed entities follow, which are below their respective carrying values (Note 32):

	2021	2020
MBTC	**₱91,048**	₱81,943
MPIC	**19,110**	20,972
	₱110,158	₱102,915

Management considers significant or prolonged decline in the quoted market price of MBTC and MPIC as an indicator of impairment. Accordingly, the Group conducted an impairment assessment of its investments in MBTC and MPIC. The Group uses the higher of FVLCTS and VIU in determining the recoverable amount. Based on the Group's impairment testing, the investments in MBTC and MPIC are determined to be not impaired.

The recoverable amount of the investment in MBTC was based on the VIU of MBTC. The discount rate applied to MBTC cash flow projections is 9.60%. Cash flows beyond the five-year period are extrapolated using a steady growth rate of 3.00%. The calculation of VIU for the MBTC CGU is most sensitive to the assumptions on revenue and terminal growth rates, and discount rate.

The recoverable amount of the investment in MPIC, which is the calculated VIU, was based on the sum-of-the-parts of the VIU and FVLCTS of the MPIC Group. The VIU and FVLCTS calculations for the MPIC CGU are most sensitive to the FVLCTS of its listed associate based on its market price, and the VIU of MPIC's component businesses based on net asset values, cash flow forecasts and applicable discount. Regarding the assessment of the VIU of investments in MBTC and MPIC, management believes that no reasonably possible change in any of the aforementioned assumptions would cause the carrying value of the CGU to exceed their recoverable amount.

The following tables present the carrying values of the Group's material associates:

Investments in MBTC

	2021	2020
Consolidated Statements of Comprehensive Income		
Net interest income, other income and share in net income of associates and joint ventures	**₱101,448**	₱121,900
Expenses and provision for income tax	**79,084**	107,926
Net income	**22,364**	13,974
Other comprehensive income (loss)	**(9,663)**	5,345
Total comprehensive income	**12,701**	19,319
*Consolidated Statements of Financial Position**		
Total assets	**2,502,816**	2,455,163
Total liabilities	**(2,175,084)**	(2,121,988)
Net assets	**327,732**	333,175
Equity attributable to NCI	**(9,227)**	(8,971)
Net assets attributable to common shareholders of MBTC	**318,505**	324,204
GT Capital's ownership interest	**37.15%**	37.15%
GT Capital's share in net assets	**118,325**	120,442
Notional goodwill	**4,162**	4,162
Fair value and other adjustments	**2,974**	2,660
	₱125,461	₱127,264

**MBTC does not present classified consolidated statements of financial position.*

Investments in MPIC

	2021	2020
Consolidated Statements of Comprehensive Income		
Revenues	**₱87,364**	₱86,839
Expenses and provision for income tax	**75,695**	76,592
Net income	**11,669**	10,247
Other comprehensive income (loss)	**4,839**	(4,414)
Total comprehensive income	**16,508**	5,833
Consolidated Statements of Financial Position		
Current assets	**72,412**	142,878
Noncurrent assets	**511,922**	474,918
Current liabilities	**(58,452)**	(115,594)
Noncurrent liabilities	**(289,017)**	(257,855)
Net assets	**236,865**	244,347
Equity attributable to NCI	**(43,561)**	(59,487)

(Forward)

	2021	2020
Net assets attributable to common shareholders of MPIC	**₱193,304**	₱184,860
GT Capital's ownership interest	**16.30%**	15.98%
GT Capital's share in net assets	**31,509**	29,541
Capitalized transaction cost	**277**	277
Notional goodwill	**2,573**	2,727
Fair value and other adjustments	**3,835**	3,921
	₱38,194	₱36,466

The following table presents the carrying values of the Group's material joint ventures:

	2021			2020		
	BLRDC	**TFSPC***	**Sunshine Fort**	BLRDC	TFSPC*	Sunshine Fort
Selected Financial Information						
Cash and cash equivalents	**₱355**	**₱1,265**	**₱1,566**	₱601	₱1,172	₱ 625
Current financial liabilities	**8,053**	**–**	**7,692**	7,951	–	3,122
Non-current financial liabilities	**978**	**–**	**3,103**	–	–	3,954
Financial liabilities	**–**	**107,425**	**–**	–	92,634	–
Depreciation and amortization	**310**	**168**	**28**	298	179	–
Interest income	**25**	**9,375**	**437**	20	7,468	225
Interest expenses	**300**	**4,543**	**309**	376	3,911	259
Income tax expense (benefit)	**(105)**	**347**	**159**	(72)	49	8
Statements of Comprehensive Income						
Revenues	**405**	**10,157**	**2,675**	603	7,542	755
Expenses	**1,544**	**9,077**	**2,148**	805	7,363	468
Net income (loss)	**(1,034)**	**733**	**367**	(759)	130	(4)
Other comprehensive income (loss)	**6**	**310**	–	–	(218)	–
Total comprehensive income (loss)	**(1,028)**	**1,043**	**367**	(759)	(88)	(4)
Statements of Financial Position						
Current assets	**916**	**–**	**16,375**	1,384	–	13,551
Noncurrent assets	**12,541**	**–**	**2,457**	12,005	–	1,091
Total assets	**13,457**	**122,139**	**18,832**	13,389	104,160	14,642
Current liabilities	**(8,068)**	**–**	**(7,692)**	(7,951)	–	(3,122)
Noncurrent liabilities	**(988)**	**–**	**(3,207)**	–	–	(3,953)
Total liabilities	**(9,056)**	**(107,808)**	**(10,899)**	(7,951)	(92,831)	(7,075)
Net assets	**4,401**	**14,332**	**7,933**	5,438	11,329	7,567
GT Capital's ownership interests	**70.00%**	**40.00%**	**60.00%**	70.00%	40.00%	60.00%
GT Capital's share in net assets	**3,081**	**5,733**	**4,760**	3,807	4,532	4,540
Notional goodwill and other adjustments	**220**	**910**	**(188)**	220	894	(186)
	₱3,301	**₱6,643**	**₱4,572**	₱4,027	₱5,426	₱4,354

**TFSPC does not present classified statements of financial position.*

The following table presents the aggregate financial information of the Group's other associates and joint ventures as of and for the years ended December 31, 2021 and 2020:

	2021		2020	
	Associates	**Joint ventures**	Associates	Joint ventures
Statements of Financial Position				
Current assets	**₱222**	18,709	₱185	₱14,751
Non-current assets	**44**	2,782	51	5,908
Total assets*	**177,277**	–	153,915	–
Current liabilities	**73**	4,270	54	6,630
Non-current liabilities	**1**	5,112	–	3,815
Total liabilities*	**165,713**	–	141,849	–

(Forward)

	2021		2020	
	Associates	**Joint ventures**	Associates	Joint ventures
Statements of Comprehensive Income				
Revenues	**₱23,165**	₱5,344	₱18,404	₱3,451
Expenses	**20,072**	3,440	14,283	2,755
Net income	**2,289**	1,305	2,917	492
Other comprehensive income (loss)	**(282)**	114	(517)	(124)
Total comprehensive income	**2,007**	1,419	2,400	368

**Phil AXA does not present classified statements of financial position.*

The aggregate carrying values of the other associates and joint ventures amounted to ₱8.02 billion and ₱7.17 billion as of December 31, 2021 and 2020, respectively.

Limitation on dividend declaration of associates and joint venture

Phil AXA

Section 195 of the Insurance Code provides that a domestic insurance company shall declare or distribute dividends on its outstanding stock only from profits remaining on hand after retaining unimpaired:

- the entire paid-up capital stock;
- the margin of solvency required;
- the legal reserve fund required; and
- a sum sufficient to pay all net losses reported or in the course of settlement and all liabilities for expenses and taxes.

MBTC and TFSPC

The Bangko Sentral ng Pilipinas (BSP) requires banks to keep certain levels of regulatory capital and liquid assets, limit their exposures to other parts of the Group and comply with other regulatory ratios.

As of December 31, 2021 and 2020, there were no agreements entered into by the associates and joint ventures of the Group that may restrict dividends and other capital distributions to be paid, or loans and advances to be made or repaid to or from other entities within the Group.

As of December 31, 2021 and 2020, accumulated equity in net earnings amounting to ₱59.76 billion and ₱56.56 billion, respectively, is not available for dividend declaration. The accumulated equity in net earnings becomes available for dividends upon declaration and receipt of cash dividends from the investees.

As of December 31, 2021 and 2020, the Group has no share in the commitments and contingencies of its associates and joint ventures.

Advances

In December 2020, GTMV made a deposit in Premium Warranty Services Philippines, Inc. (PWSPI) amounting to ₱49.75 million representing the paid-up capital of PWSPI, which was in the process of incorporation as of December 31, 2020. The advances were settled in 2021.

9. Investment Properties

The composition and rollforward analysis of this account follow:

	December 31, 2021			
	Land and Improvements	**Building and Improvements**	**Construction-in-Progress**	**Total**
Cost				
At January 1	**₱5,149**	**₱10,320**	**₱2,930**	**₱18,399**
Additions	**4**	**97**	**–**	**101**
Transfers (Note 6)	**(270)**	**13**	**(13)**	**(270)**
At December 31	**4,883**	**10,430**	**2,917**	**18,230**
Accumulated Depreciation				
At January 1	**24**	**2,122**	**–**	**2,146**
Depreciation (Note 11)	**4**	**434**	**–**	**438**
At December 31	**28**	**2,556**	**–**	**2,584**
Net Book Value at December 31	**₱4,855**	**₱7,875**	**₱2,917**	**₱15,646**

	December 31, 2020			
	Land and Improvements	Building and Improvements	Construction-in-Progress	Total
Cost				
At January 1	₱5,212	₱7,835	₱4,045	₱17,092
Additions	5	86	–	91
Transfers (Note 6)	(68)	2,399	(1,115)	1,216
At December 31	5,149	10,320	2,930	18,399
Accumulated Depreciation				
At January 1	20	1,725	–	1,745
Depreciation (Note 11)	4	397	–	401
At December 31	24	2,122	–	2,146
Net Book Value at December 31	₱5,125	₱8,198	₱2,930	₱16,253

Various parcels of land are leased to several individuals and corporations including related parties. Some of the lease contracts provide, among others, that within a certain period from the expiration of the contracts, the lessee will have to demolish and remove any and all improvements built within the leased properties. Otherwise, the lessor will cause the demolition and removal thereof and charge the cost to the lessee unless the lessor occupies and appropriates the same for its use and benefit. Rent income recognized from these properties amounted to ₱1.05 billion, ₱1.75 billion and ₱1.53 billion in 2021, 2020 and 2019, respectively (Note 30).

Construction-in-progress pertains to the accumulated cost incurred for the development and redevelopment of Federal Land's malls. The mall redevelopment is expected to be completed in 2022.

The aggregate fair values of the Group's investment properties amounted to ₱41.85 billion and ₱34.84 billion as of December 31, 2021 and 2020, respectively. The fair values of the Group's investment properties have been determined based on valuations performed by third party independent appraisers which are accredited by the SEC. The value of the land was estimated by using the Market Data Approach, a valuation approach that considers the sales, listings and other related market data within the vicinity of the subject properties and establishes a value estimate by processes involving comparison. Valuation of the Group's investment properties are done every three years with the latest valuation report issued in 2020.

10. **Investment Securities**

Investment securities consist of:

	2021	2020
Current:		
Financial assets at FVTPL (Note 27)		
Quoted	**₱8,712**	₱3,709
Noncurrent:		
Financial assets at FVOCI		
Quoted	**15,919**	12,499
Unquoted	**392**	241
	16,311	12,740
	₱25,023	₱16,449

Financial assets at FVTPL
These pertain to the Parent Company and GTCAM's investments in unit investment trust fund (UITF) (Note 32).

Financial assets at FVOCI
Quoted equity securities
This includes foreign currency-denominated equity investments in Toyota Motor Corporation (TMC), a listed company in the Tokyo Stock Exchange, and investments in Vivant Corporation (VVT), a listed company in the PSE. The total of investments in TMC and VVT amounted to ₱15.71 billion and ₱12.33 billion as of December 31, 2021 and 2020, respectively. The Group has irrevocably elected to classify these investments under this category as it intends to hold these investments for the foreseeable future.

Unquoted equity securities
This account comprises of shares of stocks of various unlisted private corporations. The Group has designated these equity securities as at FVOCI because they will not be sold in the foreseeable future.

Unquoted equity securities include Toyota Aisin Philippines, Inc. (TAPI), representing 5.00% ownership interest, amounting to ₱381.41 million and ₱229.64 million as of December 31, 2021 and 2020, respectively. Also included in the balance are unquoted equity securities of Federal Land and TMBC amounting to ₱9.94 million and ₱0.12 million, respectively, as of December 31, 2021 and 2020.

Unquoted equity securities of Federal Land pertain to preferred shares of a utility company issued to the Group in connection with its subscription to the electricity services of the said utility company needed for Federal Land's real estate projects. The Group does not intend to dispose these investments since these are directly related to the continuity of its business.

Movements in the fair value reserves on financial assets at FVOCI follow:

	2021		
	Attributable to Parent Company	**Non-controlling Interest**	**Total**
Balance at beginning of year	**₱1,357**	**₱198**	**₱1,555**
Changes in fair values of financial assets at FVOCI	**3,570**	**91**	**3,661**
Balance at end of year	**₱4,927**	**₱289**	**₱5,216**

	2020		
	Attributable to Parent Company	Non-controlling Interest	Total
Balance at beginning of year	₱999	₱188	₱1,187
Changes in fair values of financial assets at FVOCI	358	10	368
Balance at end of year	₱1,357	₱198	₱1,555

11. Property and Equipment

The composition and rollforward analysis of this account follow:

	2021									
	Transportation Equipment	**Furniture, Fixtures and Equipment**	**Leasehold Improvements**	**Machinery, Tools and Equipment**	**Land and Building**	**Building and Land Improvements**	**Other Property and Equipment**	**Right-of-use assets**	**Construction-in-Progress**	**Total**
Cost										
At January 1	**₱705**	**₱1,106**	**₱355**	**₱2,627**	**₱3,224**	**₱4,821**	**₱6,128**	**₱187**	**₱904**	**₱20,057**
Additions	**110**	**91**	**20**	**54**	**3**	**4,256**	**365**	**139**	**120**	**5,158**
Disposals and reclassifications	**(148)**	**19**	**(78)**	**22**	**(2)**	**21**	**–**	**(132)**	**(79)**	**(377)**
At December 31	**667**	**1,216**	**297**	**2,703**	**3,225**	**9,098**	**6,493**	**194**	**945**	**24,838**
Accumulated Depreciation and Amortization										
At January 1	**463**	**717**	**263**	**951**	**123**	**1,144**	**4,735**	**49**	**–**	**8,445**
Depreciation and amortization	**131**	**126**	**32**	**236**	**19**	**310**	**755**	**37**	**–**	**1,646**
Disposals and reclassifications	**(136)**	**(1)**	**–**	**(1)**	–	–	**–**	**(33)**	**–**	**(171)**
At December 31	**458**	**842**	**295**	**1,186**	**142**	**1,454**	**5,490**	**53**	**–**	**9,920**
Net Book Value at December 31	**₱209**	**₱374**	**₱2**	**₱1,517**	**₱3,083**	**₱7,644**	**₱1,003**	**₱141**	**₱945**	**₱14,918**

	2020									
	Transportation Equipment	Furniture, Fixtures and Equipment	Leasehold Improvements	Machinery, Tools and Equipment	Land and Building	Building and Land Improvements	Other Property and Equipment	Right-of-use assets	Construction-in-Progress	Total
Cost										
At January 1	₱672	₱1,027	₱337	₱2,527	₱3,090	₱4,705	₱5,966	₱453	₱887	₱19,664
Additions	78	80	18	88	67	8	166	203	166	874
Disposals and reclassifications	(45)	(1)	–	12	67	108	(4)	(469)	(149)	(481)
At December 31	705	1,106	355	2,627	3,224	4,821	6,128	187	904	20,057
Accumulated Depreciation and Amortization										
At January 1	351	565	217	690	103	818	3,700	61	–	6,505
Depreciation and amortization	147	155	46	261	20	296	1,049	35	–	2,009
Disposals and reclassifications	(35)	(3)	–	–	–	30	(14)	(47)	–	(69)
At December 31	463	717	263	951	123	1,144	4,735	49	–	8,445
Net Book Value at December 31	₱242	₱389	₱92	₱1,676	₱3,101	₱3,677	₱1,393	₱138	₱904	₱11,612

Construction-in-progress as of December 31, 2021 pertains to Federal Land and GTCAM's building construction and improvements, and Toyota Group's machineries and building improvements.

Gain on disposal of property and equipment amounted to ₱33.50 million, ₱6.57 million and ₱14.50 million in 2021, 2020 and 2019, respectively (Note 23).

Details of depreciation and amortization follow:

	2021	2020	2019
Continuing operations			
Property and equipment	**₱1,646**	₱2,009	₱1,983
Investment properties (Note 9)	**438**	401	333
Intangible assets (Note 13)	**104**	107	101
	2,188	2,517	2,417
Depreciation and amortization attributable to discontinued operations			
Property and equipment	–	–	151
Investment properties (Note 9)	–	–	11
Intangible assets (Note 13)	–	–	8
	–	–	170
	₱2,188	₱2,517	₱2,587

Breakdown of depreciation and amortization in the consolidated statements of income follows:

	2021	2020	2019
Consolidated Statements of Income			
Cost of goods manufactured	**₱990**	₱1,098	₱1,246
Cost of rental (Note 30)	**434**	397	329
Cost of goods and services	–	12	–
General and administrative expenses (Note 26)	**764**	1,010	842
Attributable to discontinued operations (Note 12)	–	–	170
	₱2,188	₱2,517	₱2,587

12. Disposal of Assets

Disposal of Investment in PCFI

On May 10, 2019, the Parent Company and PCFI executed a Redemption Agreement for the redemption, cancellation and retirement of the 64,530,712 Series A Redeemable Voting Preferred Shares with a par value of ₱10.00 per share of PCFI, representing 51% interest of the Parent Company in PCFI. The Parent Company and PCFI have agreed to the redemption price of ₱20.00 billion through the assignment, transfer and conveyance of the selected assets owned and/or beneficially owned by PCFI to the Parent Company.

On July 4, 2019, Philippine Competition Commission approved the Redemption Agreement of the Parent Company and PCFI. Accordingly, the financial statements of PCFI were deconsolidated from the consolidated financial statements of the Group as of that date.

PFRS 5 requires income and expenses from disposal group to be presented separately from continuing operations, down to the level of profit after taxes. The resulting profit or loss (after taxes) is reported separately in the consolidated statements of income. Accordingly, the results of operation of PCFI were presented as 'Net income from discontinued operations'.

The results of operations of PCFI included in the consolidated statements of income are presented below:

	2019
Real estate sales	₱3,275
Rent income	46
Interest income	204
Other income	193
Revenue	3,718
Cost of real estate sales	1,847
General and administrative expenses	1,331
Interest expense	284
Cost and expenses	3,462
Income before income tax	256
Provision for income tax	71
Net income	185
Gain on deconsolidation	2,341
Dividend income from discontinued operations	1,288
Net income from discontinued operations	₱3,814
Attributable to Parent Company	₱3,723
Attributable to non-controlling interest	91
	₱3,814

Other comprehensive income from discontinued operations consists of the following:

	2019
Changes in fair value of available-for-sale investment	₱–
Changes in cash flow hedge reserve	(226)
Changes in fair value of financial assets at FVOCI	–
Remeasurement of defined benefit plan	6
	(₱220)

The aggregate consideration received consists of:

Value of selected assets received	₱20,000
Non-controlling interest	13,247
	₱33,247

The net cash outflow arising from the deconsolidation of cash and cash equivalents of PCFI amounted to ₱1.42 billion. Total gain on deconsolidation amounted to ₱2.34 billion, which is the difference between the consideration received and the carrying value of the Group's investment in PCFI.

On October 18, 2019, the Parent Company and PCFI executed a Deed of Assignment to assign, transfer and convey the selected assets of PCFI to the Parent Company.

13. **Goodwill and Intangible Assets**

Goodwill and intangible assets consist of:

	2021	2020
Goodwill	**₱5,926**	₱5,926
Customer relationship	**3,883**	3,883
Software costs - net	**127**	154
Franchise - net	**2**	2
	₱9,938	₱9,965

Goodwill

Goodwill comprises the excess of the acquisition cost over the fair value of the identifiable assets and liabilities of companies acquired by the Group.

Goodwill in relation to acquisitions has been attributed to the following CGUs:

	Toyota	**TRDCI**	**TMBC**	**Total**
Balances at beginning and end of year	**₱5,597**	**₱88**	**₱241**	**₱5,926**

Toyota

The recoverable amount of Toyota CGU was based on VIU calculations using cash flow projections from financial budgets approved by management covering a three-year period. The pre-tax discount rate applied to cash flow projections is 9.52% in 2021 and 9.54% in 2020. Cash flows beyond the three-year period are extrapolated using a steady growth rate of 3.10% in 2021 and 2.90% in 2020. The carrying value of goodwill amounted to ₱5.60 billion as of December 31, 2021 and 2020. No impairment loss was recognized for goodwill arising from the acquisition of Toyota.

The calculations of VIU for the Toyota CGU are most sensitive to the following assumptions:

- Budgeted gross margins - Gross margins are based on vehicle models mix per dealer and the foreign exchange movements between the Philippine Peso versus the United States (US) Dollar and the Japanese Yen versus the US Dollar.
- Growth rate - The projected growth rate is based on a conservative steady growth rate that does not exceed the compounded annual growth rate for the global automotive industry; and
- Pre-tax discount rate - Discount rates reflect management's best estimate of the risks associated with the specific CGU. This is the benchmark rate used by management to measure operating performance.

Regarding the assessment of the VIU of Toyota, management believes that no reasonably possible change in any of the aforementioned assumptions would cause the carrying value of the CGU to exceed their recoverable amount.

TMBC

The recoverable amount of TMBC CGU was based on VIU calculations using cash flow projections from financial budgets approved by management covering a four-year period. The pre-tax discount rate applied to cash flow projections is 11.36% in 2021 and 9.99% in 2020. Cash flows beyond the forecast period are extrapolated using a long-term growth rate of 3.10% in 2021 and 2.90% in 2020. The carrying value of goodwill amounted to ₱241.06 million as of December 31, 2021 and 2020. No impairment loss was recognized on the goodwill arising from the acquisition of TMBC.

The calculations of VIU for TMBC CGU are most sensitive to the following assumptions:

- Expected future cash inflows from automobile sales
- Growth rate; and
- Pre-tax discount rate - Discount rate reflects management's best estimate of the risks associated with the specific CGU.

Regarding the assessment of the VIU of TMBC, management believes that no reasonably possible change in any of the aforementioned assumptions would cause the carrying value of the CGU to exceed their recoverable amount.

Customer Relationship
Customer relationship pertains to Toyota's contractual arrangements with its top dealer customers which lay out the principal terms upon which its dealers agree to do business. Toyota's relationship with its top dealers adds value to the operations of Toyota and enhances the latter's earnings potential. Management assessed the useful life of the customer relationship to be indefinite since management is of the view that there is no foreseeable limit to the period over which the customer relationship is expected to generate net cash inflows to Toyota.

The recoverable amount of the customer relationship of the Group was based on VIU calculations using earnings projections from financial budgets approved by management covering a three-year period. The pre-tax discount rate applied to earnings projections is 12.33% and 12.77% in 2021 and 2020, respectively. Cash flows beyond the forecast period are extrapolated using a steady growth rate of 3.10% and 3.06% in 2021 and 2020, respectively. The carrying value of the customer relationship amounted to ₱3.88 billion as of December 31, 2021 and 2020. No impairment loss was recognized for the customer relationship arising from the acquisition of Toyota.

The calculations of VIU for the customer relationship are most sensitive to the following assumptions:

- Attrition rate - Sales to key customers for the four-year period are computed by taking into account a 5.00% attrition rate or 95.00% retention rate;
- Earnings before interest and taxes (EBIT) margin on key customers - A 5.91% EBIT margin was used in projecting the net operating profit on sales to key customers for the three-year period; and
- Pre-tax discount rate - Discount rates reflect management's best estimate of the risks associated with the specific CGU. This is the benchmark rate used by management to measure operating performance.

Regarding the assessment of the VIU of Toyota's customer relationship, management believes that no reasonably possible change in any of the aforementioned assumptions would cause the carrying value of the CGU to exceed their recoverable amount.

Software Cost
The Group's software costs pertain to software cost and licenses. The rollforward analysis of the Group's software cost is as follows:

	2021	2020
Cost		
Balance at beginning of year	**₱599**	₱567
Additions	**76**	29
Disposals/reclassification	**–**	3
Balance at end of year	**675**	599
Accumulated Amortization		
Balance at beginning of year	**445**	339
Amortization (Note 11)	**103**	106
Balance at end of year	**548**	445
Net Book Value	**₱127**	₱154

Franchise
Franchise fee pertains to the Federal Land Group's operating rights for its fast food stores with estimated useful lives of three to five years.

The amortization of the franchise fee amounting to ₱0.56 million, ₱0.56 million and ₱0.34 million in 2021, 2020 and 2019, respectively, is included in the 'General and administrative expenses' account in the consolidated statements of income (Note 26).

Details of amortization of intangible assets are as follows (Note 11):

	2021	2020	2019
Software cost	**₱103**	₱106	₱101
Franchise	**1**	1	–
Attributable to discontinued operations (Note 12)	**–**	–	8
	₱104	₱107	₱109

14. **Other Noncurrent Assets**

This account consists of:

	2021	2020
Rental and other deposits	**₱1,522**	₱1,144
Deferred input VAT	**30**	24
Retirement asset (Note 28)	**8**	9
Others	**13**	18
	₱1,573	₱1,195

Rental and other deposits include rental deposits for the leased offices of the Group and deposits for the initial set-up of the services rendered by public utility companies. Rental deposits are to be applied on the last month's rent of the lease contract.

15. **Accounts and Other Payables**

This account consists of:

	2021	2020
Trade payables	**₱15,429**	₱13,498
Accrued expenses	**5,460**	5,245
Telegraphic transfers, drafts and acceptances payable	**4,956**	3,006
Deferred output tax	**3,660**	3,480
Accrued commissions	**1,056**	944
Accrued interest payable	**955**	768
Deferred income	**773**	436
Customer advances	**682**	617
Royalty payable	**293**	307
Nontrade payables	**264**	417
Insurance payable	**224**	219
Retentions payable	**95**	95
Others	**356**	966
	₱34,203	₱29,998

The details of trade payables are as follows:

	2021	2020
Automotive	**₱12,243**	₱11,654
Real estate	**3,166**	1,826
Others	**20**	18
	₱15,429	₱13,498

Trade payables for automotive pertain to the purchase of raw materials, spare parts and vehicles which are noninterest-bearing and are normally settled on one to 30 day-term.

Trade payables for real estate pertain to billings received from contractors for construction costs incurred on a per project basis and commissaries for food products ordered.

The details of accrued expenses are as follows:

	2021	2020
Dealers' incentives, supports and promotions	**₱3,156**	₱3,015
Employee benefits	**663**	527
Utilities and services	**424**	129
Office supplies	**161**	64
Outsourced services	**156**	140
Freight, handling and transportation	**130**	204
Taxes	**101**	164
Insurance	**59**	24
Payable to contractors	**53**	182
Professional fees	**27**	18
Rent	**19**	180

(Forward)

	2021	2020
Repairs and maintenance	**₱18**	₱50
Regulatory fees and charges	**13**	3
Warranty	**–**	43
Others	**480**	502
	₱5,460	₱5,245

Accrued expenses are noninterest-bearing and are normally settled within a 15 to 60 day term.

Telegraphic transfers and drafts and acceptance payable pertain to the liabilities of Toyota Group arising from importations of materials, spare parts and/or vehicles. These payables are normally settled after a 30-day term.

Deferred output tax pertains to VAT on the uncollected portion of the contract price of sold units.

Accrued commissions are settled within one (1) year.

Accrued interest payables are normally settled within a 15 to 60 day term.

Customer advances pertain to payments received from buyers for the processing of transfer of units upon turnover.

Royalty payables represent cost of license for the use of technical know-how and information on data. The fees are calculated at 6.00% of the local value-added (LVA) of vehicles under production. The LVA represents the selling price less all costs for the knock-down parts, related taxes such as excise and sales tax and a certain percentage of administrative and selling costs. The fees also include charges from related affiliates and third-party suppliers representing initial costs of testing materials and trial parts and tools, sample molds and jigs that were utilized to test TMPC's present technical feasibility for the commercial production of newer car models.

Retentions payable represent a portion of construction cost withheld by the Federal Land Group and paid to the contractors after an agreed period commencing the completion of the project. Retentions payable due beyond one year are presented as noncurrent payable (Note 20).

Others include refunds from cancelled sales from Federal Land and other government-related payables which are non-interest bearing and are normally settled within one year. These also include other non-interest bearing payables which are all due within one year.

16. Short-term Debt, Corporate Notes, and Long-term Debt

Short-term Debt

	Interest rate range		Outstanding balance	
	2021	2020	**2021**	2020
Affiliated (Note 27)				
Federal Land Group	**4.50% to 5.50%**	4.50% - 6.25%	**₱1,750**	₱2,550
Toyota Group	**2.00% - 2.70%**	2.50% - 3.50%	**1,460**	4,000
TMBC Group	**2.50% - 3.75%**	2.90% - 3.25%	**675**	510
GTCAM Group	**2.50%**	3.25%	**90**	65
Non-affiliated				
Federal Land Group	**4.00% - 5.00%**	4.00% - 5.00%	**622**	12,462
Toyota Group	**1.90% - 2.00%**	2.30% - 3.00%	**4,000**	8,025
TMBC Group	**2.50%**	2.90% - 3.25%	**475**	375
GTCAM Group	**2.50%**	2.90%	**55**	20
			₱9,127	₱28,007

Corporate Notes and Long-term Debt

	Interest rate range	Face amount	Outstanding balance		Terms
			2021	2020	
Corporate Notes					
Federal Land Group	5.57% - 6.27%	₱5,000	**₱960**	₱965	5-year unsecured notes; Due on 2021 to 2023; Fixed interest
Long-term Debt - Affiliated (Note 27)					
Federal Land Group	2.55% - 4.25%	8,800	**9,930**	8,750	5-year unsecured loans; Due from 2021 to 2023; Fixed interest
Long-term Debt - Non-affiliated					
Parent Company Peso loans	4.90% - 7.32%	61,975	**61,681**	56,711	10 to 13 years unsecured loans; Due from 2025 to 2032; Fixed interest
Parent Company JPY loans	3-month JPY Libor plus 0.65%	10,287	**10,260**	10,746	JPY23.31 billion loan; Due July 2022 & July 2024; Floating interest
Federal Land Group	5.00% - 6.71%	22,876	**38,394**	22,161	5 to 10 years unsecured loans; Due from 2021 to 2026; Fixed interest
Toyota Group	2.70% - 4.20%	246	**246**	246	5 to 10 years unsecured loans; Automatically renewed upon maturity ; Fixed interest
TMBC Group	4.85% - 5.94%	1,500	**707**	862	10-year secured loans; Due from 2021 to 2023; Fixed interest
Total			**122,178**	100,441	
Less: Current portion			**9,423**	5,012	
			₱112,755	₱95,429	

In July 2018, the Parent Company obtained an unsecured long-term loan from three (3) non-affiliated foreign banks for an aggregate principal amount of ¥23.31 billion, 50% of which will mature in July 2022 and the remaining 50% will mature in July 2024 with interest rate of 3-month JPY Libor plus 0.65% spread.

In July 2018, the Parent Company entered into an interest rate swap agreement with MUFG Bank, Ltd., Labuan Branch. Under the agreement the Parent Company, on a quarterly basis, pays fixed interest rate of 0.852% and receives floating interest rate of 3-month JPY Libor plus 0.65% spread from July 19, 2018 to July 12, 2024. On the same date, the Parent Company designated the swap as an effective hedging instrument under a cash flow hedge arrangement. As such, the effective portion of the changes in fair value of the swaps was recognized under other comprehensive income amounting to ₱32.00 million and ₱51.00 million in 2021 and 2020, respectively. As of December 31, 2021 and 2020 the negative fair value of the interest rate swap amounted ₱32.00 million and ₱51.00 million, respectively under 'Other noncurrent liabilities' (Note 20).

Beginning January 1, 2022, JPY Libor settings across all tenors have ceased publication. The new benchmark reference rate for the Parent Company's JPY-denominated loans and interest rate swap is the Tokyo Overnight Average Rate (TONAR).

As of December 31, 2021 and 2020, the movements in the deferred financing cost follow:

	2021	2020
Parent Company		
Balance at beginning of year	**₱308**	₱325
Additions	**38**	30
Amortization	**(50)**	(47)
Balance at end of year	**₱296**	₱308
TMBC Group		
Balance at beginning of year	**₱2**	₱3
Additions	**–**	
Amortization	**(1)**	(1)
Balance at end of year	**₱1**	₱2
Federal Land		
Balance at beginning of year	**₱88**	₱42
Additions	**155**	75
Amortization	**(40)**	(29)
Balance at end of year	**₱203**	₱88

Total interest expense incurred on the above-mentioned debts in 2021, 2020 and 2019 follows:

	Interest expense charged to operations			Interest expense capitalized		
	2021	2020	2019	**2021**	2020	2019
Short-term debt	**₱482**	₱347	₱512	**₱71**	₱114	₱114
Corporate notes	**60**	176	123	**47**	166	334
Long-term debt	**4,770**	4,711	4,218	**621**	682	519

Required Financial Ratios
The table below presents a summary of the financial ratios required to be maintained by each entity within the Group under existing loan agreements.

Entity	Financial Ratio	Required Ratio
Corporate notes		
Federal Land	Debt-to-equity ratio	2:1
Long-term loans		
Parent Company	Debt-to-equity ratio	2.3:1
Federal Land (Affiliated)	Debt-to-equity ratio	3:1
Federal Land (Non-affiliated)	Debt-to-equity ratio	2:1
TMBC	Current ratio	1:1
TMBC	Debt-to-equity ratio	3:1
TMBC	Debt service ratio	1.2x

As of December 31, 2021 and 2020, the Group has complied with the foregoing financial ratios.

17. Bonds Payable

		Par Value		Amount	
Maturity Dates	**Interest rate**	**2021**	2020	**2021**	2020
₱10.0 billion Bonds					
February 27, 2023	5.0937%	**₱6,100**	₱6,100	**₱6,090**	₱6,083
₱12.0 billion Bonds					
August 7, 2021	5.1965%	**–**	5,000	**–**	4,995
August 7, 2024	5.6250%	**4,000**	4,000	**3,987**	3,982
		4,000	9,000	**3,987**	8,977
		₱10,100	₱15,100	**₱10,077**	₱15,060

Unamortized debt issuance costs on these bonds amounted to ₱22.53 million and ₱39.93 million as of December 31, 2021 and 2020, respectively.

₱10.00 billion GT Capital bonds due 2020 and 2023
On February 13, 2013, the Parent Company issued ₱10.00 billion 7-year and 10-year unsecured bonds due on February 27, 2020 and February 27, 2023, respectively, with annual interest rate of 4.84% and 5.09%, respectively. Gross and net proceeds amounted to ₱10.00 billion and ₱9.90 billion, respectively, net of deferred financing cost of ₱0.10 billion. The bonds were listed on the Philippine Dealing and Exchange Corporation on February 27, 2013.

The ₱3.90 billion bonds with maturity date of February 27, 2020 were paid. This was refinanced in February 2020 with a long-term loan from a non-affiliated local bank.

12.00 billion GT Capital bonds due 2019, 2021 and 2024
On July 24, 2014, the Parent Company issued ₱12.00 billion unsecured bonds with tenors of five years, seven years and ten years due November 7, 2019 (Series A Bonds), August 7, 2021 (Series B Bonds) and August 7, 2024 (Series C Bonds), respectively, with annual interest rates of 4.71%, 5.20% and 5.63% respectively. Gross and net proceeds amounted to ₱12.00 billion and ₱11.88 billion, respectively, net of deferred financing cost incurred of ₱0.12 billion. The bonds were listed on August 7, 2014.

The ₱3.00 billion and ₱5.00 billion bonds with maturity dates of November 7, 2019 and August 7, 2021 were paid upon maturity. These were refinanced in November 2019 and July 2019 with long-term loans from non-affiliated local banks.

As of December 31, 2021 and 2020, the movement in the deferred financing cost is as follows:

	2021	2020
Balance at beginning of year	**₱40**	₱61
Amortization	**(17)**	(21)
Balance at end of year	**₱23**	₱40

Both bonds contain negative covenants, which among others, include provision that the Parent Company should maintain a debt-to-equity ratio of 2.3:1.0. As of December 31, 2021 and 2020, the Parent Company has complied with its bond covenants.

Total interest expense incurred on bonds payable in 2021, 2020 and 2019, amounted to ₱0.71 billion (including amortization of deferred financing cost of ₱17.40 million), ₱0.84 billion (including amortization of deferred financing cost of ₱21.02 million) and ₱1.14 billion (including amortization of deferred financing cost of ₱31.18 million), respectively.

18. Customers' Deposits

As of December 31, 2021 and 2020, customers' deposits represent refundable reservation fees and advance payments received from customers which can be applied as payment to the respective automotive sale transaction with the Group.

As of December 31, 2021 and 2020, the balance of this account amounted to ₱0.91 billion and ₱0.51 billion, respectively (Note 27).

19. Other Current Liabilities

This account consists of:

	2021	2020
VAT payable	**₱572**	₱391
Withholding taxes payable	**452**	327
Liabilities held for sale (Note 7)	**182**	57
Unearned management fee income	**37**	–
Lease liabilities (Note 30)	**9**	5
Others	**64**	63
	₱1,316	₱843

Others pertain to payables on utilities, contracted maintenance and security agencies and regulatory premium or contribution payable of the Group. These are normally payable within one year.

20. Liabilities on Purchased Properties and Other Noncurrent Liabilities

Liabilities on Purchased Properties
Liabilities on purchased properties are payables to various real estate property sellers. Under the terms of the agreements executed by Federal Land covering the purchase of certain real estate properties, the titles of the subject properties shall be transferred to Federal Land only upon full payment of the real estate loans.

In 2012, Federal Land acquired certain land and investment properties aggregating ₱3.72 billion, with 20.00% downpayment amounting to ₱743.84 million. The outstanding balance amounting to ₱2.98 billion is payable in 13 years with 3.00% interest per annum. The outstanding balance was discounted at the prevailing market rate of 5.40% and the discounted liability as of December 31, 2021 and 2020, amounted to ₱1.43 billion and ₱1.57 billion, respectively.

In 2017, Federal Land entered into a contract with Kabayan Realty Corporation (KRC) to acquire certain land for ₱2.26 billion. Upon execution of the contract, Federal Land paid KRC with 22.00% downpayment amounting to ₱500.00 million and the outstanding balance amounting to ₱1.76 billion shall be paid in five installments with 3.00% interest per annum based on the outstanding balance. The outstanding balance was discounted at the prevailing market rate of 4.82% and the discounted liability as of December 31, 2021 and 2020, amounted to nil and ₱0.99 billion, respectively.

In 2019, Federal Land acquired a land located in Makati City in November 2019. Of the total amount of ₱1.20 billion, ₱288.00 million is paid in 2019 as downpayment, ₱912.00 million is payable in five equal annual installments commencing February 1, 2020 to 2024. The loan bears 3.50% interest per annum and is unsecured. The outstanding balance was discounted at the prevailing market rate of 6.87% and the discounted liability as of December 31, 2021 and 2020 amounted to ₱0.53 billion and ₱0.69 billion, respectively.

Current portion of liabilities on purchased properties amounted to ₱0.30 billion and ₱0.60 billion as of December 31, 2021 and 2020, respectively. Noncurrent portion of liabilities on purchased properties amounted to ₱1.66 billion and ₱2.66 billion as of December 31, 2021 and 2020, respectively (Note 27). Accretion of interest in 2021, 2020 and 2019 amounted to ₱55.47 million, ₱83.34 million and ₱156.48 million, respectively.

Other Noncurrent Liabilities

This account consists of:

	2021	2020
Retentions payable - noncurrent portion	**₱1,384**	₱1,140
Deferred output VAT	**928**	1,119
Refundable and other deposits	**808**	800
Provisions (Note 36)	**426**	634
Finance lease obligation - net	**134**	176
Lease liabilities (Note 30)	**36**	19
Derivative liabilities (Note 16)	**32**	51
Unearned rent income	**5**	5
	₱3,753	₱3,944

Retentions payable represent a portion of construction cost withheld by the Group and paid to the contractors after an agreed period commencing the completion of the project.

Deferred output VAT pertains to the VAT on installment sale of lots with terms of 60 days to five years.

Refundable and other deposits consist mainly of tenants' rental deposit from operating lease contracts with terms ranging from five to ten years. Rental deposits are obtained to secure faithful compliance of tenants' obligation under the lease contract and to answer for unpaid bills of lessees affecting the leased premises, any damage to the leased premises, and other similar costs. Rental deposits may also be applied to the unpaid rentals upon termination of the lease contract.

Provisions consist of:

	2021	2020
Claims and assessments	**₱193**	₱326
Product warranties	**233**	308
	₱426	₱634

Provisions for other expenses pertains to liabilities with uncertain amount or timing of actual disbursement. These include regulatory fees, management incentives and other charges which payment is probable and the amount is estimable as of reporting date. The management reassesses their estimates on an annual basis to determine the reasonableness of provision. Disclosure of information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* are not provided because of reasons permitted under paragraph 92 of PAS 37. Accordingly, only general descriptions are provided.

21. Contract Balances and Cost to Obtain a Contract

The contract balances of the Group consist of the following:

	2021	2020
Contract Assets		
Current	**₱6,157**	₱6,183
Noncurrent	**7,114**	6,852
	₱13,271	₱13,035
Contract Liabilities		
Current	**₱3,384**	₱4,006

Contract assets are initially recognized for revenue earned from real estate sales as receipt of consideration is conditional on successful completion of installation. Upon completion of performance obligation and acceptance by the customer, the amounts recognized as contract assets are reclassified to trade residential and office development receivables.

Contract liabilities consist of collections from real estate customers which have not reached the 10.00% threshold to qualify for revenue recognition and excess of collections over the recognized receivables and contract assets based on percentage of completion.

The amount of revenue recognized in 2021 and 2020 from amounts included in contract liabilities at the beginning of the year amounted to ₱0.91 billion and ₱1.08 billion, respectively.

Cost to Obtain a Contract
The balances below pertain to the cost to obtain contracts included in ‘Prepaid expenses’ (Note 7):

	2021	2020
Balance at beginning of year	**₱102**	₱186
Additions during the year	**308**	359
Amortization	**(368)**	(443)
Balance at end of year	**₱42**	₱102

Performance Obligations
Information about Federal Land Group’s performance obligations are summarized below:

Real estate sales
The Federal Land Group entered into contracts to sell with one identified performance obligation which is the sale of the real estate unit together with the services to transfer the title to the buyer upon full payment of contract price. The amount of consideration indicated in the contract to sell is fixed and has no variable consideration.

The sale of real estate unit covers condominium units, and Federal Land Group concluded that there isone performance obligation in each of these contracts. Federal Land Group recognizes revenue from the sale of these real estate projects under pre-completed contract over time during the course of the construction.

Payment commences upon signing of the contract to sell and the consideration is payable in cash or under various financing schemes entered with the customer. The financing scheme would include payment of 10%-100% of the contract price to be paid over a maximum of 60 months at a monthly payment based on amortization schedule with remaining balance payable (a) in full at the end of the period either through cash or external financing; or (b) through in-house financing which ranges from five (5) to 10 years with fixed monthly payment. The amount due for collection under the amortization schedule for each of the customer does not necessarily coincide with the progress of construction, which results in either a contract asset or contract liability.

After the delivery of the completed real estate unit, Federal Land Group provides one-year warranty to repair minor defects on the delivered condominium unit. This is assessed by the Parent Company as a quality assurance warranty and not treated as a separate performance obligation.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) as at December 31 as follows:

	2021	2020
Within one year	**₱3,032**	₱2,775
More than one year	**752**	1,099
	₱3,784	₱3,874

22. **Equity**

Capital Stock and Additional Paid-in Capital
As of December 31, 2021 and 2020, the paid-up capital consists of the following (amounts in millions, except for number of shares):

	Shares		Amount	
	2021	2020	**2021**	2020
Voting Preferred stock - ₱0.10 par value				
Authorized	**174,300,000**	174,300,000		
Issued and outstanding	**174,300,000**	174,300,000	**₱17**	₱17
Perpetual Preferred stock -₱100.00 par value				
Authorized	**20,000,000**	20,000,000		
Issued and outstanding	**12,000,000**	12,000,000	**1,200**	1,200
Common stock - ₱10.00 par value				
Authorized	**298,257,000**	298,257,000		
Issued and outstanding	**215,284,587**	215,284,587	**2,153**	2,153
Subtotal			**3,370**	3,370
Additional paid-in capital			**98,827**	98,827
			₱102,197	₱102,197

The Parent Company's common shares with par value of ₱10.00 were listed on the Philippine Stock Exchange on April 20, 2012.

Voting Preferred Shares of Stock
The voting preferred shares has the following features, rights and privileges:
a. The voting preferred shares have a par value of ₱0.10 per share.
b. The Dividend Rate of 3.77% was fixed based on the 3-year PDST-R2 on April 13, 2015, subject to re-pricing every ten (10) years and payable annually;
c. These are non-cumulative and the holders thereof are entitled to the payment of current but not past dividends;
d. These are non-participating in any other further dividends beyond that specifically payable on the shares;
e. These are redeemable at par value, at the sole option of the Parent Company, under terms and conditions approved by the Board of Directors;
f. The holders of Voting Preferred Shares shall be entitled to one vote for each share in his name on the books of the Parent Company;
g. The holders of Voting Preferred Shares shall have no pre-emptive rights to any issue of shares, Common or Preferred;
h. These are not listed and not tradable in the Philippine Stock Exchange.

Perpetual Preferred Shares of Stock
The perpetual preferred shares shall have the following features, rights and privileges:
a. The perpetual preferred shares have a par value of ₱100.00 per share and issued on October 27, 2016 with an issue value of ₱1,000.00 per share. Series A issued amount to ₱4.80 billion with a dividend rate per annum of 4.6299% while Series B issued amount to ₱7.20 billion with a dividend rate per annum of 5.0949%;
b. The perpetual preferred shares are cumulative and the holders thereof are entitled to the payment of current as well as any accrued or unpaid dividends before any dividends can be paid to the holders of common shares. No dividend shall be declared or paid on the common shares unless the full accumulated dividends on all the perpetual preferred shares for all past dividend periods and for the current dividend period shall have been declared and paid by the Corporation;

c. The holders of perpetual preferred shares have preference over holders of common shares in the distribution of corporate assets in the event of dissolution, liquidation or winding up of the corporation, whether voluntary or involuntary;
d. The perpetual preferred shares are not entitled to vote, except in those cases specifically provided by law;
e. The perpetual preferred shares are non-participating in any other further dividends beyond that specifically payable thereon;
f. The perpetual preferred shares are non-convertible to common shares or voting preferred shares;
g. The perpetual preferred shares have no pre-emptive rights to any issue of shares, common or preferred;
h. Both Series A and B of said perpetual preferred shares were listed on the Philippine Stock Exchange on October 27, 2016;
i. The Parent Company has the option, but not the obligation, to redeem in whole (but not a part of) the Shares of Series A on 5th anniversary of the Issue Date, or any dividend payment date and for Series B on the 7th anniversary of the Issue Date, or any dividend payment date;
j. If not redeemed on the optional redemption date, the dividend rate will be adjusted on the 7th anniversary of the Issue Date for Series A while the 10th anniversary of the Issue Date for Series B;
k. The dividend rate for Series A will be adjusted on the relevant Rate Adjustment Date to the higher of (1) Prevailing dividend rate of 4.6299%; or (2) the sum of: (a) simple average of closing 7-year PDST-R2 benchmark rate for each of the 3 consecutive business days immediately preceding and inclusive of the Rate Adjustment date; and (b) Series A adjustment Spread of 1.5% per annum while for Series B will be adjusted to the higher of (1) Prevailing dividend rate of 5.0949%; or (2) the sum of: (a) simple average of closing 10yr PDST-R2 benchmark rate for each of the 3 consecutive business days immediately preceding and inclusive of the Rate Adjustment date; and (b) Series B adjustment Spread of 1.875% per annum.

Common Shares
As of December 31, 2021 and 2020, the total number of shareholders of common stock of the Parent Company is 89 and 90, respectively.

Stock Dividends
The BOD and Shareholders of the Parent Company approved on March 26, 2019 and May 8, 2019, respectively, the declaration of an 8.00% stock dividend in favor of the Parent Company's common shareholders. The record and payment dates were set on July 8, 2019 and August 1, 2019, respectively. On August 1, 2019, the 8.00% stock dividend equivalent to 15,947,003 common shares were issued and listed in the Philippine Stock Exchange.

Retained Earnings
On December 6, 2018, the BOD of the Parent Company approved the appropriation of retained earnings amounting to ₱17.00 billion to be earmarked for strategic investment in property development in 2019. In March 2019, ₱16.60 billion out of ₱17.00 billion was reversed. The remaining ₱400.00 million was earmarked for strategic investment in property development expected to be completed in 2022.

Details of the Parent Company's dividend distributions to preferred shareholders out of the Parent Company's retained earnings as approved by the Parent Company's BOD follow:

Date of declaration	Per share	Total amount (in millions)	Record date	Payment date
Voting Preferred Shares				
March 22, 2021	₱0.00377	₱0.66	April 5, 2021	April 27, 2021
May 21, 2020	0.00377	0.66	June 5, 2020	June 19, 2020
March 26, 2019	0.00377	0.66	April 10, 2019	April 25, 2019
Perpetual Preferred Shares				
Series A				
December 17, 2021	11.57475	56.01	January 5, 2022	January 27, 2022
December 17, 2021	11.57475	56.01	April 5, 2022	April 27, 2022
December 17, 2021	11.57475	56.01	July 5, 2022	July 27, 2022
December 17, 2021	11.57475	56.01	October 5, 2022	October 27, 2022
December 15, 2020	11.57475	56.01	January 4, 2021	January 27, 2021
December 15, 2020	11.57475	56.01	April 5, 2021	April 27, 2021
December 15, 2020	11.57475	56.01	July 5, 2021	July 27, 2021
December 15, 2020	11.57475	56.01	October 4, 2021	October 27, 2021
November 26, 2019	11.57475	56.01	January 3, 2020	January 27, 2020
November 26, 2019	11.57475	56.01	April 3, 2020	April 27, 2020
November 26, 2019	11.57475	56.01	July 3, 2020	July 27, 2020
November 26, 2019	11.57475	56.01	October 5, 2020	October 27, 2020
Series B				
December 17, 2021	12.73725	91.21	January 5, 2022	January 27, 2022
December 17, 2021	12.73725	91.21	April 5, 2022	April 27, 2022
December 17, 2021	12.73725	91.21	July 5, 2022	July 27, 2022
December 17, 2021	12.73725	91.21	October 5, 2022	October 27, 2022
December 15, 2020	12.73725	91.21	January 4, 2021	January 27, 2021
December 15, 2020	12.73725	91.21	April 5, 2021	April 27, 2021
December 15, 2020	12.73725	91.21	July 5, 2021	July 27, 2021
December 15, 2020	12.73725	91.21	October 4, 2021	October 27, 2021
November 26, 2019	12.73725	91.21	January 3, 2020	January 27, 2020
November 26, 2019	12.73725	91.21	April 3, 2020	April 27, 2020
November 26, 2019	12.73725	91.21	July 3, 2020	July 27, 2020
November 26, 2019	12.73725	91.21	October 5, 2020	October 27, 2020

Details of the Parent Company's dividend distributions to common shareholders out of the Parent Company's retained earnings as approved by the Parent Company's BOD follow:

Date of declaration	Per share	Total amount (in millions)	Record date	Payment date
March 22, 2021	₱3.00	₱645.85	April 7, 2021	April 21, 2021
May 21, 2020	6.00	1,291.71	June 5, 2020	June 19, 2020
March 26, 2019	3.00	598.01	April 10, 2019	April 25, 2019

The computation of retained earnings available for dividend declaration in accordance with the SEC Memorandum Circular No. 11 issued in December 2008 differs to a certain extent from the Parent Company's stated retained earnings as of December 31, 2021 and 2020.

In addition, certain amount of retained earnings is required to be maintained to enable the Group to meet certain financial ratios as stipulated in the loan covenants.

Details of dividend declarations of the Group's subsidiaries follow:

	Date of declaration	Class of stock	Total amount (in millions)	Record date	Payment date
Federal Land	December 20, 2021	Preferred Shares-A	₱320.00	December 31, 2021	February 28, 2022
	December 20, 2021	Preferred Shares-B	332.58	December 31, 2021	February 28, 2022
	December 20, 2021	Common	100.00	December 31, 2021	February 28, 2022
	December 14, 2020	Preferred Shares-A	320.00	December 31, 2020	February 28, 2021
	December 14, 2020	Preferred Shares-B	332.58	December 31, 2020	February 28, 2021
	December 14, 2020	Common	100.00	December 31, 2020	February 28, 2021
	February 24, 2020	Common	100.00	December 31, 2019	February 28, 2020
	December 16, 2019	Preferred Shares-A	240.00	December 16, 2019	February 28, 2020
	December 16, 2019	Preferred Shares-B	272.58	December 16, 2019	February 28, 2020
	February 18, 2019	Common	100.00	December 31, 2018	February 28, 2019
Toyota	June 29, 2021	Common	3,253.38	December 31, 2020	October 8, 2021
	June 26, 2020	Common	9,059.67	December 31, 2019	November 27, 2020
	May 14, 2019	Common	8,392.89	December 31, 2018	May 15 & 29, 2019

Other comprehensive income
Other comprehensive income consists of the following, net of applicable income taxes:

	2021	2020
Fair value reserves on financial assets at FVOCI (Note 10)	**₱4,927**	₱1,357
Net unrealized loss on remeasurement of retirement plan	**(215)**	(448)
Cash flow hedge reserve (Note 16)	**(32)**	(51)
Cumulative translation adjustments	**3**	(10)
Equity in other comprehensive income of associates and joint ventures:		
Equity in cumulative translation adjustments	**(2,746)**	(3,466)
Equity in net unrealized loss on remeasurement of retirement plan	**(1,183)**	(1,745)
Equity in fair value reserves on financial assets at FVOCI	**(340)**	4,145
Equity in remeasurement on life insurance reserves	**(110)**	(346)
Equity in cash flow hedge reserves	**(166)**	(316)
Equity in other equity adjustments of associates	**5**	27
	₱143	(₱853)

The movements and analysis of the other comprehensive income are presented in the consolidated statements of comprehensive income.

Other equity adjustments
TCI
In June 2015, the Parent Company acquired 2,705,295 shares of TCI for a total consideration of ₱13.50 million, resulting in 53.80% ownership over TCI. This acquisition was accounted for as an equity transaction and resulted in the recognition of negative other equity adjustments amounting to ₱7.12 million.

Non-controlling interests
The following table presents the rollforward of non-controlling interests:

	2021	2020	2019
Balance at beginning of year	**₱8,885**	₱11,851	₱24,687
Share of non-controlling interest shareholders on:			
Net income	**3,266**	1,791	4,803
Other comprehensive income (loss)	**274**	(166)	(281)
Cash dividends paid to non-controlling interest shareholders	**(1,755)**	(4,611)	(4,259)
Acquisition of additional interest in a subsidiary	**344**	20	148
NCI on the acquisition of a new subsidiary	**21**	–	–
Effect of deconsolidation (Note 12)	–	–	(13,247)
Balance at end of year	**₱11,035**	₱8,885	₱11,851

Financial Information of Subsidiaries
The financial information of subsidiaries that have material non-controlling interests is provided below:

Proportion of equity interests held by non-controlling interests

	Direct and Effective Ownership	
	2021	2020
TMPC	**49.00%**	49.00%

Carrying value of material non-controlling interests

	2021	2020
TMPC	**₱8,998**	₱7,320

Net income for the period allocated to material non-controlling interests

	2021	2020	2019
TMPC	**₱3,062**	₱1,788	₱4,598

The following table presents the financial information of subsidiaries with material NCI as of and for the years ended December 31, 2021 and 2020:

	2021	2020
	TMPC	TMPC
Statement of Financial Position		
Current assets	**₱33,446**	₱34,010
Non-current assets	**11,491**	11,048
Current liabilities	**29,843**	32,712
Non-current liabilities	**2,240**	2,847
Dividends paid to non-controlling interests	**1,755**	4,599
Statement of Comprehensive Income		
Revenues	**132,854**	100,648
Expenses and provision for income tax	**126,632**	97,214
Net income	**6,222**	3,434
Total comprehensive income	**6,773**	3,110
Statement of Cash Flows		
Net cash provided by operating activities	**1,668**	1,212
Net cash used in investing activities	**(4,203)**	(468)
Net cash provided by (used in) financing activities	**(9,824)**	206

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong and healthy consolidated statement of financial position to support its current business operations and drive its expansion and growth in the future.

The Group maintains its current capital structure, and will make adjustments, if necessary, in order to generate a reasonable level of returns to shareholders over the long term. Equity, which the Group considers as capital, pertains to the equity attributable to equity holders of the Parent Company excluding effect of uniting of interest. The Group's sources of capital are capital stock and retained earnings. No changes were made in the objectives, policies or processes in 2021 and 2020. The Parent Company considers total equity as its capital amounting to ₱130.83 billion and ₱121.13 billion as of December 31, 2021 and 2020, respectively.

The Parent Company maintains equity at a level that is compliant with its loan covenants.

23. Interest and Other Income

Interest Income

This account consists of:

	2021	2020	2019
Interest income on:			
Installment contracts receivable (Note 5)	**₱1,652**	₱1,826	₱1,862
Receivables	**196**	5	–
Cash and cash equivalents (Note 4)	**23**	189	193
Others	**28**	3	250
	₱1,899	₱2,023	₱2,305

Interest income on installment contracts receivable consist of accretion of unamortized discount of and interest income from collections of the Group. Accretion of unamortized discount amounted to ₱1.16 billion, ₱1.21 billion and ₱1.23 billion in 2021, 2020 and 2019, respectively. Interest income from collections amounted to ₱0.49 billion, ₱0.62 billion and ₱0.63 billion in 2021, 2020 and 2019, respectively.

Other Income
This account consists of:

	2021	2020	2019
Ancillary income	**₱715**	₱647	₱903
Real estate forfeitures, charges and penalties	**540**	326	343
CARS incentives	**494**	–	–
Dividend income	**356**	333	335
Management fee (Note 27)	**241**	231	278
Subscription income	**110**	64	184
Realized and unrealized gain on financial assets at FVTPL	**89**	113	135
Gain on disposal of property and equipment (Note 11)	**34**	7	15
Foreign exchange gain	**–**	163	137
Others (Note 5)	**596**	239	199
	₱3,175	₱2,123	₱2,529

Ancillary income represents incentives received by Toyota dealers from financing institutions for vehicles sold to financing customers and from insurance companies for policies written for buyers.

Real estate forfeitures, charges and penalties are earned when a buyer is delinquent on his payment or cancels his purchase of condominium units, after deducting any cash surrender value.

In 2021, Toyota availed of the tax incentives under Executive Order No. 182 Series of 2015 or the Comprehensive Automotive Resurgence Strategy (CARS) Program. Tax credits utilized by the Toyota to pay tax dues amounted to ₱493.69 million.

Management fee includes services rendered by Federal Land and PCFI in the administration of different projects related to the joint venture (Note 27).

24. Cost of Goods and Services Sold

Cost of goods and services sold consists of:

	2021	2020	2019
Beginning inventory			
Automotive	**₱11,023**	₱7,784	₱5,646
Gasoline, retail, and petroleum products	**7**	11	10
Food	**5**	8	6
	11,035	7,803	5,662
Add: Net purchases	**98,176**	79,085	135,476
Total inventories available for sale	**109,211**	86,888	141,138
Less: Ending inventory (Note 6)			
Automotive	**7,191**	11,023	7,784
Gasoline, retail, and petroleum products	**10**	7	11
Food	**5**	5	8
Subtotal (Note 6)	**102,005**	75,853	133,335
Cost adjustments and intercompany elimination	**283**	164	(224)
Internal and other transfers	**(109)**	(30)	97
Direct labor	**643**	369	618
Overhead (Note 30)	**137**	123	117
	₱102,959	₱76,479	₱133,943

Overhead includes rent expense and common usage and service area charges.

25. Cost of Goods Manufactured and Sold

Cost of goods manufactured and sold consists of:

	2021	2020	2019
Raw materials, beginning	**₱1,342**	₱1,169	₱1,371
Purchases	**28,953**	20,265	32,199
Total materials available for production	**30,295**	21,434	33,570
Less: Raw materials, end	**2,151**	1,342	1,169
Raw materials placed in process	**28,144**	20,092	32,401
Direct labor	**328**	320	405
Manufacturing overhead	**3,214**	3,142	4,113
Total cost of goods placed in process	**31,686**	23,554	36,919
Work-in-process, beginning	**16**	27	33
Total Cost of goods in process	**31,702**	23,581	36,952
Less: Work-in-process, ending	**10**	16	27
Total cost of goods manufactured	**31,692**	23,565	36,925
Finished goods, beginning	**752**	861	978
Total goods available for sale/transfer	**32,444**	24,426	37,903
Less: Finished goods, ending	**382**	752	861
Other transfers	**(49)**	120	223
	₱32,111	₱23,554	₱36,819

26. **General and Administrative Expenses**

This account consists of:

	2021	2020	2019
Salaries, wages, and employee benefits (Notes 27 and 28)	**₱2,973**	₱2,718	₱2,985
Advertising and promotions	**2,888**	2,434	2,573
Delivery and handling	**1,571**	839	801
Taxes and licenses	**1,515**	1,907	1,834
Commissions	**1,180**	924	1,251
Depreciation and amortization (Note 11)	**724**	796	842
Light, water and other utilities	**389**	510	555
Provision for (recoveries from) credit losses (Note 5)	**358**	237	(98)
Repairs and maintenance	**377**	238	272
Professional fees	**237**	191	167
Outside services	**203**	198	233
Office supplies	**168**	373	309
Unallocated overhead costs	**110**	479	–
Warranty	**100**	220	213
Administrative and management fees	**98**	138	153
Communications	**81**	69	70
Unrealized foreign exchange loss	**78**	–	–
Insurance	**64**	67	60
Transportation and travel	**58**	58	137
Rent (Note 30)	**33**	313	251
Entertainment, amusement and recreation	**20**	21	39
Royalty and service fees	**12**	9	14
Donation	**10**	32	1
Provision for inventory write-down (Note 6)	**9**	42	17
Provision for other expenses	**–**	–	297
Others	**199**	219	619
	₱13,455	₱13,032	₱13,595

Unallocated overhead costs pertain to the fixed labor and overhead costs incurred during the COVID-19 pandemic when the automotive segment had no production operation. These include depreciation and amortization amounting to ₱39.72 million and ₱214.48 million in 2021 and 2020, respectively.

Other expenses include membership and subscription fees, dealer development, corporate events, and contractual services.

27. **Related Party Transactions**

Parties are considered to be related if one party has the ability, directly, or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions and the parties are subject to common control or common significant influence. Related parties may be individuals or corporate entities. These related parties include subsidiaries, associates, joint venture, key management personnel, stockholders and other related parties which include affiliates.

An entity is considered an affiliate if such entity and the Parent Company have common shareholders. In effect, such entity is a sister company of the Parent Company by virtue of ownership and common control. It is neither a subsidiary nor associate of the Group.

The Group, in its regular conduct of its business, has entered into transactions with its associates, joint ventures and other related parties principally consisting of cash advances for reimbursement of expenses, merger and acquisitions and capital infusion, leasing agreements, management agreements and dividends received from associates.

Transactions with related parties are made at normal market prices. Except as otherwise indicated, outstanding balances at year end are unsecured and settlement occurs generally in cash. There have been no guarantees provided or received for any related party receivables or payables. The Group does not provide any allowance relating to receivable from related parties.

This assessment is undertaken each financial year through examining the financial position of the related parties and the markets in which the related parties operate.

The following tables show the significant related party transactions included in the consolidated financial statements. Transactions with subsidiaries have been eliminated in the consolidated financial statements.

	December 31, 2021		
Category	**Amount/ Volume**	**Outstanding Balances**	**Terms and Conditions/Nature**
Subsidiaries			
Accounts receivable - trade	**₱14,021**	**₱5,290**	Receivable from sale of lots; Vehicle swapping; Current - accordingly, no provision for losses is required.
Rent receivable	**15**	**15**	Unsecured; Non-interest bearing; due and demandable
Dividends receivable	**1,659**	**753**	Dividends declared in 2021
Receivables - others	**6**	**–**	Unsecured; Non-interest bearing; due and demandable
Prepayments	**2**	**18**	Rental deposits
Right-of-use asset	**16**	**28**	Lease of office space
Transportation equipment	**4**	**–**	Employee car plan
Accounts payable	**647**	**36**	Represent payables arising from sales adjustments, warranty, sales promotions, and reimbursable expenses
Lease payable	**18**	**27**	Lease of office space
Dividends payable	**753**	**753**	Non-interest bearing; due and demandable; Unsecured
Liabilities on purchased properties	**310**	**4,474**	Unsecured; With effective interest rate of 5.80%; payable up to 2035
Dividend income	**2,412**	**–**	
Rent income	**55**	**–**	Office space rent and maintenance fty 2021; Subject to 5% escalation annually
Miscellaneous income	**1**	**–**	Management service income
Amortization expense - ROU	**12**	**–**	Amortization of office space lease
Cost of rental	**7**	**–**	Janitorial and security services
Service fees	**167**	**–**	Property management fees for properties in Cavite
Outside services	**12**	**–**	Security services for properties in Cavite
Rent expense	**60**	**–**	Office space rent and maintenance; Subject to 5% escalation annually
Repairs and maintenance	**3**	**–**	Repairs and maintenance of properties
Associates			
Cash and cash equivalents	**6**	**5,834**	Unsecured; Interest bearing at prevailing market rate; due and demandable
Rent receivables	**51**	**9**	Unsecured; Non-interest bearing; due and demandable
Commission receivable	**1**	**7**	Unsecured; Non-interest bearing; due and demandable

(Forward)

Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/Nature
	December 31, 2021		
Receivable from sharing of expenses	**₱2**	**₱43**	Unsecured; Non-interest bearing; due and demandable
Due from related parties	**21**	**45**	Unsecured; Non-interest bearing; due and demandable
Other receivables	**7**	**15**	Unsecured; Non-interest bearing; due and demandable
Short-term notes payable	**1,750**	**1,750**	Unsecured; With interest 3%-6% due in 2022
Short-term debt	**4,690**	**1,460**	Interest bearing; Payable within 90 days from the date of the availment
Due to related parties	**31**	**20**	Unsecured; Non-interest bearing; due and demandable
Loans payable	**1,051**	**10,000**	Unsecured; With interest ranging from 2.75% to 4.25%; Payable on 2021-2022
Other payables	**19**	**–**	Insurance payable
Dividend income	**7,850**	**–**	Dividend income from associates
Rent income	**132**	**–**	Rent income from associates
Interest income	**11**	**–**	Prevailing interest rate on regular peso savings deposit account
Interest expense	**380**	**–**	Interest expense on loans payable
Joint ventures			
Dividend receivable	**8**	**–**	Dividend receivable from joint venture
Rent receivables	**21**	**4**	Unsecured; Non-interest bearing; due and demandable
Interest receivables	**152**	**187**	Unsecured; Interest bearing at prevailing market rate; due and demandable
Loans receivables	**550**	**3,861**	Unsecured; Interest bearing at prevailing market rate; due and demandable
Commission receivable	**96**	**173**	Unsecured; Non-interest bearing; due and demandable
Due from related parties	**16**	**83**	Unsecured; Non-interest bearing; due and demandable
Management fee receivables	**1**	**27**	Unsecured; Non-interest bearing; due and demandable
Receivable from sharing of expenses	**1**	**1**	Unsecured; Non-interest bearing; due and demandable
Other receivables	**5**	**–**	Unsecured; Non-interest bearing; due and demandable
Investment in shares of stocks	**800**	**5,180**	Additional investments to a joint venture
Other payables	**7**	**4**	Unsecured; Non-interest bearing; due and demandable
Dividend income	**8**	**–**	Dividend income from joint ventures
Management fee income	**23**	**–**	Management service income
Rent income	**33**	**–**	Unsecured; Non-interest bearing; due and demandable
Commission income	**293**	**–**	Unsecured; Non-interest bearing; due and demandable
Interest income	**165**	**–**	Unsecured; Interest bearing at prevailing market rate; due and demandable
Others			
Cash and cash equivalents	**1,721**	**5,690**	Unsecured; Interest bearing at prevailing market rate; due and demandable
FVTPL Investments	**7,852**	**8,712**	Interest bearing
Commission receivable	**1**	**1**	Unsecured; Non-interest bearing; due and demandable
Loan receivable	**743**	**743**	Unsecured; With interest of 3.15%; Payable in 2022
Nontrade receivables	**12**	**11**	Within one (1) year, non-interest bearing, unsecured, no impairment
Receivable from sharing of expenses	**355**	**355**	Unsecured; Non-interest bearing; due and demandable
Other receivables	**7**	**49**	Unsecured; Non-interest bearing; due and demandable
Prepaid insurance	**3**	**–**	Unsecured; Non-interest bearing; due and demandable
Due from related parties	**28**	**27**	Unsecured; Non-interest bearing; due and demandable
Accounts payable	**58**	**14**	Insurance expense and agency fees
Due to related parties	**224**	**173**	Unsecured; Non-interest bearing; due and demandable

(Forward)

Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/Nature
	December 31, 2021		
Insurance payable	**₱93**	**₱93**	Unsecured; Non-interest bearing; due and demandable
Other payables	**32**	**1**	Pertains to various credit card transactions
Loans payable	**1,433**	**1,433**	Unsecured; With 3% interest; payable annually until 2025
Commission income	**1**	**–**	Unsecured; Non-interest bearing; due and demandable
Interest income	**58**	**–**	Interest on time deposit placements
Rent income	**1**	**–**	Rent income from affiliates
Gain or loss on disposal of investments	**52**	**–**	Realized gain on investments in FVTPL
Unrealized gain from investment in UITF	**37**	**–**	MTM gain on investments in FVTPL
Advisory fees	**59**	**–**	Retainer's fee
Agency fees	**3**	**–**	Safekeeping and trust agreement
Insurance expense	**3**	**–**	General comprehensive liability insurance; car insurance; D&O liability insurance

Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/Nature
	December 31, 2020		
Significant investor			
Consultancy fees	₱4	₱–	Consultancy fee for the year
Subsidiaries			
Accounts receivable - trade	–	5,644	Receivables from sale of lots, with terms of up to 15 years; discounted at current market rate; Secured; Current - accordingly, no provision for losses is required.
Dividends receivable	–	753	Dividends declared in December 2020
Receivables - others	–	1	Test kits advanced by the Parent Company
Right-of-use asset	36	45	Lease of office space
Investments in subsidiaries	565	42,283	Additional investments during the year
Lease payable	36	23	Lease of office space
Security deposits	2	3	Rental deposits for lease of office space
Accounts payable	–	7	Property management; outside services
Real estate sales	4,803	–	Revenue from sale of lots
Dividend income	5,473	–	Dividend income
Cost of real estate sales	3,067	–	Cost of lots sold
Cost of rental	7	–	Janitorial and security services
Service fees	83	–	Property management fee
Outside services	3	–	Security services in land inventories
Repairs and maintenance	2	–	Maintenance fee for office space
Associates			
Cash and cash equivalents	18	13,914	Interest bearing at prevailing market rate; due and demandable
Short-term investments	–	1,248	Time deposit placements with interest rates ranging from 0.05% to 0.63%
Rent receivables	–	60	Non-interest bearing; due and demandable; Unsecured
Commission receivable	–	6	Non-interest bearing; due and demandable; Unsecured
Receivable from sharing of expenses	–	41	Non-interest bearing; due and demandable; Unsecured
Other receivables	–	8	Non-interest bearing; due and demandable; Unsecured
Inventories	245	–	Capitalized interest expense on short-term debt
Due from related parties	–	66	Non-interest bearing; due and demandable; Unsecured
Other current assets	–	49	Cash deposit required for the CARS program
Short-term debt	56	6,150	With interest ranging from 3% to 6% due in 2021
Due to related parties	–	51	Non-interest bearing; due and demandable; Unsecured
Other payables	8	–	Non-interest bearing; due and demandable; Unsecured
Loans payable	–	8,949	With interest ranging from 2.90% to 4.75%; Payable in 2021 to 2022
Rent income	114	–	Rent income
Interest income	6	–	Interest income at prevailing market rate
Commission income	1	–	Commission income

(Forward)

Category	Amount/ Volume (December 31, 2020)	Outstanding Balances	Terms and Conditions/Nature
Joint ventures			
Rent receivables	₱–	₱25	Non-interest bearing; due and demandable; Unsecured
Interest receivables	–	35	Interest receivables on loans; due and demandable
Loans receivables	–	3,311	Interest bearing at prevailing market rate; due and demandable
Commission receivable	–	77	Non-interest bearing; due and demandable; Unsecured
Due from related parties	–	81	Non-interest bearing; due and demandable; Unsecured
Management fee receivables	–	28	Non-interest bearing; due and demandable; Unsecured
Nontrade receivables	3	1	Non-interest bearing; due and demandable; Unsecured
Due to related parties	–	67	Non-interest bearing; due and demandable; Unsecured
Other payables	14	–	Non-interest bearing; due and demandable; Unsecured
Rent income	71	–	Rent income
Commission income	93	–	Commission income
Interest income	35	–	Interest income at prevailing market rate
Management income	60	–	Management income
Others			
Cash and cash equivalents	–	8	Interest bearing at prevailing market rate; due and demandable
Nontrade receivables	2	–	Non-interest bearing; due and demandable; Unsecured
Accounts payable	–	1	Insurance expense payable; agency fee
Due from related parties	–	55	Non-interest bearing; due and demandable; Unsecured
Due to related parties	–	397	Non-interest bearing; due and demandable; Unsecured
Insurance payable	104	104	Non-interest bearing; due and demandable; Unsecured
Other payables	28	–	Various credit card transactions
Interest income	4	–	Interest on time deposit placements
Rent income	1	–	Office space rent
Agency fees	2	–	Safekeeping and trust agreement
Insurance expense	2	–	General comprehensive liability insurance; car insurance; D&O liability insurance

Category	Amount/ Volume (December 31, 2019)	Outstanding Balances	Terms and Conditions/Nature
Significant investor			
Consultancy fees	₱3	₱–	Consultancy fee for the year
Subsidiaries			
Real estate sales	1,131	–	Revenue from sale of lots
Cost of real estate sales	1,026	–	Cost of lots sold
Repairs and maintenance	1	–	Maintenance dues and service requests
Associates			
Commission income	3	–	Non-interest bearing; due and demandable; Unsecured
Interest income	93	1	Interest income at prevailing market rate
Rent income	160	–	Rent income
Interest expense/capitalized	659	30	With interest ranging from 2.90% to 4.75%; Payable in 2021-2022; Unsecured
Joint ventures			
Commission income	249	–	Non-interest bearing; due and demandable; Unsecured
Management fee income	63	–	Non-interest bearing; due and demandable; Unsecured
Rent income	95	–	Non-interest bearing; due and demandable; Unsecured
Others			
Interest income	149	–	With interest of 3.15%; Payable in 2022; Unsecured

(Forward)

Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/Nature
	December 31, 2019		
Management fee income	₱22	₱–	Non-interest bearing; due and demandable; Unsecured
Gain on disposal of investments in UITF	50	–	Realized gain on UITF investments
Unrealized gain on investment in UITF	85	–	MTM gain on UITF investments
Administration expense	129	–	Advisory fee on certain transactions
Agency fee - Trust and escrow	5	–	Fee for escrow and trust services

Details of the transactions with affiliates are as follows:

Cash and cash equivalents and short-term investments
The Group maintains cash and short-term deposits accounts with MBTC, an associate. The Group also has cash and short-term deposits with other related parties such as Metrobank Card Corporation (until 2019) and PSBank, which are subsidiaries of MBTC. Cash and cash equivalents earn interest at the prevailing investment rates (Note 4).

Financial assets at FVTPL
As of December 31, 2021 and 2020, the Group's investment in UITF amounted to ₱8.71 billion and ₱3.71 billion, respectively (Note 10).

Operating advances
Due from and to related parties consist mostly of operating advances which are non-interest bearing and due and demandable.

Loans receivable
In 2012 and 2021, Federal Land entered into loan agreements with CIRC. Federal Land agreed to lend to CIRC a total amount of ₱755.00 million with a nominal and effective interest rates ranging from 3.15% to 6.00%. The outstanding balance of loans receivable as of December 31, 2021 and 2020 amounted to ₱743.41 million and ₱687.36 million, respectively (Note 5).

Affiliated bank loans
The Group's loans payable to an affiliated commercial bank bears interest rates ranging from 1.90% to 5.50%, 2.30% to 6.25% and 4.50% to 6.25% per annum in 2021, 2020 and 2019, respectively (Note 16).

Management fee
Management fee amounting to ₱23.31 million and ₱60.16 million in 2021 and 2020, respectively, pertains to the income received from a joint venture of Federal Land with SFNBRDC, NBLRDI, BLRDC and STRC (Note 23).

Lease agreements
Federal Land entered into operating lease agreements for the use of office spaces in GT Tower International Building. The terms of lease range from 5 to 10 years and are generally renewable for 5 years. The rent is payable monthly with annual rent escalation rates ranging from 5% to 8%. The rental income on these leases amounted to ₱220.16 million, ₱215.55 million and ₱309.26 million in 2021, 2020 and 2019, respectively (Note 30).

Compensation of key management personnel for the years ended December 31, 2021, 2020 and 2019 follow:

	2021	2020	2019
Short-term employee benefits	**₱903**	₱707	₱681
Post-employment benefits	**122**	106	118
	₱1,025	₱813	₱799

Transactions with the Group Retirement Funds
The retirement funds of the Group's employees are being managed and maintained by MBTC as trustee bank. The total carrying amount and fair value of the retirement funds as of December 31, 2021 and 2020 amounted to ₱2.43 billion and ₱2.71 billion, respectively. The assets and investments of the fund include cash and cash equivalents, investments in government securities and equity securities, among others.

The following tables show the amounts of related party transactions of the Group with the retirement funds of the subsidiaries' employees as of December 31, 2020 and 2021 (in absolute amounts):

	December 31, 2021		
Category	**Amount/ Volume**	**Outstanding Balances**	**Terms and Conditions/Nature**
Parent Company			
Investment in equity securities	**(₱393,840)**	**₱5,779,080**	No impairment
Dividend income	**1,165,240**	**–**	Cash dividends
Loss on sale of investments	**(590,210)**	**–**	Loss from sale of equity securities
Associate			
Savings deposit	**(3,116,567)**	**1,079,343**	Savings account earning regular annual interest; unsecured and no impairment;
Time deposit	**(6,000,000)**	**–**	With annual interest of 3.88%, 1 - 3 months maturity; unsecured and no impairment
Investment in equity securities	**9,328,039**	**22,885,459**	No impairment
Investment in UITF	**30,970,333**	**51,301,769**	No impairment
Investment in other security and debt instruments	**(1,479,519)**	**40,335,755**	No impairment
Interest income	**32,393**	**–**	Income earned from savings and time deposit
Dividend income	**500,177**	**–**	Cash dividends
Gain on sale of investments	**80,917**	**–**	Income from sale of UITF

	December 31, 2020		
Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/Nature
Parent Company			
Investment in equity securities	(₱2,722,274)	₱6,172,920	No impairment
Dividend income	63,012	–	Cash dividends
Associate			
Savings deposit	4,182,492	4,195,910	Savings account with annual interest of 1%, unsecured and no impairment;
Time deposit	(29,722,000)	6,000,000	With annual interest of 3.88%, 1 - 3 months maturity; unsecured and no impairment
Investment in equity securities	(6,670,710)	13,557,420	No impairment
Investment in UITF	15,846,481	20,331,436	No impairment
Investment in other security and debt instruments	169,490	41,815,274	No impairment
Interest income	383,175	–	Income earned from savings and time deposit
Dividend income	305,100	–	Cash dividends
Loss on sale of UITF	(877,679)	–	Loss on sale of UITF

	December 31, 2019		
Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/Nature
Parent Company			
Dividend income	₱27,786	₱–	Cash dividends
Associate			
Interest income	2,724,392	–	Income earned from savings and time deposit
Dividend income	245,000	–	Cash dividends
Gain on sale of UITF	522,702	–	Income from sale of UITF

Transactions relating to the retirement plans are approved by the subsidiaries' respective Retirement Committees. The voting rights over the investments in the shares of entities within the Group are exercised by the Retirement Committee, whom are either officers or directors of the subsidiaries.

28. Pension Plan

The Group provides defined benefit pension plans for substantially all of its employees. Provisions for pension obligations are established for benefits payable in the form of retirement pensions. Benefits are dependent on years of service and the respective employee's final compensation. Actuarial valuations are made annually.

Principal actuarial assumptions used to determine pension obligations follow:

		2021		
		Actuarial Assumptions		
	Date of Actuarial Valuation	**Expected Return on Plan Assets**	**Salary Rate Increase**	**Discount Rate**
Real estate	**December 31, 2021**	**3.69%**	**3.00% to 8.00%**	**4.94% to 5.21%**
Automotive	**-do-**	**4.11% to 5.09%**	**5.00% to 6.00%**	**5.01% to 5.06%**
Financial	**-do-**	**3.50%**	**8.00%**	**5.11 %**

		2020		
		Actuarial Assumptions		
	Date of Actuarial Valuation	Expected Return on Plan Assets	Salary Rate Increase	Discount Rate
Real estate	December 31, 2020	4.96%	8.00%	3.80%
Automotive	-do-	4.11% to 6.82%	5.00% to 7.00%	3.77% to 3.84%
Financial	-do-	3.50%	8.00%	3.91 %

The overall expected rate of return on plan assets is determined based on the market prices prevailing on that date applicable to the period over which the obligation is to be settled.

Net retirement liability (asset) included in the consolidated statements of financial position follow:

	2021	2020
Retirement asset (Note 14)	**(₱8)**	(₱9)
Retirement liability	**1,629**	1,934
Net retirement liability	**₱1,621**	₱1,925

The net pension liability and asset recognized in the Group's consolidated statements of financial position are as follows:

		Net benefit cost					**Remeasurements in other comprehensive income**						
	January 1, 2021	**Current service cost**	**Net interest**	**Past service cost**	**Subtotal**	**Benefits paid**	**Return on plan assets (excluding amount included in net interest)**	**Actuarial changes arising from experience adjustments**	**Actuarial changes arising from demographic assumptions**	**Actuarial changes arising from changes in financial assumptions**	**Subtotal**	**Contributions paid**	**December 31, 2021**
Present value of defined benefit obligation	**₱4,634**	**₱337**	**₱ 169**	**₱–**	**₱506**	**(₱328)**	**₱–**	**(₱244)**	**₱5**	**(₱518)**	**(₱757)**	**₱–**	**₱4,055**
Less: Fair value of plan assets	**2,709**	**–**	**98**	**–**	**98**	**(315)**	**(148)**	**–**	**–**	**–**	**(148)**	**90**	**2,434**
Net defined benefit liability	**₱1,925**	**₱337**	**₱71**	**₱–**	**₱408**	**(₱13)**	**₱148**	**(₱244)**	**₱5**	**(₱518)**	**(₱609)**	**(₱90)**	**₱1,621**

		Net benefit cost					Remeasurements in other comprehensive income						
	January 1, 2020	Current service cost	Net interest	Past service cost	Subtotal	Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from experience adjustments	Actuarial changes arising from demographic assumptions	Actuarial changes arising from changes in financial assumptions	Subtotal	Contributions paid	December 31, 2020
Present value of defined benefit obligation	₱3,899	₱275	₱181	₱–	₱456	(₱246)	₱–	₱58	₱90	₱377	₱525	₱–	₱4,634
Less: Fair value of plan assets	2,684	–	132	–	132	(224)	64	–	–	–	64	53	2,709
Net defined benefit liability	₱1,215	₱275	₱49	₱–	₱324	(₱22)	(₱64)	₱58	₱90	₱377	₱461	(₱53)	₱1,925

The maximum economic benefit available is a combination of expected refunds from the plan and reductions in future contributions.

The fair values of plan assets by each class as at the end of the reporting periods are as follows:

	2021	2020
Cash and cash equivalents	**₱6**	₱11
Investment in government securities	**1,710**	2,028
Investment in equity securities	**545**	430
Investment in debt and other securities	**124**	211
Investment in mutual funds	**53**	7
Receivables	**4**	27
Liabilities	**(8)**	(5)
	₱2,434	₱2,709

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

		2021	2020
	Possible Fluctuations	**Increase (Decrease)**	Increase (Decrease)
Discount rates	**+1%**	**(₱277)**	(₱375)
	-1%	**304**	398
Future salary increase rate	**+1%**	**315**	403
	-1%	**(292)**	(388)

The Group expects to contribute ₱403.00 million to its defined benefit pension plan in 2022.

The average duration of the defined benefit retirement liability at the end of the reporting period is 16.10 years for the Group.

Shown below is the maturity analysis of the undiscounted benefit payments as of December 31, 2021:

Less than 1 year	₱481
More than 1 year to 5 years	1,689
More than 5 years to 10 years	2,100
More than 10 years to 15 years	1,490
More than 15 years to 20 years	2,240
More than 20 years	5,428

The Group does not currently have any asset-liability matching study.

29. Income Taxes

On March 26, 2021, RA No. 11534, otherwise known as Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act was signed into law. CREATE reduced the RCIT rate from 30.00% to 25.00% depending on the criteria set by the law effective July 1, 2020. With the implementation of this Act, interest expense allowed as a deductible expense shall be reduced by 20.00% of the interest income subjected to final tax, compared to the 33.00% reduction prior to the Act.

The regulations also provide for MCIT of 2.00% (prior to CREATE) and 1.00% from (July 1, 2020 to June 30, 2023 before reverting to 2.00%) on modified gross income and allow a NOLCO. The MCIT and NOLCO may be applied against the Group's income tax liability and taxable income, respectively, over a three-year period from the year of inception. For the taxable years 2020 and 2021, the NOLCO incurred can be carried over as a deduction for the next five (5) consecutive taxable years, pursuant to Revenue Regulation (RR) No. 25-2020.

Based on the provisions of RR No. 5-2021 dated April 8, 2021 issued by the BIR, the transitory RCIT and MCIT rates of the Group for the taxable year 2020 are 27.50% and 1.50%, respectively. The reduced amounts were reflected in the Group's 2020 annual income tax returns filed in 2021. However, for financial reporting purposes, the changes were only recognized in the 2021 consolidated financial statements. The deferred tax assets and liabilities as of December 31, 2020 were also remeasured using the lower RCIT rate of 25.00%. These reductions were recognized in the 2021 consolidated financial statements.

Provision for (benefit from) income tax account consists of:

	2021	2020	2019
Current	**₱1,935**	₱1,753	₱4,797
Deferred	**(183)**	182	170
Final	**69**	51	90
	₱1,821	₱1,986	₱5,057

The components of the Group's deferred taxes as of December 31, 2021 and 2020 are as follows:

Net deferred tax assets:

	2021	2020
Deferred tax assets on:		
Retirement benefit obligation	**₱474**	₱672
Deferred intercompany gain	**228**	304
Allowance for impairment losses	**208**	144
Deferred gross profit	**82**	62
Accrued expenses	**73**	61
Warranties payable and other provisions	**63**	87
Excess MCIT over RCIT	**52**	26
Allowance for inventory obsolescence	**37**	43
Unamortized past service cost from pension obligation	**21**	25
NOLCO	**20**	43
Unrealized foreign exchange gain	**–**	2
Others	**50**	15
	1,308	1,484
Deferred tax liabilities on:		
Unrealized foreign exchange loss	**58**	–
Capitalized customs duties	**32**	44
Unearned gross profit in ending inventories	**17**	10
Others	**27**	28
	134	82
Net deferred tax assets	**₱1,174**	₱1,402

Net deferred tax liabilities:

	2021	2020
Deferred tax assets on:		
NOLCO	**₱381**	₱626
Unrealized gain on sale of land	**408**	607
Excess of cost over fair value of investment property	**116**	103
Prepaid commission	**58**	51
Retirement benefit obligation	**52**	47
Provision for impairment losses on receivables	**33**	29
Unearned income	**25**	57
Unearned gross profit in ending inventories	**20**	31
Interest expense on Day 1 loss	**15**	13
Allowance for impairment loss on inventories	**5**	5
Others	**6**	6
	1,119	1,575
Deferred tax liabilities on:		
Fair value adjustment on acquisition by Parent Company	**1,962**	2,325
Capitalized borrowing cost and guarantee fees	**1,261**	1,120
Unrealized gross profit on sale of land	**381**	626
Excess of book basis over tax basis of deferred gross profit	**507**	449
Fair value adjustment on acquisition by subsidiaries	**138**	146
Unamortized discount on long-term payable	**68**	60
Lease differential	**22**	28
Deferred financing costs	**3**	40
Retirement asset	**2**	3
Others	**7**	3
	4,351	4,800
Net deferred tax liabilities	**₱3,232**	₱3,225

NOLCO
On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of “Bayanihan to Recover As One Act” which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

As of December 31, 2021, the Group has incurred NOLCO before taxable year 2020 which can be claimed as deduction from the regular taxable income for the next three (3) consecutive taxable years, as follows:

Year Incurred	Availment Period	Amount	NOLCO Applied Previous Years	NOLCO Expired	NOLCO Applied Current Year	NOLCO Unapplied
2018	2019-2021	₱3,983	₱–	₱3,983	₱–	₱–

As of December 31, 2021, the Group has incurred NOLCO in taxable years 2020 and 2021 which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover As One Act, as follows:

Year Incurred	Availment Period	Amount	NOLCO Applied Previous Years	NOLCO Expired	NOLCO Applied Current Year	NOLCO Unapplied
2021	2021-2026	₱3,990	₱–	₱–	₱–	₱3,990
2020	2021-2025	4,386	–	–	–	4,386
		₱8,376	₱–	₱–	₱–	₱8,376

MCIT
Details of the Group's MCIT follow:

Year Incurred	Amount	Expired/Applied	Balance	Expiry Date
2021	₱10	₱–	₱10	2024
2020	38	–	38	2023
2019	114	–	114	2022
2018	3	3	–	2021
	₱165	₱3	₱162	

The Group has NOLCO and excess MCIT over RCIT for which deferred tax assets have not been recognized since management believes that it is not probable that sufficient taxable income will be available against which the carryforward benefit of NOLCO and excess MCIT over RCIT can be utilized prior to their expiration. These NOLCO and excess MCIT over RCIT are as follows:

	2021	2020
NOLCO	**₱5,498**	₱4,584
Excess MCIT over RCIT	**138**	130

The reconciliation of the provision for income tax computed at the statutory income tax rate to the provision for income tax shown in the consolidated statements of income follows:

	2021	2020	2019
Provision for income tax computed at statutory rates	**25.00%**	30.00%	30.00%
Tax effects of:			
Nontaxable income	**(19.73)**	(14.10)	(8.05)
Changes in unrecognized deferred tax assets	**6.24**	4.07	(0.95)
Operating income within income tax holiday (ITH)	**–**	(1.52)	(0.82)
Nondeductible interest and other expenses	**2.09**	0.91	0.57
Changes in tax rates	**(1.28)**	–	–
Income subjected to final tax	**(0.25)**	(0.26)	(0.19)
Income subjected to lower tax rate	**0.05**	0.09	0.42
Others	**(0.79)**	0.05	(1.79)
Effective income tax rates	**11.33%**	19.24%	19.19%

TMPC is registered with the BOI as a:

- Participant in the Car Development Program and Commercial Vehicle Development Program.
- Pioneer status for the production of Vios. Under its terms and conditions, TMPC shall be entitled to ITH from July 2, 2013 to July 1, 2019 for revenues generated from this vehicle model subject to achievement of certain percentage of local value added.
- Non-pioneer status for the production of Innova. Under its terms and conditions, TMPC shall be entitled to ITH from April 2016 to April 2020 for portion (as determined by its Logistic Efficiency Index) of revenues generated from this vehicle model.
- Participant in Comprehensive Automotive Resurgence Strategy (CARS) Program. BOI approved TMPC's enrollment of its locally-produced vehicle model to the CARS Program on June 27, 2016. Under the terms of registration, TMPC shall be entitled to Fixed Investment Support and Production Volume Incentives subject to achievement of production volume and localization of body shells and large plastic parts.

