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	13
Month	*Day*

(Annual Meeting)

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

(Secondary License Type, If Applicable)

CFD

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings (in PHP billion)

85

Total No. of Stockholders

Domestic	Foreign
18.9 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, 2019

(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, 2019**

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	**18,939,042,646**

    b) Debt securities: Php18.9 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: **Php38.4 billion** (based on closing price of Php407.00 as of March 31, 2020 and 94,378,281 outstanding common shares held by public as of December 31, 2019); **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, 2019)

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) 2019 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) 2019 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 56.16% is owned by Grand Titan Capital Holdings, Inc. (Grand Titan) and the directors and senior officers of GT Capital, while the balance of 43.84% is publicly owned as of December 31, 2019.

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.

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, 2019 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; Toyota Santa Rosa in Laguna; 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 and finance lease to its individual and corporate clients for the acquisition of brand-new and/or certified pre-owned Toyota vehicles. In February 2019, TFSPH started to offer operating lease product to corporate clients.

  On June 13, 2016, SEC approved the incorporation of GT Capital Auto Dealership Holdings, Inc. (GTCAD). GTCAD 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 GTCAD and JBT Global Holdings Inc. (JBT Global), with GTCAD owning 55% and JBT Global owning 45% of TSB's issued and outstanding capital stock. TSB commenced commercial operations on November 8, 2018.

- **Banking** – GT Capital conducts banking services through its 36.65% 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, 2019, the MBT Group had a total of 957 branches in the Philippines, of which 707 were operated by MBT and 250 were operated by Philippine Savings Bank ("PSBank"); and over 2,300 automated teller machines ("ATMs").

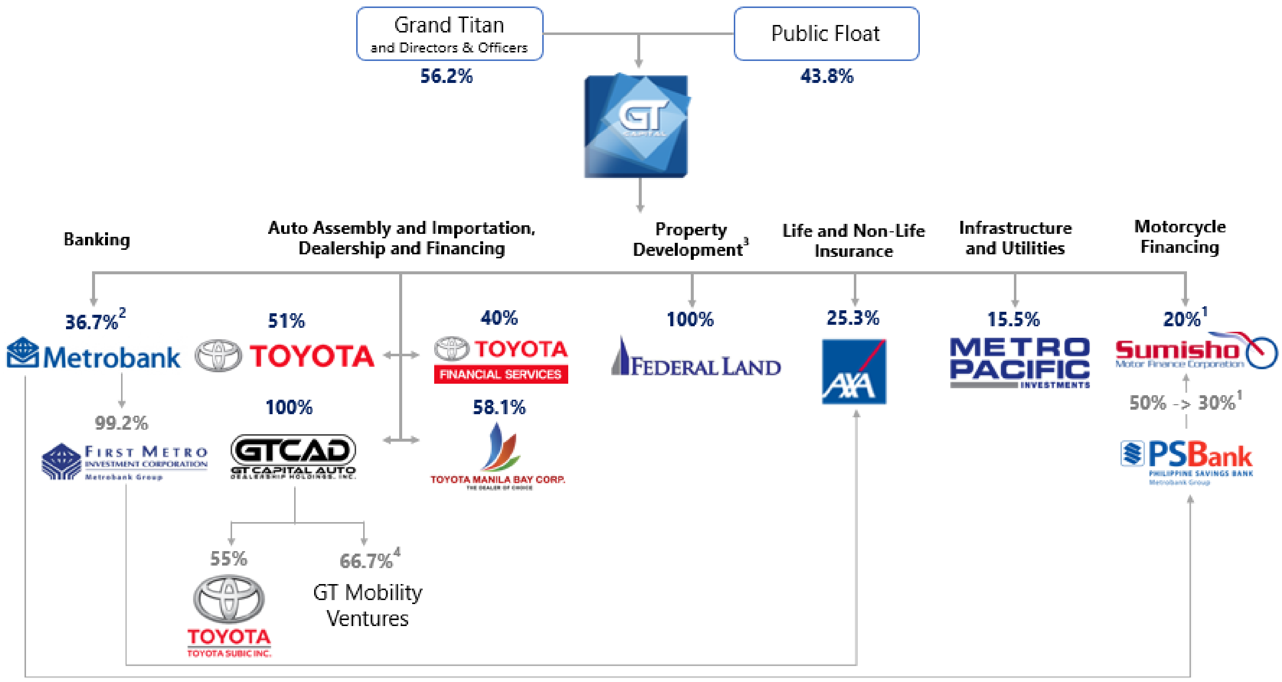
- **Property development** – GT Capital engages in property development business through its wholly-owned subsidiary, Federal Land, Inc. ("Federal Land"). Federal Land primarily focuses on the development of high-rise, vertical residential condominium projects, as well as on master-planned communities 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 15.55% 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; Global Business Power Corporation (GBPC), one of the largest power generation companies in the Visayas Region; 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.

GT Capital's organizational chart as of December 31, 2019 is as follows:



Notes:

1 *On August 9 and 11, 2017, GT Capital entered into a Sale and Purchase Agreement (SPA) with Philippine Savings Bank (PSBank) and Philippine Savings Bank Retirement Fund (PSBank Retirement Fund) to acquire 20% direct equity stake in Sumisho Motor Finance Corporation (SMFC) for a total consideration of Php379.92 million.*

2 *On various dates in 2019, the Parent Company acquired an aggregate of 12.26 million common shares of Metrobank for a total consideration of Php836.53 million. This increased GT Capital's ownership interest in Metrobank from 36.36% to 36.65%.*

3 *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 Php10.00 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 Php20.00 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.

4 *In February 2019, the Parent Company remitted Php100.00 million to GTCAD to fund the latter's investment in a used car auction business in March 2019. GTCAD, through GTMV, a joint venture between the Company and Mitsui, formed JBA Philippines with auction house operator Japan Bike Auction Co., Ltd. ("JBA"). 60% of JBA Philippines is controlled by GTMV while 40% is owned by JBA.*

On September 9, 2019, the SEC approved GTMV's increase in authorized capital stock, from 1,000,000 shares with par value of Php1.00 per share to 600,000,000 shares with par value of Php1.00 per share. GTCAD and Mitsui & Co. Ltd. (Mitsui) have subscribed to the increase in the authorized capital stock of GTMV and has paid for such subscription amounting to Php99.75 million and Php50.00 million, respectively. This resulted to a change in GTCAD's direct holdings in GTMV from 100% to 66.67%.

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	Hyundai dealers, Nissan dealers, Mitsubishi dealers, and other Toyota dealers
Automotive Financing	PSBank, East West Bank, BDO, RCBC and UCPB
Banking	BDO 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, Philippine American Life Insurance Co., Pru Life UK, Manufacturers Life Insurance, and Insular Life
Non-life Insurance	Malayan Insurance, Prudential Guarantee, Pioneer Insurance, BPI/MS, and FPG Insurance
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, 2019, the GT Capital group of companies had a combined 19,510 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	42
MBT (Parent Bank)	13,150
Federal Land	495
TMP	1,967
AXA Philippines and Charter Ping An	2,430
TMBC	966
TFSPH	405
MPIC Parent	55
Total	**19,510**

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:

Market Risk
GT Capital component companies are engaged in various sectors namely banking, insurance, property development, automotive assembly and distribution, and infrastructure and utilities. GT Capital component companies may be adversely affected by market and other macroeconomic factors such as interest rate, foreign exchange rates, inflation, and other economic variables. Political policies, directions and uncertainties may also impinge the market demand for Component Company products and services.

To mitigate this risk, GT Capital and its component companies continuously monitor key risk indicators, conduct sensitivity analyses, and adjust their business strategies accordingly.

Operational Risk
GT Capital 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 component companies are regulated by the Philippine Stock Exchange, 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 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.

Financial Reporting Risk
It is of utmost importance to GT Capital and its component companies to be transparent to its shareholders, in terms of financial reporting.

To achieve this, each of GT Capital’s component companies has engaged SGV & Co. as their external auditor. In addition, GT Capital conducts its own review of the submitted financial reports for consolidation. Afterwards, the consolidated financial statements at the GT Capital level are then subject to another external audit by SGV & Co.

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 ExCom and the BOD.

Environmental and Social Risk
GT Capital component companies are exposed to non-financial risk such as environmental and social impacts in the conduct of its operations. Environmental risks may be brought by non-compliance with relevant laws and regulations and contribution to 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 component companies are actively engaging key stakeholders to improve its 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 key risks discussed above, there are other risks which were identified by GT Capital management during the 2019 Enterprise Risk Management Annual Reassessment. Each risk has corresponding key risk indicators that are monitored on a periodic basis and serve as an early warning signal for GT Capital, in case an emerging risk was to transpire. These indicators are reported to the Board of Directors, through the Risk Oversight Committee, on a quarterly basis.

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.

MBT provides investment banking services through First Metro Investment Corporation ("FMIC") and retail banking through MBT and its subsidiaries PSBank and Metrobank Card Corporation ("MCC").

Contribution to Sales/Revenues

The net interest income derived from lending, investment and borrowing activities represents 72.0%, 74.3% and 72.9% of the MBT Group's revenue net of interest and finance charges in 2019, 2018 and 2017, 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 associates; gain on sale of non-current asset held for sale; 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 28.0%, 25.7% and 27.1% of the MBT Group's revenue net of interest and finance charges in 2019, 2018 and 2017, 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 2019, 2018 and 2017 are as follows:

Offices in	**Year**	**Percentage (%) Contribution to**	
		Revenue, Net	External Net Operating Income
Asia (Other than the Philippines)	2019	2.62	2.68
	2018	2.67	2.69
	2017	2.36	2.44
United States	2019	0.41	0.46
	2018	0.69	0.76
	2017	0.64	0.70
Europe	2019	0.04	0.05
	2018	0.06	0.06
	2017	0.07	0.07

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 2019 with 957 branches as compared to 957 in 2018. 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 the international market, remittance alliances were established between MBT and several well-established businesses in the country.

2019 - New International Remittance Tie-Ups

a. DolEx Dollar Express Inc.
b. Harbour and Hills Financial Services Limited
c. Jalandoni Money Changer & Remittances
d. Prime Exchange Limited
e. U Remit International Corporation
f. EMZ Limited

2019 - New Local Remittance Tie-Ups

a. CashPinas Remittance Corporation
b. Unilink Express Payments Phils. Inc.

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. Metrophone

Metrophone is the Bank's Interactive Voice Response System ("IVRS") banking platform, and one of the first electronic banking channels made available to Metrobank customers.

5. 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.

6. Metrobank*direct*

Metrobank*direct* is MBT's internet browser-based banking platform that allows its clients to access their accounts and make financial transactions at their own personal convenience. With more features to enhance a user's experience, such as online enrollment, Metrobank*direct* Personal now makes internet banking a truly online experience for its clients.

7. Metrobank*direct* Corporate is an integrated platform that provides companies with online and real-time access to their accounts. It also helps them manage their business needs through efficient, flexible and secured designs of the best cash management solutions.

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

9. E-Government Facilities
   - Taxdirect is a web-based payment facility of Metrobank that allows both retail and corporate clients to pay their dues on tax returns filed through the Bureau of Internal Revenue's ("BIR") Electronic Filing and Payment System ("EFPS") website.
   - Bancnet's eGov Payment facility is a highly convenient online service that allows clients to electronically remit their monthly Social Security System (SSS), Philippine Health Insurance Corporation (Philhealth) and Pag-ibig Fund (PAG-IBIG) contributions and loan payments.

Innovations and Promotions
In 2019, Metrobank continued to introduce campaigns and promotions to address the market's needs.

- Metrobank launched its *Meaningful Banking* campaign with an aim to elevate its promise of "You're in Good Hands," featuring its new Metrobank signature frame that serves as a visual focal point highlighting its customers' meaningful stories. In relation to the campaign, the Bank unveiled the site https://meaningfulbanking.metrobank.com.ph/ and commenced Financial Education initiatives: *Earnest*, a website that contains bite-sized lesson cards and easy-to-read articles where clients can learn while on the go; and *Moneybasics*, a collection of simple and creative tips for clients to build up a habit of saving. At the center of MoneyBasics was #The30DayMetrobankChallenge which aims clients to build a foundation of financial stability by learning to manage debts, track expenses, and build an emergency fund.

- Metrobank partnered with AXA Philippines to offer a free one-year PHP 100,000-coverage AXA Personal Accident Insurance for accidental death or permanent disability from the moment a client opens a new deposit account at any Metrobank branch during the promotion period.

- PSBank upgraded its website and the PSBank Mobile App which now offers new digital solutions such as Mobile Check Deposit and PaSend features. *PSBank Mobile Check Deposit* facility allows users to deposit eligible local peso checks by just simply taking a photo of these via the App. *PSBank PaSend* enables PSBank depositors to conveniently send instant cash 24/7 to relatives and friends via the App, even to those without existing deposit accounts.The transferred funds can be withdrawn by the intended recipient from any PSBank or Metrobank ATM. PSBank also launched a new series of commercials in PSBank's social media channels and different TV channels. These garnered 1 million views in PSBank's FB page in just 3 days. PSBank also deployed its first Cash Deposit Machine (CDM) in its Pasig-Mutya branch which allows customers to deposit cash 24/7 to a PSBank account with or without an ATM card.

- Metrobank Card Corporation (MCC) continued to offer premium deals and various treats through its partner merchants. In September 2019, MCC introduced *Metrobank Interactive Assist (MIA)*, a new Chatbot on Facebook Messenger that allows users to easily apply for a credit card through that platform. In October 2019, MCC launched three new credit cards - *Metrobank Vantage Card*, *Metrobank Titanium Mastercard*, and *Metrobank Rewards Plus Visa*. Select Metrobank credit cards will soon be upgraded to these new cards. In addition, MCC partnered with MEGA magazine for special feature covers and articles of select personalities for MCC's new products, which are published on Mega Magazine's digital and print platforms. MCC established new partnerships with New City Commercial Center (NCCC) and Ardeur World Marketing Corporation (Ardeur) to produce the NCCC Mastercard and Ardeur Bonus Card.

- AXA Philippines introduced new products and services including *Seamless Automated Mobile (SAM)* underwriter which automates all application forms; *Smart Traveller* with a wide range of benefits including 24-hour travel assistance, personal accident coverage up to PHP5 million, medical coverage, protection of personal belongings, and refunds for travel inconveniences; and *Car Insurance Online* – a comprehensive and customizable car insurance product with 24/7 emergency roadside assistance, online filing of claims, and even round-the-clock access to doctor consultation in case of medical emergencies. AXA also launched several marketing campaigns like the *Take Charge* Campaign, *Know You Can* featuring Serena Williams, *SM Shop & Fly* Promo, *NBA 3X | Plan & Play*, and *Teacher's Month Social Media* Promo; and forged partnerships with various organizations like the University Athletic Association of the Philippines (UAAP), Asian Institute of Management (AIM), Lockheed Group-Medocare Health Systems, Inc., Metrobank Card Corporation (MCC), and GCash Insure.

- In 2019, First Metro Asset Management Inc. (FAMI) launched the First Metro Save & Learn F.O.C.C.U.S. (SALFOCCUS) Dynamic Fund which aims to provide cooperative members satisfactory returns on their assets through active fund management. Additionally, FAMI created a number of promotions including the National Teacher's Month promo, Invest and Ride promo, Father's Day promo, Make Your Mama Proud promo; and tied up with a number of establishments including Grab Philippines, ECPay, and GCash. Moreover, FAMI joined the worldwide celebration of Women's Month and hosted Smart Women Invest, a financial and investment literacy workshop intended to motivate and empower women through the discussion of financial intelligence to help Filipinas transform from savers to investors. To deepen the relationship with clients and maximize the use of technology, FAMI introduced Chatbot and FAMI LIVE! as avenues to address clients' queries, financial dilemmas, or those seeking basic financial advice—straight from FAMI's experts.

- In collaboration with its FundsMart partners, First Metro Securities Brokerage Corporation (FMSBC) conducted a number of marketing campaigns such as the 2019 FundsMart Summer Promo, FundsMart First Timer's Php 500 Cashback Promo - Dollar Funds Style, and FundsMart first timer's Php 500 cashback promo. FMSBC also conducted a series of webinars and actual seminars in major cities all over the country, and even in Singapore and Kuala Lumpur.

Competition
MBT 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, 2019, the Philippine universal/commercial banking sector consisted of 46 banks, including 25 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, 2019.

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 Debit Card and Metrobank Prepaid Card
2. For credit cards: Metrobank Rewards Plus Visa; Metrobank Titanium Mastercard; Metrobank Vantage Mastercard/Visa; Metrobank Femme Visa/Femme Signature Visa; Metrobank Travel Platinum Visa; Metrobank Peso Platinum Mastercard; Metrobank World Mastercard; Metrobank Dollar Mastercard; Metrobank ON Internet Mastercard; Metrobank M Free Mastercard; Metrobank M Lite Mastercard; Metrobank Corporate Card; Toyota Mastercard; PSBank Credit Mastercard; and The Bistro Group Visa. Features: Cash2Go; Balance Transfer; Bills2Pay; M Here (Shopping Perks & Privileges); My Swipe My Treat; and Rewards. Prepaid Card: YAZZ Reloadable Prepaid Visa; Victory Liner Premiere Prepaid Visa; NWorld Cash Card; Pisopay.com Prepaid Visa; AXA Prepaid Visa; Ardeur Bonus Card; and JAC Liner My Ride Card.
3. For phone banking: Metrophone Banking
4. For internet banking: MetrobankDirect and MBOS

5. For mobile banking: Metrobank Mobile Banking
6. For remittance services: Metrobank Superbilis Padala, World Cash Card, MetroRemit, PayStation, CollectAnywhere, PayAnywhere and Payroll Plus
7. For consumer lending: MetroHome and MetroCar
8. For special current account: MetroChecking Extra; MetroAccount One
9. For special savings account for kids below 18 years old.: Fun Savers Club (FSC) Regular and Spark Savings Account
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$ 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 and Metro Aspire Equity Feeder 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, investment company adviser (ICA) and quasi banking
4. For ORIX Metro: financing company and quasi-banking license
5. For MBCL: business license to expire on January 13, 2040

All MBT's trademark registrations are valid for 10 years. MBT 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

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 MBT 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. The Circular sets out a minimum Common Equity Tier 1 (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. Compliance with this requirement was phased-in starting January 1, 2017, with full compliance on January 1, 2019.

Qualifying capital and risk-weighted assets (RWA) are computed based on BSP regulations. The MBT 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 MBT Group has adopted and developed its ICAAP framework to ensure that appropriate level and quality of capital are maintained. 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 MBT 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%. The monitoring period has been set every quarter starting December 31, 2014 and extended until June 30, 2018. 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)

BSP Circular No.1007 covers 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%.

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 as presented in Exhibit 6.

Applicable Tax Regulations

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 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 30.00% 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 33.00% of interest income subjected to final tax.

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. The regulations also provide for MCIT of 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.

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 the Audited Financial Statements as presented in Exhibit 6.

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 13,150 employees as of December 31, 2019. By year-end 2020, the Bank projects to have hired 13,690 employees.

	Officers	**Rank and File**	**Total**
As of year-end 2019:			
AVPs and up:	476		476
Senior Managers and down:	5,805	6,869	12,674
	6,281	6,869	13,150
By year-end 2020 (projected):			
AVPs and up:	630		630
Senior Managers and down:	6,445	6,615	13,060
	7,075	**6,615**	**13,690**

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 2019 will end in December 2021. 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 the 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.

Federal Land, Inc.

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 strengthens 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	DM Consunji, Inc. (DMCI)	General Construction
2	EEI Corporation	General Construction

	Name of Contractor	Nature of Works
3	C-E Construction	General Construction
4	SteelAsia Manufacturing Corporation	Owner Supplied Rebars
5	Beta Electromechanical Corporation	Electrical
6	Millennium Erectors Corporation	General Construction
7	Good Fortune Builders and Construction, Inc.	General Construction
8	Republic Cement Services, Inc.	Owner Supplied Cement
9	Holcim Phils, Inc.	Owner Supplied Cement
10	S & H Electrical Construction Corporation	Electrical
11	Meralco Energy, Inc.	Electrical
12	Irvine Construction Corporation	Sanitary/Plumbing
13	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.

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
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 development 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, 2019, full-time employees of Federal Land totaled 495. The table below provides a breakdown of Federal Land's employees.

Type of Employee	Number of Employees
Senior and Junior Officers	243
Staff	252
Total	**495**

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.

<u>Toyota Motor Philippines Corporation</u>

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 18th consecutive Triple Crown in 2019, 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 CT 200H, IS 350, ES 350, GS 350, GS 450H, GS F, RC 350, RC F, LC 500, LS 500, and LS 500H.

Aside from the Innova, TMP's commercial vehicles include pick-ups, SUVs, multi-purpose vehicles, vans and minibuses such as Hilux, RAV4, Rush, Fortuner, LC200, Prado, FJ Cruiser, Avanza, Hiace, Alphard, and Coaster. Lexus sells the NX 300T, NX 300H, RX 350, RX 450H, GX 460, LX 570, and UX 200.

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:

	2017		**2018**		**2019**	
	Sales (Php mn)	% of Total Revenues	Sales (Php mn)	% of Total Revenues	Sales (Php mn)	% of Total Revenues
Vehicle sales						
Locally-manufactured vehicles	45,466.6	25%	33,880.6	22%	39,150.1	23.6%
Imported CBU vehicles	122,871.3	67%	109,152.9	69%	111,759.5	67.2%
Local sales of service parts	6,020.4	3%	6,875.6	4%	7,664.9	4.6%
Services					735.0	0.4%
Export sales of OEM parts and service parts	7,956.0	5%	8,212.3	5%	7,033.1	4.2%
Total	**182,314.4**	**100%**	**158,121.4**	**100%**	**166,342.6**	**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.

	2017		**2018**		**2019**	
Sales in units	Sales	% of Total	Sales	% of Total	Sales	% of Total
Metro Manila	89,366	49%	63,831	42%	64,756	40%
Provincial	94,542	51%	89,173	58%	97,255	60%
Total	**183,908**	**100%**	**153,004**	**100%**	**162,011**	**100%**

As of December 31, 2019, the Toyota and Lexus dealer network in the Philippines consisted of 71 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., 100% of Toyota Santa Rosa, Inc., and 75% of Lexus Manila, Inc. Approximately 40% of TMP's sales in 2019 were in Metro Manila while 60% of total sales 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 75.7% in 2019 as compared to 56.0% in 2010 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 have recently accounted for an increasingly larger share of the Philippine automotive market. Rising income levels and changing consumption preferences have contributed to this shift. The regulation is also considered to have supported the trend over recent years, such as the stricter implementation of the prohibition on importation of second-hand vehicles.

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, Rapide, Yokohama Service Centers, Goodyear Servitek, gasoline stations and to some extent, emerging mobile garage such as MyCasaPh. These workshops offer services that are, on the average, 20% to 40% 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 20% lower than the service centers of other brands. In terms of service parts, average prices of Toyota Genuine Parts are 6% lower than Genuine Parts of other makes based on 2019 parts price review.

Principal Competitors (including relative size and financial and market strengths of competitors)
TMP's major competitors in the Philippines are Mitsubishi, Nissan, Hyundai, Suzuki, and Ford. Based on industry data compiled by CAMPI and AVID, the top six automotive companies in the Philippines accounted for 85.3% of total vehicles sold in 2019. Toyota has been the top selling brand measured by units sold in the Philippines for passenger and commercial vehicles since 2002, with a 39.5% market share in 2019, which is 23.5 percentage points higher than its closest competitor, Mitsubishi with 16.0%. Nissan and Hyundai had market shares of 10.4% and 8.2% in 2019, respectively. Aside from Toyota, other multinational automotive companies also have manufacturing and assembly plants in the Philippines, such as Mitsubishi, Isuzu, and Honda. 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:

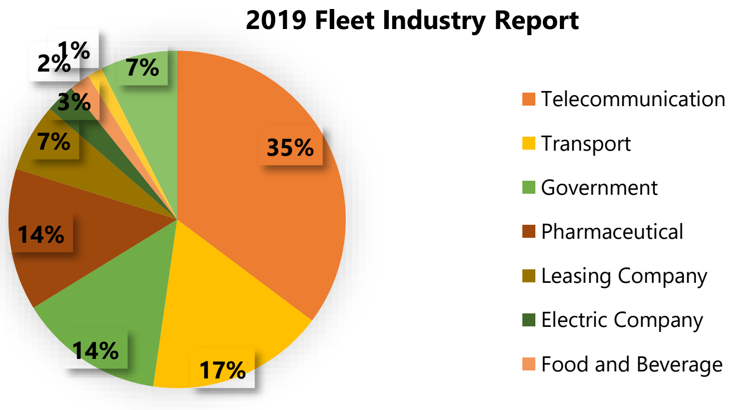
Source	**2017**	**2018**	**2019**
TMC/TDEM			
Japan-sourced	10%	10%	9%
Multi-sourced	58%	58%	57%
Local Suppliers	32%	32%	34%
TOTAL	**100%**	**100%**	**100%**

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 pharmaceutical companies, taxi companies and government entities. In 2019, 11.2% 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, 2019:



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, 2019.

	2019
Regular	**1,967**
Senior Officers	105
Junior Officers	542
Rank and File	1,320
Temporary	**1,728**
Trainees	228
Outsourced Services	1,472
TMP Exclusive Services	28
Total	**3,695**

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 3-year Collective Bargaining Agreement (CBA) on economic provisions for both TMPCLO and TMPCSU which expired in June 2019 was renewed for the next two years from July 2019 to June 2021. The five-year CBA for both political and economic provisions with the two unions shall be renewed in July 2021.

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 was 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.

<u>Philippine AXA Life Insurance Corporation</u>

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 net insurance premium amounting to P26.2 billion in 2019. 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 2018. 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 957 MBTC and PSBank branches, being serviced by 1,082 salaried financial executives and 47 AXA Philippines branch offices that are home to its growing network of 7,065 exclusive financial advisors as of December 31, 2019.

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, 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.
Offer Bond	Bond is a three-party agreement where Charter Ping An (i.e., the surety company) assures 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 Php7.1 billion and Php6.8 billion for 2018 and 2019, respectively. Net insurance premium amounted to Php29.4 billion and Php26.2 billion for 2018 and 2019, respectively.

Non-life Insurance
Charter Ping An posted Php5.7 billion and Php5.4 billion Gross Premiums Written in 2018 and 2019, respectively. Net Premiums Earned amounted to Php3.8 billion and Php3.6 billion in 2018 and 2019, 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.

Agents
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 35% and 41% of AXA Philippines' total new business in 2018 and 2019, respectively. AXA Philippines have agents throughout its 47 branches located in strategic locations in Metro Manila, Cebu and Davao, as well as elsewhere throughout the Philippines. In addition to the 44 branches owned or leased by AXA Philippines, there are also several 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 7,065 agents as of December 31, 2019 to 8,401 by 2020.

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. MBT-based financial executives accounted for 65% and 59% of AXA Philippines' total new business premiums in 2018 and 2019, respectively. The cross-marketing of AXA Philippines products at MBT 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 25 branches nationwide, located in Manila, Quezon City, Muntinlupa, Caloocan, 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 Philippine American Life, Sun Life of Canada, PruLife of the UK and Manufacturers Life.

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, 2018:

Amounts in Php millions, except for percentage	**2018** **Amount**	**% of total**
1. Sun Life of Canada	37,356.54	16.23%
2. AXA Philippines	29,443.33	12.80%
3. Philippine American Life (AIA)	22,365.76	9.72%
4. Pru Life of the UK (Prudential plc)	22,033.14	9.58%
5. BPI Philam Life	18,260.18	7.94%
6. Manufacturers Life	17,739.30	7.71%
7. Insular Life	13,778.25	5.99%
8. BDO Life (Generali Pilipinas)	11,869.21	5.16%
9. Allianz PNB	8,992.15	3.91%
10. Manulife Chinabank Life	8,560.40	3.72%

Source: Philippine Insurance Commission (based on 2018 Annual Statements)

The total market premium income in 2018 amounted to Php230.1 billion.

Non-life Insurance
Based on the Insurance Commission's released non-life industry GPW results, the average industry growth for the past five years (2014-2018) was 10.0% while Charter Ping An's average growth was 9.1%. This resulted to a decrease in market share to 6.1% in 2018 from 7.4% in 2017. Charter Ping An maintained its fifth ranking in the GPW, but dropped from second to third ranking in the NPW in terms of 2018 industry performance.

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 October 2019, the Philippine insurance industry is composed of 60 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, 2019 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
Accrued expenses	Interest-free, settlement in cash	Unsecured, no impairment
Accounts payable	Interest-free, settlement in cash	Unsecured, no impairment
GT Capital Holdings, Inc.		
Investment in equity securities	-	No impairment
Dividend income	-	-
Premiums – group life insurance	Interest-free, settlement in cash	Unsecured, no impairment
Subsidiary		
Charter Ping An Insurance Corporation		
Shared service income	-	-
Accounts receivable	Interest-free, settlement in cash	Unsecured, no impairment
Other related parties		
Metropolitan Bank and Trust Company		
Time deposit placements	37 to 51 days, 3.5% to 4.25%	-
Accrued interest on time deposits	37 to 51 days, 3.5% to 4.25%	-
Interest income – time deposits	3.5% to 4.25%	-
Unit investment trust funds	At NAV, settlement in cash	No impairment
Savings and current deposits	0.25%	-
Interest income – savings deposit	0.25%	-
Premiums – group life insurance	Interest-free, settlement in cash	Unsecured, no impairment
Referral and bank fees	-	-
Accrued referral and bank fees	Interest-free, settlement in cash	Unsecured, no impairment
Investment in equity securities	-	No impairment
Dividend income	-	-
Rental income	-	-
Rental expense	-	-
Association dues	-	-
Rental deposits	-	Unsecured, no impairment

Bank charges	-	-
Philippine Savings Bank		
Interest income – time deposits	1%-5%	-
Savings and current deposits	0.25% to 0.50%	-
Interest income – savings deposit	0.25% to 0.50%	-
Premiums – group life insurance	Interest-free, settlement in cash	Unsecured, no impairment
Referral and bank fees	-	-
Accrued referral and bank fees	Interest-free, settlement in cash	Unsecured, no impairment
Bank charges	-	-
Federal Land, Inc.		
Rental deposits	-	Unsecured, no impairment
Rent expense	-	-
Association dues	-	-
Premiums – group life insurance	Interest-free, settlement in cash	Unsecured, no impairment
AXA PPP		
Reinsurance recoveries	-	-
Reinsurance recoverable on paid/unpaid losses	Interest-free, settlement in cash	Unsecured, no impairment
Premiums ceded to reinsurer	-	-
Due to reinsurer	Interest-free, settlement in cash	Unsecured, no impairment
AXA Global P&C		
Premiums ceded to reinsurer	-	-
Due to reinsurer	Interest-free, settlement in cash	Unsecured, no impairment
AXA France Vie		
Premiums ceded to reinsurer	-	-
Due to reinsurer	Interest-free, settlement in cash	Unsecured, no impairment
AXA Group Operations Philippines, Inc.		
Accounts receivable	Interest-free, settlement in cash	Unsecured, no impairment
IT Services	-	-
Metrobank Card Corporation		
Premiums - group life insurance	Interest-free, settlement in cash	Unsecured, no impairment
Annual fees	-	-
Credit card fees	-	-
Sales support costs	-	-
Orix Auto Leasing Philippines Corporation		
Premiums - group life insurance	Interest-free, settlement in cash	Unsecured, no impairment
Architas		
Accounts Receivable	Interest-free, settlement in cash	Unsecured, no impairment
AXA GIE		
License fees	-	-
AXA Healthcare Management		
Management Fees	-	-
Orix Rental Corporation		
Premiums - group life insurance	Interest-free, settlement in cash	Unsecured, no impairment
Rent Expense	-	-
Orix Metro Leasing and Finance Corporation		
Premiums - group life insurance	Interest-free, settlement in cash	Unsecured, no impairment
Toyota Motor Philippines Corporation		
Premiums - group life insurance	Interest-free, settlement in cash	Unsecured, no impairment
AXA Group Operations SAS		
License fees	-	-
AXA Group Operations		
IT Services	-	-
AXA Group Operations Hong Kong Limited		
IT Services	-	-
Assist and Assistance Concept, Inc.		
Service fees	-	-

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, 2019.