30. Lease Commitments

Group as a lessee

The Group is a party under various lease agreements including the lease of premises occupied by the Parent Company, office space leased for the Group's branches, land leased for Federal Land Group's mall and gasoline station and lease of parking spaces with terms ranging from one (1) to 10 years.

As of December 31, 2021 and 2020, the Group recognized interest expense on lease liabilities (included in 'Interest expense' in the consolidated statement of income) amounting to ₱32.13 million and ₱49.93 million in 2021 and 2020, respectively. Rent expense from short-term leases and leases of low-value assets amounting to ₱33.29 million and ₱312.99 million in 2021 and 2020, respectively.

As of December 31, 2021 and 2020, the carrying amounts of lease liabilities are as follows (Notes 19 and 20):

	2021	2020
Beginning balance	**₱24**	₱311
Additions	**139**	124
Accretion of interest	**32**	18
Payments	**(37)**	(99)
Adjustments	**(113)**	(330)
	₱45	₱24

As of December 31, 2021 and 2020, the future minimum rental payments are as follows:

	2021	2020
Within one year	**₱69**	₱52
After one year but not more than five years	**47**	73
More than five years	**8**	7
	₱124	₱132

Group as a lessor
The Group has entered into commercial property leases on its investment properties consisting of office spaces, land, mall and parking spaces with lease terms ranging from five (5) to ten (10) years. The Group's rental income on these leases amounted to ₱1.05 billion, ₱1.75 billion and ₱1.53 billion in 2021, 2020 and 2019, respectively (Note 9). The cost of rental services amounting to ₱655.26 million, ₱588.76 million and ₱434.66 million in 2021, 2020 and 2019, respectively, includes maintenance fee, depreciation, repairs and maintenance, and taxes and licenses (Note 11).
As of December 31, 2021 and 2020, the future minimum rental receipts from these lease commitments are as follows:

	2021	2020
Within one year	**₱1,282**	₱942
After one year but not more than five years	**2,990**	1,929
More than five years	**2,690**	714
	₱6,962	₱3,585

31. Business Combination

On December 29, 2020, GTCAM and TCSPHI entered into a Share Sale and Purchase Agreement with TMPC. TMPC agreed to sell and transfer its 5,000,000 shares of TSRLI shares with a par value of ₱100.00 per share, representing in the aggregate 100% of the total issued and outstanding voting shares of TSRLI, to GTCAM and TCSPHI. 60% of the sale shares equivalent to 3,000,000 shares were sold and transferred to GTCAM and the remaining 40% or 2,000,000 shares were sold and transferred to TCSPHI. The said agreement took effect on January 1, 2021.

32. Fair Value Measurement

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

Cash and cash equivalents and short-term cash investments
The fair value of cash and cash equivalents approximate the carrying amounts at initial recognition due to the short-term maturities of these instruments.

Receivables
The fair value of receivables due within one year approximates its carrying amounts. The fair values of installment contracts receivable are based on the discounted value of future cash flows using the applicable rates for similar types of instruments. The discount rates used were 8% as of December 31, 2021 and 2020. For the long-term loan receivable, the Group used discounted cash flow analyses to measure the fair value of the loan. The interest rate used was the average bank lending rate for December 31, 2021 and 2020.

Due from and to related parties
The carrying amounts approximate fair values due to short-term in nature. Related party receivables and payables are due and demandable.

Financial assets at FVTPL
These pertain to the Group's investment in UITFs. UITFs are ready-made investments that allow pooling of funds from different investors with similar investments objectives. These UITFs are managed by professional fund managers and may be invested in various financial instruments such as money market securities, bonds and equities, which are normally available to large investors only. A UITF uses the mark-to-market method in valuing the fund's securities.

Financial assets at FVOCI - quoted
The fair value of quoted equity securities is based on the quoted market prices or binding dealer price quotations, without any deduction for transaction cost.

Financial assets at FVOCI - unquoted
The fair value of unquoted equity securities is estimated based on the market data approach that makes use of market multiples derived from a set of comparables. Multiples were determined that is most relevant to assessing the value of unquoted securities (e.g., earnings, book value). The selection of the appropriate multiple within the range is based on qualitative and quantitative factors specific to the measurement.

Derivative financial instruments
The fair values of interest rate swap transactions are derived using acceptable valuation method. The valuation assumptions are based on market conditions existing at the reporting dates.

Accounts and other payables
The fair values of accounts and other payables approximate the carrying amounts due to the short-term nature of these transactions.

Loans payable and bonds payable
Current portion of loans payable approximates its fair value due to its short-term maturity. Long-term portion of loans payable subjected to quarterly repricing is not discounted. Estimated fair value of long-term portion of loans payable with fixed interest and not subjected to quarterly repricing is based on the discounted value of future cash flows using applicable interest rates for similar types of loans as of reporting date. The interest rates used ranged from 0.44% to 6.17% and 0.09% to 7.35% for the years ended December 31, 2021 and 2020, respectively.

Liabilities on purchased properties
Estimated fair value was based on the discounted value of future cash flows using the applicable interest rates for similar types of loans as of reporting date. Long-term payables were incurred in 2019, 2017 and 2012 with interest rates ranging from 3.00% to 3.25% per annum.

The following tables summarize the carrying amount and fair values of financial assets and liabilities, as well as nonfinancial assets, analyzed based on the fair value hierarchy (see accounting policy on Fair Value Measurement), except for assets and liabilities where the carrying values as reflected in the consolidated statements of financial position and related notes approximate their respective fair values.

	2021				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Assets measured at fair value:					
Financial Assets					
Financial assets at FVTPL	**₱8,712**	**₱–**	**₱8,712**	**₱–**	**₱8,712**
Financial assets at FVOCI					
Quoted equity securities	**15,919**	**15,919**	**–**	**–**	**15,919**
Unquoted equity securities	**392**	**–**	**392**	**–**	**392**
	₱25,023	**₱15,919**	**₱9,104**	**₱–**	**₱25,023**
Assets for which fair values are disclosed:					
Financial Assets					
Loans and receivables					
Installment contracts receivables	**₱335**	**₱–**	**₱–**	**₱338**	**₱338**
Loans receivables	**1,324**	**–**	**–**	**1,994**	**1,994**
Non-financial Assets					
Investment in listed associates	**163,655**	**110,158**	**–**	**–**	**110,158**
Investment properties	**15,646**	**–**	**–**	**41,850**	**41,850**
	₱180,960	**₱110,158**	**₱–**	**₱44,182**	**₱154,340**
Liabilities measured at fair value:					
Financial Liabilities					
Other noncurrent liabilities					
Derivative liabilities	**₱32**	**₱–**	**₱32**	**₱–**	**₱32**
Liabilities for which fair values are disclosed:					
Financial Liabilities					
Liabilities on purchased properties	**₱1,658**	**₱–**	**₱–**	**₱2,194**	**₱2,194**
Loans payable	**112,755**	**–**	**–**	**113,536**	**113,536**
Bonds payable	**10,077**	**10,448**	**–**	**–**	**10,448**
	₱124,490	**₱10,448**	**₱–**	**₱115,730**	**₱126,178**

	2020				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets measured at fair value:					
Financial Assets					
Financial assets at FVTPL	₱3,709	₱–	₱3,709	₱–	₱3,709
Financial assets at FVOCI					
Quoted equity securities	12,499	12,499	–	–	12,499
Unquoted equity securities	241	–	241	–	241
	₱16,449	₱12,499	₱3,950	₱–	₱16,449
Assets for which fair values are disclosed:					
Financial Assets					
Loans and receivables					
Installment contracts receivables	₱347	₱–	₱–	₱351	₱351
Loans receivables	3,310	–	–	3,967	3,967
Non-financial Assets					
Investment in listed associates	163,730	102,915	–	–	102,915
Investment properties	16,253	–	–	34,837	34,837
	₱183,640	₱102,915	₱–	₱39,155	₱142,070
Liabilities measured at fair value:					
Financial Liabilities					
Other noncurrent liabilities					
Derivative liabilities	₱51	₱–	₱51	₱–	₱51
Liabilities for which fair values are disclosed:					
Financial Liabilities					
Liabilities on purchased properties	₱2,657	₱–	₱–	₱4,983	₱4,983
Loans payable	95,429	–	–	103,097	103,097
Bonds payable	10,065	10,470	–	–	10,470
	₱108,151	₱10,470	₱–	₱108,080	₱118,550

As of December 31, 2021 and 2020, no transfers were made among the three levels in the fair value hierarchy.

Inputs used in estimating fair values of financial instruments carried at cost and categorized under Level 3 include risk-free rates and applicable risk premium.

The fair value of the Group's investment properties has been determined based on valuations performed by third-party valuers. The value of the land was estimated by using the Market Data Approach, a valuation approach that considers the sales, listings and other related market data within the vicinity of the subject properties and establishes a value estimate by processes involving comparison.

The table below summarizes the valuation techniques used and the significant unobservable inputs valuation for each type of investment properties held by the Group:

	Valuation Techniques	**Significant Unobservable Inputs**
Land	Market Data Approach	Price per square meter, size, location, shape, time element and corner influence
Building and Land Improvements	Cost Approach or Market Data Approach	Lineal and square meter, current cost of materials, labor and equipment, contractor's profits, overhead, taxes and fees

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.
Cost Approach	A process of determining the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation on physical wear and tear, and obsolescence.

Significant Unobservable Inputs

Reproduction Cost New	The cost to create a virtual replica of the existing structure, employing the same design and similar building materials.
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.

Significant Unobservable Inputs

Time Element	"An adjustment for market conditions is made if general property values have appreciated or depreciated since the transaction dates due to inflation or deflation or a change in investors' perceptions of the market over time". In which case, the current data is superior to historic data.
Discount	Generally, asking prices in ads posted for sale are negotiable. Discount is the amount the seller or developer is willing to deduct from the posted selling price if the transaction will be in cash or equivalent.
Corner influence	Bounded by two (2) roads.

33. Financial Risk Management and Objectives

The Group's principal financial instruments are composed of cash and cash equivalents, financial assets at FVTPL and FVOCI, receivables, due from related parties, accounts and other payables, dividends payable, due to related parties, loans payable, bonds payable, liabilities on purchased properties and derivative liabilities.

Exposures to credit, liquidity, foreign currency, interest rate, and equity price risks arise in the normal course of the Group's business activities. The main objectives of the Group's financial risk management are as follows:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

The use of financial derivative instruments (if any) is solely for the management of the Group's financial risk exposures. It is the Group's policy not to enter into derivative transactions for speculative purposes.

The Group's respective financing and treasury functions focus on managing financial risks and activities as well as providing optimum investment yield and cost-efficient funding for the Group.

Credit Risk

The Group's credit risks are primarily attributable to its financial assets. To manage credit risks, the Group maintains defined credit policies and monitors on a continuous basis its exposure to credit risks. Given the Group's diverse base of counterparties, it is not exposed to large concentrations of credit risk.

Financial assets comprise cash and cash equivalents, short-term investments, receivables, due from related parties and investment securities. The Group adheres to fixed limits and guidelines in its dealings with counterparty banks and its investment in financial instruments. Bank limits are established on the basis of an internal rating system that principally covers the areas of liquidity, capital adequacy and financial stability. The rating system likewise makes use of available international credit ratings. Given the high credit standing of its accredited counterparty banks, management does not expect any of these financial institutions to fail in meeting their obligations.

In respect of installment receivables from the sale of properties, credit risk is managed primarily through credit reviews and an analysis of receivables on a continuous basis. The Group also undertakes supplemental credit review procedures for certain installment payment structures. Customer payments are facilitated through various collection modes including the use of postdated checks and auto-debit arrangements. Exposure to bad debts is not significant and the requirement for remedial procedures is minimal given the profile of buyers.

Maximum exposure to credit risk after taking into account collateral held or other credit enhancements

As of December 31, 2021 and 2020, the maximum exposure to credit risk of the Group's financial assets is equal to its carrying value except for installment contracts receivable with nil exposure to credit risk since the fair value of the related condominium and residential units collateral is greater than the carrying value of the installment contracts receivable.

a. Credit quality per class of financial assets

The credit quality of the financial assets was determined as follows:

Cash and cash equivalents and long-term cash investment - based on the nature of the counterparty and the Group's internal rating system.

Receivables - high grade pertains to receivables that had no default in payment; medium grade pertains to receivables with a history of being 30 to 90 days past due; and low grade pertains to receivables with a history of being over 90 days past due.

The table below shows the credit quality per class of financial assets based on the Group's rating system:

	December 31, 2021						
	Neither Past Due Nor Individually Impaired				Past Due but		
	High Grade	Medium Grade	Low Grade	Total	not Individually Impaired	Individually Impaired	Total
Cash and cash equivalents* (Note 4)	**₱17,370**	**₱–**	**₱–**	**₱17,370**	**₱–**	**₱–**	**₱17,370**
Receivables (Note 5)							
Trade receivables	**7,499**	**183**	**31**	**7,713**	**3,415**	**4**	**11,132**
Loans receivable	**5,618**	**–**	**–**	**5,618**	**–**	**–**	**5,618**
Accrued rent and commission income	**881**	**–**	**–**	**881**	**4**	**345**	**1,230**
Nontrade receivables	**606**	**67**	**97**	**770**	**231**	**50**	**1,051**
Accrued interest receivable	**397**	**–**	**–**	**397**	**–**	**37**	**434**
Installment contracts receivable	**103**	**–**	**–**	**103**	**232**	**–**	**335**
Management fee receivables	**150**	**–**	**–**	**150**	**–**	**–**	**150**
Others	**308**	**–**	**–**	**308**	**10**	**129**	**447**
Due from related parties (Note 27)	**155**	**–**	**–**	**155**	**–**	**–**	**155**
	₱33,087	**₱250**	**₱128**	**₱33,465**	**₱3,892**	**₱565**	**₱37,922**

**Excludes cash on hand amounting to ₱34.02 million*

	December 31, 2020						
	Neither Past Due Nor Individually Impaired				Past Due but not Individually Impaired	Individually Impaired	Total
	High Grade	Medium Grade	Low Grade	Total			
Cash and cash equivalents* (Note 4)	₱17,091	₱–	₱–	₱17,091	₱–	₱–	₱17,091
Receivables (Note 5)							
Trade receivables	12,530	257	11	12,798	2,543	4	15,345
Loans receivable	7,219	–	–	7,219	–	–	7,219
Accrued rent and commission income	1,299	–	–	1,299	4	3	1,306
Nontrade receivables	765	87	–	852	387	50	1,289
Installment contracts receivable	106	–	–	106	241	–	347
Management fee receivables	126	–	–	126	–	–	126
Accrued interest receivable	157	–	–	157	–	28	185
Others	280	–	–	280	89	116	485
Due from related parties (Note 27)	202	–	–	202	–	–	202
	₱39,775	₱344	₱11	₱40,130	₱3,264	₱201	₱43,595

**Excludes cash on hand amounting to ₱23.46 million*

As of December 31, 2021 and 2020, the aging analysis of past due but not individually impaired financial assets presented per class, is as follows:

	December 31, 2021								
		Past Due but not Individually Impaired							
	Neither Past Due nor Individually Impaired	**<30 days**	**30-60 days**	**61-90 days**	**91-120 days**	**>120 days**	**Total**	**Individually Impaired**	**Total**
Cash and cash equivalents* (Note 4)	**₱17,370**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱17,370**
Receivables (Note 5)									
Trade receivable	**7,713**	**1,008**	**1,000**	**543**	**251**	**613**	**3,415**	**4**	**11,132**
Loans receivable	**5,618**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**5,618**
Accrued rent and commission income	**881**	**1**	**1**	**1**	**1**	**–**	**4**	**345**	**1,230**
Non-trade receivable	**770**	**13**	**79**	**112**	**10**	**17**	**231**	**50**	**1,051**
Accrued interest receivable	**397**	**–**	**–**	**–**	**–**	**–**	**–**	**37**	**434**
Installment contracts receivable	**103**	**75**	**45**	**77**	**–**	**35**	**232**	**–**	**335**
Management fee receivables	**150**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**150**
Others	**308**	**1**		**–**	**–**	**9**	**10**	**129**	**447**
Due from related parties (Note 27)	**155**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**155**
	₱33,465	**₱1,098**	**₱1,125**	**₱733**	**₱262**	**₱674**	**₱3,892**	**₱565**	**₱37,922**

**Excludes cash on hand amounting to ₱34.02 million*

	December 31, 2020								
	Neither Past Due nor Individually Impaired	Past Due but not Individually Impaired						Individually Impaired	Total
		<30 days	30-60 days	61-90 days	91-120 days	>120 days	Total		
Cash and cash equivalents* (Note 4)	₱17,091	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱17,091
Receivables (Note 5)									
Trade receivable	12,798	1,203	592	282	185	281	2,543	4	15,345
Loans receivable	7,219	–	–	–	–	–	–	–	7,219
Accrued rent and commission income	1,299	1	1	1	1	–	4	3	1,306
Non-trade receivable	852	28	29	23	7	300	387	50	1,289
Installment contracts receivable	106	78	47	80	–	36	241	–	347
Accrued interest receivable	157	–	–	–	–	–	–	28	185
Management fee receivables	126	–	–	–	–	–	–	–	126
Others	280	10	5	–	–	74	89	116	485
Due from related parties (Note 27)	202	–	–	–	–	–	–	–	202
	₱40,130	₱1,320	₱674	₱386	₱193	₱691	₱3,264	₱201	₱43,595

**Excludes cash on hand amounting to ₱23.46 million*

Liquidity risk

The Group monitors its cash flow position, debt maturity profile and overall liquidity position in assessing its exposure to liquidity risk. The Group maintains a level of cash and cash equivalents deemed sufficient to finance operations and to mitigate the effects of fluctuation in cash flows. Accordingly, its loan maturity profile is regularly reviewed to ensure availability of funding through an adequate amount of credit facilities with financial institutions. Overall, the Group's funding arrangements are designed to keep an appropriate balance between equity and debt, to give financing flexibility while continuously enhancing the Group's businesses. To serve as back-up liquidity, management develops variable funding alternatives either by issuing debt or raising capital.

The tables below summarize the maturity profile of the Group's financial assets and liabilities based on undiscounted contractual payments:

	December 31, 2021			
	Up to 1 year	**> 1 to 5 years**	**> 5 years**	**Total**
Financial assets				
Cash and cash equivalents* (Note 4)	**₱17,371**	**₱–**	**₱–**	**₱17,371**
Receivables (Note 5)				
Trade receivables	**8,707**	**2,486**	–	**11,193**
Loans receivable	**4,294**	**1,993**	–	**6,287**
Accrued rent and commission income	**1,230**	–	–	**1,230**
Nontrade receivable	**1,051**	–	–	**1,051**
Installment contracts receivables	**335**	–	–	**335**
Accrued interest receivable	**434**	–	–	**434**
Management fee receivable	**150**	–	–	**150**
Others	**447**	–	–	**447**
Due from related parties (Note 27)	**155**	–	–	**155**
Financial assets at FVTPL (Note 10)				
Investments in UITF	**8,712**	–	–	**8,712**
Financial assets at FVOCI (Note 10)				
Equity securities				
Quoted	–	–	**15,919**	**15,919**
Unquoted	–	–	**392**	**392**
Total undiscounted financial assets	**₱42,886**	**₱4,479**	**₱16,311**	**₱63,676**
Other financial liabilities				
Accounts and other payables (Note 15)				
Trade payables	**₱15,429**	**₱–**	**₱–**	**₱15,429**
Accrued expenses	**5,388**	–	–	**5,388**
Telegraphic transfers and drafts and acceptances payable	**4,956**	–	–	**4,956**
Retentions payable	**95**	**1,384**	–	**1,479**
Accrued commissions	**1,056**	–	–	**1,056**
Accrued interest payable	**955**	–	–	**955**
Royalty payable	**293**	–	–	**293**
Nontrade payables	**264**	–	–	**264**
Others	**1,354**	–	–	**1,354**
Dividends payable	**590**	–	–	**590**
Loans payable (Note 16)	**24,487**	**67,980**	**77,824**	**170,291**
Bonds payable (Note 17)	**536**	**10,510**	–	**11,046**
Due to related parties (Note 27)	**193**	–	–	**193**
Liabilities on purchased properties (Note 20)	**304**	**2,057**	**1,414**	**3,775**
Derivative liabilities (Note 20)	–	**32**	–	**32**
Total undiscounted financial liabilities	**₱55,900**	**₱81,963**	**₱79,238**	**₱217,101**
Liquidity Gap	**(₱13,014)**	**(₱77,484)**	**(₱62,927)**	**(₱153,425)**

**Excludes cash on hand amounting to ₱34.02 million.*

	December 31, 2020			
	Up to 1 year	> 1 to 5 years	> 5 years	Total
Financial assets				
Cash and cash equivalents* (Note 4)	₱17,092	₱–	₱–	₱17,092
Receivables (Note 5)				
Trade receivables	12,267	3,139	–	15,406
Loans receivable	4,120	3,295	–	7,415
Nontrade receivable	1,289	–	–	1,289
Accrued rent and commissions income	1,306	–	–	1,306
Installment contracts receivables	347	–	–	347
Accrued interest receivable	185	–	–	185
Management fee receivable	126	–	–	126
Others	485	–	–	485
Due from related parties (Note 27)	202	–	–	202
Financial assets at FVTPL (Note 10)				
Investments in UITF	3,709	–	–	3,709
Financial assets at FVOCI (Note 10)				
Equity securities				
Quoted	–	–	12,499	12,499
Unquoted	–	–	241	241
Total undiscounted financial assets	₱41,128	₱6,434	₱12,740	₱60,302
Other financial liabilities				
Accounts and other payables (Note 15)				
Trade payables	₱13,498	₱–	₱–	₱13,498
Accrued expenses	5,221	–	–	5,221
Telegraphic transfers and drafts and acceptances payable	3,006	–	–	3,006
Retentions payable	95	1,140	–	1,235
Accrued interest payable	768	–	–	768
Accrued commissions	944	–	–	944
Nontrade payables	417	–	–	417
Royalty payable	307	–	–	307
Others	1,621	–	–	1,621
Dividends payable	589	–	–	589
Loans payable (Note 16)	37,908	52,688	72,000	162,596
Bonds payable (Note 17)	5,692	11,046	–	16,738
Due to related parties (Note 27)	515	–	–	515
Liabilities on purchased properties (Note 20)	598	1,169	3,718	5,485
Derivative liabilities (Note 20)	–	51	–	51
Total undiscounted financial liabilities	₱71,179	₱66,094	₱75,718	₱212,991
Liquidity Gap	(₱30,051)	(₱59,660)	(₱62,978)	(₱152,689)

**Excludes cash on hand amounting to ₱23.46 million.*

Foreign currency risk

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rate. The Parent Group's primary risk management objective is to reduce the Group's exposure to changes in foreign exchange rates. To manage the currency risk, the Group enters into hedging activities.

The Group's foreign currency-denominated financial instruments are included in cash and cash equivalents, short-term investments, receivables, accounts and other payables and loans payable. Cash and cash equivalents denominated in foreign currency amounted to US$55.13 million and JP¥1.76 billion as of December 31, 2021 and US$48.53 million and JP¥2.19 billion as of December 31, 2020 and US$42.29 million and JP¥1.80 billion as of December 31, 2019. Receivables denominated in foreign currency amounted to US$0.82 million, US$1.09 million and US$0.09 million as of December 31, 2021, 2020 and 2019, respectively. Accounts and other payables denominated in foreign currency amounted to US$152.76 million and JP¥23.49 million as of December 31, 2021, US$158.68 million and JP¥19.80 million as of December 31, 2020, and

US$139.57 million and JP¥39.34 million as of December 31, 2019. Loans payables denominated in foreign currency amounted to JP¥23.31 billion as of December 31, 2021, 2020 and 2019.
In translating the foreign currency-denominated monetary assets and liabilities into peso amounts, the exchange rates used were ₱50.99 to US$1.00 and ₱0.44 to JP¥1.00 as at December 31, 2021, ₱48.04 to US$1.00 and ₱0.46 to JP¥1.00 as at December 31, 2020 and ₱50.74 to US$1.00 and ₱0.46 to JP¥1.00 as at December 31, 2019.

The following table demonstrates the sensitivity to a reasonably possible change in the Philippine peso-US dollar and Philippine peso-JP¥ exchange rates, with all variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) on December 31, 2021, 2020 and 2019. There is no other impact on the Group's equity other than those already affecting the consolidated statements of comprehensive income.

	Currency	Change in Variable	Increase (Decrease) in Income Before Tax
2021	**US$**	**(₱0.53)**	**₱22**
		0.53	**(22)**
	JP¥	**(0.0113)**	**182**
		0.0113	**(182)**
2020	US$	(0.63)	45
		0.63	(45)
	JP¥	0.0003	4
		(0.0003)	(4)
2019	US$	0.31	(21)
		(0.31)	21
	JP¥	0.0002	(3)
		(0.0002)	3

The Group determined the reasonably possible change in foreign exchange rate by using the absolute average change in Philippine peso-US dollar and Philippine peso-JP¥ exchange rates for the past three (3) years.

Fair Value Hedge
The Parent Company's primary risk management strategy is to reduce the Parent Company's exposure to changes in foreign exchange rates. In this regard, the Parent Company designated a layer of its JPY-denominated long-term loan (the "Hedging Instrument") to hedge the variability in the fair value arising from the translation of its investment in Toyota Motor Corporation (TMC) (the "Hedged Item") amounting to ¥22.05 billion due to fluctuations in JPY/PHP foreign exchange (FX) rates. The hedged risk is the variability in the fair value arising from the translation of the investments (the Hedged Items) due to fluctuations in JPY/PHP FX rates (foreign currency risk). The hedged item is the variability in the fair value arising from the translation of the investments (the Hedged Items) due to foreign currency risk. The hedging instrument is the of ¥22.05 billion layer of the principal amount of its long-term loan with various lenders. The terms of the hedging relationships will end in July 2024. The effectiveness of hedging relationship is tested prospectively. All designated hedging relationships were sufficiently effective as of December 31, 2021 and 2020.

Economic relation between the hedged item and the hedging instrument was qualitatively tested by matching their critical terms. The hedged items create a foreign currency risk on the translation of investments amounting to ¥22.05 billion while the hedging instruments create the exact offset of this risk. Since the critical terms of the hedged item and hedging instrument matched, a clear economic relationship was established. The Parent Company's and the counterparty's credit risk were monitored for adverse changes. The Parent Company assessed that the risk associated with them and the counterparty is considered minimal, at inception, and during the year and did not dominate the value changes that result from the economic relationship. The hedge ratio for hedge accounting purposes is 1:1 or 100% since only a layer of the long-term loan which exactly matches the notional amount of the hedged item was designated as hedging instrument.

Interest rate risk
The Group's interest rate exposure management policy centers on reducing the Group's overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Group's interest-bearing debt obligations with floating interest rate as it can cause a change in the amount of interest payments.

The Group manages its interest rate risk by leveraging on its premier credit rating and maintaining a debt portfolio mix of both fixed and floating interest rates. The portfolio mix is a function of historical, current trend and outlook of interest rates, volatility of short-term interest rates, the steepness of the yield curve and degree of variability of cash flows.

As of December 31, 2021 and 2020, except for the Parent Company's JPY loans, the Group has no financial instruments subject to floating interest rates. There is no sensitivity to the changes in interest rates on the Group's income before tax through the impact of floating rate borrowings because the risk is effectively hedged by an interest rate swap.

Cash Flow Hedge
Interest rate swap
The Parent Company entered into an interest rate swap (IRS) agreement to hedge the variability in the interest cash flows arising from its floating rate loan with various lenders (the "Loan"), attributable to changes in the three-month Japanese Yen ICE LIBOR (3m JPY LIBOR). The hedged risk is variability in interest cash flows of the Loan attributable to changes in the 3m JPY LIBOR (interest rate risk). The hedged item is the interest cash flows on the Loan which is based on 3m JPY LIBOR + margin, floored at 0%. The hedging instrument is an IRS under which the Parent Company will pay fixed interest at a rate of 0.852% per annum and receive variable interest based on 3m JPY LIBOR. The terms of the hedging relationships will end in July 2024. The effectiveness of hedging relationship is tested prospectively. The designated hedging relationship was sufficiently effective as December 31, 2021 and 2020.

An economic relation between the hedged item and the hedging instrument was qualitatively tested by matching their critical terms. The hedged item creates an exposure to pay 3m JPY ICE LIBOR (floored at 0%) + 0.65%, settled quarterly. The hedging instrument creates an exact offset of this exposure with a consequence of paying a fixed interest payment of 0.852% per annum. Since most of the critical terms of the hedged item and hedging instrument matched, a clear economic relationship was established. The Parent Company's and the counterparty's credit risk was monitored for adverse changes. The Parent Company assessed that the risk associated with them and the counterparty is considered minimal, at inception, and during the year and did not dominate the value changes that result from the economic relationship. The hedge ratio for hedge accounting purposes is 1:1 or 100% since the notional amount of the IRS exactly matches the notional amount of the Loan. The hedge ineffectiveness can arise from the counterparties' credit risk differently impacting the fair value movements of the hedging instrument and the hedged item.

The Group is holding the following hedging instruments designated as cash flow hedges as of December 31, 2021 and 2020:

	Maturity					
	Up to 3 months	> 3 to 6 months	> 6 to 12 months	> 1 to 2 years	More than 2 years	Total
As at 31 December						
Interest rate swap						
Fixed interest rate (%)	0.852%	0.852%	0.852%	0.852%	0.852%	0.852%

The tables set out the outcome of the Group's hedging strategy, the carrying amounts of the derivatives the Group uses as hedging instruments and the changes in fair values used for measuring hedge ineffectiveness separately showing the effective and ineffective portions as of December 31, 2021 and 2020:

	December 31, 2021			
	Carrying value	**Change in fair value of hedged item used for measuring ineffectiveness**	**Effective portion recognized in OCI**	**Hedge ineffectiveness recognized in the income statement**
Floating rate loans				
Interest rate swap				
Derivative liabilities	**₱32**	**₱32**	**₱32**	**₱–**

	December 31, 2020			
	Carrying value	Change in fair value of hedged item used for measuring ineffectiveness	Effective portion recognized in OCI	Hedge ineffectiveness recognized in the income statement
Floating rate loans				
Interest rate swap				
Derivative liabilities	₱51	₱51	₱51	₱–

The Group follows a prudent policy in managing its assets and liabilities so as to ensure that exposure to fluctuation in interest rates are kept within acceptable limits. There is no ineffectiveness recognized in the profit or loss as the changes in the fair value of the hedged items used as basis for recognizing hedge ineffectiveness equals to the carrying amount of the hedging instruments.

The movement in cash flow hedge reserve follows:

	2021	2020
Balance at beginning of year	**(₱51)**	(₱53)
Net unrealized gain (loss) on cash flow hedge	**19**	2
Balance at end of year (net of tax)	**(₱32)**	(₱51)

Equity price risk

Equity price risk is the risk that the fair values of investments in quoted equity securities could decrease as a result of changes in the levels of equity indices and the value of individual stocks. The Group is exposed to equity securities price risk because of financial assets at FVOCI held by the Group.

The table below shows the sensitivity to a reasonably possible change in the Philippine Stock Exchange index (PSEi), with all other variables held constant, of the Group's equity (through other comprehensive income) due to changes in the carrying value of the Group's financial assets at FVOCI. The analysis links PSEi changes, which proxies for general market movements, to individual stock prices through their betas. Betas are coefficients depicting the sensitivity of individual prices to market movements.

The sensitivity range is based on the historical volatility of the PSEi for the past year. The analysis is based on the assumption that last year's PSEi volatility will be more or less the same in the following year.

	Percentage change in PSEi	Increase (decrease) in total comprehensive income
2021	**Increase by 22.94%**	**₱302**
	Decrease by 22.94%	**(302)**
2020	Increase by 95.36%	₱871
	Decrease by 95.36%	(871)

The table below shows the sensitivity to a reasonably possible change in the Tokyo Stock Exchange index (TSEi), with all other variables held constant, of the Group's equity (through other comprehensive income) due to changes in the carrying value of the Group's financial assets at FVOCI. The analysis links TSEi changes, which proxies for general market movements, to individual stock prices through their betas. Betas are coefficients depicting the sensitivity of individual prices to market movements.

The sensitivity range is based on the historical volatility of the TSEi for the past year. The analysis is based on the assumption that last year's TSEi volatility will be more or less the same in the following year.

	Percentage change in TSEi	Increase (decrease) in total comprehensive income
2021	**Increase by 10.40%**	**₱1,497**
	Decrease by 10.40%	**(1,497)**
2020	Increase by 4.84%	₱552
	Decrease by 4.84%	(552)

34. Basic/Diluted Earnings Per Share

The basic/diluted earnings per share from continuing operations attributable to equity holders of the Parent Company for the years ended December 31, 2021, 2020 and 2019 were computed as follows (amounts in millions, except earnings per share):

	2021	2020	2019
a.) Net income attributable to equity holders of the Parent Company from continuing operations	**₱10,983**	₱6,546	₱16,586
b.) Effect of dividends declared to voting and perpetual preferred shareholders of the Parent Company	**(589)**	(589)	(589)
c.) Net income attributable to common shareholders of the Parent Company from continuing operations	**10,394**	5,957	15,997
d.) Weighted average number of outstanding common shares of the Parent Company (Note 22)	**215**	215	215
e.) Basic/diluted earnings per share (c / d)	**₱48.28**	₱27.67	₱74.31

The basic/diluted earnings per share from discontinued operations attributable to equity holders of the Parent Company for the years ended December 31, 2021, 2020 and 2019 were computed as follows:

	2021	2020	2019
a.) Net income attributable to equity holders of the Parent Company from disposal group	**₱–**	₱–	₱3,723
b.) Weighted average number of outstanding common shares of the Parent Company (Note 22)	**215**	**215**	215
c.) Basic/diluted earnings per share (a / b)	**₱–**	**₱–**	₱17.29

The basic/diluted earnings per share attributable to equity holders of the Parent Company for the years ended December 31, 2021, 2020 and 2019 were computed as follows:

	2021	2020	2019
a.) Net income attributable to equity holders of the Parent Company	**₱10,983**	₱6,546	₱20,309
b.) Effect of dividends declared to voting and perpetual preferred shareholders of the Parent Company	**(589)**	(589)	(589)
c.) Net income attributable to common shareholders of the Parent Company	**10,394**	5,957	19,720
d.) Weighted average number of outstanding common shares of the Parent Company (Note 22)	**215**	215	215
e.) Basic/diluted earnings per share (c / d)	**₱48.28**	₱27.67	₱91.60

Basic and diluted earnings per share are the same due to the absence of dilutive potential common shares.

35. **Operating Segments**

Segment Information

For management purposes, the Group is organized into business units based on their products and activities and has the following reportable segments:

- Real estate is engaged in real estate and leasing, development and selling of properties of every kind and description, as well as ancillary trading of goods such as petroleum, non-fuel products on wholesale or retail basis, maintenance of a petroleum service station, engaging in food and restaurant service and acting as a marketing agent for and in behalf of any real estate development company or companies;
- Financial institutions are engaged in the banking and insurance industry and financing institution;
- Automotive operations are engaged in the assembly, manufacture, importation, sale and distribution of all kinds of automobiles including automobile parts, accessories, and instruments;
- Infrastructure is engaged in the water distribution, toll operation, power sector, hospitals and rail; and
- Others pertain to other corporate activities of the Group (i.e., capital raising activities, acquisitions and investments).

The chief operating decision maker (CODM) monitors the operating results of the Group for making decisions about resource allocation and performance assessment. Segment performance is evaluated based on revenue, earnings before interest, taxes and depreciation/amortization (EBITDA) and pretax income which are measured similarly under PFRS, except for EBITDA. EBITDA is computed by reconciling net interest income (expense) and provision for income taxes to the net income and adding back depreciation and amortization expenses for the period.

For the years ended December 31, 2021, 2020 and 2019, there were no revenue transactions with a single external customer which accounted for 10% or more of the consolidated revenue from external customers. Intragroup transactions were eliminated during consolidation.

Segment Assets
Segment assets are resources owned by each of the operating segments that are employed in its operating activities.

Segment Liabilities
Segment liabilities are obligations incurred by each of the operating segments from its operating activities.

The following tables present the financial information of the operating segments of the Group as of and for the years ended December 31, 2021, 2020 and 2019:

	December 31, 2021					
	Real Estate	Financial Institution	Automotive Operations	Infrastructure	Others	Total
Revenue	₱5,607	₱–	₱150,964	₱–	₱10	₱156,581
Other income	2,828	–	1,894	–	376	5,098
Equity in net income of associates and joint venture	97	9,443	–	1,525	–	11,065
	8,532	9,443	152,858	1,525	386	172,744
Cost of goods and services sold	467	–	102,492	–	–	102,959
Cost of goods manufactured and sold	–	–	32,111	–	–	32,111
Cost of rental	642	–	–	–	13	655
Cost of real estate sales	3,114	–	–	–	9	3,123
General and administrative expenses	3,304	–	9,651	–	500	13,455
	7,527	–	144,254	–	522	152,303
Earnings before interest and taxes	1,005	9,443	8,604	1,525	(136)	20,441
Depreciation and amortization	538	–	1,631	–	19	2,188
EBITDA	1,543	9,443	10,235	1,525	(117)	22,629
Interest income	1,587	–	229	–	83	1,899
Interest expense	(1,509)	–	(249)	–	(4,512)	(6,270)
Depreciation and amortization	(538)	–	(1,631)	–	(19)	(2,188)
Pretax income	1,083	9,443	8,584	1,525	(4,565)	16,070
Provision for income tax	(281)	–	(1,440)	–	(100)	(1,821)
Net income from continuing operations	802	9,443	7,144	1,525	(4,665)	14,249
Net income from discontinued operations	–	–	–	–	–	–
Net income	₱802	₱9,443	₱7,144	₱1,525	(4,665)	₱14,249
Segment assets	₱109,973	₱135,453	₱65,406	₱38,194	₱48,768	₱397,794
Segment liabilities	₱70,867	₱–	₱37,748	₱–	₱84,100	₱192,715

	December 31, 2020					
	Real Estate	Financial Institution	Automotive Operations	Infrastructure	Others	Total
Revenue	₱4,646	₱–	₱113,975	₱–	₱2,983	₱121,604
Other income	3,022	–	1,041	–	375	4,438
Equity in net income of associates and joint venture	(300)	5,826	–	829	–	6,355
	7,368	5,826	115,016	829	3,358	132,397
Cost of goods and services sold	358	–	76,121	–	–	76,479
Cost of goods manufactured and sold	–	–	23,554	–	–	23,554
Cost of rental	580	–	–	–	9	589
Cost of real estate sales	3,157	–	–	–	963	4,120
General and administrative expenses	2,534	–	10,043	–	455	13,032
	6,629	–	109,718	–	1,427	117,774
Earnings before interest and taxes	739	5,826	5,298	829	1,931	14,623
Depreciation and amortization	529	–	1,979	–	9	2,517
EBITDA	1,268	5,826	7,277	829	1,940	17,140
Interest income	1,833	–	154	–	36	2,023
Interest expense	(1,379)	–	(447)	–	(4,497)	(6,323)
Depreciation and amortization	(529)	–	(1,979)	–	(9)	(2,517)
Pretax income	1,193	5,826	5,005	829	(2,530)	10,323
Provision for income tax	(370)	–	(1,564)	–	(52)	(1,986)
Net income from continuing operations	823	5,826	3,441	829	(2,582)	8,337
Net income from discontinued operations	–	–	–	–	–	–
Net income	₱823	₱5,826	₱3,441	₱829	(₱2,582)	₱8,337
Segment assets	₱102,768	₱136,111	₱65,464	₱36,465	₱44,172	₱384,980
Segment liabilities	₱66,241	₱–	₱41,853	₱–	₱84,701	₱192,795

	December 31, 2019					
	Real Estate	Financial Institution	Automotive Operations	Infrastructure	Others	Total
Revenue	₱7,982	₱–	₱192,966	₱–	₱–	₱200,948
Other income	3,299	–	1,337	–	473	5,109
Equity in net income of associates and joint venture	2	10,948	–	3,628	–	14,578
	11,283	10,948	194,303	3,628	473	220,635
Cost of goods and services sold	657	–	133,286	–	–	133,943
Cost of goods manufactured and sold	–	–	36,819	–	–	36,819
Cost of rental	435	–	–	–	–	435
Cost of real estate sales	5,340	–	–	–	–	5,340
General and administrative expenses	2,977	–	10,216	–	402	13,595
	9,409	–	180,321	–	402	190,132
Earnings before interest and taxes	1,874	10,948	13,982	3,628	71	30,503
Depreciation and amortization	459	–	1,950	–	8	2,417
EBITDA	2,333	10,948	15,932	3,628	79	32,920
Interest income	1,870	–	222	–	213	2,305
Interest expense	(1,319)	–	(704)	–	(4,430)	(6,453)
Depreciation and amortization	(459)	–	(1,950)	–	(8)	(2,417)
Pretax income	2,425	10,948	13,500	3,628	(4,146)	26,355
Provision for income tax	(813)	(3)	(4,076)	–	(165)	(5,057)
Net income from continuing operations	1,612	10,945	9,424	3,628	(4,311)	21,298
Net income from discontinued operations	3,814	–	–	–	–	3,814
Net income	₱5,426	₱10,945	₱9,424	₱3,628	(₱4,311)	₱25,112
Segment assets	₱90,315	₱128,712	₱60,085	₱36,951	₱41,591	₱357,654
Segment liabilities	₱54,006	₱–	₱31,009	₱–	₱83,319	₱168,334

Geographical Information
The following table shows the distribution of the Group's consolidated revenues to external customers by geographical market, regardless of where the goods were produced:

	2021	2020	2019
Domestic	**₱165,662**	₱128,346	₱215,907
Foreign	**8,981**	6,074	7,033
	₱174,643	₱134,420	₱222,940

36. Contingencies

In the ordinary course of the Group's operations, certain entities within the Group have pending tax assessments/claims which are in various stages of protest/appeal with the tax authorities, the amounts of which cannot be reasonably estimated. Management believes that the bases of said protest/appeal are legally valid such that the ultimate resolution of these assessments/claims would not have material effects on the consolidated financial position and results of operations. The information usually required by PAS 37 is not disclosed on the grounds that it can be expected to prejudice the outcome of pending litigations.

In order to partially guarantee the completion of Federal Land's ongoing projects and in the ordinary course of the Group's business, the Parent Company issued Letters of Guarantee (LG) in favor of the Housing and Land Use Regulatory Board for a total guarantee amount of ₱2.81 billion, ₱3.45 billion and ₱3.83 billion as of December 31, 2021, 2020 and 2019, respectively.

37. Events After the Reporting Date

On January 27, 2022, the Parent Company paid the quarterly cash dividends amounting to ₱56.01 million, or ₱11.57475 per share in favor of GT Capital's perpetual preferred series A stockholders as of record date January 5, 2022.

On January 27, 2022, the Parent Company paid the quarterly cash dividends amounting to ₱91.21 million, or ₱12.73725 per share in favor of GT Capital's perpetual preferred series B stockholders as of record date January 5, 2022.

On March 25, 2022, the BOD of the Parent Company approved the declaration of regular cash dividends amounting to ₱645.85 million, or ₱3.00 per share in favor of GT Capital's common stockholders of record as of April 8, 2022, payable on April 22, 2022.

On March 25, 2022, the BOD of the Parent Company approved the declaration of regular cash dividends in favor of its voting preferred stockholders at a dividend rate of 3.77%, with record date on April 8, 2022 and payment date on April 22, 2022.

38. **Notes to Consolidated Statements of Cash Flows**

Below are the noncash operating, investing and financing transactions of the Group:

	2021	2020	2019
Transfers between investment property and inventories (Note 6)	**₱270**	₱1,216	₱–
Borrowing costs capitalized to inventories (Note 6)	**712**	642	1,131
Impact of business combination (Note 8)	**50**	–	–

The following are the changes in liabilities in 2021 and 2020 arising from financing activities including both cash and non-cash changes:

	January 1, 2021	**Availment**	**Payment**	**Forex movement**	**Amortization of day 1 loss**	**Amortization of deferred financing cost**	**Others***	**December 31, 2021**
Short-term debt (Note 16)	**₱28,007**	**₱30,020**	**(₱48,900)**	**₱–**	**₱–**	**₱–**	**₱–**	**₱9,127**
Current portion of long-term debt (Note 16)	**5,012**	–	**(157)**	–	–	–	**4,568**	**9,423**
Long-term debt - net of current portion (Note 16)	**95,429**	**27,627**	**(5,320)**	**(503)**	–	**90**	**(4,568)**	**112,755**
Current portion of bonds payable	**4,995**	–	**(5,000)**	–	–	**5**	–	–
Bonds payable (Note 17)	**10,065**	–	–	–	–	**12**	–	**10,077**
Current portion of liabilities on purchased properties (Notes 20 and 27)	**598**	–	**(1,299)**	–	**35**	–	**970**	**304**
Liabilities on purchased properties - net of current portion (Notes 20 and 27)	**2,657**	–	**(342)**	–	**313**	–	**(970)**	**1,658**
	₱146,763	**₱57,647**	**(₱61,018)**	**(₱503)**	**₱348**	**₱107**	**₱–**	**₱143,344**

** Others include reclassification from noncurrent to current portion.*

	January 1, 2020	Availment	Payment	Forex movement	Amortization of day 1 loss	Amortization of deferred financing cost	Others*	December 31, 2020
Short-term debt (Note 16)	₱12,890	₱53,890	(₱38,761)	(₱12)	₱–	₱–	₱–	₱28,007
Current portion of long-term debt (Note 16)	4,974	–	(4,988)	–	–	14	5,012	5,012
Long-term debt - net of current portion (Note 16)	87,149	13,910	(681)	–	–	63	(5,012)	95,429
Current portion of bonds payable	3,899	–	(3,900)	–	–	(4)	5,000	4,995
Bonds payable (Note 17)	15,040	–	–	–	–	25	(5,000)	10,065
Current portion of liabilities on purchased properties (Notes 20 and 27)	432	–	(432)	–	–	–	598	598
Liabilities on purchased properties - net of current portion (Notes 20 and 27)	3,352	–	(166)	–	69	–	(598)	2,657
	₱127,736	₱67,800	(₱48,928)	(₱12)	₱69	₱98	₱–	₱146,763

**Others include reclassification from noncurrent to current portion.*

39. **Approval for the Issuance of the Consolidated Financial Statements**

The accompanying consolidated financial statements of the Group were approved and authorized for issue by the Parent Company's BOD on March 25, 2022.

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

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**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors
GT Capital Holdings, Inc.
43rd Floor, GT Tower International
Ayala Avenue corner H.V. Dela Costa St.
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of GT Capital Holdings, Inc. and its subsidiaries (the Group) as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021 included in this Form 17-A and have issued our report thereon dated March 25, 2022. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole The schedules listed in the Index to the Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, the financial information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole, are prepared in all material respects, in accordance with Philippine Financial Reporting Standards, as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission as described in Note 2 to the consolidated financial statements.

SYCIP GORRES VELAYO & CO.

Vicky Lee Salas

Vicky Lee Salas
Partner
CPA Certificate No. 86838
Tax Identification No. 129-434-735
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 86838-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-053-2020, November 27, 2020, valid until November 26, 2023
PTR No. 8854312, January 3, 2022, Makati City

March 25, 2022

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES
INDEX TO THE SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2021

GT CAPITAL HOLDINGS, INC.

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

FOR THE YEAR ENDED DECEMBER 31, 2021
(In Millions)

Unappropriated Retained Earnings, beginning			₱16,288
Add:	**Net income actually earned during the period**		
	Net income during the period, closed to Retained Earnings	6,342	
Less:	**Non-actual/unrealized income**		
	Unrealized market valuation gain on financial assets at FVPTL	(37)	
	Remeasurement of deferred tax liability due to CREATE law	(137)	
	Other unrealized gains (interest accretion)	(355)	
Net income actually earned during the period			5,813
Less:	Dividend declarations during the period		(1,235)
TOTAL RETAINED EARNINGS, END OF THE YEAR AVAILABLE FOR DIVIDEND			**₱20,886**

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULES REQUIRED BY ANNEX 68-E
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Millions)

Schedule A. Financial Assets

Name of issuing entity and association of each issue (i)	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet (ii)	Valued based on market quotation at end of reporting period (iii)	Income received and accrued
Investment securities				
Financial assets at FVTPL	Various	₱8,712	₱8,712	₱52
Financial assets at FVOCI				
Quoted	Various	15,919	15,919	−
Unquoted	Various	392	392	−

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related parties)

Name of debtor	Designation of debtor	Balance of beginning of period	Additions	Amounts collected (ii)	Amounts written off (iii)	Current	Not Current	Balance at end of period
D. C. Cruz	Officer	₱1	₱–	₱–	₱–	₱–	₱–	₱–
T. T. Lopez Jr.	Officer	1	–	–	–	–	–	–
I. C. Sincioco	Officer	1	–	–	–	–	–	–
M. C. Arca	Rank & File / Supervisor	1	–	–	–	–	–	–
G. E. Amoranto	Officer	1	–	–	–	–	–	–
M. B. Antonio	Officer	1	–	–	–	–	–	–
N. F. Fuedan	Rank & File / Supervisor	1	–	–	–	–	–	–
R. P. Ugates	Rank & File / Supervisor	1	–	–	–	–	–	–
M. L. Gopez I	Officer	1	–	–	–	–	–	–
W. V. Gonzales	Officer	1	–	–	–	–	–	–
D. Z. Robosa	Officer	1	–	–	–	–	–	–
B. L. Abraham	Rank & File / Supervisor	1	–	–	–	–	–	–
R. M. Simon	Rank & File / Supervisor	1	–	–	–	–	–	–
J. I. Baltazar Jr.	Rank & File / Supervisor	1	–	–	–	–	–	–
V. P. Constantino Jr.	Rank & File / Supervisor	1	–	–	–	–	–	–
M. T. Esplana	Officer	1	–	–	–	–	–	–
A. L. Cansicio	Rank & File / Supervisor	1	–	–	–	–	–	–
T. E. Sto	Rank & File / Supervisor	1	–	–	–	–	–	–
R. G. Jaspe	Rank & File / Supervisor	1	–	–	–	–	–	–
A. M. Brecia	Rank & File / Supervisor	1	–	–	–	–	–	–
H. L. Buendia	Officer	1	–	–	–	–	–	–
L. D. Tejano	Officer	1	–	–	–	–	–	–
A. D. Cruzado	Rank & File / Supervisor	1	–	–	–	–	–	–
P. B. Amoroso	Rank & File / Supervisor	1	–	–	–	–	–	–
R. G. Pane	Rank & File / Supervisor	1	–	–	–	–	–	–
J. L. Agustin	Rank & File / Supervisor	1	–	–	–	–	–	–
D. L. Samson	Rank & File / Supervisor	1	–	–	–	–	–	–

Name of debtor	Designation of debtor	Balance of beginning of period	Additions	Amounts collected (ii)	Amounts written off (iii)	Current	Not Current	Balance at end of period
P. P. Bausa	Rank & File / Supervisor	1	–	–	–	–	–	–
C. C. Santiago	Rank & File / Supervisor	1	–	–	–	–	–	–
I. O. Elopre	Rank & File / Supervisor	1	–	–	–	–	–	–
R. S. Camo	Rank & File / Supervisor	1	–	–	–	–	–	–
A. A. Viloria	Rank & File / Supervisor	1	–	–	–	–	–	–
A. L. Laureta	Rank & File / Supervisor	1	–	–	–	–	–	–
L. C. Francisco	Rank & File / Supervisor	1	–	–	–	–	–	–
E. A. Rogador	Rank & File / Supervisor	1	–	–	–	–	–	–
R. M. Cantalejo	Rank & File / Supervisor	1	–	–	–	–	–	–
M. M. Lijauco	Rank & File / Supervisor	1	–	–	–	–	–	–
L. C. Capidos	Rank & File / Supervisor	1	–	–	–	–	–	–
A. C. Feliciano	Rank & File / Supervisor	1	–	–	–	–	–	–
E. C. Pedriña	Rank & File / Supervisor	1	–	–	–	–	–	–
M. P. Beniopa	Rank & File / Supervisor	1	–	–	–	–	–	–
E. A. Capunitan	Rank & File / Supervisor	1	–	–	–	–	–	–
J. C. Laurenaria	Rank & File / Supervisor	1	–	–	–	–	–	–
L. J. Raposas	Rank & File / Supervisor	1	–	–	–	–	–	–
M. B. Candelario	Rank & File / Supervisor	1	–	–	–	–	–	–
M. D. Halili	Rank & File / Supervisor	1	–	–	–	–	–	–
J. V. Morada	Rank & File / Supervisor	1	–	–	–	–	–	–
M. L. Lubugan	Rank & File / Supervisor	1	–	–	–	–	–	–
R. C. Vargas	Rank & File / Supervisor	1	–	–	–	–	–	–
A. I. Manongsong	Rank & File / Supervisor	1	–	–	–	–	–	–
F. M. Aspuria	Rank & File / Supervisor	1	–	–	–	–	–	–
R. B. Fortuna	Rank & File / Supervisor	1	–	–	–	–	–	–
R. P. Pedregosa	Rank & File / Supervisor	1	–	–	–	–	–	–
A. B. Aspiras	Rank & File / Supervisor	1	–	–	–	–	–	–
C. B. Dacir	Rank & File / Supervisor	1	–	–	–	–	–	–
R. M. Tuscano Jr.	Rank & File / Supervisor	1	–	–	–	–	–	–
E. O. Garcia	Rank & File / Supervisor	1	–	–	–	–	–	–
A. D. Bautista	Rank & File / Supervisor	1	–	–	–	–	–	–
V. A. Acebuche	Rank & File / Supervisor	1	–	–	–	–	–	–
L. B. Aguilera	Rank & File / Supervisor	1	–	–	–	–	–	–
B. G. Luna	Rank & File / Supervisor	1	–	–	–	–	–	–
A. B. Parilla	Rank & File / Supervisor	1	–	–	–	–	–	–
P. Y. Sanchez Jr.	Rank & File / Supervisor	1	–	–	–	–	–	–

Name of debtor	Designation of debtor	Balance of beginning of period	Additions	Amounts collected (ii)	Amounts written off (iii)	Current	Not Current	Balance at end of period
R. F. Dela Cruz	Rank & File / Supervisor	1	–	–	–	–	–	–
H. M. Española	Rank & File / Supervisor	1	–	–	–	–	–	–
R. R. Valdez	Rank & File / Supervisor	1	–	–	–	–	–	–
J. J. Lacatan	Rank & File / Supervisor	1	–	–	–	–	–	–
A. V. Peralta	Rank & File / Supervisor	1	–	–	–	–	–	–
E. D. Parala	Rank & File / Supervisor	1	–	–	–	–	–	–
A. Y. Aguilar	Rank & File / Supervisor	1	–	–	–	–	–	–
A. G. Alaurin	Rank & File / Supervisor	1	–	–	–	–	–	–
J. C. Mariano	Rank & File / Supervisor	1	–	–	–	–	–	–
J. M. Lamberte	Rank & File / Supervisor	1	–	–	–	–	–	–
J. S. Sularte	Rank & File / Supervisor	1	–	–	–	–	–	–
R. A. Valdez	Rank & File / Supervisor	1	–	–	–	–	–	–
C. T. Biscocho	Rank & File / Supervisor	1	–	–	–	–	–	–
L. M. De Leon	Rank & File / Supervisor	1	–	–	–	–	–	–
J. V. Maghirang	Rank & File / Supervisor	1	–	–	–	–	–	–
E. V. Saavedra	Rank & File / Supervisor	1	–	–	–	–	–	–
M. H. Espeso	Rank & File / Supervisor	1	–	–	–	–	–	–
G. R. Manaig	Rank & File / Supervisor	1	–	–	–	–	–	–
J. D. De Leon	Rank & File / Supervisor	1	–	–	–	–	–	–
P. D. De Torres	Rank & File / Supervisor	1	–	–	–	–	–	–
M. L. Pamilara	Rank & File / Supervisor	1	–	–	–	–	–	–
G. M. Castro	Rank & File / Supervisor	1	–	–	–	–	–	–
R. B. Hila	Rank & File / Supervisor	1	–	–	–	–	–	–
K. P. Fenol	Rank & File / Supervisor	1	–	–	–	–	–	–
J. P. Sto Domingo Jr.	Rank & File / Supervisor	1	–	–	–	–	–	–
R. B. Magdaong	Rank & File / Supervisor	1	–	–	–	–	–	–
R. N. Metica	Rank & File / Supervisor	1	–	–	–	–	–	–
C. J. Moncayo	Rank & File / Supervisor	1	–	–	–	–	–	–
D. M. Libao	Rank & File / Supervisor	1	–	–	–	–	–	–
E. G. Chavez	Rank & File / Supervisor	1	–	–	–	–	–	–
A. E. Pancho	Officer	1	–	–	–	–	–	–
R. M. Gregorio	Rank & File / Supervisor	1	–	–	–	–	–	–
C. D. Malaguit	Rank & File / Supervisor	1	–	–	–	–	–	–
O. J. Dante Jr.	Rank & File / Supervisor	1	–	–	–	–	–	–
M. M. Peria	Rank & File / Supervisor	–	1	–	–	–	1	1
J. S. Lavarro	Rank & File / Supervisor	–	1	–	–	–	1	1
E. B. Breis	Rank & File / Supervisor	–	1	–	–	–	1	1

Name of debtor	Designation of debtor	Balance of beginning of period	Additions	Amounts collected (ii)	Amounts written off (iii)	Current	Not Current	Balance at end of period
M. C. Fernandez	Rank & File / Supervisor	1	–	–	–	–	1	1
A. Z. Cuaresma	Rank & File / Supervisor	–	1	–	–	–	1	1
G. G. Deangkinay	Officer	1	–	–	–	1	–	1
E. H. Reyes	Rank & File / Supervisor	–	1	–	–	–	1	1
F. C. Aspiras	Rank & File / Supervisor	–	1	–	–	–	1	1
R. D. Quibral	Rank & File / Supervisor	–	1	–	–	–	1	1
M. N. Caraan	Rank & File / Supervisor	1	–	–	–	–	1	1
J. N. Velasco Jr.	Rank & File / Supervisor	1	–	–	–	–	1	1
P. C. Castro	Officer	1	–	–	–	–	1	1
R. L. Dugay	Rank & File / Supervisor	1	–	–	–	–	1	1
R. S. Reyes	Rank & File / Supervisor	1	–	–	–	–	1	1
M. B. Laza	Rank & File / Supervisor	–	1	–	–	–	1	1
E. D. Mangila	Rank & File / Supervisor	1	–	–	–	–	1	1
J. D. Fisico	Rank & File / Supervisor	1	–	–	–	–	1	1
M. M. Viceral	Rank & File / Supervisor	1	–	–	–	–	1	1
R. T. Bagadiong	Rank & File / Supervisor	–	1	–	–	–	1	1
M. T. Dizon	Rank & File / Supervisor	–	1	(1)	–	–	1	1
N. T. Torrano	Rank & File / Supervisor	–	1	–	–	–	1	1
I. C. De Guzman	Rank & File / Supervisor	–	1	–	–	–	1	1
D. P. Ubang	Rank & File / Supervisor	–	1	–	–	–	1	1
A. M. Abante	Rank & File / Supervisor	1	–	–	–	–	1	1
M. N. Vallo	Rank & File / Supervisor	–	1	–	–	–	1	1
M. L. Gardiner	Officer	1	–	–	–	–	1	1
F. C. Cristobal	Rank & File / Supervisor	1	–	–	–	–	1	1
E. D. Palma Jr.	Rank & File / Supervisor	1	–	–	–	–	1	1
L. L. Elomina	Rank & File / Supervisor	1	–	–	–	–	1	1
E. D. Guevarra	Rank & File / Supervisor	1	–	–	–	–	1	1
F. A. Bartolata	Rank & File / Supervisor	1	–	–	–	–	1	1
R. B. Bonaobra Jr.	Rank & File / Supervisor	1	–	–	–	–	1	1
R. A. Evangelista	Rank & File / Supervisor	1	–	–	–	–	1	1
C. B. Nalaunan	Rank & File / Supervisor	1	–	–	–	–	1	1
L. R. Aspiras	Rank & File / Supervisor	1	–	–	–	–	1	1
N. A. Recto	Rank & File / Supervisor	1	–	–	–	–	1	1
N. S. Molar	Rank & File / Supervisor	1	–	–	–	–	1	1
C. E. Cabingan	Rank & File / Supervisor	1	–	–	–	–	1	1
V. S. Agravante	Rank & File / Supervisor	1	–	–	–	–	1	1
J. D. Cabrera	Rank & File / Supervisor	1	–	–	–	–	1	1
J. N. Cabarrubias	Rank & File / Supervisor	1	–	–	–	–	1	1

Name of debtor	Designation of debtor	Balance of beginning of period	Additions	Amounts collected (ii)	Amounts written off (iii)	Current	Not Current	Balance at end of period
C. T. Dionela	Officer	1	–	–	–	–	1	1
R. A. Abustan	Rank & File / Supervisor	–	1	–	–	–	1	1
R. P. Opano	Rank & File / Supervisor	1	–	–	–	–	1	1
C. A. Trumpo	Rank & File / Supervisor	1	–	–	–	–	1	1
J. A. Rualo	Rank & File / Supervisor	1	–	–	–	–	1	1
L. A. Gregorio	Rank & File / Supervisor	1	–	–	–	–	1	1
A. J. De Dios	Rank & File / Supervisor	1	–	–	–	–	1	1
B. F. Felipe	Rank & File / Supervisor	1	–	–	–	–	1	1
R. M. Nuñez	Rank & File / Supervisor	1	–	–	–	–	1	1
J. D. Sotto	Rank & File / Supervisor	1	–	–	–	–	1	1
M. A. Quinto	Rank & File / Supervisor	1	–	–	–	–	1	1
R. P. Alcantara	Rank & File / Supervisor	1	–	–	–	–	1	1
E. F. Aclado	Rank & File / Supervisor	1	–	–	–	–	1	1
E. S. Araracap	Rank & File / Supervisor	1	–	–	–	–	1	1
R. V. Cabatcan	Rank & File / Supervisor	1	–	–	–	–	1	1
A. E. Capoquian Jr.	Rank & File / Supervisor	–	1	–	–	–	1	1
J. Z. Alam	Rank & File / Supervisor	1	–	–	–	–	1	1
P. G. Lechuga	Rank & File / Supervisor	1	–	–	–	–	1	1
J. R. Nuñez	Rank & File / Supervisor	–	1	–	–	–	1	1
M. L. Inciso	Rank & File / Supervisor	–	1	–	–	–	1	1
A. N. Llona	Rank & File / Supervisor	–	1	–	–	–	1	1
K. K. Rosas	Rank & File / Supervisor	–	1	–	–	–	1	1
A. M. Cruz	Officer	1	–	–	–	–	1	1
R. L. Garcia	Rank & File / Supervisor	–	1	(1)	–	–	1	1
D. T. Tagubase	Officer	1	–	–	–	–	1	1
M. T. Gertes	Rank & File / Supervisor	–	1	–	–	–	1	1
G. G. Castillo	Officer	1	–	–	–	–	1	1
C. J. Atienza	Rank & File / Supervisor	–	1	–	–	–	1	1
J. E. Bacus	Rank & File / Supervisor	–	1	–	–	–	1	1
D. C. Simbahan	Rank & File / Supervisor	–	1	–	–	–	1	1
M. C. Catangay	Rank & File / Supervisor	1	–	–	–	–	1	1
A. B. Alvarez	Rank & File / Supervisor	1	–	–	–	–	1	1
D. M. Balaaldia	Rank & File / Supervisor	1	–	–	–	–	1	1
J. B. Tablizo	Rank & File / Supervisor	1	–	–	–	–	1	1
E. N. Mogol	Rank & File / Supervisor	1	–	–	–	–	1	1
R. R. Del Ayre	Rank & File / Supervisor	–	1	–	–	–	1	1
E. C. Vivar	Rank & File / Supervisor	–	1	–	–	–	1	1
M. D. Nuque	Rank & File / Supervisor	–	1	–	–	–	1	1

Name of debtor	Designation of debtor	Balance of beginning of period	Additions	Amounts collected (ii)	Amounts written off (iii)	Current	Not Current	Balance at end of period
A. A. Año	Rank & File / Supervisor	–	1	–	–	–	1	1
A. J. Diaz	Rank & File / Supervisor	–	1	–	–	–	1	1
M. A. Gache	Rank & File / Supervisor	1	–	–	–	–	1	1
F. M. Montero	Rank & File / Supervisor	1	–	–	–	–	1	1
R. O. Obmina	Rank & File / Supervisor	–	1	–	–	–	1	1
B. V. Zabat	Rank & File / Supervisor	–	1	–	–	–	1	1
C. G. Corales Jr.	Rank & File / Supervisor	–	1	–	–	–	1	1
N. C. Inton	Rank & File / Supervisor	1	–	–	–	–	1	1
J. E. Gomez	Rank & File / Supervisor	–	1	–	–	–	1	1
G. P. Blanes	Rank & File / Supervisor	–	1	–	–	–	1	1
M. G. Dinulos	Rank & File / Supervisor	–	1	–	–	–	1	1
R. S. Tabaranza	Rank & File / Supervisor	1	–	–	–	–	1	1
J. A. Martinez	Rank & File / Supervisor	–	1	–	–	–	1	1
R. P. Shinyo	Rank & File / Supervisor	–	1	–	–	–	1	1
J. F. Plaza	Rank & File / Supervisor	–	1	–	–	–	1	1
M. P. Agipo	Rank & File / Supervisor	–	1	–	–	–	1	1
A. C. Mariquit	Rank & File / Supervisor	–	1	–	–	–	1	1
D. G. Ratac	Rank & File / Supervisor	–	1	–	–	–	1	1
L. P. Muyna	Rank & File / Supervisor	–	1	–	–	–	1	1
A. P. Binauhan	Rank & File / Supervisor	1	–	–	–	–	1	1
R. D. Pelobello	Rank & File / Supervisor	1	–	–	–	–	1	1
R. B. Villanueva	Rank & File / Supervisor	1	–	–	–	–	1	1
P. M. Ruiz	Rank & File / Supervisor	–	1	–	–	–	1	1
J. J. Caig	Rank & File / Supervisor	–	1	–	–	–	1	1
G. J. Villafuerte	Rank & File / Supervisor	1	–	–	–	–	1	1
M. D. Gonzales	Rank & File / Supervisor	1	–	–	–	–	1	1
M. G. Sese	Rank & File / Supervisor	1	–	–	–	–	1	1
C. A. Velasquez	Rank & File / Supervisor	–	1	–	–	–	1	1
M. A. Zalameda	Officer	1	–	–	–	–	1	1
A. F. Manimtim	Rank & File / Supervisor	–	1	–	–	–	1	1
D. C. Rosales	Rank & File / Supervisor	–	–	1	–	–	1	1
R. B. Valdez	Officer	1	–	–	–	1	–	1
C. G. Marcon	Rank & File / Supervisor	–	1	–	–	–	1	1
J. T. Dela Torre	Rank & File / Supervisor	–	1	–	–	–	1	1
N. D. Lozano Jr.	Rank & File / Supervisor	1	–	–	–	–	1	1
C. P. Espinosa	Rank & File / Supervisor	–	1	–	–	–	1	1
W. M. Solas	Rank & File / Supervisor	1	–	–	–	–	1	1

Name of debtor	Designation of debtor	Balance of beginning of period	Additions	Amounts collected (ii)	Amounts written off (iii)	Current	Not Current	Balance at end of period
M. G. Mortiz	Rank & File / Supervisor	–	1	–	–	–	1	1
C. F. Tolete	Rank & File / Supervisor	–	–	1	–	1	–	1
R. A. Sampan	Officer	1	–	–	–	–	1	1
R. P. Cuevas	Rank & File / Supervisor	1	–	–	–	–	1	1
J. B. Sison	Rank & File / Supervisor	1	–	–	–	–	1	1
Z. C. Palad	Rank & File / Supervisor	1	–	–	–	–	1	1
R. P. Malaiba	Officer	1	–	–	–	–	1	1
R. V. Arellano	Rank & File / Supervisor	1	–	–	–	–	1	1
N. D. Alcoran	Rank & File / Supervisor	–	1	–	–	–	1	1
E. A. Yaba	Rank & File / Supervisor	–	1	–	–	–	1	1
R. B. Mapula	Rank & File / Supervisor	1	–	–	–	–	1	1
P. E. Calderon Jr.	Rank & File / Supervisor	1	–	–	–	–	1	1
A. A. Palomares	Rank & File / Supervisor	1	–	–	–	–	1	1
R. L. Martinez	Rank & File / Supervisor	1	–	–	–	–	1	1
C. B. Marquez	Rank & File / Supervisor	1	–	–	–	–	1	1
R. C. Cay	Rank & File / Supervisor	1	–	–	–	–	1	1
N. O. Bravante	Officer	1	–	–	–	–	1	1
M. B. Celmar	Rank & File / Supervisor	1	–	–	–	–	1	1
G. E. Go	Rank & File / Supervisor	–	1	–	–	–	1	1
E. A. Concepcion	Rank & File / Supervisor	1	–	–	–	–	1	1
E. C. Marcial	Officer	1	–	–	–	–	1	1
M. A. Dotollo	Rank & File / Supervisor	1	–	–	–	–	1	1
L. A. Guno	Rank & File / Supervisor	–	1	–	–	–	1	1
W. L. Duena Jr.	Rank & File / Supervisor	–	1	–	–	–	1	1
V. A. Nazareth	Rank & File / Supervisor	1	–	–	–	–	1	1
R. B. Fabula	Rank & File / Supervisor	1	–	–	–	–	1	1
L. A. Deocariza	Rank & File / Supervisor	–	1	–	–	–	1	1
A. M. Alunan	Rank & File / Supervisor	–	1	–	–	–	1	1
R. M. Bolledo	Rank & File / Supervisor	–	1	–	–	–	1	1
R. S. Arroyo	Rank & File / Supervisor	–	1	–	–	–	1	1
J. G. Palisoc	Rank & File / Supervisor	1	–	–	–	–	1	1
E. B. Tatad	Rank & File / Supervisor	1	–	–	–	–	1	1
A. S. Dayrit	Officer	1	–	–	–	–	1	1
J. S. Abes	Rank & File / Supervisor	1	–	–	–	–	1	1
J. V. Pulmano Jr.	Rank & File / Supervisor	–	1	–	–	–	1	1
A. L. Aya–Ay	Rank & File / Supervisor	–	1	–	–	–	1	1
A. T. France Jr.	Rank & File / Supervisor	–	1	–	–	–	1	1
R. F. Benitez	Rank & File / Supervisor	1	–	–	–	–	1	1
C. R. Ramos	Rank & File / Supervisor	–	1	–	–	–	1	1

Name of debtor	Designation of debtor	Balance of beginning of period	Additions	Amounts collected (ii)	Amounts written off (iii)	Current	Not Current	Balance at end of period
A. S. Zaide	Rank & File / Supervisor	–	1	–	–	–	1	1
E. J. Mendoza	Rank & File / Supervisor	1	–	–	–	–	1	1
R. B. Matias	Rank & File / Supervisor	–	1	–	–	–	1	1
C. M. Gutierrez	Rank & File / Supervisor	–	1	–	–	–	1	1
R. D. Viadoy	Rank & File / Supervisor	–	1	–	–	–	1	1
E. M. Caisip	Rank & File / Supervisor	–	–	1	–	–	1	1
A. E. Santos	Rank & File / Supervisor	1	–	–	–	–	1	1
R. C. Eje	Rank & File / Supervisor	–	1	–	–	–	1	1
N. A. Hare	Rank & File / Supervisor	–	–	1	–	–	1	1
M. S. Villanueva	Rank & File / Supervisor	–	1	–	–	–	1	1
R. R. Rafer	Rank & File / Supervisor	1	–	–	–	–	1	1
A. A. Marcellana	Rank & File / Supervisor	1	–	–	–	–	1	1
R. D. Elca	Officer	1	–	–	–	–	1	1
R. B. Leochico	Rank & File / Supervisor	1	–	–	–	–	1	1
D. C. Dy	Rank & File / Supervisor	–	1	–	–	–	1	1
F. C. Benitez	Rank & File / Supervisor	–	1	–	–	–	1	1
E. A. Olayta	Rank & File / Supervisor	–	1	–	–	–	1	1
D. Y. Capuno	Rank & File / Supervisor	–	1	–	–	–	1	1
O. G. Peregrina	Rank & File / Supervisor	–	1	–	–	–	1	1
J. S. Candelaria	Rank & File / Supervisor	–	1	–	–	–	1	1
O. M. Fernandez	Rank & File / Supervisor	–	1	–	–	–	1	1
B. S. Canaoay	Rank & File / Supervisor	–	1	–	–	–	1	1
D. B. Gregorio	Rank & File / Supervisor	–	1	–	–	–	1	1
J. P. Magbojos	Rank & File / Supervisor	1	–	–	–	–	1	1
G. F. Gonzales	Rank & File / Supervisor	–	1	–	–	–	1	1
F. A. Pagaspas	Rank & File / Supervisor	–	1	–	–	–	1	1
R. A. Hechanova	Rank & File / Supervisor	–	1	–	–	–	1	1
N. B. Sebastian	Rank & File / Supervisor	1	–	–	–	–	1	1
R. M. Rosales	Rank & File / Supervisor	1	–	–	–	–	1	1
A. A. Guico	Officer	1	–	–	–	–	1	1
E. B. Legion	Rank & File / Supervisor	–	1	–	–	–	1	1
E. D. Forteza	Rank & File / Supervisor	1	1	(1)	–	–	1	1
M. G. Marcelo	Rank & File / Supervisor	–	1	–	–	–	1	1
C. G. Visaya	Officer	1	–	–	–	–	1	1
P. C. Vibar	Rank & File / Supervisor	1	–	–	–	–	1	1
R. A. Lopez	Rank & File / Supervisor	–	1	–	–	–	1	1
E. B. Gozo	Rank & File / Supervisor	–	1	–	–	–	1	1
N. C. Briones	Rank & File / Supervisor	–	1	–	–	–	1	1

Name of debtor	Designation of debtor	Balance of beginning of period	Additions	Amounts collected (ii)	Amounts written off (iii)	Current	Not Current	Balance at end of period
A. E. Cayabyab	Rank & File / Supervisor	–	1	–	–	–	1	1
E. M. Lacibal	Rank & File / Supervisor	–	1	–	–	–	1	1
L. N. Magnaye	Rank & File / Supervisor	–	1	–	–	–	1	1
D. M. Miranda	Rank & File / Supervisor	–	1	–	–	–	1	1
L. U. Lejano	Rank & File / Supervisor	–	1	–	–	–	1	1
E. N. Alcantara Jr.	Rank & File / Supervisor	–	1	–	–	–	1	1
A. T. Claudio	Rank & File / Supervisor	–	1	–	–	–	1	1
D. F. Dizon	Rank & File / Supervisor	–	1	–	–	–	1	1
R. P. Habaña	Rank & File / Supervisor	–	1	–	–	–	1	1
D. L. Pilapil	Rank & File / Supervisor	–	1	–	–	–	1	1
E. L. Molino	Rank & File / Supervisor	–	1	–	–	–	1	1
A. B. Bautista	Officer	–	1	–	–	–	1	1
N. M. De Chavez	Rank & File / Supervisor	–	1	–	–	–	1	1
J. C. Mandras	Rank & File / Supervisor	–	1	–	–	–	1	1
V. E. Dionela Jr.	Rank & File / Supervisor	–	1	–	–	–	1	1
A. A. Neala Jr.	Rank & File / Supervisor	1	–	–	–	–	1	1
J. C. Alicabo	Rank & File / Supervisor	–	1	–	–	–	1	1
R. G. Sacil	Rank & File / Supervisor	–	1	–	–	–	1	1
G. A. Deapera	Officer	1	–	–	–	–	1	1
D. M. Gatchalian	Rank & File / Supervisor	–	1	–	–	–	1	1
A. T. Aldave Jr.	Rank & File / Supervisor	–	1	–	–	–	1	1
R. M. Canicosa	Officer	–	1	–	–	–	1	1
D. T. Roma	Rank & File / Supervisor	–	1	–	–	–	1	1
J. T. Sendon	Rank & File / Supervisor	–	1	–	–	–	1	1
P. B. Robosa	Officer	–	1	–	–	–	1	1
M. V. Abad Jr.	Rank & File / Supervisor	–	1	–	–	–	1	1
E. M. Alfuerto	Rank & File / Supervisor	–	1	–	–	–	1	1
J. Y. Amanca	Rank & File / Supervisor	–	1	–	–	–	1	1
E. C. Cruz	Rank & File / Supervisor	–	1	–	–	–	1	1
N. C. Laserna	Rank & File / Supervisor	–	1	–	–	–	1	1
A. C. Bermil	Rank & File / Supervisor	–	1	–	–	–	1	1
V. P. Gozo	Rank & File / Supervisor	–	1	–	–	–	1	1
R. C. Chavez	Rank & File / Supervisor	–	1	–	–	–	1	1
N. O. Manglo	Officer	–	1	–	–	–	1	1
A. A. Bawar	Rank & File / Supervisor	–	1	–	–	–	1	1
R. M. Inanoria	Rank & File / Supervisor	–	1	–	–	–	1	1
C. M. Alcantara	Rank & File / Supervisor	–	1	–	–	–	1	1
E. E. Aguila	Rank & File / Supervisor	–	1	–	–	–	1	1
A. L. Ferrer Jr.	Rank & File / Supervisor	–	1	–	–	–	1	1

Name of debtor	Designation of debtor	Balance of beginning of period	Additions	Amounts collected (ii)	Amounts written off (iii)	Current	Not Current	Balance at end of period
M. M. Legaspi	Rank & File / Supervisor	–	1	–	–	–	1	1
F. G. Alivio Jr.	Rank & File / Supervisor	–	1	–	–	–	1	1
I. E. Claudio	Officer	1	–	–	–	–	1	1
E. D. Felix	Officer	–	1	–	–	–	1	1
R. T. Ramos	Rank & File / Supervisor	–	1	–	–	–	1	1
M. E. Arvesu	Rank & File / Supervisor	–	1	–	–	–	1	1
R. S. Bautista	Rank & File / Supervisor	–	1	–	–	–	1	1
E. C. Esplana	Officer	–	1	–	–	–	1	1
F. C. Escrimadora	Rank & File / Supervisor	–	1	–	–	–	1	1
G. A. Infante	Rank & File / Supervisor	–	1	–	–	–	1	1
J. G. Mercado	Rank & File / Supervisor	–	1	–	–	–	1	1
J. A. Saguan	Rank & File / Supervisor	–	1	–	–	–	1	1
H. B. Feliciano	Rank & File / Supervisor	–	1	–	–	–	1	1
M. G. Masamayor	Officer	–	1	–	–	–	1	1
G. S. Espinosa	Officer	–	1	–	–	–	1	1
C. V. Esmile	Officer	–	1	–	–	–	1	1
M. T. Obligado	Officer	–	1	–	–	–	1	1
B. E. Dionela	Officer	–	1	–	–	–	1	1
R. S. Maaño	Rank & File / Supervisor	–	1	–	–	–	1	1
B. C. Arevalo	Officer	–	2	–	–	–	1	1
L. A. Sy	Officer	–	1	–	–	–	1	1
J. C. Villanueva	Officer	1	2	(1)	–	–	1	1
D. R. Escuro	Officer	2	–	–	–	–	1	1
D. F. Mendiola	Officer	1	2	(1)	–	–	2	2
E. I. Alvarez	Rank & File / Supervisor	–	2	–	–	–	2	2
C. S. Ablaza	Officer	–	2	–	–	–	2	2
R. R. Gutierrez	Officer	1	2	(1)	–	–	2	2
S. T. Chua–Lim	Officer	–	2	–	–	–	2	2
J. M. Atienza	Officer	–	2	–	–	–	2	2
N. R. Amboy	Rank & File / Supervisor	1	–	(1)	–	–	–	–
E. C. Camaing	Rank & File / Supervisor	1	–	(1)	–	–	–	–
E. D. Cantre	Rank & File / Supervisor	1	–	(1)	–	–	–	–
S. A. Austria	Rank & File / Supervisor	1	–	(1)	–	–	–	–
R. S. Tubo	Rank & File / Supervisor	1	–	(1)	–	–	–	–
F. M. Mercado Jr.	Rank & File / Supervisor	1	–	(1)	–	–	–	–
W.F. Mirasol	Officer	1	–	(1)	–	–	–	–
R.C. Naval	Officer	1	–	–	–	–	–	–
		₱215	₱160	(₱9)	₱–	₱3	₱264	₱267

Schedule C. Amounts Receivable from Related Parties which are Eliminated During the Consolidation of Financial Statements

Name of debtor	Relationship	Balance at beginning of period	Net Transaction	Current	Not Current	Balance at end of period
GT Capital Holdings, Inc.	Parent of GT Capital Auto and Mobility Holdings, Inc.	₱–	₱52	₱52	₱–	₱52
Federal Land, Inc.	Subsidiary of GT Capital Holdings, Inc.	6,398	(380)	1,241	4,777	6,018
Toyota Motor Philippines Corporation	–do–	1	(1)	–	–	–
GT Capital Auto and Mobility Holdings, Inc.	–do–	–	5	5	–	5
Toyota San Fernando Pampanga, Inc.	Subsidiary of Toyota Motor Philippines Corp.	430	(424)	6	–	6
Toyota Makati, Inc.	–do–	271	(66)	205	–	205
TMP Logistics, Inc.	–do–	30	(29)	1	–	1
Toyota Sta. Rosa Laguna Inc.	Affiliate of Toyota Motor Philippines Corp.	193	(191)	2	–	2
Topsphere Realty Development Co. Inc.	Subsidiary of Federal Land, Inc.	1,048	(225)	823	–	823
Omni Orient Management Corp.	–do–	4	–	4	–	4
Central Realty & Dev't Corp.	–do–	328	(100)	228	–	228
Horizon Land Property Development Corp.	–do–	720	263	983	–	983
TMBC Insurance Agency Corporation	Subsidiary of Toyota Manila Bay Corporation	(5)	32	27	–	27
Oxfordshire Holdings, Inc.	–do–	21	5	26	–	26
		₱9,439	(₱1,059)	₱3,603	₱4,777	₱8,380

Schedule D. Long Term Debt

Title of issue and type of obligation (i)	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet (ii)	Amount shown under caption "Long-term debt" in related balance sheet (iii)	Other details
Bonds payable	₱6,100	₱–	₱6,090	Interest rate of 5.0937% and will mature on February 27, 2023
Bonds payable	4,000	–	3,987	Interest rate of 5.6250% and will mature on August 7, 2024
	10,100	–	10,077	
Note Facility Agreement	960	5	955	Annual payment of ₱25 million from 2014 to 2020; ₱5 million payable in years 2021 and 2022; ₱955 million payable on July 5, 2023
Loans payable	7,000	7	6,968	Interest rate of 5.556% and will mature on March 26, 2025
Loans payable	6,000	6	5,973	Interest rate of 5.0500% and will mature on March 26, 2025
Loans payable	2,000	2	1,990	Interest rate of 5.8081% and will mature on December 4, 2027
Loans payable	4,000	4	3,976	Interest rate of 5.8075% and will mature on December 3, 2027
Loans payable	2,000	2	1,988	Interest rate of 5.9343% and will mature on December 22, 2028
Loans payable	4,000	4	3,977	Interest rate of 5.5556% and will mature on December 22, 2026
Loans payable	10,000	–	9,943	Interest rate of 7.3232% and will mature on March 27, 2030
Loans payable	15,000	–	14,922	Interest rate of 6.5687% and will mature on March 27, 2028
Loans payable	3,000	–	2,981	Interest rate of 5.44824% and will mature on November 4, 2029
Loans payable	4,000	–	3,974	Interest rate of 5.5290% and will mature on February 24, 2032
Loans payable	5,000	–	4,964	Interest rate of 4.9056% and will mature on July 13, 2032
Loans payable	10,287	5,144	5,116	Interest rate of 3-month JPY Libor plus 0.65% spread, 50% will mature in July 2022 and remaining 50% will mature in 2024
Loans payable	79	–	79	Interest rate of 4.2% and will mature on February 26, 2026
Loans payable	91	–	91	Interest rate of 2.7% and will mature on September 28, 2025
Loans payable	76	–	76	Interest rate of 2.7% and will mature on October 23, 2026
Loans payable	1,100	157	550	Interest rates ranging from 4.85% to 5.94% and will mature on May 29, 2026
Loans payable	2500	2,500	–	Interest rate of 2.90% and will be payable in 2022
Loans payable	5,992	259	5,731	₱2,000 million with fixed interest rate of 5.8422% per annum will mature on December 20, 2024; ₱1,500 million with fixed interest rate of 5.8591% per annum will mature on December 22, 2024; ₱2,000 million payable at 40% quarterly payment starting at the end of 5th year and 60% on December 23, 2024 with fixed interest rate of 5.6658% per annum; ₱1,100 million payable at 40% quarterly payment at the end of 5th year to 9th year and 60% on December 20, 2024 with fixed interest rate of 5.05% per annum
Loans payable	1,848	176	1,672	Fixed interest rate of 5.05%. Principal payment of the loan will start on December 31, 2020 to 2024 at the amount of ₱176 million per year and the remaining balance will be paid on maturity date
Loans payable	798	–	798	Interest rate of 6.07% with a term of 20 years and will be paid in full on maturity date
Loans payable	200	–	199	Interest rate of 5.8633% subject to equal annual principal amortization of ₱0.2 million starting on May 29, 2021 and fully payable on May 29, 2026
Loans payable	100	100	–	Interest rate of 5.725% and will be payable on March 16, 2022
Loans payable	500	500	–	Interest rate of 5.9625% and will be payable on November 4, 2022
Loans payable	2,500	–	2,486	Interest rate of 4.25% and will mature on June 30, 2023
Loans payable	1,280	–	1,276	Interest rate of 5.30% and will be payable on November 23, 2024
Loans payable	300	–	298	Interest rate of 5.29% and will be payable on November 26, 2024
Loans payable	650	–	646	Interest rate of 5.59% and will be payable on December 20, 2024
Loans payable	1,100	–	1,094	Interest rate of 5.99% and will be payable on December 20, 2024
Loans payable	1,200	–	1,193	Interest rate of 5.93% and will be payable on December 20, 2024
Loans payable	5,000	–	4,972	Interest rate of 4.75% and will be payable on December 28, 2023
Loans payable	500	50	447	Interest rate of 4.75% and will be payable on December 29, 2023
Loans payable	1,565	–	1,557	Interest rate of 5.00% and will be payable on July 2, 2025
Loans payable	1,000	75	920	Interest rate of 4.75% per annum and payable in 2024
Loans payable	2,500	–	2,486	Interest rate of 4.25% per annum and payable in 2023
Loans payable	500	–	497	Interest rate of 4.50% per annum and payable in 2026
Loans payable	1,000	50	945	Interest rate of 5% per annum and payable in 2026
Loans payable	500	–	497	Interest rate of 4.25% per annum and payable in 2024
Loans payable	5,000	267	4,706	Interest rate of 5.00% per annum and payable in 2024
Loans payable	1,995	15	1,969	Interest rate of 5.00% per annum and payable in 2024
Loans payable	3,000	–	2,983	Interest rate of 5.00% per annum and payable in 2028
(Forward)				

Title of issue and type of obligation (i)	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet (ii)	Amount shown under caption "Long-term debt" in related balance sheet (iii)	Other details
Loans payable	500	–	497	Interest rate of 4.75% per annum and payable in lump sum upon maturity on September 23, 2026
Loans payable	1,000	–	994	Interest rate of 4.75% per annum and payable in lump sum upon maturity on October 1, 2024
Loans payable	500	–	497	Interest rate of 4.75% per annum and payable in lump sum upon maturity on October 29, 2024
Loans payable	3,000	100	2,883	₱2,000 million with interest rate of 5.00% per annum will mature on September 6, 2026; ₱1,000 million with interest rate of 5.00% will mature on September 8, 2026
Loans payable	2,000	–	1,989	Interest rate of 3.68% per annum and will mature on September 8, 2026
	123,121	9,423	112,755	
	₱133,221	₱9,423	₱122,832	

Schedule E. Indebtedness to Related Parties (Long-term Loans from Related Companies)

Name of related party	Balance at beginning of period	Balance at end of period	Remarks
Metropolitan Bank & Trust Co.	₱9,000	₱10,000	Due to availments during the year
Toyota Aisin Philippines, Inc.	79	79	
Metropolitan Bank & Trust Co.	925	1,165	Due to availments during the year

Schedule F. Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee
NONE				

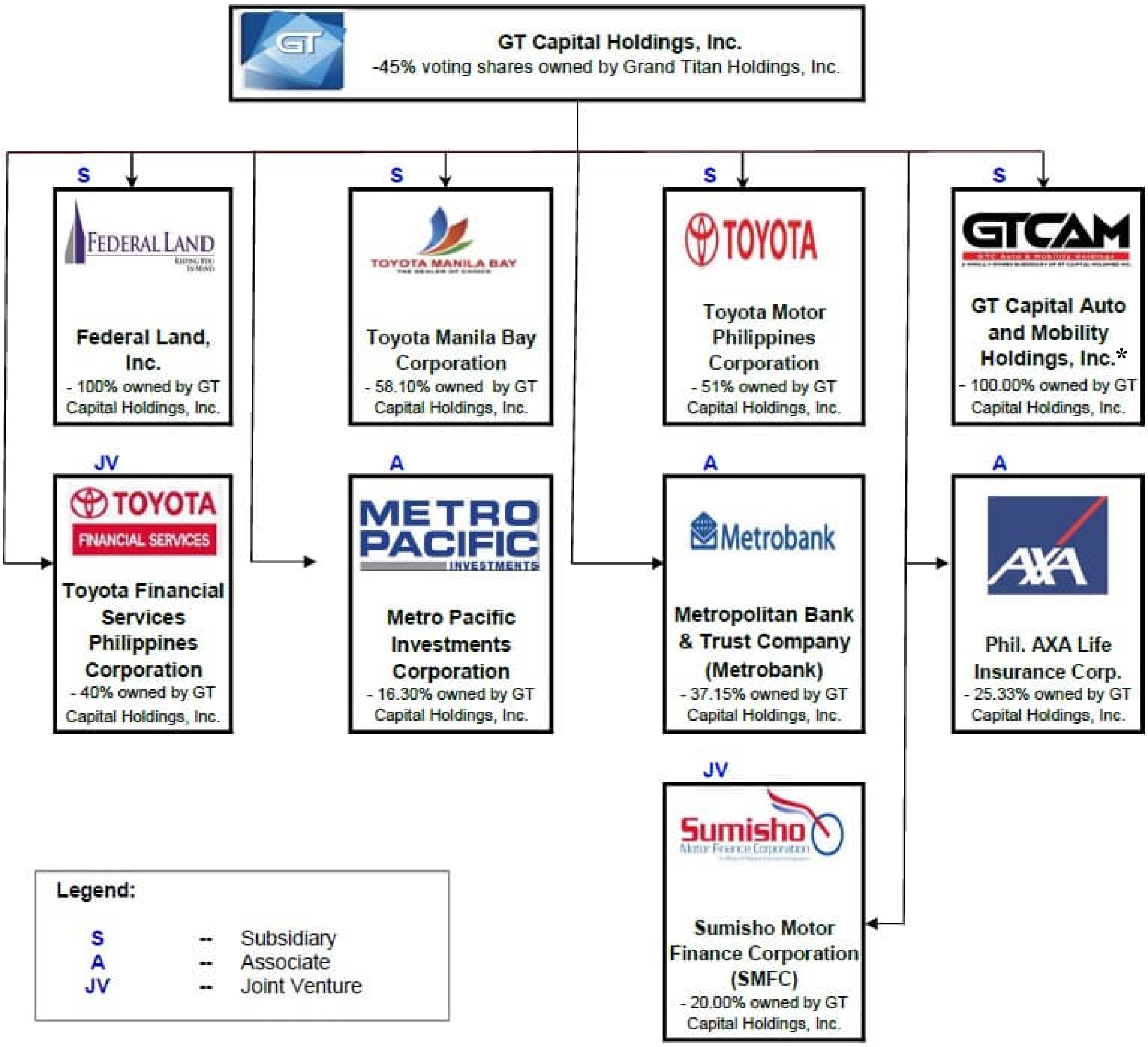
Schedule G. Capital Stock (in absolute amounts)

Title of issue	Number of Shares authorized	Number of Shares issued and outstanding and shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common stock	298,257,000	215,284,587	–	120,413,658	579,777	94,291,152
Voting preferred stock	174,300,000	174,300,000	–	171,438,637	540,835	2,320,528
Perpetual preferred stock	20,000,000	12,000,000	–	–	4,100	11,995,900

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

MAP OF RELATIONSHIP BETWEEN AND AMONG THE PARENT COMPANY AND ITS SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

AS OF DECEMBER 31, 2021

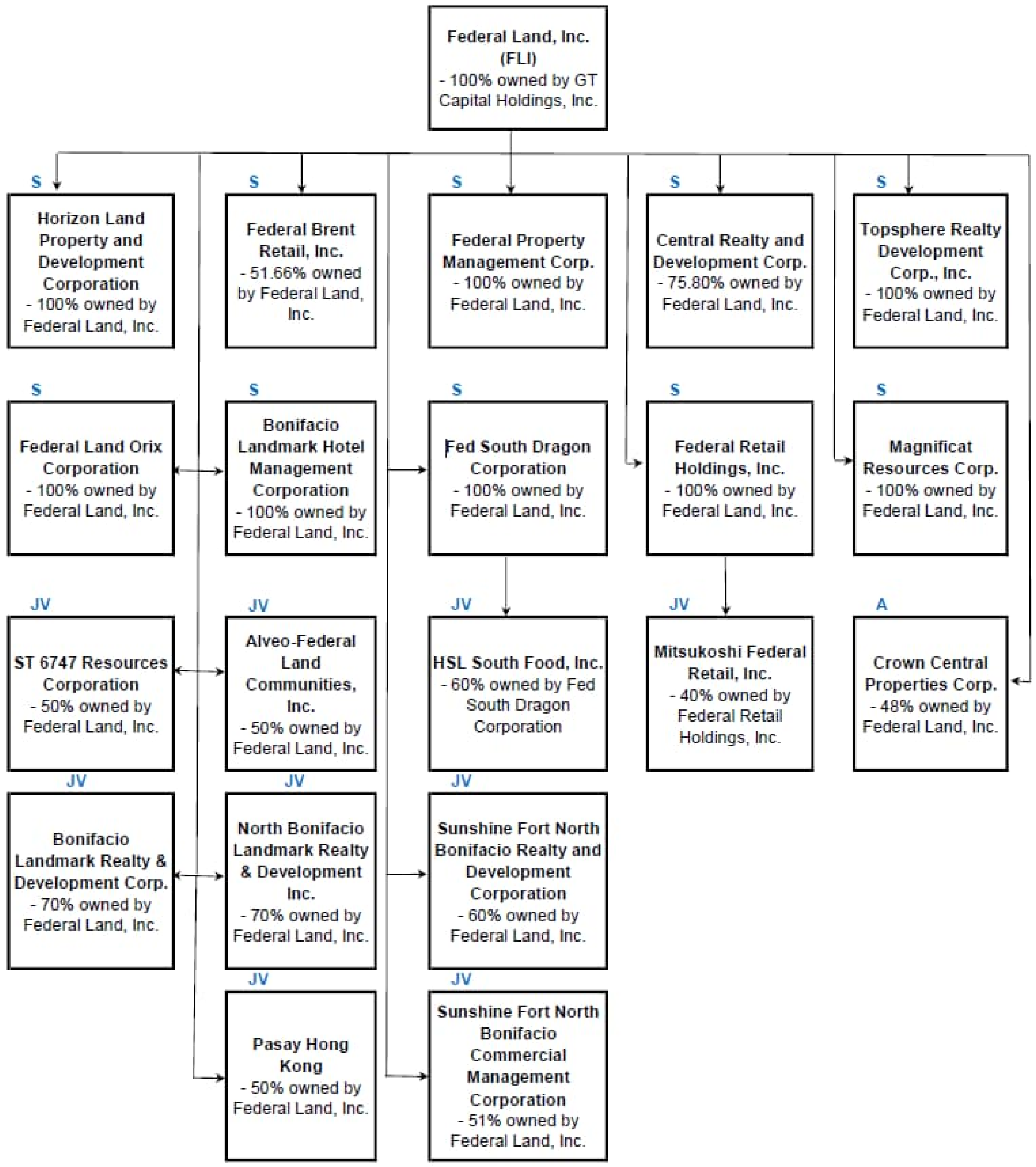


** Formerly GT Capital Auto Dealership Holdings, Inc.*

FEDERAL LAND, INC.

SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE

AS OF DECEMBER 31, 2021



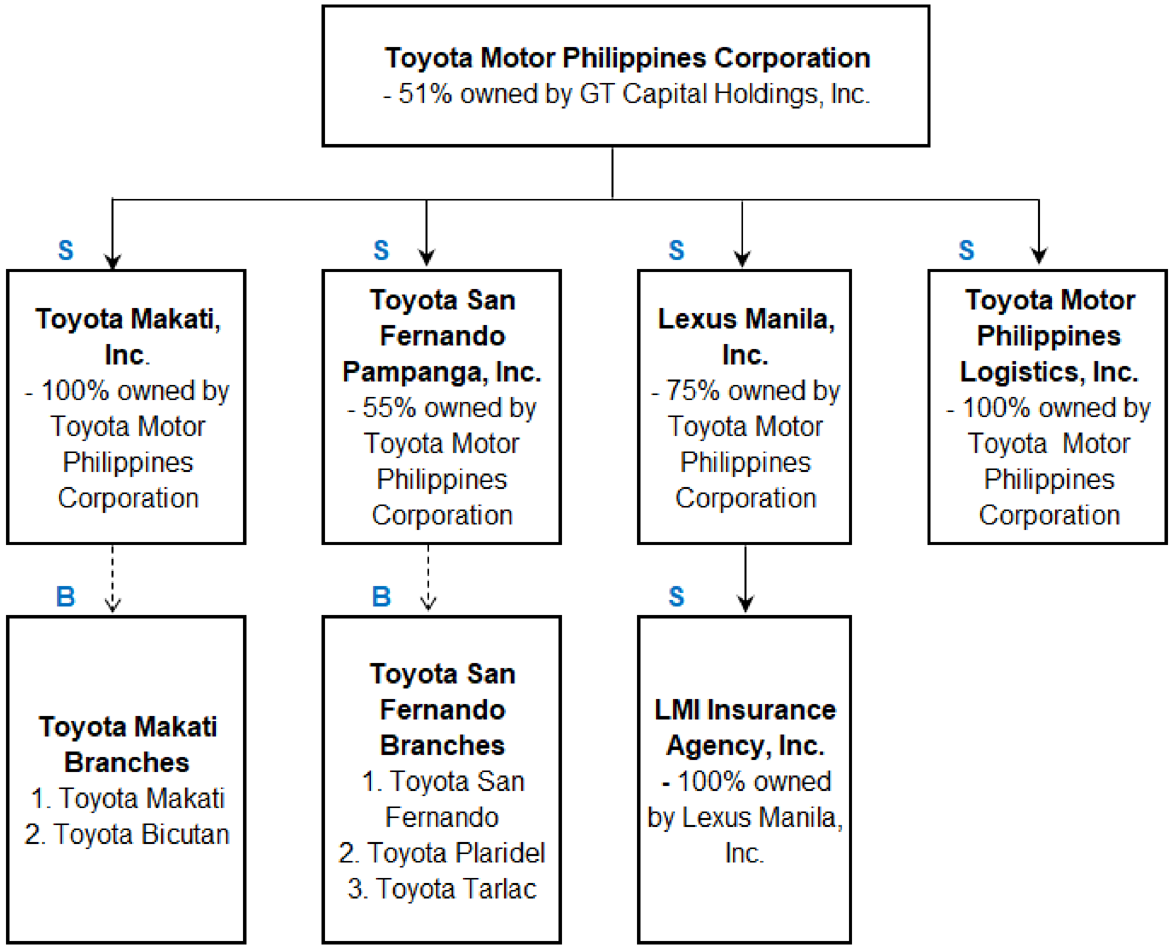
LEGEND:

Subsidiary (S)
Associate (A)
Joint Venture (JV)

TOYOTA MOTOR PHILIPPINES CORPORATION

SUBSIDIARIES

AS OF DECEMBER 31, 2021



LEGEND:

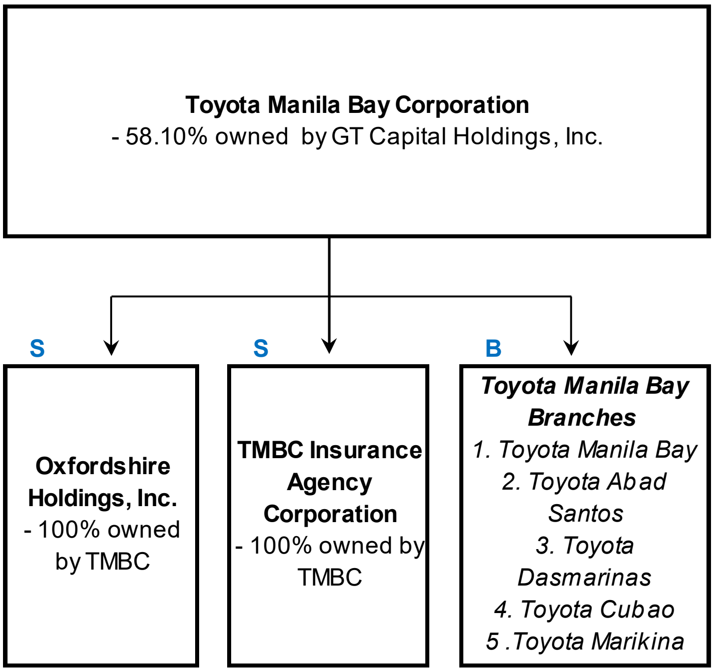
Subsidiary (S)

Branch (B)

TOYOTA MANILA BAY CORPORATION

SUBSIDIARIES

AS OF DECEMBER 31, 2021



LEGEND:

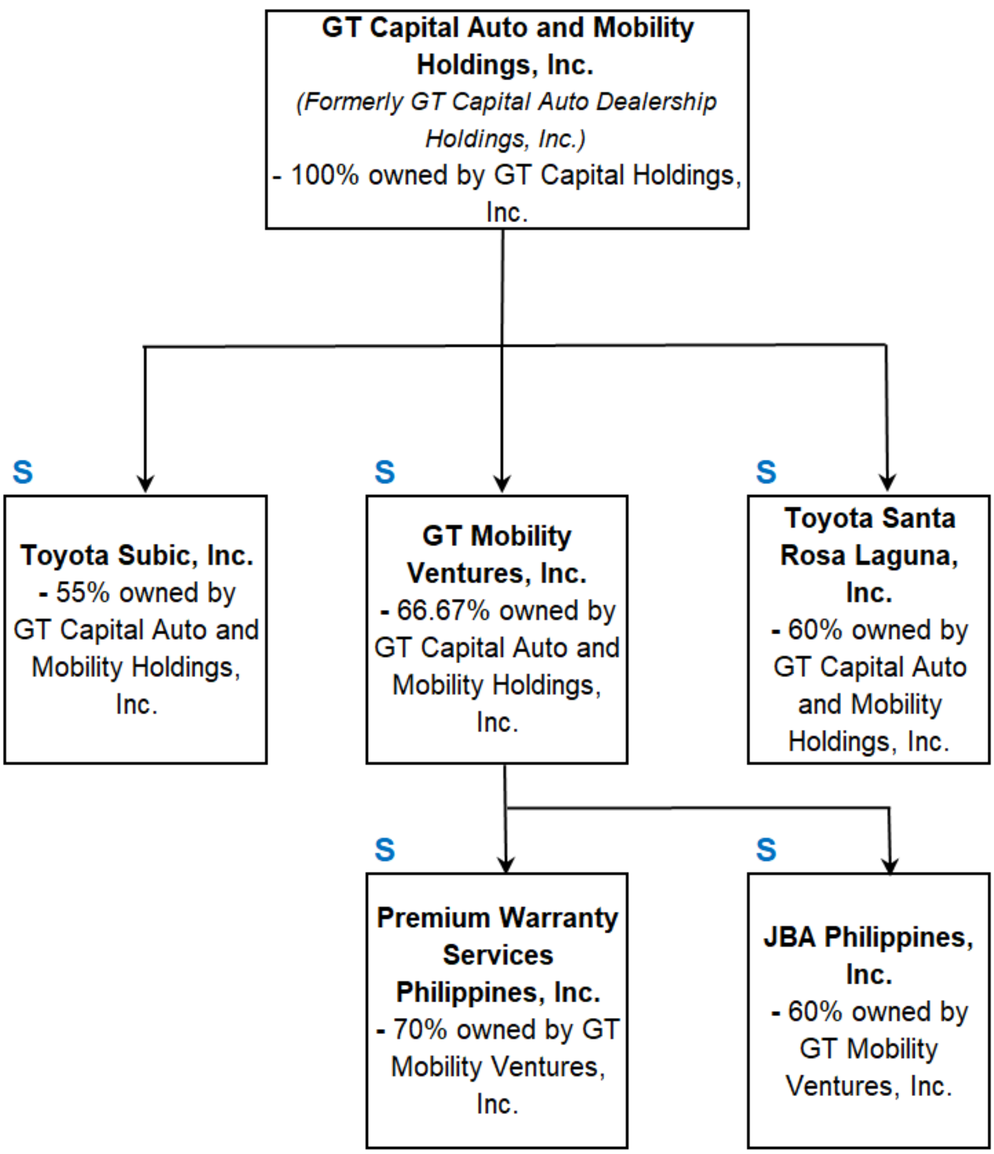
Subsidiary (S)

Branch(B)

GT CAPITAL AUTO AND MOBILITY HOLDINGS, INC.

SUBSIDIARIES

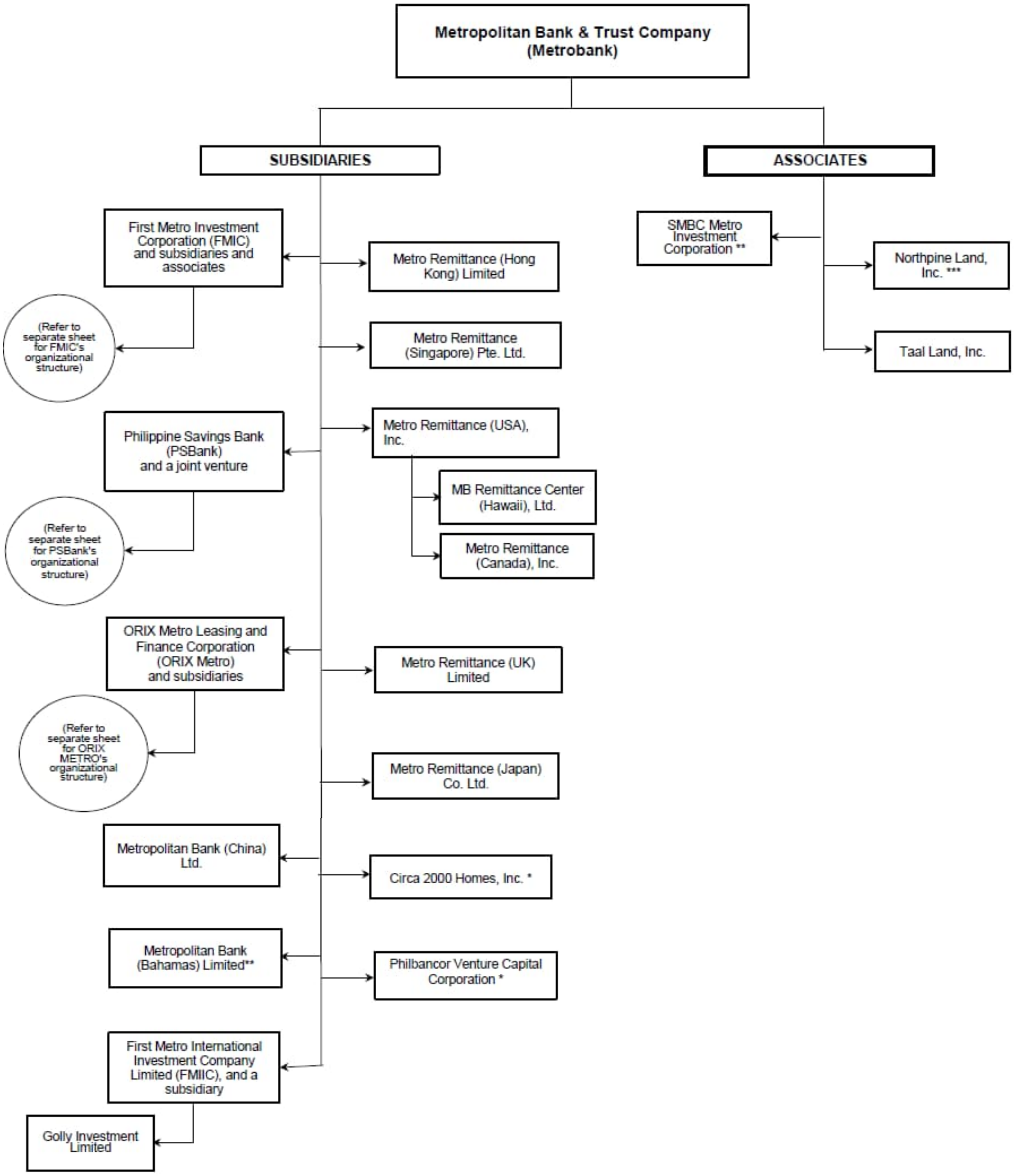
AS OF DECEMBER 31, 2021



LEGEND:

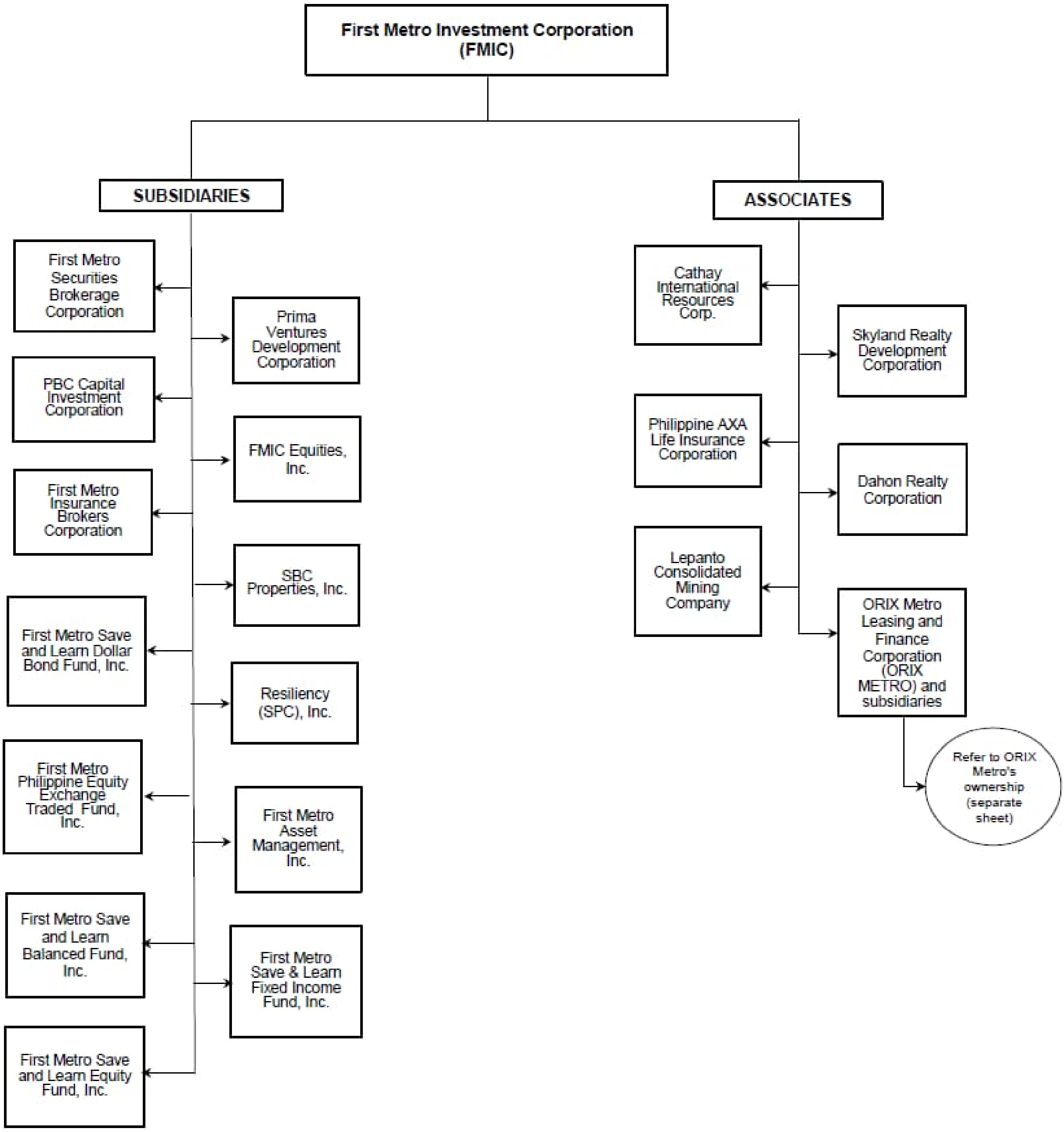
Subsidiary (S)

METROPOLITAN BANK & TRUST COMPANY
SUBSIDIARIES AND ASSOCIATES
AS OF DECEMBER 31, 2021

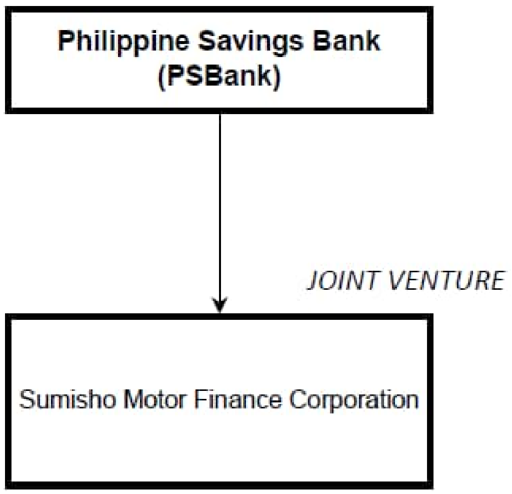


** In process of dissolution*
*** In process of liquidation*
**** On November 27, 2019, the stockholders of NLI approved the shortening of its corporate term to end on December 31, 2021. This was subsequently extended to June 2022.*

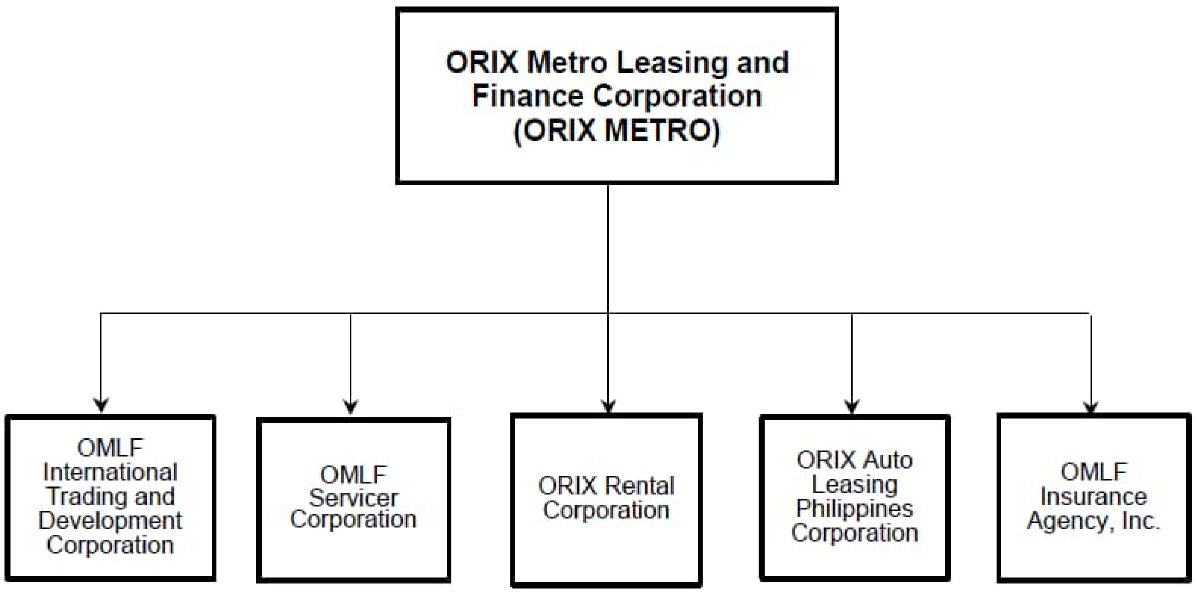
First Metro Investment Corporation
Subsidiaries, Joint Venture and Associates
As of December 31, 2021



Philippine Savings Bank
Joint Venture
As of December 31, 2021



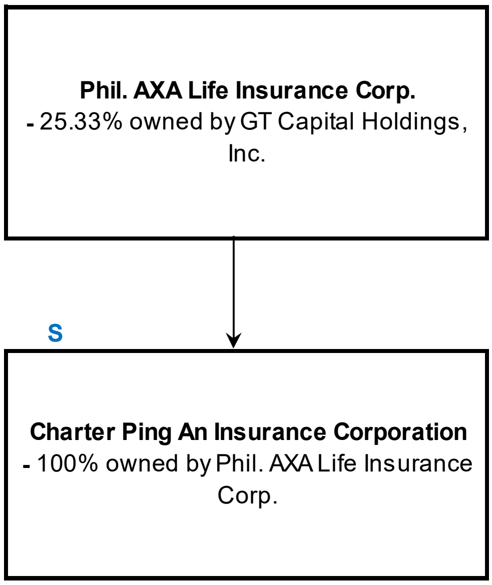
ORIX Metro Leasing and Finance Corporation (ORIX METRO)
Subsidiaries
As of December 31, 2021



PHILIPPINE AXA LIFE INSURANCE CORPORATION

SUBSIDIARY

AS OF DECEMBER 31, 2021

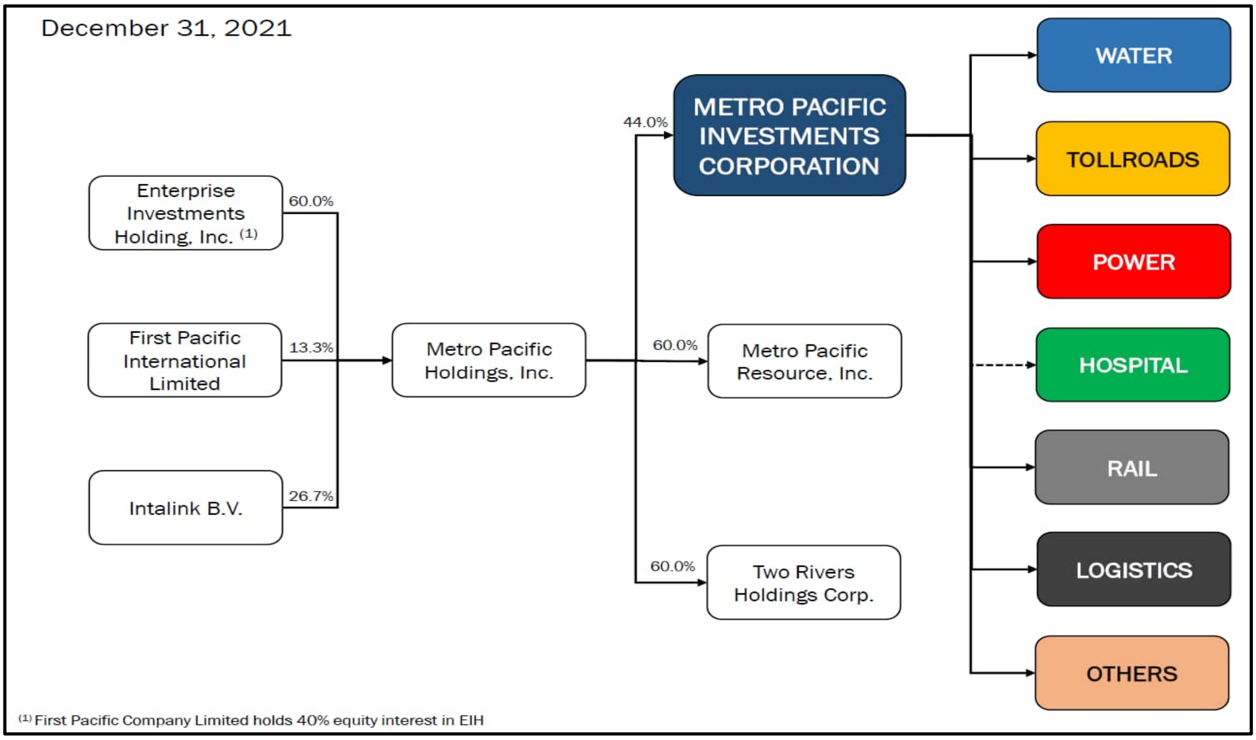


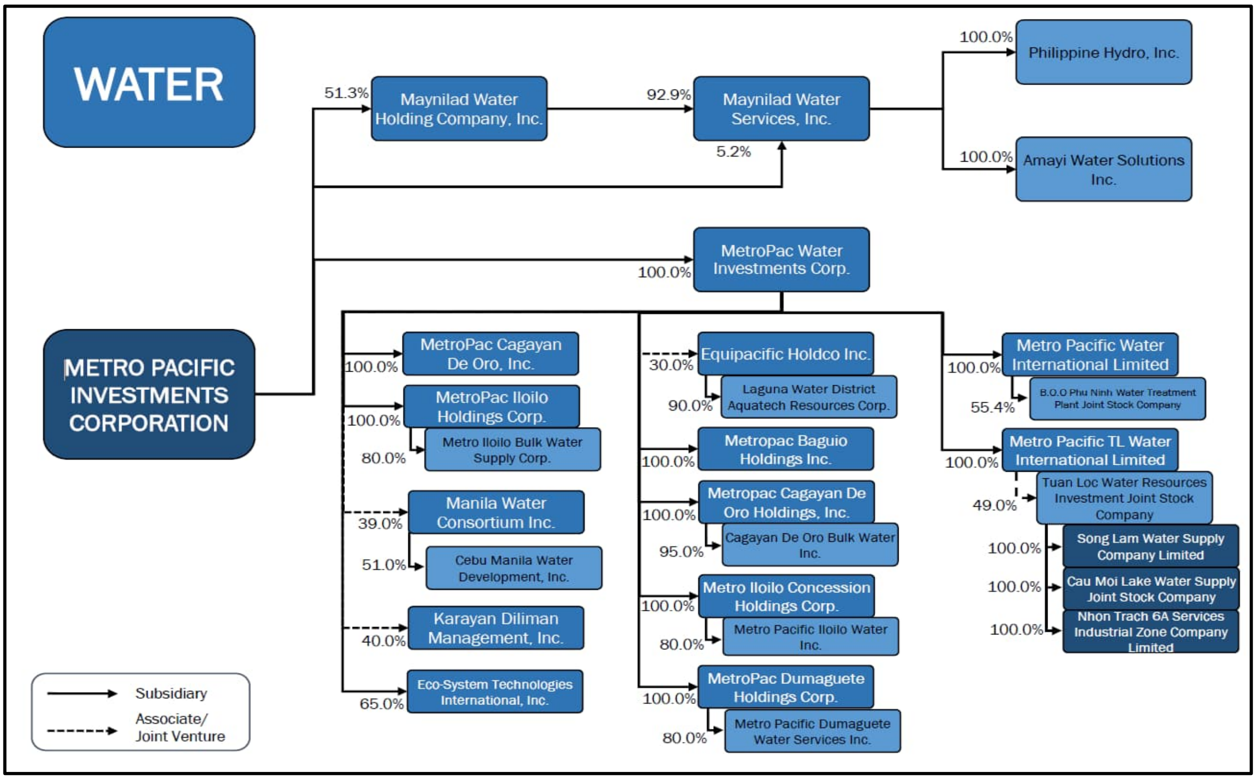
LEGEND:
Subsidiary (S)

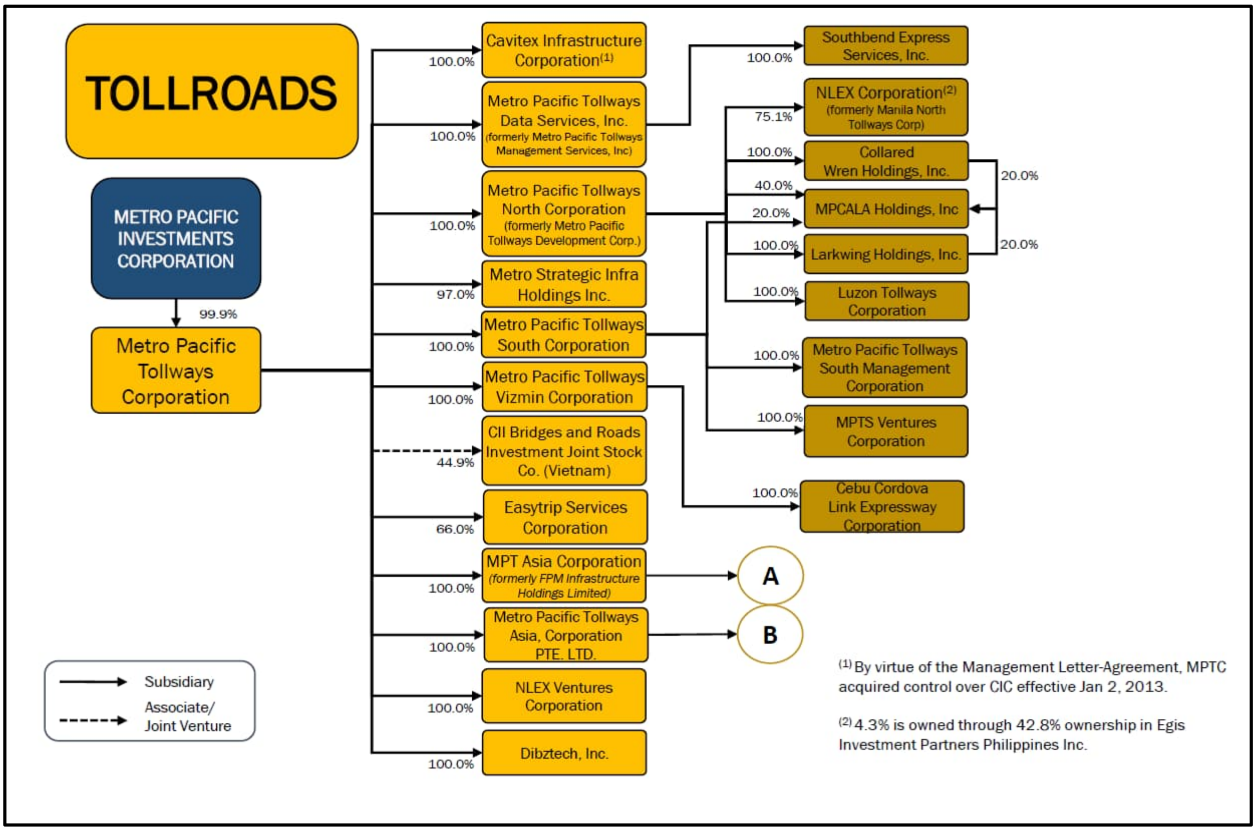
METRO PACIFIC INVESTMENTS CORPORATION

SUBSIDIARIES

AS OF DECEMBER 31, 2021

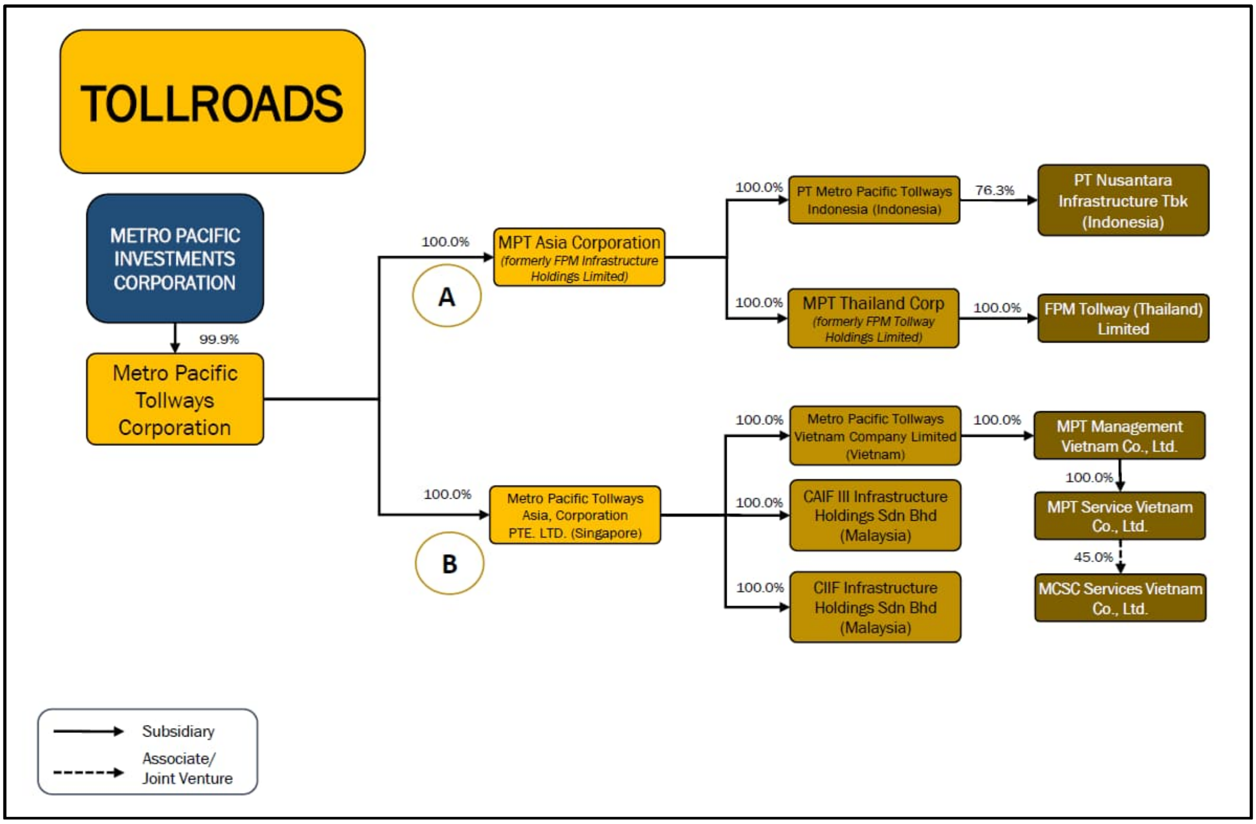


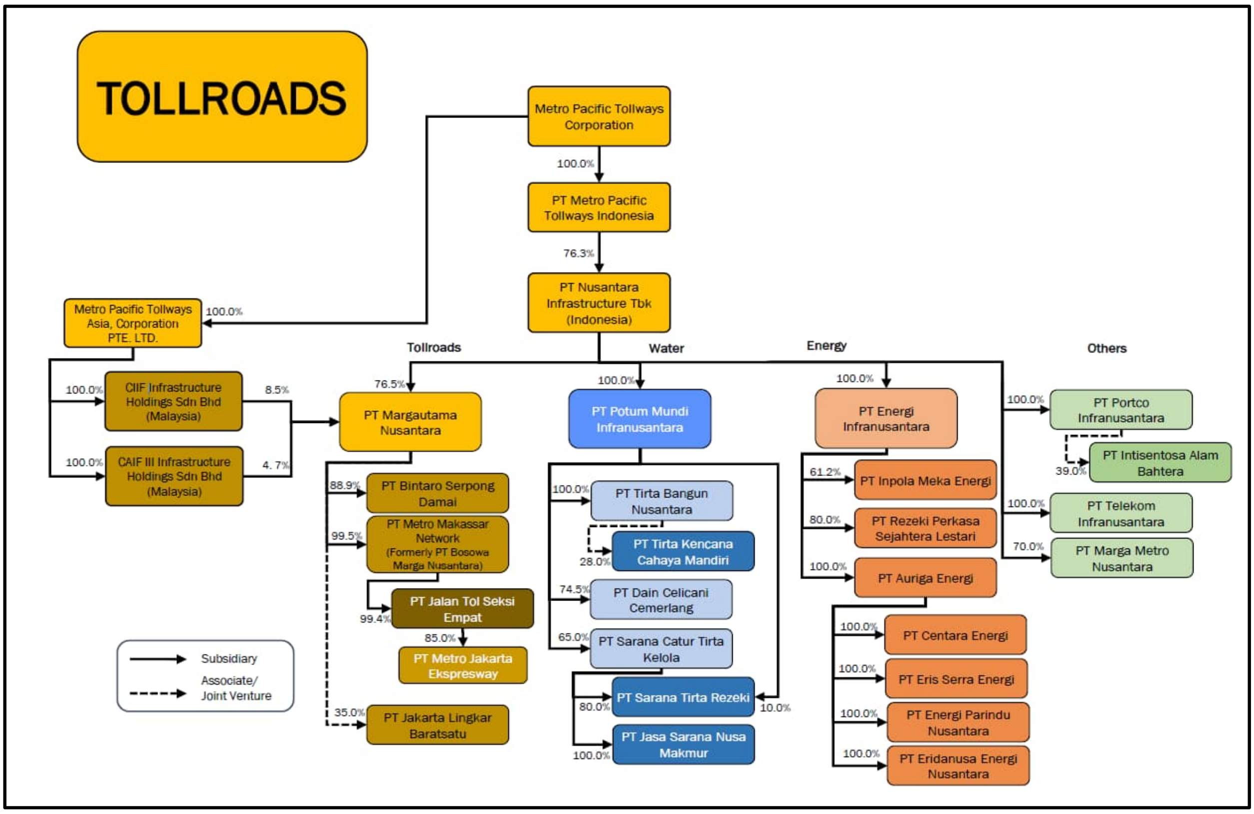


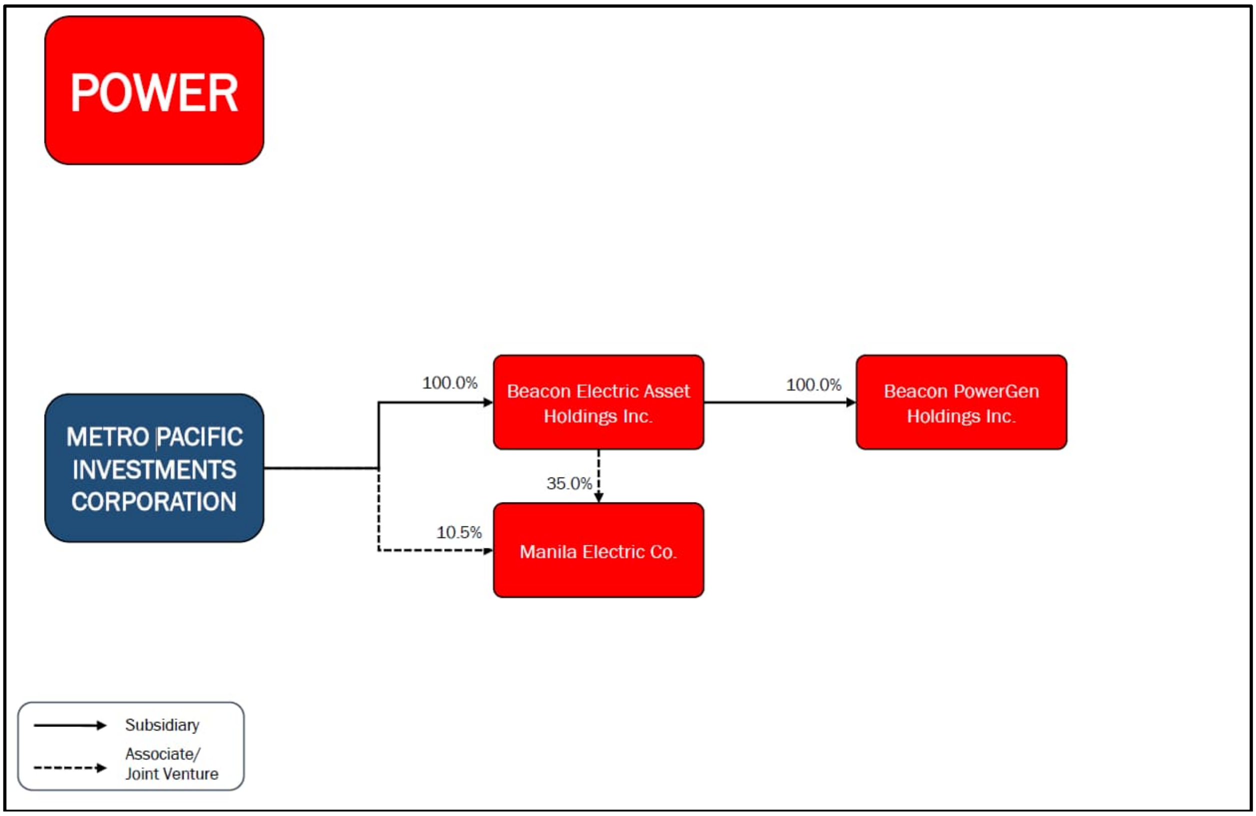


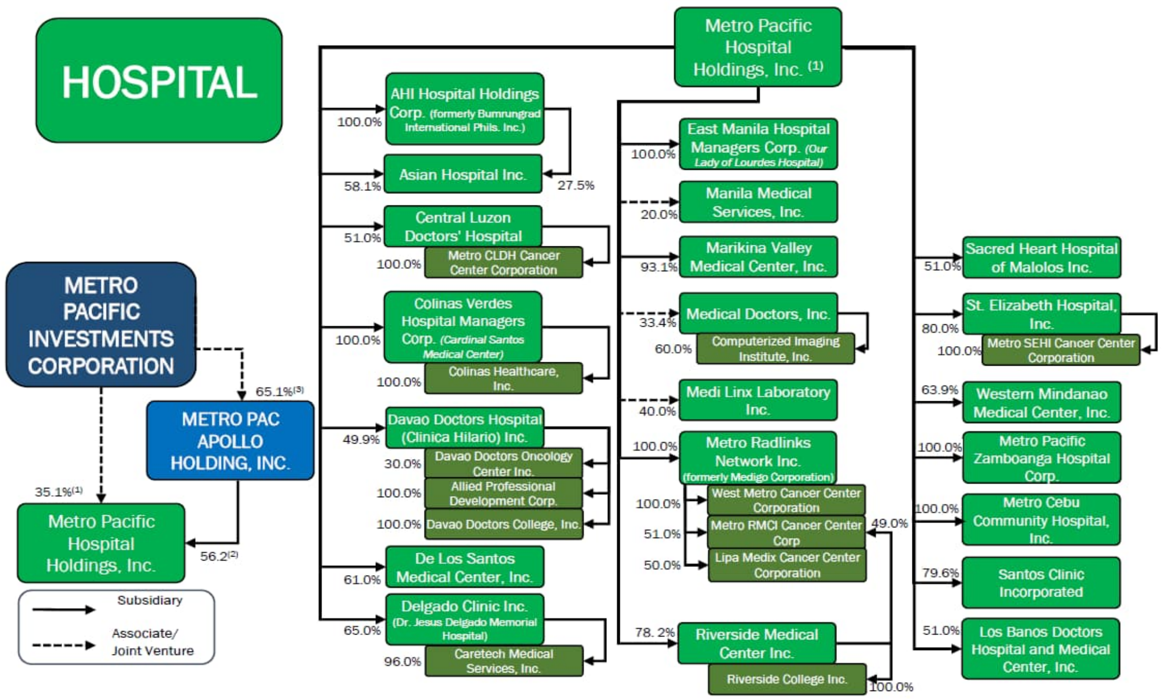
(1) By virtue of the Management Letter-Agreement, MPTC acquired control over CIC effective Jan 2, 2013.

(2) 4.3% is owned through 42.8% ownership in Egis Investment Partners Philippines Inc.

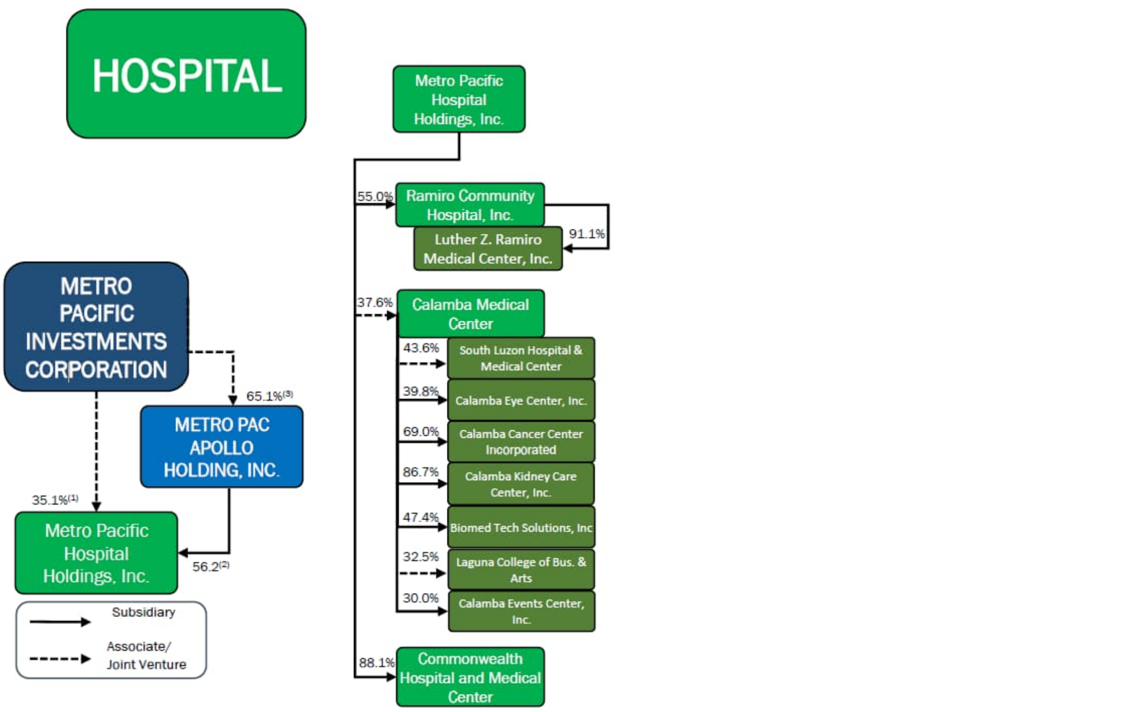



TOLLROADS
Metro Pacific Tollways Corporation
100.0%
PT Metro Pacific Tollways Indonesia
76.3%
PT Nusantara Infrastructure Tbk (Indonesia)
Metro Pacific Tollways Asia, Corporation PTE. LTD.
100.0%
Tollroads
Water
Energy
Others
100.0%
CIIF Infrastructure Holdings Sdn Bhd (Malaysia)
8.5%
100.0%
CAIF III Infrastructure Holdings Sdn Bhd (Malaysia)
4. 7%
76.5%
PT Margautama Nusantara
88.9%
PT Bintaro Serpong Damai
99.5%
PT Metro Makassar Network (Formerly PT Bosowa Marga Nusantara)
99.4%
PT Jalan Tol Seksi Empat
85.0%
PT Metro Jakarta Ekspresway
35.0%
PT Jakarta Lingkar Baratsatu
100.0%
PT Potum Mundi Infranusantara
100.0%
PT Tirta Bangun Nusantara
28.0%
PT Tirta Kencana Cahaya Mandiri
74.5%
PT Dain Celicani Cemerlang
65.0%
PT Sarana Catur Tirta Kelola
80.0%
PT Sarana Tirta Rezeki
10.0%
100.0%
PT Jasa Sarana Nusa Makmur
100.0%
PT Energi Infranusantara
61.2%
PT Inpola Meka Energi
80.0%
PT Rezeki Perkasa Sejahtera Lestari
100.0%
PT Auriga Energi
100.0%
PT Centara Energi
100.0%
PT Eris Serra Energi
100.0%
PT Energi Parindu Nusantara
100.0%
PT Eridanusa Energi Nusantara
100.0%
PT Portco Infranusantara
39.0%
PT Intisentosa Alam Bahtera
100.0%
PT Telekom Infranusantara
70.0%
PT Marga Metro Nusantara
Subsidiary
Associate/ Joint Venture

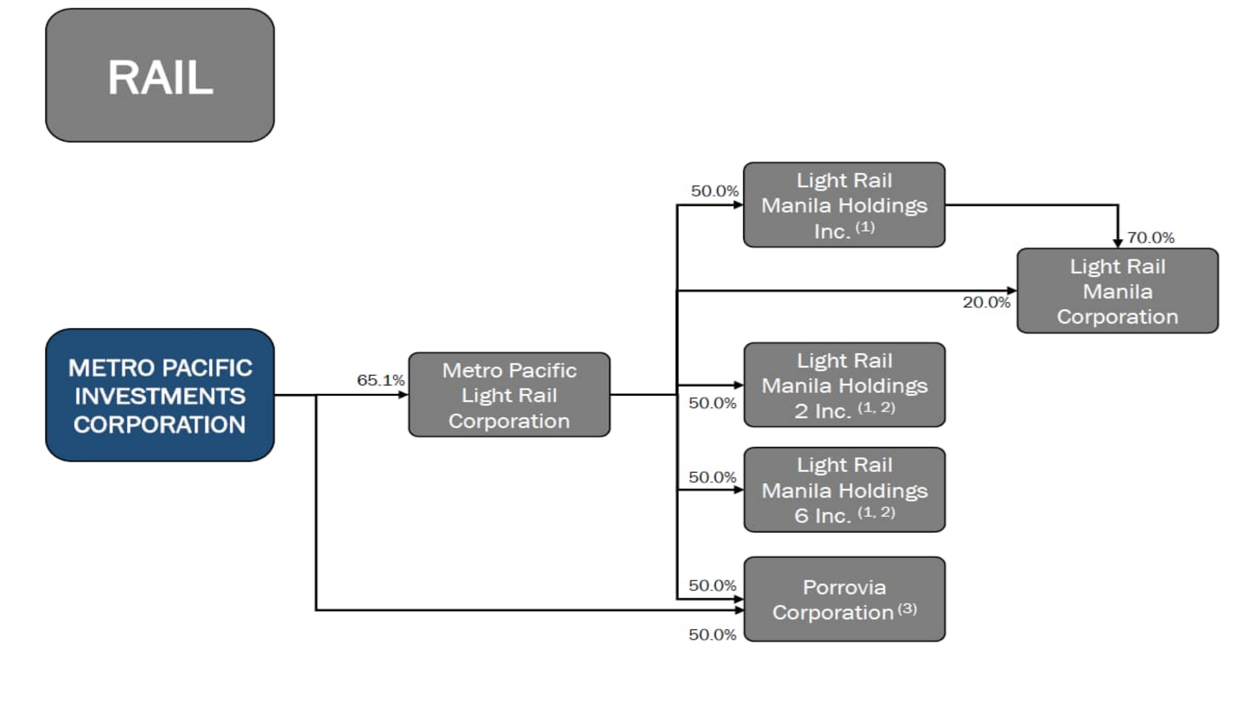

POWER
METRO PACIFIC INVESTMENTS CORPORATION
100.0%
Beacon Electric Asset Holdings Inc.
100.0%
Beacon PowerGen Holdings Inc.
35.0%
10.5%
Manila Electric Co.
Subsidiary
Associate/ Joint Venture



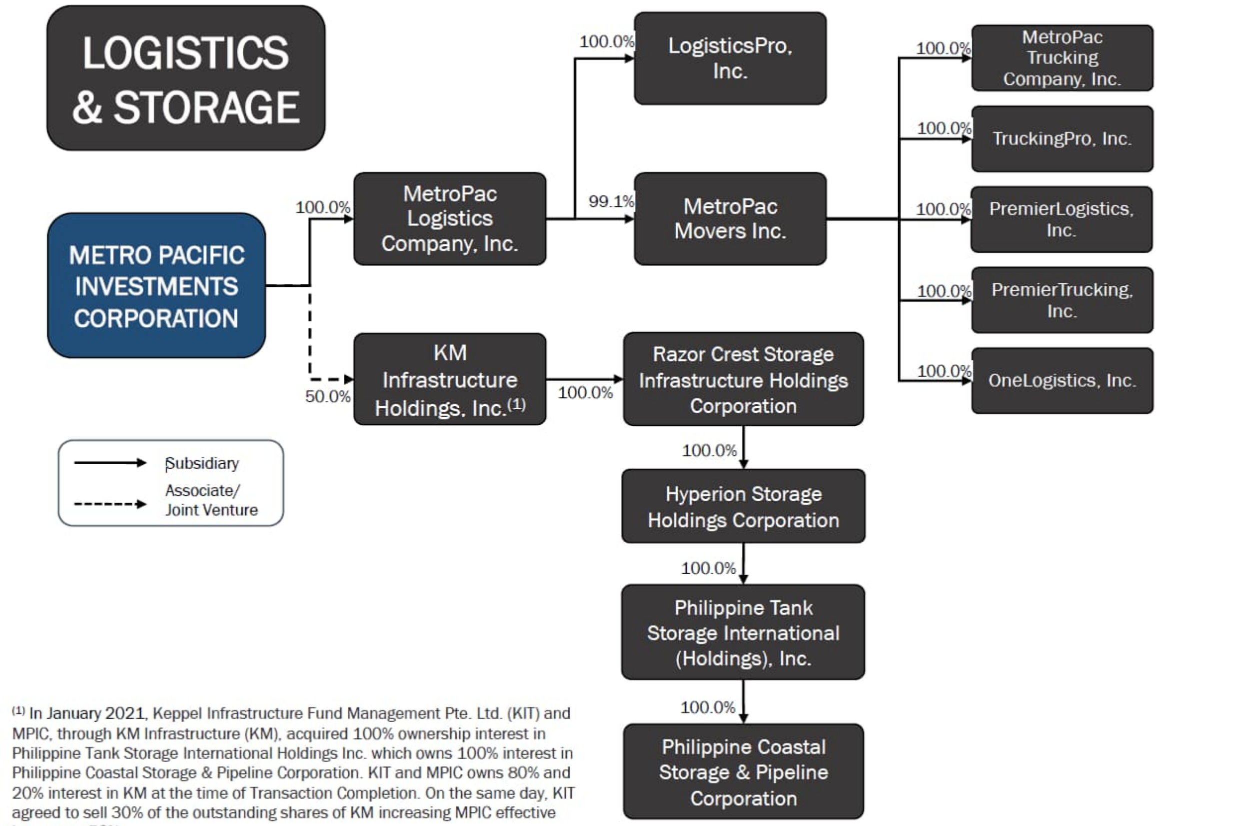
(1) Represents voting rights of common shares issued by MPHHI. Subject of an Exchangeable Bond covering 398,070,552 MPHHI common shares (refer to Audited Consolidated Financial Statements).
(2) Represents voting rights of preferred shares issued by MPHHI (refer to Audited Consolidated Financial Statements).
(3) Subject to a Call Option agreement granting the holder of the Option an irrevocable right to require MPIC to sell all or a portion of MPIC's shares in Apollo (refer to Audited Consolidated Financial Statements).



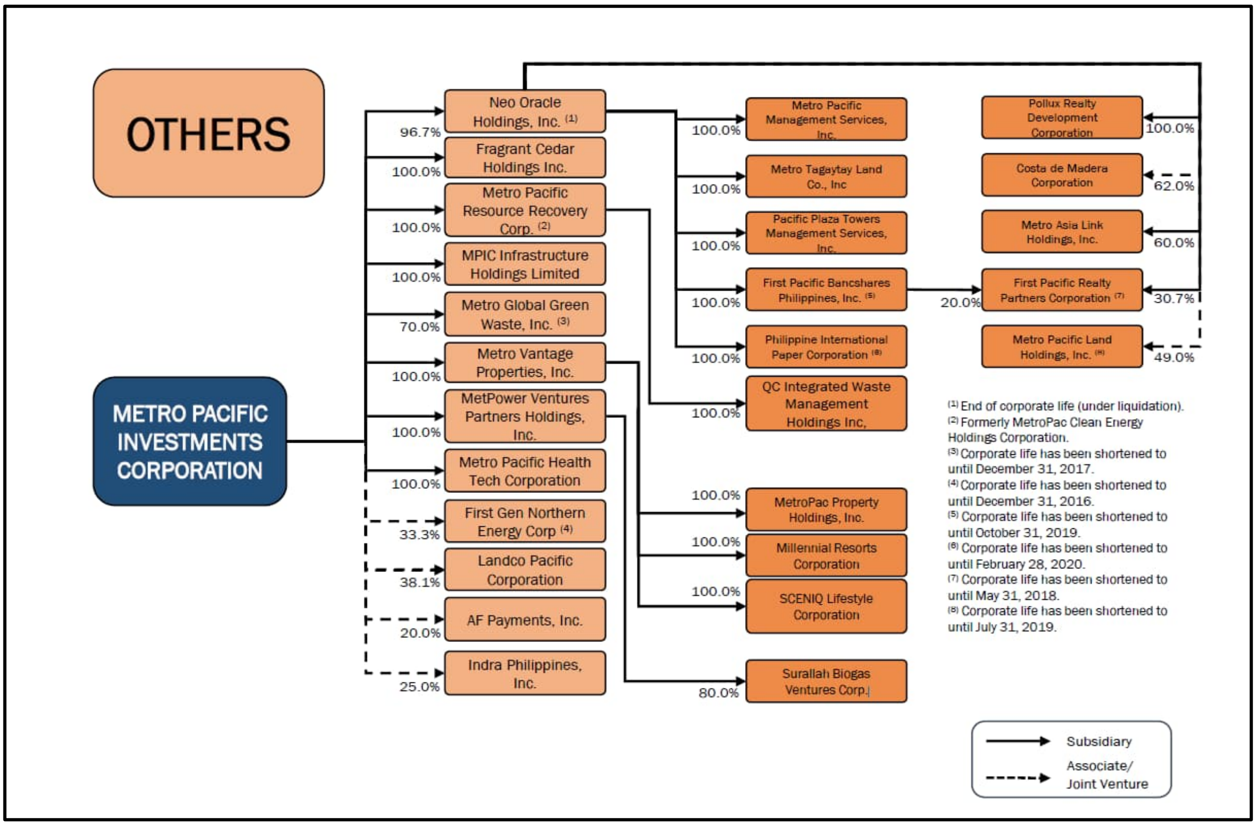
(1) Represents voting rights of common shares issued by MPHHI. Subject of an Exchangeable Bond covering 398,070,552 MPHHI common shares (refer to Audited Consolidated Financial Statements).
(2) Represents voting rights of preferred shares issued by MPHHI (refer to Audited Consolidated Financial Statements).
(3) Subject to a Call Option agreement granting the holder of the Option an irrevocable right to require MPIC to sell all or a portion of MPIC's shares in Apollo (refer to Audited Consolidated Financial Statements).



(1) Controlling interest in LRMHI, LRMH2 and LRMH6. Equity interest of 50% plus one share.
(2) Corporate life has been shortened to until September 30, 2021.
(3) Corporate life has been shortened to until March 31, 2019.



(1) In January 2021, Keppel Infrastructure Fund Management Pte. Ltd. (KIT) and MPIC, through KM Infrastructure (KM), acquired 100% ownership interest in Philippine Tank Storage International Holdings Inc. which owns 100% interest in Philippine Coastal Storage & Pipeline Corporation. KIT and MPIC owns 80% and 20% interest in KM at the time of Transaction Completion. On the same day, KIT agreed to sell 30% of the outstanding shares of KM increasing MPIC effective interest to 50%.


OTHERS
METRO PACIFIC INVESTMENTS CORPORATION
96.7%
Neo Oracle Holdings, Inc. (1)
100.0%
Fragrant Cedar Holdings Inc.
100.0%
Metro Pacific Resource Recovery Corp. (2)
100.0%
MPIC Infrastructure Holdings Limited
70.0%
Metro Global Green Waste, Inc. (3)
100.0%
Metro Vantage Properties, Inc.
100.0%
MetPower Ventures Partners Holdings, Inc.
100.0%
Metro Pacific Health Tech Corporation
33.3%
First Gen Northern Energy Corp (4)
38.1%
Landco Pacific Corporation
20.0%
AF Payments, Inc.
25.0%
Indra Philippines, Inc.
100.0%
Metro Pacific Management Services, Inc.
100.0%
Metro Tagaytay Land Co., Inc
100.0%
Pacific Plaza Towers Management Services, Inc.
100.0%
First Pacific Bancshares Philippines, Inc. (5)
100.0%
Philippine International Paper Corporation (6)
100.0%
QC Integrated Waste Management Holdings Inc,
100.0%
MetroPac Property Holdings, Inc.
100.0%
Millennial Resorts Corporation
100.0%
SCENIQ Lifestyle Corporation
80.0%
Surallah Biogas Ventures Corp.
100.0%
Pollux Realty Development Corporation
62.0%
Costa de Madera Corporation
60.0%
Metro Asia Link Holdings, Inc.
20.0%
30.7%
First Pacific Realty Partners Corporation (7)
49.0%
Metro Pacific Land Holdings, Inc. (8)
(1) End of corporate life (under liquidation).
(2) Formerly MetroPac Clean Energy Holdings Corporation.
(3) Corporate life has been shortened to until December 31, 2017.
(4) Corporate life has been shortened to until December 31, 2016.
(5) Corporate life has been shortened to until October 31, 2019.
(6) Corporate life has been shortened to until February 28, 2020.
(7) Corporate life has been shortened to until May 31, 2018.
(8) Corporate life has been shortened to until July 31, 2019.
Subsidiary
Associate/ Joint Venture

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

INDEPENDENT AUDITOR'S REPORT
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
GT Capital Holdings, Inc.
43rd Floor, GT Tower International
Ayala Avenue corner H.V. Dela Costa St.
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of GT Capital Holdings, Inc. and its subsidiaries (the Group) as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, and have issued our report thereon dated March 25, 2022. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs), as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission (SEC), as described in Note 2 to the consolidated financial statements, and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the SEC, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRSs, as modified by the application of the financial reporting reliefs issued and approved by the SEC as described in Note 2 to the consolidated financial statements. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Vicky Lee Salas

Vicky Lee Salas
Partner
CPA Certificate No. 86838
Tax Identification No. 129-434-735
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 86838-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-053-2020, November 27, 2020, valid until November 26, 2023
PTR No. 8854312, January 3, 2022, Makati City

March 25, 2022

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2021, 2020 AND 2019

	2021	2020	2019
Liquidity Ratio			
Current ratio	**2.37**	1.76	2.13
Current assets	**₱141,167**	₱133,156	₱118,122
Current liabilities	**59,611**	75,541	55,581
Solvency Ratio			
Total liabilities to total equity ratio	**0.94**	1.00	0.89
Total liabilities	**₱192,715**	₱192,795	₱168,334
Total equity	**205,079**	192,185	189,320
Debt to equity ratio	**0.70**	0.76	0.67
Total debt	**₱143,344**	₱146,763	₱127,736
Total equity	**205,079**	192,185	189,320
Asset to Equity Ratio			
Asset to equity ratio	**1.94**	2.00	1.89
Total assets	**₱397,794**	₱384,980	₱357,654
Total equity	**205,079**	192,185	189,320
Interest Rate Coverage Ratio*			
Interest rate coverage ratio**	**3.26**	2.31	4.93
Earnings before interest and taxes (EBIT)**	**₱20,441**	₱14,623	₱33,180
Interest expense**	**6,270**	6,323	6,737
Profitability Ratio			
Return on average assets	**2.81%**	1.76%	5.68%
Net income attributable to Parent Company	**₱10,983**	₱6,546	₱20,309
Average assets	**391,387**	371,317	357,660
Return on Average Equity	**5.82%**	3.63%	12.18%
Net income attributable to Parent Company	**₱10,983**	₱6,546	₱20,309
Average equity attributable to Parent Company	**188,672**	180,385	166,805
Income before income tax**	**₱16,070**	₱10,323	₱28,952
Interest expense**	**6,270**	6,323	6,737
Interest income**	**1,899**	2,023	2,509
EBIT**	**20,441**	14,623	33,180

* computed as EBIT/Interest Expense
** 2019 consist of continuing and discontinued operations

Metrobank
You're in good hands

February 23, 2022

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

Dear Ms. Encarnacion:

We submit a copy of the Audited Financial Statements of Metropolitan Bank & Trust Company and Subsidiaries as of December 31, 2021 and 2020 and for the years ended December 31, 2021, 2020 and 2019 and the corresponding Management Discussion and Analysis.

Very truly yours,

Renato K. De Borja, Jr.
Senior Vice President/Controller

cc: Philippine Dealing Exchange Corp.
29th Floor, BDO Equitable Tower
8751 Paseo de Roxas, 1226 Makati City

COVER SHEET

2 0 5 7 3

SEC Registration Number

M E T R O P O L I T A N   B A N K   &   T R U S T   C O M P A N Y

(Company's Full Name)

M e t r o b a n k   P l a z a ,   S e n .   G i l   P u y a t

A v e n u e ,   U r d a n e t a   V i l l a g e ,   M a k a t i

C i t y ,   M e t r o   M a n i l a

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

RENATO K. DE BORJA, JR.

(Contact Person)

8898-8805

(Company Telephone Number)

1 2   3 1

Month *Day*

(Fiscal Year)

1 7 - C

(Form Type)

0 4   2 7

Month *Day*

(Annual Meeting)

NONE

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

2,979

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2 (C) THEREUNDER

1. February 23, 2022
   Date of Report

2. SEC Identification Number 20573   3. BIR Tax Identification No. 000-477-863

4. METROPOLITAN BANK & TRUST COMPANY
   Exact name of issuer as specified in its charter

5. Manila
   Province, country or other jurisdiction of incorporation

6. (SEC Use Only)
   Industry Classification Code:

7. Metrobank Plaza, Sen. Gil Puyat Avenue
   Urdaneta Village, Makati City
   Address of principal office

   1200
   Postal Code

8. (02) 8898-8000
   Issuer's telephone number, including area code

9. N.A.
   Former name or former address, if changed since last report

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

Title of Each Class	Number of Shares of Common Stock Outstanding
Common Shares	4,497,415,555

11. Indicate the item numbers reported herein:

    Item No. 9 – Other Events

    Attached is a copy of the Audited Financial Statements of Metropolitan Bank & Trust Company and Subsidiaries as of December 31, 2021 and 2020 and for the years ended December 31, 2021, 2020 and 2019 and the corresponding Management Discussion and Analysis.

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 hereunto duly authorized.

METROPOLITAN BANK & TRUST COMPANY
Issuer

By:

RENATO K. DE BORJA, JR.
Senior Vice President/Controller

SUBSCRIBED AND SWORN to before me this FEB 2 3 2022 day of CITY OF TAGUIG affiant exhibiting to me his Passport ID No. [redacted] issued at [redacted] until [redacted]

ATTY. JOAHN T. CO
APPOINTMENT NO. 2 (2020-2021)
NOTARY PUBLIC FOR TAGUIG CITY
UNTIL DECEMBER 31, 2021
Extended until June 30, 2022 pursuant to SC B.M. No. 3795
16F Metrobank Center, 35th Street corner 7th Avenue,
Bonifacio Global City, 1634, Taguig City
Roll of Attorney No. 64427; 4-28-15
PTR No. A-5378400; 01-03-2022; Taguig City
IBP No. 169829; 12-07-2021, Isabela

Doc. No. 219;
Page No. 44;
Book No. VI;
Series of 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

The statements of financial position and statements of income of Metropolitan Bank & Trust Company and its Subsidiaries (the Metrobank Group) as of and for the years ended December 31, 2021, 2020, 2019 and 2018 are presented below.

Statements of Financial Position
(Amounts in millions)

	December 31				Increase (Decrease) 2021 vs. 2020		Increase (Decrease) 2020 vs. 2019		Increase (Decrease) 2019 vs. 2018	
	2021	**2020**	**2019**	**2018**	**Amount**	%	**Amount**	%	**Amount**	%
Assets										
Cash and Other Cash Items	₱41,302	₱38,469	₱32,956	₱33,091	₱2,833	**7.36**	₱5,513	**16.73**	(₱135)	(0.41)
Due from Bangko Sentral ng Pilipinas (BSP)	253,257	304,906	219,994	240,134	(51,649)	**(16.94)**	84,912	**38.60**	(20,140)	**(8.39)**
Due from Other Banks	48,831	38,233	54,767	45,802	10,598	**27.72**	(16,534)	**(30.19)**	8,965	**19.57**
Interbank Loans Receivable and Securities Purchased Under Resale Agreements (SPURA)	70,447	79,394	72,174	50,719	(8,947)	**(11.27)**	7,220	**10.00**	21,455	**42.30**
Investment Securities at Fair Value Through Profit or Loss (FVTPL)	50,792	77,551	61,867	39,689	(26,759)	**(34.51)**	15,684	**25.35**	22,178	**55.88**
Fair Value Through Other Comprehensive Income (FVOCI)	648,808	569,445	202,520	111,288	79,363	**13.94**	366,925	**181.18**	91,232	**81.98**
Amortized Cost	83,810	23,293	251,628	265,376	60,517	**259.81**	(228,335)	**(90.74)**	(13,748)	**(5.18)**
Loans and Receivables	1,236,071	1,252,929	1,483,568	1,391,034	(16,858)	(1.35)	(230,639)	**(15.55)**	92,534	**6.65**
Property and Equipment	25,783	24,617	25,700	21,954	1,166	4.74	(1,083)	(4.21)	3,746	**17.06**
Investments in Associates and a Joint Venture	5,851	6,248	6,591	5,947	(397)	**(6.35)**	(343)	**(5.20)**	644	**10.83**
Goodwill	5,194	5,199	5,200	5,200	(5)	(0.10)	(1)	(0.02)	-	-
Investment Properties	7,327	7,667	7,762	7,500	(340)	(4.43)	(95)	(1.22)	262	3.49
Deferred Tax Assets	13,094	14,028	10,512	10,238	(934)	**(6.66)**	3,516	**33.45**	274	2.68
Other Assets	12,249	13,184	15,574	15,721	(935)	**(7.09)**	(2,390)	**(15.35)**	(147)	(0.94)
Total Assets	₱2,502,816	₱2,455,163	₱2,450,813	₱2,243,693	₱47,653	1.94	₱4,350	0.18	₱207,120	**9.23**

Liabilities and Equity										
Liabilities										
Deposit Liabilities										
CASA	₱1,462,717	₱1,311,357	₱1,077,507	₱964,944	₱151,360	**11.54**	₱233,850	**21.70**	₱112,563	**11.67**
Demand	*588,434*	*515,378*	*411,873*	*355,473*	*73,056*	***14.18***	*103,505*	***25.13***	*56,400*	***15.87***
Savings	*874,283*	*795,979*	*665,634*	*609,471*	*78,304*	***9.84***	*130,345*	***19.58***	*56,163*	***9.22***
Time	438,046	450,103	592,897	548,019	(12,057)	(2.68)	(142,794)	**(24.08)**	44,878	**8.19**
Long-Term Negotiable Certificates	29,521	35,755	43,740	43,790	(6,234)	**(17.44)**	(7,985)	**(18.26)**	(50)	(0.11)
	1,930,284	1,797,215	1,714,144	1,556,753	133,069	**7.40**	83,071	4.85	157,391	**10.11**
Bills Payable and Securities Sold Under Repurchase Agreements (SSURA)	70,334	139,614	238,281	259,607	(69,280)	**(49.62)**	(98,667)	**(41.41)**	(21,326)	**(8.21)**
Derivative Liabilities	8,349	13,465	7,427	6,537	(5,116)	**(37.99)**	6,038	**81.30**	890	**13.61**
Manager's Checks and Demand Drafts Outstanding	5,396	6,024	6,806	7,565	(628)	**(10.42)**	(782)	**(11.49)**	(759)	**(10.03)**
Income Taxes Payable	1,749	2,711	4,188	2,830	(962)	**(35.49)**	(1,477)	**(35.27)**	1,358	**47.99**
Accrued Interest and Other Expenses	9,858	9,149	10,499	9,619	709	**7.75**	(1,350)	**(12.86)**	880	**9.15**
Bonds Payable	79,823	91,397	80,486	30,743	(11,574)	**(12.66)**	10,911	**13.56**	49,743	**161.80**
Subordinated Debts	1,168	1,167	7,660	26,618	1	0.09	(6,493)	**(84.77)**	(18,958)	**(71.22)**
Non-equity Non-controlling Interest	10,619	8,315	6,553	6,747	2,304	**27.71**	1,762	**26.89**	(194)	(2.88)
Other Liabilities	57,504	52,931	56,278	45,970	4,573	**8.64**	(3,347)	**(5.95)**	10,308	**22.42**
Total Liabilities	2,175,084	2,121,988	2,132,322	1,952,989	53,096	2.50	(10,334)	(0.48)	179,333	**9.18**

	December 31				Increase (Decrease) 2021 vs. 2020		Increase (Decrease) 2020 vs. 2019		Increase (Decrease) 2019 vs. 2018	
	2021	**2020**	**2019**	**2018**	**Amount**	%	**Amount**	%	**Amount**	%
Equity										
Equity Attributable to Equity Holders of the Parent Company										
Common stock	₱89,948	₱89,948	₱89,948	₱79,600	₱-	-	₱-	-	₱10,348	**13.00**
Capital paid in excess of par value	85,252	85,252	85,252	85,252	-	-	-	-	-	-
Treasury stock	(70)	(65)	(72)	(67)	(5)	**(7.69)**	7	**9.72**	(5)	**(7.46)**
Surplus reserves	2,442	2,260	2,098	1,956	182	**8.05**	162	**7.72**	142	**7.26**
Surplus	157,260	153,282	144,154	130,550	3,978	2.60	9,128	**6.33**	13,604	**10.42**
Net unrealized gain (loss) on investment securities at FVOCI	(3,751)	7,611	2,629	(2,994)	(11,362)	**(149.28)**	4,982	**189.50**	5,623	**187.81**
Remeasurement losses on retirement plan	(4,747)	(4,778)	(5,531)	(3,591)	31	0.65	753	**13.61**	(1,940)	**(54.02)**
Equity in other comprehensive income (losses) of investees	(118)	(22)	345	(27)	(96)	**(436.36)**	(367)	**(106.38)**	372	**1,377.78**
Translation adjustment and others	(7,711)	(9,284)	(9,269)	(7,719)	1,573	**16.94**	(15)	(0.16)	(1,550)	**(20.08)**
	318,505	**324,204**	**309,554**	**282,960**	**(5,699)**	(1.76)	**14,650**	4.73	**26,594**	**9.40**
Non-controlling Interest	9,227	8,971	8,937	7,744	256	2.85	34	0.38	1,193	**15.41**
Total Equity	327,732	333,175	318,491	290,704	(5,443)	(1.63)	14,684	4.61	27,787	**9.56**
Total Liabilities and Equity	₱2,502,816	₱2,455,163	₱2,450,813	₱2,243,693	₱47,653	1.94	₱4,350	0.18	₱207,120	**9.23**

Statements of Income

Interest Income	₱87,177	₱107,787	₱116,183	₱97,186	(₱20,610)	**(19.12)**	(₱8,396)	**(7.23)**	₱18,997	**19.55**
Interest and Finance Charges	12,128	21,680	39,186	28,364	(9,552)	**(44.06)**	(17,506)	**(44.67)**	10,822	**38.15**
Net Interest Income	75,049	86,107	76,997	68,822	(11,058)	**(12.84)**	9,110	**11.83**	8,175	**11.88**
Provision for Credit and Impairment Losses	11,834	40,760	10,078	7,770	(28,926)	**(70.97)**	30,682	**304.45**	2,308	29.70
Net Interest Income After Provision for Credit and Impairment Losses	63,215	45,347	66,919	61,052	17,868	**39.40**	(21,572)	**(32.24)**	5,867	**9.61**
Other Operating Income	25,831	35,129	29,054	22,910	(9,298)	**(26.47)**	6,075	**20.91**	6,144	26.82
Other Operating Expenses	59,473	60,120	57,906	53,656	(647)	(1.08)	2,214	3.82	4,250	**7.92**
Income Before Share in Net Income of Associates and a Joint Venture	29,573	20,356	38,067	30,306	9,217	**45.28**	(17,711)	**(46.53)**	7,761	**25.61**
Share in Net Income of Associates and a Joint Venture	568	664	868	874	(96)	**(14.46)**	(204)	**(23.50)**	(6)	**(0.69)**
Income Before Income Tax	30,141	21,020	38,935	31,180	9,121	**43.39**	(17,915)	**(46.01)**	7,755	**24.87**
Provision for Income Tax	7,777	7,046	10,061	7,745	731	**10.37**	(3,015)	**(29.97)**	2,316	**29.90**
Net Income	₱22,364	₱13,974	₱28,874	₱23,435	₱8,390	**60.04**	(₱14,900)	**(51.60)**	₱5,439	**23.21**
Attributable to:										
Equity holders of the Parent Company	₱22,156	₱13,831	₱28,055	₱22,008	₱8,325	**60.19**	(₱14,224)	**(50.70)**	₱6,047	**27.48**
Non-controlling interest	208	143	819	1,427	65	**45.45**	(676)	**(82.54)**	(608)	**(42.61)**
	₱22,364	₱13,974	₱28,874	₱23,435	₱8,390	**60.04**	(₱14,900)	**(51.60)**	₱5,439	**23.21**

Statements of Comprehensive Income

	December 31				Increase (Decrease) 2021 vs. 2020		Increase (Decrease) 2020 vs. 2019		Increase (Decrease) 2019 vs. 2018	
	2021	**2020**	**2019**	**2018**	**Amount**	%	**Amount**	%	**Amount**	%
Net Income	₱22,364	₱13,974	₱28,874	₱23,435	₱8,390	**60.04**	(₱14,900)	**(51.60)**	₱5,439	23.21
Other Comprehensive Income for the Year, net of tax										
Items that may not be reclassified to profit or loss:										
Change in net unrealized gain (loss) on equity securities at FVOCI	137	(94)	(414)	(351)	231	**245.74**	320	**77.29**	(63)	**(17.95)**
Change in remeasurement gain (loss) on retirement plan	99	794	(2,038)	498	(695)	**(87.53)**	2,832	**138.96**	(2,536)	**(509.24)**
Items that may be reclassified to profit or loss:										
Change in net unrealized gain (loss) on investment on debt securities at FVOCI	(11,505)	5,038	6,142	(2,443)	(16,543)	**(328.36)**	(1,104)	**(17.97)**	8,585	**351.41**
Change in equity in other comprehensive income (loss) of investees	(96)	(370)	375	(50)	274	**74.05**	(745)	**(198.67)**	425	**850.00**
Translation adjustment and others	1,702	(23)	(399)	(309)	1,725	**7,500.00**	376	**94.24**	(90)	**(29.13)**
	(9,899)	4,645	6,118	(2,802)	(14,544)	**(313.11)**	(1,473)	**(24.08)**	8,920	**318.34**
Total Comprehensive Income for the Year	₱12,701	₱19,319	₱32,540	₱20,780	(₱6,618)	**(34.26)**	(₱13,221)	**(40.63)**	₱11,760	**56.59**
Attributable to:										
Equity holders of the Parent Company	₱12,296	₱19,140	₱31,214	₱19,665	(₱6,844)	**(35.76)**	(₱12,074)	**(38.68)**	₱11,549	**58.73**
Non-controlling Interest	405	179	1,326	1,115	226	**126.26**	(1,147)	**(86.50)**	211	**18.92**
	₱12,701	₱19,319	₱32,540	₱20,780	(₱6,618)	**(34.26)**	(₱13,221)	**(40.63)**	₱11,760	**56.59**

Key Performance Indicators

The performance of the Metrobank Group and its significant majority-owned subsidiaries are measured by the following key indicators:

Company Name	**Performance Indicators**				
	Book Value Per Share	**Basic/ Diluted Earnings Per Share**	**Return on Average Equity**	**Return on Average Assets**	**Net Interest Margin on Average Earning Assets**

For the Year 2021

Metrobank Group	₱70.84	₱4.93	6.89%	0.89%	3.39%
FMIC (a)	41.69	0.91	2.23%	1.02%	1.86%
MBCL	9.07	0.26	3.04%	0.44%	2.30%
ORIX METRO	131.72	0.71	0.55%	0.14%	4.57%
PSBank	81.75	3.61	4.44%	0.64%	5.81%

For the Year 2020

Metrobank Group	₱72.10	₱3.08	4.36%	0.56%	3.98%
FMIC (a)	40.26	0.98	2.45%	1.05%	2.18%
MBCL	8.28	0.22	2.66%	0.42%	2.32%
ORIX METRO	124.45	0.44	0.36%	0.07%	4.64%
PSBank	80.85	2.60	3.21%	0.50%	7.26%

(a) FMIC and Subsidiaries

A separate schedule showing financial soundness indicators of the Metrobank Group as of December 31, 2021 and 2020 is presented in Exhibit "A" as an attachment to this report.

<u>2021 Performance</u>

Financial Position

As of December 31, 2021, the Metrobank Group posted a total assets of ₱2.50 trillion or higher by ₱47.65 billion compared with ₱2.46 trillion as of December 31, 2020. Total liabilities of the Group increased to ₱2.18 trillion from ₱2.12 trillion or by ₱53.10 billion. On the other hand, equity attributable to equity holders of the Parent Company was lower by ₱5.70 billion from ₱324.20 billion to ₱318.51 billion.

Cash and Other Cash Items increased by ₱2.83 billion or 7.36%. Due from BSP which represents 10.12% of the Group's total assets decreased by 16.94% on account of lower level of overnight deposit facility placement partially offset by the increases in term deposit and reserve requirement. Due from Other Banks increased by ₱10.60 billion or 27.72% as a result of the net movements in the balances maintained with various local and foreign banks. Interbank Loans Receivable and SPURA went down by ₱8.95 billion or 11.27% due to the ₱22.12 billion decrease in SPURA offset by the ₱13.17 billion increase in interbank loans receivable.

Total investment securities which consisted of FVTPL, FVOCI and securities at amortized cost and represents 31.30% and 27.30% of the Group's total assets as of December 31, 2021 and 2020, respectively, went up by ₱113.12 billion or 16.88%. The increase was due to the net effect of the growth in FVOCI and securities at amortized cost and decrease in FVTPL securities. FVOCI securities increased by ₱79.36 billion particularly on treasury notes and bonds (₱90.88 billion) and BSP bonds (₱48.42 billion) offset by the decrease in treasury bills (₱63.44 billion). Securities at amortized cost went up by ₱60.52 billion particularly on treasury bills, notes and bonds. In 2020, the Group disposed of investment securities at amortized cost with total carrying value of ₱113.5 billion as disclosed in Note 8 of the audited financial statements of the Group as presented in Exhibit B. FVTPL securities consist of HFT securities and derivative assets amounting to ₱40.94 billion and ₱9.85 billion, respectively, as of December 31, 2021 and ₱65.71 billion and ₱11.85 billion, respectively, as of December 31, 2020.

Net loans and receivables, representing 49.39% and 51.03% of the Group's total assets as of December 31, 2021 and 2020, respectively, went down by ₱16.86 billion or 1.35% due to lower portfolio of consumer loans offset by the higher portfolios of corporate loans. Investments in Associates and a Joint Venture went down by ₱0.40 billion or 6.35% due to lower net income of the associates and additional impairment recognized on the investment in LCMC (as discussed on Note 11 of the audited financial statements of the Group as presented in Exhibit B). Deferred Tax Assets decreased by ₱0.93 billion or 6.66% due to net effect of the decrease in tax rate under the CREATE Law and movements on temporary tax differences . Other Assets decreased by ₱0.94 billion or 7.09% from ₱13.18 billion to ₱12.25 billion primarily due to movements in miscellaneous assets, chattel properties acquired in foreclosures, amortization of software cost and prepaid expenses.

Deposit liabilities represent 88.75% and 84.69% of the consolidated total liabilities as of December 31, 2021 and 2020, respectively, wherein, low cost deposits represent 75.78% and 72.97% of the Group's total deposits, respectively. The Group's deposit level, sourced by the Bank, PSBank and MBCL reached ₱1.93 trillion as of December 31, 2021, an increase of ₱133.07 billion or 7.40% from ₱1.80 trillion as of December 31, 2020. The increment came from demand and savings deposits by ₱73.06 billion and ₱78.30 billion, respectively, while time deposits went down by ₱12.06 billion. Further, the P6.25 billion LTNCD of the Parent Company had matured in November 2021.

Bills Payable and SSURA representing 3.23% and 6.58% of the Group's total liabilities as of December 31, 2021 and 2020, respectively, went down by ₱69.28 billion or 49.62% due to the ₱42.26 billion decrease in SSURA and lower borrowings from foreign banks, local banks and deposit substitutes by ₱12.09 billion, ₱10.66 billion and ₱4.27 billion, respectively. Derivative Liabilities which represent mark-to-market of foreign currency forwards, interest rate swaps, cross currency swaps, credit default swaps and foreign currency options with negative fair value decreased by ₱5.12 billion or 37.99%.

The decrease of ₱0.63 billion or 10.42% in Manager's Checks and Demand Drafts Outstanding resulted from normal banking operations of the Bank and PSBank. Income taxes payable decreased by ₱0.96 billion or 35.49% due to lower tax base and new tax rate and Accrued Interest and Other Expenses went up by ₱0.71 billion or 7.75% due to the increase in accruals of other bank expenses. Total bonds payable decreased by ₱11.57 billion on account of the movements on the fixed rate bonds issued by the Parent Company - ₱19.0 billion additional bonds issued in June 2021 and redemption of the ₱11.25 billion and ₱10.5 billion bonds in July and September of this year, respectively; and the redemption of the ₱6.3 billion fixed rate bonds of PSBank in July 2021 and the ₱4.16 billion fixed rate bonds of ORIX METRO. Details of these bonds are discussed in Note 19 of the audited financial statements of the Group as presented in Exhibit B.

Non-equity Non-controlling Interest representing the portion of net income and net assets of the mutual fund subsidiaries of FMIC not attributed to the Group went up by ₱2.30 billion or 27.71% on account of the net increase in income of these mutual funds. Other Liabilities increased by ₱4.57 billion or 8.64% primarily due to the ₱7.83 billion increase in marginal deposits offset by the ₱4.76 billion decrease in bills purchased contra.

Equity attributable to equity holders of the Parent Company decreased by ₱5.70 billion or 1.76% primarily due to the ₱17.99 billion total cash dividends paid by the Bank, net unrealized loss on investments securities at FVOCI recognized during the year offset by the ₱22.16 billion net income for the year.

Results of Operations

For the year ended December 31, 2021, interest income went down by ₱20.61 billion or 19.12% mainly due to lower interest income on loans and receivables by ₱20.17 billion (volume related and interest rate cap on credit card) and interest income on investment securities by ₱0.96 billion partially offset by the ₱0.52 billion increase in interest income on deposit with banks and others. Meanwhile, lower interest expense on deposit liabilities by ₱5.82 billion and on borrowings by ₱3.73 billion accounted for the decrease of ₱9.55 billion or 44.06% in interest and finance charges. These resulted to a ₱11.06 billion or 12.84% decline on net interest income.

Other operating income of ₱25.83 billion decreased by ₱9.30 billion or 26.47% from ₱35.13 billion in 2020 on account of lower net trading and securities gain by ₱11.38 billion (due to last year's disposal of investment securities at amortized cost by the Group with total carrying value of ₱113.5 billion as discussed in Note 8 of the audited financial statements of the Group as presented in Exhibit B) and the ₱2.46 billion decrease in foreign exchange gain offset by the increases in fee-based income by ₱1.71 billion, profit from assets sold by ₱0.37 billion and miscellaneous income by ₱2.33 billion.

Total operating expenses was maintained at same level with slight decrease of ₱0.65 billion or 1.08% from ₱60.12 billion to ₱59.47 billion with lower occupancy and equipment-related costs by ₱0.13 billion or 6.35% and taxes and licenses by ₱2.0 billion or 20.09% offset by the increases in miscellaneous expenses by ₱0.21 billion or 1.21% and compensation and fringe benefits by ₱0.38 billion or 1.52%. Total provision for credit and impairment losses of the Group amounted to ₱11.83 billion for the year ended December 31, 2021 or ₱28.93 billion lower compared with ₱40.76 billion provision in 2020. Provision for income tax, after considering the net impact of the new tax rate under CREATE Law, was higher by ₱0.73 billion from ₱7.05 billion to ₱7.78 billion due to net movements in corporate, final and deferred income taxes.

Income attributable to non-controlling interests went up to ₱0.21 billion from ₱0.14 billion or by ₱0.07 billion or 45.45% due to higher net income of majority owned subsidiaries.

As a result, net income attributable to equity holders of the Parent Company for the year ended December 31, 2021 improved by ₱8.33 billion or 60.19% to P22.16 billion from the P13.83 billion net income reported in 2020.

Total comprehensive income went down by ₱6.62 billion from ₱19.32 billion to ₱12.70 billion for the year ended December 31, 2021 and 2020, respectively, due to the net effect of the net unrealized loss recognized this year on FVOCI investments compared with gain in previous year, mitigated by the higher net income and increase in translation adjustment and others. This caused the total comprehensive income attributable to equity holders of the Parent Company to decrease by ₱6.84 billion from ₱19.14 billion in 2020 to ₱12.30 billion for the year ended December 31, 2021.

Market share price as of December 31, 2021 was at ₱55.70 (from ₱49.05 as of December 31, 2020) with a market capitalization of ₱250.51 billion.

2020 Performance

Financial Position

As of December 31, 2020, the Metrobank Group posted a total assets of ₱2.46 trillion or higher by ₱4.35 billion compared with ₱2.45 trillion as of December 31, 2019. Total liabilities of the Group decreased to ₱2.12 trillion from ₱2.13 trillion or by ₱10.33 billion. On the other hand, equity attributable to equity holders of the Parent Company was higher by ₱14.65 billion from ₱309.55 billion to ₱324.20 billion.

Cash and Other Cash Items increased by ₱5.51 billion or 16.73%. Due from BSP which represents 12.42% of the Group's total assets increased by 38.60% due to the net effect of the increase in overnight deposit facility placement and term deposit with the BSP and lower reserve requirement. Due from Other Banks decreased by ₱16.53 billion or 30.19% as a result of the net movements in the balances maintained with various local and foreign banks. Interbank Loans Receivable and SPURA went up by ₱7.22 billion or 10.0% due to the ₱20.25 billion increase in interbank loans receivable reduced by the ₱13.03 billion decrease in securities under resale agreement with the BSP.

Total investment securities which consisted of FVTPL, FVOCI and securities at amortized cost and represents 27.30% and 21.05% of the Group's total assets as of December 31, 2020 and 2019, respectively, went up by ₱154.27 billion or 29.90%. FVTPL securities consist of HFT securities and derivative assets amounting to ₱65.71 billion and ₱11.85 billion, respectively, as of December 31, 2020 and ₱53.38 billion and ₱8.49 billion, respectively, as of December 31, 2019. The ₱366.93 billion increase in FVOCI securities was mainly due to the net effect of the increases in investments in treasury notes and bonds (₱230.56 billion), treasury bills (₱81.50 billion) and BSP bonds (₱30.05 billion). In 2020, the Group disposed of investment securities at amortized cost as discussed in Note 8 of the audited financial statements of the Group as presented in Exhibit B.

Net loans and receivables, representing 51.03% and 60.53% of the Group's total assets as of December 31, 2020 and 2019, respectively, went down by ₱230.64 billion or 15.55% due to lower portfolios of corporate, commercial and consumer loans. Investments in Associates and a Joint Venture went down by ₱0.34 billion or 5.20% due to lower net income and other comprehensive income of the associates and a joint venture. Deferred Tax Assets increased by ₱3.52 billion or 33.45% due to movements on temporary tax differences. Other Assets decreased by ₱2.39 billion or 15.35% from ₱15.57 billion to ₱13.18 billion primarily due to the decreases in interoffice float items and creditable withholding tax.

Deposit liabilities represent 84.69% and 80.39% of the consolidated total liabilities as of December 31, 2020 and 2019, respectively, wherein, low cost deposits represent 72.97% and 62.86% of the Group's total deposits, respectively. The Group's deposit level, sourced by the Bank, PSBank and MBCL reached ₱1.80 trillion as of December 31, 2020, an increase of ₱83.07 billion or 4.85% from ₱1.71 trillion as of December 31, 2019. The increment came from demand and savings by ₱103.51billion and ₱130.35 billion, respectively, while time deposits went down by ₱142.79 billion. Further, the ₱8.00 billion long-term negotiable certificates of deposits of the Parent Company had matured in April 2020.

Bills Payable and SSURA representing 6.58% and 11.17% of the Group's total liabilities as of December 31, 2020 and 2019, respectively, went down by ₱98.67 billion or 41.41% due to the net effect of lower borrowings from foreign banks by ₱38.43 billion, local banks by ₱7.81 billion and deposit substitutes by ₱53.99 billion offset by the ₱1.57 billion increase in SSURA. Derivative Liabilities which represent mark-to-market of foreign currency forwards, interest rate swaps, cross currency swaps, credit default swaps and foreign currency options with negative fair value increased by ₱6.04 billion or 81.30%.

The decrease of ₱0.78 billion or 11.49% in Manager's Checks and Demand Drafts Outstanding resulted from normal banking operations of the Bank and PSBank. Income taxes payable decreased by ₱1.48 billion or 35.27% and Accrued Interest and Other Expenses went down by ₱1.35 billion or 12.86% due to decrease in accruals of interest expenses. Bonds payable increased by ₱10.91 billion or 13.56% on account of the ₱4.65 billion fixed rate bonds issued by PSBank, the ₱10.50 billion fixed rate bonds and USD500 million senior unsecured notes net of the maturity of ₱28.0 billion fixed rate bonds issued by the Parent Company. Details of these bonds are discussed in Note 19 of the audited financial statements of the Group as presented in Exhibit B. On August 8, 2020, the Parent Company redeemed its 2025 Notes ahead of its maturity, which caused the decrease in Subordinated Debts.

Non-equity Non-controlling Interest representing the portion of net income and net assets of the mutual fund subsidiaries of FMIC not attributed to the Group went up by ₱1.76 billion or 26.89% due to the net effect of the increase in income and the decrease in ownership of these mutual funds. Other Liabilities decreased by ₱3.35 billion or 5.95% primarily due to the decreases in bills purchased contra (₱3.10 billion), notes payable (maturity in 2020 of the unsecured notes issued by ORIX Metro amounting to ₱2.59 billion) and marginal deposits (₱0.77 billion) offset by the increases in accounts payable (₱2.59 billion) and miscellaneous liabilities (₱2.84 billion).

Equity attributable to equity holders of the Parent Company increased by ₱14.65 billion or 4.73% mainly due to the net income reported during the year and improvement in net unrealized gain on investment securities at FVOCI.

Results of Operations

For the year ended December 31, 2020, interest income went down by ₱8.40 billion or 7.23% resulting from lower interest income on loans and receivables by ₱10.16 billion partially offset by the improvements in interest income on investment securities by ₱0.54 billion and on interbank loans receivable, deposit with banks and others by ₱1.22 billion. Meanwhile, lower interest expense on deposit liabilities by ₱12.08 billion and on borrowings by ₱5.43 billion accounted for the decrease of ₱17.51 billion or 44.67% in interest and finance charges. These resulted to a ₱9.11 billion or 11.83% improvement on net interest income.

Other operating income of ₱35.13 billion increased by ₱6.08 billion or 20.91% from ₱29.05 billion in 2019 on account of higher net trading and securities and gain by ₱9.27 billion and foreign exchange gain by ₱0.61 billion net of the decreases in fee-based income by ₱2.56 billion and miscellaneous income by ₱0.73 billion. The disposal of investment securities at amortized cost by the Group in 2020 (as discussed in Note 8 of the audited financial statements of the Group as presented in Exhibit B) resulted to a gain of ₱8.18 billion.

Total operating expenses increased by ₱2.21 billion or 3.82% from ₱57.91 billion to ₱60.12 billion with higher compensation and fringe benefits by ₱1.18 billion or 4.99%, occupancy and equipment-related costs by ₱0.21 billion or 11.41% and miscellaneous expenses by ₱1.10 billion or 6.66%. To recognize the impact of the current COVID-19 pandemic, the Group's provision for credit and impairment losses was increased to ₱40.76 billion from ₱10.08 billion in previous year. Provision for income tax was lower by ₱3.02 billion from ₱10.06 billion to ₱7.05 billion due to net movements in corporate, final and deferred income taxes.

Income attributable to non-controlling interests went down to ₱0.14 billion from ₱0.82 billion or by ₱0.68 billion or 82.54% due to lower net income. The audited income attributable to equity holders of the Parent Company for the year 2020 went down by ₱14.22 billion or 50.70% to P13.83 billion from the P28.06 billion net income reported in 2019.

Total comprehensive income went down by ₱13.22 billion from ₱32.54 billion to ₱19.32 billion for the year ended December 31, 2020 and 2019, respectively, due to the net effect of the decrease in net income, lower net unrealized gain recognized this year on FVOCI investments and the gain recognized in retirement liability. Total comprehensive income attributable to equity holders of the Parent Company for the year ended December 31, 2020, went down to ₱19.14 billion or by ₱12.07 billion from ₱31.21 billion for the same year in 2019.

Market share price was at ₱49.05 from ₱66.30 as of December 31, 2019 with a market capitalization of ₱220.60 billion as at December 31, 2020.

<u>2019 Performance</u>

Financial Position

As of December 31, 2019, the Metrobank Group posted a 9.23% growth in total assets from ₱2.24 trillion as of December 31, 2018 to ₱2.45 trillion. Total liabilities of the Group increased to ₱2.13 trillion from ₱1.95 trillion or by 9.18%. Moreover, equity attributable to equity holders of the Parent Company was higher by 9.40% from ₱282.96 billion to ₱309.55 billion.

Due from BSP which represents 8.98% of the Group's total assets decreased by 8.39% due to the various reserve cuts in 2019. Due from Other Banks increased by ₱8.97 billion or 19.57% as a result of the net movements in the balances maintained with various local and foreign banks. Interbank Loans Receivable and SPURA went up by ₱21.46 billion or 42.30% primarily due to the increase in securities under resale agreement with the BSP.

Total investment securities which consisted of FVTPL, FVOCI and securities at amortized cost went up by ₱99.66 billion or 23.94%. The increase was mainly due to the net effect of the ₱91.23 billion increase in investments in FVOCI securities particularly on government securities and treasury notes and bonds; the ₱13.75 billion decrease in hold-to-collect securities; and the ₱22.18 billion increase in investment in FVTPL securities.

Loans and Receivables, representing 60.53% and 62.0% of the Group's total assets as of December 31, 2019 and 2018, respectively, went up by ₱92.53 billion or 6.65% driven by the strong demand for loans from all segments. Non-performing loans were at 1.30% of the total receivables from customers as of December 31, 2019. Investments in Associates and a Joint Venture went up by ₱0.64 billion or 10.83% due to the share in net income and other comprehensive income of the associates of FMIC. Property and equipment increased by ₱3.75 billion or 17.06% from ₱21.95 billion to ₱25.70 billion resulting from the adoption of PFRS 16 effective January 1, 2019 which requires recognition by lessees of the assets and related liabilities for most leases on their balance sheets and subsequently depreciates the lease assets and recognizes interest on the lease liabilities in their profit or loss. Upon adoption, initial recognition of right-of-use asset classified under "Property and Equipment" amounted to ₱4.2 billion and lease liability classified under "Other Liabilities" amounted to ₱4.5 billion.

Deposit liabilities represent 80.39% and 79.71% of the consolidated total liabilities as of December 31, 2019 and 2018, respectively, wherein, low cost deposits represent 62.86% and 61.98% of the Group's total deposits, respectively. The Group's deposit level, sourced by the Bank, PSBank and MBCL reached ₱1.71 trillion as of December 31, 2019, an increase of ₱157.39 billion or 10.11% from ₱1.56 trillion as of December 31, 2018. The increment came from CASA by ₱112.56 billion or 11.67% and time deposits by ₱44.88 billion or 8.19%.

Bills Payable and SSURA representing 11.17% and 13.29% of the Group's total liabilities as of December 31, 2019 and 2018, respectively, went down by ₱21.33 billion or 8.21% due to the net effect of lower borrowings from local banks by ₱23.95 billion, from BSP by ₱21.50 billion and SSURA by ₱3.76 billion offset by the increases in borrowings from foreign banks by ₱19.90 billion and deposits substitutes by ₱7.97 billion. Derivative Liabilities which represent mark-to-market of foreign currency forwards, cross currency swaps and foreign currency options with negative fair value increased by ₱0.89 billion or 13.61%.

The decrease of ₱0.76 billion or 10.03% in Manager's Checks and Demand Drafts Outstanding resulted from normal banking operations of the Bank and PSBank. Income taxes payable increased by ₱1.36 billion or 47.99% while Accrued Interest and Other Expenses went up by ₱0.88 billion or 9.15% due to increase in accruals of other bank expenses. Bonds payable increased by ₱49.74 billion or 161.80% on account of the ₱17.50 billion, ₱11.25 billion and ₱13.75 billion fixed rate bonds issued by the Parent Company on April 11, 2019, July 3, 2019 and October 24, 2019, respectively; the ₱6.30 billion fixed rate bonds issued by PSBank on July 24, 2019; and the ₱4.16 billion fixed rate bonds issued by ORIX Metro on November 15, 2019 reduced by the maturity of the ₱2.92 billion fixed rate bonds of FMIC in August 2019. Details of these bonds are discussed in Note 19 of the audited financial statements of the Group as presented in Exhibit B. On June 27, 2019 and August 23, 2019, the Parent Company and PSBank redeemed their 2024 Peso Notes amounting to ₱16.0 billion and ₱3.0 billion, respectively, ahead of its maturity, which caused the decrease in Subordinated Debts.

Other Liabilities increased by ₱10.31 billion or 22.42% primarily due to the recognition of lease liability as a result of the adoption of PFRS 16 (₱4.04 billion) and increases in marginal deposits (₱2.14 billion), bills purchased contra (₱1.92 billion) and accounts payable (₱1.81 billion).

The ₱1.19 billion or 15.41% increase in equity of non-controlling interest was attributed to the net income generated by the majority-owned subsidiaries for the year ended December 31, 2019 and the net effect of PSBank's stock rights in January 2019 and the increase in the ownership of the Bank. Equity attributable to equity holders of the Parent Company increased by ₱26.59 billion or 9.40% mainly due to the net effect of the net income reported during the year and improvement in net unrealized gain on FVOCI.

Results of Operations

Net income attributable to equity holders of the Bank amounted to ₱28.06 billion for the year 2019 or 27.48% higher compared with ₱22.01 billion net income for the year 2018.

Interest income improved by ₱19.0 billion or 19.55% resulting from higher interest income on loans and receivables by ₱16.19 billion, on investment securities at FVTPL and FVOCI by ₱2.73 billion and on deposit with banks and others by ₱0.23 billion. Meanwhile, higher interest expense on deposit liabilities by ₱4.44 billion and on borrowings by ₱6.38 billion accounted for the increase of ₱10.82 billion or 38.15% in interest and finance charges. These resulted to a ₱8.18 billion or 11.88% improvement on net interest income.

Other operating income of ₱29.05 billion increased by ₱6.14 billion or 26.82% from ₱22.91 billion in 2018 on account of higher net trading and securities and foreign exchange gains by ₱6.52 billion and fee-based income by ₱1.57 billion reduced by the ₱1.01 billion lower miscellaneous income.

Total operating expenses increased by ₱4.25 billion or 7.92% from ₱53.66 billion to ₱57.91 billion with higher compensation and fringe benefits by ₱1.34 billion or 5.98%, taxes and licenses by P1.44 billion or 16.44%, depreciation and amortization of ₱1.45 billion or 35.60%, of which ₱1.30 billion pertains to the depreciation expense recognized in 2019 due to the adoption of PFRS 16 (resulted in the decline in occupancy and equipment related expenses by ₱1.33 billion), and miscellaneous expenses by ₱1.34 billion or 8.80%. Provision for credit and impairment losses increased by ₱2.31 billion from ₱7.77 billion to ₱10.08 billion and provision for income tax was higher by ₱2.32 billion from ₱7.75 billion to ₱10.06 billion due to net movements in corporate, final and deferred income taxes.

Income attributable to non-controlling interests went down to ₱0.82 billion from ₱1.43 billion or by ₱0.61 billion or 42.61% due to decrease in ownership of minority particularly on MCC and PSBank.

Total comprehensive income went up by ₱11.76 billion from ₱20.78 billion to ₱32.54 billion for the year ended December 31, 2018 and 2019, respectively, due to the net effect of the increase in net income; the net unrealized gain recognized this year on FVOCI investments compared with the net unrealized loss recognized in previous year; and the loss recognized in retirement liability. Total comprehensive income attributable to equity holders of the Parent

Company for the year ended December 31, 2019, went up to ₱31.21 billion or by ₱11.55 billion from ₱19.67 billion for the same year in 2018.

Market share price was at ₱66.30 from ₱80.95 as of December 31, 2018 with a market capitalization of ₱298.18 billion as at December 31, 2019.

Exhibit A

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES
FINANCIAL INDICATORS
AS OF DECEMBER 31, 2021 AND 2020

	RATIO	FORMULA	2021	2020
a)	Liquidity Ratio	Liquid Assets / Total Assets	47.84%	46.08%
b)	Loans to Deposits Ratio	Total Loans / Total Deposit Liabilities	66.29%	72.18%
c)	Debt to Equity Ratio	Total Liabilities / Total Equity Attributable to Equity Holders of the Parent Company	682.90%	654.52%
d)	Asset to Equity Ratio	Total Assets / Total Equity Attributable to Equity Holders of the Parent Company	785.80%	757.29%
e)	Return on Average Equity	Net Income Attributable to Equity Holders of the Parent Company / Average Equity	6.89%	4.36%
f)	Return on Average Assets	Net Income Attributable to Equity Holders of the Parent Company / Average Assets	0.89%	0.56%
g)	Net Interest Margin on Average Earning Assets	Net Interest Income / Average Earning Assets	3.39%	3.98%
h)	Operating Efficiency Ratio	Total Operating Expenses / Net Operating Income	58.95%	49.59%
i)	Interest Coverage Ratio	Earnings Before Interest and Taxes / Interest Expense	348.53%	196.95%
j)	Net Profit Margin	Net Income / Total Gross Income	19.69%	9.73%
k)	Capital Adequacy Ratio	Total Qualifying Capital / Total Risk-Weighted Assets	20.13%	20.15%
l)	Common Equity Tier 1 Ratio	Net Tier 1 Capital / Total Risk-Weighted Assets	19.28%	19.28%

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Metropolitan Bank & Trust Company
Metrobank Plaza, Sen. Gil Puyat Avenue
Urdaneta Village, Makati City
Metro Manila, Philippines

Report on the Consolidated and Parent Company Financial Statements

Opinion

We have audited the consolidated financial statements of Metropolitan Bank & Trust Company and its subsidiaries (the Group) and the parent company financial statements of Metropolitan Bank & Trust Company (the Parent Company), which comprise the consolidated and parent company statements of financial position as at December 31, 2021 and 2020, and the consolidated and parent company statements of income, consolidated and parent company statements of comprehensive income, consolidated and parent company statements of changes in equity and consolidated and parent company statements of cash flows for each of the three years in the period ended December 31, 2021, and notes to the consolidated and parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and parent company financial statements present fairly, in all material respects, the financial position of the Group and the Parent Company as at December 31, 2021 and 2020, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2021, in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

Key Audit Matters

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

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

Applicable to the audit of the consolidated and parent company financial statements

Allowance for Credit Losses
The Group's and the Parent Company's application of the expected credit loss (ECL) model in calculating the allowance for credit losses on loans and receivables is significant to our audit as it involves the exercise of significant management judgment. Key areas of judgment include: segmenting the Group's and the Parent Company's credit risk exposures; determining the method to estimate ECL; defining default; identifying exposures with significant deterioration in credit quality, taking into account extension of payment terms and payment holidays provided as a result of the coronavirus pandemic; determining assumptions to be used in the ECL model such as the counterparty credit risk rating, the expected life of the financial asset, expected recoveries from defaulted accounts, and impact of any financial support and credit enhancements extended by any party; and incorporating forward-looking information, including the impact of the coronavirus pandemic, in calculating ECL.

Allowance for credit losses on loans and receivables as of December 31, 2021 for the Group and the Parent Company amounted to ₱52.73 billion and ₱41.21 billion, respectively. Provision for credit losses of the Group and the Parent Company in 2021 amounted to ₱11.65 billion and ₱7.68 billion, respectively.

Refer to Notes 2, 3 and 15 of the financial statements for the disclosure on the details of the allowance for credit losses using the ECL model.

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

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

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

We recalculated impairment provisions on a sample basis. We involved our internal specialists in the performance of the above procedures. We reviewed the completeness of the disclosures made in the financial statements.

Realizability of Deferred Tax Assets
As of December 31, 2021, the deferred tax assets of the Group and the Parent Company amounted to ₱13.09 billion and ₱11.89 billion, respectively. The recognition of deferred tax assets is significant to our audit because it requires significant judgment and is based on assumptions such as availability of future taxable income and the timing of the reversal of the temporary differences that are affected by expected future market or economic conditions and the expected performance of the Group and the Parent Company. The estimation uncertainty on the Group's and Parent Company's expected performance has increased as a result of the uncertainties brought about by the coronavirus pandemic.

The disclosures in relation to deferred income taxes are included in Notes 3 and 28 of the financial statements.

Audit Response
We involved our internal specialist in interpreting the tax regulations, testing the temporary differences identified by the Group and the Parent Company and the applicable tax rate. We also re-performed the calculation of the deferred tax assets. We reviewed the management's assessment on the availability of future taxable income in reference to financial forecast and tax strategies. We evaluated management's forecast by comparing the loan portfolio and deposit growth rates to the historical performance of the Group and Parent Company and the industry, including future market circumstances and taking into consideration the impact associated with the coronavirus pandemic.

Applicable to the audit of the consolidated financial statements

Recoverability of Investments in Associates and a Joint Venture
The Group assesses the impairment of its investments in associates and a joint venture whenever events or changes in circumstances indicate that the carrying amount of the investments may not be recoverable. As of December 31, 2021, the Group has an investment in associate amounting to ₱1.24 billion whose fair value has declined significantly from acquisition cost. The Group performed impairment testing by calculating both the fair value less costs to sell (FVLCTS) and value-in-use (VIU) to determine the higher amount that should be used as the recoverable amount. We considered the impairment testing of the Group's investment in this associate as a key audit matter as significant judgment and estimates are involved in the determination of the investment's VIU.

The disclosures relating to investments in associates and a joint venture are included in Notes 3 and 11 to the financial statements.

Audit response
We discussed with management the investee's current business performance and prospects and how these were reflected in the Group's VIU calculation. We involved our internal specialist in evaluating the methodology and assumptions used. We compared the expected production volume and capital expenditures used in the calculation to the historical performance and plans of the investee, and the price assumption, exchange rates and long-term growth rate to available industry, economic and financial data including consensus market forecasts and the impact of the coronavirus pandemic. We also tested whether the discount rate used represents current market assessment of risks associated with the investment.

Recoverability of Goodwill
As of December 31, 2021, the Group has goodwill amounting to ₱5.19 billion as a result of various business acquisitions. Under PFRS, the Group is required to annually test the amount of goodwill for impairment. The Group performed the impairment testing using the cash generating unit's (CGU) FVLCTS. The annual impairment test is significant to our audit because the determination of the CGU's FVLCTS requires significant judgment and is based on assumptions which are subject to higher level of estimation uncertainty due to the current economic conditions which have been impacted by the coronavirus pandemic. The CGU's assets include significant investments in unquoted equity shares and their fair values were determined using price-to-earnings (P/E) ratios of comparable companies and adjusted net asset valuation (NAV) method. Other assets of the CGU include investments in quoted equity shares and debt financial assets, and real properties, while liabilities include unquoted debt financial liabilities.

The disclosures relating to goodwill are included in Notes 3 and 11 to the financial statements.

Audit response
We involved our internal specialist in evaluating the assumptions and methodology used by the Group in determining the FVLCTS of the CGU, in particular those relating to the use of P/E ratios of comparable companies and adjusted NAV method in the valuation of the unquoted equity shares. We tested the fair value of the other assets and liabilities by referring to the quoted prices of listed equity and debt instruments, agreeing the appraised values of real estate properties to the appraisal reports, comparing the future cash flows of unquoted debt instruments to the related contracts, and comparing the discount rates used against prevailing interest rates for similar instruments, taking into consideration the impact associated with the coronavirus pandemic. We also re-performed the calculation of the FVLCTS.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021, but does not include the consolidated and parent company financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under BSP Circular No. 1074 in Note 37 and Revenue Regulations No. 15-2010 in Note 38 to the financial statements is presented for purposes of filing with the BSP and Bureau of Internal Revenue, respectively, and is not a required part of the basic financial statements. Such information is the responsibility of the management of the Parent Company. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Janeth T. Nuñez-Javier.

SYCIP GORRES VELAYO & CO.

Janeth T. Nuñez-Javier

Janeth T. Nuñez-Javier
Partner
CPA Certificate No. 111092
Tax Identification No. 900-322-673
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 1328-AR-2 (Group A)
July 9, 2019, valid until July 8, 2022
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-069-2020, December 3, 2020, valid until December 2, 2023
PTR No. 8854341, January 3, 2022, Makati City

February 23, 2022

EXHIBIT B

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

	Consolidated		Parent Company	
	December 31			
	2021	2020	**2021**	2020
ASSETS				
Cash and Other Cash Items	**₱41,302**	₱38,469	**₱38,452**	₱35,606
Due from Bangko Sentral ng Pilipinas (BSP) (Notes 4 and 16)	**253,257**	304,906	**199,974**	262,188
Due from Other Banks (Note 4)	**48,831**	38,233	**36,218**	22,742
Interbank Loans Receivable and Securities Purchased Under Resale Agreements (SPURA) (Notes 4, 7 and 26)	**70,447**	79,394	**55,994**	57,205
Investment Securities at				
Fair Value Through Profit or Loss (FVTPL) (Note 8)	**50,792**	77,551	**41,975**	67,956
Fair Value Through Other Comprehensive Income (FVOCI) (Notes 4 and 8)	**648,808**	569,445	**561,801**	542,666
Amortized Cost (Notes 4 and 8)	**83,810**	23,293	**57,386**	7,909
Loans and Receivables (Notes 4 and 9)	**1,236,071**	1,252,929	**1,057,454**	1,048,742
Property and Equipment (Note 10)	**25,783**	24,617	**19,222**	18,429
Investments in Subsidiaries (Note 11)	**–**	–	**69,321**	67,181
Investments in Associates and a Joint Venture (Note 11)	**5,851**	6,248	**574**	565
Goodwill (Note 11)	**5,194**	5,199	**–**	–
Investment Properties (Note 12)	**7,327**	7,667	**3,171**	3,369
Deferred Tax Assets (Note 28)	**13,094**	14,028	**11,891**	11,394
Other Assets (Note 14)	**12,249**	13,184	**7,863**	8,047
	₱2,502,816	₱2,455,163	**₱2,161,296**	₱2,153,999

LIABILITIES AND EQUITY				
LIABILITIES				
Deposit Liabilities (Notes 16 and 32)				
Demand	**₱588,434**	₱515,378	**₱535,847**	₱467,545
Savings	**874,283**	795,979	**830,247**	755,713
Time	**438,046**	450,103	**273,373**	332,323
Long-Term Negotiable Certificates	**29,521**	35,755	**21,080**	27,330
	1,930,284	1,797,215	**1,660,547**	1,582,911
Bills Payable and Securities Sold Under Repurchase Agreements (SSURA) (Notes 17 and 32)	**70,334**	139,614	**52,514**	108,651
Derivative Liabilities (Note 8)	**8,349**	13,465	**8,191**	11,813
Manager's Checks and Demand Drafts Outstanding	**5,396**	6,024	**4,803**	5,493
Income Taxes Payable	**1,749**	2,711	**1,549**	1,992
Accrued Interest and Other Expenses (Note 18)	**9,858**	9,149	**7,235**	6,432
Bonds Payable (Notes 19 and 32)	**79,823**	91,397	**75,189**	76,355
Subordinated Debts (Note 20)	**1,168**	1,167	**1,168**	1,167
Non-equity Non-controlling Interest (Note 21)	**10,619**	8,315	**–**	–
Other Liabilities (Note 21)	**57,504**	52,931	**30,910**	34,296
	2,175,084	2,121,988	**1,842,106**	1,829,110

(Forward)

	Consolidated		Parent Company	
	December 31			
	2021	2020	**2021**	2020
EQUITY				
Equity Attributable to Equity Holders of the Parent Company				
Common stock (Note 23)	**₱89,948**	₱89,948	**₱89,948**	₱89,948
Capital paid in excess of par value (Note 23)	**85,252**	85,252	**85,252**	85,252
Treasury stock (Notes 23 and 32)	**(70)**	(65)	**(70)**	(65)
Surplus reserves (Note 24)	**2,442**	2,260	**2,442**	2,260
Surplus (Note 23)	**157,260**	153,282	**157,260**	153,282
Net unrealized gain (loss) on investment securities at FVOCI (Note 8)	**(3,751)**	7,611	**(3,751)**	7,611
Remeasurement losses on retirement plans (Notes 11 and 27)	**(4,747)**	(4,778)	**(4,747)**	(4,778)
Equity in other comprehensive losses of investees (Note 11)	**(118)**	(22)	**(118)**	(22)
Translation adjustment and others (Note 11)	**(7,711)**	(9,284)	**(7,026)**	(8,599)
	318,505	324,204	**319,190**	324,889
Non-controlling Interest (Note 11)	**9,227**	8,971	**–**	–
	327,732	333,175	**319,190**	324,889
	₱2,502,816	₱2,455,163	**₱2,161,296**	₱2,153,999

See accompanying Notes to Financial Statements.

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

	Consolidated			Parent Company		
	Years Ended December 31					
	2021	2020	2019	**2021**	2020	2019
INTEREST INCOME ON						
Loans and receivables (Notes 9 and 32)	**₱65,525**	₱85,690	₱95,847	**₱48,637**	₱64,281	₱59,603
Investment securities at FVOCI and at amortized cost (Note 8)	**16,896**	17,093	16,573	**14,540**	15,285	13,778
Investment securities at FVTPL (Note 8)	**1,198**	1,958	1,936	**1,059**	1,754	1,695
Interbank loans receivable and securities purchased under resale agreements (SPURA) (Notes 7 and 32)	**872**	876	941	**528**	406	468
Deposits with banks and others	**2,686**	2,170	886	**1,714**	1,561	689
	87,177	107,787	116,183	**66,478**	83,287	76,233
INTEREST AND FINANCE CHARGES						
Deposit liabilities (Notes 16 and 32)	**5,502**	11,326	23,407	**2,835**	7,724	17,293
Bills payable and securities sold under repurchase agreements, bonds payable, subordinated debts and others (Notes 13, 17, 19, 20, 21 and 32)	**6,626**	10,354	15,779	**4,561**	7,445	9,019
	12,128	21,680	39,186	**7,396**	15,169	26,312
NET INTEREST INCOME	**75,049**	86,107	76,997	**59,082**	68,118	49,921
PROVISION FOR CREDIT AND IMPAIRMENT LOSSES (Notes 3 and 15)	**11,834**	40,760	10,078	**7,683**	32,745	1,644
NET INTEREST INCOME AFTER PROVISION FOR CREDIT AND IMPAIRMENT LOSSES	**63,215**	45,347	66,919	**51,399**	35,373	48,277
OTHER OPERATING INCOME						
Service charges, fees and commissions (Notes 25 and 32)	**13,418**	11,703	14,266	**10,135**	8,991	5,145
Trading and securities gain - net (Notes 8, 21 and 32)	**3,354**	6,559	5,322	**3,201**	6,217	4,352
Foreign exchange gain - net (Note 32)	**1,946**	4,409	3,798	**1,805**	4,320	3,521
Leasing (Notes 12, 13 and 32)	**1,904**	2,007	2,122	**183**	200	210
Income from trust operations (Notes 24 and 32)	**1,655**	1,444	1,241	**1,609**	1,401	1,204
Profit from assets sold (Notes 10, 12 and 14)	**381**	15	585	**154**	106	210
Dividends (Note 8)	**158**	139	172	**15**	28	29
Gain on disposal of investment securities at amortized cost (Note 8)	**12**	8,184	150	**–**	6,891	–
Miscellaneous (Note 25)	**3,003**	669	1,398	**1,618**	734	83
	25,831	35,129	29,054	**18,720**	28,888	14,754
OTHER OPERATING EXPENSES						
Compensation and fringe benefits (Notes 27 and 32)	**25,268**	24,890	23,706	**19,176**	18,795	16,023
Taxes and licenses (Note 28)	**7,931**	9,925	10,219	**5,976**	7,878	6,466
Depreciation and amortization (Notes 10, 12 and 14)	**6,430**	5,545	5,538	**3,779**	2,965	2,568
Occupancy and equipment-related costs (Note 13)	**1,948**	2,080	1,867	**1,459**	1,500	1,162
Miscellaneous (Note 25)	**17,896**	17,680	16,576	**14,026**	14,056	11,086
	59,473	60,120	57,906	**44,416**	45,194	37,305
INCOME BEFORE SHARE IN NET INCOME OF SUBSIDIARIES, ASSOCIATES AND A JOINT VENTURE	**29,573**	20,356	38,067	**25,703**	19,067	25,726
SHARE IN NET INCOME OF SUBSIDIARIES, ASSOCIATES AND A JOINT VENTURE (Note 11)	**568**	664	868	**2,251**	1,674	8,938
INCOME BEFORE INCOME TAX	**30,141**	21,020	38,935	**27,954**	20,741	34,664
PROVISION FOR INCOME TAX (Note 28)	**7,777**	7,046	10,061	**5,798**	6,910	6,609
NET INCOME	**₱22,364**	₱13,974	₱28,874	**₱22,156**	₱13,831	₱28,055
Attributable to:						
Equity holders of the Parent Company (Note 31)	**₱22,156**	₱13,831	₱28,055			
Non-controlling interest (Note 11)	**208**	143	819			
	₱22,364	₱13,974	₱28,874			
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 31)	**₱4.93**	₱3.08	₱6.24			

See accompanying Notes to Financial Statements.

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE INCOME

(In Millions)

	Consolidated			Parent Company		
	Years Ended December 31					
	2021	2020	2019	**2021**	2020	2019
Net Income	**₱22,364**	₱13,974	₱28,874	**₱22,156**	₱13,831	₱28,055
Other Comprehensive Income for the Year, Net of Tax						
Items that may not be reclassified to profit or loss:						
Change in net unrealized gain (loss) on equity securities at FVOCI	**137**	(94)	(414)	**46**	(93)	(410)
Change in remeasurement gain (loss) on retirement plans (Notes 11 and 27)	**99**	794	(2,038)	**31**	753	(1,940)
	236	700	(2,452)	**77**	660	(2,350)
Items that may be reclassified to profit or loss:						
Change in net unrealized gain (loss) on investment in debt securities at FVOCI (Note 8)	**(11,505)**	5,038	6,142	**(11,414)**	5,031	6,052
Change in equity in other comprehensive income (loss) of investees (Note 11)	**(96)**	(370)	375	**(96)**	(367)	372
Translation adjustment and others (Note 11)	**1,702**	(23)	(399)	**1,573**	(15)	(915)
	(9,899)	4,645	6,118	**(9,937)**	4,649	5,509
Total Comprehensive Income for the Year	**₱12,701**	₱19,319	₱32,540	**₱12,296**	₱19,140	₱31,214
Attributable to:						
Equity holders of the Parent Company	**₱12,296**	₱19,140	₱31,214			
Non-controlling interest	**405**	179	1,326			
	₱12,701	₱19,319	₱32,540			

See accompanying Notes to Financial Statements.

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES

STATEMENTS OF CHANGES IN EQUITY

(In Millions)

	Consolidated											
	Equity Attributable to Equity Holders of the Parent Company											
	Common Stock (Note 23)	Capital Paid In Excess of Par Value (Note 23)	Treasury Stock (Note 23)	Surplus Reserves (Note 24)	Surplus (Note 23)	Net Unrealized Gain (Loss) on Investment Securities at FVOCI (Note 8)	Remeasurement Losses on Retirement Plans (Notes 11 and 27)	Equity in Other Comprehensive Income (Losses) of Investees (Note 11)	Translation Adjustment and Others (Note 11)	Total	Non-controlling Interest (Note 11)	Total Equity
Balance as at January 1, 2021	**₱89,948**	**₱85,252**	**(₱65)**	**₱2,260**	**₱153,282**	**₱7,611**	**(₱4,778)**	**(₱22)**	**(₱9,284)**	**₱324,204**	**₱8,971**	**₱333,175**
Total comprehensive income (loss) for the year	**–**	**–**	**–**	**–**	**22,156**	**(11,368)**	**31**	**(96)**	**1,573**	**12,296**	**405**	**12,701**
Transfer to surplus reserves	**–**	**–**	**–**	**182**	**(182)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Cash dividend (Note 23)	**–**	**–**	**–**	**–**	**(17,990)**	**–**	**–**	**–**	**–**	**(17,990)**	**(149)**	**(18,139)**
Realized gain (loss) on sale of equity securities at FVOCI	**–**	**–**	**–**	**–**	**(6)**	**6**	**–**	**–**	**–**	**–**	**–**	**–**
Acquisition of Parent Company shares held by mutual fund subsidiary	**–**	**–**	**(14)**	**–**	**–**	**–**	**–**	**–**	**–**	**(14)**	**–**	**(14)**
Disposal of Parent Company shares held by mutual fund subsidiary	**–**	**–**	**9**	**–**	**–**	**–**	**–**	**–**	**–**	**9**	**–**	**9**
Balance as at December 31, 2021	**₱89,948**	**₱85,252**	**(₱70)**	**₱2,442**	**₱157,260**	**(₱3,751)**	**(₱4,747)**	**(₱118)**	**(₱7,711)**	**₱318,505**	**₱9,227**	**₱327,732**
Balance as at January 1, 2020	₱89,948	₱85,252	(₱72)	₱2,098	₱144,154	₱2,629	(₱5,531)	₱345	(₱9,269)	₱309,554	₱8,937	₱318,491
Total comprehensive income (loss) for the year	–	–	–	–	13,831	4,938	753	(367)	(15)	19,140	179	19,319
Transfer to surplus reserves	–	–	–	162	(162)	–	–	–	–	–	–	–
Cash dividend (Note 23)	–	–	–	–	(4,497)	–	–	–	–	(4,497)	(145)	(4,642)
Realized gain (loss) on sale of equity securities at FVOCI	–	–	–	–	(44)	44	–	–	–	–	–	–
Acquisition of Parent Company shares held by mutual fund subsidiary	–	–	(22)	–	–	–	–	–	–	(22)	–	(22)
Disposal of Parent Company shares held by mutual fund subsidiary	–	–	29	–	–	–	–	–	–	29	–	29
Balance as at December 31, 2020	₱89,948	₱85,252	(₱65)	₱2,260	₱153,282	₱7,611	(₱4,778)	(₱22)	(₱9,284)	₱324,204	₱8,971	₱333,175
Balance as at January 1, 2019	₱79,600	₱85,252	(₱67)	₱1,956	₱130,550	(₱2,994)	(₱3,591)	(₱27)	(₱7,719)	₱282,960	₱7,744	₱290,704
Issuance of stock dividend	10,348	–	–	–	(10,348)	–	–	–	–	–	–	–
Total comprehensive income (loss) for the year	–	–	–	–	28,055	5,642	(1,940)	372	(915)	31,214	1,326	32,540
Transfer to surplus reserves	–	–	–	142	(142)	–	–	–	–	–	–	–
Cash dividend (Note 23)	–	–	–	–	(3,980)	–	–	–	–	(3,980)	(133)	(4,113)
Realized gain (loss) on sale of equity securities at FVOCI	–	–	–	–	19	(19)	–	–	–	–	–	–
Parent Company shares held by mutual fund subsidiary	–	–	(5)	–	–	–	–	–	–	(5)	–	(5)
Acquisition of non-controlling interest (Note 11)	–	–	–	–	–	–	–	–	(635)	(635)	–	(635)
Balance as at December 31, 2019	₱89,948	₱85,252	(₱72)	₱2,098	₱144,154	₱2,629	(₱5,531)	₱345	(₱9,269)	₱309,554	₱8,937	₱318,491

	Parent Company									
	Common Stock (Note 23)	**Capital Paid In Excess of Par Value** (Note 23)	**Treasury Stock** (Note 23)	**Surplus Reserves** (Note 24)	**Surplus** (Note 23)	**Net Unrealized Gain (Loss) on Investment Securities at FVOCI** (Note 8)	**Remeasurement Losses on Retirement Plans** (Notes 11 and 27)	**Equity in Other Comprehensive Income (Losses) of Investees** (Note 11)	**Translation Adjustment and Others** (Note 11)	**Total Equity**
Balance as at January 1, 2021	**₱89,948**	**₱85,252**	**(₱65)**	**₱2,260**	**₱153,282**	**₱7,611**	**(₱4,778)**	**(₱22)**	**(₱8,599)**	**₱324,889**
Total comprehensive income (loss) for the year	**–**	**–**	**–**	**–**	**22,156**	**(11,368)**	**31**	**(96)**	**1,573**	**12,296**
Transfer to surplus reserves	**–**	**–**	**–**	**182**	**(182)**	**–**	**–**	**–**	**–**	**–**
Cash dividend (Note 23)	**–**	**–**	**–**	**–**	**(17,990)**	**–**	**–**	**–**	**–**	**(17,990)**
Share in realized gain (loss) on sale of equity securities at FVOCI	**–**	**–**	**–**	**–**	**(6)**	**6**	**–**	**–**	**–**	**–**
Acquisition of Parent Company shares held by mutual fund subsidiary	**–**	**–**	**(14)**	**–**	**–**	**–**	**–**	**–**	**–**	**(14)**
Disposal of Parent Company shares held by mutual fund subsidiary	**–**	**–**	**9**	**–**	**–**	**–**	**–**	**–**	**–**	**9**
Balance as at December 31, 2021	**₱89,948**	**₱85,252**	**(₱70)**	**₱2,442**	**₱157,260**	**(₱3,751)**	**(₱4,747)**	**(₱118)**	**(₱7,026)**	**₱319,190**
Balance as at January 1, 2020	₱89,948	₱85,252	(₱72)	₱2,098	₱144,154	₱2,629	(₱5,531)	₱345	₱1,169	₱319,992
Total comprehensive income (loss) for the year	–	–	–	–	13,831	4,938	753	(367)	(15)	19,140
Transfer to surplus reserves	–	–	–	162	(162)	–	–	–	–	–
Cash dividend (Note 23)	–	–	–	–	(4,497)	–	–	–	–	(4,497)
Share in realized gain (loss) on sale of equity securities at FVOCI	–	–	–	–	(44)	44	–	–	–	–
Acquisition of Parent Company shares held by mutual fund subsidiary	–	–	(22)	–	–	–	–	–	–	(22)
Disposal of Parent Company shares held by mutual fund subsidiary	–	–	29	–	–	–	–	–	–	29
Impact of merger (Note 11)	–	–	–	–	–	–	–	–	(9,753)	(9,753)
Balance as at December 31, 2020	₱89,948	₱85,252	(₱65)	₱2,260	₱153,282	₱7,611	(₱4,778)	(₱22)	(₱8,599)	₱324,889
Balance as at January 1, 2019	₱79,600	₱85,252	(₱67)	₱1,956	₱130,550	(₱2,994)	(₱3,591)	(₱27)	₱2,084	₱292,763
Issuance of stock dividend	10,348	–	–	–	(10,348)	–	–	–	–	–
Total comprehensive income (loss) for the year	–	–	–	–	28,055	5,642	(1,940)	372	(915)	31,214
Transfer to surplus reserves	–	–	–	142	(142)	–	–	–	–	–
Cash dividend (Note 23)	–	–	–	–	(3,980)	–	–	–	–	(3,980)
Share in realized gain (loss) on sale of equity securities at FVOCI	–	–	–	–	19	(19)	–	–	–	–
Parent Company shares held by mutual fund subsidiary	–	–	(5)	–	–	–	–	–	–	(5)
Balance as at December 31, 2019	₱89,948	₱85,252	(₱72)	₱2,098	₱144,154	₱2,629	(₱5,531)	₱345	₱1,169	₱319,992

See accompanying Notes to Financial Statements.

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS

(In Millions)

	Consolidated			Parent Company		
	Years Ended December 31					
	2021	2020	2019	**2021**	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES						
Income before income tax	**₱30,141**	₱21,020	₱38,935	**₱27,954**	₱20,741	₱34,664
Adjustments for:						
Provision for credit and impairment losses (Note 15)	**11,834**	40,760	10,078	**7,683**	32,745	1,644
Depreciation and amortization (Notes 10, 12 and 14)	**5,049**	4,865	4,906	**2,590**	2,467	2,327
Trading and securities gain on investment securities at FVOCI (Note 8)	**(3,691)**	(8,307)	(4,403)	**(3,676)**	(8,007)	(3,788)
Amortization of software costs (Note 14)	**1,381**	680	632	**1,189**	498	241
Unrealized market valuation loss (gain) on financial assets and liabilities at FVTPL	**(868)**	2,275	1,395	**(739)**	2,323	1,612
Amortization of discount on subordinated debts, bonds payable and lease liability (Notes 19 and 20)	**573**	49	605	**414**	33	342
Share in net income of subsidiaries, associates and a joint venture (Note 11)	**(568)**	(664)	(868)	**(2,251)**	(1,674)	(8,938)
Gain on initial recognition of investment properties and chattel properties acquired in foreclosure (Note 25)	**(813)**	(127)	(487)	**(41)**	(15)	(33)
Profit from assets sold (Notes 10 and 12)	**(381)**	(15)	(585)	**(154)**	(106)	(210)
Dividends (Note 8)	**(158)**	(139)	(172)	**(15)**	(28)	(29)
Gain on disposal of investment securities at amortized cost (Note 8)	**(12)**	(8,184)	(150)	**–**	(6,891)	–
Decrease (increase) in:						
Investment securities at FVTPL	**22,165**	(11,921)	(22,009)	**23,098**	(15,217)	(21,184)
Loans and receivables	**5,082**	189,422	(107,137)	**(16,433)**	170,250	(63,413)
Other assets	**(2,506)**	1,489	293	**(1,145)**	2,208	(1,390)
Increase (decrease) in:						
Deposit liabilities	**133,069**	83,071	157,391	**77,636**	83,179	174,301
Bills payable - deposit substitutes	**(5,593)**	(53,987)	7,972	**(1,329)**	–	–
Manager's checks and demand drafts outstanding	**(628)**	(782)	(759)	**(690)**	(15)	(442)
Accrued interest and other expenses	**709**	(1,350)	880	**803**	(1,683)	1,029
Other liabilities	**4,883**	(550)	6,624	**(2,707)**	(1,617)	4,034
Non-equity non-controlling interest	**2,304**	1,762	(194)	**–**	–	–
Net cash provided for operations	**201,972**	259,367	92,947	**112,187**	279,191	120,767
Dividends received (Note 8)	**158**	139	172	**15**	28	29
Income taxes paid	**(7,154)**	(13,201)	(8,715)	**(5,821)**	(12,198)	(5,097)
Net cash provided by operating activities	**194,976**	246,305	84,404	**106,381**	267,021	115,699
CASH FLOWS FROM INVESTING ACTIVITIES						
Acquisitions of:						
Investment securities at FVOCI (Note 4)	**(1,684,305)**	(2,098,769)	(1,286,010)	**(1,180,324)**	(2,061,832)	(1,267,741)
Property and equipment (Note 10)	**(3,229)**	(2,427)	(3,722)	**(1,682)**	(1,641)	(1,999)
Investment securities at amortized cost (Note 4)	**(64,089)**	–	(4,488)	**(52,097)**	–	(4,333)
Investments in subsidiaries and associates (Note 11)	**–**	–	(9)	**–**	–	(7,839)
Proceeds from sale of:						
Investment securities at FVOCI (Notes 4 and 11)	**1,598,874**	1,846,610	1,203,883	**1,152,643**	1,822,062	1,180,411
Investment properties (Note 12)	**1,487**	898	1,475	**418**	242	553
Property and equipment (Note 10)	**453**	151	955	**85**	251	76
Proceeds from:						
Disposal of investment securities at amortized cost (Notes 4 and 8)	**379**	121,617	16,686	**–**	100,747	–
Maturity of investment securities at amortized cost (Note 4)	**4,417**	15,164	920	**2,996**	15,000	469
Decrease (increase) in interbank loans receivable and SPURA (Note 26)	**18,326**	(27,873)	6,489	**17,398**	(25,794)	407
Cash dividends from investees (Note 11)	**708**	637	169	**1,132**	1,103	1,073
Impact of merger (Note 11)	**–**	–	–	**–**	6,485	–
Net cash used in investing activities	**(126,979)**	(143,992)	(63,652)	**(59,431)**	(143,377)	(98,923)

(Forward)

	Consolidated			Parent Company		
	Years Ended December 31					
	2021	2020	2019	**2021**	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES (Note 26)						
Settlements of bills payable	**(₱883,146)**	(₱1,943,290)	(₱4,721,604)	**(₱721,518)**	(₱1,906,626)	(₱3,574,659)
Availments of bills payable and SSURA	**819,459**	1,898,610	4,692,306	**666,710**	1,819,205	3,562,652
Proceeds from issuance of bonds payable (Note 19)	**18,844**	38,869	52,499	**18,844**	34,219	42,135
Repayments of:						
Bonds payable (Note 19)	**(32,210)**	(28,000)	(3,000)	**(21,750)**	(28,000)	–
Subordinated debts (Note 20)	**–**	(6,500)	(19,000)	**–**	(6,500)	(16,000)
Notes payable (Note 21)	**–**	(2,592)	–	**–**	–	–
Cash dividends paid (Note 23)	**(18,139)**	(4,642)	(4,113)	**(17,990)**	(4,497)	(3,980)
Payment of lease liabilities (Note 13)	**(1,718)**	(1,409)	(1,213)	**(929)**	(773)	(748)
Proceeds from disposal of Parent Company shares by mutual fund subsidiaries (Note 32)	**–**	29	–	**–**	–	–
Acquisition of Parent Company shares by a mutual fund subsidiary (Note 23)	**(5)**	(22)	(5)	**–**	–	–
Net cash provided by (used in) financing activities	**(96,915)**	(48,947)	(4,130)	**(76,633)**	(92,972)	9,400
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(28,918)**	53,366	16,622	**(29,683)**	30,672	26,176
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR						
Cash and other cash items	**38,469**	32,956	33,091	**35,606**	30,659	29,280
Due from BSP	**304,906**	219,994	240,134	**262,188**	195,770	206,289
Due from other banks	**38,357**	54,772	45,808	**22,742**	38,698	35,218
Interbank loans receivable and SPURA (Note 26)	**46,669**	67,313	39,380	**29,841**	54,578	22,742
	428,401	375,035	358,413	**350,377**	319,705	293,529
CASH AND CASH EQUIVALENTS AT END OF YEAR						
Cash and other cash items	**41,302**	38,469	32,956	**38,452**	35,606	30,659
Due from BSP	**253,257**	304,906	219,994	**199,974**	262,188	195,770
Due from other banks	**48,862**	38,357	54,772	**36,240**	22,742	38,698
Interbank loans receivable and SPURA (Note 26)	**56,062**	46,669	67,313	**46,028**	29,841	54,578
	₱399,483	₱428,401	₱375,035	**₱320,694**	₱350,377	₱319,705

OPERATIONAL CASH FLOWS FROM INTEREST

	Consolidated			Parent Company		
	Years Ended December 31					
	2021	2020	2019	**2021**	2020	2019
Interest paid	**₱12,390**	₱23,813	₱39,558	**₱7,589**	₱16,546	₱26,207
Interest received	**88,369**	107,165	113,745	**66,951**	85,255	73,717

See accompanying Notes to Financial Statements.

1. Corporate Information

Metropolitan Bank & Trust Company (the Parent Company) is a universal bank incorporated in the Philippines on April 6, 1962. The Securities and Exchange Commission (SEC) approved the renewal on November 19, 2007. The Parent Company's shares were listed with the Philippine Stock Exchange, Inc. (PSE) on February 26, 1981, as approved by the SEC in November 1980. It has a universal banking license granted by the Bangko Sentral ng Pilipinas (BSP) on August 21, 1981.

The Parent Company and its subsidiaries (the Group) are engaged in all aspects of banking, financing, leasing, real estate and stock brokering through a network of over 2,000 local and international branches, subsidiaries, representative offices, remittance correspondents and agencies. As a bank, the Parent Company, which is the ultimate parent of the Group, provides services such as deposit products, loans and trade finance, domestic and foreign fund transfers, treasury, foreign exchange, trading and remittances, and trust services. Its principal place of business is at Metrobank Plaza, Sen. Gil Puyat Avenue, Urdaneta Village, Makati City, Metro Manila, Philippines.

2. Summary of Significant Accounting Policies

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

The financial statements of the Parent Company and Philippine Savings Bank (PSBank) include the accounts maintained in the Regular Banking Unit (RBU) and Foreign Currency Deposit Unit (FCDU). The functional currency of RBU and FCDU is Philippine Peso (PHP or ₱) and United States Dollar (USD), respectively. For financial reporting purposes, FCDU accounts and foreign currency-denominated accounts in the RBU are translated into their equivalents in PHP (see accounting policy on Foreign Currency Translation). The financial statements of these units are combined after eliminating inter-unit accounts.

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The respective functional currencies of the subsidiaries are presented under Basis of Consolidation. The financial statements are presented in PHP, and all values are rounded to the nearest million pesos (₱000,000), except when otherwise indicated.

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

Presentation of Financial Statements

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position. Income and expense are not offset in the statement of income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

Basis of Consolidation

The consolidated financial statements include the financial statements of the Parent Company and of its subsidiaries and are prepared for the same reporting period as the Parent Company using consistent accounting policies. The following are the wholly and majority-owned foreign and domestic subsidiaries of the Parent Company in 2021 and 2020 (Note 11):

Subsidiary	**Principal Place of Business and Country of Incorporation**	**Effective Percentage of Ownership**	**Functional Currency**
Financial Markets:			
Domestic:			
First Metro Investment Corporation (FMIC) and Subsidiaries	Philippines	99.27	PHP
PSBank	Philippines	88.38	PHP
ORIX Metro Leasing and Finance Corporation (ORIX Metro) and Subsidiaries	Philippines	59.85	PHP
Foreign:			
Metropolitan Bank (China) Ltd. (MBCL)	China	100.00	Chinese Yuan
Metropolitan Bank (Bahamas) Limited (Metrobank Bahamas)**	The Bahamas	100.00	USD
First Metro International Investment Company Limited (FMIIC) and Subsidiary	Hong Kong	100.00	Hong Kong Dollar (HKD)
Remittances:			
Metro Remittance (Hong Kong) Limited (MRHL)	Hong Kong	100.00	HKD
Metro Remittance (Singapore) Pte. Ltd. (MRSPL)	Singapore	100.00	Singapore Dollar
Metro Remittance (UK) Limited (MR UK)	United Kingdom	100.00	Great Britain Pound
Metro Remittance (USA), Inc. (MR USA)	United States of America (USA)	100.00	USD
Metro Remittance (Japan) Co. Ltd. (MR Japan)	Japan	100.00	Japanese Yen
Metro Remittance (Italia), S.p.A. (MR Italia)***	Italy	100.00	Euro
Real Estate:			
Circa 2000 Homes, Inc. (Circa)*	Philippines	100.00	PHP
Others:			
Philbancor Venture Capital Corporation (PVCC)*	Philippines	60.00	PHP
MBTC Technology, Inc. (MTI)****	Philippines	100.00	PHP

* *In process of dissolution*
** *In process of liquidation*
*** *Fully liquidated in January 2021*
****Fully liquidated in December 2021*

All significant intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full at consolidation (Note 32). Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Control is achieved where the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Consolidation of subsidiaries ceases when control is transferred out of the Group or the Parent Company. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statements of income and consolidated statements of comprehensive income from the date of acquisition or up to the date of disposal, as appropriate.

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

When a change in ownership interest in a subsidiary occurs which results in a loss of control over the subsidiary, the Parent Company:

a. Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
b. Derecognizes the carrying amount of any non-controlling interest;
c. Derecognizes the related other comprehensive income (OCI) recorded in equity and recycles the same to statement of income or 'Surplus';
d. Recognizes the fair value of the consideration received;
e. Recognizes the fair value of any investment retained;
f. Recognizes any surplus or deficit in the statement of income; and
g. Reclassifies the Parent Company's share of components' gains (losses) previously recognized in OCI to profit or loss or surplus, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

<u>Entity with Significant Influence over the Group</u>
GT Capital Holdings, Inc. (GT Capital) holds 37.15% interest in the Parent Company as of December 31, 2021 and 2020 (Note 32).

<u>Non-controlling Interest</u>
Non-controlling interest represents the portion of profit or loss and the net assets of the funds not held by the Group and is 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 equity attributable to the Parent Company. Any losses applicable to the non-controlling interests in excess of the non-controlling interests are allocated against the interests of the non-controlling interest even if this results in the non-controlling interest having a deficit balance. Acquisitions of non-controlling interests are accounted for as equity transactions.

<u>Non-equity Non-controlling Interest</u>
The Group has seed capital investments in a number of funds where it is in a position to be able to control those funds. These funds are consolidated.

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

<u>Legal Merger between Parent Company and Subsidiary</u>
In the parent company financial statements, the legal merger between the Parent Company and its subsidiary, with the Parent Company as the surviving entity, is accounted for as follows:

- The acquired assets and assumed liabilities are recognized at the carrying amounts in the consolidated financial statements as of the date of the legal merger;

- The difference between the carrying amount of the net assets of the subsidiary and the carrying amount of the investment in the merged subsidiary before the legal merger is recognized under "Translation adjustment and others" account in the equity section of the parent company statement of financial position; and
- The comparative financial information in the parent company financial statements for period prior to the legal merger is not restated. The financial position and results of operations of the merged subsidiary are reflected in the parent company financial statements only from the date of the legal merger.

The legal merger has no impact in the consolidated financial statements.

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the Group.

Amendment to PFRS 16, *COVID-19-related Rent Concessions beyond June 30, 2021*
The amendment provides relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:
- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
- There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, that is, as a variable lease payment.

Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*
The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free rate (RFR):
- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform;
- Relief from discontinuing hedging relationships; and
- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

The Group shall also disclose information about:
- The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition.

Significant Accounting Policies

Foreign Currency Translation
Transactions and balances
For financial reporting purposes, the foreign currency-denominated monetary assets and liabilities in the RBU are translated in Philippine peso based on the Bankers Association of the Philippines (BAP) closing rate prevailing at the statement of financial position date and foreign currency-denominated income and expenses, at the prevailing exchange rates as at the date of transaction. Foreign exchange differences arising from revaluation and translation of foreign currency-denominated assets and liabilities are credited to or charged against operations in the year in which the rates change. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

FCDU, foreign branches and subsidiaries
As at the reporting date, the assets and liabilities of foreign branches and subsidiaries and FCDU of the Parent Company and PSBank are translated into the Parent Company's presentation currency (the PHP) at BAP closing rate prevailing at the statement of financial position date, and their income and expenses are translated at historical rate. Exchange differences arising on translation are taken to the statement of comprehensive income under 'Translation adjustment and others'. Upon disposal of a foreign entity or when the Parent Company ceases to have control over the subsidiaries or upon actual remittance of FCDU profits to RBU, the deferred cumulative amount recognized in the statement of comprehensive income is recognized in the statement of income.

Fair Value Measurement
The Group measures certain financial instruments, such as derivatives, at fair value at each statement of financial position date. Also, fair values of financial instruments measured at amortized cost and investment properties are disclosed in Note 5.

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 (that is, an exit price). The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability; or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Group.

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

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

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

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

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

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

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

External valuers are involved for valuation of significant assets, such as investment properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

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

<u>Financial Instruments - Initial Recognition and Subsequent Measurement</u>

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 from banks and customers and loans and receivables are recognized when cash is received by the Group or advanced to the borrowers.

Initial recognition of financial instruments

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

'Day 1' difference

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

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

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

As a second step of 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.

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

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

Investment securities at FVOCI
Investment securities at FVOCI include debt and equity securities. After initial measurement, investment securities at FVOCI are subsequently measured at fair value. The unrealized gains and losses arising from the fair valuation of investment securities at FVOCI are excluded, net of tax as applicable, from the reported earnings and are included in the statement of comprehensive income as 'Change in net unrealized gain (loss) on investment in debt securities at FVOCI' or 'Change in net

unrealized gain (loss) on equity securities at FVOCI'. Debt securities at FVOCI are those that meet both of the following conditions:

a. The asset is held within a business model whose objective is to hold the financial assets in order to both collect contractual cash flows and sell financial assets; and
b. The contractual terms of the financial asset give rise on specified dates to cash flow that are SPPI on the outstanding principal amount.

The effective yield component of debt securities at FVOCI, as well as the impact of restatement on foreign currency-denominated debt securities at FVOCI is reported in the statement of income. Interest earned on holding debt securities at FVOCI are reported as 'Interest Income' using the effective interest rate (EIR) method. When the debt securities at FVOCI are disposed of, the cumulative gain or loss previously recognized in the statement of comprehensive income is recognized as 'Trading and securities gain - net' in the statement of income. The expected credit loss (ECL) arising from impairment of such investments are recognized in OCI with a corresponding charge to 'Provision for credit and impairment losses' in the statement of income.

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

Financial assets at amortized cost
Financial assets at amortized cost are debt financial assets that meet both of the following conditions:

a. These are held within a business model whose objective is to hold the financial assets in order to collect contractual cash flows; and
b. The contractual terms give rise on specified dates to cash flows that are SPPI on the outstanding principal amount.

This accounting policy relates to the statement of financial position captions 'Due from BSP', 'Due from other banks', 'Interbank loans receivable and securities purchased under resale agreements (SPURA)', 'Investment securities at amortized cost' and 'Loans and receivables'.

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

Financial liabilities at FVPL
These are recorded in the statements of financial position at fair value with changes in fair value recognized in 'Trading and securities gain - net', with the exception of movements in fair value of liabilities designated at FVPL due to changes in the Group's own credit risk. Such changes in fair value are recorded in OCI and do not get recycled to the statement of income. Interest incurred is

accrued in 'Interest expense' using the EIR, taking into account any discount/premium and qualifying transaction costs being an integral part of the instrument.

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

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

Financial guarantees and undrawn loan commitments
The Group issues financial guarantees and loan commitments. Financial guarantees are those issued by the Group to creditors as allowed under existing rules and regulations whereby it guarantees third party obligations by signing as guarantor in the contract/agreement. Undrawn loan commitments and letters of credit are commitments under which over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer. The nominal contractual value of financial guarantees and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded in the statement of financial position. These contracts are in the scope of the ECL requirements where the Group estimates the expected portion of the undrawn loan commitments that will be drawn over their expected life. The ECL related to financial guarantees and undrawn loan commitments is recognized in 'Miscellaneous liabilities' under 'Other liabilities'.

Derecognition of Financial Assets and Financial Liabilities
Financial assets
A financial asset (or, when 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.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. The extent of the Group's continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset.

When the Group's continuing involvement takes the form of guaranteeing the transferred asset, the extent of the Group's continuing involvement is the lower of:

a. The amount of the asset; and
b. The maximum amount of the consideration received that the Group could be required to repay ('the guarantee amount').

When the Group's continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase. However, in case of a written put option to an asset that is measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price. When the Group's continuing involvement takes the form of a cash-settled option or similar provision on the transferred asset, the extent of the Group's continuing involvement is measured in the same way as that which results from non-cash settled options.

The Group derecognizes a financial asset such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognized as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognized loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be purchased or originated credit impaired (POCI) assets.

When assessing whether or not to derecognize a loan to a customer, amongst others, the Group considers the following factors:

- Change in currency of the loan
- Introduction of an equity feature
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion

If the modification does not result in cash flows that are substantially different as set out below, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss, to the extent that an impairment loss has not already been recorded. The Group considers a modification substantial based on qualitative factors.

Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery. If a write-off is later recovered, any amounts formerly charged are credited to 'Recovery on charged-off assets' under 'Miscellaneous income' in the statement of income.

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.

The Group considers a modification substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of or greater than ten percent (10%).

Similar with financial assets, when the modification of a financial liability is not considered substantial, the Group records a modification gain or loss based on the change in cash flows discounted at the original EIR.

Repurchase and reverse repurchase agreements
Securities sold under agreements to repurchase at a specified future date ('repos') are not derecognized from the statement of financial position. The corresponding cash received, including accrued interest, is recognized in the statement of financial position as SSURA included in 'Bills payable and SSURA' and is considered as a loan to the Group, reflecting the economic substance of such transaction.

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

Reclassification of Financial Assets
The Group reclassifies its financial assets when there is a change in its business model for managing financial assets. A change in business model occurs when the Group either begins or ceases to perform an activity that is significant to its operations. The Group applies the reclassification prospectively from the reclassification date (that is, the first day of the next quarterly reporting period following the change in business model) and does not restate any previously recognized gains, losses or interest.

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

Overview of the ECL principles
ECL represents credit losses that reflect an unbiased and probability weighted amount which is based on reasonable and supportable information about past events, current conditions and forecasts of future economic conditions, and time value of money. 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 statement of financial position date. The Lifetime ECL on the other hand represents the losses that result from default events on a financial asset which may happen over its life. Both Lifetime ECLs and 12-month ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The major portfolios of financial assets identified upon initial analysis of the Group's credit exposure are loan receivables, treasury accounts, and other receivables. Loan receivables may be availed by specific individuals, corporations or organizations. Hence, these portfolios can be further segmented to commercial, consumer and credit card 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 non-performing loans that is, credit impaired, in all cases when the borrower becomes more than ninety (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 (that is, to have cured) when it no longer meets any of the default criteria and has exhibited a satisfactory track record.

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

SICR
In order to determine whether an instrument is subject to 12-month or Lifetime ECL, the Group assesses whether there has been a SICR since initial recognition. The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative and qualitative factors. 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 (that is, with internal credit rating of 6 due to financial or repayment concerns or lower). These may include adverse trends or developments of financial, managerial, economic or political nature, or a significant weakness in collateral. Credit weakness may be manifested by unfavorable record or unsatisfactory characteristics or may only be potential that deserves management's close attention and may lead to significant losses or may result in collection or liquidation of the outstanding loan amount to be highly improbable. For exposures without internal credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition. The days past due (dpd) are determined by counting the number of days since the earliest elapsed due date in respect of which at least a partial payment has not been received. In subsequent reporting periods, if the credit risk of the financial asset improves over an observable period such that there is no longer a SICR since initial recognition, the Group reverts 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. ECL for Stage 3 exposure is computed per account, taking into consideration the present value of the expected recoverable cash flows from each transaction.

Financial assets that are credit-impaired on initial recognition are classified as 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 (that is, facility, security, credit rating, months-on-books, utilization and collateral type, etc.) are pooled together for calculating provisions based on the ECL models.

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

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

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.

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. For the credit card business, EAD is modelled based on historical data on card limit utilization.

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

The Parent Company offers credit card facilities, in which it has the right to cancel and/or reduce the facilities with one-day notice. It does not limit its exposure to credit losses to the contractual notice period, but instead, calculates ECL over a period that reflects its expectations of the customers' behavior, their likelihood of default, and its future risk mitigation procedures, which could include reducing or cancelling the facilities. Based on past experience and expectations, the period over which ECL is calculated for these products is two (2) years. The interest rate used to discount the ECL for credit cards is based on contractual interest rate. These rates are also used to discount future recoveries over a period of five years as these cover the cost of securing an equivalent fund. The contractual interest rate is used as discounting factor since the Parent Company estimates that this rate is reflective of the EIR.

Forward-looking information
The Group incorporates forward-looking information into both its assessment of whether the credit risk of a financial asset has increased significantly since its initial recognition and its measurement of ECL. A broad range of forward-looking information are considered as economic inputs, such as growth of the gross domestic product, inflation rates, unemployment rates, interest rates and BSP statistical indicators. The inputs and models used for calculating ECL may not always capture all

characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

In 2020, the Parent Company expanded its set of macroeconomic overlays to better capture the characteristics of specific financial asset classes (for example, mortgage and auto loan exposures) and industry clusters (for example, essential industries, secondary needs). The following economic inputs were determined to be statistically significant in measuring ECL:
- GDP growth
- Inflation rate
- Unemployment rate
- Minimum wage
- USDPHP exchange rate
- Consumer confidence index

In 2021, additional economic inputs were determined to be statistically significant in measuring ECL:
- Peso interest rate
- USD interest rate
- WTI crude oil price
- Business confidence index
- GVA of some industries

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

Restructured Loans
Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews and monitors restructured loans until derecognition to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR. The difference between the recorded value of the original loan and the present value of the restructured cash flows, discounted at the original EIR, is recognized in 'Provision for credit and impairment losses' in the statement of income. 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.

Collateral Valuation of Financial Assets
Collateral, unless repossessed, is not recorded in the Group's statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed every other year. However, some collaterals, for example, cash or securities relating to margining requirements, are valued daily.

Revenue Recognition
Revenue from contracts with customers is recognized upon transfer of services to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services.

The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The Group concluded that it is acting as a principal in all of its revenue arrangements except for certain brokerage transactions. The following specific recognition criteria must also be met before revenue is recognized.

Fee and commission income
The Group earns fee and commission income from a diverse range of services it provides to its customers, which are divided into the following two categories:

a. *Fee income earned from services that are provided over a certain period of time*
   Fees earned for the provision of services over a period of time are accrued over that period as the customer simultaneously receives and consumes the benefits provided by the Group. Using an output method, revenue is recognized if the Group has a right to invoice the customer for services directly corresponding to performance completed to date. These fees include investment fund fees, custodian fees, fiduciary fees, asset management fees, and income from trust operations.

b. *Fee income from providing transaction services*
   Fees arising from negotiating or participating in the negotiation of a transaction for a third party - such as commission income, underwriting fees, corporate finance fees, advisory fees and brokerage fees for the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria.

Discounts earned, membership fees and awards revenue on credit cards
The following table provides information about the nature and timing of the satisfaction of performance obligations for the Parent Company's credit card business (under MCC prior to merger - see Note 11), including significant payment terms, and the related revenue recognition policies.

Type of Product/Service	**Nature and Timing of Satisfaction of Performance Obligations, including Significant Payment Terms**	**Revenue Recognition under PFRS 15**
Discounts earned	Charges arising from credit availments by the Parent Company's and other credit companies' cardholders when the Parent Company is acting as an acquirer. These discounts are computed based on certain agreed rates. These also include interchange income from transactions processed by other acquirers through VISA and Mastercard and fees from cash advance transactions of cardholders.	Recognized as revenue upon receipt from member establishments of charges arising from credit availments by the Parent Company's cardholders and other credit companies' cardholders when the Parent Company is acting as an acquirer.
Membership fees and dues	Periodically charged to cardholders upfront.	Deferred and recorded under 'Deferred revenue' and recognized on a straight-line basis over the period the fee entitles the cardholders to use the card.
Awards revenue	The Parent Company operates a loyalty points program, which allows customers to accumulate points when they purchase from member establishments using the issued card of the Parent Company. The points accumulate and do not expire.	The Parent Company allocates a portion of the consideration received from discounts earned and interchange fees from credit cards to the reward points based on the estimated stand-alone selling prices. The amount allocated to the loyalty program is deferred, and is recognized as revenue when loyalty points are redeemed or the likelihood of the customer redeeming the loyalty points becomes remote.

Revenues outside the scope of PFRS 15

Interest income
For all financial instruments measured at amortized cost and interest-bearing financial instruments classified as investment securities at FVOCI investments, interest income is recorded at the EIR, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options), including any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR. The adjusted carrying amount is calculated based on the original EIR. The change in carrying amount is recorded as 'Interest income'. Loan commitment fees that are likely to be drawn down are deferred (together with any incremental costs) and recognized as an adjustment to the EIR of the loan.

Under PFRS 9, when a financial asset becomes credit-impaired and is, therefore, regarded as Stage 3 (as discussed in "Impairment of Financial Assets" above), the Group calculates interest income by applying the EIR to the net amortized cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis.

Purchases by credit cardholders, collectible on an installment basis, are recorded at the cost of the items purchased plus a certain percentage of cost. The excess over cost is credited to 'Unearned discount' and is shown as a deduction from 'Loans and receivables' in the statement of financial position. The unearned discount is taken up to interest income over the installment terms and is computed using the EIR method.

Recovery on charged-off assets
Income arising from collections on accounts or recoveries from impairment of items previously written off are recognized in the year of recovery.

Leasing income - 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. Residual values represent estimated proceeds from the disposal of equipment at the time lease is estimated. The unearned lease income is amortized over the term of the lease, commencing on the month the lease is executed using the EIR method.

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

Gain on disposal of investment securities at amortized cost
Results arising from gains and losses from disposal of investment securities at amortized cost.

Trading and securities gain - net
Results arising from trading activities include all gains and losses from changes in fair value for financial assets and financial liabilities at FVTPL and gains and losses from disposal of debt securities at FVOCI.

Rental income
Rental income arising on leased properties is accounted for on a straight-line basis over the lease terms on ongoing leases and is recorded in the statement of income under 'Leasing'.

Income on receivables financed
Income on loans and receivables financed with short-term maturities is recorded in 'Interest income' and is recognized using the EIR method. Interest and finance fees on finance leases and loans and receivables financed with long-term maturities and the excess of the aggregate lease rentals plus the estimated terminal value of the leased equipment over its cost are credited to unearned discount and amortized over the term of the note or lease using the EIR method.

Cash and Cash Equivalents
For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items, amounts due from BSP and other banks, and interbank loans receivable and SPURA with original maturities of three months or less from dates of placements and that are subject to insignificant risk of changes in value.

Property and Equipment
Land is stated at cost and depreciable properties, including buildings, furniture, fixtures and equipment and leasehold improvements, are stated at cost less accumulated depreciation and amortization, and allowance for impairment losses. Such cost includes the cost of replacing part of the property and equipment when that cost is incurred, if the recognition criteria are met but excludes repairs and maintenance costs. Building under construction (BUC) is stated at cost and includes cost of construction and other direct costs. BUC is not depreciated until such time that the relevant asset is completed and put into operational use.

Depreciation is calculated on the straight-line method over the estimated useful life of the depreciable assets. Leasehold improvements are amortized over the shorter of the terms of the covering leases and the estimated useful lives of the improvements. The range of estimated useful lives of property and equipment follows:

Buildings	25 to 50 years
Furniture, fixtures and equipment	2 to 5 years
Leasehold improvements	5 to 20 years

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

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

Investments in Subsidiaries, Associates and a Joint Venture (JV)
Investment in subsidiaries
Subsidiaries pertain to all entities over which the Group has control. 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. When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights.

Investment in associates
Associates pertain to all entities over which the Group and the Parent Company have significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Investment in associates is accounted for under the equity method of accounting.

Investment in a JV
A JV is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the JV. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Investment in a JV is accounted for under the equity method of accounting. The Group's investment in a JV represents the 30% interest of PSBank in Sumisho Motor Finance Corporation (SMFC) (Note 11).

Upon loss of significant influence over the associate or joint control over the JV, the Group and the Parent Company measure and recognize any retained investment at its fair value. Any difference between the carrying amount of the associate or JV upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in the statement of income.

Under the equity method, investments in associates and a JV are carried in the statement of financial position at cost plus post-acquisition changes in the Group's and the Parent Company's share of the net assets of the associate or JV less allowance for impairment losses. Post-acquisition changes in the share of net assets of the associate or a JV include the share in the:
a. Income or losses; and
b. Unrealized gain or loss on investment securities, remeasurement of retirement plans and others.

Dividends received are treated as a reduction in the carrying values of the investments. Goodwill relating to the associate and a JV is included in the carrying value of the investment and is not amortized.

When the Group and the Parent Company increase its ownership interest in an associate or a JV that continues to be accounted for under the equity method, the cost for the additional interest is added to the existing carrying amount of the associate or JV and the existing interest in the associate or JV is not remeasured. The share in an associate or a JV's post-acquisition profits or losses is recognized in the statement of income as 'Share in net income of subsidiaries, associates and a joint venture' while its share of post-acquisition movements in the associate or JV's equity reserves is recognized directly in the statement of comprehensive income. When the share of losses in an associate or a JV equals or exceeds its interest in the associate or JV, including any other unsecured receivables, the Group and the Parent Company do not recognize further losses, unless it incurred obligations or made payments on behalf of the associate or JV which is recognized as miscellaneous liabilities. Profits and losses resulting from transactions between the Group or the Parent Company and an associate or JV are eliminated to the extent of the Group or the Parent Company's interest in the associate or JV.

Investments in subsidiaries in the separate financial statements are accounted for under the equity method similarly as investments in associates and JV. Equity in other comprehensive income (losses) of subsidiaries and changes therein are included in 'Remeasurement losses on retirement plans', 'Net unrealized gain (loss) on investment securities at FVOCI', and 'Translation adjustments and others', as appropriate, together with the Parent Company in the separate statement of financial position and statement of comprehensive income.

Investment Properties
Investment properties are measured initially at cost, including transaction costs. An investment property acquired through an exchange transaction is measured at fair value of the asset acquired unless the fair value of such an asset cannot be measured, in which case, the investment property acquired is measured at the carrying amount of asset given up. The difference between the fair value of the asset received and the carrying amount of the asset given up is recorded as 'Gain on initial recognition of investment properties' under 'Miscellaneous income'. Foreclosed properties are classified under 'Investment properties' upon:
a. Entry of judgment in case of judicial foreclosure;
b. Execution of the Sheriff's Certificate of Sale in case of extra-judicial foreclosure; or
c. Notarization of the Deed of Dacion in case of dation in payment (*dacion en pago*).

Subsequent to initial recognition, investment properties are carried at cost less accumulated depreciation (for depreciable investment properties) and allowance for impairment losses.

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 the statement of income under 'Profit from assets sold' in the year of retirement or disposal.

Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance costs, are normally charged to operations in the year in which the costs are incurred. Depreciation is calculated on a straight-line basis using the remaining useful lives from the time of acquisition of the investment properties based on appraisal reports but not to exceed 50 years for buildings and condominium units.

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.

Interest in Joint Operations
The Group is a party to joint operations whereby it contributed parcels of land for development into residential and commercial units. In respect of the Group's interest in the joint operations, the Group recognizes the following:
a. The assets that it controls and the liabilities that it incurs; and
b. The expenses that it incurs and its share of the income that it earns from the sale of units by the joint operations.

The assets contributed to the joint operations are measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale (Note 14).

Chattel Mortgage Properties
Chattel mortgage properties comprise of repossessed vehicles. Chattel mortgage properties are stated at cost less accumulated depreciation and allowance for impairment losses. 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 chattel mortgage properties are estimated to be five (5) years.

Subordinated Notes
Subordinated notes issued by Special Purpose Vehicles (SPV) (presented as 'Investment in SPVs' under 'Other assets') are stated at amortized cost reduced by an allowance for credit losses. The allowance for credit losses is determined based on the difference between the outstanding principal amount and the recoverable amount which is the present value of the future cash flow expected to be received as payment for the subordinated notes.

Intangible Assets
Software costs
Software costs (presented under 'Other assets') are capitalized on the basis of the cost incurred to acquire and bring to use the specific software. These costs are amortized over three to five years on a straight-line basis. Costs associated with maintaining the computer software programs are recognized as expense when incurred. Software costs are carried at cost less accumulated amortization.

Exchange trading right
Exchange trading right (included in 'Miscellaneous assets' presented under 'Other assets') is a result of the PSE conversion plan to preserve access of First Metro Securities Brokerage Corporation (FMSBC), a subsidiary of FMIC, to the trading facilities and continue transacting business in the PSE. The exchange trading right has an indefinite useful life as there is no foreseeable limit to the period over which this asset is expected to generate net cash inflows. It is carried at the amount allocated from the original cost to the exchange membership seat (after a corresponding allocation was made to the value of the PSE shares) less any allowance for impairment losses. FMSBC does not intend to sell the exchange trading right in the near future.

Goodwill
Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. With respect to investments in associates and a JV, goodwill is included in the carrying amounts of the investments. Following initial recognition, goodwill is measured at cost, net of allowance for impairment losses (see accounting policy on "Impairment of Non-financial Assets").

Customized System Development Cost
Customized system development cost consists of payments for customization of various banking systems. This account will be reclassified to appropriate accounts upon completion and will be depreciated and amortized from the time the asset is ready for its intended use (Note 14).

Impairment of Non-financial Assets
Property and equipment, investments in subsidiaries, associates and a JV, investment properties, chattel mortgage properties, intangible assets with finite useful lives and other assets
At each statement of financial position 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 (FVLCTS) and its value-in-use (VIU) 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 cash generating unit to which it belongs. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing VIU, 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. An impairment loss is charged to operations in the year in which it arises.

An assessment is made at each statement of financial position 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 years. Such reversal is recognized in the statement of income. After such a reversal, the depreciation and amortization expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Intangible assets with indefinite useful lives and customized system development cost not yet available for use
Intangible assets with indefinite useful lives such as exchange trading right and customized system development cost not yet available for use are tested for impairment annually at statement of financial position date either individually or at the cash generating unit (CGU) level, as appropriate.

Goodwill
Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or group of CGUs) to which goodwill has been allocated, an impairment loss is recognized immediately in the statement of income. The Group uses the higher of FVLCTS and VIU using cash flow projections from financial budgets approved by the Board of Directors (BOD) in determining the recoverable amount.

<u>Leases</u>
Group as lessee
The Group assesses at contract inception whether a contract is, or contains a lease. A contract contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use (ROU) assets representing the right-of-use the underlying assets.

ROU assets
The Group recognizes ROU assets (included in 'Property and Equipment') at the commencement date of the lease (that is, the date the underlying asset is available for use). ROU assets are measured at cost less any accumulated depreciation and allowance for impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognized and lease payments made at or before the commencement date less any lease incentives received. ROU assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Office space	1 to 29 years
ATM site and equipment	1 to 5 years

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. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest (included in 'Interest expense on bills payable and SSURA, bonds payable, subordinated debts and others') 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 or a change in the lease payments.

The Group's lease liabilities are included in Other Liabilities (Note 21).

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of office spaces and ATM sites (that is, those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of ATM site and other equipment that are considered to be of low value (that is, those with value of less than ₱250,000). Lease payments on short-term leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

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 the leased asset is generally applied against the guaranty deposit of the lessee when the lessee decides to buy the leased asset.

Group as lessor
Finance leases, where the Group transfers substantially all the risks and benefits incidental to the ownership of the leased item to the lessee, are included in the statement of financial position under 'Loans and receivables'. All income resulting from the receivable is included in 'Interest income' 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. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the year in which they are earned.

Retirement Cost
The Group has a non-contributory defined benefit retirement plans, except for FMIIC and its subsidiary which follow the defined contribution retirement benefit plan and the Mandatory Provident Fund Scheme (MPFS). The retirement cost of the Parent Company and most of its subsidiaries is determined using the projected unit credit method. Under this method, the current service cost is the present value of retirement benefits payable in the future with respect to services rendered in the current year. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation (DBO) at the end of the statement of financial position date reduced by the fair value of plan assets, 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; and
- Net interest on the 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. These amounts are calculated periodically by independent qualified actuaries. Net interest on the net defined benefit liability or asset is the change during the year 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. Retirement expense is presented under 'Compensation and fringe benefits' in the statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to the statement in income in subsequent periods.

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

If the fair value of the plan assets is higher than the present value of the DBO, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all of the expenditure required to settle a DBO is recognized as a separate asset at fair value when and only when reimbursement is virtually certain. Payments to the defined contribution retirement benefit plans and the MPFS are recognized as expenses when employees have rendered service entitling them to the contributions.

Equity
When the shares are sold at a premium, the difference between the proceeds and par value is credited to 'Capital paid in excess of par value', net of direct costs incurred related to the equity issuance. If 'Capital paid in excess of par value' is not sufficient, the excess is charged against 'Surplus'. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of stocks issued.

Surplus represents accumulated earnings of the Group less dividends declared.

Own equity instruments which are reacquired or Parent Company's shares acquired by its subsidiaries (treasury stock) are recognized at cost and deducted from equity. No gain or loss is recognized in the statement of income on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in 'Capital paid in excess of par value'. Voting rights related to treasury stocks are nullified and no dividends are allocated. When the stocks are retired, the Common stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to 'Capital paid in excess of par value' at the time the stocks were issued and to 'Surplus' for the remaining balance.

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 resources 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. Where discounting is used, the increase in the provision due to the passage of time is recognized as 'Interest expense'.

Contingent Liabilities and Contingent Assets

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

Income Taxes

Current taxes

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

Deferred taxes

Deferred tax is provided on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

a. Where the deferred tax liability arises from the initial recognition of goodwill or 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 profit nor taxable profit or loss.
b. In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

a. Where the deferred tax asset relating to the deductible temporary difference arises 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 profit nor taxable profit or loss.
b. In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

Current tax and deferred tax relating to items recognized directly in equity are recognized in OCI and not in the statement of income.

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

Earnings Per Share
Basic earnings per share is computed by dividing net income for the year attributable to equity holders of the Parent Company by the weighted average number of common shares outstanding during the year after giving retroactive effect to stock dividends declared and stock rights exercised during the year. The Group does not have dilutive potential common shares.

Dividends on Common Shares
Cash dividends on common shares are recognized as a liability and deducted from the equity when approved by the BOD of the Parent Company while stock dividends are deducted from equity when approved by BOD and shareholders of the Parent Company. Dividends declared during the year but are paid or issued after the statement of financial position date are dealt with as a subsequent event.

Debt Issuance Costs
Issuance, underwriting and other related costs incurred in connection with the issuance of debt instruments are deferred and amortized over the terms of the instruments using the EIR method. Unamortized debt issuance costs are included in the related carrying amount of the debt instrument in the statement of financial position.

Capital Securities Issuance Costs
Issuance, underwriting and other related costs incurred in connection with the issuance of the capital securities are treated as a reduction of equity against 'Capital paid in excess of par value'.

Events after the Statement of Financial Position Date
Post year-end events that provide additional information about the Group's position at the statement of financial position date (adjusting event) are reflected in the financial statements. Post year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

Segment Reporting
The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 6.

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

Standards Issued but not yet Effective

The list below 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 standards and interpretations to have significant impact on its financial statements.

Effective beginning on or after January 1, 2022

Amendments to PFRS 3, *Business Combinations, Reference to the conceptual framework*
The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, or Philippine-IFRIC 21, *Levies*, if incurred separately.

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

Amendments to PAS 16 , *Plant and Equipment, Proceeds before intended use*
The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in the statement of income.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

Amendments to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets, Onerous contract – costs of fulfilling a contract*
The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022.

Annual Improvements to PFRSs 2018-2020 Cycle
Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or JV that elects to apply paragraph D16(a) of PFRS 1.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

Amendments to PFRS 9, *Financial Instruments*, *Fees in the '10 percent' test for derecognition financial liabilities*
The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022, with early adoption permitted.

Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*
The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022, with early adoption permitted.

Effective beginning on or after January 1, 2023

Amendments to PAS 12, *Income Taxes, Deferred tax related to assets and liabilities arising from a single transaction*
The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

The amendment is effective for annual reporting periods beginning on or after January 1, 2023 to transactions that occur on or after the beginning of the earliest comparative period presented.

Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of accounting estimates*
The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with early adoption permitted.

Amendments to PAS 1, *Presentation of Financial Statements*, and PFRS Practice Statement 2, *Disclosure of Accounting Policies*
The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:
- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies; and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023, with early adoption permitted.

Effective beginning on or after January 1, 2024

Amendments to PAS 1, *Presentation of Financial Statements, Classification of liabilities as current or non-current*
The amendments clarify paragraphs 69 to 76 of PAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the statement of financial position date;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024.

Effective beginning on or after January 1, 2025

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

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

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

On December 15, 2021, the Financial Reporting Standards Council (FRSC) amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission, which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

Deferred effectivity

Amendments to PFRS 10, *Consolidated Financial Statements,* and PAS 28, *Investments in Associates and Joint Ventures, Sale or contribution of assets between an investor and its associate or JV*
The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or JV. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or JV involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investor’s interests in the associate or JV.

On January 13, 2016, the FRSC postponed the original effective date of January 1, 2016 of the said amendments until the IASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and JVs.

3. Significant Accounting Judgments and Estimates

The preparation of the financial statements in compliance with PFRS requires the Group to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and the disclosures of contingent assets and contingent liabilities. Future events may occur which can cause the 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 continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The following are the critical judgments and key assumptions that have a significant risk of material adjustment to the carrying amounts of assets and liabilities within the next financial year:

<u>Judgments</u>

a. *Classification of financial assets*
   The Group classifies its financial assets depending on the business model for managing those financial assets and whether the contractual terms of the financial asset are SPPI on the principal

amount outstanding. The Group performs the business model assessment based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel
- Risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- Compensation of business units whether based on the fair value of the assets managed or on the contractual cash flows collected
- Expected frequency, value and timing of sales

In performing the SPPI test, the Group applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, the period for which the interest rate is set, contingent events that would change the amount and timing of cash flows, leverage features, prepayment and extension terms and other features that may modify the consideration for the time value of money.

In 2020, the Parent Company disposed investment securities at amortized cost and assessed that this resulted from a change in business model. PSBank also disposed investment securities at amortized cost and assessed that the disposal was not inconsistent with the hold-to-collect (HTC) business model (see Note 8).

In 2019, FMIC disposed all of its investment securities at amortized cost and assessed that this resulted from unanticipated market changes that are significant to its operations (see Note 8).

b. *Consolidation of subsidiaries*

The determination whether the Group has control over an investee company requires significant judgment. The Group considers that the following criteria are all met, including:

- An investor has the power over an investee;
- The investor has exposure, or rights, to variable returns from its involvement with the investee; and
- The investor has the ability to use its power over the investee to affect the amount of the investor's return.

In accordance with PFRS 10, the Group included the accounts of First Metro Save and Learn Balance Fund, Inc. (FMSALBF), First Metro Save and Learn Equity Fund, Inc. (FMSALEF), First Metro Save and Learn Fixed Income Fund, Inc. (FMSLFIF), First Metro Philippine Equity Exchange Traded Fund, Inc. (FMPETF), First Metro Save and Learn F.O.C.C.U.S. Dynamic Fund, Inc. and First Metro Save and Learn Money Market Fund, Inc., collectively the "Funds", in its consolidated financial statements. The Group re-assessed the control conclusion for these Funds. Although the ownership is less than half of the voting power of these investees, the Group has control due to its power to direct the relevant activities of the Funds through First Metro Asset Management Inc. (FAMI), a subsidiary of FMIC, which acts as the fund manager of the Funds. Further, the Group has the exposure to variable returns from its investments and its ability to use its power over the Funds to affect their returns.

c. *Existence of significant influence over an associate with less than 20.00% ownership*
As discussed in Note 11, there are instances that an investor exercises significant influence even if its ownership is less than 20.00%. The Group applies significant judgment in assessing whether it holds significant influence over an investee and considers the following:

- Representation in the BOD or equivalent governing body of the investee;
- Participation in policy-making processes, including participation in decisions about dividends or other distributions;
- Material transactions between the investor and the investee;
- Interchange of managerial personnel;
- Joint voting agreement with other investors; or
- Provision of essential technical information.

d. *Fair value of financial instruments*
Where the fair values of financial assets and financial liabilities recorded in the statement of financial position or disclosed in the notes to financial statements cannot be derived from active markets, these are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but when this is not feasible, a degree of judgment is required in establishing fair values. These judgments may include considerations of liquidity and volatility for longer dated derivatives (Note 5).

e. *Leases*

Group as lessor
<u>Operating leases</u>
The Group has entered into commercial property leases on its investment properties portfolio and over various items of furniture, fixtures and equipment. The Group has determined, based on an evaluation of the terms and conditions of the arrangements (that is, the lease does not transfer ownership of the asset to the lessee by the end of the lease term, the lessee has no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option is exercisable and the lease term is not for the major part of the asset's economic life), that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

<u>Finance leases</u>
The Group has entered into leases on its transportation and office equipment portfolio. The Group 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 of the fair value of the lease asset.