Entity with control over the Company	**Terms**	**Conditions**
Philippine AXA Life Insurance Corporation		
Direct premiums	-	-
Premiums receivable	Due and demandable; non- interest bearing	Unsecured; no impairment
Shared service cost	-	-
Accounts payable and accrued expenses	-	-
Other related parties		
Metropolitan Bank and Trust Company		
Direct premiums	-	-
Premiums receivable	Due and demandable; non- interest bearing	Unsecured; no impairment
Investment expense	-	-
Gain on sale of AFS financial assets	-	-
Dividend income	-	-
Interest income on time deposits	-	-
Accrued Interest on time deposits	2.13% to 3.88%	-
Time deposit placements	53 to 91 days, 2.13% to 3.88%	-
Interest Income on savings deposits	0.125% to 0.25%	-
Savings and current deposits	0.125% to 0.25%	-
Rent Expense	-	-
Utilities	-	-
Rental and security deposits	Non-interest bearing	-
Metrobank Card Corporation		
Direct premiums	-	-
Premiums receivable	Due and demandable; non- interest bearing	Unsecured; no impairment
First Metro Investment Corporation		
Direct premiums	-	-
Premiums receivable	Due and demandable; non- interest bearing	Unsecured; no impairment
Interest income on AFS financial assets	5.75%	-
Philippine Savings Bank		
Direct premiums	-	-
Premiums receivable	Due and demandable; non- interest bearing	Unsecured; no impairment
Time deposit placements	33 to 67 days, 1.25% to3.00%	-
Interest Income on time deposits	1.25% to 3.00%	-
Accrued Interest on time deposits	33 to 67 days, 1.25% to3.00%	-
Interest income on savings deposit	0.25% to 0.50%	-
Savings and current deposits	0.25% to 0.50%	-
Investment expense	-	-
Interest income on AFS financial assets	5.50%	-
Federal Land Inc.		
Direct premiums	-	-
Premiums receivable	Due and demandable; non- interest bearing	Unsecured; no impairment
Rent expense	-	-
Utilities	-	-

Association dues	-	-
Rental and security deposits	-	-
Metro Pacific Investments Corporation		
Loss on sale of AFS financial assets	-	-
Dividend Income	-	-
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
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- interest bearing	Unsecured; no impairment
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%	-
Loss on sale of AFS Financial Assets	-	-
Accrued interest on AFS debt securities	5.09%	-
AXA Global P & C		
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	Due and demandable; non–interest bearing	Unsecured; no impairment
Due from ceding company	Due and demandable; non–interest bearing	Unsecured; no impairment
Due to reinsurer	Non-interest bearing	Unsecured; no impairment

First Metro Securities Brokerage Corporation		
Investment expense Direct premiums Premiums receivable	- - Due and demandable; non- interest bearing	- - Unsecured; no impairment
AXA Group Operations Hongkong Limited (formerly AXA Technologies Services Asia Limited)		
Service fee	-	-
Accounts payable and accrued expenses	Non-interest bearing	Unsecured; no impairment
AXA Asia	-	-
Service fee Accounts payable and accrued expenses	- Non-interest bearing	- Unsecured; no impairment
MBTC Technology, Inc.		
Direct premiums	-	-
First Metro Asset Management, Inc.	-	-
Direct premiums Premiums receivable	- Due and demandable; non- interest bearing	- Unsecured; no impairment
AXA Corporate Solutions Assurance Singapore Branch		
Reinsurer's share of gross premiums on insurance contracts Commission income Reinsurance recoverable on unpaid losses Due to reinsurer	- - Due and demandable; non–interest bearing Non–interest bearing	- - Unsecured; no impairment Unsecured; no impairment
AXA Insurance Singapore PTE LTD		
Reinsurer's share of gross premiums on insurance contracts Commission income Due to reinsurer	- - -	- - -
Property Company of Friends, Inc.		
Premiums receivable	Due and demandable; non–interest bearing	Unsecured; no impairment
Sumisho Motor Finance Corporation		
Premiums receivable	Due and demandable; non- interest bearing	Unsecured; no impairment
Bonifacio Landmark Realty & Development Corporation (formerly Morano Holdings Corporation)		
Premiums receivable	Due and demandable; non- interest bearing	Unsecured; no impairment
Federal Brent Retail, Inc.		
Premiums receivable	Due and demandable; non- interest bearing	Unsecured; no impairment
Horizon Land Property and Development Corporation		
Premiums receivable	Due and demandable; non- interest bearing	Unsecured; no impairment
HSL South Food, Inc.		
Premiums receivable	Due and demandable; non- interest bearing	Unsecured; no impairment
Micara Land, Inc.		
Premiums receivable	Due and demandable; non- interest bearing	Unsecured; no impairment

OMLF Insurance Agency, Inc.		
Premiums receivable	Due and demandable; non- interest bearing	Unsecured; no impairment
Omni Orient Management Corp. (formerly Top Leader Property Management Corp)		
Premiums receivable	Due and demandable; non- interest bearing	Unsecured; no impairment
Assist and Assistance Concept, Inc.		
Other underwriting expense	-	-

Effect of Existing or Probable Government Regulations

Fixed capitalization requirements
On August 5, 2014, 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, 2015 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. 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, 2018 and 2019, 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

	2018	2019
Total available capital	₱5,622,783,691	₱8,868,993,478
RBC requirement	1,199,249,089	2,309,289,657
RBC Ratio	**469%**	**384%**

Non-life Insurance

	2018	2019
Total available capital	₱1,284,861,799	₱2,208,813,093
RBC requirement	876,042,712	909,173,846
RBC Ratio	**147%**	**243%**

The final amount of the RBC ratio can be determined only after the accounts of the Group have been examined 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.

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, 2019, AXA Philippines had 735 full-time employees and 1,082 sales employees as shown below:

Type	**No. of Employees**
Senior Officers	94
Managers and Officers/Supervisors	224
Rank and File	417
Sales	1,082
Total	**1,817**

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, 2019, Charter Ping An had 613 full-time employees and 4 consultants. The breakdown of full-time employees is provided below:

Type	No. of Employees
Seconded and Senior Officer	17
Junior Officers and Supervisors	164
Rank and File	432
Total	**613**

Risks

Life Insurance

- AXA's growth is dependent on its ability to attract and retain individual agents;
- If AXA is unable to develop other distribution channels for its products, its growth may be materially and adversely affected;
- AXA's business and prospects would be materially and adversely affected to the extent its bancassurance activities are impaired;
- 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 or purchasing power;
- Defaults on AXA's debt investments may materially and adversely affect its profitability;
- Economic and financial markets may change to affect the relative attractiveness of AXA's products;
- Economic and financial market volatility may reduce the demand for investment-linked products;
- Fund manager performance may reduce the return on investment-linked products and the demand for such products;
- 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;
- 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 may be exposed to various risks as AXA expands its range of products and services;
- 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;
- 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;
- 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 every year due to climate change;
- 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

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:

	As of December 31					
	2017		2018		2019	
Category	*Sales (Php Mn)*	*% to Total Revenues*	*Sales (Php Mn)*	*% to Total Revenues*	*Sales (Php Mn)*	*% to Total Revenues*
Vehicle sales	24,211	93.0%	18,261	90.6%	21,508	91.2%
Parts sales	1,101	4.2%	1,168	5.8%	1,453	6.2%
After sales Services	711	2.7%	728	3.6%	619	2.6%
Total	**26,023**	**100.0%**	**20,157**	**100.0%**	**23,580**	**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

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.

	As of December 31					
	2017		2018		2019	
Outlet	*Sales (Php Mn)*	*% to Total Revenues*	*Sales (Php Mn)*	*% to Total Revenues*	*Sales (Php Mn)*	*% to Total Revenues*
TMB	7,442	28.6%	5,813	28.8%	6,314	26.8%
TDM	4,752	18.3%	3,411	16.9%	3,713	15.7%
TAS	3,914	15.0%	3,119	15.4%	4,148	17.6%
TCI	5,925	22.8%	4,428	21.9%	4,985	21.1%
TMK	3,990	15.3%	3,386	16.8%	4,420	18.7%
Total	**26,023**	**100.0%**	**20,157**	**100.0%**	**23,580**	**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 11.0% share as of December 31, 2019.

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 2019, TMBC's retail customer base is comprised of:

First time car buyers	40.1%
First time Toyota buyers	14.7%
Repeat Toyota buyers	26.9%
Repeat TMBC clients	18.3%
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, 2018**			
	Sales Volume to Fleet	*% to Total Sales Volume*	*Sales Volume to Retail*	*% to Total Sales Volume*
TMB	1,332	8.2%	3,200	19.7%
TDM	227	1.4%	2,621	16.1%
TAS	594	3.7%	1,950	12.0%
TCI	653	4.0%	3,056	18.8%
TMK	516	3.2%	2,082	12.8%
TOTAL	**3,322**	**20.5%**	**12,909**	**79.5%**

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%**

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 2019, 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 periods indicated.

	2019
Regular	**909**
Officers	53
Team Members	856
Probationary	**57**
Outside Contractors	**406**
Agency-contracted	230
Fixed term employee	176
TOTAL	**1,372**

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 and finance lease to its individual and corporate clients for the acquisition of brand-new and/or certified pre-owned Toyota vehicles. TFSPH started to offer operating lease product to corporate clients last February 2019.

The table below shows the breakdown of the net interest income derived from lending/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	**As of December 31**					
	2017		**2018**		**2019**	
	Amount (PhP M)	*% to Total Revenues*	*Amount (PhP M)*	*% to Total Revenues*	*Amount (PhP M)*	*% to Total Revenues*
Interest Income (Retail Loans)	835.0	16.5%	963.0	15.4%	955.9	13.7%
Interest Income (Finance Lease)	4,064.6	80.4%	5,073.9	81.3%	5,887.0	84.7%
Other Income	153.0	3.0%	207.9	3.3%	110.1	1.6%
Total	**5,052.6**	**100.0%**	**6,244.8**	**100%**	**6,953.0**	**100%**

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

Location	**2017**		**2018**		**2019**	
	Units	*%*	*Units*	*%*	*Units*	*%*
Metro Manila	16,884	46.4%	11,905	37.4%	13,270	39.0%
Outside Metro Manila	19,481	53.6%	19,922	62.6%	20,792	61.0%
TOTAL	36,365	100.0%	31,827	100%	34,062	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 ownership more affordable to its customers.

Principal Competitors
TFSPH considers the following as its closest competitors in financing Toyota vehicles in 2019: PSBank, East West Bank, BDO, RCBC and UCPB.

Advantage over competitors

Products

- TFSPH is the only financing company that offers Finance 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, 2019, CET1/Tier 1 and Total Capital Adequacy ratios are 11.43% and 11.75%, 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 30% 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 33% 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 net revenue. The regulations also provide for MCIT of 2.00% 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 periods indicated.

	2019
Senior Officers (AVPs and up)	17
Officers (SM and down)	122
Rank and File	266
Sub total	**405**
Outsourced Services	40
Total	**445**

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.

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 (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). On August 6, 2012, MPIC launched Sponsored Level 1 American Depositary Receipt (ADR) Program with Deutsche Bank as the appointed depositary bank in line with the Parent Company's thrust to widen the availability of its shares to investors in the United States.

Metro Pacific Holdings, Inc. (MPHI) owns 41.9% of the total issued and outstanding common shares of MPIC as at December 31, 2019 and 41.9% of the total issued shares (or 42.0% of the total outstanding common shares) as at December 31, 2018. 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 55.0% as at December 31, 2019 and 2018.

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 Intalink B.V, and FPIL, holds 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.

(B) MPIC's Business and Significant Subsidiaries

For management purposes, MPIC 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 and Global Business Power Corporation (GBPC) in relation to power generation. The investment in MERALCO is held both directly and indirectly through Beacon Electric

Asset Holdings, Inc (Beacon Electric) while the investment in GBPC is held through Beacon Electric's wholly-owned entity, Beacon PowerGen Holdings Inc. (BPHI).

- *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) and PT Nusantara Infrastructure Tbk (PT Nusantara).

- *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).

- *Healthcare*, which primarily relates to operations and management of hospitals and nursing colleges and such other enterprises that have similar undertakings by Metro Pacific Hospital Holdings, Inc. (MPHHI) and subsidiaries. MPHHI has been deconsolidated starting December 9, 2019 and thereafter, investment retained has been classified as an equity method investment.

- *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.

- *Logistics*, which primarily relates to the Company's logistics business through MetroPac Logistics Company, Inc. (MPLC) and its subsidiaries.

- *Others,* which represent holding companies and operations of subsidiaries and other investees involved in real estate and provision of services.

The following table shows the breakdown of the MPIC Group's revenues, core income and reported net income by major segment with Logistics included in others as it is too small to report separately:

	Year Ended December 31, 2019 (in Php Millions)							
	Power	**Toll Operations**	**Water**	**Healthcare**	**Rail**	**Total**	**HO and Others**	**Consolidated**
Total revenue from external sales	**24,648**	**18,503**	**25,469**	**14,658**	**3,287**	**86,565**	**1,592**	**88,157**
MPIC's share in the Core Income	**11,669**	**5,089**	**3,619**	**867**	**319**	**21,563**	**(5,961)**	**15,602**
Operating companies contribution (%)	*54%*	*24%*	*17%*	*4%*	*1%*	*100%*	–	–
Non-recurring income (charges)	**(304)**	**(331)**	**(12,752)**	**25,837**	**(18)**	**12,432**	**(4,178)**	**8,254**
Segment Income (Loss)	**11,365**	**4,758**	**(9,133)**	**26,704**	**301**	**33,995**	**(10,139)**	**23,856**

	Year Ended December 31, 2018 (in Php Millions)							
	Power	**Toll operations**	**Water**	**Healthcare**	**Rail**	**Total**	**HO and Others**	**Consolidated**
Total revenue from external sales	**27,026**	**15,486**	**22,894**	**12,950**	**3,310**	**81,666**	**1,363**	**83,029**
MPIC's share in the Core Income	**10,902**	**4,394**	**3,823**	**771**	**394**	**20,284**	**(5,224)**	**15,060**
Operating companies contribution (%)	*54%*	*22%*	*19%*	*4%*	*2%*	*100%*	–	–
Non-recurring income (charges)	**292**	**(184)**	**(301)**	**138**	**(63)**	**(118)**	**(812)**	**(930)**
Segment Income (Loss)	**11,194**	**4,210**	**3,522**	**909**	**331**	**20,166**	**(6,036)**	**14,130**

While the Company's geographic focus is still predominantly the Philippines, MPIC has started increasing its presence in Southeast Asia with its investments in Indonesia (PT Nusantara), Thailand (DMT) and Vietnam (CII B&R, Tuan Loc Water Resources Investment Joint Stock Company and BOO Phu Ninh Water Treatment Plant Joint Stock Company).

Except as stated in the 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

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, 2019 and 2018, respectively.

MERALCO is the Philippines' largest electric power distribution company, with franchise area covering 9,685 square kilometers. It provides power to more than 6.8 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. Business establishments in the franchise area account for about 50% of the country's Gross Domestic Product.

Through Clark Electric Distribution Corporation (Clark Electric), a 65%-owned subsidiary, MERALCO holds the power distribution franchise of Clark Special Economic Zone in Clark, Pampanga. Clark Electric's franchise area covers 320 square kilometers and 2,518 customers as at December 31, 2019.

MERALCO is organized into two major operating segments, namely, power (distribution, generation and retail electricity supply) 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.

Power generation
MERALCO PowerGen Corporation (MGen), the power generation arm of MERALCO, has a 14% equity interest in Global Business Power Corporation (GBPC). GBPC owns a total of 854 MegaWatt (MW) (gross) of coal and diesel-fired power plants.

MGen owns an effective 28% equity in PacificLight Power Pte Ltd. (PacificLight Power) in Jurong Island, Singapore. PacificLight Power owns and operates a 2 x 400 MW combined cycle turbine power plant mainly fueled by liquefied natural gas ("LNG").

MGen, through San Buenaventura Power Limited (SBPL), 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). It will be the first ultra-supercritical coal-fired facility to be built in the country. A1E shall participate in a Competitive Selection Process (CSP) to be conducted by MERALCO for a 1,200 MW greenfield power plant capacity. In the meantime, advance site preparation and early engineering are being done in order to meet the targeted operations date.

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), a wholly owned subsidiary of MGen was incorporated and registered with the SEC on June 6, 2019 to engage in the development of renewable projects.