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.

Extension and termination options
The Group has several lease contracts that include extension and termination options. The Group applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors such as leasehold improvements and location that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassess 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 or to terminate.

Estimating the incremental borrowing rate (IBR) for lease liabilities
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR for lease liabilities is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment. The Group estimates the IBR for lease liabilities using observable inputs (by reference to prevailing risk-free rates) adjusted to take into account the entity's credit risk (that is, credit spread).

f. Contingencies
The Group is currently involved in legal proceedings. The estimate of the probable cost for the resolution of claims has been developed in consultation with and the aid of the outside legal counsel handling the Group's defense in this matter and is based upon an analysis of potential results. It is probable, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (Note 30).

Estimates

a. Credit losses on financial assets
The Group reviews its debt financial assets subject to ECL at least on a semi-annual basis with updating provisions made during the intervals as necessary based on the continuing analysis and monitoring of individual accounts by credit officers, as has been the case since 2020 when quarterly reviews and ECL adjustments are made in response to the changing credit environment brought about by the COVID-19 pandemic. The measurement of credit losses under PFRS 9 across all categories of such financial assets requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining credit losses and the assessment of a SICR. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgments and estimates include, among others:

- Segmentation of the portfolio, where the appropriate model or ECL approach is used.
- Criteria for assessing if there has been a SICR and so allowances for debt financial assets should be measured on a lifetime ECL basis and the qualitative assessment.
  - ➢ In 2020, exposures that were granted payment reprieve strictly as provided for by laws and relevant regulations were retained under Stage 1, while exposures that were granted extended reprieve, provided not impaired or not non-performing under relevant rules, were included under Stage 2. This approach was maintained in 2021.
  - ➢ The Group likewise performed quarterly reviews of its credit exposures to determine the occurrence of SICR notwithstanding said reprieves. Exposures belonging to sectors widely determined to be most at-risk and non-essential (for example, tourism, entertainment and leisure, hotels and restaurants, airlines), and projected to experience significant revenue and liquidity strain in the event of prolonged economic inactivity, were also included under Stage 2.
- Segmentation of debt financial assets when their ECL is assessed on a collective basis.
- Development of ECL models, including the various formulas and the choice of inputs. The Parent Company and the Group as a whole continuously review and calibrate their models based on the results of the model validation and regular backtesting.

- Determination of associations between macroeconomic scenarios and economic inputs, such as unemployment levels and collateral values, and the effect on PDs, LGDs and EADs.
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

The gross carrying amounts of financial assets subject to ECL as of December 31, 2021 and 2020 are disclosed in Note 4, while the related allowances for expected credit losses are disclosed in Note 15. In 2021, 2020 and 2019, provision for credit losses on these financial assets amounted to ₱11.7 billion, ₱40.8 billion and ₱9.6 billion, respectively, for the Group, and ₱7.7 billion, ₱32.7 billion and ₱1.6 billion, respectively, for the Parent Company (Note 15). With the merger of MCC into the Parent Company in 2020 (Note 11), the Parent Company's provision for credit losses starting in 2020 includes the provision for credit losses on credit card receivables.

b. *Recognition of deferred income taxes*
Deferred tax assets are recognized for all unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The estimates of future taxable income indicate that certain temporary differences will be realized in the future. The Group and the Parent Company have considered the impact of the COVID-19 pandemic on future taxable income and on the recognition of deferred tax assets. The recognized net deferred tax assets and unrecognized deferred tax assets for the Group and the Parent Company are disclosed in Note 28.

c. *Present value of retirement liability*
The cost of defined retirement pension plan is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, salary increase rates, and turnover rates. Due to the complexities involved in the valuation and the long-term nature of these plans, such estimates are subject to significant uncertainty.

The assumed discount rates were determined using the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as of the statement of financial position date. Salary increase rates are based on historical annual merit, market and promotional increase and future inflation rates. Turnover rates are based on the Group's historical experience.

The present values of the retirement liability of the Group and the Parent Company are disclosed in Note 27.

d. *Impairment of non-financial assets*
The Group assesses impairment on non-financial assets (property and equipment, investments in subsidiaries, associates and a JV, investment properties, software costs, chattel mortgage properties and other assets) whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:
- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

The Group uses the higher of FVLCTS and VIU in determining the recoverable amount of the asset. As of December 31, 2021 and 2020, there has been a significant and prolonged decline in the fair value of an associate. The recoverable amount of the investment in associate has been determined based on FVLCTS as it was higher than the VIU. The FVLCTS was based on the quoted price of the shares less expected selling costs. In 2021 and 2020, the Group considered the impact of the COVID-19 pandemic in determining the VIU. Based on the Group's impairment testing as of December 31, 2021 and 2020, allowance for impairment losses on investment on this associate amounted to ₱570.8 million and ₱439.2 million, respectively.

The carrying values of the property and equipment, investments in subsidiaries, associates and a JV, investment properties, software costs, chattel mortgage properties, and other assets of the Group and the Parent Company are disclosed in Notes 10, 11, 12 and 14, respectively.

Goodwill
Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or group of CGUs) to which goodwill has been allocated, an impairment loss is recognized immediately in the statement of income. The recoverable amount of the CGU is determined based on FVLCTS.

The fair value of the CGU is determined using the cost approach, specifically the adjusted Net Asset Value (NAV) method. This method requires the measurement of the fair value of the individual assets and liabilities recognized in the CGU, as well as the fair value of any unrecognized assets and liabilities at the measurement date. The resulting net fair values of the assets and liabilities represent the fair value of the CGU. In determining the fair value of the CGU's net assets, the Group used the discounted cash flow method for unquoted debt financial assets/liabilities at the appropriate market rate, the price-to-earnings (P/E) valuation and adjusted NAV model for unquoted equity investments, and the appraisal reports for the valuation of real properties. Fair values of listed debt and equity securities are based on their quoted market prices. The Group applied the P/E valuation model by reference to P/E ratios of listed comparable companies of the investee company. The FVLCTS calculation of the CGU is most sensitive to the P/E ratios of listed comparable companies of the investee company. As of December 31, 2021 and 2020, based on the sensitivity analysis performed, a four percent (4%) and one percent (1%) reduction, respectively, in the P/E ratio used will result in impairment of the goodwill. The Group considered the impact of the COVID-19 pandemic in determining the recoverable amount. As of December 31, 2021 and 2020, the Group's goodwill amounted to ₱5.2 billion (Note 11).

4. Financial Risk and Capital Management

Introduction
The Group has exposure to the following risks from its use of financial instruments:
a. Credit;
b. Liquidity; and
c. Market risks.

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

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

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

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

Management of credit risk
The Group faces potential credit risks every time it extends funds to borrowers, commits funds to counterparties, guarantees the paying performance of its clients, invests funds to issuers (for example, investment securities issued by either sovereign or corporate entities) or enter into either market-traded or over-the-counter derivatives, either through implied or actual contractual agreements (that is, on- or off-balance sheet exposures). The Parent Company manages its credit risk at various levels (that is, strategic level, portfolio level down to individual obligor 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/financial assessment, risk grading and reporting, and compliance with regulatory requirements;
- Establishment of authorization limits for the approval and renewal of credit facilities;
- Limiting concentrations of exposure to counterparties and industries (for loans), and by the issuer (for investment securities);

- Utilizing the Internal Credit Risk Rating System (ICRRS) to categorize exposures according to their risk profile. The risk grading system is used for determining impairment provisions against credit exposures. The current risk grading framework consists of ten grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation; and
- Monitoring compliance with approved exposure limits.

Borrowers, counterparties, or groups of related accounts across the Group are aggregated and managed by the Parent Company's Institutional Banking Sector as the "Control Unit". Group Limits for conglomerates are set-up and approved to guide subsidiaries and affiliates of the Group. Consolidated exposures are regularly reported to senior management, the EXCOM, and the ROC.

Credit risk at initial recognition
The Group uses internal credit assessment and approvals at various levels to determine the credit risk of exposures at initial recognition. Assessment can be quantitative or qualitative and depends on the materiality of the facility or the complexity of the portfolio to be assessed.

Modification
In certain circumstances, the Group modifies the original terms and conditions of a credit exposure to form a new loan agreement or payment schedule. The modifications can be given depending on the borrower's or counterparty's current or expected financial difficulty. The modifications may include, but are not limited to, change in interest rate and terms, principal amount, maturity date, date and amount of periodic payments and accrual of interest and charges.

On March 24, 2020, Republic Act (RA) No. 11469 or the "Bayanihan to Heal as One Act" (Bayanihan 1) was enacted declaring a state of national emergency over the entire country to control the spread of the COVID-19. Among the provisions of Bayanihan 1 is the implementation of a 30-day grace period for all loans with principal and/or interest falling due within the period of the Enhanced Community Quarantine without incurring interest on interest, on penalties, fees and other charges. Further, on September 11, 2020, RA No. 11494 or the "Bayanihan to Recover as One Act" (Bayanihan 2) was enacted and part of the provisions of the Bayanihan 2 is the implementation of a one-time 60-day grace period to be granted for the payment of all existing, current and outstanding loans falling due, or any part thereof, on or before December 31, 2020, without incurring interest on interest, penalties, fees and other charges, thereby extending the maturity of said loans. In addition, Bayanihan 2 allows loans to be settled on a staggered basis without interest on interests, penalties, fees or other charges until December 31, 2020 or as may be agreed upon by both parties.

As of December 31, 2020, the impact of loan modifications as a result of the Bayanihan 1 and Bayanihan 2 Acts amounted to a loss of ₱1.7 billion for the Group and ₱1.2 billion for the Parent Company. For the year ended December 31, 2021 and 2020, the net impact of the loan modifications (that is, after subsequent accretion of the modified loans) amounted to a gain/(loss) of ₱134.6 million and (₱461.3 million), respectively, for the Group, and nil for the Parent Company.

Maximum exposure to credit risk

An analysis of the maximum credit risk exposure (net of allowance for ECL) relating to financial assets with collateral or credit enhancements is shown below:

Consolidated

	2021				2020			
	Maximum Exposure to Credit Risk	**Fair Value of Collateral**	**Financial Effect of Collateral or Credit Enhancement**	**Net Exposure**	Maximum Exposure to Credit Risk	Fair Value of Collateral	Financial Effect of Collateral or Credit Enhancement	Net Exposure
Interbank loans receivable and SPURA	**₱4,533**	**₱4,533**	**₱4,533**	**₱–**	₱26,653	₱26,653	₱26,653	₱–
Loans and receivables - net								
Receivables from customers								
Commercial loans	**251,140**	**1,732,153**	**228,220**	**22,920**	269,534	827,714	239,564	29,970
Residential mortgage loans	**94,997**	**180,815**	**83,479**	**11,518**	103,367	188,025	98,305	5,062
Auto loans	**71,597**	**98,918**	**68,125**	**3,472**	95,625	161,750	92,087	3,538
Trade loans	**47,189**	**46,635**	**46,179**	**1,010**	34,314	34,216	33,440	874
Others	**126**	**151**	**113**	**13**	268	300	262	6
	465,049	**2,058,672**	**426,116**	**38,933**	503,108	1,212,005	463,658	39,450
Accrued interest receivable	**1,493**	**1,469**	**1,469**	**24**	6,386	5,540	5,540	846
Sales contract receivable	**38**	**139**	**37**	**1**	79	272	76	3
	466,580	**2,060,280**	**427,622**	**38,958**	509,573	1,217,817	469,274	40,299
Total	**₱471,113**	**₱2,064,813**	**₱432,155**	**₱38,958**	₱536,226	₱1,244,470	₱495,927	₱40,299

Parent Company

	2021				2020			
	Maximum Exposure to Credit Risk	**Fair Value of Collateral**	**Financial Effect of Collateral or Credit Enhancement**	**Net Exposure**	Maximum Exposure to Credit Risk	Fair Value of Collateral	Financial Effect of Collateral or Credit Enhancement	Net Exposure
Interbank loans receivable and SPURA	**₱–**	**₱–**	**₱–**	**₱–**	₱15,819	₱15,819	₱15,819	₱–
Loans and receivables - net								
Receivables from customers								
Commercial loans	**236,069**	**1,711,529**	**217,728**	**18,341**	249,523	794,103	227,841	21,682
Residential mortgage loans	**50,362**	**112,491**	**50,123**	**239**	53,810	113,501	53,600	210
Auto loans	**17,758**	**37,914**	**17,243**	**515**	20,543	56,052	20,213	330
Trade loans	**47,189**	**46,635**	**46,179**	**1,010**	34,314	34,216	33,440	874
Others	**126**	**151**	**113**	**13**	268	300	262	6
	351,504	**1,908,720**	**331,386**	**20,118**	358,458	998,172	335,356	23,102
Accrued interest receivable	**1,493**	**1,469**	**1,469**	**24**	1,787	1,776	1,776	11
Sales contract receivable	**20**	**69**	**20**	**–**	54	189	54	–
	353,017	**1,910,258**	**332,875**	**20,142**	360,299	1,000,137	337,186	23,113
Total	**₱353,017**	**₱1,910,258**	**₱332,875**	**₱20,142**	₱376,118	₱1,015,956	₱353,005	₱23,113

The maximum exposure to credit risks for the other financial assets is limited to their carrying values as of December 31, 2021 and 2020.

Collaterals on loans and receivables includes real estate and chattel mortgages, guarantees, and other registered securities over assets. Generally, collateral is not held over loans and advances to banks, except for reverse repurchase agreements and certain due from other banks. Collateral usually is not held against investment securities, and no such collateral was held as of December 31, 2021 and 2020. Estimates of fair values of the collateral are based on the value of collateral assessed at the time of borrowing and are regularly updated according to internal lending policies and regulatory guidelines. The Group is not permitted to sell or repledge the collateral in the absence of default by the counterparty.

The following tables show the effect of rights of set-off associated with the recognized financial assets and financial liabilities:

	Gross Carrying Amounts (before Offsetting)	Gross Amounts Offset in Accordance with the Offsetting Criteria	Net Amount Presented in Statement of Financial Position	Effect of Remaining Rights of Set-Off (including Rights to Set-off Financial Collateral) Not Meeting Offsetting Criteria		Net Exposure
				Financial Instruments	Fair Value of Financial Collateral	
Financial assets recognized by type						
Consolidated						
2021						
Derivative assets	**₱295,264**	**₱285,423**	**₱9,841**	**₱2,748**	**₱–**	**₱7,093**
SPURA	**4,533**	**–**	**4,533**	**–**	**4,533**	**–**
	₱299,797	**₱285,423**	**₱14,374**	**₱2,748**	**₱4,533**	**₱7,093**
2020						
Derivative assets	₱220,810	₱208,972	₱11,838	₱1,474	₱–	₱10,364
SPURA	26,653	–	26,653	–	26,653	–
	₱247,463	₱208,972	₱38,491	₱1,474	₱26,653	₱10,364
Parent Company						
2021						
Derivative assets	**₱295,199**	**₱285,415**	**₱9,784**	**₱2,740**	**₱–**	**₱7,044**
SPURA	**–**	**–**	**–**	**–**	**–**	**–**
	₱295,199	**₱285,415**	**₱9,784**	**₱2,740**	**₱–**	**₱7,044**
2020						
Derivative assets	₱220,795	₱208,971	₱11,824	₱1,474	₱–	₱10,350
SPURA	15,819	–	15,819	–	15,819	–
	₱236,614	₱208,971	₱27,643	₱1,474	₱15,819	₱10,350
Financial liabilities recognized by type						
Consolidated						
2021						
Derivative liabilities	**₱286,609**	**₱278,267**	**₱8,342**	**₱2,748**	**₱–**	**₱5,594**
SSURA	**50,798**	**–**	**50,798**	**–**	**50,798**	**–**
	₱337,407	**₱278,267**	**₱59,140**	**₱2,748**	**₱50,798**	**₱5,594**
2020						
Derivative liabilities	₱239,695	₱226,244	₱13,451	₱1,474	₱–	₱11,977
SSURA	93,059	–	93,059	–	93,059	–
	₱332,754	₱226,244	₱106,510	₱1,474	₱93,059	₱11,977
Parent Company						
2021						
Derivative liabilities	**₱283,883**	**₱275,698**	**₱8,185**	**₱2,740**	**₱–**	**₱5,445**
SSURA	**50,798**	**–**	**50,798**	**–**	**50,798**	**–**
	₱334,681	**₱275,698**	**₱58,983**	**₱2,740**	**₱50,798**	**₱5,445**
2020						
Derivative liabilities	₱227,226	₱215,423	₱11,803	₱1,474	₱–	₱10,329
SSURA	93,059	–	93,059	–	93,059	–
	₱320,285	₱215,423	₱104,862	₱1,474	₱93,059	₱10,329

Excessive risk concentration

Credit risk concentrations can arise whenever a significant number of borrowers have similar characteristics and are affected similarly by changes in economic or other conditions. The Parent Company analyzes the credit risk concentration to an individual borrower, related group of accounts, industry, internal rating buckets, and security. For risk concentration monitoring purposes, the financial assets are broadly categorized into (1) loans and receivables and (2) trading and financial investment securities. To mitigate risk concentration, the Parent Company constantly checks for breaches in regulatory and internal limits.

Concentration of risks of financial assets with credit risk exposure

Below is an analysis of concentrations of credit risk at the statement of financial position date based on carrying amount:

	Consolidated				
	Loans and Receivables	**Loans and Advances to Banks***	**Investment Securities****	**Others*****	**Total**
2021					
Concentration by Industry					
Financial and insurance activities	**₱160,286**	**₱372,594**	**₱143,788**	**₱15,929**	**₱692,597**
Activities of households as employers and undifferentiated goods and services and producing activities of households for own use	**217,367**	–	–	**188,230**	**405,597**
Real estate activities	**228,023**	–	**337**	**2,805**	**231,165**
Manufacturing	**167,359**	–	**488**	**22,297**	**190,144**
Wholesale and retail trade, repair of motor vehicles, motorcycles	**166,394**	–	**156**	**23,401**	**189,951**
Transportation and storage, information and communication	**125,514**	–	–	**2,612**	**128,126**
Electricity, gas, steam and air-conditioning supply and water supply, sewerage, waste management and remediation activities	**78,210**	–	**1,838**	**3,443**	**83,491**
Construction	**48,271**	–	–	**16,716**	**64,987**
Agricultural, forestry and fishing	**24,896**	–	–	**604**	**25,500**
Accommodation and food service activities	**24,813**	–	–	**23**	**24,836**
Others****	**47,664**	–	**584,216**	**25,782**	**657,662**
	1,288,797	**372,594**	**730,823**	**301,842**	**2,694,056**
Less allowance for credit losses	**52,726**	**59**	**31**	**10,914**	**63,730**
	₱1,236,071	**₱372,535**	**₱730,792**	**₱290,928**	**₱2,630,326**
Concentration by Location					
Philippines	**₱1,224,842**	**₱254,819**	**₱642,413**	**₱261,174**	**₱2,383,248**
Asia	**63,722**	**72,495**	**74,275**	**40,622**	**251,114**
Europe	**26**	**30,602**	**2,842**	–	**33,470**
USA	**168**	**14,066**	**8,251**	**45**	**22,530**
Others	**39**	**612**	**3,042**	**1**	**3,694**
	1,288,797	**372,594**	**730,823**	**301,842**	**2,694,056**
Less allowance for credit losses	**52,726**	**59**	**31**	**10,914**	**63,730**
	₱1,236,071	**₱372,535**	**₱730,792**	**₱290,928**	**₱2,630,326**
2020					
Concentration by Industry					
Financial and insurance activities	₱109,377	₱422,671	₱87,277	₱12,427	₱631,752
Activities of households as employers and undifferentiated goods and services and producing activities of households for own use	148,459	–	–	206,006	354,465
Real estate activities	225,640	–	255	592	226,487
Wholesale and retail trade, repair of motor vehicles, motorcycles	171,453	–	150	23,460	195,063
Manufacturing	161,706	–	1,101	22,662	185,469
Transportation and storage, information and communication	97,831	–	–	2,167	99,998
Electricity, gas, steam and air-conditioning supply and water supply, sewerage, waste management and remediation activities	72,366	–	1,901	791	75,058
Construction	44,546	–	–	15,362	59,908
Agricultural, forestry and fishing	22,063	–	–	280	22,343
Accommodation and food service activities	26,404	–	–	26	26,430
Others****	228,327	–	500,376	12,997	741,700
	1,308,172	422,671	591,060	296,770	2,618,673
Less allowance for credit losses	55,243	138	22	9,678	65,081
	₱1,252,929	₱422,533	₱591,038	₱287,092	₱2,553,592
Concentration by Location					
Philippines	₱1,250,718	₱332,031	₱510,114	₱272,474	₱2,365,337
Asia	57,256	62,458	63,070	24,144	206,928
Europe	50	21,761	7,065	–	28,876
USA	134	4,488	9,861	151	14,634
Others	14	1,933	950	1	2,898
	1,308,172	422,671	591,060	296,770	2,618,673
Less allowance for credit losses	55,243	138	22	9,678	65,081
	₱1,252,929	₱422,533	₱591,038	₱287,092	₱2,553,592

* *Comprised of due from BSP, due from other banks and interbank loans receivable and SPURA.*
** *Comprised of debt securities at FVOCI and investment securities at amortized cost.*
*** *Comprised of Other Assets, Assets held by SPVs, financial guarantees and loan commitments and other credit related liabilities.*
**** *Comprised of loans and investments to the National Government.*

	Parent Company				
	Loans and Receivables	Loans and Advances to Banks*	Investment Securities**	Others***	Total
2021					
Concentration by Industry					
Financial and insurance activities	**₱148,644**	**₱292,213**	**₱53,226**	**₱15,738**	**₱509,821**
Activities of households as employers and undifferentiated goods and services and producing activities of households for own use	**153,528**	**–**	**–**	**188,230**	**341,758**
Real estate activities	**186,931**	**–**	**–**	**2,771**	**189,702**
Manufacturing	**163,270**	**–**	**261**	**22,298**	**185,829**
Wholesale and retail trade, repair of motor vehicles, motorcycles	**154,972**	**–**	**156**	**23,401**	**178,529**
Transportation and storage, information and communication	**117,118**	**–**	**–**	**2,611**	**119,729**
Electricity, gas, steam and air-conditioning supply and water supply, sewerage, waste management and remediation activities	**75,254**	**–**	**1,718**	**3,443**	**80,415**
Construction	**36,163**	**–**	**–**	**16,695**	**52,858**
Accommodation and food service activities	**24,469**	**–**	**–**	**23**	**24,492**
Agricultural, forestry and fishing	**22,644**	**–**	**–**	**604**	**23,248**
Others****	**15,672**	**–**	**563,275**	**1,338**	**580,285**
	1,098,665	**292,213**	**618,636**	**277,152**	**2,286,666**
Less allowance for credit losses	**41,211**	**27**	**5**	**10,835**	**52,078**
	₱1,057,454	**₱292,186**	**₱618,631**	**₱266,317**	**₱2,234,588**
Concentration by Location					
Philippines	**₱1,082,346**	**₱202,513**	**₱555,853**	**₱260,200**	**₱2,100,912**
Asia	**16,106**	**44,710**	**48,656**	**16,908**	**126,380**
Europe	**24**	**30,583**	**2,842**	**–**	**33,449**
USA	**167**	**13,882**	**8,251**	**44**	**22,344**
Others	**22**	**525**	**3,034**	**–**	**3,581**
	1,098,665	**292,213**	**618,636**	**277,152**	**2,286,666**
Less allowance for credit losses	**41,211**	**27**	**5**	**10,835**	**52,078**
	₱1,057,454	**₱292,186**	**₱618,631**	**₱266,317**	**₱2,234,588**
2020					
Concentration by Industry					
Financial and insurance activities	₱112,964	₱342,140	₱55,867	₱218,020	₱728,991
Wholesale and retail trade, repair of motor vehicles, motorcycles	161,922	–	150	23,460	185,532
Manufacturing	159,732	–	1,006	22,662	183,400
Real estate activities	179,465	–	–	558	180,023
Transportation and storage, information and communication	87,477	–	–	2,167	89,644
Electricity, gas, steam and air-conditioning supply and water supply, sewerage, waste management and remediation activities	70,101	–	1,711	791	72,603
Activities of households as employers and undifferentiated goods and services and producing activities of households for own use	60,759	–	–	190	60,949
Construction	37,414	–	–	15,340	52,754
Accommodation and food service activities	26,020	–	–	26	26,046
Agricultural, forestry and fishing	20,104	–	–	280	20,384
Others****	177,218	–	491,331	629	669,178
	1,093,176	342,140	550,065	284,123	2,269,504
Less allowance for credit losses	44,434	5	–	9,678	54,117
	₱1,048,742	₱342,135	₱550,065	₱274,445	₱2,215,387
Concentration by Location					
Philippines	₱1,074,007	₱279,718	₱484,802	₱271,256	₱2,109,783
Asia	18,984	34,520	47,392	12,717	113,613
Europe	45	21,739	7,065	–	28,849
USA	134	4,314	9,861	150	14,459
Others	6	1,849	945	–	2,800
	1,093,176	342,140	550,065	284,123	2,269,504
Less allowance for credit losses	44,434	5	–	9,678	54,117
	₱1,048,742	₱342,135	₱550,065	₱274,445	₱2,215,387

* *Comprised of due from BSP, due from other banks and interbank loans receivable and SPURA.*
** *Comprised of debt securities at FVOCI and investment securities at amortized cost.*
*** *Comprised of applicable accounts under other assets, financial guarantees and loan commitments and other credit-related liabilities.*
**** *Comprised of loans and investments to the National Government.*

Credit quality per class of financial assets
The credit quality of financial assets is assessed and managed using external and internal ratings (applying ICRRS).

The ICRRS contains the following:

a. Borrower Risk Rating (BRR) - an assessment of the credit worthiness of the borrower (or guarantor) without considering the type or amount of the facility and security arrangements. It is an indicator of the probability that a borrower cannot meet its credit obligations when they fall due. The components of the assessment are described below:

Component	Description	Credit Factor Weight
Financial Condition	Refers to the financial condition of the borrower based on audited financial statements as indicated by certain financial ratios. The Financial Factor Evaluation is conducted manually.	40.00%
Industry Analysis	Refers to the prospects of the industry, as well as the company's performance and position in the industry.	30.00%
Management Quality	Refers to the management's ability to run the company successfully.	30.00%

b. Facility Risk Factor (FRF) - determined for each individual facility considering the term of the facility, security arrangement and quality of documentation. This factor can downgrade or upgrade the BRR based on the elements relating to cover (collateral including pledged cash deposits and guarantee), quality of documentation and structure of transactions.

c. Adjusted Borrower Risk Rating - combination of BRR and FRF.

Loans and receivables
The credit quality is generally monitored using the 10-grade ICRRS, which is integrated in the credit process. The validation of the individual borrower's risk rating is performed by the Credit Group to maintain accurate and consistent risk ratings across the credit portfolio. For commercial loans, the credit quality with the corresponding ICRRS Grade and description follows:

<u>High Grade</u>
1 - Excellent
An excellent rating is given to a borrower with a very low probability of going into default and with high degree of stability, substance and diversity. Borrower has access to raise substantial amounts of funds through public market at any time; very strong debt service capacity and has conservative balance sheet ratios. Track record in profit terms is very good. Borrower exhibits highest quality under virtually all economic conditions.

2 - Strong
This rating is given to borrowers with low probability of going into default in the coming year. Normally has a comfortable degree of stability, substance and diversity. Under normal market conditions, borrower has good access to public markets to raise funds. Have a strong market and financial position with a history of successful performance. Overall debt service capacity is deemed very strong; critical balance sheet ratios are conservative. Concerned multinationals or local corporations are well capitalized.

Standard Grade
3 - Good
This rating is given to smaller corporations with limited access to public capital markets or to alternative financial markets during favorable economic and/or market conditions. As it bears characteristics of some degree of stability and substance, probability of default is quite low. However, susceptibility to cyclical changes and more concentration of business risk, by product or market, may be present. Typical is the combination of comfortable asset protection and an acceptable balance sheet structure. Debt service capacity is strong.

4 - Satisfactory
A ‘satisfactory’ rating is given to a borrower where clear risk elements exist and probability of default is somewhat greater. Due to volatility of earnings and overall performance, borrower normally has limited access to public markets. Borrower should be able to withstand normal business cycles, but any prolonged unfavorable economic period would create deterioration beyond acceptable levels. With the combination of reasonable sound asset and cash flow protection, the debt service capacity is adequate. Reported profits in the past year and is expected to report a profit in the current year.

5 - Acceptable
An ‘acceptable’ rating is given to a borrower whose risk elements are sufficiently pronounced although borrower should still be able to withstand normal business cycles. Any prolonged unfavorable economic and/or market period would create an immediate deterioration beyond acceptable levels. Risk is still acceptable as there is sufficient cash flow either historically or expected in the future from new business or projected finance transaction; an existing borrower where the nature of the exposure represents a higher risk because of extraordinary developments but for which a decreasing risk within an acceptable period can be expected.

Watchlist Grade
5 - Watchlist
This rating is given to a borrower that belongs to an unfavorable industry or has company-specific risk factors which represent a concern. Operating performance and financial strength may be marginal and it is uncertain if borrower can attract alternative course of finance.

6 - Watchlist
Borrower finds it hard to cope with any significant economic downturn and a default in such a case is more than a possibility. Credit exposure is not at risk of loss at the moment but performance of the borrower has weakened which, unless present trends are reversed, could lead to losses.

Classified Grade
7 - Especially Mentioned
This rating is given to a borrower that exhibits pronounced weaknesses that deserve management’s close attention. These potential weaknesses, if left uncorrected, may affect the repayment of the loan and thus, increase credit risk of the Group. Classification can be worsened if borrower is endorsed to Special Accounts Management Group for collection.

8 - Substandard
These are loans or portions thereof which appear to involve a substantial and unreasonable degree of risk to the Group because of unfavorable record or unsatisfactory characteristics. There exists the possibility of future losses to the Group unless given closer supervision. Borrower has well-defined weaknesses or weaknesses that jeopardize loan liquidation. Such well-defined weaknesses may include adverse trends or development of financial, managerial, economic or political nature, or a significant weakness in collateral.

Classified - Impaired
9 - Doubtful
This rating is given to a nonperforming borrower whose loans or portions thereof have the weaknesses inherent in those classified as Substandard, with the added characteristics that existing facts, conditions, and values make collection or liquidation in full, highly improbable and in which substantial loss is probable.

10 - Loss
This rating is given to a borrower whose loans or portions thereof are considered uncollectible or worthless and of such little value that their continuance as bankable assets is not warranted although the loans may have some recoveries or salvage value. The amount of loss is difficult to measure and it is not practical or desirable to defer writing off these basically worthless assets even though partial recovery may be obtained in the future.

The credit quality of consumer loan applicants is currently evaluated using quantitative and qualitative criteria. For booked consumer loans, the description of credit quality is as follows:

High Grade
Good credit rating
This rating is given to a good repeat client with very satisfactory track record of its loan repayment (paid at least 50.00%) and whose account did not turn past due during the entire term of the loan.

Standard Grade
Good
A good rating is given to accounts which did not turn past due for 90 days and over.

Limited
This rating is given to borrowers who have average track record on loan repayment (paid less than 50.00%) and whose account did not turn past due for 90 days and over.

Substandard Grade
Poor
A poor rating is given to accounts who reached 90 days past due regardless of the number of times and the number of months past due.

Poor litigation
This rating is given to accounts that were past due for 180 days and over and are currently being handled by lawyers.

Impaired
Poor repossessed
This rating is given to accounts whose collaterals were repossessed.

Poor written-off
This rating is given to accounts that were recommended for write-off.

For booked credit card receivables, the description of credit quality is as follows:

Excellent
These are customers that have exhibited the best payment behavior and are generally those without history of past due which have been paying the outstanding balance in full over a period of twelve (12) months.

Very Satisfactory
These are customers that have exhibited the good payment behavior and are generally those without history of past due but could have revolved over a period of twelve (12) months.

Satisfactory
These are customers that have shown history of past due but not impaired, and are still within the average level of the credit card portfolio which remains to be profitable.

Poor
These are customers that are past due but not yet impaired and could still be cured by collection mitigation strategies.

Default
These are customers that are already impaired. Recovery strategies are needed to reduce exposure to these customers.

Investment securities
In ensuring quality investment portfolio, the Group uses the credit risk rating from the published data providers like Moody's, Standard & Poor's (S&P) or other reputable rating agencies. The following indicates the levels of equivalent credit quality and its relevant external rating:

Credit Quality					**External Rating**				
High grade	Aaa	Aa1	Aa2	A1	A2	A3	Baa1	Baa2	Baa3
Standard grade	Ba1	Ba2	Ba3	B1	B2				
Substandard grade	B3	Caa1	Caa2	Caa3	Ca	C			
Impaired	D								

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to those rated by external rating agencies as 'Investment grade' (that is, those under High grade in the table above).

The following tables show the credit quality of loans and advances to banks, gross of allowance for credit losses, as of December 31, 2021 and 2020. All loans and advances to banks are classified as Stage 1 in 2021 and 2020.

	Consolidated		**Parent Company**	
	2021	2020	**2021**	2020
Due from BSP				
High grade	**₱253,257**	₱304,906	**₱199,974**	₱262,188
Due from other banks				
High grade	**47,599**	36,830	**35,838**	22,110
Standard grade	**418**	715	**374**	607
Unrated	**845**	812	**28**	25
	48,862	38,357	**36,240**	22,742
Interbank loans receivable and SPURA				
High grade	**70,475**	75,829	**55,999**	53,632
Unrated	**–**	3,579	**–**	3,578
	70,475	79,408	**55,999**	57,210
Total loans and advances to banks				
High grade	**371,331**	417,565	**291,811**	337,930
Standard grade	**418**	715	**374**	607
Unrated	**845**	4,391	**28**	3,603
	₱372,594	₱422,671	**₱292,213**	₱342,140

As of December 31, 2021 and 2020, availments of interbank loans and SPURA amounted to ₱70.5 billion and ₱79.4 billion, respectively, for the Group, and ₱56.0 billion and ₱57.2 billion, respectively, for the Parent Company while maturities of interbank loans and SPURA amounted to ₱79.4 billion and ₱72.2 billion, respectively, for the Group, and ₱57.2 billion and ₱56.2 billion, respectively, for the Parent Company. As of December 31, 2021 and 2020, net increase/(decrease) in due from BSP amounted to (₱51.6 billion) and ₱84.9 billion, respectively, for the Group, and (₱62.2 billion) and ₱66.4 billion, respectively, for the Parent Company, and net increase/(decrease) in due from other banks amounted to ₱10.6 billion and (₱16.4 billion), respectively, for the Group, and ₱13.5 billion and (₱16.0 billion), respectively, for the Parent Company.

The following tables show the credit quality of investment securities, gross of allowance for credit losses, as of December 31, 2021 and 2020. All investment securities are classified as Stage 1 in 2021 and 2020.

	Consolidated		Parent	
	2021	2020	**2021**	2020
Debt securities at FVOCI				
Treasury notes and bonds				
High grade	**₱433,234**	₱342,355	**₱423,807**	₱339,258
Treasury bills				
High grade	**18,053**	81,497	**18,053**	81,497
Government				
High grade	**76,742**	76,900	**76,264**	72,315
Standard grade	**1**	1	**–**	–
	76,743	76,901	**76,264**	72,315
Private				
High grade	**38,589**	33,739	**13,584**	18,789
Standard grade	**1,846**	2,956	**–**	–
Unrated	**48**	248	**49**	248
	40,483	36,943	**13,633**	19,037
BSP				
High grade	**78,469**	30,049	**29,488**	30,049
Total debt securities at FVOCI				
High grade	**645,087**	564,540	**561,196**	541,908
Standard grade	**1,847**	2,957	**–**	–
Unrated	**48**	248	**49**	248
	646,982	567,745	**561,245**	542,156
Investment securities at amortized cost				
Treasury notes and bonds				
High grade	**59,215**	243	**52,116**	–
Government				
High grade	**16,961**	19,036	**5,275**	7,909
Standard grade	**–**	117	**–**	–
	16,961	19,153	**5,275**	7,909
Treasury bills				
High grade	**3,947**	294	**–**	–
Private				
High grade	**294**	3,219	**–**	–
Standard grade	**3,414**	400	**–**	–
Unrated	**10**	6	**–**	–
	3,718	3,625	**–**	–
Total investment securities at amortized cost				
High grade	**80,417**	22,792	**57,391**	7,909
Standard grade	**3,414**	517	**–**	–
Unrated	**10**	6	**–**	–
	83,841	23,315	**57,391**	7,909
Total debt investment securities				
High grade	**725,504**	587,332	**618,587**	549,817
Standard grade	**5,261**	3,474	**–**	–
Unrated	**58**	254	**49**	248
	₱730,823	₱591,060	**₱618,636**	₱550,065

As of December 31, 2021 and 2020, purchases of investment in debt securities at FVOCI amounted to ₱1.7 trillion and ₱2.1 trillion, respectively, for the Group, and ₱1.2 trillion and ₱2.1 trillion, respectively, for the Parent Company. Proceeds from disposals/maturities amounted to ₱1.6 trillion and ₱1.8 trillion, respectively, for the Group, and ₱1.2 trillion and ₱1.8 trillion, respectively, for the Parent Company. Other movements, which include amortization of premiums/discounts, mark-to-market and foreign exchange revaluations, resulted in an increase/(decrease) in carrying value of debt securities at FVOCI as of December 31, 2021 and 2020 amounting to (₱6.1 billion) and ₱114.8 billion, respectively, for the Group, and an increase/(decrease) in carrying value of (₱8.6 billion) and ₱90.2 billion, respectively, for the Parent Company.

As of December 31, 2021 and 2020, purchases of investment securities at amortized cost amounted to ₱64.1 billion and nil, respectively, for the Group, and ₱52.1 billion and nil, respectively, for the Parent Company, while proceeds from maturities and disposals amounted to ₱4.8 billion and ₱136.8 billion, respectively, for the Group, and ₱3.0 billion and ₱115.7 billion, respectively, for the Parent Company. Other movements, which include reclassification to investment securities at FVOCI (Note 8), amortization of premiums/discounts, mark-to-market and foreign exchange revaluations, resulted in a decrease in carrying value of investment securities at amortized cost as of December 31, 2021 and 2020 amounting to ₱1.2 billion and ₱99.7 billion, respectively, for the Group, and a decrease in carrying value of ₱376.0 million and ₱99.9 billion, respectively, for the Parent Company.

The credit quality of receivables from customers, net of unearned discount and capitalized interest, as of December 31, 2021 and 2020 follow:

	Consolidated			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
2021				
Commercial loans				
High grade	**₱287,154**	**₱–**	**₱–**	**₱287,154**
Standard grade	**533,038**	**45,062**	**–**	**578,100**
Watchlist grade	**17,545**	**12,031**	**–**	**29,576**
Classified grade	**–**	**32,486**	**–**	**32,486**
Sub-standard grade	**–**	**3,115**	**–**	**3,115**
Unrated	**–**	**184**	**–**	**184**
Non-performing individually impaired	**–**	**–**	**18,031**	**18,031**
	837,737	**92,878**	**18,031**	**948,646**
Residential mortgage loans				
High grade	**35,515**	**8**	**–**	**35,523**
Standard grade	**35,481**	**1,984**	**–**	**37,465**
Sub-standard grade	**11,187**	**6,097**	**–**	**17,284**
Unrated	**–**	**1,579**	**–**	**1,579**
Non-performing individually impaired	**–**	**–**	**5,633**	**5,633**
	82,183	**9,668**	**5,633**	**97,484**
Auto loans				
High grade	**43,483**	**3,787**	**–**	**47,270**
Standard grade	**15,742**	**550**	**–**	**16,292**
Sub-standard grade	**1,306**	**4,152**	**–**	**5,458**
Unrated	**–**	**3,633**	**–**	**3,633**
Non-performing individually impaired	**–**	**–**	**3,973**	**3,973**
	60,531	**12,122**	**3,973**	**76,626**
Credit card				
Standard grade	**80,294**	**–**	**–**	**80,294**
Sub-standard grade	**–**	**687**	**–**	**687**
Non-performing individually impaired	**–**	**–**	**1,131**	**1,131**
	80,294	**687**	**1,131**	**82,112**
Trade loans				
High grade	**9,683**	**–**	**–**	**9,683**
Standard grade	**40,159**	**792**	**–**	**40,951**
Watchlist grade	**68**	**581**	**–**	**649**
Classified grade	**–**	**459**	**–**	**459**
Non-performing individually impaired	**–**	**–**	**346**	**346**
	49,910	**1,832**	**346**	**52,088**

(Forward)

	Consolidated			
	Stage 1	Stage 2	Stage 3	Total
Other loans				
High grade	**₱6,820**	**₱–**	**₱–**	**₱6,820**
Standard grade	**623**	**–**	**–**	**623**
Sub-standard grade	**–**	**971**	**–**	**971**
Unrated	**8**	**491**	**–**	**499**
Non-performing individually impaired	**–**	**–**	**755**	**755**
	7,451	**1,462**	**755**	**9,668**
Total receivables from customers				
High grade	**382,655**	**3,795**	**–**	**386,450**
Standard grade	**705,337**	**48,388**	**–**	**753,725**
Watchlist grade	**17,613**	**12,612**	**–**	**30,225**
Classified grade	**–**	**32,945**	**–**	**32,945**
Sub-standard grade	**12,493**	**15,022**	**–**	**27,515**
Unrated	**8**	**5,887**	**–**	**5,895**
Non-performing individually impaired	**–**	**–**	**29,869**	**29,869**
	₱1,118,106	**₱118,649**	**₱29,869**	**₱1,266,624**
2020				
Commercial loans				
High grade	₱230,890	₱2,294	₱–	₱233,184
Standard grade	386,003	27,274	–	413,277
Sub-standard grade	169,468	109,788	–	279,256
Non-performing individually impaired	–	–	16,225	16,225
	786,361	139,356	16,225	941,942
Residential mortgage loans				
High grade	38,585	13,791	–	52,376
Standard grade	20,545	10,990	–	31,535
Sub-standard grade	10,623	7,584	–	18,207
Non-performing individually impaired	–	–	3,688	3,688
	69,753	32,365	3,688	105,806
Auto loans				
High grade	59,355	17,734	–	77,089
Standard grade	9,057	3,729	–	12,786
Sub-standard grade	2,583	1,787	–	4,370
Non-performing individually impaired	–	–	5,767	5,767
	70,995	23,250	5,767	100,012
Credit card				
Standard grade	75,539	–	–	75,539
Sub-standard grade	–	921	–	921
Non-performing individually impaired	–	–	5,273	5,273
	75,539	921	5,273	81,733
Trade loans				
High grade	4,687	–	–	4,687
Standard grade	19,659	1,971	–	21,630
Sub-standard grade	6,183	4,192	–	10,375
Non-performing individually impaired	–	–	376	376
	30,529	6,163	376	37,068
Other loans				
High grade	11,709	1,155	–	12,864
Standard grade	1,207	263	–	1,470
Sub-standard grade	8	620	–	628
Unrated	9	–	–	9
Non-performing individually impaired	–	–	773	773
	12,933	2,038	773	15,744
Total receivables from customers				
High grade	345,226	34,974	–	380,200
Standard grade	512,010	44,227	–	556,237
Sub-standard grade	188,865	124,892	–	313,757
Unrated	9	–	–	9
Non-performing individually impaired	–	–	32,102	32,102
	₱1,046,110	₱204,093	₱32,102	₱1,282,305

	Parent Company				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
2021					
Commercial loans					
High grade	**₱238,014**	**₱–**	**₱–**	**₱–**	**₱238,014**
Standard grade	**517,181**	**45,061**	**–**	**–**	**562,242**
Watchlist grade	**17,545**	**12,031**	**–**	**–**	**29,576**
Classified grade	**–**	**32,486**	**–**	**–**	**32,486**
Non-performing individually impaired	**–**	**–**	**10,476**	**3,276**	**13,752**
	772,740	**89,578**	**10,476**	**3,276**	**876,070**
Residential mortgage loans					
High grade	**242**	**8**	**–**	**–**	**250**
Standard grade	**34,340**	**1,984**	**–**	**–**	**36,324**
Sub-standard grade	**11,187**	**1,370**	**–**	**–**	**12,557**
Non-performing individually impaired	**–**	**–**	**3,075**	**–**	**3,075**
	45,769	**3,362**	**3,075**	**–**	**52,206**
Auto loans					
High grade	**481**	**23**	**–**	**–**	**504**
Standard grade	**15,614**	**550**	**–**	**–**	**16,164**
Sub-standard grade	**1,306**	**131**	**–**	**–**	**1,437**
Non-performing individually impaired	**–**	**–**	**710**	**–**	**710**
	17,401	**704**	**710**	**–**	**18,815**
Credit card					
Standard grade	**80,294**	**–**	**–**	**–**	**80,294**
Sub-standard grade	**–**	**687**	**–**	**–**	**687**
Non-performing individually impaired	**–**	**–**	**1,131**	**–**	**1,131**
	80,294	**687**	**1,131**	**–**	**82,112**
Trade loans					
High grade	**6,310**	**–**	**–**	**–**	**6,310**
Standard grade	**40,159**	**792**	**–**	**–**	**40,951**
Watchlist grade	**68**	**581**	**–**	**–**	**649**
Classified grade	**–**	**459**	**–**	**–**	**459**
Non-performing individually impaired	**–**	**–**	**346**	**–**	**346**
	46,537	**1,832**	**346**	**–**	**48,715**
Other loans					
High grade	**6,235**	**–**	**–**	**–**	**6,235**
Standard grade	**425**	**–**	**–**	**–**	**425**
Non-performing individually impaired	**–**	**–**	**41**	**–**	**41**
	6,660	**–**	**41**	**–**	**6,701**
Total receivables from customers					
High grade	**251,282**	**31**	**–**	**–**	**251,313**
Standard grade	**688,013**	**48,387**	**–**	**–**	**736,400**
Watchlist grade	**17,613**	**12,612**	**–**	**–**	**30,225**
Classified grade	**–**	**32,945**	**–**	**–**	**32,945**
Sub-standard grade	**12,493**	**2,188**	**–**	**–**	**14,681**
Non-performing individually impaired	**–**	**–**	**15,779**	**3,276**	**19,055**
	₱969,401	**₱96,163**	**₱15,779**	**₱3,276**	**₱1,084,619**
2020					
Commercial loans					
High grade	₱187,014	₱–	₱–	₱–	₱187,014
Standard grade	368,056	26,699	–	–	394,755
Sub-standard grade	169,374	107,305	–	–	276,679
Non-performing individually impaired	–	–	9,344	3,013	12,357
	724,444	134,004	9,344	3,013	870,805
Residential mortgage loans					
High grade	7,562	–	–	–	7,562
Standard grade	20,544	8,767	–	–	29,311
Sub-standard grade	10,623	7,223	–	–	17,846
Non-performing individually impaired	–	–	672	–	672
	38,729	15,990	672	–	55,391
Auto loans					
High grade	8,129	–	–	–	8,129
Standard grade	8,625	1,330	–	–	9,955
Sub-standard grade	2,583	652	–	–	3,235
Non-performing individually impaired	–	–	193	–	193
	19,337	1,982	193	–	21,512
Credit card					
Standard grade	75,539	–	–	–	75,539
Sub-standard grade	–	921	–	–	921
Non-performing individually impaired	–	–	5,273	–	5,273
	75,539	921	5,273	–	81,733

(Forward)

	Parent Company				
	Stage 1	Stage 2	Stage 3	POCI	Total
Trade loans					
High grade	₱3,795	₱–	₱–	₱–	₱3,795
Standard grade	19,659	1,971	–	–	21,630
Sub-standard grade	6,182	4,192	–	–	10,374
Non-performing individually impaired	–	–	376	–	376
	29,636	6,163	376	–	36,175
Other loans					
High grade	11,024	–	–	–	11,024
Standard grade	503	–	–	–	503
Non-performing individually impaired	–	–	41	–	41
	11,527	–	41	–	11,568
Total receivables from customers					
High grade	217,524	–	–	–	217,524
Standard grade	492,926	38,767	–	–	531,693
Sub-standard grade	188,762	120,293	–	–	309,055
Non-performing individually impaired	–	–	15,899	3,013	18,912
	₱899,212	₱159,060	₱15,899	₱3,013	₱1,077,184

Movements during 2021 and 2020 for receivables from customers follows:

	Consolidated			
	Receivables from Customers			
	Stage 1	Stage 2	Stage 3	Total
2021				
Commercial loans				
Balance at January 1, 2021	**₱786,361**	**₱139,356**	**₱16,225**	**₱941,942**
Newly originated assets that remained in Stage 1 as at year-end	**499,712**	**–**	**–**	**499,712**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	**–**	**41,499**	**2,769**	**44,268**
Assets derecognized or repaid	**(471,857)**	**(68,005)**	**(3,965)**	**(543,827)**
Amounts written-off	**–**	**–**	**(186)**	**(186)**
Transfers to/(from) Stage 1	**17,942**	**–**	**–**	**17,942**
Transfers to/(from) Stage 2	**–**	**(20,732)**	**–**	**(20,732)**
Transfers to/(from) Stage 3	**–**	**–**	**2,790**	**2,790**
Others	**5,579**	**760**	**398**	**6,737**
Balance at December 31, 2021	**837,737**	**92,878**	**18,031**	**948,646**
Residential mortgage loans				
Balance at January 1, 2021	**69,753**	**32,365**	**3,688**	**105,806**
Newly originated assets that remained in Stage 1 as at year-end	**12,061**	**–**	**–**	**12,061**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	**–**	**513**	**65**	**578**
Assets derecognized or repaid	**(15,749)**	**(4,103)**	**(1,109)**	**(20,961)**
Transfers to/(from) Stage 1	**16,118**	**–**	**–**	**16,118**
Transfers to/(from) Stage 2	**–**	**(19,107)**	**–**	**(19,107)**
Transfers to/(from) Stage 3	**–**	**–**	**2,989**	**2,989**
Balance at December 31, 2021	**82,183**	**9,668**	**5,633**	**97,484**
Auto loans				
Balance at January 1, 2021	**70,995**	**23,250**	**5,767**	**100,012**
Newly originated assets that remained in Stage 1 as at year-end	**20,011**	**–**	**–**	**20,011**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	**–**	**340**	**60**	**400**
Assets derecognized or repaid	**(27,006)**	**(12,701)**	**(3,678)**	**(43,385)**
Amounts written-off	**–**	**–**	**(412)**	**(412)**
Transfers to/(from) Stage 1	**(3,469)**	**–**	**–**	**(3,469)**
Transfers to/(from) Stage 2	**–**	**1,233**	**–**	**1,233**
Transfers to/(from) Stage 3	**–**	**–**	**2,236**	**2,236**
Balance at December 31, 2021	**60,531**	**12,122**	**3,973**	**76,626**
Credit card				
Balance at January 1, 2021	**75,539**	**921**	**5,273**	**81,733**
Newly originated assets that remained in Stage 1 as at year-end	**2,195**	**–**	**–**	**2,195**
Assets derecognized or repaid	**(757)**	**(302)**	**(229)**	**(1,288)**
Amounts written-off	**–**	**–**	**(15,267)**	**(15,267)**
Transfers to/(from) Stage 1	**(2,084)**	**–**	**–**	**(2,084)**

(Forward)

	Consolidated			
	Receivables from Customers			
	Stage 1	Stage 2	Stage 3	Total
Transfers to/(from) Stage 2	**₱–**	**(₱248)**	**₱–**	**(₱248)**
Transfers to/(from) Stage 3	**–**	**–**	**2,332**	**2,332**
Others	**5,401**	**316**	**9,022**	**14,739**
Balance at December 31, 2021	**80,294**	**687**	**1,131**	**82,112**
Trade loans				
Balance at January 1, 2021	**30,529**	**6,163**	**376**	**37,068**
Newly originated assets that remained in Stage 1 as at year-end	**48,940**	**–**	**–**	**48,940**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	**–**	**1,352**	**176**	**1,528**
Assets derecognized or repaid	**(29,610)**	**(5,710)**	**(208)**	**(35,528)**
Transfers to/(from) Stage 1	**(27)**	**–**	**–**	**(27)**
Transfers to/(from) Stage 2	**–**	**27**	**–**	**27**
Others	**78**	**–**	**2**	**80**
Balance at December 31, 2021	**49,910**	**1,832**	**346**	**52,088**
Other loans				
Balance at January 1, 2021	**12,933**	**2,038**	**773**	**15,744**
Newly originated assets that remained in Stage 1 as at year-end	**4,188**	**–**	**–**	**4,188**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	**–**	**440**	**22**	**462**
Assets derecognized or repaid	**(9,587)**	**(437)**	**(177)**	**(10,201)**
Amounts written-off	**–**	**–**	**(130)**	**(130)**
Transfers to/(from) Stage 1	**97**	**–**	**–**	**97**
Transfers to/(from) Stage 2	**–**	**(383)**	**–**	**(383)**
Transfers to/(from) Stage 3	**–**	**–**	**286**	**286**
Others	**(180)**	**(196)**	**(19)**	**(395)**
Balance at December 31, 2021	**7,451**	**1,462**	**755**	**9,668**
Total receivables from customers				
Balance at January 1, 2021	**1,046,110**	**204,093**	**32,102**	**1,282,305**
Newly originated assets that remained in Stage 1 as at year-end	**587,107**	**–**	**–**	**587,107**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	**–**	**44,144**	**3,092**	**47,236**
Assets derecognized or repaid	**(554,566)**	**(91,258)**	**(9,366)**	**(655,190)**
Amounts written-off	**–**	**–**	**(15,995)**	**(15,995)**
Transfers to/(from) Stage 1	**28,577**	**–**	**–**	**28,577**
Transfers to/(from) Stage 2	**–**	**(39,210)**	**–**	**(39,210)**
Transfers to/(from) Stage 3	**–**	**–**	**10,633**	**10,633**
Others	**10,878**	**880**	**9,403**	**21,161**
Balance at December 31, 2021	**₱1,118,106**	**₱118,649**	**₱29,869**	**₱1,266,624**
2020				
Commercial loans				
Balance at January 1, 2020	₱933,551	₱136,706	₱11,481	₱1,081,738
Newly originated assets that remained in Stage 1 as at year-end	277,534	–	–	277,534
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end		52,982	2,781	55,763
Assets derecognized or repaid	(413,419)	(54,937)	(2,555)	(470,911)
Amounts written-off	–	–	(98)	(98)
Transfers to/(from) Stage 1	(9,245)	–	–	(9,245)
Transfers to/(from) Stage 2	–	4,605	–	4,605
Transfers to/(from) Stage 3	–	–	4,640	4,640
Others	(2,060)	–	(24)	(2,084)
Balance at December 31, 2020	786,361	139,356	16,225	941,942
Residential mortgage loans				
Balance at January 1, 2020	97,575	10,073	2,351	109,999
Newly originated assets that remained in Stage 1 as at year-end	11,891	–	–	11,891
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	175	1	176
Assets derecognized or repaid	(12,229)	(3,418)	(376)	(16,023)
Amounts written-off	–	–	(84)	(84)
Transfers to/(from) Stage 1	(27,389)	–	–	(27,389)
Transfers to/(from) Stage 2	–	25,586	–	25,586
Transfers to/(from) Stage 3	–	–	1,803	1,803
Others	(95)	(51)	(7)	(153)
Balance at December 31, 2020	69,753	32,365	3,688	105,806

(Forward)

	Consolidated			
	Receivables from Customers			
	Stage 1	Stage 2	Stage 3	Total
Auto loans				
Balance at January 1, 2020	₱103,377	₱11,671	₱3,360	₱118,408
Newly originated assets that remained in Stage 1 as at year-end	28,068	–	–	28,068
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	4,158	234	4,392
Assets derecognized or repaid	(38,516)	(9,936)	(1,383)	(49,835)
Amounts written-off	–	–	(746)	(746)
Transfers to/(from) Stage 1	(21,745)	–	–	(21,745)
Transfers to/(from) Stage 2	–	17,426	–	17,426
Transfers to/(from) Stage 3	–	–	4,319	4,319
Others	(189)	(69)	(17)	(275)
Balance at December 31, 2020	70,995	23,250	5,767	100,012
Credit card				
Balance at January 1, 2020	83,481	2,040	1,509	87,030
Newly originated assets that remained in Stage 1 as at year-end	8,687	–	–	8,687
Assets derecognized or repaid	(702)	(4,686)	(123)	(5,511)
Amounts written-off	–	–	(8,473)	(8,473)
Transfers to/(from) Stage 1	(15,927)	–	–	(15,927)
Transfers to/(from) Stage 2	–	3,567	–	3,567
Transfers to/(from) Stage 3	–	–	12,360	12,360
Balance at December 31, 2020	75,539	921	5,273	81,733
Trade loans				
Balance at January 1, 2020	61,096	2,159	105	63,360
Newly originated assets that remained in Stage 1 as at year-end	29,791	–	–	29,791
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	5,929	272	6,201
Assets derecognized or repaid	(59,979)	(2,313)	–	(62,292)
Transfers to/(from) Stage 1	(388)	–	–	(388)
Transfers to/(from) Stage 2	–	388	–	388
Others	9	–	(1)	8
Balance at December 31, 2020	30,529	6,163	376	37,068
Other loans				
Balance at January 1, 2020	16,816	2,471	665	19,952
Newly originated assets that remained in Stage 1 as at year-end	8,240	–	–	8,240
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	562	12	574
Assets derecognized or repaid	(11,773)	(900)	46	(12,627)
Amounts written-off	–	–	(290)	(290)
Transfers to/(from) Stage 1	(288)	–	–	(288)
Transfers to/(from) Stage 2	–	(95)	–	(95)
Transfers to/(from) Stage 3	–	–	383	383
Others	(62)	–	(43)	(105)
Balance at December 31, 2020	12,933	2,038	773	15,744
Total receivables from customers				
Balance at January 1, 2020	1,295,896	165,120	19,471	1,480,487
Newly originated assets that remained in Stage 1 as at year-end	364,211	–	–	364,211
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	63,806	3,300	67,106
Assets derecognized or repaid	(536,618)	(76,190)	(4,391)	(617,199)
Amounts written-off	–	–	(9,691)	(9,691)
Transfers to/(from) Stage 1	(74,982)	–	–	(74,982)
Transfers to/(from) Stage 2	–	51,477	–	51,477
Transfers to/(from) Stage 3	–	–	23,505	23,505
Others	(2,397)	(120)	(92)	(2,609)
Balance at December 31, 2020	₱1,046,110	₱204,093	₱32,102	₱1,282,305

	Parent Company				
	Receivables from Customers				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
2021					
Commercial loans					
Balance at January 1, 2021	**₱724,444**	**₱134,004**	**₱9,344**	**₱3,013**	**₱870,805**
Newly originated assets that remained in Stage 1 as at year-end	**480,774**	**–**	**–**	**–**	**480,774**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	**–**	**40,969**	**2,308**	**–**	**43,277**
Assets derecognized or repaid	**(455,072)**	**(65,023)**	**(1,660)**	**–**	**(521,755)**
Amounts written off	**–**	**–**	**(2)**	**–**	**(2)**
Transfers to/(from) Stage 1	**20,455**	**–**	**–**	**–**	**20,455**
Transfers to/(from) Stage 2	**–**	**(20,839)**	**–**	**–**	**(20,839)**
Transfers to/(from) Stage 3	**–**	**–**	**384**	**–**	**384**
Others	**2,139**	**467**	**102**	**263**	**2,971**
Balance at December 31, 2021	**772,740**	**89,578**	**10,476**	**3,276**	**876,070**
Residential mortgage loans					
Balance at January 1, 2021	**38,729**	**15,990**	**672**	**–**	**55,391**
Newly originated assets that remained in Stage 1 as at year-end	**9,124**	**–**	**–**	**–**	**9,124**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	**–**	**473**	**53**	**–**	**526**
Assets derecognized or repaid	**(10,588)**	**(1,941)**	**(306)**	**–**	**(12,835)**
Transfers to/(from) Stage 1	**8,504**	**–**	**–**	**–**	**8,504**
Transfers to/(from) Stage 2	**–**	**(11,160)**	**–**	**–**	**(11,160)**
Transfers to/(from) Stage 3	**–**	**–**	**2,656**	**–**	**2,656**
Balance at December 31, 2021	**45,769**	**3,362**	**3,075**	**–**	**52,206**
Auto loans					
Balance at January 1, 2021	**19,337**	**1,982**	**193**	**–**	**21,512**
Newly originated assets that remained in Stage 1 as at year-end	**8,264**	**–**	**–**	**–**	**8,264**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	**–**	**223**	**12**	**–**	**235**
Assets derecognized or repaid	**(10,153)**	**(887)**	**(156)**	**–**	**(11,196)**
Transfers to/(from) Stage 1	**(47)**	**–**	**–**	**–**	**(47)**
Transfers to/(from) Stage 2	**–**	**(614)**	**–**	**–**	**(614)**
Transfers to/(from) Stage 3	**–**	**–**	**661**	**–**	**661**
Balance at December 31, 2021	**17,401**	**704**	**710**	**–**	**18,815**
Credit card					
Balance at January 1, 2021	**75,539**	**921**	**5,273**	**–**	**81,733**
Newly originated assets that remained in Stage 1 as at year-end	**2,195**	**–**	**–**	**–**	**2,195**
Assets derecognized or repaid	**(758)**	**(302)**	**(229)**	**–**	**(1,289)**
Amounts written-off	**–**	**–**	**(15,267)**	**–**	**(15,267)**
Transfers to/(from) Stage 1	**(2,084)**	**–**	**–**	**–**	**(2,084)**
Transfers to/(from) Stage 2	**–**	**(248)**	**–**	**–**	**(248)**
Transfers to/(from) Stage 3	**–**	**–**	**2,332**	**–**	**2,332**
Others	**5,402**	**316**	**9,022**	**–**	**14,740**
Balance at December 31, 2021	**80,294**	**687**	**1,131**	**–**	**82,112**
Trade loans					
Balance at January 1, 2021	**29,636**	**6,163**	**376**	**–**	**36,175**
Newly originated assets that remained in Stage 1 as at year-end	**46,538**	**–**	**–**	**–**	**46,538**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	**–**	**1,352**	**176**	**–**	**1,528**
Assets derecognized or repaid	**(29,610)**	**(5,710)**	**(208)**	**–**	**(35,528)**
Transfers to/(from) Stage 1	**(27)**	**–**	**–**	**–**	**(27)**
Transfers to/(from) Stage 2	**–**	**27**	**–**	**–**	**27**
Others	**–**	**–**	**2**	**–**	**2**
Balance at December 31, 2021	**46,537**	**1,832**	**346**	**–**	**48,715**
Other loans					
Balance at January 1, 2021	**11,527**	**–**	**41**	**–**	**11,568**
Newly originated assets that remained in Stage 1 as at year-end	**3,985**	**–**	**–**	**–**	**3,985**
Assets derecognized or repaid	**(8,991)**	**–**	**–**	**–**	**(8,991)**
Transfers to/(from) Stage 1	**(1)**	**–**	**–**	**–**	**(1)**
Transfers to/(from) Stage 3	**–**	**–**	**1**	**–**	**1**
Others	**140**	**–**	**(1)**	**–**	**139**
Balance at December 31, 2021	**6,660**	**–**	**41**	**–**	**6,701**

(Forward)

	Parent Company				
	Receivables from Customers				
	Stage 1	Stage 2	Stage 3	POCI	Total
Total receivables from customers					
Balance at January 1, 2021	**₱899,212**	**₱159,060**	**₱15,899**	**₱3,013**	**₱1,077,184**
Newly originated assets that remained in Stage 1 as at year-end	**550,880**	**–**	**–**	**–**	**550,880**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	**–**	**43,017**	**2,549**	**–**	**45,566**
Assets derecognized or repaid	**(515,172)**	**(73,863)**	**(2,559)**	**–**	**(591,594)**
Amounts written-off	**–**	**–**	**(15,269)**	**–**	**(15,269)**
Transfers to/(from) Stage 1	**26,800**	**–**	**–**	**–**	**26,800**
Transfers to/(from) Stage 2	**–**	**(32,834)**	**–**	**–**	**(32,834)**
Transfers to/(from) Stage 3	**–**	**–**	**6,034**	**–**	**6,034**
Others	**7,681**	**783**	**9,125**	**263**	**17,852**
Balance at December 31, 2021	**₱969,401**	**₱96,163**	**₱15,779**	**₱3,276**	**₱1,084,619**
2020					
Commercial loans					
Balance at January 1, 2020	₱867,733	₱134,672	₱6,753	₱2,992	₱1,012,150
Newly originated assets that remained in Stage 1 as at year-end	262,072	–	–	–	262,072
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	52,257	2,312	–	54,569
Assets derecognized or repaid	(400,065)	(53,799)	(1,549)	–	(455,413)
Amounts written off	–	–	(1)	–	(1)
Transfers to/(from) Stage 1	(2,791)	–	–	–	(2,791)
Transfers to/(from) Stage 2	–	874	–	–	874
Transfers to/(from) Stage 3	–	–	1,917	–	1,917
Others	(2,505)	–	(88)	21	(2,572)
Balance at December 31, 2020	724,444	134,004	9,344	3,013	870,805
Residential mortgage loans					
Balance at January 1, 2020	56,525	517	478	–	57,520
Newly originated assets that remained in Stage 1 as at year-end	7,774	–	–	–	7,774
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	136	1	–	137
Assets derecognized or repaid	(7,829)	(2,076)	(135)	–	(10,040)
Transfers to/(from) Stage 1	(17,741)	–	–	–	(17,741)
Transfers to/(from) Stage 2	–	17,413	–	–	17,413
Transfers to/(from) Stage 3	–	–	328	–	328
Balance at December 31, 2020	38,729	15,990	672	–	55,391
Auto loans					
Balance at January 1, 2020	23,978	62	142	–	24,182
Newly originated assets that remained in Stage 1 as at year-end	7,328	–	–	–	7,328
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	23		–	23
Assets derecognized or repaid	(9,023)	(977)	(21)	–	(10,021)
Transfers to/(from) Stage 1	(2,946)	–	–	–	(2,946)
Transfers to/(from) Stage 2	–	2,874	–	–	2,874
Transfers to/(from) Stage 3	–	–	72	–	72
Balance at December 31, 2020	19,337	1,982	193	–	21,512
Credit card					
Impact of merger (Note 11)	83,481	2,040	1,509	–	87,030
Newly originated assets that remained in Stage 1 as at year-end	8,687	–	–	–	8,687
Assets derecognized or repaid	(702)	(4,686)	(123)	–	(5,511)
Amounts written-off	–	–	(8,473)	–	(8,473)
Transfers to/(from) Stage 1	(15,927)	–	–	–	(15,927)
Transfers to/(from) Stage 2	–	3,567	–	–	3,567
Transfers to/(from) Stage 3	–	–	12,360	–	12,360
Balance at December 31, 2020	75,539	921	5,273	–	81,733
Trade loans					
Balance at January 1, 2020	60,390	2,159	105	–	62,654
Newly originated assets that remained in Stage 1 as at year-end	29,612	–	–	–	29,612
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	5,929	272	–	6,201
Assets derecognized or repaid	(59,979)	(2,312)	–	–	(62,291)
Transfers to/(from) Stage 1	(387)	–	–	–	(387)
Transfers to/(from) Stage 2	–	387	–	–	387
Others	–	–	(1)	–	(1)
Balance at December 31, 2020	29,636	6,163	376	–	36,175

(Forward)

	Parent Company				
	Receivables from Customers				
	Stage 1	Stage 2	Stage 3	POCI	Total
Other loans					
Balance at January 1, 2020	₱14,502	₱–	₱40	₱–	₱14,542
Newly originated assets that remained in Stage 1 as at year-end	7,829	–	–	–	7,829
Assets derecognized or repaid	(10,803)	–	–	–	(10,803)
Transfers to/(from) Stage 1	(1)	–	–	–	(1)
Transfers to/(from) Stage 3	–	–	1	–	1
Balance at December 31, 2020	11,527	–	41	–	11,568
Total receivables from customers					
Balance at January 1, 2020	1,023,128	137,410	7,518	2,992	1,171,048
Impact of merger (Note 11)	83,481	2,040	1,509	–	87,030
Newly originated assets that remained in Stage 1 as at year-end	323,302	–	–	–	323,302
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	58,345	2,585	–	60,930
Assets derecognized or repaid	(488,401)	(63,850)	(1,828)	–	(554,079)
Amounts written-off	–	–	(8,474)	–	(8,474)
Transfers to/(from) Stage 1	(39,793)	–	–	–	(39,793)
Transfers to/(from) Stage 2	–	25,115	–	–	25,115
Transfers to/(from) Stage 3	–	–	14,678	–	14,678
Others	(2,505)	–	(89)	21	(2,573)
Balance at December 31, 2020	₱899,212	₱159,060	₱15,899	₱3,013	₱1,077,184

The credit quality of other receivables, gross of allowance for credit losses, as of December 31, 2021 and 2020 follows:

	Consolidated			
	Stage 1	Stage 2	Stage 3	Total
2021				
Unquoted debt securities				
High grade	**₱950**	**₱–**	**₱–**	**₱950**
Standard grade	**65**	**–**	**–**	**65**
Non-performing individually impaired	**–**	**–**	**386**	**386**
	1,015	**–**	**386**	**1,401**
Accrued interest receivable				
High grade	**8,018**	**162**	**–**	**8,180**
Standard grade	**1,811**	**65**	**–**	**1,876**
Watchlist grade	**32**	**18**	**–**	**50**
Classified grade	**14**	**417**	**–**	**431**
Sub-standard grade	**36**	**285**	**–**	**321**
Unrated	**8**	**234**	**–**	**242**
Non-performing individually impaired	**–**	**–**	**1,299**	**1,299**
	9,919	**1,181**	**1,299**	**12,399**
Sales contract receivable				
High grade	**3**	**–**	**–**	**3**
Unrated	**21**	**4**	**–**	**25**
Non-performing individually impaired	**–**	**–**	**13**	**13**
	24	**4**	**13**	**41**
Other receivables				
Standard grade	**302**	**–**	**–**	**302**
Unrated	**14**	**–**	**–**	**14**
Non-performing individually impaired	**–**	**–**	**2**	**2**
	316	**–**	**2**	**318**
Total other receivables				
High grade	**8,971**	**162**	**–**	**9,133**
Standard grade	**2,178**	**65**	**–**	**2,243**
Watchlist grade	**32**	**18**	**–**	**50**
Classified grade	**14**	**417**	**–**	**431**
Sub-standard grade	**36**	**285**	**–**	**321**
Unrated	**43**	**238**	**–**	**281**
Non-performing individually impaired	**–**	**–**	**1,700**	**1,700**
	₱11,274	**₱1,185**	**₱1,700**	**₱14,159**

	Consolidated			
	Stage 1	Stage 2	Stage 3	Total
2020				
Unquoted debt securities				
Standard grade	₱65	₱–	₱–	₱65
Non-performing individually impaired	–	–	386	386
	65	–	386	451
Accrued interest receivable				
High grade	7,837	1,064	–	8,901
Standard grade	1,499	249	–	1,748
Sub-standard grade	797	854	–	1,651
Unrated	13	–	–	13
Non-performing individually impaired	–	–	1,414	1,414
	10,146	2,167	1,414	13,727
Sales contract receivable				
High grade	4	–	–	4
Unrated	54	–	–	54
Non-performing individually impaired	–	–	24	24
	58	–	24	82
Other receivables				
Standard grade	–	296	–	296
Unrated	31	–	–	31
Non-performing individually impaired	–	–	2	2
	31	296	2	329
Total other receivables				
High grade	7,841	1,064	–	8,905
Standard grade	1,564	545	–	2,109
Sub-standard grade	797	854	–	1,651
Unrated	98	–	–	98
Non-performing individually impaired	–	–	1,826	1,826
	₱10,300	₱2,463	₱1,826	₱14,589

	Parent Company			
	Stage 1	Stage 2	Stage 3	Total
2021				
Unquoted debt securities				
High grade	**₱198**	**₱–**	**₱–**	**₱198**
Non-performing individually impaired	**–**	**–**	**386**	**386**
	198	**–**	**386**	**584**
Accrued interest receivable				
High grade	**5,272**	**–**	**–**	**5,272**
Standard grade	**1,772**	**65**	**–**	**1,837**
Watchlist grade	**32**	**18**	**–**	**50**
Classified grade	**14**	**417**	**–**	**431**
Sub-standard grade	**35**	**5**	**–**	**40**
Unrated	**7**	**–**	**–**	**7**
Non-performing individually impaired	**–**	**–**	**425**	**425**
	7,132	**505**	**425**	**8,062**
Sales contract receivable				
Unrated	**20**	**–**	**–**	**20**
Non-performing individually impaired	**–**	**–**	**3**	**3**
	20	**–**	**3**	**23**
Other receivables				
Unrated	**3**	**–**	**–**	**3**
Non-performing individually impaired	**–**	**–**	**2**	**2**
	3	**–**	**2**	**5**
Total other receivables				
High grade	**5,470**	**–**	**–**	**5,470**
Standard grade	**1,772**	**65**	**–**	**1,837**
Watchlist grade	**32**	**18**	**–**	**50**
Classified grade	**14**	**417**	**–**	**431**
Sub-standard grade	**35**	**5**	**–**	**40**
Unrated	**30**	**–**	**–**	**30**
Non-performing individually impaired	**–**	**–**	**816**	**816**
	₱7,353	**₱505**	**₱816**	**₱8,674**

	Parent Company			
	Stage 1	Stage 2	Stage 3	Total
2020				
Unquoted debt securities				
Non-performing individually impaired	₱–	₱–	₱386	₱386
Accrued interest receivable				
High grade	4,993	–	–	4,993
Standard grade	1,468	81	–	1,549
Sub-standard grade	796	765	–	1,561
Unrated	11	–	–	11
Non-performing individually impaired	–	–	421	421
	7,268	846	421	8,535
Sales contract receivable				
Unrated	54	–	–	54
Non-performing individually impaired	–	–	2	2
	54	–	2	56
Other receivables				
Unrated	9	–	–	9
Non-performing individually impaired	–	–	2	2
	9	–	2	11
Total other receivables				
High grade	4,993	–	–	4,993
Standard grade	1,468	81	–	1,549
Sub-standard grade	796	765	–	1,561
Unrated	74	–	–	74
Non-performing individually impaired	–	–	811	811
	₱7,331	₱846	₱811	₱8,988

Movements during 2021 and 2020 for other receivables follow:

	Consolidated			
	Stage 1	Stage 2	Stage 3	Total
2021				
Balance at January 1, 2021	**₱10,300**	**₱2,463**	**₱1,826**	**₱14,589**
Newly originated assets that remained in Stage 1 as at year-end	**7,345**	**–**	**–**	**7,345**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	**–**	**233**	**42**	**275**
Assets derecognized or repaid	**(6,709)**	**(728)**	**(891)**	**(8,328)**
Transfers to/(from) Stage 1	**534**		**–**	**534**
Transfers to/(from) Stage 2	**–**	**(630)**	**–**	**(630)**
Transfers to/(from) Stage 3	–	**–**	**96**	**96**
Others	**(196)**	**(153)**	**627**	**278**
Balance at December 31, 2021	**₱11,274**	**₱1,185**	**₱1,700**	**₱14,159**
2020				
Balance at January 1, 2020	₱12,300	₱1,032	₱1,265	₱14,597
Newly originated assets that remained in Stage 1 as at year-end	10,244	–	–	10,244
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	659	670	1,329
Assets derecognized or repaid	(10,677)	(532)	(373)	(11,582)
Amounts written-off	1	–	–	1
Transfers to/(from) Stage 1	(1,568)	–	–	(1,568)
Transfers to/(from) Stage 2	–	1,304	–	1,304
Transfers to/(from) Stage 3	–	–	264	264
Balance at December 31, 2020	₱10,300	₱2,463	₱1,826	₱14,589

	Parent Company			
	Stage 1	Stage 2	Stage 3	Total
2021				
Balance at January 1, 2021	**₱7,331**	**₱846**	**₱811**	**₱8,988**
Newly originated assets that remained in Stage 1 as at year-end	**5,773**	**–**	**–**	**5,773**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	**–**	**220**	**27**	**247**
Assets derecognized or repaid	**(6,030)**	**(476)**	**(25)**	**(6,531)**
Transfers to/(from) Stage 1	**82**	**–**	**–**	**82**
Transfers to/(from) Stage 2	**–**	**(85)**	**–**	**(85)**
Transfers to/(from) Stage 3	**–**	**–**	**3**	**3**
Others	**197**	**–**	**–**	**197**
Balance at December 31, 2021	**₱7,353**	**₱505**	**₱816**	**₱8,674**

	Parent Company			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
2020				
Balance at January 1, 2020	₱9,473	₱746	₱784	₱11,003
Newly originated assets that remained in Stage 1 as at year-end	4,989	–	–	4,989
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	539	47	586
Assets derecognized or repaid	(7,321)	(243)	(26)	(7,590)
Transfers to/(from) Stage 1	190	–	–	190
Transfers to/(from) Stage 2	–	(196)	–	(196)
Transfers to/(from) Stage 3	–	–	6	6
Balance at December 31, 2020	₱7,331	₱846	₱811	₱8,988

The credit risk exposure on the accounts receivable of the Group and the Parent Company based on their aging as of December 31, 2021 and 2020 follows:

	Consolidated		Parent Company	
Age of accounts receivables	**2021**	2020	**2021**	2020
Up to 1 month	**₱3,510**	₱6,992	**₱1,858**	₱3,396
> 1 to 2 months	**54**	114	**26**	34
> 2 to 3 months	**34**	28	**18**	16
More than 3 months	**4,416**	4,144	**3,470**	3,558
Total gross carrying amount	**₱8,014**	₱11,278	**₱5,372**	₱7,004

The maximum exposure and credit quality of loan commitments and financial guarantees as of December 31, 2021 and 2020 follows:

	Consolidated			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
2021				
High grade	**₱23,677**	**₱–**	**₱–**	**₱23,677**
Standard grade	**181,795**	**4,232**	**–**	**186,027**
Substandard grade	**–**	**–**	**2,093**	**2,093**
Unrated	**77,680**	**737**	**19**	**78,436**
	₱283,152	**₱4,969**	**₱2,112**	**₱290,233**
2020				
High grade	₱11,389	₱–	₱–	₱11,389
Standard grade	201,587	1,790	–	203,377
Substandard grade	–	–	2,480	2,480
Unrated	66,062	2,401	16	68,479
	₱279,038	₱4,191	₱2,496	₱285,725

	Parent Company			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
2021				
Standard grade	**₱181,773**	**₱4,232**	**₱–**	**₱186,005**
Substandard grade	**–**	**–**	**2,093**	**2,093**
Unrated	**77,680**	**737**	**19**	**78,436**
	₱259,453	**₱4,969**	**₱2,112**	**₱266,534**
2020				
Standard grade	₱201,545	₱1,790	₱–	₱203,335
Substandard grade	–	–	2,480	2,480
Unrated	66,062	2,401	16	68,479
	₱267,607	₱4,191	₱2,496	₱274,294

Movements during 2021 and 2020 for loan commitments and financial guarantees follow:

	Consolidated			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
2021				
Balance at January 1, 2021	**₱279,038**	**₱4,191**	**₱2,496**	**₱285,725**
New assets originated or purchased	**50,978**	**–**	**–**	**50,978**
Assets derecognized or repaid	**(42,234)**	**(980)**	**(1,358)**	**(44,572)**
Transfers to/(from) Stage 1	**(3,355)**	**–**	**–**	**(3,355)**
Transfers to/(from) Stage 2	**–**	**2,284**	**–**	**2,284**
Transfers to/(from) Stage 3	**–**	**–**	**1,071**	**1,071**
Others	**(1,275)**	**(526)**	**(97)**	**(1,898)**
Balance at December 31, 2021	**₱283,152**	**₱4,969**	**₱2,112**	**₱290,233**
2020				
Balance at January 1, 2020	₱273,028	₱1,460	₱–	₱274,488
New assets originated or purchased	46,625	–	–	46,625
Assets derecognized or repaid	(29,274)	(3,633)	(2,481)	(35,388)
Transfers to/(from) Stage 1	(11,341)	–	–	(11,341)
Transfers to/(from) Stage 2	–	6,364	–	6,364
Transfers to/(from) Stage 3	–	–	4,977	4,977
Balance at December 31, 2020	₱279,038	₱4,191	₱2,496	₱285,725

	Parent Company			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
2021				
Balance at January 1, 2021	**₱267,607**	**₱4,191**	**₱2,496**	**₱274,294**
New assets originated or purchased	**39,690**	**–**	**–**	**39,690**
Assets derecognized or repaid	**(42,213)**	**(980)**	**(1,358)**	**(44,551)**
Transfers to/(from) Stage 1	**(3,354)**	**–**	**–**	**(3,354)**
Transfers to/(from) Stage 2	**–**	**2,283**	**–**	**2,283**
Transfers to/(from) Stage 3	**–**	**–**	**1,071**	**1,071**
Others	**(2,277)**	**(525)**	**(97)**	**(2,899)**
Balance at December 31, 2021	**₱259,453**	**₱4,969**	**₱2,112**	**₱266,534**
2020				
Balance at January 1, 2020	₱62,768	₱1,460	₱–	₱64,228
Impact of merger	209,766	–	–	209,766
New assets originated or purchased	35,194	–	–	35,194
Assets derecognized or repaid	(28,780)	(3,633)	(2,481)	(34,894)
Transfers to/(from) Stage 1	(11,341)	–	–	(11,341)
Transfers to/(from) Stage 2	–	6,364	–	6,364
Transfers to/(from) Stage 3	–	–	4,977	4,977
Balance at December 31, 2020	₱267,607	₱4,191	₱2,496	₱274,294

Breakdown of restructured receivables from customers by class are shown below:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Commercial loans	**₱9,548**	₱4,520	**₱8,234**	₱3,614
Residential mortgage loans	**78**	59	**25**	7
Auto loans	**3**	7	**–**	–
	₱9,629	₱4,586	**₱8,259**	₱3,621

As of December 31, 2021 and 2020, an analysis by past due status of receivables from customers wherein the SICR is based only on the past due information is as follows:

	Consolidated					
	Number of Days Past Due					
	Within 30 Days	**31-60 Days**	**61-90 Days**	**91-180 Days**	**Over 180 Days**	**Total**
2021						
Auto loans	**₱996**	**₱1,848**	**₱754**	**₱852**	**₱2,401**	**₱6,851**
Residential mortgage loans	**1,987**	**1,491**	**528**	**593**	**3,356**	**7,955**
Credit card	**–**	**910**	**687**	**1,131**	**–**	**2,728**
	₱2,983	**₱4,249**	**₱1,969**	**₱2,576**	**₱5,757**	**₱17,534**

	Consolidated					
	Number of Days Past Due					
	Within 30 Days	**31-60 Days**	**61-90 Days**	**91-180 Days**	**Over 180 Days**	**Total**
2020						
Auto loans	₱890	₱287	₱189	₱1,161	₱3,255	₱5,782
Residential mortgage loans	704	220	104	572	2,139	3,739
Credit card	–	974	922	5,273	–	7,169
	₱1,594	₱1,481	₱1,215	₱7,006	₱5,394	₱16,690

	Parent Company					
	Number of Days Past Due					
	Within 30 Days	**31-60 Days**	**61-90 Days**	**91-180 Days**	**Over 180 Days**	**Total**
2021						
Auto loans	**₱55**	**₱21**	**₱16**	**₱56**	**₱536**	**₱684**
Residential mortgage loans	**340**	**183**	**124**	**215**	**1,997**	**2,859**
Credit card	**–**	**910**	**687**	**1,131**	**–**	**2,728**
	₱395	**₱1,114**	**₱827**	**₱1,402**	**₱2,533**	**₱6,271**
2020						
Auto loans	₱2	₱2	₱2	₱4	₱181	₱191
Residential mortgage loans	27	22	18	43	607	717
Credit card	–	974	922	5,273	–	7,169
	₱29	₱998	₱942	₱5,320	₱788	₱8,077

Liquidity Risk

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

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

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

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

The MCO is monitored regularly to ensure that it remains within the set limits. The Parent Company generates and monitors daily its MCO, while the subsidiaries generate the report at least monthly. The liquidity profile of the Group is reported monthly to the Parent Company's ALCO and ROC.

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

Financial assets
Analysis of debt securities into maturity groupings is based on the expected date on which these assets will be realized. For other financial assets, the analysis into maturity groupings is based on the remaining period from the end of the reporting period to the contractual maturity date or, if earlier, the expected date the assets will be realized.

Financial liabilities
The maturity groupings are based on the remaining period from the end of the reporting period to the contractual maturity date. When a counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Group can be required to pay.

The table below summarizes the maturity profile of financial instruments and gross-settled derivatives based on contractual undiscounted cash flows:

	Consolidated						
	On Demand	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 Year	Total
2021							
Financial Assets							
Cash and other cash items	**₱41,302**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱41,302**
Due from BSP	**207,353**	**45,919**	**–**	**–**	**–**	**–**	**253,272**
Due from other banks	**42,566**	**3,023**	**3,199**	**76**	**8**	**–**	**48,872**
Interbank loans receivable and SPURA	**–**	**48,235**	**13,216**	**3,790**	**4,587**	**746**	**70,574**
Investment securities at FVTPL							
FVTPL investments	**–**	**6,545**	**34,255**	**–**	**–**	**47**	**40,847**
Derivative assets							
Trading:							
Receive	**–**	**78,932**	**42,595**	**28,168**	**18,488**	**134,683**	**302,866**
Pay	**–**	**(77,850)**	**(42,105)**	**(27,538)**	**(18,296)**	**(127,786)**	**(293,575)**
	–	**1,082**	**490**	**630**	**192**	**6,897**	**9,291**
Investment securities at FVOCI	**–**	**96,650**	**8,517**	**26,951**	**23,862**	**546,239**	**702,219**
Investment securities at amortized cost	**–**	**1,451**	**1,575**	**1,519**	**2,308**	**99,288**	**106,141**
Loans and receivables							
Receivables from customers	**64,107**	**222,251**	**153,296**	**85,799**	**99,042**	**849,241**	**1,473,736**
Unquoted debt securities	**–**	**–**	**254**	**–**	**65**	**799**	**1,118**
Accrued interest receivable	**9,313**	**2,187**	**294**	**49**	**556**	**–**	**12,399**
Accounts receivable	**7,090**	**30**	**32**	**209**	**161**	**492**	**8,014**
Sales contract receivable	**13**	**1**	**1**	**2**	**4**	**21**	**42**
Other receivables	**3**	**16**	**37**	**24**	**58**	**180**	**318**
Other assets							
Returned checks and other cash items	**640**	**–**	**–**	**–**	**–**	**–**	**640**
Residual values of leased assets	**91**	**29**	**42**	**50**	**135**	**392**	**739**
Miscellaneous	**36**	**1**	**3**	**1**	**9**	**184**	**234**
	₱372,514	**₱427,420**	**₱215,211**	**₱119,100**	**₱130,987**	**₱1,504,526**	**₱2,769,758**
Financial Liabilities							
Non-derivative liabilities							
Deposit liabilities							
Demand	**₱588,434**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱588,434**
Savings	**874,283**	**–**	**–**	**–**	**–**	**–**	**874,283**
Time	**3,274**	**230,431**	**121,098**	**48,012**	**19,686**	**16,941**	**439,442**
LTNCD	**–**	**43**	**129**	**3,697**	**584**	**27,852**	**32,305**
	1,465,991	**230,474**	**121,227**	**51,709**	**20,270**	**44,793**	**1,934,464**
Bills payable and SSURA	**–**	**34,753**	**21,130**	**1,800**	**5,041**	**8,272**	**70,996**
Manager's checks and demand drafts outstanding	**5,396**	**–**	**–**	**–**	**–**	**–**	**5,396**
Accrued interest payable	**40**	**614**	**592**	**139**	**64**	**28**	**1,477**
Accrued other expenses	**5,439**	**1,467**	**109**	**–**	**214**	**–**	**7,229**
Bonds payable	**–**	**9**	**264**	**17,936**	**1,048**	**67,372**	**86,629**
Subordinated debts	**–**	**–**	**19**	**19**	**37**	**1,245**	**1,320**
Non-equity non-controlling interest	**10,619**	**–**	**–**	**–**	**–**	**–**	**10,619**

(Forward)

	Consolidated						
	On Demand	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 Year	Total
Other liabilities							
Bills purchased - contra	₱6,233	₱–	₱–	₱–	₱–	₱–	₱6,233
Accounts payable	8,891	9,556	479	120	242	41	19,329
Marginal deposits	7	948	2,223	5,163	5,084	–	13,425
Outstanding acceptances	–	1,335	922	296	176	–	2,729
Deposits on lease contracts	147	103	68	73	213	550	1,154
Dividends payable	90	–	–	–	–	–	90
Lease Liability	88	138	234	359	705	4,121	5,645
Miscellaneous	1,703	–	2	–	2	10	1,717
	1,504,644	279,397	147,269	77,614	33,096	126,432	2,168,452
Derivative liabilities*							
Trading:							
Pay	–	66,350	44,927	52,245	43,534	80,029	287,085
Receive	–	(65,464)	(44,117)	(48,905)	(42,894)	(75,371)	(276,751)
	–	886	810	3,340	640	4,658	10,334
Loan commitments and financial guarantees	193,154	6,651	19,103	9,648	41,659	20,018	290,233
	₱1,697,798	₱286,934	₱167,182	₱90,602	₱75,395	₱151,108	₱2,469,019
2020							
Financial Assets							
Cash and other cash items	₱38,469	₱–	₱–	₱–	₱–	₱–	₱38,469
Due from BSP	304,906	–	–	–	–	–	304,906
Due from other banks	32,858	2,926	2,491	73	15	–	38,363
Interbank loans receivable and SPURA	8,040	37,348	19,961	7,636	6,502	–	79,487
Investment securities at FVTPL							
FVTPL investments	6,416	56	54,947	247	376	2,290	64,332
Derivative assets							
Trading:							
Receive	–	55,125	38,586	17,521	22,010	87,816	221,058
Pay	–	(54,325)	(37,826)	(17,026)	(20,678)	(79,260)	(209,115)
	–	800	760	495	1,332	8,556	11,943
Investment securities at FVOCI	–	45,802	8,572	25,666	84,796	432,711	597,547
Investment securities at amortized cost	–	55	3,033	164	344	24,093	27,689
Loans and receivables							
Receivables from customers	76,042	207,770	177,373	70,980	92,321	876,411	1,500,897
Unquoted debt securities	–	–	–	–	–	435	435
Accrued interest receivable	11,667	528	196	696	450	190	13,727
Accounts receivable	10,130	533	85	9	28	493	11,278
Sales contract receivable	10	3	12	22	4	35	86
Other receivables	9	320	–	–	–	–	329
Other assets							
Returned checks and other cash items	250	–	–	–	–	–	250
Residual values of leased assets	103	40	51	65	143	528	930
Miscellaneous	56	4	3	4	6	175	248
	₱488,956	₱296,185	₱267,484	₱106,057	₱186,317	₱1,345,917	₱2,690,916
Financial Liabilities							
Non-derivative liabilities							
Deposit liabilities							
Demand	₱515,378	₱–	₱–	₱–	₱–	₱–	₱515,378
Savings	795,979	–	–	–	–	–	795,979
Time	2	285,744	105,265	27,748	16,987	16,174	451,920
LTNCD	–	13	103	295	6,840	32,596	39,847
	1,311,359	285,757	105,368	28,043	23,827	48,770	1,803,124
Bills payable and SSURA	–	73,338	34,887	3,403	15,600	13,531	140,759
Manager's checks and demand drafts outstanding	6,024	–	–	–	–	–	6,024
Accrued interest payable	39	704	692	66	161	72	1,734
Accrued other expenses	3,843	1,623	256	–	165	–	5,887
Bonds payable	–	22	215	763	33,777	63,575	98,352
Subordinated debts	–	–	19	19	37	1,319	1,394
Non-equity non-controlling interest	8,315	–	–	–	–	–	8,315
Other liabilities							
Bills purchased - contra	10,994	–	–	–	–	–	10,994
Accounts payable	7,629	10,319	–	2,073	–	6	20,027
Marginal deposits	–	–	5,600	–	–	–	5,600
Outstanding acceptances	–	405	468	289	166	–	1,328

(Forward)

	Consolidated						
	On Demand	**Up to 1 Month**	**1 to 3 Months**	**3 to 6 Months**	**6 to 12 Months**	**Beyond 1 Year**	**Total**
Deposits on lease contracts	₱12	₱214	₱118	₱101	₱236	₱777	₱1,458
Dividends payable	–	90	–	–	–	–	90
Lease liability	27	100	214	313	558	3,259	4,471
Miscellaneous	181	–	–	–	–	–	181
	1,348,423	372,572	147,837	35,070	74,527	131,309	2,109,738
Derivative liabilities*							
Trading:							
Pay	–	76,203	30,594	13,130	13,537	95,048	228,512
Receive	–	(74,804)	(30,218)	(12,872)	(12,769)	(84,933)	(215,596)
	–	1,399	376	258	768	10,115	12,916
Loan commitments and financial guarantees	212,711	6,907	20,983	8,531	26,218	10,375	285,725
	₱1,561,134	₱380,878	₱169,196	₱43,859	₱101,513	₱151,799	₱2,408,379

**Does not include derivatives embedded in financial and non-financial contracts.*

	Parent Company						
	On Demand	**Up to 1 Month**	**1 to 3 Months**	**3 to 6 Months**	**6 to 12 Months**	**Beyond 1 Year**	**Total**
2021							
Financial Assets							
Cash and other cash items	**₱38,452**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱38,452**
Due from BSP	**199,974**	**–**	**–**	**–**	**–**	**–**	**199,974**
Due from other banks	**30,395**	**3,021**	**2,834**	**–**	**–**	**–**	**36,250**
Interbank loans receivable and SPURA	**–**	**36,699**	**12,446**	**1,620**	**4,587**	**746**	**56,098**
Investment securities at FVTPL							
FVTPL investments	**–**	**–**	**32,048**	**–**	**–**	**47**	**32,095**
Derivative assets							
Trading:							
Receive	**–**	**78,931**	**42,589**	**28,130**	**18,475**	**134,683**	**302,808**
Pay	**–**	**(77,850)**	**(42,105)**	**(27,539)**	**(18,296)**	**(127,786)**	**(293,576)**
	–	**1,081**	**484**	**591**	**179**	**6,897**	**9,232**
Investment securities at FVOCI	**–**	**41,099**	**5,162**	**19,817**	**18,855**	**529,268**	**614,201**
Investment securities at amortized cost	**–**	**–**	**–**	**163**	**–**	**74,089**	**74,252**
Loans and receivables							
Receivables from customers	**56,861**	**216,872**	**137,095**	**73,199**	**60,747**	**675,378**	**1,220,152**
Unquoted debt securities	**–**	**–**	**–**	**–**	**–**	**299**	**299**
Accrued interest receivable	**8,062**	**–**	**–**	**–**	**–**	**–**	**8,062**
Accounts receivable	**5,372**	**–**	**–**	**–**	**–**	**–**	**5,372**
Sales contract receivable	**8**	**1**	**1**	**2**	**3**	**9**	**24**
Other receivables	**5**	**–**	**–**	**–**	**–**	**–**	**5**
Other assets							
Returned checks and other cash items	**611**	**–**	**–**	**–**	**–**	**–**	**611**
	₱339,740	**₱298,773**	**₱190,070**	**₱95,392**	**₱84,371**	**₱1,286,733**	**₱2,295,079**
Financial Liabilities							
Non-derivative liabilities							
Deposit liabilities							
Demand	**₱535,847**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱535,847**
Savings	**830,247**	**–**	**–**	**–**	**–**	**–**	**830,247**
Time	**–**	**154,121**	**70,293**	**33,796**	**14,349**	**976**	**273,535**
LTNCD	**–**	**13**	**66**	**229**	**457**	**22,261**	**23,026**
	1,366,094	**154,134**	**70,359**	**34,025**	**14,806**	**23,237**	**1,662,655**
Bills payable and SSURA	**–**	**31,173**	**20,873**	**37**	**33**	**423**	**52,539**
Manager's checks and demand drafts outstanding	**4,803**	**–**	**–**	**–**	**–**	**–**	**4,803**
Accrued interest payable	**19**	**410**	**270**	**139**	**12**	**28**	**878**
Accrued other expenses	**5,425**	**–**	**–**	**–**	**–**	**–**	**5,425**
Bonds payable	**–**	**9**	**244**	**17,886**	**943**	**62,669**	**81,751**
Subordinated debts	**–**	**–**	**19**	**19**	**37**	**1,245**	**1,320**
Other liabilities							
Bills purchased - contra	**6,233**	**–**	**–**	**–**	**–**	**–**	**6,233**
Accounts payable	**1,201**	**9,166**	**–**	**–**	**–**	**–**	**10,367**
Outstanding acceptances	**–**	**1,335**	**922**	**296**	**176**	**–**	**2,729**
Marginal deposits	**–**	**–**	**152**	**–**	**–**	**–**	**152**
Lease liability	**84**	**70**	**140**	**200**	**392**	**2,808**	**3,694**
	1,383,859	**196,297**	**92,979**	**52,602**	**16,399**	**90,410**	**1,832,546**

(Forward)

	Parent Company						
	On Demand	**Up to 1 Month**	**1 to 3 Months**	**3 to 6 Months**	**6 to 12 Months**	**Beyond 1 Year**	**Total**
Derivative liabilities*							
Trading:							
Pay	**₱–**	**₱66,349**	**₱44,921**	**₱52,207**	**₱40,860**	**₱80,029**	**₱284,366**
Receive	**–**	**(65,464)**	**(44,117)**	**(48,905)**	**(40,333)**	**(75,371)**	**(274,190)**
	–	**885**	**804**	**3,302**	**527**	**4,658**	**10,176**
Loan commitments and financial guarantees	**193,133**	**6,651**	**19,102**	**9,648**	**17,982**	**20,018**	**266,534**
	₱1,576,992	**₱203,833**	**₱112,885**	**₱65,552**	**₱34,908**	**₱115,086**	**₱2,109,256**
2020							
Financial Assets							
Cash and other cash items	₱35,606	₱–	₱–	₱–	₱–	₱–	₱35,606
Due from BSP	262,188	–	–	–	–	–	262,188
Due from other banks	17,365	2,892	2,491	–	–	–	22,748
Interbank loans receivable and SPURA	–	30,046	14,679	6,061	6,502	–	57,288
Investment securities at FVTPL							
FVTPL investments	–	–	54,689	–	–	43	54,732
Derivative assets							
Trading:							
Receive	–	55,124	38,586	17,521	22,005	87,805	221,041
Pay	–	(54,325)	(37,826)	(17,027)	(20,677)	(79,260)	(209,115)
	–	799	760	494	1,328	8,545	11,926
Investment securities at FVOCI	–	34,441	5,884	24,898	83,149	422,227	570,599
Investment securities at amortized cost	–	–	2,902	–	82	5,569	8,553
Loans and receivables							
Receivables from customers	65,906	202,697	166,484	57,835	55,240	665,268	1,213,430
Unquoted debt securities	–	–	–	–	–	370	370
Accrued interest receivable	8,535	–	–	–	–	–	8,535
Accounts receivable	7,004	–	–	–	–	–	7,004
Sales contract receivable	6	1	12	22	3	15	59
Other receivables	11	–	–	–	–	–	11
Other assets							
Returned checks and other cash items	238	–	–	–	–	–	238
	₱396,859	₱270,876	₱247,901	₱89,310	₱146,304	₱1,102,037	₱2,253,287
Financial Liabilities							
Non-derivative liabilities							
Deposit liabilities							
Demand	₱467,545	₱–	₱–	₱–	₱–	₱–	₱467,545
Savings	755,713	–	–	–	–	–	755,713
Time	–	217,790	82,984	21,569	9,575	566	332,484
LTNCD	–	13	103	295	6,840	23,176	30,427
	1,223,258	217,803	83,087	21,864	16,415	23,742	1,586,169
Bills payable and SSURA	–	65,195	30,371	375	8,555	4,451	108,947
Manager's checks and demand drafts outstanding	5,493	–	–	–	–	–	5,493
Accrued interest payable	32	444	390	73	59	72	1,070
Accrued other expenses	3,834	–	–	–	–	–	3,834
Bonds payable	–	22	215	763	22,971	58,486	82,457
Subordinated debts	–	–	19	19	37	1,319	1,394
Other liabilities							
Bills purchased - contra	10,990	–	–	–	–	–	10,990
Accounts payable	1,838	9,153	–	–	–	–	10,991
Outstanding acceptances	–	405	468	289	166	–	1,328
Marginal deposits	–	–	398	–	–	–	398
Lease liability	19	64	124	176	322	2,063	2,768
	1,245,464	293,086	115,072	23,559	48,525	90,133	1,815,839
Derivative liabilities*							
Trading:							
Pay	–	76,203	30,594	13,130	13,537	95,048	228,512
Receive	–	(74,804)	(30,218)	(12,872)	(12,769)	(84,933)	(215,596)
	–	1,399	376	258	768	10,115	12,916
Loan commitments and financial guarantees	212,669	6,906	20,983	8,531	14,830	10,375	274,294
	₱1,458,133	₱301,391	₱136,431	₱32,348	₱64,123	₱110,623	₱2,103,049

**Does not include derivatives embedded in financial and non-financial contracts.*

Market Risk

Market risk is the possibility of loss to future earnings, fair values or future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchange rates, and other market factors. Market risk originates from holdings in foreign currencies, debt securities and derivatives transactions.

Depending on the business model for the product, that is, whether they belong to the trading book or banking book, the Group applies different tools and processes to manage market risk exposures. Risk limits, approved by the BOD, are enforced to monitor and control this risk. RSK, as an independent body under the ROC, performs daily market risk analyses to ensure compliance to policies and limits, while Treasury Group manages the asset/liability risks arising from both banking book and trading operations in financial markets. The ALCO, chaired by the President, manages market risks within the parameters approved by the BOD.

As part of group supervision, the Parent Company regularly coordinates with subsidiaries to monitor their compliance to their respective risk tolerances and to ensure alignment of risk management practices. Each subsidiary has its own risk management unit responsible for monitoring its market risk exposures. The Parent Company, however, requires regular submission of market risk profiles from subsidiaries which are presented to ALCO and ROC in both individual and consolidated forms to provide senior management and ROC a holistic perspective and ensure alignment of strategies and risk appetite across the Group.

Market risk - trading book

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

VaR methodology assumptions and parameters

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

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

A summary of the VaR levels of the trading portfolio of the Parent Company appears below:

	Rates and FX	Fixed Income	FX Options
As of December 31, 2021			
December 31	**₱70.23**	**₱111.55**	**₱1.51**
Average	**88.42**	**97.98**	**7.88**
Highest	**210.43**	**300.29**	**29.64**
Lowest	**44.37**	**31.31**	**0.15**
As of December 31, 2020			
December 29	₱182.03	₱286.09	₱9.26
Average	236.42	223.21	25.78
Highest	320.70	399.15	65.58
Lowest	177.83	61.27	4.60

Rates and Foreign Exchange (FX) VaR is the correlated VaR of the following products: FX spot, outright forward, non-deliverable forwards, FX swaps, interest rate swaps, and cross-currency swaps. The Fixed Income VaR is the correlated VaR of these products: peso and foreign currency bonds, bond forwards and credit default swaps (CDS).

Subsidiaries with trading books perform daily mark-to-market valuation and VaR calculations for their exposures. Risk exposures are bounded by a system of risk limits and monitoring tools to effectively manage these risks.

The table below summarizes the VaR levels of FMIC and PSBank:

	FMIC		PSBank	
	Bonds		Bonds	
	PHP	USD	PHP	FX
As of December 31, 2021				
December 29	**₱2.05**	**₱0.00**	**₱0.001**	**₱0.45**
Average	**9.95**	**0.28**	**2.18**	**0.54**
Highest	**37.87**	**3.74**	**8.31**	**1.07**
Lowest	**2.05**	**1.02**	**0.00**	**0.01**
As of December 31, 2020				
December 29	₱3.22	₱0.00	₱0.00	₱0.85
Average	9.48	2.74	4.98	0.90
Highest	72.34	6.84	27.43	1.63
Lowest	1.88	0.18	0.00	0.00

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

Stress testing is performed by the Parent Company on a quarterly basis and the results are reported to the ALCO and, subsequently, to the ROC and BOD. On a group-wide perspective, stress testing is done, at least, annually. The results are reported by the Parent Company's Risk Management Group to the BOD through ROC.

Market risk - banking book

The Group has in place their own risk management system and processes to quantify and manage market risks in the banking book. To the extent applicable, these are generally aligned with the Parent's framework/tools.

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

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

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

EaR methodology assumptions and parameters
The Group calculates EaR using Historical Simulations (HS) approach, with one-year horizon and using five years data. EaR is then derived as the 99th percentile biggest drop in net interest income.

The table below shows the EaR profile of the Parent Company and certain subsidiaries as of December 31, 2021 and 2020:

	Parent Company	**FMIC**	**PSBank**	**ORIX Metro**	**Group**
2021	**(₱1,730.80)**	**₱–**	**(₱362.00)**	**(₱124.00)**	**(₱2,048.93)**
2020	(₱2,795.47)	(₱13.57)	(₱405.28)	(₱72.42)	(₱2,598.13)

The Parent Company generates and monitors daily its EaR exposure while the subsidiaries generate their EaR reports at least monthly.

The Parent Company employs the Delta EVE model to measure the overall change in the economic value of the bank at one point. It reflects the changes in the net present value of its banking book at different interest rate shocks and stress scenarios. ΔEVE is calculated by slotting the notional repricing cash flows arising from rate-sensitive assets and liabilities into pre-defined tenor buckets. The present value of the net repricing cash flows is then calculated using various interest rate scenarios prescribed by Basel, as well as scenarios internally developed by the Parent Company. For 2021 and 2020, the ΔEVE of the Parent Company ranges from (₱0.1 billion) to (₱25.4 billion) and (₱5.26 billion) to (₱25.09 billion), respectively. As of December 31, 2021 and 2020, the ΔEVE stood at (₱0.5 billion) (0.24% of Common Equity Tier 1 (CET1) Capital) and (₱25.09 billion) (11.24% of CET1 Capital), respectively. The Parent Company has adequate capital to support potential change in value of equity even at worst stress scenario.

Aside from the tools above, the Parent Company and its subsidiaries perform regular sensitivity and stress testing analyses on their banking books to broaden their forward-looking analysis. This way, management can craft strategies to address and/or arrest probable risks, if necessary.

Foreign currency risk
Foreign exchange risk is the probability of loss to earnings or capital arising from changes in foreign exchange rates. Foreign currency liabilities generally consist of foreign currency deposits in the Group's FCDU account. Foreign currency deposits are generally used to fund the Group's foreign currency-denominated loan and investment portfolio in the FCDU. Banks are required by the BSP to match the foreign currency liabilities with the foreign currency assets held in FCDUs. Outside the

FCDU, the Group has additional foreign currency assets and liabilities in its foreign branch network. The Group's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines.

The following table sets forth, for the year indicated, the impact of reasonably possible changes in the USD exchange rate and other currencies per Philippine peso on pre-tax income and equity:

	Consolidated						**Parent Company**					
	2021			2020			**2021**			2020		
Currency	**Change in Currency Rate in %**	**Effect on Profit before Tax**	**Effect on Equity**	Change in Currency Rate in %	Effect on Profit before Tax	Effect on Equity	**Change in Currency Rate in %**	**Effect on Profit before Tax**	**Effect on Equity**	Change in Currency Rate in %	Effect on Profit before Tax	Effect on Equity
USD	+1.00%	**18.80**	**2.15**	+1.00%	30.17	4.88	+1.00%	**5.85**	**(2.25)**	+1.00%	136.27	1.61
EUR	+1.00%	**(2.04)**	**0.00**	+1.00%	12.53	0.00	+1.00%	**(2.04)**	**0.00**	+1.00%	12.43	0.00
JPY	+1.00%	**7.15**	**0.00**	+1.00%	(88.01)	0.00	+1.00%	**7.15**	**0.00**	+1.00%	(87.96)	0.00
GBP	+1.00%	**1.04**	**0.00**	+1.00%	23.40	0.00	+1.00%	**1.04**	**0.00**	+1.00%	23.69	0.00
Others	+1.00%	**43.59**	**0.00**	+1.00%	(181.19)	0.00	+1.00%	**43.59**	**0.00**	+1.00%	(182.31)	0.00
USD	-1.00%	**(18.80)**	**(2.15)**	-1.00%	(30.28)	(4.88)	-1.00%	**(5.85)**	**2.25**	-1.00%	(136.27)	(1.61)
EUR	-1.00%	**2.04**	**0.00**	-1.00%	(12.43)	0.00	-1.00%	**2.04**	**0.00**	-1.00%	(12.43)	0.00
JPY	-1.00%	**(7.15)**	**0.00**	-1.00%	87.96	0.00	-1.00%	**(7.15)**	**0.00**	-1.00%	87.96	0.00
GBP	-1.00%	**(1.04)**	**0.00**	-1.00%	23.69	0.00	-1.00%	**(1.04)**	**0.00**	-1.00%	(23.69)	0.00
Others	-1.00%	**(43.59)**	**0.00**	-1.00%	182.31	0.00	-1.00%	**(43.59)**	**0.00**	-1.00%	182.31	0.00

Information relating to the Parent Company's currency derivatives is included in Note 8. As of December 31, 2021 and 2020, the Parent Company has outstanding foreign currency spot transactions (in equivalent peso amounts) of ₱10.9 billion and ₱12.3 billion, respectively (sold), and ₱11.2 billion and ₱4.0 billion, respectively (bought).

The impact on the Parent Company's equity already excludes the impact on transactions affecting the statements of income.

Capital Management

The primary objectives of the Group's capital management are to ensure that it complies with externally imposed capital requirements and maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital structure, or issue capital securities. No changes were made in the objectives, policies and processes from the previous year.

BSP Reporting

Regulatory Qualifying Capital

Under existing BSP regulations, the determination of the compliance with regulatory requirements and ratios is based on the amount of the "unimpaired capital" (regulatory net worth) as reported to the BSP, which is determined on the basis of regulatory accounting policies that differ from PFRS in some respects.

The Group complied with BSP Circular No. 781, *Basel III Implementing Guidelines on Minimum Capital Requirements*, which provides the implementing guidelines on the revised risk-based capital adequacy framework, particularly on the minimum capital and disclosure requirements for universal banks and commercial banks, as well as their subsidiary banks and quasi-banks, in accordance with the Basel III standards. BSP Circular No. 781 sets out a minimum CET1 ratio of 6.00% and Tier 1 capital ratio of 7.50%; capital conservation buffer of 2.50% comprised of CET1 capital and Total Capital Adequacy Ratio (CAR) of 10.00%. These ratios shall be maintained at all times. Further, BSP Circular No. 856 covers the implementing guidelines on the framework for dealing with domestic systemically important banks (DSIBs) in accordance with the Basel III standards. Banks identified as DSIBs shall be required to have higher loss absorbency, on top of the minimum CET1 capital and capital conservation buffer (CCB) and countercyclical capital buffer (CCYB).

The details of CAR, as reported to the BSP, as of December 31, 2021 and 2020 follow:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Tier 1 capital	**₱315,542**	₱320,958	**₱306,812**	₱312,194
CET1 Capital	**315,542**	320,958	**306,812**	312,194
Less: Required deductions	**32,860**	33,250	**93,001**	91,562
Net Tier 1 Capital	**282,682**	287,708	**213,811**	220,632
Tier 2 capital	**12,463**	13,075	**10,277**	10,691
Total Qualifying Capital	**₱295,145**	₱300,783	**₱224,088**	₱231,323
Credit Risk-Weighted Assets	**₱1,218,442**	₱1,256,895	**₱1,001,293**	₱1,019,586
Market Risk-Weighted Assets	**67,394**	70,526	**53,099**	65,607
Operational Risk-Weighted Assets	**180,534**	165,001	**122,373**	99,592
Total Risk-Weighted Assets	**1,466,370**	1,492,422	**1,176,765**	1,184,785
CET1 Ratio*	**19.28%**	19.28%	**18.17%**	18.62%
Tier 1 capital ratio	**19.28%**	19.28%	**18.17%**	18.62%
Total capital ratio	**20.13%**	20.15%	**19.04%**	19.52%

** Of which capital conservation buffer in 2021 and 2020 is 13.28% for the Group and 12.17% and 12.62%, respectively, for the Parent Company.*

Qualifying capital and risk-weighted assets (RWA) are computed based on BSP regulations. Under Basel III, the regulatory qualifying capital of the Parent Company consists of CET1 capital, which comprises paid-up common stock, additional paid-in capital, retained earnings, including current year profit, retained earnings reserves, OCI and non-controlling interest less required regulatory deductions. The other component of regulatory capital is Tier 2 (supplementary) capital, which includes unsecured subordinated debts and general loan loss provision. RWA consist of total assets excluding cash on hand, due from BSP, loans covered by hold-out on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits and other non-risk items determined by the Monetary Board (MB) of the BSP. Operational RWA are computed using the Basic Indicator Approach.

The Group and its individually regulated operations have complied with all externally imposed capital requirements throughout the year.

The Internal Capital Adequacy Assessment Process (ICAAP) supplements the BSP's risk-based capital adequacy framework. In compliance with this, the Group has adopted and developed its ICAAP framework to ensure that appropriate level and quality of capital are maintained by the Group. Under this framework, the assessment of risks extends beyond the Pillar 1 set of credit, market and operational risks and onto other risks deemed material by the Group. The level and structure of capital are assessed and determined in light of the Group's business environment, plans, performance, risks and budget as well as regulatory edicts.

Basel III Leverage Ratio (BLR)
BSP Circular Nos. 881 and 990 cover the implementing guidelines on the BLR framework designed to act as a supplementary measure to the risk-based capital requirements and shall not be less than 5.00%. Effective July 1, 2018, the monitoring of the leverage ratio was implemented as a Pillar I minimum requirement.

The details of the BLR, as reported to the BSP, as of December 31, 2021 and 2020 follow:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Tier 1 Capital	**₱282,682**	₱287,708	**₱213,811**	₱220,632
Exposure Measure	**₱2,579,529**	₱2,520,462	**₱2,184,771**	₱2,167,207
BLR	**10.96%**	11.41%	**9.79%**	10.18%

Under the framework, BLR is defined as the capital measure divided by the exposure measure. Capital measure is Tier 1 capital. Exposure measure is the sum of on-balance sheet exposures, derivative exposures, security financing exposures and off-balance sheet items.

Liquidity Coverage Ratio (LCR)
BSP Circular No. 905 provides the implementing guidelines on LCR and disclosure standards that are consistent with the Basel III framework. The LCR is the ratio of high-quality liquid assets to total net cash outflows which should not be lower than 100.00%. Compliance with the LCR minimum requirement commenced on January 1, 2018 with the prescribed minimum ratio of 90.00% for 2018 and 100.00% effective January 1, 2019. As of December 31, 2021 and 2020, the LCR in single currency as reported to the BSP, was at 327.33% and 303.47%, respectively, for the Group, and 394.05% and 321.18%, respectively, for the Parent Company.

Net Stable Funding Ratio (NSFR)
On June 6, 2018, the BSP issued BSP Circular No.1007 covering the implementing guidelines on the adoption of the Basel III Framework on Liquidity Standards – NSFR. The NSFR is aimed to promote long-term resilience against liquidity risk by requiring banks to maintain a stable funding profile in relation to the composition of its assets and off-balance sheet activities. It complements the LCR, which promotes short term resilience of a bank's liquidity profile. Banks shall maintain an NSFR of at least 100 percent (100%) at all times. The implementation of the minimum NSFR shall be phased in to help ensure that covered banks can meet the standard through reasonable measures without disrupting credit extension and financial market activities. An observation period was set from July 1 to December 31, 2018. Effective, January 1, 2019, banks shall comply with the prescribed minimum ratio of 100%. As of December 31, 2021 and 2020, the NSFR as reported to the BSP, was at 176.18% and 169.94%, respectively, for the Group, and 175.35% and 173.27%, respectively, for the Parent Company.

5. Fair Value Measurement

Financial Instruments
The methods and assumptions used by the Group and the Parent Company in estimating the fair values of financial assets and financial liabilities are:

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

Trading and investment securities
Fair values of debt and equity securities are generally based on quoted market prices. Where the debt securities are not quoted or the market prices are not readily available, the Group and the Parent Company obtained valuations from independent parties offering pricing services, used adjusted quoted market prices of comparable investments, or applied discounted cash flow methodologies.

For equity securities that are not quoted, remeasurement to their fair values is not material to the financial statements.

Derivative instruments
Fair values are estimated based on quoted market prices, prices provided by independent parties, or prices derived using acceptable valuation models. The models utilize published underlying rates (for example, interest rates, FX rates, CDS rates, FX volatilities and spot and forward FX rates) and are implemented through validated calculation engines.

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

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

Non-Financial Assets
Investment properties
Fair value of investment properties is determined based on valuations performed by independent and in-house appraisers using a valuation technique with significant inputs that are not based on observable market data (Level 3). The valuation of investment properties was based on the Sales Comparison Approach and considered recent sales of similar or substitute properties in the same areas where the investment properties are located, taking into account the economic conditions prevailing at the time of the valuation. Other factors considered were the location and shape of the properties, environmental issues, development controls such as the height restrictions, building coverage and floor area ratio restrictions, among others. The fair value of investment properties is based on its highest and best use, which is their current use.

The following tables summarize the carrying amounts and fair values of assets and liabilities, analyzed among those whose fair value is based on:
- Quoted market prices in active markets for identical assets or liabilities (Level 1);
- Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

	Consolidated				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
2021					
Assets Measured at Fair Value					
Financial Assets					
Investment securities at FVTPL					
FVTPL investments					
Debt securities					
Treasury notes and bonds	₱15,064	₱15,064	₱–	₱–	₱15,064
Government	11,101	11,101	–	–	11,101
Private	4,116	4,116	–	–	4,116
Treasury bills	1,867	1,867	–	–	1,867
BSP	2,199	2,199	–	–	2,199
	34,347	34,347	–	–	34,347
Equity securities	6,592	6,592	–	–	6,592
Derivative assets					
Cross-currency swaps	6,401	–	6,401	–	6,401
Currency forwards	2,534	–	2,534	–	2,534
Interest rate swaps	906	–	906	–	906
Put option	3	–	3	–	3
Call option	9	–	9	–	9
	9,853	–	9,853	–	9,853
	50,792	40,939	9,853	–	50,792
Investment securities at FVOCI					
Debt securities					
Treasury notes and bonds	433,234	433,234	–	–	433,234
Treasury bills	18,053	18,053	–	–	18,053
Government	76,743	76,743	–	–	76,743
Private	40,483	39,914	569	–	40,483
BSP	78,469	78,469	–	–	78,469
	646,982	646,413	569	–	646,982
Equity securities	1,826	1,619	207	–	1,826
	648,808	648,032	776	–	648,808
	₱699,600	₱688,971	₱10,629	₱–	₱699,600
Assets for which Fair Values are Disclosed					
Financial Assets					
Investment securities at amortized cost					
Treasury notes and bonds	₱59,214	₱60,843	₱–	₱–	₱60,843
Government	16,936	17,610	315	–	17,925
Treasury bills	3,947	3,955	–	–	3,955
Private	3,713	2,708	1,090	–	3,798
	83,810	85,116	1,405	–	86,521
Loans and receivables - net					
Receivables from customers					
Commercial loans	916,735	–	–	911,000	911,000
Residential mortgage loans	95,032	–	–	116,105	116,105
Credit card	75,374	–	–	75,374	75,374
Auto loans	71,626	–	–	81,845	81,845
Trade loans	51,571	–	–	51,571	51,571
Others	8,494	–	–	9,814	9,814
	1,218,832	–	–	1,245,709	1,245,709
Unquoted debt securities	1,015	–	–	1,034	1,034
Sales contract receivable	38	–	–	37	37
	1,219,885			1,246,780	1,246,780
Other assets	234	–	–	234	234
	1,303,929	85,116	1,405	1,247,014	1,333,535
Non-Financial Assets					
Investment properties	7,327	–	–	14,987	14,987
Residual value of leased assets	739	–	–	629	629
	8,066	–	–	15,616	15,616
	₱1,311,995	₱85,116	₱1,405	₱1,262,630	₱1,349,151

	Consolidated				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Liabilities Measured at Fair Value					
Financial Liabilities					
Financial liabilities at FVTPL					
Derivative liabilities					
Cross-currency swaps	**₱2,628**	**₱–**	**₱2,628**	**₱–**	**₱2,628**
Interest rate swaps	**2,528**	**–**	**2,528**	**–**	**2,528**
Currency forwards	**3,186**	**–**	**3,186**	**–**	**3,186**
Call option	**3**	**–**	**3**	**–**	**3**
Put option	**4**	**–**	**4**	**–**	**4**
Non-equity non-controlling interest	**10,619**	**–**	**10,619**	**–**	**10,619**
	₱18,968	**₱–**	**₱18,968**	**₱–**	**₱18,968**
Liabilities for which Fair Values are Disclosed					
Financial Liabilities					
Deposit liabilities					
Time	**₱438,046**	**₱–**	**₱–**	**₱439,280**	**₱439,280**
LTNCD	**29,521**	**12,331**	**9,003**	**9,020**	**30,354**
	467,567	**12,331**	**9,003**	**448,300**	**469,634**
Bills payable and SSURA	**70,334**	**–**	**–**	**71,216**	**71,216**
Bonds payable	**79,823**	**76,283**	**–**	**4,625**	**80,908**
Subordinated debts	**1,168**	**–**	**–**	**1,061**	**1,061**
Other liabilities					
Deposits on lease contracts	**1,154**	**–**	**–**	**1,014**	**1,014**
	₱620,046	**₱88,614**	**₱9,003**	**₱526,216**	**₱623,833**
2020					
Assets Measured at Fair Value					
Financial Assets					
Investment securities at FVTPL					
FVTPL investments					
Debt securities					
Treasury notes and bonds	₱35,828	₱35,828	₱–	₱–	₱35,828
Government	14,531	14,531	–	–	14,531
Private	6,540	6,540	–	–	6,540
Treasury bills	2,346	2,346	–	–	2,346
BSP	2	2	–	–	2
	59,247	59,247	–	–	59,247
Equity securities	6,458	6,458	–	–	6,458
Derivative assets					
Cross-currency swaps	8,708	–	8,708	–	8,708
Currency forwards	2,092	–	2,092	–	2,092
Interest rate swaps	1,038	–	1,038	–	1,038
Put option	7	–	7	–	7
Call option	1	–	1	–	1
	11,846	–	11,846	–	11,846
	77,551	65,705	11,846	–	77,551
Investment securities at FVOCI					
Debt securities					
Treasury notes and bonds	342,355	342,355	–	–	342,355
Treasury bills	81,497	81,497	–	–	81,497
Government	76,901	76,199	702	–	76,901
Private	36,943	21,274	15,669	–	36,943
BSP	30,049	30,049	–	–	30,049
	567,745	551,374	16,371	–	567,745
Equity securities	1,700	1,498	202	–	1,700
	569,445	552,872	16,573	–	569,445
	₱646,996	₱618,577	₱28,419	₱–	₱646,996
Assets for which Fair Values are Disclosed					
Financial Assets					
Investment securities at amortized cost					
Treasury notes and bonds	₱243	₱284	₱–	₱–	₱284
Government	19,134	20,446	322	–	20,768
Treasury bills	294	266	–	–	266
Private	3,622	2,491	1,207	–	3,698
	23,293	23,487	1,529	–	25,016
Loans and receivables - net					
Receivables from customers					
Commercial loans	909,910	–	–	904,704	904,704
Residential mortgage loans	103,216	–	–	130,681	130,681
Auto loans	95,735	–	–	117,075	117,075

(Forward)

	Consolidated				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Credit card	₱72,001	₱–	₱–	₱72,001	₱72,001
Trade loans	36,166	–	–	36,166	36,166
Others	14,877	–	–	15,906	15,906
	1,231,905	–	–	1,276,533	1,276,533
Unquoted debt securities	65	–	–	70	70
Sales contract receivable	79	–	–	81	81
	1,232,049	–	–	1,276,684	1,276,684
Other assets	208	–	–	276	276
	1,255,550	23,487	1,529	1,276,960	1,301,976
Non-Financial Assets					
Investment properties	7,667	–	–	14,493	14,493
Residual value of leased assets	930	–	–	790	790
	8,597	–	–	15,283	15,283
	₱1,264,147	₱23,487	₱1,529	₱1,292,243	₱1,317,259
Liabilities Measured at Fair Value					
Financial Liabilities					
Financial liabilities at FVTPL					
Derivative liabilities					
Cross-currency swaps	₱7,401	₱–	₱7,401	₱–	₱7,401
Interest rate swaps	4,834	–	4,834	–	4,834
Currency forwards	1,215	–	1,215	–	1,215
Call option	10	–	10	–	10
Put option	4	–	4	–	4
Credit default swaps	1	–	1	–	1
Non-equity non-controlling interest	8,315	–	8,315	–	8,315
	₱21,780	₱–	₱21,780	₱–	₱21,780
Liabilities for which Fair Values are Disclosed					
Financial Liabilities					
Deposit liabilities					
Time	₱450,103	₱–	₱–	₱451,759	₱451,759
LTNCD	35,755	27,527	9,355	–	36,882
	485,858	27,527	9,355	451,759	488,641
Bills payable and SSURA	139,614	–	–	140,415	140,415
Bonds payable	91,397	93,946	–	–	93,946
Subordinated debts	1,167	–	–	1,232	1,232
Other liabilities					
Deposits on lease contracts	1,458	–	–	1,169	1,169
	₱719,494	₱121,473	₱9,355	₱594,575	₱725,403

	Parent Company				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
2021					
Assets Measured at Fair Value					
Financial Assets					
Investment securities at FVTPL					
FVTPL investments					
Debt securities					
Treasury notes and bonds	**₱14,154**	**₱14,154**	**₱–**	**₱–**	**₱14,154**
Government	**10,901**	**10,901**	**–**	**–**	**10,901**
Private	**3,568**	**3,568**	**–**	**–**	**3,568**
Treasury bills	**1,311**	**1,311**	**–**	**–**	**1,311**
BSP	**2,199**	**2,199**	**–**	**–**	**2,199**
	32,133	**32,133**	**–**	**–**	**32,133**
Equity securities	**47**	**47**	**–**	**–**	**47**
Derivative assets					
Cross-currency swaps	**6,390**	**–**	**6,390**	**–**	**6,390**
Currency forwards	**2,488**	**–**	**2,488**	**–**	**2,488**
Interest rate swaps	**906**	**–**	**906**	**–**	**906**
Put option	**2**	**–**	**2**	**–**	**2**
Call option	**9**	**–**	**9**	**–**	**9**
	9,795	**–**	**9,795**	**–**	**9,795**
	41,975	**32,180**	**9,795**	**–**	**41,975**

(Forward)

	Parent Company				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Investment securities at FVOCI					
Debt securities					
Treasury notes and bonds	**₱423,807**	**₱423,807**	**₱–**	**₱–**	**₱423,807**
Treasury bills	**18,053**	**18,053**	**–**	**–**	**18,053**
Government	**76,264**	**76,264**	**–**	**–**	**76,264**
Private	**13,633**	**13,064**	**569**	**–**	**13,633**
BSP	**29,488**	**29,488**	**–**	**–**	**29,488**
	561,245	**560,676**	**569**	**–**	**561,245**
Equity securities	**556**	**467**	**89**	**–**	**556**
	561,801	**561,143**	**658**	**–**	**561,801**
	₱603,776	**₱593,323**	**₱10,453**	**₱–**	**₱603,776**
Assets for which Fair Values are Disclosed					
Financial Assets					
Investment securities at amortized cost					
Treasury notes and bonds	**₱52,116**	**₱53,811**	**₱–**	**₱–**	**₱53,811**
Government	**5,270**	**5,462**	**–**	**–**	**5,462**
	57,386	**59,273**	**–**	**–**	**59,273**
Loans and receivables - net					
Receivables from customers					
Commercial loans	**848,608**	**–**	**–**	**839,343**	**839,343**
Residential mortgage loans	**50,398**	**–**	**–**	**50,650**	**50,650**
Auto loans	**17,786**	**–**	**–**	**17,862**	**17,862**
Credit card	**75,374**	**–**	**–**	**75,374**	**75,374**
Trade loans	**48,198**	**–**	**–**	**48,198**	**48,198**
Others	**6,662**	**–**	**–**	**6,662**	**6,662**
	1,047,026	**–**	**–**	**1,038,089**	**1,038,089**
Unquoted debt securities	**198**	**–**	**–**	**198**	**198**
Sales contract receivable	**20**	**–**	**–**	**20**	**20**
	1,047,244	**–**	**–**	**1,038,307**	**1,038,307**
	1,104,630	**59,273**	**–**	**1,038,307**	**1,097,580**
Non-Financial Assets					
Investment properties	**3,171**	**–**	**–**	**8,015**	**8,015**
	₱1,107,801	**₱59,273**	**₱–**	**₱1,046,322**	**₱1,105,595**
Liabilities Measured at Fair Value					
Financial Liabilities					
Financial liabilities at FVTPL					
Derivative liabilities					
Cross-currency swaps	**₱2,514**	**₱–**	**₱2,514**	**₱–**	**₱2,514**
Interest rate swaps	**2,528**	**–**	**2,528**	**–**	**2,528**
Currency forwards	**3,143**	**–**	**3,143**	**–**	**3,143**
Put option	**2**	**–**	**2**	**–**	**2**
Call option	**4**	**–**	**4**	**–**	**4**
	₱8,191	**₱–**	**₱8,191**	**₱–**	**₱8,191**
Liabilities for which Fair Values are Disclosed					
Financial Liabilities					
Deposit liabilities					
Time	**₱273,373**	**₱–**	**₱–**	**₱273,373**	**₱273,373**
LTNCD	**21,080**	**12,331**	**9,003**	**–**	**21,334**
	294,453	**12,331**	**9,003**	**273,373**	**294,707**
Bills payable and SSURA	**52,514**	**–**	**–**	**52,514**	**52,514**
Bonds payable	**75,189**	**76,283**	**–**	**–**	**76,283**
Subordinated debts	**1,168**	**–**	**–**	**1,061**	**1,061**
	₱423,324	**₱88,614**	**₱9,003**	**₱326,948**	**₱424,565**
2020					
Assets Measured at Fair Value					
Financial Assets					
Investment securities at FVTPL					
FVTPL investments					
Debt securities					
Treasury notes and bonds	₱34,052	₱34,052	₱–	₱–	₱34,052
Government	14,220	14,220	–	–	14,220
Private	5,962	5,962	–	–	5,962
Treasury bills	1,848	1,848	–	–	1,848
BSP	2	2	–	–	2
	56,084	56,084	–	–	56,084
Equity securities	43	43	–	–	43

(Forward)

	Parent Company				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Derivative assets					
Cross-currency swaps	₱8,706	₱–	₱8,706	₱–	₱8,706
Currency forwards	2,080	–	2,080	–	2,080
Interest rate swaps	1,038	–	1,038	–	1,038
Put option	4	–	4	–	4
Call option	1	–	1	–	1
	11,829	–	11,829	–	11,829
	67,956	56,127	11,829	–	67,956
Investment securities at FVOCI					
Debt securities					
Treasury notes and bonds	339,258	339,258	–	–	339,258
Treasury bills	81,497	81,497	–	–	81,497
Government	72,315	72,199	116	–	72,315
Private	19,037	18,501	536	–	19,037
BSP	30,049	30,049	–	–	30,049
	542,156	541,504	652	–	542,156
Equity securities	510	421	89	–	510
	542,666	541,925	741	–	542,666
	₱610,622	₱598,052	₱12,570	₱–	₱610,622
Assets for which Fair Values are Disclosed					
Financial Assets					
Investment securities at amortized cost					
Government	₱7,909	₱8,310	₱–	₱–	₱8,310
Loans and receivables - net					
Receivables from customers					
Commercial loans	842,636	–	–	832,318	832,318
Residential mortgage loans	53,812	–	–	54,145	54,145
Auto loans	20,932	–	–	21,045	21,045
Credit card	72,001	–	–	72,001	72,001
Trade loans	35,273	–	–	35,273	35,273
Others	11,521	–	–	11,521	11,521
	1,036,175	–	–	1,026,303	1,026,303
Sales contract receivable	54	–	–	54	54
	1,036,229	–	–	1,026,357	1,026,357
	1,044,138	8,310	–	1,026,357	1,034,667
Non-Financial Assets					
Investment properties	3,369	–	–	7,440	7,440
	₱1,047,507	₱8,310	₱–	₱1,033,797	₱1,042,107
Liabilities Measured at Fair Value					
Financial Liabilities					
Financial liabilities at FVTPL					
Derivative liabilities					
Cross-currency swaps	₱5,766	₱–	₱5,766	₱–	₱5,766
Interest rate swaps	4,834	–	4,834	–	4,834
Currency forwards	1,203	–	1,203	–	1,203
Call option	10	–	10	–	10
	₱11,813	₱–	₱11,813	₱–	₱11,813
Liabilities for which Fair Values are Disclosed					
Financial Liabilities					
Deposit liabilities					
Time	₱332,323	₱–	₱–	₱332,323	₱332,323
LTNCD	27,330	18,562	9,355	–	27,917
	359,653	18,562	9,355	332,323	360,240
Bills payable and SSURA	108,651	–	–	108,669	108,669
Bonds payable	76,355	78,607	–	–	78,607
Subordinated debts	1,167	–	–	1,232	1,232
	₱545,826	₱97,169	₱9,355	₱442,224	₱548,748

As of December 31, 2021 and 2020, there were no transfers between levels of the fair value hierarchy.

When fair values of listed equity and debt securities, as well as publicly traded derivatives at the statement of financial position date are based on quoted market prices or binding dealer price quotations, without any adjustments for transaction costs, the instruments are included within Level 1 of the hierarchy.

For all other financial instruments, fair value is determined using valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist and other revaluation models. Instruments included in Level 3 include those for which there is currently no active market.

6. Segment Information

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

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

Segment assets are those operating assets that are employed by a segment in its operating activities and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment liabilities are those operating liabilities that result from the operating activities of a segment and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Interest income is reported net, as management primarily relies on the net interest income as performance measure, not the gross income and expense. The Group has no significant customers which contributes 10.00% or more of the consolidated revenue net of interest expense. Transactions between segments are conducted at estimated market rates on an arm's length basis. Interest is charged/credited to business segments based on a pool rate which approximates the cost of funds.

The following table presents revenue and income information of operating segments presented in accordance with PFRS and segment assets and liabilities:

	Consumer Banking	Corporate Banking	Investment Banking	Treasury	Branch Banking	Others	Total
2021							
Results of Operations							
Net interest income (expense)							
Third party	**₱15,933**	**₱33,099**	**₱–**	**₱16,426**	**₱8,686**	**₱905**	**₱75,049**
Intersegment	**(686)**	**(20,912)**	**–**	**(7,029)**	**28,627**	**–**	**–**
Net interest income after intersegment transactions	**15,247**	**12,187**	**–**	**9,397**	**37,313**	**905**	**75,049**
Non-interest income	**7,413**	**962**	**251**	**4,108**	**5,341**	**7,756**	**25,831**
Revenue - net of interest expense	**22,660**	**13,149**	**251**	**13,505**	**42,654**	**8,661**	**100,880**
Non-interest expense	**18,212**	**4,939**	**57**	**3,939**	**20,456**	**23,704**	**71,307**
Income (loss) before share in net income of subsidiaries, associates and a JV	**4,448**	**8,210**	**194**	**9,566**	**22,198**	**(15,043)**	**29,573**
Share in net income of subsidiaries, associates and a JV	**–**	**44**	**–**	**–**	**–**	**524**	**568**
Provision for income tax	**(505)**	**(340)**	**–**	**(3,607)**	**(723)**	**(2,602)**	**(7,777)**
Non-controlling interest in net income of consolidated subsidiaries	**–**	**–**	**–**	**–**	**–**	**(208)**	**(208)**
Net income (loss)	**₱3,943**	**₱7,914**	**₱194**	**₱5,959**	**₱21,475**	**(₱17,329)**	**₱22,156**
Statement of Financial Position							
Total assets	**₱167,422**	**₱941,197**	**₱–**	**₱969,133**	**₱163,077**	**₱261,987**	**₱2,502,816**
Total liabilities	**₱80,472**	**₱926,853**	**₱–**	**₱873,507**	**₱263,724**	**₱30,528**	**₱2,175,084**
Other Segment Information							
Capital expenditures	**₱261**	**₱56**	**₱–**	**₱113**	**₱31**	**₱3,361**	**₱3,822**
Depreciation and amortization	**₱614**	**₱321**	**₱–**	**₱55**	**₱2,111**	**₱3,329**	**₱6,430**
Provision for credit and impairment losses	**₱10,790**	**₱8**	**₱–**	**₱–**	**₱184**	**₱852**	**₱11,834**
2020							
Results of Operations							
Net interest income (expense)							
Third party	₱20,371	₱42,058	₱–	₱12,497	₱7,127	₱4,054	₱86,107
Intersegment	(451)	(29,487)	–	(16,694)	46,632	–	–
Net interest income after intersegment transactions	19,920	12,571	–	(4,197)	53,759	4,054	86,107
Non-interest income	5,084	786	118	18,581	4,430	6,130	35,129
Revenue - net of interest expense	25,004	13,357	118	14,384	58,189	10,184	121,236
Non-interest expense	27,062	25,306	9	4,648	21,398	22,457	100,880
Income (loss) before share in net income of subsidiaries, associates and a JV	(2,058)	(11,949)	109	9,736	36,791	(12,273)	20,356
Share in net income of subsidiaries, associates and a JV	–	38	–	–	–	626	664
Provision for income tax	(574)	(398)	–	(3,838)	110	(2,346)	(7,046)
Non-controlling interest in net income of consolidated subsidiaries	–	–	–	–	–	(143)	(143)
Net income (loss)	(₱2,632)	(₱12,309)	₱109	₱5,898	₱36,901	(₱14,136)	₱13,831
Statement of Financial Position							
Total assets	₱193,530	₱906,031	₱–	₱869,277	₱181,470	₱304,855	₱2,455,163
Total liabilities	₱87,922	₱874,214	₱–	₱840,692	₱289,001	₱30,159	₱2,121,988
Other Segment Information							
Capital expenditures	₱279	₱92	₱–	₱58	₱28	₱2,502	₱2,959
Depreciation and amortization	₱726	₱197	₱–	₱52	₱2,143	₱2,427	₱5,545
Provision for credit and impairment losses	₱19,005	₱20,278	₱–	₱–	₱37	₱1,440	₱40,760
2019							
Results of Operations							
Net interest income (expense)							
Third party	₱17,710	₱53,360	₱–	₱7,885	(₱5,702)	₱3,744	₱76,997
Intersegment	(663)	(41,061)	–	2,746	38,978	–	–
Net interest income after intersegment transactions	17,047	12,299	–	10,631	33,276	3,744	76,997
Non-interest income	6,476	2,042	441	7,983	5,116	6,996	29,054
Revenue - net of interest expense	23,523	14,341	441	18,614	38,392	10,740	106,051
Non-interest expense	15,359	6,977	49	2,519	22,747	20,333	67,984

(Forward)

	Consumer Banking	Corporate Banking	Investment Banking	Treasury	Branch Banking	Others	Total
Income (loss) before share in net income of subsidiaries, associates and a JV	₱8,164	₱7,364	₱392	₱16,095	₱15,645	(₱9,593)	₱38,067
Share in net income of subsidiaries, associates and a JV	–	106	–	–	–	762	868
Provision for income tax	(2,178)	(471)	–	(3,344)	(137)	(3,931)	(10,061)
Non-controlling interest in net income of consolidated subsidiaries	–	–	–	–	–	(819)	(819)
Net income (loss)	₱5,986	₱6,999	₱392	₱12,751	₱15,508	(₱13,581)	₱28,055
Statement of Financial Position							
Total assets	₱119,984	₱1,199,477	₱–	₱624,354	₱162,413	₱344,585	₱2,450,813
Total liabilities	₱76,840	₱1,039,196	₱–	₱633,147	₱266,212	₱116,927	₱2,132,322
Other Segment Information							
Capital expenditures	₱649	₱538	₱–	₱95	₱35	₱3,455	₱4,772
Depreciation and amortization	₱623	₱175	₱–	₱70	₱2,451	₱2,219	₱5,538
Provision for credit and impairment losses	₱6,853	₱1,766	₱–	₱–	₱350	₱1,109	₱10,078

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

Geographical Information

The Group operates in four geographic markets: Philippines, Asia other than Philippines, USA and Europe (Note 2).

The following tables show the distribution of Group's external net operating income and non-current assets allocated based on the location of the customers and assets, respectively, for the years ended December 31:

	Philippines	Asia (Other than Philippines)	USA	Europe	Total
2021					
Interest income	**₱83,584**	**₱3,587**	**₱6**	**₱–**	**₱87,177**
Interest expense	**10,921**	**1,205**	**2**	–	**12,128**
Net interest income	**72,663**	**2,382**	**4**	–	**75,049**
Non-interest income	**24,477**	**829**	**490**	**35**	**25,831**
Provision for credit and impairment losses	**11,601**	**232**	**1**	–	**11,834**
Total external net operating income	**₱85,539**	**₱2,979**	**₱493**	**₱35**	**₱89,046**
Non-current assets	**₱31,613**	**₱586**	**₱9**	**₱3**	**₱32,211**
2020					
Interest income	₱104,707	₱3,065	₱15	₱–	₱107,787
Interest expense	20,641	1,033	6	–	21,680
Net interest income	84,066	2,032	9	–	86,107
Non-interest income	33,796	868	428	37	35,129
Provision for credit and impairment losses	40,544	214	2	–	40,760
Total external net operating income	₱77,318	₱2,686	₱435	₱37	₱80,476
Non-current assets	₱31,946	₱661	₱15	₱3	₱32,625
2019					
Interest income	₱113,173	₱2,966	₱44	₱–	₱116,183
Interest expense	37,882	1,291	13	–	39,186
Net interest income	75,291	1,675	31	–	76,997
Non-interest income	27,493	1,108	406	47	29,054
Provision for credit and impairment losses	9,871	207	–	–	10,078
Total external net operating income	₱92,913	₱2,576	₱437	₱47	₱95,973
Non-current assets	₱32,636	₱672	₱16	₱4	₱33,328

Non-current assets consist of property and equipment excluding ROU assets, investment properties, chattel properties acquired in foreclosure, software costs and assets held under joint operations.

7. Interbank Loans Receivable and Securities Purchased Under Resale Agreements

This account consists of:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Interbank loans receivable - net (Note 32)	**₱65,914**	₱52,741	**₱55,994**	₱41,386
SPURA	**4,533**	26,653	**–**	15,819
	₱70,447	₱79,394	**₱55,994**	₱57,205

As of December 31, 2021 and 2020, the allowance for credit losses for interbank loans receivable amounted to ₱27.6 million and ₱13.6 million, respectively, for the Group and ₱4.7 million and ₱4.6 million, respectively, for the Parent Company (Note 15).

In 2021, 2020 and 2019, the interest rates of the interbank loans receivables ranged from 0.00% to 4.90%, 0.00% to 4.65%, and 0.00% to 4.60%, respectively, for the Group, and 0.00% to 3.30%, 0.00% to 3.45%, and 0.00% to 4.00%, respectively, for the Parent Company.

8. Trading and Investment Securities

This account consists of:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Investment securities at:				
FVTPL (Note 17)	**₱50,792**	₱77,551	**₱41,975**	₱67,956
FVOCI (Note 29)	**648,808**	569,445	**561,801**	542,666
Amortized cost (Note 29)	**83,810**	23,293	**57,386**	7,909
	₱783,410	₱670,289	**₱661,162**	₱618,531

Investment securities at FVTPL consist of the following:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
HFT investments				
Debt securities				
Treasury notes and bonds	**₱15,064**	₱35,828	**₱14,154**	₱34,052
Government	**11,101**	14,531	**10,901**	14,220
Private	**4,116**	6,540	**3,568**	5,962
Treasury bills	**1,867**	2,346	**1,311**	1,848
BSP	**2,199**	2	**2,199**	2
	34,347	59,247	**32,133**	56,084
Equity securities	**6,592**	6,458	**47**	43
	40,939	65,705	**32,180**	56,127
Derivative assets	**9,853**	11,846	**9,795**	11,829
	₱50,792	₱77,551	**₱41,975**	₱67,956

The following are the fair values of the Parent Company's derivative financial instruments recorded as 'Derivative assets/liabilities', together with the notional amounts. The notional amount is the amount or quantity of a derivative's underlying asset, and is the basis upon which changes in the value are measured. The notional amounts indicate the volume of transactions outstanding as of December 31, 2021 and 2020 and are not indicative of either market risk or credit risk.

	Derivative Assets	Derivative Liabilities	Notional Amount	Average Forward Rate (in every USD 1)
December 31, 2021				
Freestanding derivatives:				
Currency forwards				
BOUGHT:				
USD	**₱2,130**	**₱33**	**USD 2,578**	**₱50.4559**
CNY	**95**	**–**	**CNY 373**	**CNY 0.1509**
EUR	**105**	**51**	**EUR 199**	**EUR 1.1377**
THB	**–**	**1**	**THB 17**	**THB 0.0306**
TWD	**–**	**38**	**TWD 5,231**	**TWD 0.0359**
CHF	**3**	**–**	**CHF 5**	**CHF 1.0818**
HKD	**–**	**–**	**HKD 50**	**HKD 0.1282**
SOLD:				
USD	**4**	**2,869**	**USD 3,279**	**₱50.3372**
CNY	**0**	**83**	**CNY 1,568**	**CNY 0.1556**
JPY	**39**	**–**	**JPY 12,628**	**JPY 0.0087**
EUR	**112**	**9**	**EUR 216**	**EUR 1.1421**
MXN	**–**	**–**	**MXN 1**	**MXN 0.0465**
THB	**–**	**–**	**THB 21**	**THB 0.0303**
CHF	**–**	**1**	**CHF 4**	**CHF 1.0897**
HKD	**–**	**–**	**HKD 139**	**HKD 0.1282**
SGD	**–**	**6**	**SGD 24**	**SGD 0.7356**
TRY	**–**	**–**	**TRY 1**	**TRY 0.0660**
DKK	**–**	**–**	**DKK 1**	**DKK 0.1524**
CAD	**–**	**43**	**CAD 87**	**CAD 0.7759**
AUD	**–**	**8**	**AUD 22**	**AUD 0.7183**
GBP	**–**	**1**	**GBP 3**	**GBP 1.3436**
NZD	**–**	**–**	**NZD 6**	**NZD 0.6832**
Interest rate swaps - PHP	**266**	**738**	**₱50,635**	
Interest rate swaps - FX	**640**	**1,790**	**USD 2,179**	
Cross-currency swaps - PHP	**1,972**	**1,288**	**₱73,936**	
Cross-currency swaps - USD	**3,982**	**931**	**USD 2,113**	
Cross-currency swaps - EUR	**360**	**187**	**EUR 226**	
Cross-currency swaps - JPY	**76**	**108**	**JPY 15,520**	
Credit default swaps - USD	**–**	**–**	**USD 1**	
Over-the-counter FX options	**11**	**6**	**USD 38**	
	₱9,795	**₱8,191**		
December 31, 2020				
Freestanding derivatives:				
Currency forwards				
BOUGHT:				
USD	₱1	₱931	USD 2,073	₱48.6578
CNY	1	–	CNY 232	CNY 0.1532
EUR	133	–	EUR 186	EUR 1.2173
THB	4	–	THB 264	THB 0.0330
TWD	17	59	TWD 3,116	TWD 0.0348
GBP	13	2	GBP 25	GBP 1.3445
AUD	4	–	AUD 27	AUD 0.7572
JPY	16	–	JPY 5,756	JPY 0.0096
SGD	6	–	SGD 38	SGD 0.7502
CAD	0	12	CAD 58	CAD 0.7849
CHF	1	–	CHF 9	CHF 1.1269
SOLD:				
USD	1,853	1	USD 1,805	₱49.1599
CNY	–	15	CNY 729	CNY 0.1529
JPY	29	59	JPY 23,180	JPY 0.0096
EUR	1	120	EUR 163	EUR 1.2134
MXN	–	–	MXN 1	MXN 0.0464
THB	–	3	THB 261	THB 0.0331
CHF	1	–	CHF 12	CHF 1.1310
HKD	–	–	HKD 79	HKD 0.1290

(Forward)

	Derivative Assets	Derivative Liabilities	Notional Amount	Average Forward Rate (in every USD 1)
SGD	₱–	₱–	SGD 14	SGD 0.7541
TRY	–	–	TRY 1	TRY 0.1269
DKK	–	–	DKK 2	DKK 0.1635
CAD	–	1	CAD 12	CAD 0.7793
AUD	–	–	AUD 5	AUD 0.7625
Interest rate swaps - PHP	768	594	₱41,485	
Interest rate swaps – FX	270	4,240	USD 2,181	
Cross-currency swaps – PHP	7,670	7	₱68,124	
Cross-currency swaps - USD	835	5,508	USD 1,953	
Cross-currency swaps - EUR	107	211	EUR 93	
Cross-currency swaps - JPY	94	40	JPY 9,590	
Credit default swaps - USD	–	–	USD 1	
Over-the-counter FX options	5	10	USD 193	
	₱11,829	₱11,813		

As of December 31, 2021 and 2020, the Group's derivative assets include currency forwards, FX options and cross-currency swaps entered into by the subsidiaries amounting to ₱58.4 million and ₱17.1 million, respectively. As of December 31, 2021 and 2020, the Group's derivative liabilities include currency forwards, cross-currency swaps and FX options entered into by the subsidiaries amounting to ₱158.3 million and ₱1.7 billion, respectively.

Investment securities at FVOCI as of December 31, 2021 and 2020 consist of the following:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Debt securities				
Treasury notes and bonds (Note 17)	**₱433,234**	₱342,355	**₱423,807**	₱339,258
Treasury bills	**18,053**	81,497	**18,053**	81,497
Government (Note 17)	**76,743**	76,901	**76,264**	72,315
Private	**40,483**	36,943	**13,633**	19,037
BSP	**78,469**	30,049	**29,488**	30,049
	646,982	567,745	**561,245**	542,156
Equity securities	**1,826**	1,700	**556**	510
	₱648,808	₱569,445	**₱561,801**	₱542,666

The equity securities are irrevocably designated at FVOCI as these are held for long term-strategic purpose rather than for trading. These equity securities include golf club shares and non-marketable equity securities. In 2021 and 2020, as part of its risk management, the Group disposed equity securities at FVOCI with total carrying value of ₱7.6 million and ₱85.0 million, respectively, and recognized a loss on disposal charged against 'Surplus' of ₱6.1 million and ₱44.2 million, respectively. Dividends recognized for the disposed equity securities in 2021 and 2020 amounted to nil and ₱0.5 million, respectively.

Outstanding equity securities at FVOCI as of December 31, 2021 and 2020 generated dividends amounting to ₱37.6 million and ₱45.7 million, respectively for the Group, and ₱11.1 million and ₱26.4 million, respectively, for the Parent Company.

As of December 31, 2021 and 2020, the ECL on debt securities at FVOCI (included in 'Net unrealized gain (loss) on investment securities at FVOCI') amounted to ₱357.5 million and ₱141.0 million respectively, for the Group and the Parent Company (Note 15).

As of December 31, 2021 and 2020, investment securities at FVOCI include floating and fixed rate private notes with total carrying value of USD11.2 million (with peso equivalent of ₱569.2 million and ₱536.0 million, respectively) which are pledged by the Parent Company's New York Branch in compliance with the regulatory requirements of the Federal Deposit Insurance Corporation and the Office of the Controller of the Currency in New York.

Movements in net unrealized gains/(losses), including share in net unrealized gains/(losses) of subsidiaries (Note 11), presented under 'Equity' in the statements of financial position are as follows:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Balance at January 1	**₱7,563**	₱2,575	**₱7,611**	₱2,629
Unrealized gain/(loss) recognized in OCI	**(8,741)**	14,089	**(8,934)**	13,830
Amounts realized in surplus	**6**	44	**6**	44
Amounts realized in profit or loss	**(3,691)**	(8,307)	**(3,676)**	(8,007)
	(4,863)	8,401	**(4,993)**	8,496
Tax (Note 28)	**1,064**	(838)	**1,242**	(885)
Balance at December 31	**(₱3,799)***	₱7,563*	**(₱3,751)**	₱7,611

**Includes share of non-controlling interest in unrealized losses amounting to ₱48.0 million as of December 31, 2021 and 2020.*

Investment securities at amortized cost as of December 31, 2021 and 2020 consist of the following:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Government (Note 17)	**₱16,961**	₱19,153	**₱5,275**	₱7,909
Private	**3,718**	3,625	**–**	–
Treasury bills	**3,947**	294	**–**	–
Treasury notes and bonds (Note 17)	**59,215**	243	**52,116**	–
	83,841	23,315	**57,391**	7,909
Less: allowance for credit losses (Note 15)	**31**	22	**5**	–
	₱83,810	₱23,293	**₱57,386**	₱7,909

In May 2020, the BOD of the Parent Company approved the change in business model for its debt securities carried at amortized cost in line with its revised balance sheet risk strategy. The Parent Company considered the pandemic a Black Swan scenario as it is unprecedented in all aspects, with the full economic and banking industry impact still unknown. This called for the Parent Company to recalibrate its balance sheet risk strategy given the drastic change in the economic landscape. The revised balance sheet strategy provides a framework for the Parent Company to assess the appropriate mix of assets, liabilities and capital under five economic scenarios, with the objective of ensuring reliable liquidity and steady stream of accruals. Upon assessment of the current economic environment, maturity profile and credit quality of loans, CASA placements and maturity profile of the investment securities portfolio, the Parent Company deemed that the existing business model is no longer appropriate since its objective of supporting a stable growth of deposit liabilities with core holdings of investment securities can no longer be met due to the effect of the global health crisis over the foreseeable future. This resulted in disposal of investment securities at amortized cost in June 2020 with total carrying value of ₱93.9 billion. Trading gains recognized from the disposal amounted to ₱6.9 billion. On July 1, 2020, the remaining debt securities with total carrying value of ₱100.3 billion and fair value of ₱103.9 billion were reclassified to investment securities at FVOCI. As of December 31, 2021 and 2020, the carrying value of the debt securities reclassified to investment securities at FVOCI amounted to ₱95.9 million and ₱56.9 billion, respectively, with net unrealized gain of ₱1.7 million ₱1.6 billion, respectively.

In 2020, PSBank sold investment securities classified as investment securities at amortized cost with total carrying amount of ₱19.6 billion resulting in gain on disposal of investment securities at amortized cost totaling ₱1.3 billion. The sale was made as there were changes in PSBank's funding requirements given its assessment on the impact of a prolonged pandemic. In aggregate, the sale in 2020 is not inconsistent with PSBank's HTC business model as the sale was considered infrequent even if significant in value. Accordingly, the remaining investment securities in the affected HTC portfolio continue to be measured at amortized cost. Further, PSBank assessed that the sale did not reflect a change in PSBank's objectives for the HTC business model.

In August 2019, the BOD of FMIC approved the disposal of its debt securities portfolio at amortized cost with total face value of ₱15.1 billion and the abandonment of the related HTC business models due to external changes that are significant to its operations. Of the ₱15.1 billion disposal, the Parent Company purchased ₱6.6 billion and has subsequently sold most of the securities. Trading gains (included in 'Trading and securities gain - net') recognized from the disposal amounted to ₱0.3 million, ₱77.1 million and ₱172.8 million in 2021, 2020 and 2019, respectively. As of December 31, 2021 and 2020, the outstanding balance of the remaining securities in the Parent Company books (classified as 'Investment Securities at FVTPL) amounted to ₱2.2 million and ₱13.5 million, respectively.

Interest income on investment securities at FVOCI and at amortized cost consists of:

	Consolidated			Parent Company		
	2021	2020	2019	**2021**	2020	2019
Investment securities at FVOCI	**₱15,868**	₱12,285	₱5,538	**₱14,133**	₱11,488	₱4,673
Investment securities at amortized cost	**1,028**	4,808	11,035	**407**	3,797	9,105
	₱16,896	₱17,093	₱16,573	**₱14,540**	₱15,285	₱13,778

In 2021, 2020 and 2019, foreign currency-denominated trading and investment securities bear nominal annual interest rates ranging from 0.10% to 9.5% for the Group and the Parent Company while peso-denominated trading and investment securities bear nominal annual interest rates ranging from 1.38% to 18.25%, 2.13% to 18.25%, and 3.25% to 18.25%, respectively, for the Group and from 2.38% to 18.25%, 2.38% to 18.25%, and 3.25% to 18.25%, respectively, for the Parent Company.

Trading and securities gain - net consists of:

	Consolidated			Parent Company		
	2021	2020	2019	**2021**	2020	2019
Investment securities at FVTPL	**(₱767)**	₱1,898	₱3,362	**(₱1,046)**	₱1,951	₱2,774
Derivative assets/liabilities – net	**582**	(3,761)	(2,213)	**571**	(3,741)	(2,210)
Debt securities at FVOCI	**3,691**	8,307	4,403	**3,676**	8,007	3,788
	3,506	6,444	5,552	**₱3,201**	₱6,217	₱4,352
Income (loss) attributable to non-equity non-controlling interests (Note 21)	**(152)**	115	(230)			
	₱3,354	₱6,559	₱5,322			

Trading gains (losses) on debt securities at FVOCI represent realized gains/losses previously reported in OCI.

9. Loans and Receivables

This account consists of:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Receivables from customers (Note 32)				
Commercial loans	**₱951,508**	₱945,483	**₱876,290**	₱871,029
Residential mortgage loans	**97,617**	105,960	**52,209**	55,391
Auto loans	**76,788**	100,286	**18,815**	21,512
Credit card	**91,792**	92,643	**91,792**	92,643
Trade loans	**52,088**	37,068	**48,715**	36,175
Others	**9,701**	15,861	**6,701**	11,568
	1,279,494	1,297,301	**1,094,522**	1,088,318
Less unearned discounts and capitalized interest	**12,870**	14,996	**9,903**	11,134
	1,266,624	1,282,305	**1,084,619**	1,077,184
Unquoted debt securities				
Private	**1,203**	451	**386**	386
Government	**198**	–	**198**	–
	1,401	451	**584**	386
Accrued interest receivable (Note 32)	**12,399**	13,727	**8,062**	8,535
Accounts receivable (Note 32)	**8,014**	11,278	**5,372**	7,004
Sales contract receivable	**41**	82	**23**	56
Other receivables	**318**	329	**5**	11
	1,288,797	1,308,172	**1,098,665**	1,093,176
Less allowance for credit losses (Note 15)	**52,726**	55,243	**41,211**	44,434
	₱1,236,071	₱1,252,929	**₱1,057,454**	₱1,048,742

Receivables from customers consist of:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Loans and discounts	**₱1,222,181**	₱1,250,163	**₱1,040,551**	₱1,042,054
Less unearned discounts and capitalized Interest	**12,870**	14,996	**9,903**	11,134
	1,209,311	1,235,167	**1,030,648**	1,030,920
Customers' liabilities under letters of credit (LC)/trust receipts	**51,069**	36,092	**47,696**	35,200
Bills purchased (Note 21)	**6,244**	11,046	**6,275**	11,064
	₱1,266,624	₱1,282,305	**₱1,084,619**	₱1,077,184

Receivables from customers - others of the Group include notes receivables financed and lease contract receivables amounting to ₱139.4 million and ₱120.8 million, respectively, as of December 31, 2021 and ₱892.8 million and ₱237.2 million, respectively, as of December 31, 2020 (Note 13).

Interest income on loans and receivables consists of:

	Consolidated			Parent Company		
	2021	2020	2019	**2021**	2020	2019
Receivables from customers (Note 32)	**₱49,615**	₱63,705	₱72,697	**₱35,320**	₱46,314	₱56,345
Receivables from cardholders	**11,728**	15,972	15,161	**11,728**	15,972	–
Lease contract receivables	**2,585**	3,897	4,680	**–**	–	–
Customers' liabilities under LC/trust receipts	**1,137**	1,840	3,073	**1,137**	1,840	3,073
Others	**460**	276	236	**452**	155	185
	₱65,525	₱85,690	₱95,847	**₱48,637**	₱64,281	₱59,603

As of December 31, 2021 and 2020, 82.79% and 81.95%, respectively, of the total receivables from customers of the Group, and 91.46% and 91.41%, respectively, of the total receivables from customers of the Parent Company are subject to periodic interest repricing. In 2021, 2020 and 2019, the remaining peso receivables from customers earn annual fixed interest rates ranging from 3.50% to 24.00%, from 4.70% to 24.00%, and from 4.70% to 45.00%, respectively, while foreign currency-denominated receivables from customers earn annual fixed interest rates ranging from 0.98% to 24.00%, from 1.05% to 24.00% and from 1.32% to 45.00%, respectively.

10. Property and Equipment

The composition and movements in the account follow:

	Consolidated						
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Improvements	BUC	ROU Assets	Total
2021							
Cost							
Balance at January 1	**₱5,802**	**₱16,109**	**₱18,722**	**₱4,839**	**₱75**	**₱5,399**	**₱50,946**
Additions	**–**	**23**	**2,705**	**48**	**453**	**2,664**	**5,893**
Disposals/early termination	**(5)**	**–**	**(2,079)**	**(13)**	**–**	**(669)**	**(2,766)**
Reclassification/others	**–**	**207**	**29**	**125**	**(309)**	**(46)**	**6**
Balance at December 31	**5,797**	**16,339**	**19,377**	**4,999**	**219**	**7,348**	**54,079**
Accumulated depreciation and amortization							
Balance at January 1	**–**	**6,990**	**13,412**	**3,802**	**–**	**2,117**	**26,321**
Depreciation and amortization	**–**	**572**	**2,147**	**286**	**–**	**1,484**	**4,489**
Disposals/early termination	**–**	**–**	**(1,885)**	**(10)**	**–**	**(628)**	**(2,523)**
Reclassification/others	**–**	**12**	**40**	**7**	**–**	**(58)**	**1**
Balance at December 31	**–**	**7,574**	**13,714**	**4,085**	**–**	**2,915**	**28,288**
Allowance for impairment losses	**–**	**8**	**–**	**–**	**–**	**–**	**8**
Net book value at December 31	**₱5,797**	**₱8,757**	**₱5,663**	**₱914**	**₱219**	**₱4,433**	**₱25,783**
2020							
Cost							
Balance at January 1	₱5,802	₱15,395	₱18,236	₱4,730	₱319	₱4,816	₱49,298
Additions	–	30	1,705	73	619	1,204	3,631
Disposals/early termination	–	(3)	(1,180)	(78)	–	(559)	(1,820)
Reclassification/others	–	687	(39)	114	(863)	(62)	(163)
Balance at December 31	5,802	16,109	18,722	4,839	75	5,399	50,946
Accumulated depreciation and amortization							
Balance at January 1	–	6,407	12,326	3,567	–	1,290	23,590
Depreciation and amortization	–	573	2,156	349	–	1,267	4,345
Disposals/early termination	–	–	(1,052)	(78)	–	(432)	(1,562)
Reclassification/others	–	10	(18)	(36)	–	(8)	(52)
Balance at December 31	–	6,990	13,412	3,802	–	2,117	26,321
Allowance for impairment losses	–	8	–	–	–	–	8
Net book value at December 31	₱5,802	₱9,111	₱5,310	₱1,037	₱75	₱3,282	₱24,617

	Parent Company						
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Improvements	BUC	ROU Assets	Total
2021							
Cost							
Balance at January 1	**₱4,665**	**₱14,776**	**₱9,145**	**₱3,092**	**₱75**	**₱3,005**	**₱34,758**
Additions	**–**	**9**	**1,219**	**1**	**453**	**1,767**	**3,449**
Disposals/early termination	**(5)**	**–**	**(291)**	**(10)**	**–**	**(434)**	**(740)**
Reclassification/others	**–**	**202**	**2**	**104**	**(309)**	**(3)**	**(4)**
Balance at December 31	**4,660**	**14,987**	**10,075**	**3,187**	**219**	**4,335**	**37,463**
Accumulated depreciation and amortization							
Balance at January 1	**–**	**6,371**	**6,503**	**2,312**	**–**	**1,135**	**16,321**
Depreciation and amortization	**–**	**529**	**1,044**	**159**	**–**	**814**	**2,546**
Disposals	**–**	**–**	**(245)**	**(6)**	**–**	**(394)**	**(645)**
Reclassification/others	**–**	**8**	**11**	**(9)**	**–**	**1**	**11**
Balance at December 31	**–**	**6,908**	**7,313**	**2,456**	**–**	**1,556**	**18,233**
Allowance for impairment losses	**–**	**8**	**–**	**–**	**–**	**–**	**8**
Net book value at December 31	**₱4,660**	**₱8,071**	**₱2,762**	**₱731**	**₱219**	**₱2,779**	**₱19,222**

	Parent Company						
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Improvements	BUC	ROU Assets	Total
2020							
Cost							
Balance at January 1	₱4,381	₱13,679	₱7,775	₱2,953	₱319	₱2,577	₱31,684
Impact of merger (Note 11)	284	389	602	78	–	80	1,433
Additions	–	17	1,003	2	619	816	2,457
Disposals/early termination	–	–	(229)	(78)	–	(429)	(736)
Reclassification/others	–	691	(6)	137	(863)	(39)	(80)
Balance at December 31	4,665	14,776	9,145	3,092	75	3,005	34,758
Accumulated depreciation and amortization							
Balance at January 1	–	5,623	5,373	2,121	–	702	13,819
Impact of merger (Note 11)	–	206	357	77	–	27	667
Depreciation and amortization	–	531	978	208	–	703	2,420
Disposals	–	–	(198)	(78)	–	(314)	(590)
Reclassification/others	–	11	(7)	(16)	–	17	5
Balance at December 31	–	6,371	6,503	2,312	–	1,135	16,321
Allowance for impairment losses	–	8	–	–	–	–	8
Net book value at December 31	₱4,665	₱8,397	₱2,642	₱780	₱75	₱1,870	₱18,429

As of December 31, 2021 and 2020, the cost of fully depreciated property and equipment still in use amounted to ₱7.0 billion and ₱6.5 billion, respectively, for the Group, and ₱4.3 billion and ₱3.9 billion, respectively, for the Parent Company.

11. Investments in Subsidiaries, Associates and a Joint Venture

Investments in subsidiaries consist of:

	2021	2020
Acquisition cost		
PSBank	**₱13,076**	₱13,076
FMIC	**11,751**	11,751
MBCL	**10,079**	10,079
Circa	**837**	837
MR USA	**365**	365
ORIX Metro	**265**	265
MR Japan	**102**	102
MR UK	**31**	31
MRHL	**26**	26
MRSPL	**17**	17
Others	**25**	291
	36,574	36,840
Accumulated equity in net income		
Balance at January 1	**30,414**	44,276
Share in net income	**2,213**	1,652
Dividends	**(1,132)**	(1,103)
Liquidation	**230**	–
Impact of merger of MCC with Parent Company	**–**	(14,411)
Balance at December 31	**31,725**	30,414
Equity in net unrealized loss on investment securities at FVOCI	**(748)**	(258)
Equity in net unrealized gain on remeasurement of retirement plan and translation adjustment and others	**1,942**	252

(Forward)

	2021	2020
Excess of share in net losses of subsidiaries over cost included in 'Miscellaneous liabilities' (Note 21)	**₱–**	₱99
Equity in realized loss on sale of equity securities at FVOCI	**(172)**	(166)
Carrying value		
PSBank	**30,660**	30,377
FMIC	**20,264**	19,787
MBCL	**13,602**	12,425
ORIX Metro	**3,765**	3,557
Circa	**244**	254
MRSPL	**160**	150
MR USA	**128**	130
MRHL	**123**	129
MR Japan	**81**	79
MR UK	**40**	39
Others	**254**	254
	₱69,321	₱67,181

The following subsidiaries have material non-controlling interests as of December 31, 2021 and 2020:

	Country of Incorporation and Principal Place of Business	**Principal Activities**	**Effective Ownership of Non-Controlling Interest**	
			2021	2020
ORIX Metro	Philippines	Leasing, Financing	**40.15%**	40.15%
PSBank	Philippines	Banking	**11.62%**	11.62%

The following table presents financial information of subsidiaries with material non-controlling interests as of December 31, 2021 and 2020:

	2021		2020	
	PSBank	**ORIX Metro**	PSBank	ORIX Metro
Statement of Financial Position				
Total assets	**₱261,811**	**₱26,791**	₱219,479	₱44,623
Total liabilities	**226,943**	**17,384**	184,933	35,733
Non-controlling interest	**5,235**	**3,795**	5,197	3,586
Statement of Income				
Gross income	**17,364**	**5,474**	20,134	6,708
Operating income	**15,160**	**4,012**	16,570	4,605
Net income	**1,541**	**51**	1,106	32
Net income attributable to non-controlling interest	**179**	**20**	129	13
Total comprehensive income	**1,587**	**520**	1,343	68
Statement of Cash Flows				
Net cash provided by (used in) operating activities	**72,523**	**6,852**	12,585	8,110
Net cash provided by (used in) investing activities	**(51,194)**	**(740)**	21,756	(211)
Net cash provided by (used in) financing activities	**(1,753)**	**(16,657)**	(3,023)	(3,625)
Net increase (decrease) in cash and cash equivalents	**19,576**	**(10,545)**	31,318	4,274
Cash and cash equivalents at beginning of year	**41,553**	**11,847**	10,235	7,573
Cash and cash equivalents at end of year	**61,129**	**1,302**	41,553	11,847

Investment in FMIC
In line with its transformation initiative, the BOD of FMIC approved the proposal to return its quasi banking license with the BSP on November 24, 2020. This was approved by the BSP on March 25, 2021.

As of December 31, 2021 and 2020, the carrying amount of goodwill of the Group amounted to ₱5.2 billion, of which ₱5.0 billion pertains to the goodwill arising from the acquisition of the then Solidbank Corporation, which was merged with FMIC.

Investment in MCC

On March 13, 2019, the respective BODs of the Parent Company and MCC approved the proposal to merge MCC into the Parent Company which will unlock the value of MCC and help realize the following objectives:

a. Improve synergy and cross-sell;
b. Increase the profitability and improve capital efficiency; and
c. Enable the Parent Company to be more competitive in the credit card business.

This was ratified by the stockholders of the Parent Company on April 24, 2019, and was approved by the BSP on October 23, 2019. The SEC approved the merger of MCC into the Parent Company effective January 3, 2020.

As of January 3, 2020, the following are the assets and liabilities of MCC:

Assets	
Due from BSP	₱5,994
Due from Other Banks	744
Interbank Loans and SPURA	175
Investment Securities at FVOCI	28
Loans and Receivables	83,422
Property and Equipment	766
Investment Properties	1
Deferred Tax Assets	2,088
Other Assets	1,030
Total Assets	₱94,248
Liabilities	
Bills Payable and SSURA	₱65,389
Derivative Liabilities	307
Income Taxes Payable	608
Accrued Interest and Other Expenses	1,478
Subordinated Debts	1,166
Other Liabilities	5,819
Total Liabilities	₱74,767

The difference between the carrying value of the investment in MCC and the net assets of MCC amounting to ₱9.8 billion was recognized under 'Translation adjustments and others' in the statement of financial position by the Parent Company.

Investments in associates and a JV, which consist of:

	Principal Activities	Consolidated		Parent Company	
		2021	2020	**2021**	2020
Acquisition cost:					
Lepanto Consolidated Mining Company (LCMC) (13.35% effectively owned)	Mining	**₱2,527**	₱2,527		
SMFC (26.52% effectively owned)*	Financing	**610**	610		
Northpine Land, Inc. (NLI) (20.00% owned)	Real estate developer	**232**	232	**₱232**	₱232
Taal Land Inc. (TLI) (35.00% owned)	Real estate	**178**	178	**178**	178
Cathay International Resources Corporation (CIRC) (34.49% effectively owned)	Investment house	**175**	175		
Philippine AXA Life Insurance Corporation (PALIC) (27.97% owned)	Insurance	**172**	172		
SMBC Metro Investment Corporation (SMBC Metro) (30.00% owned)	Investment house	**180**	180	**180**	180
Others		**42**	42		
		4,116	4,116	**590**	590
Accumulated equity in net income:					
Balance at January 1		**2,848**	2,821	**227**	205
Share in net income		**568**	664	**38**	22
Dividends		**(708)**	(637)	**–**	–
Balance at December 31		**2,708**	2,848	**265**	227
Equity in other comprehensive income (losses)		**(121)**	(22)	**–**	3
Return of investment - SMBC Metro		**(180)**	(180)	**(180)**	(180)
Allowance for impairment losses (Note 15)		**(672)**	(514)	**(101)**	(75)
Carrying value					
LCMC		**1,241**	1,421		
SMFC		**738**	741		
NLI		**532**	496	**532**	496
TLI		**18**	21	**18**	21
CIRC		**35**	129		
PALIC		**3,229**	3,357		
SMBC Metro		**24**	48	**24**	48
Others		**34**	35		
		₱5,851	₱6,248	**₱574**	₱565

* *Represents investment in a JV of the Group and effective ownership interest of the Parent Company through PSBank.*

The principal place of business of these associates is in the Philippines.

Investment of FMIC in LCMC
FMIC has the ability to exercise significant influence through a 5-year agreement with Philex Mining Corporation to jointly vote their 16.7% ownership. As of December 31, 2021 and 2020, LCMC-A shares are trading at ₱0.140 per share and ₱0.160 per share, respectively, and LCMC-B shares are trading at ₱0.142 per share and ₱0.156 per share, respectively. As of December 31, 2021 and 2020, there has been a significant decline in the fair value of the shares compared to the acquisition cost. In 2021, the Group recognized impairment loss on the investment in LCMC amounting to ₱131.6 million (Note 3).

Investment in NLI
On November 27, 2019, the stockholders of NLI approved the shortening of its corporate term to end on December 31, 2021. Following this, the Company is no longer expected to continue its operations for the foreseeable future. Consequently, the management of NLI plans to reduce its workforce and scale-down its business operations with the objective of ceasing business operations by December 31, 2021.

The following tables present financial information of significant associates and a JV:

	Statements of Financial Position		Statements of Income and Other Comprehensive Income				
	Total Assets	Total Liabilities	Gross Income	Operating Income (Loss)	Net Income (Loss)	OCI	Total Comprehensive Income
December 31, 2021							
PALIC	**₱177,290**	**₱165,734**	**₱23,079**	**₱3,033**	**₱2,242**	**(₱282)**	**₱1,960**
LCMC	**16,539**	**11,052**	**1,180**	**(297)**	**(298)**	**–**	**(298)**
NLI	**3,676**	**1,108**	**421**	**144**	**188**	**–**	**188**
SMFC	**6,534**	**3,982**	**2,028**	**1,811**	**203**	**91**	**294**
CIRC	**2,140**	**1,662**	**67**	**(140)**	**(149)**	**–**	**(149)**
December 31, 2020							
PALIC	₱154,095	₱142,030	₱18,355	₱4,096	₱2,900	(₱517)	₱2,383
LCMC	16,410	10,624	1,487	(748)	(751)	(298)	(1,049)
NLI	3,748	1,369	392	95	112	–	112
SMFC	7,644	5,278	1,595	269	128	–	128
CIRC	2,160	1,606	270	(191)	(224)	–	(224)

Major assets of significant associates and a JV include the following:

	2021	2020
PALIC		
Cash and cash equivalents	**₱5,787**	₱4,726
Loans and receivables - net	**1,022**	844
Investment securities at FVTPL	**1,996**	1,982
Investment securities at FVOCI	**16,363**	18,163
Investment in unit-linked funds	**58**	58
Property and equipment	**683**	737
LCMC		
Inventories	**593**	551
Investments and advances	**6,497**	558
Mine exploration cost	**6,882**	6,827
Property, plant and equipment - net	**497**	6,657
NLI		
Cash and cash equivalents	**344**	411
Real estate properties	**1,669**	1770
Receivables - net	**1,588**	1,422
SMFC		
Cash and cash equivalents	**500**	813
Receivables - net	**5,533**	6,509
CIRC		
Cash and cash equivalents	**66**	93
Receivables - net	**498**	190
Property, plant and equipment - net	**1,112**	1,182
Condominium units for sale/inventories	**327**	274

Dividends declared by investee companies of the Parent Company follow:

Subsidiary/Associate	Date of Declaration	Per Share	Total Amount	Record Date	Payment Date
2021					
Subsidiaries					
Cash Dividend					
PSBank	**January 21, 2021**	**₱0.75**	**₱320**	**February 5, 2021**	**February 22, 2021**
PSBank	**April 26, 2021**	**0.75**	**320**	**May 11, 2021**	**May 26, 2021**
PSBank	**July 22, 2021**	**0.75**	**320**	**August 6, 2021**	**August 23, 2021**
PSBank	**October 21, 2021**	**0.75**	**320**	**November 8, 2021**	**November 22, 2021**
2020					
Subsidiaries					
Cash Dividend					
PSBank	January 16, 2020	₱0.75	₱287	January 31, 2020	February 17, 2020
PSBank	April 21, 2020	0.75	320	May 7, 2020	May 21, 2020
PSBank	July 23, 2020	0.75	320	August 7, 2020	August 24, 2020
PSBank	October 22, 2020	0.75	320	November 9, 2020	November 23, 2020

Dividends declared by significant investee companies of PSBank and FMIC follow:

Subsidiary/Associate	Date of Declaration	Per Share	Total Amount	Record Date	Payment Date
2021					
Associates					
Cash Dividend					
PALIC	**December 9, 2021**	**₱247**	**₱2,470**	**December 9, 2021**	**December 17, 2021**
SMFC	**June 25, 2021**	**1.93**	**39**	**July 12, 2021**	**July 15, 2021**
FAMI	**August 31, 2021**	**5.77**	**9**	**August 31, 2021**	**September 15, 2021**
2020					
Associates					
Cash Dividend					
PALIC	November 16, 2020	₱207.00	₱2,070	November 16, 2020	December 23, 2020
SMFC	June 26,2020	8.88	178	June 26,2020	July 17, 2020

12. **Investment Properties**

This account consists of foreclosed real estate properties and investments in real estate:

	Consolidated					
	2021			2020		
	Land	Buildings and Improvements	Total	Land	Buildings and Improvements	Total
Cost						
Balance at January 1	**₱5,638**	**₱4,583**	**₱10,221**	₱5,718	₱4,651	₱10,369
Additions	**272**	**580**	**852**	251	451	702
Disposals	**(522)**	**(688)**	**(1,210)**	(343)	(522)	(865)
Reclassification/others	**(1)**	**19**	**18**	12	3	15
Balance at December 31	**5,387**	**4,494**	**9,881**	5,638	4,583	10,221
Accumulated depreciation and amortization						
Balance at January 1	**–**	**1,140**	**1,140**	–	1,117	1,117
Depreciation and amortization	**–**	**127**	**127**	–	131	131
Disposals	**–**	**(127)**	**(127)**	–	(108)	(108)
Balance at December 31	**–**	**1,140**	**1,140**	–	1,140	1,140
Allowance for impairment losses (Note 15)						
Balance at January 1	**1,246**	**168**	**1,414**	1,298	192	1,490
Provision for (reversal of) impairment loss	**8**	**20**	**28**	(3)	–	(3)
Disposals	**(10)**	**(21)**	**(31)**	(9)	(24)	(33)
Reclassification/others	**–**	**3**	**3**	(40)	–	(40)
Balance at December 31	**1,244**	**170**	**1,414**	1,246	168	1,414
Net book value at December 31	**₱4,143**	**₱3,184**	**₱7,327**	₱4,392	₱3,275	₱7,667

	Parent Company					
	2021			2020		
	Land	Buildings and Improvements	Total	Land	Buildings and Improvements	Total
Cost						
Balance at January 1	**₱3,560**	**₱1,455**	**₱5,015**	₱3,571	₱1,418	₱4,989
Impact of merger (Note 11)	**–**	**–**	**–**	1	–	1
Additions	**70**	**67**	**137**	83	140	223
Disposals	**(235)**	**(113)**	**(348)**	(109)	(103)	(212)
Reclassification/others	**1**	**–**	**1**	14	–	14
Balance at December 31	**3,396**	**1,409**	**4,805**	3,560	1,455	5,015
Accumulated depreciation and amortization						
Balance at January 1	**–**	**635**	**635**	–	642	642
Depreciation and amortization	**–**	**37**	**37**	–	39	39
Disposals	**–**	**(41)**	**(41)**	–	(46)	(46)
Balance at December 31	**–**	**631**	**631**	–	635	635
Allowance for impairment losses (Note 15)						
Balance at January 1	**972**	**39**	**1,011**	1,016	40	1,056
Disposals	**(7)**	**(1)**	**(8)**	(5)	(1)	(6)
Reclassification/others	**–**	**–**	**–**	(39)	–	(39)
Balance at December 31	**965**	**38**	**1,003**	972	39	1,011
Net book value at December 31	**₱2,431**	**₱740**	**₱3,171**	₱2,588	₱781	₱3,369

As of December 31, 2021 and 2020, foreclosed investment properties still subject to redemption period by the borrowers amounted to ₱867.6 million and ₱661.4 million, respectively, for the Group, and ₱167.0 million and ₱57.6 million, respectively, for the Parent Company.

As of December 31, 2021 and 2020, aggregate market value of investment properties amounted to ₱15.0 billion and ₱14.5 billion, respectively, for the Group, and ₱8.0 billion and ₱7.4 billion, respectively, for the Parent Company, of which ₱8.9 billion and ₱8.4 billion, respectively, for the Group, and ₱7.9 billion and ₱7.3 billion, respectively, for the Parent Company were determined by independent external appraisers. Information about the fair value measurement of investment properties are also presented in Note 5.

Rental income on investment properties (included in 'Leasing income' in the statements of income) in 2021, 2020 and 2019 amounted to ₱90.0 million, ₱88.1 million and ₱85.1 million, respectively, for the Group (Note 13).

Direct operating expenses on investment properties that generated rental income (included under 'Litigation expenses') in 2021, 2020 and 2019 amounted to ₱0.1 million for the Group. Direct operating expenses on investment properties that did not generate rental income (included under 'Litigation expenses') in 2021, 2020 and 2019 amounted to ₱223.3 million, ₱156.0 million and ₱286.4 million, respectively, for the Group and ₱57.1 million, ₱63.3 million and ₱90.6 million, respectively, for the Parent Company (Note 25).

Net gains from sale of investment properties (included in 'Profit from assets sold' in the statements of income) in 2021, 2020 and 2019 amounted to ₱432.6 million, ₱229.4 million and ₱605.4 million, respectively, for the Group, and ₱117.7 million, ₱81.7 million and ₱189.5 million, respectively, for the Parent Company (Note 32).

13. **Leases**

Group as a Lessee

As of December 31, 2021 and 2020, 59.34% and 59.77%, respectively, of the Parent Company's branch sites are under lease arrangements. Also, some of its subsidiaries lease the premises occupied by their Head Offices and most of their branches. The lease contracts are for periods ranging from 1 to 29 years and some are renewable at the Group's option under certain terms and conditions. Various lease contracts include escalation clauses, which bear an annual rent increase of 2% to 20% in 2021 and 2020. As of December 31, 2021 and 2020, the Group has no contingent rent payable.