On December 5, 2019, MGen acquired 70% of Nortesol III Inc. ("NorteSol"), a company incorporated in the Philippines and engaged in the development, construction and operation of power plant and related facilities using renewable energy system and hybrid energy system. Nortesol is currently developing a 110 MW dc/90 MWac floating facility in Laguna de Bay and waiting for the Laguna Lake Development Authority leasing policy.

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

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, telecoms services, rail-related operations and maintenance services, insurance and re-insurance, e-business development, power distribution management, energy systems management and harnessing renewable energy.

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

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's participation in Retail Electricity Supply (RES) is through its local RES unit, MPower. In 2017, the ERC granted MERALCO's wholly owned subsidiary, Vantage Energy Solutions and Management, Inc. (Vantage), Solvre, Inc., a wholly owned subsidiary of MGen, and MeridianX Inc., a wholly owned subsidiary of Comstech Integration Alliance, Inc., distinct RES licenses to operate as retail electricity suppliers in Luzon and Visayas.

Principal Products or Services

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	
	2019	**2018**
Commercial	39.43%	39.41%
Residential	31.13%	30.59%
Industrial	29.14%	29.69%
Streetlights	0.30%	0.31%
Total	100.00%	100.00%

Dependence on Licenses and Government Approval

MERALCO was among the first entrants to the Performance-Based Regulation (PBR). Rate-setting under PBR is governed by the Rules for Setting Distribution Wheeling Rates (RDWR). The PBR scheme sets tariffs based on the regulated asset base 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, growth of all customer classes in the 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. A regulatory year (RY) begins on July 1 and ends on June 30 of the following year.

Application for Recoveries
MERALCO also files with the ERC its applications for recoveries of advances for pass-through costs. These advances consist mainly of unrecovered or differential generation and transmission charges technically referred to as under-recoveries, which are recoverable from the customers, as allowed by law.

Customers
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.

At 78 months since the start of RCOA, a good number of contestable customers have so far decided to wait for mandatory contestability and have therefore remained as captive customers, which continue to be served by the DU. In terms of demand, however, almost half of the estimated contestable customer demand has opted to switch into the competitive market. This comprises mostly large customers with high load factors, who were able to obtain competitively priced energy from competing retail electricity suppliers. Of the 1,088 qualified and registered contestable customers, 440 or 42% in terms of number of accounts have opted to be served by 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 of land, various buildings and improvements, as well as property and equipment such as substation equipment, towers, poles, underground conduit and conductors and overhead conductors and devices.

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 or through the Wholesale Electricity Sport Market (WESM). WESM is a venue where suppliers and buyers trade electricity as a commodity.

(B.1b) Power - GBPC

Business Development/ Products and Services
GBPC is an independent power producer with operations in the Visayas, Mindoro and Mindanao. Its generation facilities provide power to fast-growing, dynamic regions, ramping up economic growth and transforming communities.

The largest clean coal-fired power plants located in Iloilo City, with a combined capacity of 314 MW, are operated by Panay Energy Development Corporation (PEDC), in which GBP holds an 89.3% beneficial interest. PEDC has operated a 164 MW clean coal-fired power plant to serve the energy requirement of Panay and the rest of the Visayas region since 2011. A new 150 MW coal-fired circulating fluidized bed (CFB) plant in Panay began commercial operations during the first quarter of 2017. Upon completion of rectification works, the plant was accepted on May 31, 2018.

The second largest power generation facility is the 246 MW clean coal-fired power plant in Toledo City, Cebu, which is operated by Cebu Energy Development Corporation (CEDC). CEDC is a joint venture between Abovant Holdings, Inc. and Global Formosa Power Holdings, Inc. (GFPHI) with GFPHI having 56.0% beneficial interest.

GBPC, having 93.2% ownership stake in GFPHI, effectively has 52.2% interest in CEDC. This facility is the first commercial clean coal power plant in the Philippines.

Both the PEDC and CEDC plants utilize circulating fluidized bed boiler technology that produces very low levels of sulfur dioxide and nitrogen oxide and captures most solid emissions.

GBPC's other power generation facilities consist of a 60 MW coal facility, an 82 MW coal facility and a 40 MW fuel oil facility operated by Toledo Power Co. (TPC); a 72 MW fuel oil facility, a 20 MW fuel oil facility, a 7.5 MW fuel oil facility and a 5 MW fuel oil facility operated by Panay Power Corporation (PPC); and a 7.5 MW fuel oil facility operated by GBH Power Resources Inc. (GPRI).

In 2017, GBPC expanded to Mindanao, gaining a foothold in the island through a 50% equity in Alsons Thermal Energy Corporation (ATEC), the holding company of Alsons Consolidated Resources, Inc.'s (ACR) baseload coal-fired power plants. ATEC owns 75% stake in Sarangani Energy Corporation, which operates a 2x118.5 MW baseload coal-fired plant in Maasim, Sarangani Province, with the second unit declaring commercial operations on October 10, 2019. ATEC also holds 100% equity in San Ramon Power, Inc. (SRPI) which is developing a baseload coal-fired plant in Zamboanga City with a gross capacity of 120 MW.

Distribution Methods of Products and Services

GBPC, through its power generation companies, sells electricity through its bilateral power supply agreements or the Wholesale Electricity Spot Market (WESM).

GBPC enters into bilateral off-take arrangements through Electric Power Purchase Agreements (EPPA) between its generation subsidiaries and the power-off-takers such as DUs, electric cooperatives and other industrial off-takers. An EPPA provides for a specific amount of capacity to be allocated to each customer, with provisions that allow for the periodic revision of the amounts in the agreement.

GBPC, through its Global Energy Supply Corporation (GESC), a retail electricity supplier accredited by the ERC, provides power to big-load customers also known as "Contestable Customers". This was made possible through the execution of Retail Supply Contracts.

GBPC also enters into Ancillary Service Procurement Agreements (ASPA) with the National Grid Corporation of the Philippines (NGCP) to help maintain a reliable electric grid system.

New Products and Services

As a committed partner to nation building, the company explores expansion projects that support the development of high growth and emerging markets.

SEC's second 118.5 MW coal-fired plant commenced commercial operations on October 10, 2019. With this, SEC currently serves more than six million people from ten provinces and twelve cities in Mindanao, covered by the franchise areas of its contracted distribution utilities.

Competition

GBPC's power generation facilities are subject to competition from existing and future power generation plants that supply electricity to the Visayas grid. GBPC believes that its experience in designing, building and operating power plant projects in Visayas and Mindoro is stronger than any of its competitors in the region.

The key competitor in the region is the Unified Leyte Geothermal Power Plants, which were operated by the Philippine Government through National Power Corporation (NPC). These power plants are now privatized. The Leyte plants service both the Luzon and Visayas grids. Geothermal power plants are significant competitors because they can produce power at a relatively lower cost than fossil-fuel and coal-based producers. Specific to GBPC's facilities in Iloilo, Palm Concepcion Power Corporation's 135 MW coal-fired power plant remains to be its biggest competitor.

GBPC will face competition in both the development of new power generation facilities and the acquisition of existing power plants, as well as the financing for these activities. Factors such as the performance of the Philippine economy and the possibility of a shortfall in the Philippines' energy supply have attracted many potential competitors, including multinational development groups and equipment suppliers, to explore opportunities in the development of electric power generation projects in the Philippines. Accordingly, competition for and from new non-renewable and renewable power projects have increased in line with the expected long-term economic growth of the Philippines. For instance, in Toledo City, Cebu, Therma Visayas Inc. started operating the first 170 MW coal-fired power plant in the first half of the year, with the second one undergoing testing and commissioning. As for GBPC, the Company is looking at several projects to expand its energy portfolio through investments in renewable technologies.

Sources and Availability of Raw Materials and the Names of Principal Suppliers
GBPC has local and imported long-term Coal Supply Agreements with selected suppliers. GBPC gets majority of local coal supplies from Semirara Mining, while imported coal come from international partners from Indonesia and Russia.

Coal prices under the agreements are indexed to Global Newcastle Coal prices and are adjusted if the guaranteed coal qualities are not met but within the rejection limits. These coal qualities include calorific value, moisture, sulphur, ash and volatile matter. Coal procurement is being handled by GBPC's Supply Chain Management Group, particularly, the Coal Trading Team in coordination with the Fuel Management Department.

Major Customers
A summary of power off-taker customers having EPPAs with the generation subsidiaries as of December 31, 2019 is as follows:

Cebu Energy Development Corporation (CEDC)

- Visayan Electric Company, Inc. (VECO)
- Philippine Economic Zone Authority - Mactan Economic Zone I (PEZA-MEZ 1)
- Mactan Electric Company (MECO)
- Bohol I Electric Cooperative, Inc. (BOHECO 1)
- CEBU I Electric Cooperative, Inc. (CEBECO 1)
- CEBU II Electric Cooperative, Inc. (CEBECO 2)
- Balamban Enerzone Corporation (BEZ)
- National Grid Corporation of the Philippines (NGCP)
- Global Energy Supply Corp. (GESC) - Contestable Customers

Panay Energy Development Corporation (PEDC)

- Panay Electric Company, Inc. (PECO)
- Aklan Electric Cooperative, Inc. (AKELCO)
- Capiz Electric Cooperative, Inc. (CAPELCO)
- Antique Electric Cooperative, Inc. (ANTECO)
- Iloilo I Electric Cooperative, Inc. (ILECO 1)
- Iloilo II Electric Cooperative, Inc. (ILECO 2)
- Iloilo III Electric Cooperative, Inc. (ILECO 3)
- Iloilo Provincial Capitol
- Guimaras Electric Cooperative, Inc. (GUIMELCO)
- National Grid Corporation of the Philippines (NGCP)
- Manila Electric Company (MERALCO)
- Global Energy Supply Corp. (GESC) - Contestable Customers

Toledo Power Co. (TPC)

- Carmen Copper Corporation (Carmen Copper)
- CEBU III Electric Cooperative, Inc. (CEBECO 3)
- Philippine Mining Service Corp. (PMSC) – Bohol Facility
- Global Energy Supply Corp. (GESC) - Contestable Customers
- National Grid Corporation of the Philippines (NGCP)

Panay Power Corporation (PPC)

- Panay Electric Company (PECO)
- Iloilo I Electric Cooperative, Inc. (ILECO 1)
- Aklan Electric Cooperative (AKELCO)
- Negros Occidental Electric Cooperative, Inc. (NOCECO)

- National Grid Corporation of the Philippines (NGCP)

GBH Power Resources Inc. (GPRI)

- Oriental Mindoro Electric Cooperative, Inc. (ORMECO)

Effect of Existing or Probable Government Regulations on the Business

The following regulations may have significant impact on GBPC's business operations:

Wholesale Electricity Spot Market (WESM)

The WESM provides a venue through which independent power producers may sell power, and at the same time, distributors and wholesale consumers can purchase electricity where no bilateral contract exists between the two. In June 2002, the Department of Energy (DOE), in cooperation with electric power industry participants, promulgated detailed rules for the WESM thereby allowing the creation of the Philippine Electricity Market Corporation (which will operate the market) and providing a framework for the establishment of the WESM. These rules set the guidelines and standards for participation in the market, reflecting accepted economic principles and providing a level playing field for all electric power industry participants, and procedures for establishing the merit order dispatch for each trading period. The WESM began market operations in 2006 for Luzon and 2010 for Visayas. GBPC's subsidiaries, PEDC, CEDC, PPC and TPC, have been registered participants of the WESM since 2011. On June 26, 2017, PEMC commenced trial operations of WESM in Mindanao and is targeted to be fully-operational by first semester of 2020.

Below are various circulars, issuances and proposed amendments affecting WESM members:

- Shorter Trading and Dispatch Interval. To further enhance the design and operation of WESM, DOE Circular No. 2015-10-001 series of 2015 called for a number of changes which included a shorter trading and dispatch interval from one (1) hour to five (5) minutes.

- *Price Determination Methodology.* Substituting Philippine Electricity Market Corporation (PEMC) as Applicant, the Independent Electricity Market Operator of the Philippines, Inc. (IEMOP), also filed an Application on 16 May 2017 for the approval of the Price Determination Methodology for the WESM under ERC Case No. 2017-042 RC. Some enhancements in the proposed rule are the shortening of scheduling and pricing intervals from one hour to five minutes and ex ante only pricing, automatic pricing re-run, and preferential scheduling in the event that dispatch targets need to be restricted.

- *Ancillary Services – Causers Pay Mechanism*. DOE has drafted a Policy for the Effective Utilization of Ancillary Services in the Grid through Causer Pays Mechanism which has yet to be formalized in a memorandum circular. The proposed policy seeks to recover equitably the cost from the WESM member that requires or caused to require the use of Ancillary Services. The National Grid Corporation of the Philippines (NGCP), for its part, filed a Petition for the Approval of Amended Ancillary Services – Cost Recovery Mechanism (AS-CRM) on September 14, 2018. The amendment aims to reflect the new provision on Ancillary Services under the 2016 Philippine Grid Code and for AS-CRM to be consistent with the Open Access Transmission Service (OATS) Rules.

- *Renewable Energy Market (REM) Rules.* On 4 December 2019, the DOE issued Department Circular No. DC2019-12-0016 entitled *Promulgating the Renewable Energy Market Rules* (the "REM Rules"). The REM Rules establish the basic rules, requirements and procedures that govern the operation of the Renewable Energy Market (REM), which is a market for the trading of Renewable Energy Certificates (RECs). The REM is intended as a venue for mandated participants to comply with the Renewable Portfolio Standards (RPS) requirements. Among the mandated participants are: DUs for their captive customers, Suppliers of electricity for the Contestable Market, generating companies to the extent of their actual supply to directly connected customers, RE generation companies registered with the WESM, net metering for RE participants and Green Energy Option Program (GEOP) participants.

- *Ancillary Services Rules.* On 4 December 2019, the DOE issued Department Circular No. DC2019-12-008 entitled *Adopting a General Framework Governing the Provision and Utilization of Ancillary Services in the Grid* (the "**AS Rules**"). The AS Rules prescribe the required levels of AS per trading interval per grid. It provides the mandatory AS capability testing of all generating facilities.

The AS Rules prescribes the manner of procurement of AS prior to and after the commercial operation of the WESM Reserve Market. Essentially, prior to such operation: Regulating, Contingency, Dispatchable Reserves, Reactive Power Support AS and Black Start AS shall be procured through firm contracts only. Upon commercial operation of the WESM Reserve Market, the System Operator shall procure Regulating, Contingency and Dispatchable Reserves through firm contracting and the Reserve Market. Reactive Power Support AS and Black Start AS shall be procured through firm contracts only.

The AS Rules sets 26 March 2020 as the deadline for the co-optimization of the energy and reserves in the WESM, but subject to certain criteria. The existing cost-recovery mechanism for AS shall continue until a new mechanism is adopted by the DOE and/or the ERC.

The AS Rules provides that the Systems Operator is shall re-negotiate, as necessary, its existing contracts with AS providers in accordance with the AS Rules.

Retail Competition and Open Access
The EPIRA likewise provides for a system of open access on transmission and distribution wires, under which the National Grid Corporation of the Philippines (NGCP) is the transmission operator, and the DUs may not refuse the use of their wires for the delivery of electricity by qualified persons, subject to the payment of transmission or distribution wheeling charges. Commercial operations of the retail competition and open access commenced on June 26, 2013.

The ERC issued ERC Resolution No. 10, series of 2016 on May 12, 2016 which contained the Revised Rules on Contestability. Under said rules, the Threshold Reduction Date was set to June 26, 2016, where end-users with demand of at least 750kW shall be allowed to contract with any Retail Electricity Supplier (RES). On the other hand, for end-users with demand of at least 1MW, mandatory contestability was set to December 26, 2016. Lastly, the lowering of the threshold to cover end-users with demand of at least 500kW was set on June 26, 2018. However, the date for mandatory contestability for end-users with demand of at least 1MW was later moved to February 26, 2017 through ERC Resolution No. 28, series of 2016, issued on November 15, 2016, due to various issues on implementation of mandatory contestability.

The implementation of mandatory contestability has further been suspended by the issuance of a Temporary Restraining Order (TRO) on February 21, 2017 by the Supreme Court (SC). Acting on a petition filed by the Philippine Chamber of Commerce and Industry (PCCI), San Beda College Alabang, Inc., Ateneo de Manila University, and the Riverbanks Development Corp., the SC ruled that there was no legal basis for the mandatory migration being ordered under RCOA, and that EPIRA only provides for voluntary migration of end-users to the contestable market.

In response, the ERC has filed a motion seeking to lift the TRO and clarify the scope of the SC's ruling. Particularly, the ERC asked if it can lower the threshold to 750 kW for contestable customers, and if it can still issue new RES licenses to qualified energy industry players. To date, no further resolutions have been issued by the SC.

Notwithstanding above pending case before the SC, the DOE issued Department Circular 2017-12-0013 on November 29, 2017 which provides policy on RCOA that allows voluntary participation of Contestable Customers (CCs) with lower threshold. CCs with monthly average peak demand of 750 kW and above allows participation in the retail market on a voluntary basis upon the effectivity of the circular, with 500 kW to 749 kW monthly average peak demand effective June 26, 2018 and with no less than 500 kW monthly average peak demand effective December 26, 2018 or an earlier date set by the ERC.

GBPC, through its wholly-owned subsidiary GESC, is able to participate in the retail competition open access initiative to directly supply electricity to end users, including major industrial customers. As of December 31, 2019, GESC has a contracted capacity of 85 MW.

Tax Reform for Acceleration and Inclusion Act (TRAIN)
The first package of the government's tax reform package - the Tax Reform for Acceleration and Inclusion Act (TRAIN) - was signed into law by President Rodrigo R. Duterte last December 19, 2017.

The TRAIN Law, or Republic Act No. 10963, introduces sweeping tax reforms, including the restructuring of excise tax base on mineral products, particularly coal. The tax reform increased the excise tax of coal from ₱10 to ₱50 per metric ton effective January 1, 2018; ₱100 effective January 1, 2019; and ₱150 effective January 1, 2020. Likewise, 12-percent value added tax (VAT) will be added on the NGCP's wheeling charge.

The House of Representatives, under the 18th Congress of the Philippines, approved on third and final reading House Bill No. 4157 or the Corporate Income Tax and Incentive Rationalization Act ("CITIRA") last September 13, 2019, and transmitted the bill to the Senate on September 16, 2019. CITIRA is the second package of the TRAIN law. This bill proposes to gradually lower the corporate income tax rate and rationalize corporate tax incentives.

Proposed Comprehensive Income Tax and Incentives Rationalization Act (CITIRA)
Congress is tacking various bills on the CITIRA. Among the notable provisions of the proposed CITIRA Bill are as follows:

- *Income Tax Holiday (ITH):* for existing registered enterprises, the ITH shall be the remaining ITH grant or 5 years ITH, whichever is shorter. For newly-registered enterprises, ITH shall be 3 years (for National Capital Region (NCR)), 4 years for provinces near NCR, and 6 years for other locations.

- *Reduced Income Tax Rate After ITH:* for existing registered enterprises, 5% tax on gross income in lieu of all taxes (after expiration of ITH) with time limit ranging from 2-5 years. For newly-registered enterprises, reduced income tax rate of 18% (from 2020) and gradually reducing to 13% (by 2030) with time limit ranging from 2-5 years.

- *Income Tax on Domestic Corporation:* 29% starting 1 January 2020 and reducing gradually to 20% by 2029.

The CITIRA Bill is pending review and deliberation of the Senate Committee on Ways and Means.

Renewable Energy Act of 2008
The Renewable Energy Act of 2008 (RE Law) is a landmark legislation and is considered the most comprehensive renewable energy law in Southeast Asia. The RE Law was signed by then President Gloria M. Arroyo on December 16, 2008 and took effect on January 30, 2009.

One of the main objectives of the RE Law is to accelerate the exploration and development of renewable energy resources such as, but not limited to, biomass, solar, wind, hydro, geothermal and ocean energy sources, including hybrid systems, to achieve synergy self-reliance, through the adoption of sustainable energy development strategies to reduce the country's dependence on fossil fuels and thereby minimize the country's exposure to price fluctuations in the international markets, the effects of which spiral down to almost all sectors of the economy.

The RE Law also offers key fiscal and non-fiscal incentives to developers of renewable energy facilities, including hybrid systems, subject to certification from DOE and in consultation with the Board of Investments (BOI). All fiscal incentives apply to all RE capacities upon the RE Law becoming effective. Key incentives are as follows:

- income tax holiday for the first seven years of operation;
- duty-free importations of RE machinery, equipment and materials, effective within ten years upon issuance of certification, provided that the said machinery, equipment and materials are directly, exclusively and actually used in the RE facilities;
- special realty property tax rates on equipment and machinery not exceeding 1.5% of the net book value;
- net operating loss carry-over for a period of seven years;
- corporate income tax rates of 10% after the income tax holiday;
- accelerated depreciation for the purposes of computing taxable income;
- zero percent value-added tax on the sale of fuel or power generated from emerging energy sources and purchases of local supply of goods, properties and services of renewable energy facilities;
- cash incentives for renewable energy developers for missionary electrification;
- tax exemption, applicable to both value-added tax and corporate income tax, on carbon emission credits; and
- tax credits on domestic purchases of capital equipment and services.

The non-fiscal incentives or market mechanism include the Renewable Portfolio Standard (RPS), which sets a minimum percentage of generation from eligible renewable energy resources; the Feed-in Tariff System, which authorizes a fixed tariff for electricity produced from emerging renewable energy resources; the Renewable Energy Market (REM), which will operate in the WESM to facilitate compliance with the Renewable Portfolio Standard; and the Green Energy Option, which allows end-users to contract their energy requirements directly from renewable energy facilities. On December 22, 2017, DOE issued Department Circular No. DC2017-12-0015 "Promulgating the Rules and Guidelines Governing the Establishment of the RPS for On-Grid Areas" and on August 24, 2018, DOE issued Department Circular No. DC2018-08-0024 "Promulgating the Rules and Guidelines Governing the Establishment of the RPS for Off-Grid Areas." On July 18, 2018, DOE issued Department Circular No. DC2018-07-0019 "Promulgating the Rules and Guidelines Governing the Establishment of the Green Energy Option Program."

GBPC is exploring opportunities in renewable energy facilities, such as hydro, biomass and solar facilities, to complement its existing portfolio and bring down its average cost of generation.

Licenses

Under the EPIRA, no person or entity may engage in the generation of electricity unless such person or entity has complied with the standards, requirements and other terms and conditions set by the ERC and has received a Certificate of Compliance (COC) from the ERC to operate facilities used in the generation of electricity. Pending issuance of the COC, the ERC may issue a Provisional Authority to Operate (PAO) to enable the entity to operate its generation facility.

The power generation companies of GBPC possess the required COCs.

Government Approval Process

As set forth in the EPIRA, power generation is not considered a public utility operation. Thus, an entity engaged or intending to engage in the generation of electricity is not required to secure a franchise. However, no person or entity may engage in the generation of electricity unless such person or entity has complied with the standards, requirements and other terms and conditions set by the ERC and has received a COC from the ERC to operate facilities used in the generation of electricity. A COC is valid for a period of five years from the date of issuance.

In addition to the COC requirement, a generation company must comply with technical, financial and environmental standards. A generation company must ensure that its facilities connected to the grid meet the technical design and operational criteria of the Grid Code and Distribution Code promulgated by the ERC. In this connection, the ERC has issued "Guidelines for the Financial Standards of Generation Companies," which sets the minimum financial capability standards for generation companies. Under the guidelines, a generation company is required to meet a minimum annual interest cover ratio or debt service coverage ratio of 1.5x throughout the period covered by its COC. For COC applications and renewals, the guidelines require the submission to the ERC of, among other things, comparative audited financial statements, a schedule of liabilities, and a five-year financial plan. For the duration of the COC, the guidelines also require a generation company to submit audited financial statements and forecast financial statements to the ERC for the next two financial years, as well as other documents. The failure by a generation company to submit the requirements prescribed by the guidelines may be grounds for the imposition of fines and penalties.

Upon the introduction of retail competition and open access, the rates charged by a generation company will no longer be regulated by the ERC, except rates for Captive Markets (which are determined by the ERC). In addition, since the establishment of the WESM, generation companies are required to comply with the membership criteria and appropriate dispatch scheduling as prescribed under the WESM Rules.

In the course of developing a power plant, permits, approvals and consents (including environmental licenses) must be obtained from relevant national, provincial and local government authorities relating to site acquisition, construction and operation.

Energy Investment Coordination Committee

In June 2017, President Rodrigo R. Duterte signed Executive Order (EO) No. 30 creating the Energy Investment Coordinating Council (EICC) which aims to streamline the regulatory procedures affecting energy projects of national significance. The EICC is an inter-agency group to be chaired by a representative from the DOE.

A salient provision of EO 30 is that it classifies energy projects with capital investment of at least ₱3.5 billion as Energy Projects of National Significance (EPNS), and government agencies are required to act upon such applications within a 30-day period. Other criteria for energy projects to be classified as EPNS include significant contribution to the country's developments, significant potential contribution to the country's balance of payments, significant impact on the environment, complex technical processes and engineering designs, and significant infrastructure requirements.

Energy Virtual One Stop Shop
On 8 March 2019, Congress enacted RA No. 11234 or the Energy Virtual One-Stop Shop (EVOSS) essentially mandating the creation of an online system that allows the coordinated submission and processing of all applications for permits and/or certifications for new power generation, transmission and distribution projects. It provides for a specific timeframe for each agency to issue an action (either a decision approving or rejecting an application. Compliance with the timeframe is mandatory and punishable by administrative penalties. Failure to act is generally deemed an approval of the application. Among other agencies, the following departments and their attached agencies are mandated to act within the following specific timeframes:

- DOE and its attached agencies - 60 calendar days.
- ERC - 270 calendar days
- Department of Agrarian Reform (DAR) and its attached agencies - 75 calendar days.
- Department of Environment and Natural Resources (DENR) and its attached agencies - 120 calendar days.
- National Water Resources Board (NWRB) - 60 calendar days.

The prescribed timeframe shall be the total number of days for the mother agency and its attached agencies, at both national and local levels, and GOCCs as a whole to release actions on the applications. The time frame shall be counted from the complete submission of documentary requirements.

Costs and Effects of Compliance with Environmental Laws
The operations of GBPC's power generation facilities are subject to a broad range of environmental laws and regulations. These laws and regulations impose controls on air and water discharges, the storage, handling, discharge and disposal of fuel, chemicals and wastes, and other aspects of the operations. GBPC has incurred operating costs and capital expenditures and will continue to do so to comply with these environmental laws and regulations.

GBPC has undertaken carbon sink projects and has allocated funds for Energy Regulation No. 1-94 to finance reforestation, watershed management, as well as health and environment enhancement projects. GBPC also actively seeks ISO accreditations, and all power generation facilities are certified under ISO 14001:2015 (Environmental Management System).

Environmental Laws
GBPC's power generation operations follow laws, regulations and policies that concern environmental protection and sustainability. Each plant consistently submits periodic Self-Monitoring Report (SMR), Compliance Monitoring Report (CMR) and Compliance Monitoring and Validation Reports (CMVR) to the Environmental Management Bureau Central and Regional Offices to ensure that its operations, which include but are not limited to water discharges and air emissions, comply with the requirements of R.A.9275 Clean Water Act and R.A. 8749 Clean Air Act. These monitoring reports are performed in the presence of Multi-Partite Monitoring Team (MMT). The MMT is composed of representatives from various government and non-government institutions who are tasked to conduct regular monitoring of potential sources of pollution and help recommend solutions.

On October 8, 2018, the DENR-EMB Office of the Regional Director of Region VI issued interim guidelines in handling, storage, transport, and offsite utilization of coal combustion residual. Currently, PEDC under the jurisdiction of DENR Region VI has faithfully complied with the requirements mentioned in the guidelines.

(B.1c) Others – Energy-from-Waste

Dependence on Licenses and Government Approval
With no comparable proposals to challenge the Quezon City Solid Waste Management Facility Project, the MPIC-led consortium with Covanta Energy, LLC and Macquarie Group, Ltd. is waiting for the issuance of the Notice of Award from the Quezon City Government as of February 26, 2020. The waste treatment facility will convert up to 3,000 metric tons a day of municipal waste into 36 MW (net) of electricity.

Status of any publicly announced product or services
In November 2018, MPIC through its wholly owned subsidiary Metpower Venture Partners Holdings, Inc. signed agreements with Dole Philippines Inc. (Dole) to design, construct and operate integrated waste-to-energy (WTE) facilities specifically for Dole. This project uses the derived biogas from the anaerobic digestion of fruit waste to supply a portion of the diesel and power requirements of Dole's canneries located in South Cotabato. The biogas facilities, with construction completion expected within 2020, will have a capacity of 5.7 MW of clean energy for Dole and reduce its CO2 emission by 100,000 tons per year.

This project was granted a 50% CAPEX subsidy by the Japanese Ministry of Environment under the Joint Credit Mechanism Program.

(B.2) Toll Operations

Business Development
The Company holds its toll road assets through MPTC.

As at December 31, 2019, MPTC's subsidiaries holds 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 47-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:

- *29.4% stake in DMT.* DMT is a major toll road operator in Bangkok, Thailand. The concession for DMT runs until 2034 for the operation of a 21.9-kilometer six-lane elevated toll road from central Bangkok to Don Muang International Airport and further to the National Monument, north of Bangkok, Thailand.
- *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 105.0 kilometers of roads operating at approximately 41,000 vehicles per day and roads under pre-construction or on-going construction covering a total of 40.1 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.
- *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; (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.

Patents, Trademarks, Licenses, Franchises, Concessions or Labor Contract
The toll segment's concession comprises of the rights, interests and privileges to finance, design, construct, operate and maintain toll roads, toll facilities and other facilities generating toll-related and non-toll related income.

NLEX Corp holds the concession for the largest toll road in the Philippines, the NLEX Project. The NLEX currently spans approximately 103.4 kilometers and services an average of 290,000 vehicles per day. The NLEX is the main infrastructure backbone that connects Metro Manila to 15 million people in Central and Northern Luzon. NLEX Corp has been in commercial operations since February 2005 and has since established the NLEX brand as the standard for toll road operations and management excellence in the Philippines. 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 had its partial opening in February 2020.

On February 9, 2015, NLEX Corp received the Notice of Award from the Bases Conversion and Development Authority (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 (Toll Operation Agreement or "TOA"). 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 also holds the concession right for the Connector Road. The Connector Road is a four (4) lane toll expressway structure with a length of eight (8) kilometers all passing through and above the right of way of the Philippine National Railways (PNR) starting NLEX Segment 10 in C3 Road Caloocan City and seamlessly connecting to SLEX through Metro Manila Skyway Stage 3 Project. The concession period shall commence on the commencement date and shall end on its thirty-seventh (37^{th}) anniversary, unless otherwise extended or terminated in accordance with the Concession Agreement. The Connector Project is expected to be completed by 2021.

CIC holds the concession for the operation and maintenance of the CAVITEX. 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, had 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.

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 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 2022. Sub-sections 6 to 8, a segment of CALAX, commenced operations in October 2019. Notice to start collection for the said sub-sections was received in February 2020.

CCLEC is granted the concession to design, finance, construct, operate and maintain the CCLEX, including the right to collect toll fees over a 35-year concession 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. Construction of the project is ongoing and is estimated to be completed by 2021.

PT Nusantara, through its subsidiaries, holds investments in toll road operators PT Bintaro Serpong Damai (BSD), PT Jalan Tol Seksi Empat (JTSE), and PT Bosowa Marga Nusantara (BMN), in water and waste management service providers, PT Sarana Catur Tirta Kelola (SCTK) and PT Dain Celicani Cemerlang (DCC) and in power supply providers, PT Rezeki Perkasa Sejahtera Lestari (RPSL).

BSD entered into a Toll Road Operational Authority Agreement with Jasa Marga for the development and operations of Pondok Aren - Serpong toll road lane for a period of twenty-eight (28) years, including construction period. The toll road has been in operations 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 construction period. The toll road has been in operations 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.

BMN entered into a joint operation agreement with PT Jasa Marga (Persero) Tbk (Jasa Marga), a third-party toll road operator in Indonesia, for the operations of Ujung Pandang toll road. BMN 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 operations since 1998. In October 2017, BMN 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 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 is still ongoing and is expected to be completed by 2020.

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 up to 250 liter per second clean water supply and sources its raw water from the Deli River to supply clean water to 153 factories in KIM Industrial Estate.