The carrying amounts of lease liabilities (included in 'Other Liabilities' in Note 21) are as follows:

	Consolidated		**Parent Company**	
	2021	2020	**2021**	2020
Balance at January 1	**₱3,922**	₱4,038	**₱2,248**	₱2,160
Impact of merger (Note 11)	**–**	–	**–**	55
Additions	**2,664**	1,204	**1,767**	816
Expiry/termination	**(57)**	(126)	**(57)**	(100)
Accretion of interest	**244**	252	**137**	127
Payments	**(1,718)**	(1,409)	**(929)**	(773)
Others	**29**	(37)	**19**	(37)
Balance at December 31	**₱5,084**	₱3,922	**₱3,185**	₱2,248

The Group and the Parent Company recognized the following:

	Consolidated			Parent Company		
	2021	2020	2019	**2021**	2020	2019
Interest expense on lease liabilities	**₱244**	₱252	₱319	**₱137**	₱127	₱170
Rent expense from short-term leases and leases of low-value assets*	**813**	872	736	**612**	708	414

* *Included under 'Occupancy and equipment -related cost'*

Future minimum rentals payable under non-cancelable leases follows:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Within one year	**₱1,524**	₱1,213	**₱887**	₱705
After one year but not more than five years	**3,508**	2,593	**2,372**	1,606
More than five years	**613**	666	**436**	457
	₱5,645	₱4,472	**₱3,695**	₱2,768

As of December 31, 2021 and 2020, the Group and the Parent Company have undiscounted potential future rental payments arising from extension options expected not to be exercised and thus, not included in the calculation of lease liability amounting to ₱67.7 million and ₱70.8 million, respectively, for the Group, and ₱64.9 million for the Parent Company.

Group as a Lessor
The Group has entered into commercial property leases on its investment property portfolio, consisting of the Group's available office spaces and investment properties and lease agreements over various items of machinery and equipment which are non-cancelable and have remaining non-cancelable lease terms of between one to seven years. In 2021, 2020 and 2019, leasing income amounted to ₱1.9 billion, ₱2.0 billion and ₱2.1 billion, respectively, for the Group, and ₱183.2 million, ₱200.3 million and ₱210.0 million, respectively, for the Parent Company.

Future minimum rentals receivable under non-cancelable operating leases follows:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Within one year	**₱1,257**	₱928	**₱68**	₱86
After one year but not more than five years	**1,537**	3,263	**64**	84
More than five years	**–**	172	**–**	–
	₱2,794	₱4,363	**₱132**	₱170

Finance Leases
Lease contract receivables under finance leases, which are accounts of ORIX Metro, are due in monthly installments with terms ranging from one to seven years. These are broken down as follows (Note 9):

	2021	2020
Within one year	**₱755**	₱826
After one year but not more than five years	**2,326**	3,153
Greater than five years	**7**	172
	₱3,088	₱4,151

14. **Other Assets**

This account consists of:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Investment in SPVs	**₱8,857**	₱8,857	**₱8,857**	₱8,857
Software costs - net	**2,598**	1,877	**2,153**	1,343
Customized system development cost	**1,881**	2,914	**1,881**	2,914
Prepaid expenses	**1,178**	738	**781**	373
Creditable withholding tax	**1,061**	889	**398**	276
Residual value of leased assets	**739**	930	**–**	–
Chattel properties acquired in foreclosure - net	**717**	1,527	**18**	21
Returned checks and other cash items	**640**	250	**611**	238
Documentary and postage stamps on hand	**402**	389	**323**	321
Interoffice float items	**303**	13	**377**	4
Assets held under joint operations (Note 32)	**219**	219	**219**	219
Miscellaneous (Note 27)	**3,962**	4,872	**2,545**	3,763
	22,557	23,475	**18,163**	18,329
Less allowance for impairment losses	**10,308**	10,291	**10,300**	10,282
	₱12,249	₱13,184	**₱7,863**	₱8,047

Investment in SPVs represents subordinated notes issued by Cameron Granville 3 Asset Management, Inc. and LNC 3 Asset Management, Inc. with face amount of ₱9.4 billion and ₱2.6 billion, respectively. These notes are non-interest bearing and payable over five (5) years starting April 1, 2006, with rollover of two (2) years at the option of the note issuers. The subordinated notes have gross carrying amount of ₱8.9 billion and are fully provided with allowance for impairment losses.

Movements in software costs account follow:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Cost				
Balance at January 1	**₱6,545**	₱6,063	**₱4,415**	₱2,710
Impact of merger (Note 11)	**–**	–	**–**	1,336
Additions	**593**	532	**505**	369
Reclassification/others	**1,522**	(50)	**1,506**	–
Balance at December 31	**8,660**	6,545	**6,426**	4,415
Accumulated amortization				
Balance at January 1	**4,668**	3,983	**3,072**	1,699
Impact of merger (Note 11)	**–**	–	**–**	865
Amortization	**1,381**	680	**1,189**	498
Others	**13**	5	**12**	10
Balance at December 31	**6,062**	4,668	**4,273**	3,072
Net book value at December 31	**₱2,598**	₱1,877	**₱2,153**	₱1,343

Movements in chattel properties acquired in foreclosure follow:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Cost				
Balance at January 1	**₱1,786**	₱1,310	**₱40**	₱57
Additions	**4,450**	4,243	**18**	10
Disposals/others	**(5,243)**	(3,767)	**(27)**	(27)
Balance at December 31	**993**	1,786	**31**	40
Accumulated depreciation and amortization				
Balance at January 1	**251**	208	**17**	23
Depreciation and amortization	**434**	389	**7**	8
Disposals/others	**(410)**	(346)	**(12)**	(14)
Balance at December 31	**275**	251	**12**	17
Allowance for impairment losses	**1**	8	**1**	2
Net book value at December 31	**₱717**	₱1,527	**₱18**	₱21

Assets held under joint operations are parcels of land and former branch sites of the Parent Company which were contributed to separate joint operations with FLI and Federal Land Orix Corporation (Note 32). These are carried at costs, which are lower than the net realizable values.

15. Allowance for Credit and Impairment Losses

An analysis of changes in the ECL allowances in 2021 and 2020 is as follows:

	Consolidated					
		Interbank	Investment Securities at FVOCI			Investment
	Due from Other Banks	Loans Receivable	Stage 1	Stage 3	Total	Securities at Amortized Cost
2021						
ECL allowance, January 1, 2021	**₱124**	**₱14**	**₱141**	**₱–**	**₱141**	**₱22**
New assets originated	**(124)**	**(14)**	–	–	–	–
Assets derecognized or repaid	**31**	**28**	–	–	–	–
Changes in assumptions	–	–	**217**	–	**217**	**9**
ECL allowance, December 31, 2021	**₱31**	**₱28**	**₱358**	**₱–**	**₱358**	**₱31**
2020						
ECL allowance, January 1, 2020	₱5	₱1	₱118	₱30	₱148	₱26
New assets originated	124	14	14	–	14	–
Assets derecognized or repaid	(5)	(1)	(23)	(30)	(53)	–
Changes in assumptions	–	–	32	–	32	(4)
ECL allowance, December 31, 2020	₱124	₱14	₱141	₱–	₱141	₱22

	Consolidated			
	Receivables from Customers			
	Stage 1	Stage 2	Stage 3	Total
2021				
Commercial loans				
ECL allowance, January 1, 2021	**₱11,572**	**₱9,549**	**₱10,910**	**₱32,031**
Newly originated assets that remained in Stage 1 as at year-end	**3,923**	–	–	**3,923**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	**3,396**	**1,775**	**5,171**
Assets derecognized or repaid	**(7,890)**	**(3,319)**	**(1,329)**	**(12,538)**
Amounts written off	–	–	**(186)**	**(186)**
Transfers to/(from) Stage 1	**(88)**	–	–	**(88)**
Transfers to/(from) Stage 2	–	**(586)**	–	**(586)**
Transfers to/(from) Stage 3	–	–	**984**	**984**
Changes in assumptions	**(103)**	**2,441**	**862**	**3,200**
ECL allowance, December 31, 2021	**7,414**	**11,481**	**13,016**	**31,911**

(Forward)

	Consolidated			
	Receivables from Customers			
	Stage 1	Stage 2	Stage 3	Total
Residential mortgage loans				
ECL allowance, January 1, 2021	**₱540**	**₱1,281**	**₱769**	**₱2,590**
Newly originated assets that remained in Stage 1 as at year-end	**505**	**–**	**–**	**505**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	**–**	**69**	**27**	**96**
Assets derecognized or repaid	**(641)**	**(243)**	**(145)**	**(1,029)**
Transfers to/(from) Stage 1	**275**	**–**	**–**	**275**
Transfers to/(from) Stage 2	**–**	**(633)**	**–**	**(633)**
Transfers to/(from) Stage 3	**–**	**–**	**820**	**820**
Changes in assumptions	**(257)**	**82**	**3**	**(172)**
ECL allowance, December 31, 2021	**422**	**556**	**1,474**	**2,452**
Auto loans				
ECL allowance, January 1, 2021	**1,441**	**1,304**	**1,532**	**4,277**
Newly originated assets that remained in Stage 1 as at year-end	**238**	**–**	**–**	**238**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	**–**	**105**	**21**	**126**
Assets derecognized or repaid	**(268)**	**(307)**	**(454)**	**(1,029)**
Amounts written off	**–**	**–**	**(413)**	**(413)**
Transfers to/(from) Stage 1	**830**	**–**	**–**	**830**
Transfers to/(from) Stage 2	**–**	**13**	**–**	**13**
Transfers to/(from) Stage 3	**–**	**–**	**(312)**	**(312)**
Changes in assumptions	**(508)**	**356**	**1,422**	**1,270**
ECL allowance, December 31, 2021	**1,733**	**1,471**	**1,796**	**5,000**
Credit card				
ECL allowance, January 1, 2021	**2,510**	**2,680**	**4,542**	**9,732**
Newly originated assets that remained in Stage 1 as at year-end	**56**	**–**	**–**	**56**
Assets derecognized or repaid	**(45)**	**(90)**	**(121)**	**(256)**
Amounts written off	**–**	**–**	**(11,058)**	**(11,058)**
Transfers to/(from) Stage 1	**532**	**–**	**–**	**532**
Transfers to/(from) Stage 2	**–**	**(872)**	**–**	**(872)**
Transfers to/(from) Stage 3	**–**	**–**	**339**	**339**
Changes in assumptions	**(643)**	**916**	**7,992**	**8,265**
ECL allowance, December 31, 2021	**2,410**	**2,634**	**1,694**	**6,738**
Trade loans				
ECL allowance, January 1, 2021	**310**	**221**	**371**	**902**
Newly originated assets that remained in Stage 1 as at year-end	**142**	**–**	**–**	**142**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	**–**	**18**	**87**	**105**
Assets derecognized or repaid	**(309)**	**(100)**	**(205)**	**(614)**
Transfers to/(from) Stage 1	**–**	**–**	**–**	**–**
Transfers to/(from) Stage 2	**–**	**–**	**–**	**–**
Transfers to/(from) Stage 3	**–**	**–**	**–**	**–**
Changes in assumptions	**–**	**(21)**	**3**	**(18)**
ECL allowance, December 31, 2021	**143**	**118**	**256**	**517**
Other loans				
ECL allowance, January 1, 2021	**46**	**207**	**615**	**868**
Newly originated assets that remained in Stage 1 as at year-end	**39**	**–**	**–**	**39**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	**–**	**16**	**22**	**38**
Assets derecognized or repaid	**(12)**	**43**	**(36)**	**(5)**
Amounts written off	**–**	**–**	**(130)**	**(130)**
Transfers to/(from) Stage 1	**11**	**–**	**–**	**11**
Transfers to/(from) Stage 2	**–**	**(8)**	**–**	**(8)**
Transfers to/(from) Stage 3	**–**	**–**	**(3)**	**(3)**
Changes in assumptions	**(27)**	**150**	**241**	**364**
ECL allowance, December 31, 2021	**57**	**408**	**709**	**1,174**
Total receivables from customers				
ECL allowance, January 1, 2021	**16,419**	**15,242**	**18,739**	**50,400**
Newly originated assets that remained in Stage 1 as at year-end	**4,903**	**–**	**–**	**4,903**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	**–**	**3,604**	**1,932**	**5,536**
Assets derecognized or repaid	**(9,165)**	**(4,016)**	**(2,290)**	**(15,471)**
Amounts written off	**–**	**–**	**(11,787)**	**(11,787)**

(Forward)

	Consolidated			
	Receivables from Customers			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Transfers to/(from) Stage 1	**₱1,560**	**₱–**	**₱–**	**₱1,560**
Transfers to/(from) Stage 2	**–**	**(2,086)**	**–**	**(2,086)**
Transfers to/(from) Stage 3	**–**	**–**	**1,828**	**1,828**
Changes in assumptions	**(1,538)**	**3,924**	**10,523**	**12,909**
ECL allowance, December 31, 2021	**₱12,179**	**₱16,668**	**₱18,945**	**₱47,792**
2020				
Commercial loans				
ECL allowance, January 1, 2020	₱3,202	₱880	₱7,523	₱11,605
Newly originated assets that remained in Stage 1 as at year-end	4,479	–	–	4,479
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	1,840	1,670	3,510
Assets derecognized or repaid	(403)	(246)	(671)	(1,320)
Amounts written off	–	–	(98)	(98)
Transfers to/(from) Stage 1	542	–	–	542
Transfers to/(from) Stage 2	–	5,894	–	5,894
Transfers to/(from) Stage 3	–	–	709	709
Changes in assumptions	3,752	1,181	1,777	6,710
ECL allowance, December 31, 2020	11,572	9,549	10,910	32,031
Residential mortgage loans				
ECL allowance, January 1, 2020	124	186	397	707
Newly originated assets that remained in Stage 1 as at year-end	84	–	–	84
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	12	–	12
Assets derecognized or repaid	(7)	(11)	(29)	(47)
Amounts written off	–	–	(84)	(84)
Transfers to/(from) Stage 1	322	–	–	322
Transfers to/(from) Stage 2	–	624	–	624
Transfers to/(from) Stage 3	–	–	(361)	(361)
Changes in assumptions	17	470	846	1,333
ECL allowance, December 31, 2020	540	1,281	769	2,590
Auto loans				
ECL allowance, January 1, 2020	733	539	702	1,974
Newly originated assets that remained in Stage 1 as at year-end	281	–	–	281
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	43	–	43
Assets derecognized or repaid	(4)	(1)	(8)	(13)
Amounts written off	–	–	(746)	(746)
Transfers to/(from) Stage 1	1,309	–	–	1,309
Transfers to/(from) Stage 2	–	(261)	–	(261)
Transfers to/(from) Stage 3	–	–	(823)	(823)
Changes in assumptions	(878)	984	2,407	2,513
ECL allowance, December 31, 2020	1,441	1,304	1,532	4,277
Credit card				
ECL allowance, January 1, 2020	1,392	1,683	1,506	4,581
Newly originated assets that remained in Stage 1 as at year-end	198	–	–	198
Assets derecognized or repaid	(17)	(58)	(55)	(130)
Amounts written off	–	–	(5,996)	(5,996)
Transfers to/(from) Stage 1	90	–	–	90
Transfers to/(from) Stage 2	–	(525)	–	(525)
Transfers to/(from) Stage 3	–	–	435	435
Changes in assumptions	847	1,580	8,652	11,079
ECL allowance, December 31, 2020	2,510	2,680	4,542	9,732
Trade loans				
ECL allowance, January 1, 2020	149	11	107	267
Newly originated assets that remained in Stage 1 as at year-end	309	–	–	309
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	167	269	436
Assets derecognized or repaid	(83)	(7)	–	(90)
Transfers to/(from) Stage 1	–	–	–	–
Transfers to/(from) Stage 2	–	54	–	54
Transfers to/(from) Stage 3	–	–	–	–
Changes in assumptions	(65)	(4)	(5)	(74)
ECL allowance, December 31, 2020	310	221	371	902

(Forward)

	Consolidated			
	Receivables from Customers			
	Stage 1	Stage 2	Stage 3	Total
Other loans				
ECL allowance, January 1, 2020	₱27	₱198	₱504	₱729
Newly originated assets that remained in Stage 1 as at year-end	31	–	–	31
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	58	26	84
Assets derecognized or repaid	(12)	(2)	(3)	(17)
Amounts written off	–	–	(290)	(290)
Transfers to/(from) Stage 1	15	–	–	15
Transfers to/(from) Stage 2	–	218	–	218
Transfers to/(from) Stage 3	–	–	(232)	(232)
Changes in assumptions	(15)	(265)	610	330
ECL allowance, December 31, 2020	46	207	615	868
Total receivables from customers				
ECL allowance, January 1, 2020	5,627	3,497	10,739	19,863
Newly originated assets that remained in Stage 1 as at year-end	5,382	–	–	5,382
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	2,120	1,965	4,085
Assets derecognized or repaid	(526)	(325)	(766)	(1,617)
Amounts written off	–	–	(7,214)	(7,214)
Transfers to/(from) Stage 1	2,278	–	–	2,278
Transfers to/(from) Stage 2	–	6,004	–	6,004
Transfers to/(from) Stage 3	–	–	(272)	(272)
Changes in assumptions	3,658	3,946	14,287	21,891
ECL allowance, December 31, 2020	₱16,419	₱15,242	₱18,739	₱50,400

	Consolidated			
	Other Receivables			
	Stage 1	Stage 2	Stage 3	Total
2021				
ECL allowance, January 1, 2021	**₱474**	**₱33**	**₱1,159**	**₱1,666**
Newly originated assets that remained in Stage 1 as at year-end	**47**	**–**	**–**	**47**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	**–**	**7**	**2**	**9**
Assets derecognized or repaid	**(22)**	**(21)**	**(99)**	**(142)**
Transfers to/(from) Stage 1	**(31)**	**–**	**–**	**(31)**
Transfers to/(from) Stage 2	**–**	**(9)**	**–**	**(9)**
Transfers to/(from) Stage 3	**–**	**–**	**40**	**40**
Changes in assumptions	**(3)**	**8**	**31**	**36**
ECL allowance, December 31, 2021	**₱465**	**₱18**	**₱1,133**	**₱1,616**
2020				
ECL allowance, January 1, 2020	₱5	₱12	₱1,198	₱1,215
Newly originated assets that remained in Stage 1 as at year-end	835	–	–	835
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	21	46	67
Assets derecognized or repaid	(241)	(8)	(175)	(424)
Transfers to/(from) Stage 1	(127)	–	–	(127)
Transfers to/(from) Stage 2	–	8	–	8
Transfers to/(from) Stage 3	–	–	134	134
Changes in assumptions	2	–	(44)	(42)
ECL allowance, December 31, 2020	₱474	₱33	₱1,159	₱1,666

	Consolidated			
	Loan Commitments and Financial Guarantees			
	Stage 1	Stage 2	Stage 3	Total
2021				
ECL allowance, January 1, 2021	**₱1,175**	**₱306**	**₱–**	**₱1,481**
Newly originated assets that remained in Stage 1 as at year-end	**199**	**–**	**–**	**199**
Assets derecognized or repaid	**(205)**	**(38)**	**–**	**(243)**
Transfers to/(from) Stage 1	**29**	**–**	**–**	**29**
Transfers to/(from) Stage 2	**–**	**(17)**	**–**	**(17)**
Transfers to/(from) Stage 3	**–**	**–**	**1**	**1**
Changes in assumptions	**(372)**	**127**	**–**	**(245)**
ECL allowance, December 31, 2021	**₱826**	**₱378**	**₱ 1**	**₱1,205**

	Consolidated			
	Loan Commitments and Financial Guarantees			
	Stage 1	Stage 2	Stage 3	Total
2020				
ECL allowance, January 1, 2020	₱825	₱7	₱–	₱832
Newly originated assets that remained in Stage 1 as at year-end	270	–	–	270
Assets derecognized or repaid	(38)	(30)	–	(68)
Transfers to/(from) Stage 1	(145)	–	–	(145)
Transfers to/(from) Stage 2	–	146	–	146
Changes in assumptions	263	183	–	446
ECL allowance, December 31, 2020	₱1,175	₱306	₱–	₱1,481

	Parent Company					
			Investment Securities at FVOCI			
	Due from Other Banks	Interbank Loans Receivable	Stage 1	Stage 3	Total	Investment Securities at Amortized Cost
2021						
ECL allowance, January 1, 2021	**₱–**	**₱5**	**₱141**	**₱–**	**₱141**	**₱–**
New assets originated	**22**	**–**	**–**	**–**	**–**	**–**
Changes in assumptions	**–**	**–**	**217**	**–**	**217**	**5**
ECL allowance, December 31, 2021	**₱22**	**₱5**	**₱358**	**₱–**	**₱358**	**₱5**
2020						
ECL allowance, January 1, 2020	₱–	₱1	₱115	₱30	₱145	₱–
New assets originated	–	5	14	–	14	–
Assets derecognized or repaid	–	(1)	(23)	(30)	(53)	–
Changes in assumptions	–	–	35	–	35	–
ECL allowance, December 31, 2020	₱–	₱5	₱141	₱–	₱141	₱–

	Parent Company				
	Receivables from Customers				
	Stage 1	Stage 2	Stage 3	POCI	Total
2021					
Commercial loans					
ECL allowance, January 1, 2021	**₱9,524**	**₱9,165**	**₱6,467**	**₱3,013**	**₱28,169**
Newly originated assets that remained in Stage 1 as at year-end	**2,797**	**–**	**–**	**–**	**2,797**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	**–**	**3,282**	**1,110**	**–**	**4,392**
Assets derecognized or repaid	**(7,312)**	**(3,102)**	**(891)**	**–**	**(11,305)**
Amounts written off	**–**	**–**	**(2)**	**–**	**(2)**
Transfers to/(from) Stage 1	**91**	**–**	**–**	**–**	**91**
Transfers to/(from) Stage 2	**–**	**(588)**	**–**	**–**	**(588)**
Transfers to/(from) Stage 3	**–**	**–**	**810**	**–**	**810**
Changes in assumptions	**(196)**	**2,457**	**574**	**263**	**3,098**
ECL allowance, December 31, 2021	**4,904**	**11,214**	**8,068**	**3,276**	**27,462**
Residential mortgage loans					
ECL allowance, January 1, 2021	**434**	**828**	**317**	**–**	**1,579**
Newly originated assets that remained in Stage 1 as at year-end	**18**	**–**	**–**	**–**	**18**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	**–**	**60**	**24**	**–**	**84**
Assets derecognized or repaid	**(326)**	**(82)**	**(25)**	**–**	**(433)**
Transfers to/(from) Stage 1	**(31)**	**–**	**–**	**–**	**(31)**
Transfers to/(from) Stage 2	**–**	**(466)**	**–**	**–**	**(466)**
Transfers to/(from) Stage 3	**–**	**–**	**959**	**–**	**959**
Changes in assumptions	**1**	**56**	**41**	**–**	**98**
ECL allowance, December 31, 2021	**96**	**396**	**1,316**	**–**	**1,808**
Auto loans					
ECL allowance, January 1, 2021	**222**	**175**	**183**	**–**	**580**
Newly originated assets that remained in Stage 1 as at year-end	**35**	**–**	**–**	**–**	**35**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	**–**	**96**	**11**	**–**	**107**
Assets derecognized or repaid	**(166)**	**(43)**	**(33)**	**–**	**(242)**
Transfers to/(from) Stage 1	**(19)**	**–**	**–**	**–**	**(19)**
Transfers to/(from) Stage 2	**–**	**49**	**–**	**–**	**49**
Transfers to/(from) Stage 3	**–**	**–**	**501**	**–**	**501**
Changes in assumptions	**5**	**11**	**2**	**–**	**18**
ECL allowance, December 31, 2021	**77**	**288**	**664**	**–**	**1,029**

(Forward)

	Parent Company				
	Receivables from Customers				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Credit card					
ECL allowance, January 1, 2021	**₱2,510**	**₱2,679**	**₱4,543**	**₱–**	**₱9,732**
Newly originated assets that remained in Stage 1 as at year-end	**56**	**–**	**–**	**–**	**56**
Assets derecognized or repaid	**(45)**	**(90)**	**(121)**	**–**	**(256)**
Amounts written off	**–**	**–**	**(11,058)**	**–**	**(11,058)**
Transfers to/(from) Stage 1	**532**	**–**	**–**	**–**	**532**
Transfers to/(from) Stage 2	**–**	**(872)**	**–**	**–**	**(872)**
Transfers to/(from) Stage 3	**–**	**–**	**339**	**–**	**339**
Changes in assumptions	**(643)**	**916**	**7,992**	**–**	**8,265**
ECL allowance, December 31, 2021	**2,410**	**2,633**	**1,695**	**–**	**6,738**
Trade loans					
ECL allowance, January 1, 2021	**310**	**221**	**371**	**–**	**902**
Newly originated assets that remained in Stage 1 as at year-end	**142**	**–**	**–**	**–**	**142**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	**–**	**18**	**87**	**–**	**105**
Assets derecognized or repaid	**(309)**	**(100)**	**(205)**	**–**	**(614)**
Transfers to/(from) Stage 1	**–**	**–**	**–**	**–**	**–**
Transfers to/(from) Stage 2	**–**	**–**	**–**	**–**	**–**
Transfers to/(from) Stage 3	**–**	**–**	**–**	**–**	**–**
Changes in assumptions	**–**	**(21)**	**3**	**–**	**(18)**
ECL allowance, December 31, 2021	**143**	**118**	**256**	**–**	**517**
Other loans					
ECL allowance, January 1, 2021	**9**	**–**	**38**	**–**	**47**
Assets derecognized or repaid	**(8)**	**–**	**–**	**–**	**(8)**
Changes in assumptions	**(1)**	**–**	**1**	**–**	**–**
ECL allowance, December 31, 2021	**–**	**–**	**39**	**–**	**39**
Total receivables from customers					
ECL allowance, January 1, 2021	**13,009**	**13,068**	**11,919**	**3,013**	**41,009**
Newly originated assets that remained in Stage 1 as at year-end	**3,048**	**–**	**–**	**–**	**3,048**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	**–**	**3,456**	**1,232**	**–**	**4,688**
Assets derecognized or repaid	**(8,166)**	**(3,417)**	**(1,275)**	**–**	**(12,858)**
Amounts written off	**–**	**–**	**(11,060)**	**–**	**(11,060)**
Transfers to/(from) Stage 1	**573**	**–**	**–**	**–**	**573**
Transfers to/(from) Stage 2	**–**	**(1,877)**	**–**	**–**	**(1,877)**
Transfers to/(from) Stage 3	**–**	**–**	**2,609**	**–**	**2,609**
Changes in assumptions	**(834)**	**3,419**	**8,613**	**263**	**11,461**
ECL allowance, December 31, 2021	**₱7,630**	**₱14,649**	**₱12,038**	**₱3,276**	**₱37,593**
2020					
Commercial loans					
ECL allowance, January 1, 2020	₱2,086	₱718	₱3,942	₱2,991	₱9,737
Newly originated assets that remained in Stage 1 as at year-end	3,242	–	–	–	3,242
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	1,651	994	–	2,645
Assets derecognized or repaid	(230)	(190)	(613)	–	(1,033)
Amounts written off	–	–	(1)	–	(1)
Transfers to/(from) Stage 1	463	–	–	–	463
Transfers to/(from) Stage 2	–	5,962	–	–	5,962
Transfers to/(from) Stage 3	–	–	720	–	720
Changes in assumptions	3,963	1,024	1,425	22	6,434
ECL allowance, December 31, 2020	9,524	9,165	6,467	3,013	28,169
Residential mortgage loans					
ECL allowance, January 1, 2020	70	21	253	–	344
Newly originated assets that remained in Stage 1 as at year-end	73	–	–	–	73
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	9	–	–	9
Assets derecognized or repaid	(8)	(11)	(29)	–	(48)
Transfers to/(from) Stage 1	(28)	–	–	–	(28)
Transfers to/(from) Stage 2	–	795	–	–	795
Transfers to/(from) Stage 3	–	–	82	–	82
Changes in assumptions	327	14	11	–	352
ECL allowance, December 31, 2020	434	828	317	–	1,579

(Forward)

	Parent Company				
	Receivables from Customers				
	Stage 1	Stage 2	Stage 3	POCI	Total
Auto loans					
ECL allowance, January 1, 2020	₱19	₱6	₱119	₱–	₱144
Newly originated assets that remained in Stage 1 as at year-end	81	–	–	–	81
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	2	–	–	2
Assets derecognized or repaid	(4)	(1)	(8)	–	(13)
Amounts written off	–	–	–	–	–
Transfers to/(from) Stage 1	(2)	–	–	–	(2)
Transfers to/(from) Stage 2	–	168	–	–	168
Transfers to/(from) Stage 3	–	–	59	–	59
Changes in assumptions	128	–	13	–	141
ECL allowance, December 31, 2020	222	175	183	–	580
Credit card					
ECL allowance, January 1, 2020	–	–	–	–	–
Impact of merger (Note 11)	1,392	1,683	1,506	–	4,581
Newly originated assets that remained in Stage 1 as at year-end	198	–	–	–	198
Assets derecognized or repaid	(17)	(58)	(55)	–	(130)
Amounts written off	–	–	(5,996)	–	(5,996)
Transfers to/(from) Stage 1	91	–	–	–	91
Transfers to/(from) Stage 2	–	(525)	–	–	(525)
Transfers to/(from) Stage 3	–	–	434	–	434
Changes in assumptions	846	1,579	8,654	–	11,079
ECL allowance, December 31, 2020	2,510	2,679	4,543	–	9,732
Trade loans					
ECL allowance, January 1, 2020	149	11	107	–	267
Newly originated assets that remained in Stage 1 as at year-end	309	–	–	–	309
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	167	269	–	436
Assets derecognized or repaid	(84)	(7)	–	–	(91)
Transfers to/(from) Stage 1	(1)	–	–	–	(1)
Transfers to/(from) Stage 2	–	54	–	–	54
Transfers to/(from) Stage 3	–	–	–	–	–
Changes in assumptions	(63)	(4)	(5)	–	(72)
ECL allowance, December 31, 2020	310	221	371	–	902
Other loans					
ECL allowance, January 1, 2020	1	–	36	–	37
Newly originated assets that remained in Stage 1 as at year-end	5	–	–	–	5
Transfers to/(from) Stage 3	–	–	1	–	1
Changes in assumptions	3	–	1	–	4
ECL allowance, December 31, 2020	9	–	38	–	47
Total receivables from customers					
ECL allowance, January 1, 2020	2,325	756	4,457	2,991	10,529
Impact of merger	1,392	1,683	1,506	–	4,581
Newly originated assets that remained in Stage 1 as at year-end	3,908	–	–	–	3,908
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	1,829	1,263	–	3,092
Assets derecognized or repaid	(343)	(267)	(705)	–	(1,315)
Amounts written off	–	–	(5,997)	–	(5,997)
Transfers to/(from) Stage 1	523	–	–	–	523
Transfers to/(from) Stage 2	–	6,454	–	–	6,454
Transfers to/(from) Stage 3	–	–	1,296	–	1,296
Changes in assumptions	5,204	2,613	10,099	22	17,938
ECL allowance, December 31, 2020	₱13,009	₱13,068	₱11,919	₱3,013	₱41,009

	Parent Company			
	Other Receivables			
	Stage 1	Stage 2	Stage 3	Total
2021				
ECL allowance, January 1, 2021	**₱6**	**₱22**	**₱846**	**₱874**
Newly originated assets that remained in Stage 1 as at year-end	**46**	**–**	**–**	**46**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	**–**	**4**	**2**	**6**
Assets derecognized or repaid	**(5)**	**(17)**	**(28)**	**(50)**
Transfers to/(from) Stage 1	**1**	**–**	**–**	**1**
Transfers to/(from) Stage 2	**–**	**(3)**	**–**	**(3)**
Transfers to/(from) Stage 3	**–**	**–**	**1**	**1**
Changes in assumptions	**–**	**–**	**–**	**–**
ECL allowance, December 31, 2021	**₱48**	**₱6**	**₱821**	**₱875**
2020				
ECL allowance, January 1, 2020	₱5	₱5	₱804	₱814
Newly originated assets that remained in Stage 1 as at year-end	106	–	–	106
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	3	–	3
Assets derecognized or repaid	(4)	(1)	(17)	(22)
Transfers to/(from) Stage 1	(103)	–	–	(103)
Transfers to/(from) Stage 2	–	14	–	14
Transfers to/(from) Stage 3	–	–	104	104
Changes in assumptions	2	1	(45)	(42)
ECL allowance, December 31, 2020	₱6	₱22	₱846	₱874

	Parent Company			
	Loan Commitments and Financial Guarantees			
	Stage 1	Stage 2	Stage 3	Total
2021				
ECL allowance, January 1, 2021	**₱1,175**	**₱306**	**₱–**	**₱1,481**
Impact of merger	**–**	**–**	**–**	**–**
New assets originated	**199**	**–**	**–**	**199**
Assets derecognized or repaid	**(205)**	**(38)**	**–**	**(243)**
Transfers to/(from) Stage 1	**29**	**–**	**–**	**29**
Transfers to/(from) Stage 2	**–**	**(17)**	**–**	**(17)**
Transfers to/(from) Stage 3	**–**	**–**	**1**	**1**
Changes in assumptions	**(372)**	**127**	**–**	**(245)**
ECL allowance, December 31, 2021	**₱826**	**₱378**	**₱1**	**₱1,205**
2020				
ECL allowance, January 1, 2020	₱49	₱7	₱–	₱56
Impact of merger	776	–	–	776
New assets originated	270	–	–	270
Assets derecognized or repaid	(38)	(30)	–	(68)
Transfers to/(from) Stage 1	(145)	–	–	(145)
Transfers to/(from) Stage 2	–	146	–	146
Changes in assumptions	263	183	–	446
ECL allowance, December 31, 2020	₱1,175	₱306	₱–	₱1,481

The amounts of “transfers to/(from)” include the changes in the ECL on the exposures transferred from one stage to another during the year.

As of December 31, 2021 and 2020, the ECL allowances on loan commitments and financial guarantees are included in ‘Miscellaneous liabilities’ under ‘Other liabilities’ (Note 21).

In 2020, the increase in the ECL allowances was driven by the adoption of supplemental SICR rules to account for the effect of the COVID-19 pandemic on the credit risk exposures, anticipatory credit downgrades, adjustments to projected recovery rates resulting to increasing LGDs and significantly depressed macroeconomic indicators.

The ECL allowance on accounts receivables of the Group and the Parent Company based on their aging as of December 31, 2021 and 2020 follows:

	Consolidated		Parent Company	
Age of accounts receivables	**2021**	2020	**2021**	2020
Up to 1 month	**₱35**	₱218	**₱11**	₱99
> 1 to 2 months	**13**	12	**5**	12
> 2 to 3 months	**1**	4	**1**	4
More than 3 months	**3,269**	2,943	**2,727**	2,436
Total ECL	**₱3,318**	₱3,177	**₱2,744**	₱2,551

Below is the breakdown of provision for (reversal of) credit and impairment losses:

	Consolidated			Parent Company		
	2021	2020	2019	**2021**	2020	2019
Financial assets and other credit-related exposures:						
Loans and receivables	**₱11,651**	₱40,751	₱9,627	**₱7,683**	₱32,741	₱1,645
Investment securities at FVOCI	**18**	(13)	11	–	–	–
Interbank loans receivable	**27**	13	(1)	–	4	(1)
Due from other banks	–	7	–	–	–	–
Loan commitments and financial guarantees	–	–	1	–	–	–
	11,696	40,758	9,638	**7,683**	32,745	1,644
Non-financial assets:						
Investment properties	**₱28**	(₱3)	₱–	**₱–**	₱–	₱–
Investments in associates and a joint venture	**132**	–	439	–	–	–
Other assets	**(22)**	5	1	–	–	–
	138	2	440	–	–	–
	₱11,834	₱40,760	₱10,078	**₱7,683**	₱32,745	₱1,644

With the foregoing level of allowance for credit and impairment losses, management believes that the Group has sufficient allowance to take care of any losses that the Group may incur from the non-collection or non-realization of its receivables and other risk assets.

16. **Deposit Liabilities**

The LTNCDs of the Group and the Parent Company consist of the following:

BSP Approval	Interest Rate	Issue Date	Maturity Date	**2021**	2020
Parent Company					
September 18, 2014	4.25%	November 21, 2014	November 21, 2021	**₱–**	₱6,250
August 12, 2016	3.50%	September 19, 2016	September 19, 2023	**8,650**	8,650
August 12, 2016	3.88%	July 20, 2017	July 20, 2024	**3,750**	3,750
July 19, 2018	5.38%	October 4, 2018	April 4, 2024	**8,680**	8,680
				21,080	27,330
PSBank					
December 8, 2016	3.50%	January 30, 2017	April 30, 2022	**3,374**	3,369
July 13, 2018	5.00%	August 9, 2018	February 9, 2024	**5,067**	5,056
				8,441	8,425
				₱29,521	₱35,755

On September 18, 2019, the BOD of the Parent Company approved the issuance of PHP LTNCDs of up to ₱25.0 billion in one or more tranches of at least ₱2.0 billion per tranche, and tenors of 5.5 years up to 10 years, subject to market conditions. On November 25, 2019, BSP Circular 1059 was issued which placed an indefinite moratorium on the issuance of LTNCD except for those approved by the BSP within the allowable period. On January 10, 2020, the BSP approved the Parent Company's application to issue up to ₱25.0 billion LTNCD over a period of one year from BSP approval. As of

December 31, 2021, the BSP's approval has lapsed, hence, the Parent Company can no longer issue LTNCD.

As of December 31, 2021 and 2020, 17.86% and 18.59%, respectively, of the total interest-bearing deposit liabilities of the Group, and 11.10% and 14.47%, respectively, of the total interest-bearing deposit liabilities of the Parent Company are subject to periodic interest repricing. In 2021, 2020 and 2019 the remaining peso deposit liabilities (excluding LTNCDs above) earn annual fixed interest rates ranging from 0.00% to 6.59%, while the remaining foreign currency-denominated deposit liabilities of the Parent Company earn annual fixed interest rates ranging from 0.00% to 2.50%, from 0.00% to 2.50%, and from 0.00% to 3.00%, respectively.

Interest expense on deposit liabilities consists of:

	Consolidated			Parent Company		
	2021	2020	2019	**2021**	2020	2019
CASA	**₱1,155**	₱2,193	₱2,388	**₱935**	₱1,861	₱1,987
Time	**2,803**	7,457	19,126	**749**	4,581	13,806
LTNCD	**1,544**	1,676	1,893	**1,151**	1,282	1,500
	₱5,502	₱11,326	₱23,407	**₱2,835**	₱7,724	₱17,293

Reserve Requirement

In 2020, BSP Circular Nos. 1082 and 1092 were issued reducing the reserve requirements against deposit and deposit substitute liabilities. Non-FCDU deposit liabilities of the Parent Company and deposit substitutes of FMIC and ORIX Metro are subject to required reserves of 12% from 14% effective reserve week April 3, 2020 while non-FCDU deposit liabilities of PSBank are subject to required reserves of 3% from 4% effective reserve week July 31, 2020. Reserves requirement for peso-denominated LTNCDs are still at 4%. The required reserves can be kept in the form of deposits maintained in the demand deposit accounts with the BSP and any government securities used as compliance until they mature. Further, in 2020, BSP Circular No. 1100 was issued allowing banks to use peso denominated loans that are granted after March 15, 2020 to (1) micro-small-and-medium-enterprises (MSMEs) and (2) large enterprises excluding banks and non-bank financial institutions with quasi-banking functions that met the definition of MSME/large enterprise as alternative compliance with the reserve requirements.

Effective March 25, 2021, FMIC is no longer required to maintain a reserve requirement per BSP Circular Letter No. CL-2021-027. The Parent Company, PSBank and ORIX Metro were in compliance with the reserve requirements as of December 31, 2021 and 2020.

The total statutory and liquidity reserves (included in 'Due from BSP' account) as reported to the BSP are as follows:

	2021	2020
Parent Company	**₱199,975**	₱141,288
PSBank	**52,427**	5,492
ORIX Metro	**855**	542
FMIC	**–**	433
	₱253,257	₱147,755

17. Bills Payable and Securities Sold Under Repurchase Agreements

This account consists of borrowings from:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
SSURA	**₱50,798**	₱93,059	**₱50,798**	₱93,059
Local banks	**11,320**	21,981	**556**	2,313
Foreign banks	**5,271**	17,364	**593**	11,383
Deposit substitutes	**2,945**	7,210	**567**	1,896
	₱70,334	₱139,614	**₱52,514**	₱108,651

Interbank borrowings with foreign and local banks are mainly short-term borrowings. Deposit substitutes pertain to borrowings from the public.

The following are the carrying values of government debt securities (Note 8) pledged and transferred under SSURA transactions of the Group and the Parent Company:

	Consolidated				Parent Company			
	2021		2020		**2021**		2020	
	Transferred Securities	**SSURA**	Transferred Securities	SSURA	**Transferred Securities**	**SSURA**	Transferred Securities	SSURA
Investment securities at FVOCI	**₱61,994**	**₱50,798**	₱108,065	₱83,671	**₱61,994**	**₱50,798**	₱108,065	₱83,671
Investment securities at FVTPL	**–**	**–**	4,804	4,708	**–**	**–**	4,804	4,708
Investment securities at amortized cost	**–**	**–**	4,535	4,680	**–**	**–**	4,535	4,680
	₱61,994	**₱50,798**	₱117,404	₱93,059	**₱61,994**	**₱50,798**	₱117,404	₱93,059

The Group's peso borrowings are subject to annual fixed interest rates ranging from 3.50% to 7.00%, from 0.25% to 6.50% and from 0.88% to 7.25% in 2021, 2020 and 2019, respectively, while the Group's foreign currency-denominated borrowings are subject to annual fixed interest rates ranging from 0.36% to 3.40%, from 0.21% to 7.00% and from 1.30% to 4.28% in 2021, 2020 and 2019, respectively. For the Parent Company, the peso borrowings are subject to annual fixed interest rates ranging from 3.50% to 7.00%, from 3.50% to 7.00% and from 0.00% to 0.00% in 2021, 2020 and 2019, respectively, and the foreign currency-denominated borrowings are subject to annual fixed interest rates ranging from 0.36% to 0.44%, from 0.21% to 4.28% and from 1.30% to 4.28% in 2021, 2020 and 2019, respectively.

Interest expense on bills payable (included in the 'Interest expense on bills payable and SSURA, bonds payable, subordinated debts and others' in the statements of income) in 2021, 2020 and 2019 amounted to ₱1.9 billion, ₱4.1 billion and ₱10.4 billion, respectively, for the Group and ₱512.7 million, ₱2.1 billion and ₱4.2 billion, respectively, for the Parent Company.

18. Accrued Interest and Other Expenses

This account consists of:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Accrued interest (Note 32)	**₱1,477**	₱1,734	**₱878**	₱1,071
Accrued other expenses	**8,381**	7,415	**6,357**	5,361
	₱9,858	₱9,149	**₱7,235**	₱6,432

Accrued other expenses include accruals for compensation and fringe benefits, rentals, percentage and other taxes, professional fees, advertising and information technology expenses and other expenses.

19. **Bonds Payable**

This account consists of the following scripless fixed rate bonds:

Issue Date	Maturity Date	Interest Rate	Face Value	Carrying Value **2021**	Carrying Value 2020
Parent Company					
Fixed Rated Bonds					
June 4, 2021	September 4, 2026	3.60%	₱19,000	**₱18,862**	₱–
October 24, 2019	April 24, 2023	4.50%	13,750	**13,706**	13,671
April 11, 2019	April 11, 2022	6.30%	17,500	**17,485**	17,433
July 3, 2019	July 3, 2021	5.50%	11,250	–	11,227
June 24, 2020	September 24, 2021	3.00%	10,500	–	10,444
USD Senior Unsecured Notes					
July 15, 2020	January 15, 2026	2.125%	US$500	**25,136**	23,580
				75,189	76,355
Fixed Rated Bonds					
PSBank					
February 4, 2020	February 4, 2023	4.50%	4,650	**4,634**	4,619
July 24, 2019	July 24, 2021	5.60%	6,300	–	6,283
ORIX Metro					
November 15, 2019	November 15, 2021	4.55%	4,160	–	4,140
				₱79,823	₱91,397

Specific terms of these bonds follow:

Parent Company

- ₱19.0 billion fixed rate bonds issued on June 4, 2021 with issue price at 100% face value, which bear an interest rate of 3.60% per annum, payable quarterly in arrears on March 4, June 4, September 4 and December 4 of each year, commencing on September 4, 2021. The bonds will mature on September 4, 2026. Total bond issuance costs amounted to ₱156.0 million.
- ₱13.75 billion fixed rate bonds issued on October 24, 2019 with issue price at 100% face value, which bear an interest rate of 4.50% per annum, payable quarterly in arrears on January 24, April 24, July 24 and October 24 of each year, commencing on October 24, 2019. The bonds will mature on April 24, 2023. Total bond issuance costs amounted to ₱122.1 million.
- ₱17.5 billion fixed rate bonds issued on April 11, 2019 with issue price at 100% face value, which bear an interest rate of 6.30% per annum, payable quarterly in arrears on January 11, April 11, July 11 and October 11 of each year, commencing on July 11, 2019. The bonds will mature on April 11, 2022. Total bond issuance costs amounted to ₱148.47 million.
- ₱11.25 billion fixed rate bonds issued on July 3, 2019 with issue price at 100% face value, which bear an interest rate of 5.50% per annum, payable quarterly in arrears on January 3, April 3, July 3 and October 3 of each year, commencing on July 3, 2019. The bonds matured on July 3, 2021. Total bond issuance costs amounted to ₱94.55 million.
- ₱10.5 billion fixed rate bonds issued on June 24, 2020 with issue price at 100% face value, which bear an interest rate of 3.00% per annum, payable quarterly in arrears on March 24, June 24, September 24 and December 24, of each year, commencing on September 24, 2020. The bonds matured on September 24, 2021. Total bond issuance costs amounted to ₱91.5 million.

- US$500 million senior unsecured notes issued on July 15, 2020 with issue price at 99.096% face value, which bear an interest rate of 2.125% per annum, payable semi-annually in arrears on January 15 and July 15 of each year, commencing on January 15, 2021. The bonds will mature on January 15, 2026. Total bond issuance costs amounted to ₱484.9 million.

PSBank
- ₱4.65 billion fixed rate bonds issued on February 4, 2020 with issue price at 100% face value, which bear an interest rate of 4.50% per annum, payable quarterly in arrears on February 4, May 4, August 4 and November 4 of each year, commencing on May 4, 2020. The bonds will mature on February 4, 2023. Total bond issuance costs amounted to ₱42.7 million.
- ₱6.30 billion fixed rate bonds issued on July 24, 2019 with issue price at 100% face value, which bear an interest rate of 5.60% per annum, payable quarterly in arrears on January 24, April 24, July 24 and October 24 of each year, commencing on July 24, 2019. The bonds matured on July 24, 2021. Total bond issuance costs amounted to ₱56.9 million.

ORIX Metro
- ₱4.16 billion fixed rate bonds issued on November 15, 2019 with issue price at 100% face value, which bear an interest rate of 4.55% per annum, payable quarterly in arrears on February 15, May 15, August 15 and November 15 of each year, commencing on November 15, 2019. The matured on November 15, 2021. Total bond issuance costs amounted to ₱44.2 million.

Interest expense on bonds payable (included in 'Interest expense on bills payable and SSURA, bonds payable, subordinated debts and others') in 2021, 2020 and 2019 amounted to ₱4.4 billion, ₱5.5 billion and ₱3.6 billion, respectively, for the Group, and ₱3.8 billion, ₱4.8 billion and ₱3.4 billion, respectively, for the Parent Company. As of December 31, 2021 and 2020, unamortized bond issue costs amounted to ₱576.7 million and ₱724.9 million, respectively, for the Group, and ₱560.3 million and ₱657.0 million, respectively, for the Parent Company.

Reserve Requirement
Peso-denominated bonds are subject to reserves equivalent to 3% in 2021 and 2020. The Parent Company, PSBank and ORIX Metro were in compliance with such requirements as of December 31, 2021 and 2020.

20. Subordinated Debts

This account consists of the Parent Company's Peso Notes:

			Carrying Value		Market Value	
	Maturity Date	Face Value	2021	2020	2021	2020
2023	December 20, 2023	₱1,170	**₱1,168**	₱1,167	**₱1,061**	₱1,232

On April 15, 2013, of the BOD of the Parent Company approved the issuance of Basel III-compliant Tier 2 capital notes of up to USD500 million in one or more tranches, issued as part of its regulatory capital compliance and to proactively manage its capital base for growth and refinancing of maturing capital securities which was also approved by the BSP on July 26, 2013 and the amendment to the terms and conditions on January 30, 2014. Specifically, the BSP approved the issuance of up to USD500 million equivalent in either USD or PHP or combination in one or more tranches over the course of one (1) year. The Peso Notes issued by the Parent Company are unsecured and subordinated obligations.

Specific terms of these Basel III-compliant Peso Notes follow:

Parent Company 2025 Peso Notes - issued on August 8, 2014 at 100.00% of the principal amount of ₱6.5 billion

- Bear interest at 5.25% per annum from August 8, 2014 to but excluding August 8, 2020. Interest will be payable quarterly in arrears on February 8, May 8, August 8 and November 8 of each year, commencing on November 8, 2014. Unless the Notes are previously redeemed, the initial interest rate will be reset at equivalent of the five-year PDST-R2 as of reset date plus a spread of 1.67% per annum and such interest will be payable commencing on August 8, 2020 (call option date) up to and including August 8, 2025. As approved by the BSP on May 7, 2020, on August 8, 2020, the Parent Company redeemed the Notes ahead of its maturity.

2023 Peso Notes - issued by MCC on December 20, 2013 at 100.00% of the principal amount of ₱1.2 billion (absorbed by the Parent Company on January 3, 2020 relative to the merger as discussed in Note 11)

- Bear interest at 6.21% per annum payable quarterly in arrears every 20th of March, June, September and December each year, commencing on March 20, 2014.
- Basel III - compliant unsecured subordinated notes qualified as Tier 2 capital as approved by the BSP on February 17, 2013.
- In case of insolvency or liquidation of MCC, the notes will be subordinated in the right of payment of principal and interest to all depositors and other creditors of MCC, except those creditors expressed to rank equally with, or behind holders of the notes.
- If a non-viability trigger event occurs, MCC shall immediately write down some or all of the notes in accordance with the BSP's determination.
- Subject to the written approval of the BSP, MCC may redeem all and not less than the entire outstanding 2023 Notes, at a redemption price equal to the face value together with the accrued and unpaid interest based on the interest rate.

As of December 31, 2021 and 2020, the Group are in compliance with the terms and conditions upon which these subordinated notes have been issued.

In 2021, 2020 and 2019, interest expense on subordinated debts included in 'Interest expense on bills payable and SSURA, bonds payable, subordinated debts and others' amounted to ₱73.7 million, ₱285.6 million and ₱983.0 million (including amortization of debt issue cost and premium of ₱1.1 million, ₱7.1 million and ₱41.9 million), respectively, for the Group, and ₱73.7 million, ₱285.6 million and ₱784.2 million, respectively (including amortization of debt issue cost and premium of ₱1.1 million, ₱7.1 million and ₱22.5 million), respectively, for the Parent Company.

21. Non-equity Non-controlling Interest and Other Liabilities

Non-equity Non-controlling Interest

This account arises when mutual funds are consolidated and where the Group holds less than 100.00% of the investment in these funds. When this occurs, the Group acquires a liability in respect of non-controlling interests in the funds of which the Group has control. Such non-controlling interests are distinguished from equity non-controlling interests in that the Group does not hold an equity stake in such funds. Further, income (loss) attributable to non-equity non-controlling interests amounting to (₱152.4 million), ₱115.0 million, and (₱229.8 million) in 2021, 2020 and 2019, respectively, is included under 'Trading and securities gain - net' in the statements of income (Note 8).

Other Liabilities
This account consists of:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Accounts payable	**₱19,329**	₱20,027	**₱10,367**	₱10,991
Marginal deposits	**13,425**	5,600	**153**	398
Bills purchased - contra (Note 9)	**6,233**	10,994	**6,233**	10,990
Lease liability (Note 13)	**5,084**	3,922	**3,185**	2,248
Outstanding acceptances	**2,729**	1,328	**2,729**	1,328
Other credits	**1,635**	1,512	**1,463**	1,333
Deferred revenues (Note 25)	**1,158**	1,304	**1,158**	1,304
Deposits on lease contracts	**1,153**	1,458	**–**	–
Withholding taxes payable	**502**	390	**433**	327
Retirement liability (Note 27)	**57**	214	**–**	–
Miscellaneous (Notes 11 and 15)	**6,199**	6,182	**5,189**	5,377
	₱57,504	₱52,931	**₱30,910**	₱34,296

Deferred revenues include deferral and recognition of loyalty points program transactions and membership fees and dues for credit card business.

As of December 31, 2021 and 2020, miscellaneous liabilities of the Group include dividends payable amounting to ₱89.5 million and ₱89.6 million, respectively.

22. Maturity Profile of Assets and Liabilities

The following tables present the assets and liabilities by contractual maturity and settlement dates:

	Consolidated					
	2021			2020		
	Due Within One Year	**Due Beyond One Year**	**Total**	Due Within One Year	Due Beyond One Year	Total
Financial Assets - at gross						
Cash and other cash items	**₱41,302**	**₱–**	**₱41,302**	₱38,469	₱–	₱38,469
Due from BSP	**253,257**	**–**	**253,257**	304,906	–	304,906
Due from other banks	**48,862**	**–**	**48,862**	38,357	–	38,357
Interbank loans receivable and SPURA (Note 7)	**69,775**	**700**	**70,475**	79,408	–	79,408
Investment securities at FVTPL (Note 8)	**50,792**	**–**	**50,792**	77,508	43	77,551
Investment securities at FVOCI (Note 8)	**165,809**	**482,999**	**648,808**	171,275	398,170	569,445
Investment securities at amortized cost (Note 8)	**4,738**	**79,103**	**83,841**	4,537	18,778	23,315
Loans and receivables (Note 9)						
Receivables from customers	**635,890**	**643,604**	**1,279,494**	616,486	680,815	1,297,301
Unquoted debt securities	**704**	**697**	**1,401**	65	386	451
Accrued interest receivable	**12,399**	**–**	**12,399**	13,726	1	13,727
Accounts receivable	**8,014**	**–**	**8,014**	11,173	105	11,278
Sales contract receivable	**20**	**21**	**41**	48	34	82
Other receivables	**138**	**180**	**318**	211	118	329
Other assets (Note 14)						
Investments in SPVs	**8,857**	**–**	**8,857**	8,857	–	8,857
Interoffice float items	**303**	**–**	**303**	4	9	13
Returned checks and other cash items	**640**	**–**	**640**	250	–	250
Other investments	**–**	**26**	**26**	–	26	26
	1,301,500	**1,207,330**	**2,508,830**	1,365,280	1,098,485	2,463,765
Non-Financial Assets - at gross						
Property and equipment (Note 10)	**–**	**54,079**	**54,079**	–	50,946	50,946
Investments in associates and a JV (Note 11)	**–**	**6,523**	**6,523**	–	6,762	6,762
Investment properties (Note 12)	**–**	**9,881**	**9,881**	–	10,221	10,221
Deferred tax assets (Note 28)	**–**	**13,094**	**13,094**	–	14,028	14,028
Goodwill (Note 11)	**–**	**5,194**	**5,194**	–	5,199	5,199
Assets held under joint operations (Note 14)	**–**	**219**	**219**	–	219	219
Residual value of leased asset (Note 14)	**347**	**392**	**739**	402	528	930
Other assets (Note 14)	**3,043**	**15,068**	**18,111**	2,016	16,091	18,107
	3,390	**104,450**	**107,840**	2,418	103,994	106,412
	₱1,304,890	**₱1,311,780**	**2,616,670**	₱1,367,698	₱1,202,479	2,570,177

	Consolidated					
	2021			2020		
	Due Within One Year	**Due Beyond One Year**	**Total**	Due Within One Year	Due Beyond One Year	Total
Less:						
Unearned discounts and capitalized interest (Note 9)			**₱12,870**			₱14,996
Accumulated depreciation and amortization (Notes 10, 12 and 14)			**35,765**			32,380
Allowance for credit and impairment losses (Notes 10, 11, 12, 14, and 15)			**65,219**			67,638
			₱2,502,816			₱2,455,163
Financial Liabilities						
Deposit liabilities						
Demand	**₱588,434**	**₱–**	**₱588,434**	₱515,378	₱–	₱515,378
Savings	**874,283**	**–**	**874,283**	795,979	–	795,979
Time	**413,269**	**24,777**	**438,046**	426,752	23,351	450,103
LTNCD (Note 16)	**3,375**	**26,146**	**29,521**	6,250	29,505	35,755
	1,879,361	**50,923**	**1,930,284**	1,744,359	52,856	1,797,215
Bills payable and SSURA (Note 17)	**62,354**	**7,980**	**70,334**	126,471	13,143	139,614
Derivative liabilities (Note 8)	**3,854**	**4,495**	**8,349**	11,839	1,626	13,465
Manager's checks and demand drafts outstanding	**5,396**	**–**	**5,396**	6,024	–	6,024
Accrued interest and other expenses	**8,875**	**–**	**8,875**	7,621	–	7,621
Bonds payable (Note 19)	**17,485**	**62,338**	**79,823**	32,094	59,303	91,397
Subordinated debts (Note 20)	**–**	**1,168**	**1,168**	–	1,167	1,167
Non-equity non-controlling interest (Note 21)	**10,619**	**–**	**10,619**	8,315	–	8,315
Other liabilities (Note 21)						
Bills purchased - contra	**6,233**	**–**	**6,233**	10,994	–	10,994
Accounts payable	**19,329**	**–**	**19,329**	19,737	290	20,027
Marginal deposits	**13,425**	**–**	**13,425**	5,600	–	5,600
Lease liability	**1,367**	**3,717**	**5,084**	1,051	2,871	3,922
Outstanding acceptances	**2,729**	**–**	**2,729**	1,328	–	1,328
Deposits on lease contracts	**614**	**539**	**1,153**	684	774	1,458
Dividends payable	**90**	**–**	**90**	90	–	90
	2,031,731	**131,160**	**2,162,891**	1,976,207	132,030	2,108,237
Non-Financial Liabilities						
Retirement liability (Notes 21 and 27)	**–**	**57**	**57**	–	214	214
Income taxes payable	**1,749**	**–**	**1,749**	2,711	–	2,711
Accrued interest and other expenses	**983**	**–**	**983**	1,528	–	1,528
Withholding taxes payable (Note 21)	**502**	**–**	**502**	390	–	390
Deferred tax and other liabilities (Notes 21 and 28)	**7,251**	**1,651**	**8,902**	7,396	1,512	8,908
	10,485	**1,708**	**12,193**	12,025	1,726	13,751
	₱2,042,216	**₱132,868**	**₱2,175,084**	₱1,988,232	₱133,756	₱2,121,988

	Parent Company					
	2021			2020		
	Due Within One Year	**Due Beyond One Year**	**Total**	Due Within One Year	Due Beyond One Year	Total
Financial Assets - at gross						
Cash and other cash items	**₱38,452**	**₱–**	**₱38,452**	₱35,606	₱–	₱35,606
Due from BSP	**199,974**	**–**	**199,974**	262,188	–	262,188
Due from other banks	**36,240**	**–**	**36,240**	22,742	–	22,742
Interbank loans receivable and SPURA (Note 7)	**55,299**	**700**	**55,999**	57,210	–	57,210
Investment securities at FVTPL (Note 8)	**34,844**	**7,131**	**41,975**	67,913	43	67,956
Investment securities at FVOCI (Note 8)	**84,445**	**477,356**	**561,801**	147,766	394,900	542,666
Investment securities at amortized cost (Note 8)	**160**	**57,231**	**57,391**	2,950	4,959	7,909
Loans and receivables (Note 9)						
Receivables from customers	**571,420**	**523,102**	**1,094,522**	569,996	518,322	1,088,318
Unquoted debt securities	**386**	**198**	**584**	–	386	386
Accrued interest receivable	**8,062**	**–**	**8,062**	8,534	1	8,535
Accounts receivable	**5,372**	**–**	**5,372**	7,004	–	7,004
Sales contract receivable	**15**	**8**	**23**	42	14	56
Other receivables	**5**	**–**	**5**	11	–	11
Other assets (Note 14)						
Investments in SPVs	**8,857**	**–**	**8,857**	8,857	–	8,857
Interoffice float items	**377**	**–**	**377**	4	–	4
Returned checks and other cash items	**611**	**–**	**611**	238	–	238
	1,044,519	**1,065,726**	**2,110,245**	1,191,061	918,625	2,109,686
Non-Financial Assets - at gross						
Investments in subsidiaries (Note 11)	**–**	**69,321**	**69,321**	–	67,181	67,181
Property and equipment (Note 10)	**–**	**37,463**	**37,463**	–	34,758	34,758
Investments in associates (Note 11)	**–**	**675**	**675**	–	640	640
Investment properties (Note 12)	**–**	**4,805**	**4,805**	–	5,015	5,015
Deferred tax assets (Note 28)	**–**	**11,891**	**11,891**	–	11,394	11,394
Assets held under joint operations (Note 14)	**–**	**219**	**219**	–	219	219
Other assets (Note 14)	**1,522**	**12,072**	**13,594**	970	11,132	12,102
	1,522	**136,446**	**137,968**	970	130,339	131,309
	₱1,046,041	**₱1,202,172**	**2,248,213**	₱1,192,031	₱1,048,964	2,240,995

	Parent Company					
	2021			2020		
	Due Within One Year	**Due Beyond One Year**	**Total**	Due Within One Year	Due Beyond One Year	Total
Less:						
Unearned discounts and capitalized interest (Note 9)			**₱9,903**			₱11,134
Accumulated depreciation and amortization (Notes 10, 12 and 14)			**23,149**			20,045
Allowance for credit and impairment losses (Notes 10, 11, 12, 14, and 15)			**53,865**			55,817
			₱2,161,296			₱2,153,999
Financial Liabilities						
Deposit liabilities						
Demand	**₱535,847**	**₱–**	**₱535,847**	₱467,545	₱–	₱467,545
Savings	**830,247**	**–**	**830,247**	755,713	–	755,713
Time	**272,442**	**931**	**273,373**	331,788	535	332,323
LTNCD (Note 16)	**–**	**21,080**	**21,080**	6,250	21,080	27,330
	1,638,536	**22,011**	**1,660,547**	1,561,296	21,615	1,582,911
Bills payable and SSURA (Note 17)	**52,094**	**420**	**52,514**	104,256	4,395	108,651
Derivative liabilities (Note 8)	**3,696**	**4,495**	**8,191**	11,813	–	11,813
Manager's and demand drafts outstanding	**4,803**	**–**	**4,803**	5,493	–	5,493
Accrued interest and other expenses	**6,252**	**–**	**6,252**	4,904	–	4,904
Bonds payable (Note 19)	**17,485**	**57,704**	**75,189**	21,671	54,684	76,355
Subordinated debts (Note 20)	**–**	**1,168**	**1,168**	–	1,167	1,167
Other liabilities (Note 21)						
Bills purchased - contra	**6,233**	**–**	**6,233**	10,990	–	10,990
Accounts payable	**10,367**	**–**	**10,367**	10,991	–	10,991
Marginal deposits	**153**	**–**	**153**	398	–	398
Lease liability	**753**	**2,432**	**3,185**	578	1,670	2,248
Outstanding acceptances	**2,729**	**–**	**2,729**	1,328	–	1,328
	1,743,101	**88,230**	**1,831,331**	1,733,718	83,531	1,817,249
Non-Financial Liabilities						
Income taxes payable	**1,549**	**–**	**1,549**	1,992	–	1,992
Accrued interest and other expenses	**983**	**–**	**983**	1,528	–	1,528
Withholding taxes payable (Note 21)	**433**	**–**	**433**	327	–	327
Other liabilities (Note 21)	**6,347**	**1,463**	**7,810**	6,681	1,333	8,014
	9,312	**1,463**	**10,775**	10,528	1,333	11,861
	₱1,752,413	**₱89,693**	**₱1,842,106**	₱1,744,246	₱84,864	₱1,829,110

23. Capital Stock

As of December 31, 2021 and 2020, this account consists of (amounts in millions, except par value and number of shares):

	Shares	**Amount**
Authorized		
Common stock – ₱20.00 par value	**6,000,000,000**	
Preferred stock – ₱20.00 par value	**1,000,000,000**	
Common stock issued and outstanding		
Balance at January 1 and December 31	**4,497,415,555**	**₱89,948**

As of December 31, 2021 and 2020, treasury shares totaling 1,280,855 and 1,134,147, respectively, represent shares of the Parent Company held by FMIC's mutual fund subsidiary (Note 32).

Preferred shares are non-voting except as provided by law; have preference over Common Shares in the distribution of dividends; subject to such terms and conditions as may be determined by the BOD and to the extent permitted by applicable law, may or may not be redeemable; and shall have such other features as may be determined by the BOD at the time of issuance.

On March 15, 2013, the BOD of the Parent Company approved (a) the amendment of the Articles of Incorporation (AOI) to increase the authorized capital stock and (b) the declaration of 30.00% stock dividend, which were ratified by the stockholders representing at least 2/3 of the outstanding capital stock on April 15, 2013. These were subsequently approved by the BSP on May 15, 2013 and by the SEC on August 13, 2013. Following this, the authorized capital stock of the Parent Company increased from ₱50.0 billion to ₱100.0 billion consisting of 4.0 billion common shares and 1.0 billion preferred shares, both with par value of ₱20.00 per share. The 30.00% stock dividend equivalent to 633,415,049 common shares amounting to ₱12.7 billion represents at least the minimum 25.00% subscribed and paid-up capital for the increase in the authorized capital stock referred to above which was issued/paid on September 16, 2013 with record date on September 3, 2013. On September 10, 2013, the PSE approved the listing of such additional common shares.

On January 21, 2015, the Parent Company's BOD approved the Stock Rights Offer (SRO) by way of issuance from the unissued portion of the authorized capital stock which was noted by BSP with the issuance of a letter of no objection to the Rights Issue on February 17, 2015. On February 24, 2015, the SEC confirmed the exemption of this issuance of ₱32.0 billion worth of common shares from the registration requirements under Section 8 of the SRC. On February 25, 2015, the PSE approved the listing of up to 500.0 million common shares to cover the SRO to all stockholders of record as of March 18, 2015. On April 7, 2015, following regulatory approvals, the Parent Company concluded the ₱32.0 billion SRO, involving 435,371,720 common shares with par value of ₱20.00 priced at ₱73.50 per share and listed with the PSE on the same date. The difference between the issued price and the par value is recognized as 'Capital paid in excess of par value'.

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

On February 13, 2019, the BOD of the Parent Company approved (a) the amendment of the AOI to increase the authorized capital stock from ₱100.0 billion to ₱140.0 billion and (b) the declaration of a 13% stock dividend equivalent to 517,401,955 shares amounting to ₱10.3 billion representing the minimum 25% subscription and paid-up capital for the increase in the authorized capital stock which were ratified by the stockholders representing at least 2/3 of the outstanding capital stock on April 24, 2019. These were approved by the BSP on August 8, 2019 and by the SEC on October 4, 2019. Following this, the authorized capital stock of the Parent Company increased from ₱100.0 billion to ₱140.0 billion consisting of 6.0 billion common shares and 1.0 billion preferred shares, both with par value of ₱20.0 per share. On October 16, 2019, the Parent Company received the SEC Order fixing the Record Date of the 13% stock dividend on October 31, 2019. The 13% stock dividend was issued on November 26, 2019 with record date on October 31, 2019. On November 19, 2019, the PSE approved the listing of such stock dividend.

All issued and outstanding shares of the Parent Company are listed with the PSE (Note 1). As of December 31, 2021 and 2020, there are 2,979 and 2,999 holders, respectively, of the listed shares of the Parent Company, with share price closed at ₱55.70 and ₱49.05 a share, respectively.

The history of share issuances during the last ten years follows:

Year	Issuance	Listing Date	Number of Shares Issued
2019	Stock dividend	November 26, 2019	517,400,519
2018	Stock rights	April 12, 2018	799,842,250
2015	Stock rights	April 7, 2015	435,371,720
2013	Stock dividend	September 16, 2013	633,415,049
2011	Stock rights	January 24, 2011	200,000,000

Details of the Parent Company's cash dividend distributions from 2019 to 2021 follow:

Date of Declaration	Per Share	Total Amount	Record Date	Payment Date
February 17, 2021	₱1.00 (regular)	₱4,497	March 5, 2021	March 18, 2021
February 17, 2021	3.00 (special)	13,492	March 5, 2021	March 18, 2021
February 19, 2020	1.00	4,497	March 6, 2020	March 20, 2020
February 13, 2019	1.00	3,980	March 1, 2019	March 14, 2019

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

24. Surplus Reserves

This account consists of:

	2021	2020
Reserve for trust business (Note 29)	**₱1,897**	₱1,736
Reserve for self-insurance	**545**	524
	₱2,442	₱2,260

In compliance with existing BSP regulations, 10.0% of the Parent Company's income from trust business is appropriated to surplus reserves. This yearly appropriation is required until the surplus reserve for trust business equals 20.0% of the Parent Company's regulatory net worth.

Reserve for self-insurance represents the amount set aside to cover losses due to fire, defalcation by and other unlawful acts of the Parent Company's personnel or third parties.

25. Other Operating Income and Expenses

Service Charges, Fees and Commissions

The table below presents the disaggregation of service charges, fees and commission by business segment:

	Consolidated			**Parent Company**		
	2021	2020	2019	**2021**	2020	2019
Consumer banking	**₱5,749**	₱5,072	₱5,724	**₱5,247**	₱4,618	₱110
Branch banking	**3,391**	3,040	3,679	**2,428**	2,306	2,589
Corporate banking	**876**	850	1,639	**801**	737	936
Investment banking/treasury	**698**	618	855	**374**	434	357
Others*	**2,704**	2,123	2,369	**1,285**	896	1,153
	₱13,418	₱11,703	₱14,266	**₱10,135**	₱8,991	₱5,145

**Others include the remittance business of the Group and the Parent Company.*

The remaining performance obligations on revenue contracts with customers of the Group under PFRS 15, which are expected to be recognized beyond one year amounting to ₱660.5 million and ₱727.2 million (included in 'Deferred revenues' under 'Other liabilities') as of December 31, 2021 and 2020, respectively, refer to the customer loyalty program of the Parent Company. The customer loyalty points have no expiration and redemptions can go beyond one year.

Miscellaneous Income and Expenses
In 2021, 2020 and 2019, miscellaneous income includes gain on initial recognition of investment properties and other non-financial assets amounting to ₱813.1 million, ₱127.1 million and ₱486.5 million, respectively, for the Group, and ₱41.0 million, ₱14.6 million and ₱33.2 million, respectively, for the Parent Company; recovery on charged-off assets amounting to ₱1.4 billion, ₱691.6 million and ₱866.8 million, respectively, for the Group, and ₱1.0 billion, ₱449.3 million and ₱12.0 million, respectively, for the Parent Company; and information technology and other fees amounting to ₱784.6 million, ₱360.5 million and ₱44.9 million, respectively, for the Group, and ₱565.5 million, ₱269.6 million and ₱38.1 million, respectively, for the Parent Company (Note 32).

Miscellaneous expenses consist of:

	Consolidated			Parent Company		
	2021	2020	2019	**2021**	2020	2019
Insurance	**₱3,897**	₱3,592	₱3,420	**₱3,232**	₱2,985	₱2,764
Security, messengerial and janitorial	**3,540**	3,500	2,581	**3,110**	2,986	2,054
Information technology (Note 32)	**1,555**	1,574	1,385	**1,286**	1,379	911
Litigation (Note 12)	**985**	911	904	**469**	512	390
Supervision fees	**860**	855	776	**774**	757	675
Advertising	**809**	512	1,161	**767**	439	340
Repairs and maintenance	**625**	695	569	**316**	416	222
Communications	**624**	602	634	**364**	372	115
Management, professional and supervision fees	**611**	1,771	1,569	**446**	1,539	1,308
Stationery and supplies used	**356**	465	520	**279**	333	337
Transportation and travel	**291**	658	569	**231**	517	428
Entertainment, amusement and representation (EAR) (Note 28)	**215**	300	488	**167**	251	440
Others*	**3,528**	2,245	2,000	**2,585**	1,570	1,102
	₱17,896	₱17,680	₱16,576	**₱14,026**	₱14,056	₱11,086

** Other expenses mainly include membership fees, donation, freight charges and other business expenses.*

26. Notes to Statements of Cash Flows

The amounts of interbank loans receivable and SPURA, gross of allowance for credit losses, considered as cash and cash equivalents follow:

	Consolidated			Parent Company		
	2021	2020	2019	**2021**	2020	2019
Interbank loans receivable and SPURA	**₱70,475**	₱79,408	₱72,175	**₱55,998**	₱57,210	₱56,153
Interbank loans receivable and SPURA not considered as cash and cash equivalents	**(14,413)**	(32,739)	(4,862)	**(9,970)**	(27,369)	(1,575)
	₱56,062	₱46,669	₱67,313	**₱46,028**	₱29,841	₱54,578

Significant non-cash transactions of the Group and the Parent Company include:
- Additions to ROU assets as disclosed in Note 10;
- Foreclosures of properties or additions to investment and chattel properties as disclosed in Notes 12 and 14, respectively;
- Reclassifications of BUC (Note 10);
- Impact of merger (Note 11); and
- Reclassifications of software cost from customized system development costs (Note 14).

The table below provides for the changes in liabilities arising from financing activities in 2021, 2020 and 2019:

	Consolidated			
	Beginning	Net Cash Flows	Others	Ending
2021				
Bills payable and SSURA (Note 17)	**₱139,614**	**(₱63,687)**	**(₱5,593)**	**₱70,334**
Bonds payable (Note 19)	**91,397**	**(13,366)**	**1,792**	**79,823**
Subordinated debts (Note 20)	**1,167**	**–**	**1**	**1,168**
Dividends payable (Note 21)	**90**	**–**	**–**	**90**
Total liabilities from financing activities	**₱232,268**	**(₱77,053)**	**(₱3,800)**	**₱151,415**
2020				
Bills payable and SSURA (Note 17)	₱238,281	(₱44,680)	(₱53,987)	₱139,614
Bonds payable (Note 19)	80,486	10,869	42	91,397
Subordinated debts (Note 20)	7,660	(6,500)	7	1,167
Notes payable (Note 21)	2,592	(2,592)	–	–
Dividends payable (Note 21)	90	–	–	90
Total liabilities from financing activities	₱329,109	(₱42,903)	(₱53,938)	₱232,268
2019				
Bills payable and SSURA (Note 17)	₱259,607	(₱29,298)	₱7,972	₱238,281
Bonds payable (Note 19)	30,743	49,499	244	80,486
Subordinated debts (Note 20)	26,618	(19,000)	42	7,660
Notes payable (Note 21)	2,600	–	(8)	2,592
Dividends payable (Note 21)	90	–	–	90
Total liabilities from financing activities	₱319,658	₱1,201	₱8,250	₱329,109

	Parent Company				
	Beginning	Net Cash Flows	Impact of Merger (see Note 11)	Others	Ending
2021					
Bills payable and SSURA (Note 17)	**₱108,651**	**(₱54,808)**	**₱–**	**(₱1,329)**	**₱52,514**
Bonds payable (Note 19)	**76,355**	**(2,906)**	**–**	**1,740**	**75,189**
Subordinated debts (Note 20)	**1,167**	**–**	**–**	**1**	**1,168**
Total liabilities from financing activities	**₱186,173**	**(₱57,714)**	**₱–**	**₱412**	**₱128,871**
2020					
Bills payable and SSURA (Note 17)	₱139,072	(₱87,421)	₱65,389	(₱8,389)	₱108,651
Bonds payable (Note 19)	70,110	6,219	–	26	76,355
Subordinated debts (Note 20)	6,494	(6,500)	1,166	7	1,167
Total liabilities from financing activities	₱215,676	(₱87,702)	₱66,555	(₱8,356)	₱186,173
2019					
Bills payable and SSURA (Note 17)	₱151,079	(₱12,007)	₱–	₱–	₱139,072
Bonds payable (Note 19)	27,826	42,135	–	149	70,110
Subordinated debts (Note 20)	22,471	(16,000)	–	23	6,494
Total liabilities from financing activities	₱201,376	₱14,128	₱–	₱172	₱215,676

Others include the effect of cash flows of liabilities arising from operating activities.

27. Retirement Plan and Other Employee Benefits

The Parent Company and most of its subsidiaries have funded non-contributory defined benefit retirement plans covering all their respective permanent and full-time employees. Benefits are based on the employee's years of service and final plan salary.

For employees of the Parent Company, retirement from service is compulsory upon the attainment of the 55th birthday or 30th year of service, whichever comes first.

The existing regulatory framework, RA No. 7641, *Retirement Pay Law*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided, however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan. The Parent Company and most of its subsidiaries meet the minimum retirement benefit specified under RA No. 7641.

The principal actuarial assumptions used in determining retirement liability of the Parent Company and significant subsidiaries are shown below:

	Parent Company	FMIC	PSBank	ORIX Metro
As of January 1, 2021				
Average remaining working life	**9 years**	**7 to 9 years**	**10 years**	**13 to 26 years**
Discount rate	**3.58%**	**3.38% to 3.68%**	**3.56%**	**3.5% to 3.9%**
Future salary increases	**6.00%**	**4.0% to 5.0%**	**4.00%**	**7.00%**
As of January 1, 2020				
Average remaining working life	9 years	7 years	10 years	13 to 26 years
Discount rate	4.74%	4.82% to 4.84%	4.86%	5.1% to 5.2%
Future salary increases	7.00%	6.29%	5.80%	7.00%

Discount rates used in computing for the present value of the DBO of the Parent Company and significant subsidiaries as of December 31, 2021 and 2020 follow:

	Parent Company	FMIC	PSBank	ORIX Metro
2021	**5.06%**	**4.75% to 5.13%**	**4.94%**	**5.0% to 5.6%**
2020	3.58%	3.38% to 3.68%	3.56%	3.50% to 3.90%

The net retirement liability (asset) of the Group and the Parent Company is presented in the following accounts in the statements of financial position:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Other assets (Note 14)	**(₱1,354)**	(₱2,441)	**(₱987)**	(₱2,441)
Other liabilities (Note 21)	**57**	214	**–**	–
	(₱1,297)	(₱2,227)	**(₱987)**	(₱2,441)

The defined benefit plan exposes the Group and the Parent Company to actuarial risk, such as longevity risk, interest rate risk and market (investment risk).

The fair value of plan assets by each class as at the end of the statement of financial position date are as follows:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Cash and cash equivalents	**₱–**	₱156	**₱–**	₱18
Deposits in banks	**129**	–	**10**	–
Investment securities				
Debt securities (Note 32)	**20,921**	22,413	**16,927**	18,692
Equity securities (Note 32)	**4,409**	5,328	**4,150**	5,111
Unit investment trust fund and others (Note 32)	**540**	734	**513**	683
Total investment securities	**25,870**	28,475	**21,590**	24,486
Other assets	**193**	238	**169**	214
Total assets	**26,192**	28,869	**21,769**	24,718
Total liabilities and expected withdrawals	**(12)**	(22)	**–**	(19)
Fair value of net plan assets	**₱26,180**	₱28,847	**₱21,769**	₱24,699

Changes in net defined benefit liability (asset) are as follows:

Consolidated	**Present Value of DBO**	**Fair Value of Plan Assets**	**Net Retirement Liability/(Asset)**
January 1, 2021	**₱26,620**	**(₱28,847)**	**(₱2,227)**
Net benefit cost			
Current service cost	**2,070**	**–**	**2,070**
Net interest	**880**	**(967)**	**(87)**
Sub-total	**2,950**	**(967)**	**1,983**
Benefits paid	**(2,938)**	**2,938**	**–**
Remeasurement in OCI			
Return on plan assets (excluding amount included in net interest)	**–**	**1,150**	**1,150**
Actuarial changes arising from experience adjustments	**2,157**	**–**	**2,157**
Actuarial changes arising from changes in financial/demographic assumptions	**(3,906)**	**22**	**(3,884)**
Sub-total	**(1,749)**	**1,172**	**(577)**
Contributions paid	**–**	**(476)**	**(476)**
December 31, 2021	**₱24,883**	**(₱26,180)**	**(₱1,297)**

Parent Company	**Present Value of DBO**	**Fair Value of Plan Assets**	**Net Retirement Liability/(Asset)**
January 1, 2021	**₱22,258**	**(₱24,699)**	**(₱2,441)**
Net benefit cost			
Current service cost	**1,689**	**–**	**1,689**
Net interest	**728**	**(815)**	**(87)**
Sub-total	**2,417**	**(815)**	**1,602**
Benefits paid	**(2,680)**	**2,680**	**–**
Remeasurement in OCI			
Return on plan assets (excluding amount included in net interest)	**–**	**1,065**	**1,065**
Actuarial changes arising from experience adjustments	**2,052**	**–**	**2,052**
Actuarial changes arising from changes in financial/demographic assumptions	**(3,265)**	**–**	**(3,265)**
Sub-total	**(1,213)**	**1,065**	**(148)**
December 31, 2021	**₱20,782**	**(₱21,769)**	**(₱987)**

Consolidated	Present Value of DBO	Fair Value of Plan Assets	Net Retirement Liability/(Asset)
January 1, 2020	₱25,085	(₱28,077)	(₱2,992)
Net benefit cost			
Current service cost	1,873	–	1,873
Past service cost	285	–	285
Net interest	1,071	(1,241)	(170)
Sub-total	3,229	(1,241)	1,988
Benefits paid	(1,723)	1,723	–
Remeasurement in OCI			
Return on plan assets (excluding amount included in net interest)	–	(744)	(744)
Actuarial changes arising from experience adjustments	(252)	–	(252)
Actuarial changes arising from changes in financial/demographic assumptions	281	(3)	278
Sub-total	29	(747)	(718)
Net acquired/(released) obligation due to employee transfers	–	15	15
Contributions paid	–	(520)	(520)
December 31, 2020	₱26,620	(₱28,847)	(₱2,227)

Parent Company	Present Value of DBO	Fair Value of Plan Assets	Net Retirement Liability/(Asset)
January 1, 2020	₱19,371	(₱23,301)	(₱3,930)
Net benefit cost			
Current service cost	1,467	–	1,467
Net interest	867	(1,053)	(186)
Sub-total	2,334	(1,053)	1,281
Past service cost	285	–	285
Benefits paid	(1,424)	1,424	–
Remeasurement in OCI			
Return on plan assets (excluding amount included in net interest)	–	(717)	(717)
Actuarial changes arising from experience adjustments	(173)	–	(173)
Actuarial changes arising from changes in financial/demographic assumptions	424	–	424
Sub-total	251	(717)	(466)
Net acquired/(released) obligation due to employee transfers	1,441	(1,052)	389
December 31, 2020	₱22,258	(₱24,699)	(₱2,441)

In 2021, 2020 and 2019, deferred tax on remeasurements on retirement plans credited (charged) to OCI amounted to (₱413.8 million), (₱215.6 million), and ₱872.4 million, respectively, for the Group, and (₱323.8 million), (₱139.9 million) and ₱525.7 million, respectively, for the Parent Company (Note 28).

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the balance of DBO as of December 31, 2021 and 2020, assuming all other assumptions were held constant:

	Parent Company	**FMIC**	**PSBank**	**ORIX Metro**
As of December 31, 2021				
Discount rate				
+100 basis points (bps)	**(₱1,822)**	**(₱20)**	**(₱233)**	**(₱62)**
- 100 bps	**2,111**	**23**	**265**	**73**
Salary increase rate				
+100 bps	**1,928**	**24**	**280**	**72**
- 100 bps	**(1,703)**	**(23)**	**(250)**	**(62)**
Turnover rate				
+20% of actual rate	**(320)**	**(7)**	**(24)**	**–**
-20% of actual rate	**348**	**7**	**27**	**–**

(Forward)

	Parent Company	FMIC	PSBank	ORIX Metro
As of December 31, 2020				
Discount rate				
+100 basis points (bps)	(₱1,403)	(₱24)	(₱262)	(₱88)
- 100 bps	1,595	27	300	105
Salary increase rate				
+100 bps	1,402	28	312	101
- 100 bps	(1,273)	(25)	(277)	(86)
Turnover rate				
+20% of actual rate	(433)	(12)	(54)	–
-20% of actual rate	480	14	62	–

The Group and the Parent Company expect to contribute to the defined benefit retirement plans the required funding for normal cost in 2022 amounting to ₱345.1 million and nil, respectively.

The average duration of the DBO of the Group as of December 31, 2020 and 2019 are as follows:

	Parent Company	FMIC	PSBank	ORIX Metro
2021	**12.93 years**	**9.18 to 18.64 years**	**12.12 years**	**9.4 to 11 years**
2020	12.04 years	10.49 to 14.52 years	12.50 years	10.9 to 13.1 years

Shown below is the maturity analysis of the undiscounted benefit payments:

	Parent Company	FMIC	PSBank	ORIX Metro
As of December 31, 2021				
Less than 1 year	**₱869**	**₱21**	**₱251**	**₱46**
More than 1 year to 5 years	**6,936**	**194**	**1,239**	**212**
More than 5 years to 10 years	**13,091**	**234**	**1,893**	**269**
More than 10 years to 15 years	**12,202**	**167**	**2,082**	**–**
More than 15 years to 20 years	**17,146**	**173**	**2,075**	**–**
More than 20 years	**36,350**	**249**	**1,361**	**–**
As of December 31, 2020				
Less than 1 year	₱3,144	₱27	₱260	₱26
More than 1 year to 5 years	10,113	139	1,079	148
More than 5 years to 10 years	10,794	273	1,820	342
More than 10 years to 15 years	9,652	224	1,956	–
More than 15 years to 20 years	11,278	194	2,025	–
More than 20 years	11,514	165	1,443	–

In addition, the Parent Company has a Provident Plan which is a supplementary contributory retirement plan to and forms part of the main plan, the Retirement Plan, for the exclusive benefit of eligible employees of the Parent Company in the Philippines. Based on the provisions of the plan, upon retirement or resignation, a member shall be entitled to receive as retirement or resignation benefits 100.00% of the accumulated value of the personal contribution plus a percentage of the accumulated value arising from the Parent Company's contributions in accordance with the completed number of years serviced. The Parent Company's contribution to the Provident Fund in 2021 and 2020 amounted to ₱334.9 million and ₱321.3 million, respectively.

As of December 31, 2021 and 2020, the retirement funds of the Group's employees amounting to ₱26.2 billion and ₱28.8 billion, respectively, are being managed by its trust banking unit. The Parent Company has a Trust Committee that is mandated to approve the plan, trust agreement, investment plan, including any amendments or modifications thereto, and other activities of the retirement plan. Certain members of the BOD of the Parent Company are represented in the Trust Committee.

28. Income and Other Taxes

Under Philippine tax laws, the RBU of the Parent Company and its domestic subsidiaries are subject to percentage and other taxes (presented as 'Taxes and licenses' in the statements of income), as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax (GRT) and documentary stamp tax (DST). Income taxes include regular corporate income tax (RCIT) and 20.00% final taxes paid, which is a final withholding tax on gross interest income from government securities and other deposit substitutes.

On March 26, 2021, Republic Act (RA) No. 11534, otherwise known as Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act was signed into law. CREATE reduced the RCIT rate from 30.00% to 25.00% depending on the criteria set by the law effective July 1, 2020. With the implementation of this Act, interest expense allowed as a deductible expense shall be reduced by 20.00% of the interest income subjected to final tax, compared to the 33.00% reduction prior to the Act.

The regulations also provide for MCIT of 2.00% (prior to CREATE) and 1.00% from (July 1, 2020 to June 30, 2023 before reverting to 2.00%) on modified gross income and allow a NOLCO. The MCIT and NOLCO may be applied against the Group's and the Parent Company's income tax liability and taxable income, respectively, over a three-year period from the year of inception. For the taxable years 2020 and 2021, the NOLCO incurred can be carried over as a deduction for the next five (5) consecutive taxable years, pursuant to Revenue Regulation (RR) No. 25-2020.

Current tax regulations also provide for the ceiling on the amount of EAR expense (Note 25) that can be claimed as a deduction against taxable income. Under the regulation, EAR expense allowed as a deductible expense for a service company like the Parent Company and some of its subsidiaries is limited to the actual EAR paid or incurred but not to exceed 1.00% of net revenue.

FCDU offshore income (income from non-residents) is tax-exempt while gross onshore income (income from residents) is subject to 10.00% income tax. In addition, interest income on deposit placements with other FCDUs and offshore banking units (OBUs) is taxed at 15.00%. Income derived by the FCDU from foreign currency-denominated transactions with non-residents, OBUs, local commercial banks including branches of foreign banks, is tax-exempt while interest income on foreign currency loans from residents other than OBUs or other depository banks under the expanded system is subject to 10.00% income tax.

Following are the applicable taxes and tax rates for the foreign branches of the Parent Company:

Foreign Branches	Tax Rates
USA - New York Branch	21.00% federal income tax; 8.85% state tax; 6.50% city tax
Japan - Tokyo and Osaka Branches	2021 - 23% income tax; 2020 - 23.20% income tax; Various rates for business taxes - income tax, local business, sheet value and sheet capital allocations
Korea - Seoul and Pusan Branches	Various rates; 0.50% education tax
Taiwan - Taipei Branch	20.00% income tax; 5.00% gross business receipts tax; 5.0% value-added tax

The provision for income tax consists of:

	Consolidated			Parent Company		
	2021	2020	2019	**2021**	2020	2019
Current:						
Final tax	**₱3,488**	₱3,991	₱3,442	**₱3,060**	₱3,627	₱2,915
RCIT*	**2,702**	7,729	6,625	**2,317**	6,696	3,772
MCIT	**2**	5	6	**–**	–	–
	6,192	11,725	10,073	**5,377**	10,323	6,687
Deferred*	**1,585**	(4,679)	(12)	**421**	(3,413)	(78)
	₱7,777	₱7,046	₱10,061	**₱5,798**	₱6,910	₱6,609

** Includes income taxes of foreign subsidiaries.*

Components of net deferred tax assets of the Group and the Parent Company follow:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Deferred tax asset on:				
Allowance for credit and impairment losses	**₱9,140**	₱11,167	**₱7,915**	₱8,546
Unamortized past service cost	**1,943**	2,380	**1,745**	2,134
Unrealized foreign exchange losses	**1,842**	403	**1,847**	403
Accumulated depreciation of investment properties	**267**	308	**127**	156
Deferred membership/awards	**213**	305	**214**	305
Retirement liability	**15**	523	**–**	1,017
NOLCO	**–**	34	**–**	–
MCIT	**–**	9	**–**	–
Others	**899**	807	**503**	24
	14,319	15,936	**12,351**	12,585
Deferred tax liability on:				
Unrealized gain on initial measurement of investment properties	**441**	154	**122**	151
Retirement asset	**255**	–	**247**	–
Unrealized mark-to-market gains	**93**	1,420	**91**	1,040
Others	**436**	334	**–**	–
	1,225	1,908	**460**	1,191
Net deferred tax assets	**₱13,094**	₱14,028	**₱11,891**	₱11,394

In 2021 and 2020, deferred tax credited (charged) to OCI amounted to ₱650.2 million and (₱1.1 billion) respectively, for the Group, and ₱918.2 million and (₱1.0 billion), respectively, for the Parent Company.

The Parent Company and certain subsidiaries did not recognize deferred tax assets on the following temporary differences:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Allowance for credit and impairment losses	**₱10,214**	₱18,835	**₱8,857**	₱17,532
NOLCO	**912**	675	**58**	–
MCIT	**13**	10	**–**	–
	₱11,139	₱19,520	**₱8,915**	₱17,532

The Group believes that it is not reasonably probable that the tax benefits of these temporary differences will be realized in the future.

There are no income tax consequences attaching to the payment of dividends by the Group to its shareholders. There are no temporary differences arising from undistributed profits of subsidiaries, branches, associates and a JV.

Details of the excess MCIT credits of the Group follow:

	Amount	Used/Expired	Balance	Expiry Year
2018	₱8	8	₱–	2021
2019	6	–	6	2022
2020	5	–	5	2023
2021	2	–	2	2024
	₱21	₱8	₱13	

As of December 31, 2021, details of the Group and the Parent Company's NOLCO follow:

		Consolidated			Parent Company		
Inception Year	Expiry Year	Amount	Used/Expired	Balance	Amount	Used/Expired	Balance
2018	2021	₱281	₱281	₱–	₱–	₱–	₱–
2019	2022	272	–	272	–	–	–
2020	2025	233	–	233	–	–	–
2021	2026	407	–	407	58	–	58
		₱1,193	₱281	₱912	₱58	₱–	₱58

A reconciliation of the statutory income tax rates and the effective income tax rates follows:

	Consolidated			**Parent Company**		
	2021	2020	2019	**2021**	2020	2019
Statutory income tax rate	**25.00%**	30.00%	30.00%	**25.00%**	30.00%	30.00%
Tax effects of:						
Tax-paid, tax-exempt and other non-taxable income	**(4.68)**	(34.94)	(10.41)	**(2.72)**	(31.02)	(8.16)
Non-deductible interest expense	**2.97**	8.16	4.14	**2.86**	7.99	3.82
FCDU income	**(3.34)**	(3.24)	(1.51)	**(3.28)**	(2.90)	(1.43)
Change in unrecognized deferred tax assets	**9.62**	14.45	–	**5.19**	12.29	–
Effect of change in tax rate	**(7.29)**	–	–	**(6.31)**	–	–
Others - net	**3.52**	19.09	3.62	**–**	16.96	(5.16)
Effective income tax rate	**25.80%**	33.52%	25.84%	**20.74%**	33.32%	19.07%

29. Trust Operations

Properties held by the Parent Company and PSBank in fiduciary or agency capacity for their customers are not included in the accompanying statements of financial position since these are not their resources.

In compliance with current banking regulations relative to the Parent Company and PSBank's trust functions, the following are government securities deposited with the BSP:

	Consolidated		**Parent Company**	
	2021	2020	**2021**	2020
Investment securities at amortized cost	**₱6,297**	₱–	**₱6,297**	₱–
Investment securities at FVOCI	**128**	6,364	**–**	6,250
	₱6,425	₱6,364	**₱6,297**	₱6,250

30. Commitments and Contingent Liabilities

In the normal course of the Group's operations, there are various outstanding commitments and contingent liabilities which are not reflected in the accompanying financial statements. No material losses are anticipated as a result of these transactions. The summary of contingencies and commitments at their peso-equivalent contractual amounts arising from off-balance sheet items follows:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Trust Banking Group accounts (Note 29)	**₱589,145**	₱567,841	**₱578,216**	₱558,273
Credit card lines	**188,099**	205,815	**188,099**	205,815
Unused commercial letters of credit (Note 32)	**48,813**	42,283	**47,386**	40,930
Undrawn commitments - facilities to lend	**14,898**	17,413	**14,898**	17,393
Bank guaranty with indemnity agreement (Note 32)	**14,563**	8,591	**14,563**	8,591
Credit line certificate with bank commission	**5,116**	4,262	**5,116**	4,262
Outstanding guarantees	**4,598**	3,826	**4,598**	3,826
Inward bills for collection	**3,165**	1,909	**3,164**	1,908
Outstanding shipside bonds/airway bills	**1,208**	2,594	**1,208**	2,594
Outward bills for collection	**848**	821	**847**	819
Confirmed export letters of credits	**781**	964	**40**	39
Late deposits/payments received	**185**	1,756	**185**	1,746
Others	**25,475**	11,488	**744**	862
	₱896,894	₱869,563	**₱859,064**	₱847,058

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

31. Earnings per Share

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

	2021	2020	2019
a. Net income attributable to equity holders of the Parent Company	**₱22,156**	₱13,831	₱28,055
b. Weighted average number of outstanding common shares of the Parent Company	**4,496**	4,496	4,496
c. Basic/diluted earnings per share (a/b)	**₱4.93**	₱3.08	₱6.24

32. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions or if they are subjected to common control or common significant influence such as subsidiaries and associates of subsidiaries or other related parties. Related parties may be individuals or corporate entities and are classified as entities with significant influence, subsidiaries, associates, other related parties and key personnel (Notes 2 and 11).

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

The Parent Company has a Related Party Transactions Committee (RPTC) and a Related Party Transactions Management Committee (RPTMC), both of which are created to assist the BOD in ensuring that transactions with related parties are reviewed to assess risks and are subjected to appropriate restrictions to ensure that these are conducted at arm's-length terms and that corporate or business resources of the Parent Company are not misappropriated or misapplied. After appropriate review, RPTMC (through RPTC) and RPTC disclose all information and endorses to the BOD with recommendations, the proposed related party transactions. The members of the RPTC are appointed annually by the BOD, composed of at least three (3) Board non-executive members, two (2) of whom should be independent directors, including the Chairman. Currently, RPTC is composed of three (3) independent directors (including the Committee's Chairman); the head of Internal Audit Group (as Resource Person); and the Compliance Officer (as the Committee Secretary) and meets bi-monthly or as the need arises. On the other hand, RPTMC members are appointed annually by the President, composed of at least four (4) members. RPTC's and RPTMC's review of the proposed related party transactions considers the following:

a. Identity and relationship of the parties involved in the transaction;
b. Terms of the transaction and whether these are no less favorable than terms generally available to an unrelated third party under the same circumstances;
c. Business purpose, timing, rationale and benefits of the transaction;
d. Approximate monetary value of the transaction and the approximate monetary value of the related party's interest in the transaction;
e. Valuation methodology used and alternative approaches to valuation of the transaction;
f. Information concerning potential counterparties in the transaction;
g. Description of provisions or limitations imposed as a result of entering into the transaction;
h. Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the transaction;
i. Impact to a director's independence;
j. Extent that such transaction or relationship would present an improper conflict of interest; and
k. The availability of other sources of comparable products or services.

Further, no director or officer participates in any discussion of a related party transaction for which he, she, or any member of his or her immediate family is a related party, including transactions of subordinates, except in order to provide material information on the related party transaction to RPTC.

Major subsidiaries, which include FMIC, PSBank, MCC (until 2019 - see Note 11) and MBCL, have their own respective RPTCs which assist their respective BODs in ensuring that transactions with related parties are reviewed to assess risks and are subjected to appropriate restrictions to ensure that these are conducted at arm's-length terms and that their corporate or business resources are not misappropriated or misapplied.

Details on significant related party transactions of the Group and the Parent Company follow (transactions with subsidiaries have been eliminated in the consolidated financial statements):

	Consolidated	
Category	Amount	Terms and Conditions/Nature
2021		
Entity with Significant Influence Over the Group		
Outstanding Balance:		
Deposit liabilities*	**₱1,328**	With annual fixed interest rates ranging from 0.00% to 0.30%, including time deposits with maturity terms from 22 to 31 days (Note 16)
Bills payable*	**108**	Peso borrowings subject to annual fixed interest rates of 0.13% with maturity term of 33 days (Note 17)
Amount/Volume:		
Deposit liabilities	**(658)**	Generally similar to terms and conditions above
Bills payable	**1**	Generally similar to terms and conditions above
Interest expense	**1**	Interest expense on deposit liabilities and bills payable (Notes 16 and 17)
Subsidiaries		
Outstanding Balance:		
Interbank loans receivable*	**8,764**	Foreign currency-denominated lending, which earn annual fixed interest rates ranging from 0.43% to 3.30% with maturity terms from 17 to 359 days (Note 7)
Investment securities at		
FVTPL	**2**	Treasury notes and private bonds purchased from FMIC
FVOCI	**20**	Treasury note purchased from PSBank
Receivables from customers*	**335**	Unsecured, with ECL of ₱1.0 million; with annual fixed interest rates ranging from 0.00% to 3.50% and maturity terms from 3 to 179 days (Note 9)
Accounts receivable	**136**	Non-interest bearing receivables on service fees, remittance, rental fees and common use service area fees (Note 9)
Other receivables	**3**	Accrued rent receivable from PSBank
Deposit liabilities*	**6,270**	With annual fixed interest rates ranging from 0.00% to 0.25%, including time deposits with maturity terms of 59 days (Note 16)
Bills payable*	**40**	Peso borrowings subject to annual fixed interest rates of 0.13% with maturity terms from 30 to 31 days (Note 17)
Treasury stock	**70**	Parent Company's shares held by FMIC's mutual fund subsidiary (Note 23)
Dividends declared	**1,132**	Dividend declared by PSBank (Note 11)
Amount/Volume:		
Interbank loans receivable	**2,352**	Generally similar to terms and conditions above
Receivables from customers	**(4,636)**	Generally similar to terms and conditions above
Accounts receivable	**(8)**	Generally similar to terms and conditions above
Deposit liabilities	**2,897**	Generally similar to terms and conditions above
Bills payable	**3**	Generally similar to terms and conditions above
Interest income	**206**	Interest income on receivables from customers and interbank loan receivables (Notes 7 and 9)
Service charges, fees and commissions	**31**	Income on transactional fees
Trading and securities gain - net	**36**	Net gain from securities transactions (Note 8)
Foreign exchange gain - net	**6**	Net gain from foreign exchange transactions
Leasing income	**22**	Income from leasing agreements with various lease terms
Miscellaneous income	**180**	Information technology and other fees
Interest expense	**14**	Interest expense on deposit liabilities, bills payable and bonds payable (Notes 16, 17 and 19)
Securities transactions		
Purchases	**15,071**	Outright purchases of investment securities at FVTPL and FVOCI
Sales	**20,714**	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	**12,281**	Outright purchases of foreign currency
Sell	**4,295**	Outright sale of foreign currency

	Consolidated	
Category	**Amount**	**Terms and Conditions/Nature**
Associates		
Outstanding Balance:		
Receivables from customers	**₱641**	Unsecured; with annual fixed interest rates of 2.34% and maturity terms of 60 days
Deposit liabilities*	**2,104**	With annual fixed interest rates ranging from 0.00% to 0.25%, including time deposits with maturity terms from 31 to 357 days (Note 16)
Amount/Volume:		
Receivables from customers	**635**	Generally similar to terms and conditions above
Deposit liabilities	**(819)**	Generally similar to terms and conditions above
Interest Income	**10**	Interest income on receivables from customers (Note 9)
Trading and securities gain - net	**1**	Net gain from securities transactions (Note 8)
Leasing income	**18**	Income from leasing agreements with various lease terms
Securities transactions		
Outright purchases	**15**	Outright purchases of FVTPL securities and FVOCI investments
Outright sales	**3,121**	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Sell	**1,318**	Outright sale of foreign currency
Other Related Parties		
Outstanding Balance:		
Receivables from customers*	**₱31,363**	Secured - ₱5.4 billion, unsecured - ₱25.9 billion**,** with ECL of ₱143.0 million; with annual fixed interest rates ranging from 2.50% to 5.00% and maturity terms from 30 days to 5 years (Note 9)
Assets held under joint operations	**219**	Parcels of land and former branch sites of the Parent Company contributed to joint operations (Note 14)
Deposit liabilities*	**22,153**	With annual fixed interest rates ranging from 0.00% to 1.83%, including time deposits with maturity terms from 1 to 182 days (Note 16)
Amount/Volume:		
Receivables from customers	**(2,642)**	Generally similar to terms and conditions above
Deposit liabilities	**3,797**	Generally similar to terms and conditions above
Bills payable	**(77)**	Generally similar to terms and conditions above
Interest income	**1,028**	Interest income on receivables from customers (Note 9)
Foreign exchange loss - net	**(59)**	Net loss from foreign exchange transactions
Leasing income	**8**	Income from leasing agreements with various lease terms
Interest expense	**2**	Interest expense on deposit liabilities and bills payable (Notes 16 and 17)
Contingent		
Unused commercial LCs	**10**	LC transactions with various terms
Others	**2**	Bank guaranty with indemnity agreement
Securities transactions - outright purchases	**26**	Outright purchases of FVTPL securities and FVOCI investments
Foreign currency		
Buy	**324**	Outright purchases of foreign currency
Sell	**71,710**	Outright sale of foreign currency
Key Personnel		
Outstanding Balance:		
Receivables from customers	**₱91**	Secured - ₱64.5 million, unsecured - ₱26.7 million, no impairment; with annual fixed interest rates ranging from 0.00% to 9.00% and maturity terms from 1 to 19 years (Note 9)
Deposit liabilities	**269**	With various terms and minimum annual interest rate of 0.00% (Note 16)
Amount/Volume:		
Receivables from customers	**8**	Generally similar to terms and conditions above
Deposit liabilities	**(45)**	Generally similar to terms and conditions above
Interest income	**3**	Interest income on receivables from customers (Note 9)

	Consolidated	
Category	**Amount**	**Terms and Conditions/Nature**
2020		
Entity with Significant Influence Over the Group		
Outstanding Balance:		
Deposit liabilities*	₱1,986	With annual fixed interest rates ranging from 0.00% to 0.30%, including time deposits with maturity terms from 30 to 39 days (Note 16)
Bills payable*	107	Peso borrowings subject to annual fixed interest rates of 0.88% with maturity term of 70 days (Note 17)
Amount/Volume:		
Deposit liabilities	(385)	Generally similar to terms and conditions above
Bills payable	(105)	Generally similar to terms and conditions above
Interest expense	2	Interest expense on deposit liabilities and bills payable (Notes 16 and 17)
Subsidiaries		
Outstanding Balance:		
Interbank loans receivable*	6,412	Foreign currency-denominated lending, which earn annual fixed interest rates ranging from 0.00% to 3.45% with maturity terms from 17 to 212 days (Note 7)
Investment securities at		
FVTPL	83	Treasury notes and private bonds purchased from FMIC and PSBank
FVOCI	1,218	Treasury note purchased from PSBank
Receivables from customers*	4,971	Unsecured, with ECL of ₱35.0 million; with annual fixed interest rates ranging from 1.13% to 1.37% and maturity terms from 1 day to 3 years (Note 9)
Accounts receivable	144	Non-interest bearing receivables on service fees, underwriting fees, remittance, rental fees and common use service area fees (Note 9)
Other receivables	3	Accrued rent receivable from PSBank and ORIX
Derivative assets	751	Swaps bought with various terms (Note 8)
Deposit liabilities*	3,373	With annual fixed interest rates ranging from 0.00% to 0.30%, including time deposits with maturity terms of 40 days (Note 16)
Bills payable*	37	Peso borrowings subject to annual fixed interest rates ranging from 0.75% to 1.00% with maturity terms from 90 to 97 days (Note 17)
Treasury stock	65	Parent Company's shares held by FMIC's mutual fund subsidiary (Note 23)
Dividends declared	1,103	Dividend declared by PSBank (Note 11)
Amount/Volume:		
Interbank loans receivable	(466)	Generally similar to terms and conditions above
Receivables from customers	(11,108)	Generally similar to terms and conditions above
Accounts receivable	(50)	Generally similar to terms and conditions above
Deposit liabilities	(856)	Generally similar to terms and conditions above
Bills payable	(102)	Generally similar to terms and conditions above
Interest income	172	Interest income on receivables from customers and interbank loan receivables (Notes 7 and 9)
Service charges, fees and commissions	29	Income on transactional fees, including underwriting fees
Trading and securities gain - net	38	Net gain from securities transactions (Note 8)
Foreign exchange loss - net	(31)	Net loss from foreign exchange transactions
Leasing income	27	Income from leasing agreements with various lease terms
Miscellaneous income	231	Information technology and other fees
Interest expense	34	Interest expense on deposit liabilities, bills payable and bonds payable (Notes 16, 17 and 19)
Contingent - derivatives	5,450	Swaps bought with various terms
Securities transactions		
Purchases	69,454	Outright purchases of investment securities at FVTPL and FVOCI
Sales	10,880	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	10,644	Outright purchases of foreign currency
Sell	3,833	Outright sale of foreign currency

Category	Consolidated Amount	Terms and Conditions/Nature
Associates		
Outstanding Balance:		
Deposit liabilities*	₱2,923	With annual fixed interest rates ranging from 0.00% to 0.25%, including time deposits with maturity terms from 31 to 35 days (Note 16)
Amount/Volume:		
Receivables from customers	(1,301)	Generally similar to terms and conditions above
Accounts receivable	(1)	Generally similar to terms and conditions above
Deposit liabilities	1,508	Generally similar to terms and conditions above
Interest Income	31	Interest income on receivables from customers (Note 9)
Trading and securities gain - net	43	Net gain from securities transactions (Note 8)
Foreign exchange loss - net	(2)	Net loss from foreign exchange transactions
Leasing income	24	Income from leasing agreements with various lease terms
Interest expense	2	Interest expense on deposit liabilities (Note 16)
Securities transactions		
Outright purchases	1,124	Outright purchases of FVTPL securities and FVOCI investments
Outright sales	5,258	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	178	Outright purchases of foreign currency
Sell	1,929	Outright sale of foreign currency
Other Related Parties		
Outstanding Balance:		
Receivables from customers*	₱34,005	Secured - ₱5.4 billion, unsecured - ₱28.6 billion, with ECL of ₱220.0 million; with annual fixed interest rates ranging from 2.50% to 5.00% and maturity terms from 30 days to 5 years (Note 9)
Assets held under joint operations	219	Parcels of land and former branch sites of the Parent Company contributed to joint operations (Note 14)
Deposit liabilities*	18,356	With annual fixed interest rates ranging from 0.00% to 1.00%, including time deposits with maturity terms from 6 days to 359 days (Note 16)
Bills payable*	77	Peso-denominated borrowings with annual fixed interest rates ranging from 0.63% to 1.13% and maturity terms from 66 to 182 days
Amount/Volume:		
Receivables from customers	1,778	Generally similar to terms and conditions above
Accounts receivable	(2)	Generally similar to terms and conditions above
Deposit liabilities	4,466	Generally similar to terms and conditions above
Bills payable	77	Generally similar to terms and conditions above
Interest income	1,484	Interest income on receivables from customers (Note 9)
Foreign exchange gain - net	–	Net gain from foreign exchange transactions
Leasing income	15	Income from leasing agreements with various lease terms
Interest expense	12	Interest expense on deposit liabilities and bills payable (Notes 16 and 17)
Contingent		
Unused commercial LCs	35	LC transactions with various terms
Foreign currency		
Buy	273	Outright purchases of foreign currency
Sell	95	Outright sale of foreign currency
Key Personnel		
Outstanding Balance:		
Receivables from customers	₱83	Secured - ₱57 million, unsecured - ₱25.8 million, no impairment; with annual fixed interest rates ranging from 0.00% to 10.00% and maturity terms from 1 year to 15 years (Note 9)
Deposit liabilities	314	With various terms and minimum annual interest rate of 0.00% (Note 16)
Amount/Volume:		
Receivables from customers	(2)	Generally similar to terms and conditions above
Deposit liabilities	147	Generally similar to terms and conditions above
Interest income	3	Interest income on receivables from customers (Note 9)

Category	Consolidated Amount	Terms and Conditions/Nature
2019		
Entity with Significant Influence Over the Group		
Amount		
Service charges, fees and commissions	₱129	Financial advisory fees
Interest expense	16	Interest expense on deposit liabilities and bills payable (Notes 16 and 17)
Subsidiaries		
Amount		
Interest income	₱826	Interest income on receivables from customers and interbank loan receivables (Notes 7 and 9)
Service charges, fees and commissions	102	Income on transactional fees, including underwriting fees
Trading and securities gain - net	300	Net gain from securities transactions (Note 8)
Foreign exchange loss - net	(123)	Net loss from foreign exchange transactions
Leasing income	58	Income from leasing agreements with various lease terms
Miscellaneous income	344	Information technology and other fees
Interest expense	73	Interest expense on deposit liabilities, bills payable and bonds payable (Notes 16, 17 and 19)
Associates		
Amount		
Interest Income	₱57	Interest income on receivables from customers (Note 9)
Trading and securities gain - net	5	Net gain from securities transactions (Note 8)
Foreign exchange loss - net	(13)	Net loss from foreign exchange transactions
Leasing income	17	Income from leasing agreements with various lease terms
Interest expense	2	Interest expense on deposit liabilities (Note 16)
Other Related Parties		
Amount		
Interest income	₱1,025	Interest income on receivables from customers (Note 9)
Foreign exchange gain - net	2	Net gain from foreign exchange transactions
Leasing income	21	Income from leasing agreements with various lease terms
Interest expense	605	Interest expense on deposit liabilities and bills payable (Notes 16 and 17)
Key Personnel		
Amount		
Interest income	₱3	Interest income on receivables from customers (Note 9)

* *Includes accrued interest*

Category	Parent Company Amount	Terms and Conditions/Nature
2021		
Entities with Significant Influence		
Outstanding Balance:		
Deposit liabilities*	**₱1,328**	With annual fixed interest rate ranging from 0.00% to 0.30%, including time deposits with maturity terms of 22 to 31 days (Note 16)
Amount/Volume:		
Deposit liabilities	**(658)**	Generally similar to terms and conditions above
Subsidiaries		
Outstanding Balance:		
Interbank loans receivable*	**₱8,764**	Foreign currency-denominated lending which earn annual fixed interest rates ranging from 0.43% to 3.30% with maturity terms from 17 to 359 days with minimal expected credit loss (Note 7)
Investment Securities at		
FVTPL	**2**	Treasury notes and private bonds purchased from FMIC
FVOCI	**20**	Treasury note purchased from PSBank
Receivables from customers*	**254**	Unsecured, with ECL of ₱1.0 million; With annual fixed interest rates ranging from 0.00% to 3.50% and maturity terms from 3 to 179 days (Note 9)
Accounts receivable	**133**	Non-interest bearing receivables on service fees, remittance, rental fees and common use service area fees (Note 9)
Other receivables	**3**	Accrued rent receivable from PSBank
Deposit liabilities*	**6,270**	With annual fixed interest rates ranging from 0.00% to 0.25%, including time deposits with maturity terms of 59 days (Note 16)
Treasury stock	**70**	Parent Company's shares held by FMIC's mutual fund subsidiary (Note 23)
Dividend declared	**1,132**	Dividend declared by PSBank (Note 11)

(Forward)

Category	Parent Company Amount	Terms and Conditions/Nature
Amount/Volume:		
Interbank loans receivable	**₱2,352**	Generally similar to terms and conditions above
Receivables from customers	**(4,717)**	Generally similar to terms and conditions above
Accounts receivable	**13**	Generally similar to terms and conditions above
Deposit liabilities	**2,897**	Generally similar to terms and conditions above
Interest income	**206**	Interest income on receivables from customers and interbank loans receivables (Note 9)
Service charges, fees and commissions	**3**	Income from transactional fees
Trading and securities gain - net	**36**	Net gain from securities transactions (Note 8)
Foreign exchange gain - net	**6**	Net gain from foreign exchange transactions
Leasing income	**6**	Income from leasing agreements with various lease terms
Miscellaneous income	**180**	Information technology and other fees (Note 25)
Interest expense	**2**	Interest expense on deposit liabilities, bills payable and interbank loans payable (Notes 16 and 17)
Securities transactions		
Purchases	**11,800**	Outright purchases of investment securities at FVTPL and FVOCI
Sales	**20,634**	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	**12,281**	Outright purchases of foreign currency
Sell	**4,295**	Outright sale of foreign currency
Associates		
Outstanding Balance:		
Receivables from customers	**₱641**	Unsecured; with annual fixed interest rates of 2.34% and maturity terms of 60 days
Deposit liabilities*	**1,702**	With annual fixed interest rates ranging from 0.00% to 0.25%, including time deposits with maturity terms of 34 to 357 days (Note 16)
Amount/Volume:		
Receivables from customers	**635**	Generally similar to terms and conditions above
Deposit liabilities	**(350)**	Generally similar to terms and conditions above
Interest Income	**10**	Interest income on receivables from customers (Note 9)
Leasing income	**1**	Income from leasing agreements with various lease terms
Securities transactions		
Outright purchases	**15**	Outright purchases of investment securities at FVTPL and FVOCI
Outright sales	**845**	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Sell	**1,318**	Outright sale of foreign currency
Other Related Parties		
Outstanding Balance:		
Receivables from customers*	**₱31,363**	Secured - ₱5.4 billion, unsecured - ₱25.9 billion, with ECL of ₱143.0 million; with annual fixed interest rates ranging from 2.50% to 5.00% and maturity terms from 30 days to 5 years (Note 9)
Assets held under joint operations	**219**	Parcels of land and former branch sites of the Parent Company contributed to joint operations (Note 14)
Deposit liabilities*	**14,665**	With annual fixed interest rates ranging from 0.00% to 0.40%, including time deposits with maturity terms of 3 to 182 days (Note 16)
Amount/Volume:		
Receivables from customers	**(2,641)**	Generally similar to terms and conditions above
Deposit liabilities	**(3,389)**	Generally similar to terms and conditions above
Interest income	**1,028**	Interest income on receivables from customers
Foreign exchange loss - net	**(59)**	Net loss from foreign exchange transactions
Leasing income	**8**	Income from leasing agreements with various lease terms
Interest expense	**1**	Interest expense on deposit liabilities (Note 16)
Contingent		
Unused commercial LCs	**10**	LC transactions with various terms
Others	**2**	Bank guaranty with indemnity agreement
Foreign currency		
Buy	**324**	Outright purchases of foreign currency
Sell	**71,710**	Outright sale of foreign currency

	Parent Company	
Category	Amount	Terms and Conditions/Nature
Key Personnel		
Outstanding Balance:		
Receivables from customers	**₱79**	Secured - ₱63.0 million and unsecured - ₱15.6 million, no impairment; with annual fixed interest rates ranging from 0.00% to 9.00% and maturity terms of 2 to 19 years (Note 9)
Deposit liabilities	**269**	With various terms and annual interest rate of 0.00% (Note 16)
Amount/Volume:		
Receivables from customers	**7**	Generally similar to terms and conditions above
Deposit liabilities	**(45)**	Generally similar to terms and conditions above
Interest income	**2**	Interest income on receivables from customers (Note 9)
2020		
Entities with Significant Influence		
Outstanding Balance:		
Deposit liabilities*	₱1,986	With annual fixed interest rate ranging from 0.00% to 0.30%, including time deposits with maturity terms of 30 to 39 days (Note 16)
Amount/Volume:		
Deposit liabilities	(385)	Generally similar to terms and conditions above
Interest expense	1	Interest expense on deposit liabilities (Note 16)
Subsidiaries		
Outstanding Balance:		
Interbank loans receivable*	₱6,412	Foreign currency-denominated lending which earn annual fixed interest rates ranging from 0.00% to 3.45% with maturity terms from 17 to 212 days with minimal expected credit loss (Note 7)
Investment Securities at		
FVTPL	83	Treasury notes and private bonds purchased from FMIC and PSBank
FVOCI	1,218	Treasury note purchased from PSBank
Receivables from customers*	4,971	Unsecured, with ECL of ₱35.0 million; with annual fixed interest rates ranging from 1.13% to 1.37% and maturity terms from 1 day to 3 years (Note 9)
Accounts receivable	120	Non-interest bearing receivables on service fees, underwriting fees, remittance, rental fees and common use service area fees (Note 9)
Other receivables	3	Accrued rent receivable from PSBank and Orix
Derivative assets	751	Swaps bought with various terms (Note 8)
Deposit liabilities*	3,373	With annual fixed interest rates ranging from 0.00% to 0.30%, including time deposits with maturity terms of 40 days (Note 16)
Treasury stock	65	Parent Company's shares held by FMIC's mutual fund subsidiary (Note 23)
Dividend declared	1,103	Dividend declared by PSBank (Note 11)
Amount/Volume:		
Interbank loans receivable	734	Generally similar to terms and conditions above
Receivables from customers	(11,108)	Generally similar to terms and conditions above
Accounts receivable	(16)	Generally similar to terms and conditions above
Deposit liabilities	(856)	Generally similar to terms and conditions above
Interest income	159	Interest income on receivables from customers and interbank loans receivables (Note 9)
Service charges, fees and commissions	3	Income from transactional fees
Trading and securities gain - net	28	Net gain from securities transactions (Note 8)
Foreign exchange loss - net	(31)	Net loss from foreign exchange transactions
Leasing income	5	Income from leasing agreements with various lease terms
Miscellaneous income	219	Information technology and other fees (Note 25)
Interest expense	22	Interest expense on deposit liabilities, bills payable and interbank loans payable (Notes 16 and 17)
Contingent - derivatives	5,450	Swaps with various terms
Securities transactions		
Purchases	65,038	Outright purchases of investment securities at FVTPL and FVOCI
Sales	10,880	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	10,644	Outright purchases of foreign currency
Sell	3,833	Outright sale of foreign currency

	Parent Company	
Category	Amount	Terms and Conditions/Nature
Associates		
Outstanding Balance:		
Deposit liabilities*	₱2,052	With annual fixed interest rates ranging from 0.00% to 0.25%, including time deposits with maturity terms of 31 to 35 days (Note 16)
Amount/Volume:		
Receivables from customers	(1,301)	Generally similar to terms and conditions above
Deposit liabilities	661	Generally similar to terms and conditions above
Interest Income	31	Interest income on receivables from customers (Note 9)
Trading and securities gain - net	42	Net gain from securities transactions
Foreign exchange loss - net	(2)	Net loss from foreign exchange transactions
Leasing income	10	Income from leasing agreements with various lease terms
Securities transactions		
Outright sales	2,290	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	178	Outright purchases of foreign currency
Sell	1,929	Outright sale of foreign currency
Other Related Parties		
Outstanding Balance:		
Receivables from customers*	₱34,004	Secured - ₱5.4 billion, unsecured - ₱28.6 billion, with ECL of ₱220.0 million; with annual fixed interest rates ranging from 2.50% to 5.00% and maturity terms from 30 days to 5 years (Note 9)
Assets held under joint operations	219	Parcels of land and former branch sites of the Parent Company contributed to joint operations (Note 14)
Deposit liabilities*	18,054	With annual fixed interest rates ranging from 0.00% to 1.00%, including time deposits with maturity terms of 6 days to 359 days (Note 16)
Amount/Volume:		
Receivables from customers	1,777	Generally similar to terms and conditions above
Deposit liabilities	4,677	Generally similar to terms and conditions above
Interest income	1,484	Interest income on receivables from customers
Foreign exchange gain – net	–	Net gain from foreign exchange transactions
Leasing income	15	Income from leasing agreements with various lease terms
Interest expense	2	Interest expense on deposit liabilities (Note 16)
Contingent		
Unused commercial LCs	35	LC transactions with various terms
Foreign currency		
Buy	273	Outright purchases of foreign currency
Sell	95	Outright sale of foreign currency
Key Personnel		
Outstanding Balance:		
Receivables from customers	₱72	Secured - ₱55 million and unsecured - ₱17 million, no impairment; with annual fixed interest rates ranging from 0.00% to 10.00% and maturity terms of 2 to 15 years (Note 9)
Deposit liabilities	314	With various terms and annual interest rate of 0.00% (Note 16)
Amount/Volume:		
Receivables from customers	2	Generally similar to terms and conditions above
Deposit liabilities	147	Generally similar to terms and conditions above
Interest income	2	Interest income on receivables from customers (Note 9)
2019		
Entities with Significant Influence		
Amount		
Interest expense	₱6	Interest expense on deposit liabilities (Note 16)
Subsidiaries		
Amount		
Interest income	₱767	Interest income on receivables from customers and interbank loans receivables (Note 9)
Service charges, fees and commissions	38	Income from transactional fees
Trading and securities gain - net	167	Net gain from securities transactions (Note 8)
Foreign exchange loss - net	(123)	Net loss from foreign exchange transactions
Leasing income	31	Income from leasing agreements with various lease terms
Miscellaneous income	305	Information technology and other fees (Note 25)
Interest expense	53	Interest expense on deposit liabilities, bills payable and interbank loans payable (Notes 16 and 17)

Category	Parent Company Amount	Terms and Conditions/Nature
Associates		
Amount		
Interest Income	₱57	Interest income on receivables from customers (Note 9)
Foreign exchange loss - net	(13)	Net loss from foreign exchange transactions
Leasing income	3	Income from leasing agreements with various lease terms
Interest expense	2	Interest expense on deposit liabilities (Note 16)
Other Related Parties		
Amount		
Interest income	₱1,025	Interest income on receivables from customers
Foreign exchange gain - net	2	Net gain from foreign exchange transactions
Leasing income	21	Income from leasing agreements with various lease terms
Interest expense	591	Interest expense on deposit liabilities (Note 16)
Key Personnel		
Amount		
Interest income	₱2	Interest income on receivables from customers (Note 9)

* *Includes accrued interest*

As of December 31, 2021 and 2020, government bonds with total face value of ₱60.0 million (classified as 'Investment securities at FVOCI'), are pledged by PSBank to the Parent Company to secure the latter's payroll account with PSBank. Also, the Parent Company has assigned to PSBank government securities with total face value of ₱3.5 billion (classified as 'Investment securities at amortized cost') and ₱4.0 billion (classified as 'Investment securities at FVOCI'), respectively, to secure PSBank's deposits to the Parent Company.

Receivables from customers and deposit liabilities and their related statement of financial position and statement of income accounts resulted from the lending and deposit-taking activities of the Group and the Parent Company. Together with the sale of investment properties, borrowings, contingent accounts including derivative transactions, outright purchases and sales of securities and foreign currency buy and sell, leasing of office premises, securing of insurance coverage on loans and property risk, and other management services rendered, these are conducted in the normal course of business, at arm's-length transactions and are generally settled in cash. The amounts and related volumes and changes are presented in the summary above. Terms of receivables from customers, deposit liabilities and borrowings are also disclosed in Notes 9, 16 and 17, respectively, while other related party transactions above have been referred to their respective note disclosures.

The compensation of the key management personnel of the Group and the Parent Company follows:

	Consolidated			Parent Company		
	2021	2020	2019	**2021**	2020	2019
Short-term employee benefits	**₱3,817**	₱3,879	₱3,446	**₱2,902**	₱3,120	₱2,500
Post-employment benefits	**120**	132	140	**84**	73	56
	₱3,937	₱4,011	₱3,586	**₱2,986**	₱3,193	₱2,556

Director's fees and bonuses of the Parent Company in 2021, 2020 and 2019 amounted to ₱68.0 million, ₱69.0 million and ₱66.1 million, respectively.

Transactions with Retirement Plans

Under PFRS, certain post-employment benefit plans are considered as related parties. The Parent Company has business relationships with a number of related party retirement plans pursuant to which it provides trust and management services to these plans. Certain trustees of the plans are either officers or directors of the Parent Company and/or the subsidiaries. Income earned by the Parent Company from such services amounted to ₱98.2 million, ₱99.6 million and ₱98.3 million in 2021, 2020 and 2019, respectively. In 2021, 2020 and 2019, the Parent Company purchased securities totaling ₱4.9 billion, ₱938.7 million and ₱2.1 billion, respectively, from its related party retirement plans and also sold securities totaling ₱6.1 billion, ₱3.4 billion and ₱4.5 billion, respectively, and recognized net trading gains of ₱15.1 million and ₱46.6 million in 2021 and 2020, respectively, and net trading loss of ₱11.3 million in 2019. Further, as of December 31, 2021 and 2020, the total outstanding deposit liabilities of the Group from these related party retirement funds amounted to ₱73.1 million and ₱112.0 million, respectively. Interest expense on deposit liabilities amounted to ₱0.4 million, ₱1.6 million and ₱23.7 million in 2021, 2020 and 2019, respectively.

As of December 31, 2021 and 2020, the related party retirement plans also hold investments in the equity shares of various companies within the Group amounting to ₱235.9 million and ₱240.3 million, respectively, with unrealized trading losses of ₱64.3 million and ₱73.4 million, respectively, and investments in mutual funds and trust funds of various companies within the Group amounting to ₱749.5 million and ₱733.1 million, respectively, with unrealized trading loss of ₱0.5 million and unrealized trading gain of ₱3.4 million, respectively. Further as of December 31, 2021 and 2020, investments in the corporate bonds of the Parent Company by the related party retirement plans amounted to ₱1.6 billion and ₱1.7 billion, respectively, with unrealized trading gains of ₱13.0 million and ₱71.9 million, respectively. In 2021, 2020 and 2019, realized trading gains amounted to ₱2.8 million, ₱11.2 million and ₱92.0 million, respectively. The related party retirement plans also recognized dividend income of ₱1.5 million, ₱2.8 million and ₱0.7 million in 2021, 2020 and 2019, respectively.

33. **Foreign Exchange**

Closing rates as of December 31 and WAR for each of the year ended December 31 are as follows:

	BAP		
	2021	2020	2019
Closing	**₱51.00**	₱48.02	₱50.64
WAR	**49.28**	49.63	51.79

34. **Other Matters**

The Group has no significant matters to report in 2021 on the following:

a. Known trends, events or uncertainties that would have material impact on liquidity and on the sales or revenues except that in order to anticipate the impact of COVID-19 pandemic, as required by the expected credit loss model of PFRS 9, the Group recorded provisions for credit and impairment losses by ₱11.8 billion for the year ended December 31, 2021.
b. Explanatory comments about the seasonality or cyclicality of operations.
c. Issuances, repurchases and repayments of debt and equity securities except for (a) issuance of the ₱19.0 billion fixed rate bonds and redemptions of ₱11.25 billion and ₱10.5 billion fixed rate bonds and ₱6.25 billion LTNCD of the Parent Company, (b) redemption of the ₱6.3 billion fixed rate bonds of PSBank, and (c) redemption of the ₱4.16 billion fixed rate bonds of Orix Metro, as discussed in Notes 16 and 19.
d. Unusual items as to nature, size or incidents affecting assets, liabilities, equity, net income or cash flows except for the payment of cash dividends by the Parent Company, as discussed in Note 23; and
e. Effect of changes in the composition of the Group during the year, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations (except as discussed in Note 11).

35. Subsequent Events

a. On January 17, 2022, the BOD of PSBank declared 7.50% regular cash dividend for the fourth quarter of 2021 amounting to ₱320.14 million or ₱0.75 per share, payable on February 16, 2022 to stockholders of record as of February 2, 2022.
b. On February 23, 2022, the BOD of the Parent Company approved a new dividend policy of increasing the regular cash dividends from ₱1.00 to ₱1.60 per share for the year, payable on a semi-annual basis at ₱0.80 per share. In addition, a special cash dividend of ₱1.40 per share was also declared. The first tranche of the regular cash dividend of ₱0.80 per share and the special cash dividend of ₱1.40 per share are payable on March 31, 2022 to all stockholders of record as of March 17, 2022.

36. Approval of the Release of the Financial Statements

The accompanying financial statements of the Group and of the Parent Company were authorized for issue by the BOD on February 23, 2022.

37. Report on the Supplementary Information Required under BSP Circular No. 1074

Supplementary Information Under BSP Circular No. 1074
On January 8, 2020, the Monetary Board approved the amendments to the relevant provisions of the Manual of Regulations for Banks and Manual of Regulations for Foreign Exchange Transactions. Among the provisions is the requirement to include the following additional information to the Audited Financial Statements.

a. *Quantitative indicators of financial performance*
The following basic ratios measure the financial performance of the Group and the Parent Company:

	Consolidated			**Parent Company**		
	2021	2020	2019	**2021**	2020	2019
Return on average equity [(1)]	**6.89%**	4.36%	9.47%	**6.88%**	4.29%	9.16%
Return on average assets [(2)]	**0.89%**	0.56%	1.20%	**1.03%**	0.65%	1.42%
Net interest margin on average earning assets [(3)]	**3.39%**	3.98%	3.84%	**3.14%**	3.76%	3.09%

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

b. *Description of capital instrument issued*
The Group and the Parent Company consider its common stock and subordinated debts as capital instruments eligible as Tier 1 and Tier 2 capitals.

c. *Significant Credit Exposures*

Significant credit exposures as to industry, gross of unearned discount and capitalized interest, follows:

	Consolidated				Parent Company			
	2021		2020		2021		2020	
	Amount	**%**	Amount	%	**Amount**	**%**	Amount	%
Real estate activities	**₱226,704**	**17.72**	₱224,339	17.29	**₱186,256**	**17.02**	₱178,723	16.42
Manufacturing	**162,123**	**12.67**	161,292	12.43	**160,430**	**14.66**	159,193	14.63
Wholesale and retail trade, repair of motor vehicles and motorcycles	**160,593**	**12.55**	171,851	13.25	**152,289**	**13.91**	161,504	14.84
Financial and insurance activities	**121,358**	**9.48**	106,479	8.21	**120,308**	**10.99**	110,096	10.12
Activities of household employees	**114,104**	**8.92**	138,069	10.64	**52,427**	**4.79**	55,894	5.14
Information and communication	**91,774**	**7.17**	62,959	4.85	**91,670**	**8.38**	62,400	5.73
Electricity, gas, steam and air conditioning supply	**52,917**	**4.14**	67,987	5.24	**50,953**	**4.65**	65,856	6.05
Construction	**42,204**	**3.30**	44,922	3.46	**35,933**	**3.28**	37,111	3.41
Transportation and storage	**31,420**	**2.46**	35,515	2.74	**22,977**	**2.10**	24,659	2.26
Accommodation and food service activities	**21,742**	**1.70**	26,155	2.02	**21,399**	**1.95**	25,771	2.37
Agriculture, forestry, and fishing	**19,240**	**1.50**	22,141	1.71	**17,614**	**1.61**	19,979	1.83
Administrative and support service activities	**5,185**	**0.41**	5,788	0.45	**4,714**	**0.43**	5,150	0.47
Water supply, sewerage, waste management and remediation activities	**4,897**	**0.38**	3,181	0.25	**4,821**	**0.44**	3,102	0.29
Other service activities	**4,325**	**0.33**	8,752	0.67	**186**	**0.02**	398	0.04
Human health and social work activities	**4,130**	**0.32**	4,227	0.33	**3,688**	**0.34**	3,717	0.34
Professional scientific and technical activities	**1,363**	**0.11**	1,467	0.11	**1,124**	**0.10**	1,155	0.11
Mining and quarrying	**1,090**	**0.09**	1,999	0.15	**529**	**0.05**	1,369	0.12
Education	**817**	**0.06**	1,211	0.09	**680**	**0.06**	1,067	0.10
Arts, entertainment and recreation	**590**	**0.05**	377	0.03	**496**	**0.05**	288	0.03
Others	**212,918**	**16.64**	208,590	16.08	**166,028**	**15.17**	170,886	15.70
	₱1,279,494	**100.00**	₱1,297,301	100.00	**₱1,094,522**	**100.00**	₱1,088,318	100.00

The Group considers that concentration of credit exists when total loan exposure to a particular industry or economic sector exceeds 30.00% of total loan portfolio.

d. *Breakdown of loans*

The following table shows information relating to receivables from customers by collateral, gross of unearned discounts and capitalized interest:

	Consolidated				Parent Company			
	2021		2020		2021		2020	
	Amount	**%**	Amount	%	**Amount**	**%**	Amount	%
Secured by:								
Other securities	**₱242,086**	**18.92**	₱239,372	18.45	**₱242,086**	**22.12**	₱239,372	22.00
Real estate	**94,001**	**7.34**	101,659	7.84	**61,037**	**5.58**	66,693	6.13
Chattel	**91,882**	**7.18**	126,873	9.78	**17,796**	**1.63**	20,396	1.87
Deposit hold-out	**41,402**	**3.24**	38,098	2.94	**40,884**	**3.73**	37,472	3.44
Equity securities	**6,663**	**0.52**	26,329	2.03	**5,507**	**0.50**	5,558	0.51
Others	**10,732**	**0.84**	22,090	1.70	**304**	**0.03**	2,803	0.26
	486,766	**38.04**	554,421	42.74	**367,614**	**33.59**	372,294	34.21
Unsecured	**792,728**	**61.96**	742,880	57.26	**726,908**	**66.41**	716,024	65.79
	₱1,279,494	**100.00**	₱1,297,301	100.00	**₱1,094,522**	**100.00**	₱1,088,318	100.00

Non-performing loans (NPLs) included in the total loan portfolio of the Group and the Parent Company, as reported to the BSP, are presented below:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Gross NPLs	**₱27,354**	₱30,919	**₱16,507**	₱17,790
Less allowance for credit losses	**18,101**	17,593	**13,546**	14,194
Net carrying amount	**₱9,253**	₱13,326	**₱2,961**	₱3,596

Under banking regulations, loan accounts shall be considered non-performing, even without any missed contractual payments, when they are considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal or 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. Restructured loans shall be considered non-performing. However, if prior to restructuring, the loans were categorized as performing, such classification shall be retained. Moreover, NPLs shall remain classified as such until (a) there is sufficient evidence to support that full collection of principal and interests is probable and payments of interest and/or principal are received for at least six (6) months; or (b) written-off. Microfinance and other small loans with similar credit characteristics shall be considered non-performing after contractual due date or after they have become past due.

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

The following table shows information on related party loans as reported to the BSP:

	2021		2020	
	DOSRI Loans	**Related Party Loans**	DOSRI Loans	Related Party Loans
Consolidated				
Total outstanding loans	**₱7,899**	**₱39,208**	₱8,732	₱47,636
Percent of DOSRI/Related Party Loans to total loan portfolio	**0.59%**	**2.93%**	0.64%	3.50%
Percent of unsecured DOSRI/Related Party Loans to total DOSRI/Related Party Loans	**18.76%**	**95.12%**	17.42%	99.10%
Percent of past due DOSRI/Related Party Loans to total DOSRI/Related Party Loans	**0.01%**	**0.00%**	0.01%	0.00%
Percent of non-performing DOSRI/Related Party Loans to total DOSRI/Related Party Loans	**0.01%**	**0.00%**	0.01%	0.00%
Parent Company				
Total outstanding loans	**₱7,668**	**₱39,128**	₱8,497	₱47,521
Percent of DOSRI/Related Party Loans to total loan portfolio	**0.67%**	**3.43%**	0.75%	4.19%
Percent of unsecured DOSRI/Related Party Loans to total DOSRI/Related Party Loans	**16.51%**	**95.11%**	15.33%	99.10%
Percent of past due DOSRI/Related Party Loans to total DOSRI/Related Party Loans	**0.00%**	**0.00%**	0.00%	0.00%
Percent of non-performing DOSRI/Related Party Loans to total DOSRI/Related Party Loans	**0.00%**	**0.00%**	0.00%	0.00%

BSP Circular Nos. 560 and 654 provide the rules and regulations that govern loans, other credit accommodations and guarantees granted to subsidiaries and affiliates of banks and quasi-banks which require that the total outstanding loans, other credit accommodations and guarantees to each of the bank's/quasi-bank's subsidiaries and affiliates shall not exceed 10.00% while a separate individual limit of 25.00% for those engaged in energy and power generation, of the net worth of the lending bank/quasi-bank, provided that the unsecured portion of which shall not exceed 5.00% or 12.50%, respectively, of such net worth. Further, the total outstanding loans, credit accommodations and guarantees to all subsidiaries and affiliates shall not exceed 20.00% of the net worth of the lending bank/quasi-bank; and the subsidiaries and affiliates of the lending bank/quasi-bank are not related interest of any director, officer and/or stockholder of the lending institution, except where such director, officer or stockholder sits in the BOD or is appointed officer of such corporation as representative of the bank/quasi-bank as reported to the BSP. As of December 31, 2021 and 2020, the total outstanding loans, other credit accommodations and guarantees to each of the Parent Company's subsidiaries and affiliates did not exceed 10.00% of the Parent Company's net worth, as reported to the BSP, and the unsecured portion did not exceed 5.00% of such net worth wherein the total outstanding loans, other credit accommodations and guarantees to all such subsidiaries and affiliates represent 11.51% and 13.18%, respectively, of the Parent Company's net worth. The Parent Company has no outstanding loans, other credit accommodations and guarantees to subsidiaries and affiliates engaged in energy and power generation.

Total interest income on DOSRI loans in 2021, 2020 and 2019 amounted to ₱255.9 million, ₱367.8 million and ₱485.8 million, respectively, for the Group, and ₱250.3 million, ₱366.0 million and ₱468.7 million, respectively, for the Parent Company.

f. Secured Liabilities and Assets Pledged as Security

The following are the carrying values of government debt securities pledged and transferred under SSURA transactions of the Group and the Parent Company:

	Consolidated				**Parent Company**			
	2021		2020		**2021**		2020	
	Transferred Securities	**SSURA**	Transferred Securities	SSURA	**Transferred Securities**	**SSURA**	Transferred Securities	SSURA
Investment securities at FVOCI	**₱61,994**	**₱50,798**	₱108,065	₱83,671	**₱61,994**	**₱50,798**	₱108,065	₱83,671
Investment securities at FVTPL	–	–	4,804	4,708	–	–	4,804	4,708
Investment securities at amortized cost	–	–	4,535	4,680	–	–	4,535	4,680
	₱61,994	**₱50,798**	₱117,404	₱93,059	**₱61,994**	**₱50,798**	₱117,404	₱93,059

g. Contingencies and commitments arising from off-balance sheet items

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

	Consolidated		**Parent Company**	
	2021	2020	**2021**	2020
Trust Banking Group accounts	**₱589,145**	₱567,841	**₱578,216**	₱558,273
Credit card lines	**188,099**	205,815	**188,099**	205,815
Unused commercial letters of credit	**48,813**	42,283	**47,386**	40,930
Undrawn commitments - facilities to lend	**14,898**	17,413	**14,898**	17,393
Bank guaranty with indemnity agreement	**14,563**	8,591	**14,563**	8,591
Credit line certificate with bank commission	**5,116**	4,262	**5,116**	4,262
Outstanding guarantees	**4,598**	3,826	**4,598**	3,826
Outstanding shipside bonds/airway bills	**1,208**	2,594	**1,208**	2,594
Inward bills for collection	**3,165**	1,909	**3,164**	1,908

(Forward)

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Outward bills for collection	**₱848**	₱821	**₱847**	₱819
Confirmed export letters of credits	**781**	964	**40**	39
Late deposits/payments received	**185**	1,756	**185**	1,746
Others	**25,475**	11,488	**744**	862
	₱896,894	₱869,563	**₱859,064**	₱847,058

38. Report on the Supplementary Information Required Under Revenue Regulations (RR) No. 15-2010

Supplementary Information Under RR No. 15-2010

On November 25, 2010, the BIR issued RR No. 15-2010 to amend certain provisions of RR No. 21-2002 which provides that starting 2010, the notes to financial statements shall include information on taxes, duties and license fees paid or accrued during the taxable year.

The Parent Company reported the following types of taxes for the year ended December 31, 2021 included under ‘Taxes and licenses’ account in the statement of income:

GRT	₱3,990
DST	1,393
Local taxes	190
Real estate tax	52
Others	351
	₱5,976

Details of the total withholding taxes remittances for the taxable year December 31, 2021 follow:

Taxes withheld on compensation	₱2,439
Final withholding taxes	2,216
Expanded withholding taxes	778
	₱5,433

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Reporting Template
per SEC Memorandum Circular No. 4 Series of 2019

Contextual Information

Company Details	
Name of Organization	GT Capital Holdings, Inc. ("GT Capital" or the "Company")
Location of Headquarters	43rd Floor, GT Tower International, 6813 Ayala Avenue corner H.V. dela Costa St., Makati City
Location of Operations	Philippines
Report Boundary	This report discusses GT Capital's performance at the parent company level.
Business Model, including Primary Activities, Brands, Products, and Services	GT Capital is a listed major Philippine conglomerate with interests in market-leading businesses across banking, property development, infrastructure and utilities, automotive assembly, importation, wholesaling, dealership, and financing, and life and non-life insurance.
Reporting Period	January 1 to December 31, 2021
Highest Ranking Person responsible for this report	Joyce De Leon, Chief Risk Officer

Materiality Process

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.[1]
As part of GT Capital Holdings, Inc.'s (GT Capital) commitment to value creation, it ensures to take a long-term and sustainable perspective through proactively assessing the trends that affect its business environment in order to determine its material issues that inform the Company's strategic direction. Thus, for the first Integrated Sustainability Report, GT Capital commissioned the University of Asia and the Pacific - Center for Social Responsibility (UA&P-CSR) to conduct its materiality assessment process. **<u>Materiality Assessment Process</u>** UA&P-CSR conducted a pioneering approach called the "Quadrilateral Materiality Assessment" which is guided by the <IR> Framework to provide an objective and robust evaluation of the emerging economic, environmental, social, and governance (EESG) topics that are material to the Company and its priority stakeholders. UA&P-CSR facilitated the process of surfacing which involves a) desk research of sustainability topics that are relevant to international organizations, regulators, investors, industry associations, and academic institutions, b) benchmarking of material topics with its international and local industry peers, c) consultation with GT Capital's priority stakeholders, and d) consultation with the management team. Due to the limitations brought by the COVID-19 pandemic, all consultations were done online to ensure the health and safety of its stakeholders.

[1] See *GRI 102-46* (2016) for more guidance.

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The results of the process of surfacing were presented to the Management Committee of GT Capital for the process of prioritization using the Double Materiality Perspective which involves the prioritization and filtering of the final material EESG topics. The process resulted in a total of 26 material EESG topics including three (3) economic, five (5) environmental, 12 social, and six (6) governance.

Material Topics

This process resulted in the following material topics and disclosures that are part of this reporting template:

1. Economic Performance
2. Indirect Economic Impacts
3. Sustainable Investing and Stewardship
4. Energy
5. Emissions
6. Environmental Compliance
7. Climate Action
8. Environmental Impact Assessment
9. Employment
10. Labor Management Relations
11. Occupational Health and Safety
12. Training and Education
13. Equality and Diversity
14. Non-Discrimination
15. Human Rights
16. Local Communities
17. Supplier Social Assessment
18. Marketing and Labelling
19. Socioeconomic Compliance
20. COVID-19 Pandemic
21. Corporate Governance
22. Board Diversity
23. Risk Management
24. Integrity, Ethics, and Transparency
25. Investor Engagement
26. Data Privacy and Security

GRI Standards & Integrated Reporting Framework

GT Capital is also expected to release its 2021 Integrated Sustainability Report in accordance with Global Reporting Initiative ("GRI") Standards: Core Option and the <IR> Framework within the second quarter of 2022.

ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

Disclosure	Amount (in millions)	Units
Direct Economic Value Generated (revenue)	174,643	PhP
Direct Economic Value Distributed:		
a. Operating costs	138, 848	PhP
b. Employee wages and benefits	2,973	PhP
c. Payments to suppliers, other operating costs	10,472	Php
d. Dividends given to stockholders and interest payments to loan providers	7,505	PhP
e. Taxes given to government	2,004	PhP
f. Investments to community (e.g. donations, CSR)	10	PhP

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Business Model - GT Capital is a publicly listed holding firm with interests in market-leading companies in the fields of banking, insurance, automotive, property development, and infrastructure and utilities. Guided by its mission, vision, and core values, it seeks to be a world-class Filipino conglomerate conscious of its impacts on its stakeholders, the environment, and the society at large.	Investors, Shareholders, Business Partners, Capital Fund Providers, Government, Regulators, Suppliers Employees, Senior Management, Directors, Principals, Component Companies and the Foundations	GT Capital manages the impacts of its economic performance by reviewing and validating the financial performance and annual budgets of its component companies. The company works with independent third parties including investment consultants, actuarial professionals, and auditors to preserve and grow its financial resources while generating and distributing value for its stakeholders throughout the value chain. Investment decisions are consistent with its core values of integrity, excellence, respect, and sustainable value creation. Such decisions also comply with the company's determined investment criteria and risk appetite. GT Capital's Finance and Accounting group, guided by approved policies and practices, is responsible for monitoring the conglomerate's economic performance. This group conducts monthly meetings, annual planning, and checklists of reportorial requirements. GT Capital also monitors its indirect economic impacts occurring primarily through its component companies as part of the supply chain
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**

Prolonged Economic Effect of the Pandemic - The pandemic lockdowns have severely affected the economic growth of the Philippines. While economists have previously forecasted a large recovery in 2021, business activities were highly reliant on mobility restrictions. Surges in infection rates pressured policy makers to implement heightened restrictions. Risks to economic growth are dependent on the resurgence of new variants, and the country's ability to inoculate the population. The Philippines experienced a full-year contraction in 2020 which was followed by a positive growth in 2021. The 2021 GDP output is comparable to that of 2018 which remains below pre-pandemic levels. Credit risks and asset quality deterioration can be observed across sectors. Inflation accelerated to the upper threshold of the Bangko Sentral ng Pilipinas as a result of pandemic related disruptions.	Investors, Shareholders, Business Partners, Capital Fund Providers, Government, Regulators, Suppliers Employees, Senior Management, Directors, Principals, Component Companies and the Foundations	**Prudent Balance Sheet & Cash Flow Management** entails regular assessments and discussions with component companies regarding key financial highlights and overall performance. The company performed multiple scenario analysis and stress testing given the fast changing environment during the pandemic. Sufficient credit facilities were established with banks to support any potential shortfalls and to deploy funds quickly during recovery. Cost management initiatives were implemented to control expenses. **Adapting to the New Normal** calls for a group focus towards the protection of human capital through continuous vaccination programs across the group which covers full-time and contractual employees. Wellness programs including mental health were in place and accessible to support the welfare of all employees. Workforce safety programs were implemented to meet additional health protocols to adapt during the pandemic especially for the construction and manufacturing industries. To better serve the new needs of the customer during the pandemic, the company pursued product innovation through new products and customer touch points.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
1. Customer-driven Digitization 2. Growth in "New" Sectors 3. Sustainability	Investors, Shareholders, Business Partners, Capital Fund Providers, Government, Regulators, Suppliers Employees, Senior Management, Directors, Principals, Component Companies and the Foundations	**Enhancing synergies** GT Capital's highly synergistic business ecosystem is demonstrated by the amount of cross-selling activities among component companies. The Company intends to fortify relationships between them, consolidate synergy wish lists, measure the wallet sizes of its businesses, and link their existing digital platforms together. **Expanding in existing sectors** There exists a common direction among GT Capital and its component companies' strategies: to serve more. Within the sectors the Company is present in, a lot of people remain unserved. The Group continues to stretch the breadth of its impacts in terms of customers served, areas entered, and products and services offered. **Entering new sectors** GT Capital seeks to invest in new businesses that are underpenetrated, market-dominant,

		and synergistic with the rest of the Group's portfolio. The Company explores new ventures with partners, both local and global. In forging strategic partnerships with global brands, GT Capital leverages on its intellectual capital—its expertise of the Philippine business and economic landscape—for a combination of local ingenuity and international experience that makes GT Capital a competitive Filipino conglomerate reinforced by global expertise.

Climate-related risks and opportunities[2]

GT Capital does not have sufficient information to fully assess the climate-related risks and opportunities at this stage. However, initial efforts and further base lining for sustainability are highlighted in its roadmap in the Integrated Sustainability Report 2021.

Governance	Strategy	Risk Management	Metrics and Targets
N/A	N/A	N/A	N/A
Recommended Disclosures			
N/A	N/A	N/A	N/A

[2] Adopted from the Recommendations of the Task Force on Climate-Related Financial Disclosures. The TCFD Recommendations apply to non-financial companies and financial-sector organizations, including banks, insurance companies, asset managers and asset owners.

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Procurement Practices

Proportion of spending on local suppliers

This disclosure is not material to GT Capital as per materiality process. However, other relevant disclosures may be found in GT Capital's Integrated Sustainability Report and on TMP's Sustainability Report.

Disclosure	Quantity[1]	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	100	%

Data presented above is limited to the parent company only

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
N/A	N/A	N/A
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
N/A	N/A	N/A
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
N/A	N/A	N/A

Anti-corruption

Training on Anti-corruption Policies and Procedures

Disclosure	Quantity[1]	Units
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	100	%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	No available data for this report.	%
Percentage of directors and management that have received anti-corruption training	No available data for this report.	%
Percentage of employees that have received anti-corruption training	58	%

[1] *Data presented above is limited to the parent company only*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Corruption in the workplace may damage GT Capital's reputation which may result in a lack of trust from investors, business partners, employees and other stakeholders. Corruption may also have harmful financial, legal, and regulatory consequences. The company is responsible for establishing processes and controls to avoid corruption in the workplace to protect the interest of its stakeholders.	Investors, Shareholders, Business Partners, Capital Fund Providers, Government, Regulators, Suppliers Employees, Senior Management, Directors, Principals, Component Companies and the Foundations	The Company emphasizes Integrity in its Core Values and promotes a culture of good governance. GT Capital's Code of Ethics states that all directors, officers, and employees shall ensure the conduct of fair business transactions and that personal interest does not affect the exercise of their duties. Likewise, they shall not use their position to profit or acquire benefits or advantage for themselves or related interests. Additionally, the Code of Discipline ensures that employees of GT Capital conduct its business affairs with honesty and integrity by setting forth rules and regulations that promote the general principles in GT Capital's Code of Ethics. This creates a more meaningful integration of the principles of professionalism, high ethical standards, discipline, integrity, and honesty in its corporate culture. For instance, bribery and offering or accepting anything of value for personal gain in the conduct of official business is considered a serious offense with a penalty of dismissal under the Code of Discipline.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Incidents of corruption and bribery may post as a major risk to the business operations of the organization. Financial reporting becomes poor and fraud becomes prevalent which hinders other business partners from dealing with GT Capital. The investing community may perceive GT Capital negatively.	Investors, Shareholders, Business Partners, Capital Fund Providers, Government, Regulators, Suppliers Employees, Senior Management, Directors, Principals, Component Companies and the Foundations	The Company aims for zero corruption-related violations. Likewise, it aims to have a periodic review and update of its Code of Discipline to incorporate new developments and provide refresher courses for internal stakeholders. This is performed by both the Internal Audit Department and the Human Resources Department. Moreover, GT Capital assigns the monitoring and implementation of sanctions to these departments.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Potential opportunities include a well-working governance system where issues are escalated and resolved in a timely manner. Fraud losses are prevented and more investors are willing to partner with the business.	Investors, Shareholders, Business Partners, Capital Fund Providers, Government, Regulators, Suppliers Employees, Senior Management, Directors, Principals, Component Companies and the Foundations	As a publicly-listed company committed to sound corporate governance, GT Capital supports the evaluation of its corporate standards by national and international bodies to ensure that it adheres to prevailing best practices, achieving sustainable long-term growth and value creation. The Corporation also aims to provide relevant, up-to-date and accurate information on matters relevant to its stockholders, stakeholders, and investors.

Incidents of Corruption

There are zero incidences at the parent level and the responses are sufficiently covered in the prior section on "Training on Anti-corruption Policies and Procedures".

Disclosure	Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption	0	#
Number of incidents in which employees were dismissed or disciplined for corruption	0	#
Number of incidents when contracts with business partners were terminated due to incidents of corruption	0	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management Approach**
N/A	N/A	N/A
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
N/A	N/A	N/A
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
N/A	N/A	N/A

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ENVIRONMENT

Resource Management

Energy consumption within the organization:

Electricity is the main type of energy used in GT Capital's head office.

Disclosure	Quantity[1]	Units
Energy consumption (renewable sources)	N/A	GJ
Energy consumption (gasoline)	N/A	GJ
Energy consumption (LPG)	N/A	GJ
Energy consumption (diesel)	N/A	GJ
Energy consumption (electricity)	5,139	kWh

[1] *Data presented above is limited to the parent company only*

Reduction of energy consumption

Disclosure	Quantity[1]	Units
Energy reduction (renewable sources)	N/A	GJ
Energy reduction (LPG)	N/A	GJ
Energy reduction (diesel)	N/A	GJ
Energy reduction (gasoline)	N/A	GJ
Energy reduction (electricity)	858	kWh

[1] *Data presented above is limited to the parent company only*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Energy conservation positively contributes to reducing GT Capital's operating expenses, which leads to sustainable and profitable business operations.	Investors, Shareholders, Business Partners, Capital Fund Providers Employees, Senior Management, Principals	GT Capital exerts diligent efforts in energy conservation at its head office through shifting into more energy-efficient office equipment and minimizing consumption only to necessary usage. It also aims to achieve a reduction in energy consumption which translates to lower energy costs and contributes to sustainable business operations.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Initiatives to conserve energy may initially translate to capital expenditures. On the other hand, pushing back equipment upgrades may cause obsolescence and higher annual costs.	Investors, Shareholders, Business Partners, Capital Fund Providers Employees, Senior Management, Principals	The Company shall actively assess its current energy infrastructure and will implement necessary adjustments as applicable.

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What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Initiatives to conserve energy will result to financial savings in the long-term while the Company's operations become more efficient and sustainable. From a broader perspective, sustainable operations may attract potential investors and provide positive branding from consumers.	Investors, Shareholders, Business Partners, Capital Fund Providers Employees, Senior Management, Principals	The Company shall implement various energy saving initiatives in the conduct of its business operations.

Water consumption within the organization

This disclosure is not material to GT Capital as per materiality process but available figures are provided below.

Disclosure	Quantity	Units
Water withdrawal	N/A	Cubic meters
Water consumption	65.4	Cubic meters
Water recycled and reused	N/A	Cubic meters

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
N/A	N/A	N/A
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
N/A	N/A	N/A
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
N/A	N/A	N/A

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Materials used by the organization

This disclosure is not material to GT Capital as per materiality process.

Disclosure	Quantity	Units
Materials used by weight or volume	N/A	
• renewable	N/A	kg/liters
• non-renewable	N/A	kg/liters
Percentage of recycled input materials used to manufacture the organization's primary products and services	N/A	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
N/A	N/A	N/A
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
N/A	N/A	N/A
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
N/A	N/A	N/A

Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

This disclosure is not material to GT Capital as per materiality process.

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	N/A	
Habitats protected or restored	N/A	ha
IUCN[3] Red List species and national conservation list species with habitats in areas affected by operations	N/A	

[3] International Union for Conservation of Nature

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What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
N/A	N/A	N/A
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
N/A	N/A	N/A
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
N/A		

Environmental impact management

Air Emissions

GHG

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions	1,083,745	Tonnes CO_2e
Energy indirect (Scope 2) GHG Emissions	407,158	Tonnes CO_2e
Emissions of ozone-depleting substances (ODS)	N/A	Tonnes

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The GHG emissions naturally are minimal for holding companies and majority of the impact can be attributable to the component companies' performance.	Investors, Shareholders, Business Partners, Capital Fund Providers, Government, Regulators, Suppliers, Customers Employees, Senior Management, Directors, Principals	GT Capital as a holding company measures its GHG emissions based on an equity share approach in alignment with the GHG Protocol Standard. With investments across different industries, the attributed GHG emissions would be in alignment to the economic interest of GT Capital on its component companies. This approach allows GT capital to understand its footprint in alignment to its investment decision making.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Vulnerabilities to Climate Risk may impact the long-term value of the organization. Climate Risk is further categorized into physical and transition risks. More specifically, the risk covers damage to fixed assets (Ex. Branch network, and building developments). Increasing pressures from regulators and investors advocating for sustainability practices.	Investors, Shareholders, Business Partners, Capital Fund Providers, Government, Regulators, Suppliers, Customers Employees, Senior Management, Directors, Principals	The ESG landscape continues to develop with progressions in regulations and reporting standards. A great deal of capacity building is on-going to create awareness and the expertise within the component companies in varying departments to promote a collective effort in managing climate risk. The identification, measurement, reporting and mitigation process on a group-level shall still be established in the future. For the interim, the component companies have varying efforts to manage the risk. TMP is

		implementing its programs for the Toyota Environmental Challenge 2050. Metrobank is complying with the Sustainable Finance Framework required by the BSP. AXA is on the move for establishing ESG Investing in its business. To mitigate risks brought about by natural calamities common to the Philippines, each company has its business continuity programs ready to mitigate risks to both human and manufacturing capital.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Group collaborations for climate action initiatives	Investors, Shareholders, Business Partners, Capital Fund Providers, Government, Regulators, Suppliers, Customers Employees, Senior Management, Directors, Principals	**Sustainability as a strategic driver**: The potential of sustainability can lead to major transformations in the business for the overall benefit of the group's stakeholders. Sustainability may help drive the innovation of new products, processes and services create better relationships with the communities and provide an impact to nation-building. **Sustainability as a comprehensive view of overall company performance:** The embedding process of sustainability allows for a multi-stakeholder perspective in doing business. An example is this integrated report which examines the impact of the business beyond financial metrics. This approach enables the management to examine the impact of other factors such as local communities, government regulations and climate risk. This ensures that strategy encompasses these risks and opportunities. **Sustainability as a tangible financial benefit:** The government continues to pursue best practices even in the area of promoting Sustainability in the country. Regulators may incentivize companies for green initiatives such as ESG fundraising through expedited bond raising process and discounted interest rates from banks. The central bank has also expressed interest in providing potential incentives for banks in the future. Operationally, sustainable and efficient operations will lead to cost savings in the process.

Air pollutants

This disclosure is not material to GT Capital as per materiality process.

Disclosure	Quantity	Units
NO_x	N/A	kg
SO_x	N/A	kg
Persistent organic pollutants (POPs)	N/A	kg
Volatile organic compounds (VOCs)	N/A	kg
Hazardous air pollutants (HAPs)	N/A	kg
Particulate matter (PM)	N/A	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
N/A	N/A	N/A
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
N/A	N/A	N/A
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
N/A	N/A	N/A

Solid and Hazardous Wastes

Solid Waste

This disclosure is not material to GT Capital as per materiality process.

Disclosure	Quantity	Units
Total solid waste generated	N/A	kg
Reusable	N/A	kg
Recyclable	N/A	kg
Composted	N/A	kg
Incinerated	N/A	kg
Residuals/Landfilled	N/A	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
N/A	N/A	N/A
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
N/A	N/A	N/A
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
N/A	N/A	N/A

Hazardous Waste

This disclosure is not material to GT Capital as per materiality process.

Disclosure	Quantity	Units
Total weight of hazardous waste generated	N/A	kg
Total weight of hazardous waste transported	N/A	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
N/A	N/A	N/A
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
N/A	N/A	N/A
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
N/A	N/A	N/A

Effluents

This disclosure is not material to GT Capital as per materiality process.

Disclosure	Quantity	Units
Total volume of water discharges	N/A	Cubic meters
Percent of wastewater recycled	N/A	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
N/A	N/A	N/A
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
N/A	N/A	N/A
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
N/A	N/A	N/A

Environmental compliance

Non-compliance with Environmental Laws and Regulations

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	0	PhP
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	0	#
No. of cases resolved through dispute resolution mechanism	0	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Non-compliance with environmental laws and regulations may harm GT Capital's overall reputation and its component companies. Regulators may issue a cease and desist order depending on the gravity of the offense and may ultimately hinder the component companies from operating.	Investors, Shareholders, Business Partners, Capital Fund Providers, Government, Regulators, Suppliers, Customers Component Companies, Employees, Senior Management, Directors, Principals	GT Capital aims to maintain its compliance with environmental laws and regulations and receive no fines or sanctions. Legal and Compliance Department continues to review contracts and ensure compliance with relevant laws and regulations. Mergers and acquisitions are reviewed in compliance with environmental laws.

What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Non-compliance with relevant environmental laws and regulations may result into penalties or the suspension of the company's business activities. Reputation is affected for subsidiaries and affiliates which may spiral into a crisis for the group.	Investors, Shareholders, Business Partners, Capital Fund Providers, Government, Regulators, Suppliers, Customers Component Companies, Employees, Senior Management, Directors, Principals	The Company actively monitors any environmental or regulatory issues among its subsidiaries and affiliates to ensure compliance with relevant laws.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Compliance with relevant environmental laws and regulations highlights the Company's commitment to sustainably operate within the communities it serves. Ensuring this will create a collaborative relationship with the government and the local community.	Investors, Shareholders, Business Partners, Capital Fund Providers, Government, Regulators, Suppliers, Customers, Communities Component Companies, Employees, Senior Management, Directors, Principals	GT Capital and its component companies have dedicated Legal and Compliance Department to ensure compliance with relevant laws and regulations.

SOCIAL

Employee Management

Employee Hiring and Benefits

Employee data

Disclosure	Quantity	Units
Total number of employees[4]	51	Employees
a. Number of female employees	27	Employees
b. Number of male employees	24	Employees
Attrition rate[5]	3.9%	-
Ratio of lowest paid employee against minimum wage	168%	-

Employee benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y	0%	0%
PhilHealth	Y	11%	4%
Pag-ibig	Y	0%	0%
Parental leaves	Y	3%	4%
Vacation leaves	Y	100%	100%
Sick leaves	Y	63%	40%
Medical benefits (aside from PhilHealth)	Y	100%	100%
Housing assistance (aside from Pag-ibig)	Y	0%	0%
Retirement fund (aside from SSS)	Y	0%	4%
Further education support	Y	11%	0%
Company stock options	N	0%	0%
Telecommuting	Y	100%	100%
Flexible-working Hours	Y	100%	100%

All benefits indicated above are accessible to all employees unless otherwise stated.

[4] Employees are individuals who are in an employment relationship with the organization, according to national law or its application (GRI Standards 2016 Glossary)
[5] Attrition are = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Employee benefits play a crucial role in attracting and retaining talent within the organization. Furthermore, a reasonable benefits package can support the employee's family, health and financial future. While employees feel appreciated and secured, a motivated workforce guarantees reliable operations for the company.	The management through the initiatives of the Human Resources and Administration Department (HRAD) provides practices that are aligned with the organizational goals and strategies. This business integration is then reinforced by policies, practices, and procedures that work together to provide solutions to the changing needs of the organization. HRAD plays a vital role in organizing initiatives that will strengthen employee engagement, support future business requirement when it comes to talent availability, and ensure business continuity in times of leadership transition (e.g., transfers, resignation, and retirement). In the area of employee development and engagement, GT Capital has a dynamic talent management program. All employees undergo a comprehensive assessment of competencies conducted by a third-party consultant, which provides more objective, holistic, data-driven reports and tools that assist management in identifying competency gaps, depth of the talent bench, individual development plans. The individual development plan is a source document of HR to intervene in the competency-building and career growth of the employees. To measure the effectiveness of the management approach, the Human Resources Committee reviews and proposes changes and improvements to the compensation and benefits package every year subject to the approval of the Executive Committee.
What are the Risk/s Identified?	**Management Approach**
Employee management issues may result in disruption in business operations and may limit the Company's ability to deliver goods and services to its customers.	GT Capital highlights the value of excellence and competence through the management of its employee workforce. The company strives to create a positive and collaborative employee experience by encouraging a culture of open interactions and communication at all levels. GT Capital values the employees' technical knowledge and expertise by encouraging the middle managers to present their respective department's plans during our Annual Strategic Planning. Further, everyone participates in the regular all-hands meeting, company activities, and corporate social responsibility activities. A regular employee engagement survey is conducted every three years to determine the employee needs and concerns. The survey measures seven dimensions: leadership, culture, compensation & benefits,

	relationships, quality of life, work activities/challenges, and opportunities. The results of the survey and the actionable items are presented during the Annual Strategic Planning. The Company takes heed of the employees' needs such as balancing work and life. One of the steps it has undertaken was the implementation of flexible work hours to address the traffic problem and other personal concerns such as school activities. GT Capital plans to initiate flexible benefits as well, to address the priorities of the younger workforce and spread the benefits cost fairly to everyone, but without incurring additional cost to the Company. GT Capital and its component companies offer competitive benefits packages to attract and retain their talents. At the very least, employees receive life insurance, health care, parental leaves, and retirement provision from all component companies. Disability and invalidity coverage is provided by AXA, GTCAP, MBT, MPIC, and TMP. To top it all off, AXA also provides employees the opportunity to own stock in the company.
What are the Opportunity/ies Identified?	**Management Approach**
Reports globally have been indicating a surge of resignations in the workforce amidst the pandemic. Employees continue to recognize the value of a good employer and are more than willing to quit their current jobs. This serves as an opportunity attract valuable talent from the workforce.	The Company shall actively assess potential areas where it can better improve its employee benefit package through other non-financial benefits.

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Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees	2,855	hours
a. Female employees	1,693	hours
b. Male employees	1,170	hours
Average training hours provided to employees	56.0	hours
a. Female employees	62.7	hours/employee
b. Male employees	48.7	hours/employee

[1] *Data presented above is limited to the parent company only*

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**
Training and education impacts primarily the employees (regular and contractual) and the management.	GT Capital employees are encouraged to improve and expand their knowledge base by participating in training programs relevant to their fields of expertise. Based on competency assessments, employees are provided with individual development plans (IDP), inclusive of career and succession planning.
What are the Risk/s Identified?	**Management Approach**
Employees who are not provided sufficient training and development opportunities may drag the Company's effectiveness in the conduct of its business operations.	**Focus on Human Capital Development** GT Capital's support for degree programs and certifications covers all employees, whether full-time or part-time. A contractual employee continuing their studies while working on GT Capital may be hired as a regular employee later on. The Human Resources and Administration ensures that the degree programs and certifications it sponsors are aligned with the career development goals of its employees. Junior Officer employees are provided access to Udemy, an online learning platform with 185,000+ courses for employee training and professional development. The Company also implements job-specific development training programs and managerial/ leadership development training. This involves mentoring and coaching mechanisms. Based on competency assessments, employees are provided with individual development plans (IDP), inclusive of career and succession planning. GT Capital aims to provide at least 16 hours of training per employee per year.
What are the Opportunity/ies Identified?	
The Company, with appropriate training and development programs, can cultivate its talent pool which may eventually take on leadership roles.	

Labor-Management Relations

This disclosure is not material to GT Capital as per materiality process.

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements	91	%
Number of consultations conducted with employees concerning employee-related policies	N/A	#

<table>
<tr><th>What is the impact and where does it occur? What is the organization’s involvement in the impact?</th><th>Management Approach</th></tr>
<tr><td>The group has a large number of employees in its workforce covering the various component companies.</td><td>We seek to maintain healthy relationships with employees through the full disclosure of plans that may affect their well-being. We are also committed to provide employees with a reasonable notice period prior to operational changes. As of 2021, we provided a notice period of at least 30 days before implementing operational changes.</td></tr>
<tr><th>What are the Risk/s Identified?</th><th>Management Approach</th></tr>
<tr><td>A poor labour management relations may lead to labour disputes and labour strikes that may impede the day-to-day operations of the company</td><td rowspan="3">As of 2021, 91% of Metrobank’s rank-and-file employees are members of a labor union and 90% of TMP’s team members are covered by Collective Bargaining Agreement. As in previous negotiations between TMP Management and TMP’s labor unions, mutual respect and understanding are always observed and enshrined in the Company’s Collective Bargaining Agreement (CBA) with its unions. This is very evident in the past and recent CBAs between Management and Labor wherein, among others, both parties agreed to provide a reasonable amount of lead time to give advance notice (“nemawashi”) of thirty (30) days on any new or planned changes in the organizational structure, rules and regulations. This way, the Company will be able to smoothly implement such changes while providing further background and rationale to employees for their support and better appreciation.</td></tr>
<tr><th>What are the Opportunity/ies Identified?</th></tr>
<tr><td>Good working relations with the employees may lead to employee loyalty and reduced turnover. Other opportunities include increased employee motivation and a better workplace culture.</td></tr>
</table>

Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce	53%	%
% of male workers in the workforce	47%	%
Number of employees from indigenous communities and/or vulnerable sector*	None	#

**Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Diversity and equal opportunity impact primarily the employees (regular and contractual) and the management.	GT Capital ensures equal opportunity is provided to employees and no preference is given on the basis of gender, ethnicity, or race. Through its HRAD, Human Resources Committee, and relevant department heads, the Company aims to provide its employees and applicants equal opportunity on the basis of competencies, and not on the basis of any discriminatory factor especially when it comes to diversity of governance bodies and employees and salary and remuneration of women to men. So far, there are no complaints from employees and applicants arising from issues related to diversity and equal opportunity. The hiring process of the company is subjected to a periodic audit based on IAD's annual plan.
What are the Risk/s Identified?	
The lack of diversity in the workforce may be viewed as unfair treatment in the hiring process and in the long run, under representation for minorities. Employees may leave due to a culture of discrimination and lack of opportunities to progress in their careers.	
What are the Opportunity/ies Identified?	
A diverse workforce may bring a wide range of expertise and perspective from different backgrounds that lead to innovation, engagement and better decision making.	

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

The group is still in the process of base lining and standardizing data for Occupational, Health and Safety metrics. However, other relevant disclosures may be found in GT Capital's Integrated Sustainability Report and on TMP's Sustainability Report.

Disclosure	Quantity	Units
Safe Man-Hours	N/A	Man-hours
No. of work-related injuries	N/A	#
No. of work-related fatalities	N/A	#
No. of work related ill-health	N/A	#
No. of safety drills	N/A	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
N/A	N/A
What are the Risk/s Identified?	**Management Approach**
N/A	N/A
What are the Opportunity/ies Identified?	**Management Approach**
N/A	N/A

Labor Laws and Human Rights

The group is still in the process of base lining and standardizing data for Labor Laws and Human Rights metrics. However, other relevant disclosures may be found in GT Capital's Integrated Sustainability Report.

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor	0	#

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

GT Capital Code of Discipline Policy
Link: https://www.gtcapital.com.ph/storage/uploads/2018/06/GT%20Capital%20Code%20of%20Discipline.PDF

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor	N/A	
Child labor	N/A	
Human Rights	N/A	

<table>
<tr><th>What is the impact and where does it occur? What is the organization's involvement in the impact?</th><th>Management Approach</th></tr>
<tr><td>Labor Laws and Human Rights affect the company's employees and its daily operations.</td><td rowspan="5">GT Capital ensures that component companies follow acceptable and sustainable business practices involving human rights issues. Our company complies with its human rights policies and procedures. Our human rights assessment primarily impacts the following stakeholder groups—our principals, management, shareholders, regulators, and employees. GT Capital is committed to provide appropriate training on human rights policies and procedures. Our company is committed to ensure that its track record on human rights is considered in its investment decisions. The offices responsible for the implementation of these policies and procedures are the HRAD, Corporate Planning and Business Development Department, and Legal and Compliance Department.</td></tr>
<tr><td>What are the Risk/s Identified?</td></tr>
<tr><td>Non-compliance with labor laws may lead to suspension of business operations, potential fines and a negative public perception.</td></tr>
<tr><td>What are the Opportunity/ies Identified?</td></tr>
<tr><td>A good working commitment to labor laws and a pro-active adherence to human rights may lead to a productive workforce.</td></tr>
</table>

Supply Chain Management

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy.

Link to GT Capital Procurement Policies: https://www.gtcapital.com.ph/policies

GT Capital maintains a list of accredited suppliers for office supplies and equipment which have been pre-screened to provide competitive prices. Contracts for availment of crucial services are reviewed and approved by the Bids and Awards Committee or the Executive Committee for extraordinary service engagements. GT Capital has established procurement policies and contracts to avail crucial services which are reviewed and approved by the Bids and Awards Committee or the Executive Committee for extraordinary service engagements.

The group is still in the process of base lining and standardizing data for Supply Chain Management metrics. However, other relevant disclosures may be found in GT Capital's Integrated Sustainability Report and on TMP's Sustainability Report.

Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	If Yes, cite reference in the supplier policy
Environmental performance	N/A	N/A
Forced labor	N/A	N/A
Child labor	N/A	N/A
Human rights	N/A	N/A
Bribery and corruption	N/A	**Procurement Ethics:** "GT Capital Holdings, Inc., including its employees and the Bids and Awards Committee (BAC), as well as the bidders and suppliers shall observe the highest standard of ethics during the procurement and execution of the contract. They shall prohibit from engaging in the following behaviors: a) Corruption Practice b) Fraudulent Practice c) Collusive Practice d) Coercive Practice e) Obstructive Practice"

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
N/A	N/A
What are the Risk/s Identified?	**Management Approach**
N/A	N/A
What are the Opportunity/ies Identified?	**Management Approach**
N/A	N/A

Relationship with Community

Significant Impacts on Local Communities

The group is still in the process of base lining and standardizing data for Local Communities. However, other relevant disclosures may be found in GT Capital's Integrated Sustainability Report.

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Location	Vulnerable groups (if applicable)*	Does the particular operation have impacts on indigenous people (Y/N)?	Collective or individual rights that have been identified that or particular concern for the community	Mitigating measures (if negative) or enhancement measures (if positive)
N/A	N/A	N/A	N/A	N/A	N/A

**Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)*

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available: ________________

Certificates	Quantity	Units
FPIC process is still undergoing	N/A	#
CP secured	N/A	#

What are the Risk/s Identified?	Management Approach
N/A	N/A
What are the Opportunity/ies Identified?	**Management Approach**
N/A	N/A

Customer Management

Customer Satisfaction

This disclosure is not material to GT Capital as per materiality process.

Disclosure	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Customer satisfaction	N/A	N/A

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
N/A	N/A
What are the Risk/s Identified?	**Management Approach**
N/A	N/A
What are the Opportunity/ies Identified?	**Management Approach**
N/A	N/A

Health and Safety

This disclosure is not material to GT Capital as per materiality process.

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety*	N/A	#
No. of complaints addressed	N/A	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
N/A	N/A
What are the Risk/s Identified?	**Management Approach**
N/A	N/A
What are the Opportunity/ies Identified?	**Management Approach**
N/A	N/A

Marketing and labelling

Disclosure	Quantity	Units
No. of substantiated complaints on marketing and labelling*	0	#
No. of complaints addressed	0	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
GT Capital regularly provides disclosures in compliance with the requirements of the regulatory bodies. Material financial information is disclosed in a timely manner covering quarterly earnings and media releases. Open communications with investors are possible through the Annual Stock Holder's Meeting, Investor Conferences and One-on-One meetings.	GT Capital ensures stakeholders' access to accurate and adequate information about our company and its transactions. Through timely and accurate disclosures of material information, we aim to mitigate the negative effects of inadequate marketing. GT Capital is committed to respect the stockholders' right to information based on prescribed rules and regulations. Our company also aims to provide stockholders with accurate and timely information during the annual stockholders' meeting and quarterly briefings, and to achieve non-violation of disclosures rules. As part of evaluating the effectiveness of our approach in this area, we conduct regular audits on processes, feedback forms, and consultations with investors.
What are the Risk/s Identified?	**Management Approach**
The Company may face complaints and regulatory sanctions if marketing and labelling activities prove to be misleading and non-compliant to relevant laws.	The Company ensures transparency in its business transactions by addressing questions from various stakeholders and providing timely and reliable reports.
What are the Opportunity/ies Identified?	**Management Approach**
The Company can improve its reputation by exhibiting transparency in its business transactions which may lead to positive investor sentiment.	The Company intends to continue its practice of conducting regular briefings and meetings to connect with its stakeholders and address their specific concerns.

Customer privacy

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy*	0	#
No. of complaints addressed	0	#
No. of customers, users and account holders whose information is used for secondary purposes	No available data for this report.	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

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What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The Data Privacy Act of 2012 ("DPA") applies to the processing of all types of personal information and to any natural and juridical person involved in personal information processing. GT Capital processes the personal data of its data subjects, including its stockholders. The impact of customer privacy can be observed with management as well as data subjects.	The Company's policy on customer privacy is included in its Data Privacy Manual (internal), which includes GT Capital's Privacy Policy (public) and Privacy Notice (public). GT Capital aims to protect the right of its data subjects to privacy while ensuring free flow of information to promote innovation, growth, and development. Parts of the goals and targets for this topic are zero breach, full compliance with the DPA and its related laws and issuances, as well as the requirements of the National Privacy Commission (NPC).
What are the Risk/s Identified?	**Management Approach**
The Company is exposed to potential reputational damage and penalties under the DPA for instances of non-compliance.	The Company, through its Data Protection Officer, ensures compliance with the relevant provisions of the law.
What are the Opportunity/ies Identified?	**Management Approach**
The Company can build trust among its stakeholders by improving its data privacy practices.	The Company keeps abreast of developments in data privacy practices.

Data Security

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts and losses of data	0	#

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<table>
<tr><th>What is the impact and where does it occur? What is the organization's involvement in the impact?</th><th>Management Approach</th></tr>
<tr><td>The Data Privacy Act of 2012 applies to the processing of all types of personal information and to any natural and juridical person involved in personal information processing. GT Capital is involved in the processing of personal and financial data.</td><td rowspan="6">GT Capital processes the personal data of its data subjects, including stockholders, in accordance with Republic Act No. 10173, or the Data Privacy Act of 2012 (DPA). The Company manages the impacts on data privacy through the implementation of security measures for organizational, physical, and technical aspects.

The Company's policy on customer privacy is included in the Data Privacy Manual which includes GT Capital's Privacy Policy and Privacy Notice, both of which are available to the public. GT Capital is committed to protect the fundamental human right of our data subjects to privacy while ensuring free flow of information to promote innovation, growth, and development.

Part of our company goals and targets related to privacy are zero-breach and full compliance with the DPA, and related laws and issuances as well as the requirements of the National Privacy Commission (NPC). The achievement of the aforementioned goals is the responsibility of the Data Protection Officer and the Data Breach Response team assisted by the relevant departments, including the Legal and Compliance Department and the Human Resources and Administration Department.

Finally, the company specifically aims for organizational and physical security measures such as outlining of storage type and location of documents with personal data, rules on sharing of personal data with third parties, and technical security measures in the form of personal data back-up in electronic format, monitoring of security breaches, and regular testing of security measures.</td></tr>
<tr><td>What are the Risk/s Identified?</td></tr>
<tr><td>The Company is exposed to potential reputational damage and penalties under the Data Privacy Act (DPA) for breaches and non-compliance.</td></tr>
<tr><td>What are the Opportunity/ies Identified?</td></tr>
<tr><td>The Company may further improve its data privacy practices in order to safe keep and secure personal data across the organization and build trust among its stakeholders and prospective clients.</td></tr>
<tr><td></td></tr>
</table>

UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
As an investment holding company, our economic impacts primarily occur through our component companies and their business operations and supply chains. The products and services offered by the Component Companies include the following: (1) Automotive - assembly, importation, distribution, dealership (motor vehicle parts and accessories, and provide after-sales services) and financing (2) Banking - full range of banking and other financial products and services including corporate, commercial and consumer banking products and services as well as credit card, investment banking and trust services (3) Property Development - the development of high-rise, vertical residential condominium projects, as well as on master-planned communities that offer residential, retail, office and commercial space (4) Life Insurance - personal and group	**Contribution to the National Development & Providing Decent Work Opportunities** Banking products drive economic growth by providing Small and Medium Enterprises access to financing. This enables clients to begin, maintain or grow their businesses and create job opportunities. The company supports the Comprehensive Automotive Resurgence Strategy (CARS) Program which is a government initiative geared towards revitalizing the Philippine automotive industry. The CARS Program created new jobs and capabilities not only for itself, but also for several participating parts makers. The company maintains healthy relationships with employees through hiring of highly qualified candidates, provision of acceptable compensation packages (benchmarked), ensuring a healthy working environment, and ensuring employee satisfaction.	**Investment Allocation** Capital allocation for industries that may adversely affect the broader society and the environment. **Business Operations** Potential unfavourable impacts may occur in the course of the group's business operations on the environmental side.	**Responsible Investment Policy** GT Capital Holdings, Inc. as a steward of capital, is committed to creating long-term stakeholder value, not just to its capital providers, but to the communities and environment in which it operates. GT Capital is committed to contribute to the nation's sustainable development. To this end, and as part of its stewardship duties to all its stakeholders, it shall apply Environmental, Social, and Governance considerations in making its investment decisions. The purpose of this Responsible Investment Policy is to articulate and institutionalize our Commitments on Responsible Investment Principles that govern our investment decisions by ensuring ESG factors are considered in investment decisions leading to better risk management and ensuring stakeholders of our ability to generate sustainable long-term returns. **Governance** The company first acknowledges that business operations significantly affect

insurance products, investment-linked insurance products, Non-life insurance products that includes fire/property, marine, motor car, personal accident, other casualty, and engineering insurance, among others (5) Infrastructure and Utilities - high-growth infrastructure businesses such as toll roads, water, power, railways, healthcare, and logistics (6) Motorcycle Financing end-user financing for Japanese motorcycle brands	*(A more detailed report on the SDG contributions can be found in the annual Integrated Sustainability Report)* **Company UN SDG's** SDG No. 8 - Decent Work and Economic Growth SDG No. 11 – Sustainable Cities and Communities SDG No 13 - Climate Action		society and the environment. Constant organizational monitoring is performed for all the companies for potential sustainability issues. **Business Operations** Component companies are highly involved in the sustainability reporting process which drives the discussions on the potential negative impacts to the environment and other stakeholders. More specifically, TMP continues improve on their existing portfolio and to launch hybrid variants to address the concern on the environment.