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

Dependence on Licenses and Government Approval
Necessary government approvals in relation to the operation of the toll roads have been secured and documented in the related concession agreements. The concession agreements establish a toll rate formula and adjustment procedure for setting the appropriate toll rate.

Effect of Existing or Probable Governmental Regulations on the Business
There are no anticipated changes to government regulations that will significantly affect the toll business of the Group.

However, the main variable affecting the extent or likelihood of earnings growth at MPTC is the ability of the subsidiaries to secure the tariff adjustments they are owed under the regulatory frameworks that govern their concessions. NLEX Corp and CIC derive substantially all of their revenues from toll collections from the users of the toll roads.

On March 6, 2019, NLEX Corp received the TRB's order to publish the adjusted toll rates for the NLEX System (the "Order"). The Order contains the adjusted authorized final period adjustments for the whole NLEX system due in 2013 (2012 Petition) and 2015 (2014 Petition) constituting 50% of the approved adjustment (with the remaining adjustments to be implemented in subsequent years), and the provisional add-on toll rate for the NLEX open system due to the opening of the NLEX Harbor Link Project. The TRB issued the Notice to Collect on March 20, 2019. NLEX Corp implemented the toll rate adjustments effective March 21, 2019.

On June 14, 2019, NLEX Corp. implemented the Petition for Periodic Toll Rate Adjustment effective 2012 in the SCTEX. Apart from this Petition, all the remaining toll rate adjustments for SCTEX remain pending with the TRB.

In October 2019, the TRB approved the add-on toll rate for Phase 1 of the R-1 Enhancement Project on Segment 1 (R-1 Expressway) of the CAVITEX. The new toll increase was implemented on October 24, 2019. The additional toll rates shall be added on to the toll rates authorized as of 2009. These add-on toll rates are intended to cover the enhancement of the R-1 Expressway, which include the widening of R-1 Expressway with an addition of one (1) lane in both directions, converting the carriageways from 2x3 lanes to 2x4 lanes, or a total of 5.20 kms. along each direction, as well as the construction of the Marina Bay flyover and left-turning lanes.

In October 2019, the TRB has approved the initial toll for the first 2.2 kilometers of the Segment 3A-1 toll rate adjustments which were due since January 1, 2012 for both R1 and R1-Extension is portion of the C-5 Link Expressway, which forms part of the Manila-Cavite Toll Expressway Project (MCTEP). The initial toll was implemented on October 24, 2019.

In November 2019, JTSE implemented its new effective toll rates based on the Decree of Minister of Public Works No. 1076/KPTS/M/2019.

In February 2020, the TRB issued the Toll Operation Permit (TOP) for the CALAX Sub-sections 6 to 8. TRB issued the Notice to Start Collection effective February 11, 2020.

Customers
The toll road business of the Company enjoys sole concession as provided for in the concession agreements. Moreover, this segment is 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.

Sales contributed by foreign sales
Revenue contribution from PT Nusantara amounted to ₱2.2 billion in 2019.

For the year ended December 31, 2019, net foreign contribution from investments in CII B&R, DMT, JLB (a material associate of PT Nusantara)through share in equity in net earnings, contributed approximately ₱584 million to MPIC's consolidated income before tax.

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

Competition
While the tollroad 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 tollroads 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.

The Company continues to promote traffic growth on these tollroads by providing more entry and exit points along the expressway. Likewise, the Company continues to boost the value proposition of its tollroads by implementing measures to enhance customer satisfaction, safety, and convenience. While there is insignificant 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 invested in the controlling shareholders of Metro Manila Skyway, South Luzon Expressway, Tarlac-Pangasinan-La Union Expressway and NAIA Expressway.

Source and availability of raw materials
CIC's main supply contract consists of the O&M Agreement PEA Tollway Corporation ("PEATC") for the operations and maintenance of CAVITEX.

On October 1, 2016, CIC and Metro Pacific Tollways Management Services Inc. (MPTMSI, a wholly-owned subsidiary of MPTC) entered into a Toll Collection Services Agreement to facilitate the toll collection function of CIC. PEATC and MPTMSI 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.

Transactions with related parties
See details and other related party transactions disclosed under Note 19, *Related Party Transactions* to the 2019 Audited Consolidated Financial Statements.

Costs and effects of compliance with environmental laws
Prior to the commencement of construction activities, the grantee must obtain an 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 (SEMS) 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
Certain toll projects are either under pre-construction or on-going construction.

Status of the toll projects as follows:

	Length *(In Km)*	Construction Cost *(In Billions)*	Target Completion	Right of Way Progress
Expansions to existing roads				
NLEX Harbour Link (Radial Road 10)	2.6	₱6.7	2020	94%
NLEX Lane Widening Phase 2	N/A	1.6	2020	N/A
CAVITEX Segment 4 Extension	1.2	1.5	2022	85%
CAVITEX - C5 South Link	7.7	12.7	2022	73%
NLEX Citi Link	11.5	18.8	2024	0%
Stand-alone road projects				
NLEX-SLEX Connector Road	8.0	23.3	2021	Section 1: Caloocan-78% Manila-58% Section 2: 74%
Cebu Cordova Link Expressway	8.5	26.6	2021	100%
Cavite-Laguna Expressway	44.7	14.1	2022	Total - 54% Laguna segment – 84% Cavite segment – 37%
TOTAL	**84.2**	**₱105. 3**		

(B.3a) Water - Maynilad

Business Development

MWHCI's main activity is the holding of controlling shares in Maynilad, which holds the exclusive concession granted by the Metropolitan Waterworks and Sewerage System (MWSS), on behalf of the Philippine Government, to provide water and sewerage services in the West Service Area of Metro Manila. MPIC's effective ownership in Maynilad was at 52.8% as at December 31, 2019, 2018 and 2017.

Maynilad's subsidiaries are PHI and Amayi Water Solutions, Inc. (Amayi). PHI, which was acquired by Maynilad on August 3, 2012 through a Share Purchase Agreement (SPA) with a third party, is engaged in waterworks construction, engineering and engineering consulting services. PHI has 25-year Bulk Water Supply Agreements with various provincial municipalities outside the West Service Area and a Memorandum of Agreement with certain provincial municipality for the construction and operation of water treatment facilities for water distribution services. Amayi, incorporated on July 18, 2012, was established for the purpose of operating, managing, maintaining and rehabilitating waterworks, sewerage and sanitation system and services outside Maynilad's concession area.

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

In February 1997, Maynilad entered into a concession agreement with MWSS, with respect to the MWSS West Service Area. 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 Service Area for 25 years ending in 2022. In September 2009, MWSS approved an extension of its concession agreement with Maynilad for another 15 years to 2037.

Maynilad's subsidiary, PHI, is granted the sole right to distribute water in a certain part of Bulacan under concession agreements granted by the Philippine government for 25 years to 2035.

On February 19, 2019, Amayi Water Solutions, Inc., a wholly owned subsidiary of Maynilad, 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.

Dependence on Licenses and Government Approval

Necessary government approvals in relation to the operation of the water business have been secured and documented in the related concession agreements.

Under Maynilad's concession agreement with the Philippine Government, Maynilad is entitled to tariff rate adjustments based on movements in the Philippine consumer price index, foreign exchange currency differentials, and following a rate rebasing process conducted every five years (Rate Rebasing) and certain extraordinary events. Any rate adjustment requires approval by MWSS and the Regulatory Office (RO). Any tariff adjustments that are not granted, in a timely manner, in full or at all, could have a material adverse effect on the Maynilad's results of operations and financial condition as well as MPIC. However, the Republic of the Philippines has provided Maynilad with a "make whole" guarantee in respect of any interference by any government agency in the setting of the tariff.

On December 11, 2019, Maynilad received a letter from the MWSS informing Maynilad that the MWSS Board of Trustees, in a special meeting held on December 5, 2019, passed a resolution revoking the resolution that approved the extension of Maynilad's Concession Agreement from its original expiry of 2022 to 2037 (the "Subject Resolution").

The MWSS Board of Trustees likewise revoked a similar resolution that extended the term of the Concession Agreement of the other concessionaire.

Subsequently, however, when Maynilad formally asked the MWSS and the Regulatory Office what the effect of the Subject Resolution is, the Regulatory Office, in a letter to Maynilad dated December 23, 2020, stated that "as of to date, the 25-year Concession Agreement (CA) that covers the years 1997 to 2022 and the Memorandum of Agreement (MOA) that provides for the 15-year extension of the concession period from year 2022 to 2037 have not yet been cancelled."

On December 9, 2019, Maynilad received a letter from MWSS informing the former that the latter was directed to perform a review of the Concession Agreement. The amendments to the provisions of the Concession Agreement may affect, among others, future tariff increases and service commitments, and the concession period. Any future amendments to the provisions of the Concession Agreement will be reflected in the financial statements as these are determined. As of February 26, 2020, Maynilad is awaiting the draft of the amendments to its Concession Agreement.

Effect of Existing or Probable Governmental Regulations on the Business

The matter of the Maynilad tariff implementation remains unresolved as does the related claim on the Republic of the Philippines.

On December 29, 2014, Maynilad's water tariff under the rate rebasing for the period from 2013 to 2017 (the "Rebasing Period") received a favourable award in arbitration proceedings in the Philippines. However, the MWSS has not implemented the awarded tariff increase.

Maynilad subsequently proceeded to arbitration in Singapore and the final hearing was completed in December 2016. On July 24, 2017, the three-person Arbitral Tribunal (the "Tribunal") unanimously upheld the validity of Maynilad's claim against the undertaking letter issued by the Republic, through the Department of Finance, to compensate Maynilad for the delayed implementation of its relevant tariffs for the Rebasing Period.

The Tribunal ordered the Republic to reimburse Maynilad ₱3.4 billion (subsequently adjusted to ₱3.2 billion) for losses from March 11, 2015 to August 31, 2016, without prejudice to any rights that Maynilad may have to seek recourse against the MWSS for losses incurred from January 1, 2013 to March 10, 2015. Further, the Tribunal ruled that Maynilad is entitled to recover from the Republic its losses from September 1, 2016. On February 9, 2018, the Republic filed an application with the High Court of Singapore to set aside the arbitration award issued on July 24, 2017 and seeks to have a sealed hearing rather than an open court process.

On September 4, 2018, the High Court of Singapore dismissed the Republic's application to set aside the Second Award and awarded S$40,000.00 in favor of Maynilad by way of costs. The Republic did not appeal the decision to the Singapore Court of Appeal within the prescribed 30-day period, hence, the dismissal of the Republic's application became final on October 4, 2018.

As at December 31, 2018, Maynilad has an outstanding claim against the Republic of the Philippines (ROP), through the Department of Finance (DOF), in relation to the decision of the Arbitral Tribunal to compensate Maynilad for the delayed implementation of its relevant tariffs for the rebasing period 2013 to 2017 in the amount of ₱3.18 billion and cost of litigation of litigation amounting to S$40,000.

Total claim from the DOF at ₱6.7 billion comprising of the ₱3.18 billion fixed award and the remaining as variable award still to be resolved. As at December 31, 2017, Maynilad's total cumulative revenue losses due to the delayed implementation of the arbitration awards are estimated at ₱11.4 billion.

On September 13, 2018, the MWSS issued Resolution No. 2018-136-RO adopting RO Resolution No. 2018-09-CA dated September 7, 2018 granting Maynilad a partial rate adjustment of ₱5.73/cu.m. for the Fifth Rate Rebasing Period (2018 to 2022), to be implemented on an uneven staggered basis of (i) ₱0.90/cu.m. effective October 1, 2018; (ii) ₱1.95/cu.m. effective January 1, 2020, (iii) ₱1.95/cu.m. effective January 1, 2021, and (iv) ₱0.93/cu.m. effective January 1, 2022. The approved rate adjustment still does not include the corporate income tax ("CIT") component to which Maynilad is entitled by virtue of the First Award. In their Resolutions, the MWSS and RO stated that the inclusion of the CIT in Maynilad's tariff is subject to the SC's resolution of MWSS's Petition for Review.

To preserve its right to the CIT which has already been adjudged in its favor in the First Award, and pursuant to Article 12 of the Concession Agreement, Maynilad, on October 12, 2018, filed a Dispute Notice, signaling the start of another arbitration. However, on November 9, 2018, MWSS and Maynilad filed a joint application with the Appeals Panel to suspend proceedings to give the parties time to try to settle their differences amicably.

On February 11, 2019, Maynilad wrote the DOF about the amount of its updated claim for compensation by the ROP, which is ₱6.7 billion with a request that the DOF order the MWSS and the MWSS-Regulatory Office to meet with Maynilad to agree and discuss a proposed settlement of the updated claim.

The rate adjustment for January 1, 2020 was not implemented. On January 2, 2020, Maynilad executed the Release From and Waiver of Claim on Arbitral Award ("Waiver") in favor of the ROP. In its Waiver, Maynilad waived its claim against the ROP for ₱6.7 billion which represents Maynilad's foregone revenues for the period March 11, 2015 to December 31, 2017. Maynilad emphasized that the Waiver does not constitute an admission of any unlawful act or liability of any kind on the part of Maynilad and the ROP, and may not be used as evidence in any legal proceeding except to enforce or challenge its terms.

Customers

The water business of the Company, through Maynilad enjoys a sole concession of Metro Manila's West Service Area. This segment is 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.

Distribution

Water is distributed through Maynilad's network of pipelines, pumping stations and mini-boosters. As at December 31, 2019, Maynilad's network consisted of around 7,713 kms of total pipeline.

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 Holdings, Inc. (DMCI, a non-controlling shareholder in MWHCI), in relation to the provision of engineering, procurement and construction services to Maynilad.

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 Department of Environment and Natural Resources (DENR) regarding effluent quality. 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. 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, 2019, MPW's subsidiaries hold the following concession rights:

- *Through 95% in Cagayan De Oro Bulk Water Inc. (COBI) through its wholly-owned subsidiary, MetroPac Cagayan De Oro Holdings, Inc. (MCOH)*. COBI holds a 30-year 100 million liters per day (MLD) Bulk Water Supply Project (CDO Project). Operations commenced effective December 31, 2017.

- *Through 80% in Metro Iloilo Bulk Water Supply Corporation (MIBWSC)*. MIBWSC holds a 25-year 170 million liters per day (MLD) Bulk Water Supply Project (Metro Iloilo Project). On July 5, 2016, MIBWSC officially took over water production operations from the MIWD.

- *Through 80% in Metro Pacific Iloilo Water Inc. (MPIWI)*. MPIWI, a joint venture between MPW and Metro Iloilo Water District (MIWD), holds a 25-year concession to rehabilitate, operate, maintain and expand MIWD's existing water distribution system and construct wastewater facilities in Iloilo City. MPIWI commenced operations in July 2019.

- *Through 80% in Metro Pacific Dumaguete Water Services Inc. (MPDW).* MPDW holds a 25-year concession to rehabilitate, operate, maintain and expand Dumaguete City Water District's (DCWD) existing water distribution system and develop wastewater facilities in Dumaguete City. As at February 26, 2020, the conditions precedent for the declaration of commencement date has not yet been achieved.

- *Through 52.5% 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 and has potential to increase its capacity to 300 MLD.

MPW also has 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 implements the Joint Venture Project (JV Project) for the financing, rehabilitation, improvement, expansion, operation and maintenance of the Water Supply System of the Joint Venture Area covering the municipalities of Los Banos, Bay, Calauan and Victoria of the Province of Laguna. LARC commenced the operation and management of the distribution network of the Laguna Water District (LWD) on January 1, 2016.

- *Effective economic interest of 27% 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 (WPA) 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 (MCWD).

- *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 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.

Patents, Trademarks, Licenses, Franchises, Concessions or Labor Contract
See discussion above and disclosures in Note 29, *Significant Contracts, Agreements and Commitments - Concession Arrangements* to MPIC's 2019 Audited Consolidated Financial Statements.

MPW's subsidiary, 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. The Company maintains compliance with the requirements and conditions for obtaining and maintaining such licenses and permits.

The guidelines implemented by the National Water Resources Board (NWRB) and/or the Local Water Utilities Administration (LWUA) regulate the water tariffs that may be charged by water distribution companies to customers. The Company 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 (see "Patents, Trademarks, Licenses, Franchises, Concessions or Labor Contract").

For the year ended December 31, 2019, revenues from these customers do not represent a significant percentage of MPIC's consolidated water revenues.

Sales contributed by foreign sales
Revenue contribution from the water concession operated by PNW amounted to ₱5million from the date of business combination, September 5, 2019.

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* to MPIC's 2019 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
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.

MPDW shall source all its water requirements from groundwater.

Transactions with related parties
ESTII, a subsidiary of MPW, entered into contracts with Maynilad for the construction of wastewater treatment plants. MIBWSC also has a technical services agreement with Maynilad for the provision of technical and specialized services relating to maintenance, operation, expansion, rehabilitation of facilities, and other related works and also entered into a management services agreement with MPW for the provision of accounting, treasury, branding, corporate governance, information technology and other management services. Transaction 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.

Status of any publicly announced products and services
MPDW has not commenced operations yet pending fulfillment of conditions precedent to the signing of the Joint Venture Agreement.

(B.4) Healthcare

Business Development
MPIC's Hospital group comprises of full-service hospitals and a mall-based diagnostic and surgical center and is the largest private provider of premier hospital services in the Philippines. It delivers medical services including diagnostic, therapeutic and preventive medicine services in all three major island groupings in the country.

MPHHI completed the following acquisitions in 2019, 2018 and 2017:

- On December 11, 2019, MPHHI completed its acquisition of a 77.1% interest in Santos Clinic Incorporated (SCI), owner and operator of Manuel J Santos Hospital (MJSH) a 100-bed Level 2 hospital in Butuan, Mindanao. Total consideration paid amounted to ₱373 million.

- From August to October 2018, MPHHI purchased 132,975 shares of DDH for aggregate consideration of ₱669 million which increased its ownership from 35.16% to 49.91%.

- On October 5, 2017, MPHHI completed the acquisition of a 54% stake in St. Elizabeth Hospital, Inc. (SEHI), a 248-bed tertiary level hospital located in General Santos City on December 8, 2017, MPHHI made an additional cash infusion in SEHI through subscription of primary shares that increased its interest in SEHI to 80%. The cash infusion from MPHHI was intended for expansion and improvement of facilities and for the purchase additional medical equipment.

- On January 31, 2017, MPHHI infused approximately ₱133.5 million of cash into Delgado Clinic Inc. (DCI), owner and operator of the Dr. Jesus C. Delgado Memorial Hospital (JDMH) via a subscription to preferred shares representing approximately 65% of the total expanded capital stock of DCI. The cash infusion from MPHHI is intended for the upgrade of equipment and facilities.

  On October 14, 2019, MPIC, together with MPHHI, entered into a series of transactions for the investment and entry of global investment firm KKR & Co..

Customers
As at December 31, 2019, MPHHI had interest in fourteen (15) hospitals with approximately 3,100 beds throughout the country:
- Eight (8) in Metro Manila: Makati Medical Center (MMC), Cardinal Santos Medical Center (CSMC), Our Lady of Lourdes Hospital (OLLH), Asian Hospital (AHI), De Los Santos Medical Center (DLSMC), Manila Doctors Hospital (MDH), MVMC and JDMH; and
- Seven (7) in other parts of the country: Davao Doctors Hospital (DDH), Riverside Medical Center (RMCI) in Bacolod, Central Luzon Doctors Hospital (CLDH) in Tarlac, West Metro Medical Center (WMMC) in Zamboanga, Sacred Heart Hospital of Malolos Inc. (SHHM) in Bulacan, SEHI in General Santos City and MJSH in Butuan.

In addition, MPHHI has also invested in mall-based primary care clinics in MegaClinic in SM Megamall and TopHealth in SM San Lazaro, and opened Metro Sanitas in Met Live Pasay; newly-built cancer centers in joint venture with Lipa Medix in Batangas and with our own hospitals, CLDH in Tarlac and RMCI in Bacolod; and has indirect ownership in two healthcare colleges, Davao Doctors College in Davao and Riverside College Inc. in Bacolod.

This segment is 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.

Dependence on Licenses and Government Approval
The Department of Health (DOH) through the Health Facilities and Services Regulatory Bureau (HFSRB) exercises the regulatory functions over hospitals. The HFRSB's functions included standards setting for regulation of health facilities and services; and issuances of (i) permit to construct (PTC), (ii) license to operate (LTO), (iii) clearance to operate (CTO), (iv) Health Maintenance Organizations (HMOs), and (v) certificate of accreditation (COA).

Hospitals are required to obtain the following permits or licenses from the HFSRB: (1) prior to the construction of the hospital, the operators must have its plans approved and acquire a Permit to Construct; and (2) prior to its operation, it must be registered and the operators must obtain a License to Operate. The Permit to Construct is required for the construction of a new hospital, substantial alteration, expansion or renovation of an existing hospital, a change in its classification, or an increase in bed capacity. It is a prerequisite for a license to operate. The license to operate is required for the operation of a hospital. It is secured after the construction and completion of the hospital. In order for a hospital to be registered and issued a license, it must comply with the minimum standards as well as other rules and regulations prescribed by the HFSRB. The license to operate a hospital shall be automatically renewed every year upon the submission of certain requirements.

Under Presidential Decree No. 1586, ''Environmental Impact Statement (EIS) System'' (PD 1586), hospitals are required to secure an Environmental Compliance Certificate (ECC) prior to the construction and operation of new hospital buildings or expansion of existing hospitals as well as or the installation and operation of health care waste treatment systems like pyrolosis, autoclave, microwave, landfills, and other similar treatment technology.

The Company's hospitals are fully compliant with these regulations and have secured necessary ECCs and licenses to operate.

Competition
Major competitors in the healthcare business include other tertiary hospitals. However, increasing health awareness creates unsatisfied demand in the industry.

MPHHI uses its skill as a corporate manager to enhance operating efficiency and streamline the business models of its hospitals. Additionally, MPHHI continues to realize economies of scale through group purchasing and the sharing of technical and human resources.

Transactions with related parties
Colinas Healthcare, Inc. (CHI) (a wholly-owned subsidiary of Colinas Verdes Hospital Managers Corporation) operates and manages the MERALCO Corporate Wellness Center (Wellness Center), an outpatient diagnostic and consultation center for its employees and their dependents.

Effect of Existing or Probable Government Regulations on the Business
Republic Act No. 11223 or the Universal Health Care Law, approved on February 20, 2019 automatically enrolls all Filipino citizens in PhilHealth and prescribes complementary reforms in the health system. Under the act, contributors of PhilHealth are divided into direct and indirect. Direct contributors refer to those who have the capacity to pay premiums, are gainfully employed and are bound by an employer-employee relationship, or are self-earning, professional practitioners, migrant workers, including their qualified dependents, and lifetime members. Indirect contributors, on the other hand, refer to all others not included as direct contributors, as well as their qualified dependents, whose premium shall be subsidized by the national government including those who are subsidized as a result of special laws. The act also mandates that in availing any of the health services provided in the National Health Program, providers shall not require from the member a PhilHealth Identification Card.

The Universal Health Care Law further mandates for private hospitals to operate not less than 10% of their bed capacity as basic or ward accommodation. Basic ward or accommodation, under the law, refers to the provision of regular meal, bed in shared room, fan ventilation, and shared toilet and bath. The law also requires hospitals to submit a report on the allotment or percentage of their bed capacity to basic or ward accommodation to DOH.

Under the draft of the implementing rules and regulations, existing hospitals will be given until the end of 2022 to fully comply with the required bed capacity.

The Universal Health Care Law also requires health service providers and insurers to maintain a health information system consisting of enterprise resource planning, human resource information, electronic health records, and an electronic prescription log consistent with DOH standards, which shall be electronically uploaded on a regular basis through interoperable systems This health information system shall be developed and funded by the DOH and PhilHealth. Accordingly, patient privacy and confidentiality shall at all times be upheld, in accordance with the Data Privacy Act.

The Hospital Group is currently evaluating the impact and shall enforce the implementation and compliance of entities covered by RA 11223.

As of February 26, 2020, the DOH and PhilHealth have yet to issue the implementing rules and regulations of the Universal Health Care Law.

(B.5) Rail

Business Development
MPIC operates its rail business through its wholly-owned subsidiary, 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 Department of Transportation (DOTr) and Light Rail Transit Authority (LRTA), on behalf of the Philippine Government to operate and maintain the existing LRT Line 1, as well as to extend the south line from Baclaran to Niog, Cavite. LRMH holds shares in LRMC. MPLRC's effective stake at LRMC (directly and through LRMH) as at December 31, 2019 and 2018 was 55%.

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 the next day, 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 related concession agreement.

On July 30, 2014, the Supreme Court 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 Philippine 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 Philippine Government is obligated to hand over the common station to LRMC by April 1, 2019 or 54 months after the signing date. The NTP for the construction of the common station was issued by the Government in 2019 and the expected completion date is now 2021. This is 2 years behind the original deadline stated in the Concession Agreement.

LRMC is entitled to be compensated by the Grantors for the failure of meeting certain conditions and mechanisms set in the concession agreement, including existing system requirement (ESR) costs, structural defect restoration (SDR) costs, LRV shortfall, and Grantor's compensation payment. All these claims are be recovered through the "Balancing Payments" mechanism and are still undergoing discussion as at December 31, 2019.

LRMC also depends on the Philippine 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 extent or likelihood of earnings growth at MPIC 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 in August 1, 2016 with a starting initial fare supposedly implemented on August 1, 2014. If the fares approved by the government is lower than the fares stipulated in the concession agreement, the Philippine Government is obligated to pay the difference and keep LRMC whole.

As at December 31, 2019, LRMC continues to await approval by the Philippine Government of the full initial fares as stipulated in the concession agreement.

Republic Act No. 11314, *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.

Customers
The rail business of LRMC enjoys a sole concession of the LRT-1. This segment is mass-based 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 LRVs.

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, 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.

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.

Other transactions with related parties (Meralco, Maynilad, 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 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: (1) Implementation of a Solid Waste Management Program, (2) Implementation of a dust control system at the construction site, (3) Construction and Installation of drainage structures, (4) Implementation of a social development program including priority employment for local residents within the direct impact areas, (5) Conduct and submit a Traffic Impact Assessment and a Traffic Management Program, (6) Submit evidence of compliance to all pertinent environmental regulations, (7) Set up an Environmental Guarantee Fund (EGF), a Multipartite Monitoring Team (MMT) and an Environmental Monitoring Fund (EMF), (8) Establish an Environmental unit, and (9) 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 (IFC) Performance Standards as stipulated in its Concessionaire's 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 (LTA) 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.

Status of any publicly announced products and services
In 2019, LRMC expanded LRT-1 EDSA Station through a property lease with Mayson Realty Corporation to accommodate the growing circulation of commuters in the said station. LRMC also launched ikotMNL (ikot Manila) mobile application in 4th quarter of 2019, a further development in the tourism program started in 2018 together with DOTr and accredited partners to promote the use of LRT-1 as the main mode of transportation in rediscovering Manila.

Several units of e-loading stations for Beep Cards were deployed in 2019. Moreover, LRMC entered into lease agreements with various merchants to expand its commercial business.

(B.6) Logistics

Business Development
MPIC through MMI provides services in warehousing, trucking, freight forwarding and e-commerce fulfillment.

MMI completed the following acquisitions in 2019, 2018 and 2017:

- On various dates in 2018, MMI signed agreements for the purchase of land that were intended for the development and management of distribution centers.

- On April 4, 2017, Premier, a subsidiary of MMI, completed the purchase of the businesses and assets, including key customer contracts of Ace Logistics Inc. (Ace) for an aggregate purchase price of ₱280.0 million. Ace is engaged in the business of logistics, including warehousing, courier express and parcel delivery, e-commerce delivery, trucking, freight forwarding, customs brokerage and domestic shipping. Ace also has a strong presence in pre-delivery inspection in the automotive industry, which Premier intends to expand. The assets and business that was acquired in the transaction was intended for the expansion of MPIC's logistics business.

- In February 2020, MMI entered into a Long-Term Lease Agreement for a 25-year lease of a 52,750 square meter property located along the Sta. Rosa-Tagaytay Road in Sta. Rosa City, Laguna. MMI intends to build a dry goods and refrigerated warehouse facility on the site which is targeted to be operational by 2021.

Dependence on Licenses and Government Approval
The Group relies on government permits to be able to operate its warehouses, trucks and freight forwarding services.

Civil Aeronautics Board
MMI and PLI have obtained a Civil Aeronautics Board certification to engage in business of International and Domestic Freight Forwarding.

Domestic Freight Forward License (Department of Trade and Industries)
The Group is currently obtaining its domestic freight forward license to operate pick-up and delivery transactions in the Philippines. The group is still completing requirements of the agency.

Courier License (General Authority – Department of Information and Communications Technology)
The Group is currently obtaining its license to operate private express and/or messenger delivery services. The group is still completing requirements of the agency.

Land Transportation Franchising Regulatory Board (LTFRB)
The Group utilizes trucks to deliver customer's products from MMI's warehouses to agreed delivery locations. These delivery trucks are required to be registered with the Land Transportation Franchising and Regulatory Board (LTFRB). MMI has obtained provisional approval from LTFRB to operate its trucks. MMI is expecting to receive all the relevant franchises from LTFRB as all documents requirement and audit/inspection has complied for.

Dependence on a Single Customer
The logistics primary customers are top local manufacturers of fast-moving consumer goods. No single customer accounts for 20% or more of the Company's revenues.

Source of Raw Materials
Sources of its cost of services are from realtors for leasing of warehouses and purchase of land for Mega DC Projects; manpower, warehouse and trucking service providers; transportation equipment vendors for trucks to complement temporary lacking manpower, warehouse and trucking services; material handling vendors such as forklifts and racks.

Competition
The logistics competes against multiple service providers, mostly global companies and locally established logistics companies varying in sizes. These companies include Fast Logistics, DHL, DB Schenker, Royal Cargo and Li & Fung and 2GO Supply Chain and Freight Forwarding.

Cost and effects of compliance with environmental laws
The group has been improving the old warehouses to comply with the fire and environmental laws of the local government unit or country. For 2020, the Group is expected to invest on fire detection and alarm system.

All new warehouses will be built following international, national and local requirements.

Transactions with related parties
The logistics group acts together when servicing a client. For instance, the trucking group serves the transportation needs of the customers of PLI and MMI.

(B.7) Others

On July 18, 2012, the stockholders and BOD of Neo Oracle Holdings Inc. (NOHI) resolved to amend its Articles of Incorporation to reflect (1) the change in name from Metro Pacific Corporation to Neo Oracle Holdings, Inc.; (2) shortened corporate life until December 31, 2013; and (3) reduce its BOD members from 11 to 5. Hence, NOHI is deemed dissolved as at December 31, 2013 and can no longer conduct business except with respect to transactions in furtherance of its liquidation. With the shortening of the corporate life, NOHI is not currently active but holds investments in lands and properties. NOHI continues to implement measures geared towards generating liquidity to meet maturing obligations which include settlement of the remaining third-party debts via debt-for-asset swap arrangements, negotiation for discounts on principal and waiver of interests and penalties.

On February 19, 2020, MPIC announced the signing of a ₱1.6 billion investment agreement with Dusit to develop and manage jointly hospitality and residential properties in the Philippines. The investment agreement is subject to certain specific performance conditions precedent, including the approval of the Philippine Competition Commission

(C) MPIC Parent Company's present employees

As at December 31, 2019, the Parent Company has a total headcount of 55 employees (Administrative: 41, Rank and File: 14), who are neither unionized nor covered by special incentive arrangements. The Parent Company expects to increase its headcount in the next twelve months to 59.

(D) MPIC Parent Company's major risks

As an investment and management company, MPIC undertakes risk management both within the holding company and within the operating companies:

(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 and risk assessment as well as dispute resolution mechanisms. 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 input, thereby mitigating risks associated with new 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, Thailand, 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 and there are no cross-default provisions from one investee operating company to another. 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 mostly in Pesos using primarily long-term instruments with fixed rates.

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

Item 2. **Properties**

As of December 31, 2019, 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, 2019, GT Capital has real properties for sale and investment properties amounting to P18.4 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:

Metrobank

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, 2019:

Location	No. of Branches
Metro Manila	440
Luzon (excluding Metro Manila)	283
Visayas	136
Mindanao	98
Total	**957**

Federal Land

As of December 31, 2019, Federal Land owned a total land bank with an area of 91.90 hectares. The table below provides a breakdown of Federal Land's land bank.

Location	Area (in hectares)
Macapagal, Pasay City	10.45
Fort Bonifacio, Taguig	1.31
Marikina	9.02
Mandaluyong	6.42
Iloilo	0.29
Kalaw, Manila	0.56
San Juan City	0.11
Parañaque	0.28
Laguna	60.21
Gen. Trias, Cavite	0.06
Pasig City	7.92
Makati City	0.65
Quezon City	1.12
	91.90

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). As of December 31, 2019, the occupancy rate of Federal Land's retail and office portfolio is 83% and 100%, respectively.

GT Tower has 47 floors, and 536 parking slots, with an aggregate area of 46,458 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 2021, 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/developer 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 29th, 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 located at 29th floor of GT Tower International, Ayala cor H.V. Dela Costa St. Makati City. It owns the premises except for a portion of the Executive Office located at the ground floor which it leases from FMIC and Skyland Plaza Condominium Corporation.

Charter Ping An has 25 branches nationwide: 7 in Metro Manila; 12 in Luzon; 3 in Visayas; and 3 in Mindanao. It owns the premises where its Binondo office is located and the rest of the branches are leased either from Metrobank or from other lessors. The term of the lease ranges from three to five years renewable under mutually-acceptable terms and conditions.

Metro Pacific Investments Corporation

Power Segment. GBPC's generation subsidiaries owned power generation facilities, buildings, land and other land improvements and property and equipment for the operation of its power generation business. The power plant complexes of the generation subsidiaries have been mortgaged and/or pledged as security for their long-term debt.

Toll Operations Segment. NLEX Corp and CIC own their head office buildings in Balintawak, Caloocan City and Paranaque 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 as these are owned by the Republic of the Philippines. In 2017 and 2016, NLEX Ventures Corporation (NVC), 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 other parcels of land are being developed as a property for lease with business proponents.

Metro Pacific Tollways South Corporation (MPTSC), a wholly-owned subsidiary of MPTC, acquired a parcel of land in Cavite to be developed into headquarters for concessions held in the south part of Luzon. Metro Pacific Tollways Vizmin Corporation (MPTVC), a wholly-owned subsidiary of MPTC, also acquired a parcel of land in Cordova, Cebu 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 (MUN) and BSD, owns building units which serve as their office space in South Jakarta and Banten, Indonesia. PT Inpola Meka Energi (IME), another indirectly owned subsidiary, owns a 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 Service Area. 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 certain assets from the counterparty water districts upon the commencement of the Projects. Legal title to such assets remains with these water districts. The legal title to assets acquired and constructed during the term of the Projects accrues 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 (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. MMI owned land in San Rafael, Bulacan and General Trias, Cavite with a total combined area of 421,000 sqm for developing into covered warehouses. MMI also owned a fleet of trucks and other equipment. In December 2019, the BOD has approved the sale of the land purchased in San Rafael, Bulacan and General Trias, Cavite. The proceeds will be used to fund the operating requirements of the Group.

Healthcare Segment. MPHHI is developing the Philippines' first nationwide chain of leading 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:

- MMC is a multi-specialty tertiary medical centre situated in the central business district of Makati, Metro Manila.

- AHI is a hospital located in Alabang, Muntinlupa in Southern Metro Manila.
- DLSMC is a mid-market teaching and training hospital in Quezon City, the largest city in Metro Manila.
- MDH, a tertiary hospital located in the City of Manila.
- MVMC is a prominent tertiary hospital along Sumulong Highway in Marikina City.
- JDMH is a tertiary general hospital is located in Kamuning Road, Quezon City
- SHHM is a level two hospital in Malolos, Bulacan.
- DDH is considered to be the largest and one of the best medical facilities offering modern diagnostic, therapeutic and intensive care services in Southern Philippines.
- RMCI, also known as Dr. Pablo O. Torre Memorial Hospital, is the largest and a leading medical facility in Bacolod in the island of Negros, Western Visayas.
- CLDH is the largest tertiary hospital in Tarlac.
- SEHI is the largest hospital in SOCCSKSARGEN region.
- WMMC is a secondary-level private hospital in Zamboanga City.
- MegaClinic, TopHealth and Metro Sanitas Metlive are mall-based diagnostic and ambulatory care centers located in Metro Manila.
- Lipa Medix Cancer Center Corporation, Metro CLDH Cancer Center Corporation and Metro RMCI Cancer Center Corporation are radiotherapy facilities located in Batangas, Tarlac and Bacolod, respectively.

Lease Arrangements. East Manila Hospital Managers Corp. (EMHMC) and CVHMC entered into lease agreements with Servants of the Holy Spirit, Inc. and Roman Catholic Archbishop of Manila for the management and operation of OLLH and CSMC, respectively. The lease of EMHMC and CVHMC are for a period of 20 years, renewable for successive periods of 10 years upon the mutual consent of both parties. As consideration for the lease agreement fixed and variable monthly rates are paid where the variable rate is based on the prior year's net revenues.

Toyota Manila Bay

The following table provides a breakdown of TMBC outlets' properties as of December 31, 2019.

Outlet	Leases or Owned	Lot Area	Remarks
TMB	Owned	5, 000.0 sqm	Showroom, Service and Stockyard
	Leased	3,000.0 sqm	Service Parking and Stockyard
TDM	Owned	8,891.1 sqm	Stockyard and Service
		1,000.0 sqm	Showroom and Service
		1,000.0 sqm	Showroom and Service
		7,954.0 sqm	Stockyard
TAS	Leased	4,631.28 sqm	Showroom and Service
		1,802.2 sqm	Service and Stockyard
		4,000.0 sqm	Stockyard
		750.0sqm	Stockyard Extension
TCI	Owned	3,542.0 sqm	Showroom and Service
		9,721.5 sqm	Service and Stockyard
	Leased	2,534.0 sqm	Stockyard
TMK	Owned	5,000.0 sqm	Showroom, Service and Stockyard
	Leased	2,310.2 sqm	Stockyard

TFSPH

As of December 31, 2019, 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:

- Cebu Business Center - Esperanza Building, AC Cortes Ave., Ibabao, Mandaue City

- 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

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

Stockyard	Address	LOT AREA
1	JP Rizal St., Brgy. Sala, Cabuyao, Laguna (5 warehouses)	8200sqm
2	Seahawk Business Complex Pitogo, Consolacion, Cebu City (2 warehouses)	600 sqm
3	#6 Dona Procesa Street, Bacolod City	1,521 sqm
4	Door 3-b, Greenacres Compound, Mintrade Drive, R.Castillo, Agdao Davao City	700 sqm
5	National Highway Kausawagan, Cagayan de Oro City	900 sqm

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, Contingencies to MPIC's 2019 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 8, 2019, 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 2020 are as follows:

In Php	High	Low
	2018	
1st Quarter (Jan 1 to Mar 31)	1,401	1,100
2nd Quarter (Apr 1 to June 30)	1,138	840
3rd Quarter (July 1 to Sept 30)	1,010	764
4th Quarter (Oct 1 to Dec 31)	1,010	661
	2019	
1st Quarter (Jan 1 to Mar 31)	1,131	920
2nd Quarter (Apr 1 to June 30)	972	665
3rd Quarter (July 1 to Sept 30)	972	833
4th Quarter (Oct 1 to Dec 31)	910	814
	2020	
1st Quarter (Jan 1 to Mar 31)	875	389

Source: Bloomberg

As of March 31, 2020, the closing price of the Company's shares of stock is Php407.00 per share.

Holders

As of March 31, 2020, the Company had 85 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, 2019 are as follows:

	NAME OF STOCKHOLDERS	NO. OF SHARES	RATIO (%) TO TOTAL AMOUNT SUBSCRIBED
1.	GRAND TITAN CAPITAL HOLDINGS, INC.	120,413,658	55.932%
2.	PCD NOMINEE CORPORATION (NON-FILIPINO)	62,152,208	28.870%
3.	PCD NOMINEE CORPORATION (FILIPINO)	32,022,886	14.875%
4.	TY, SIAO KIAN	223,560	0.104%
5.	TY, ARTHUR VY	111,780	0.052%
	TY, ALFRED VY	111,780	0.052%
6.	TY, MARY VY	110,662	0.051%
7.	BLOOMINGDALE ENTERPRISES, INC.	34,261	0.016%
8.	DE CASTRO, SALUD D.	21,603	0.010%
9.	UNITED LIFE ASSURANCE CORPORATION	11,178	0.005%
10.	CHUA, JOSEPHINE TY	9,371	0.004%
11.	CHAN, ASUNCION C.	6,707	0.003%
12.	CHOI, ANITA C.	4,471	0.002%
13.	MAR, PETER OR ANNABELLE C. MAR	3,353	0.002%
14.	BAGUYO, DENNIS G.	2,515	0.001%
15.	TY, ALESANDRA T. ITF ADAM ZACHARY T. TY	2,422	0.001%
	TY, ALESANDTA T. ITF ALEXA MARIE T. TY	2,422	0.001%
16.	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%

NAME OF STOCKHOLDERS	NO. OF SHARES	RATIO (%) TO TOTAL AMOUNT SUBSCRIBED
17. CHUA, ROBERT S.	1,341	0.001%
18. SYCIP, ANNA Y.	1,215	0.001%
19. CUA, SOLOMON S.	1,118	0.001%
BAUTISTA, CARMELO MARIA LUZA	1,118	0.001%
BELMONTE, JAIME MIGUEL G.	1,118	0.001%
PARAS, WILFREDO A.	1,118	0.001%
PUNO, RODERICO V.	1,118	0.001%
ANG, GERRY G.	1,118	0.001%
20. TY, ARTHUR VY ITF ARIC JUSTIN M. TY	783	0.000%
TY, ARTHUR VY ITF ANDREW RYAN M. TY	783	0.000%
TY, ARTHUR VY ITF ALISA MICHELLE M. TY	783	0.000%
TY, ALFRED VY ITF ANDREI CONNOR T. TY	783	0.000%
TY, ALFRED VY ITF AUGUSTO CHRISTOPHE T. TY	783	0.000%
TY, ALFRED VY ITF ARYANE CHANTALLE T. TY	783	0.000%
DY BUNCIO ANJANETTE TY ITF NICHOLAS JAMES T. DY BUNCIO	783	0.000%
DY BUNCIO, ANJANETTE TY ITF ANDREA ROSE T. DY BUNCIO	783	0.000%
DY BUNCIO, ANJANETTE TY ITF MATTHEW MARTIN T. DY BUNCIO	783	0.000%
CHUA, ALEXANDER GABRIEL TY ITF AARON GABRIEL N. CHUA	783	0.000%
CHUA, ALEXANDER GABRIEL TY ITF ANDREW GABRIEL N. CHUA	783	0.000%
CHUA, KENNETH GABRIEL TY ITF MEGAN JACQUELINE D. CHUA	783	0.000%
CHUA, KENNETH GABRIEL TY ITF LAWRENCE GABRIEL D. CHUA	783	0.000%
CHAM, MARGARET TY ITF MARGARITA ISABELLE T. CHAM	783	0.000%
CHAM, MARGARET TY ITF INIGO MANUEL T. CHAM	783	0.000%
CHAM, MARGARET TY ITF PAOLO RENZO T. CHAM	783	0.000%

**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 2017, 2018 and 2019, the Company paid cash dividends to its stockholders as follows:

Year	Common stock	Total	Voting Preferred Stock	Total	Record Date	Payment Date
2017	Php3.00 per share (regular) Php2.00 per share (special)	Php522.9 million (regular) Php348.6 million (special)	3.77% PDST-R2 3Y rate as of April 13, 2015 (regular)	Php657,111.0 (regular)	April 4, 2017	April 20, 2017

Year	Common stock	Total	Voting Preferred Stock	Total	Record Date	Payment Date
2018	Php3.00 per share (regular)	Php577.8 million	3.77% PDST-R2 3Y rate as of April 13, 2015 (regular)	Php657,111.0 (regular)	April 4, 2018	April 13, 2018
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

Recent Sale of Unregistered or Exempt Securities
On June 7, 2017 GT Capital issued 18,296,685 common shares out of its unissued common shares in favor of Grand Titan Capital Holdings, Inc. increasing its issued and outstanding common shares from 174,300,000 to 192,596,685 for approximately Php21.69 billion. No underwriter was engaged for this transaction. This transaction is exempt under SRC Rule 10.1(e), sale to existing shareholders.

On March 16, 2018, the Board of Directors approved the declaration of a 3.5% stock dividend in favor of GT Capital's stockholders of common stock as of record date, equivalent to approximately 6,740,884 shares. On May 9, 2018, stockholders' approval has been obtained during the Annual Stockholders' Meeting. The record and payment dates were set on July 9, 2018 and August 2, 2018, respectively. On August 2, 2018, the 3.5% stock dividend equivalent to 6,740,899 common shares were issued and listed in the Philippine Stock Exchange.

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 approved declarations of a 3.5% stock dividend on March 16, 2018 and of a 8.0% stock dividend on March 26, 2019 (as stated above) in favor of GT Capital's stockholders of common stock is exempt under SRC Rule 10.1 (d), declaration of stock dividends.

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 prices of Perpetual Preferred Shares Series A and Series B are Php999 per share and Php980 per share respectively, as of March 31, 2020.

Dividends

On November 26, 2019, 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
2018	Php11.57475 per share	Php56.01 million	January 3, 2019	January 28, 2019
2018	Php11.57475 per share	Php56.01 million	April 3, 2019	April 29, 2019
2018	Php11.57475 per share	Php56.01 million	July 3, 2019	July 29, 2019
2018	Php11.57475 per share	Php56.01 million	October 3, 2019	October 28, 2019
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

Series B

Year	Perpetual Preferred Stock (GTPPB)	Total	Record Date	Payment Date
2018	Php12.73725 per share	Php91.21 million	January 3, 2019	January 28, 2019
2018	Php12.73725 per share	Php91.21 million	April 3, 2019	April 29, 2019
2018	Php12.73725 per share	Php91.21 million	July 3, 2019	July 29, 2019
2018	Php12.73725 per share	Php91.21 million	October 3, 2019	October 28, 2019
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

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

CALENDAR YEAR ENDED DECEMBER 31, 2019 VERSUS YEAR ENDED DECEMBER 31, 2018

GT Capital Consolidated Statements of Income	**Audited Year Ended December 31**		**Increase (Decrease)**	
(In Million Pesos, Except for Percentage)	**2019**	2018 (As restated)	**Amount**	**Percentage**
CONTINUING OPERATIONS				
REVENUE				
Automotive operations	**192,966**	179,117	13,849	8%
Equity in net income of associates and joint venture	**14,578**	11,513	3,065	27%
Real estate sales and interest income on real estate sales	**9,844**	10,551	(707)	(7%)
Rent income	**1,526**	1,181	345	29%
Sale of goods and services	**802**	778	24	3%
Interest income on deposits and investments	**443**	459	(16)	(3%)
Commission income	**252**	108	144	133%
Other income	**2,529**	2,124	405	19%
	222,940	205,831	17,109	8%
COSTS AND EXPENSES				
Cost of goods and services sold	**133,943**	129,849	4,094	3%
Cost of goods manufactured and sold	**36,819**	31,809	5,010	16%
General and administrative expenses	**13,595**	10,667	2,928	27%
Interest expense	**6,453**	5,401	1,052	19%
Cost of real estate sales	**5,340**	6,839	(1,499)	(22%)
Cost of rental	**435**	476	(41)	(9%)
	196,585	185,041	11,544	6%
INCOME BEFORE INCOME TAXES	**26,355**	20,790	5,565	27%
PROVISION FOR INCOME TAX	**5,057**	3,886	1,171	30%
NET INCOME FROM CONTINUING OPERATIONS	**21,298**	16,904	4,394	26%
NET INCOME FROM DISCONTINUED OPERATIONS	**3,814**	707	3,107	439%
NET INCOME	**25,112**	17,611	7,501	43%
ATTRIBUTABLE TO:				
Equity holders of the Parent Company				
Profit for the year from continuing operations	**16,586**	12,795	3,791	30%
Profit for the year from discontinued operations	**3,723**	361	3,362	931%
	20,309	13,156	7,153	54%
Non-controlling interests				
Profit for the year from continuing operations	**4,712**	4,109	603	15%
Profit for the year from discontinued operations	**91**	346	(255)	(74%)
	4,803	4,455	348	8%
	25,112	17,611	7,501	44%

GT Capital Holdings, Inc. ("GT Capital" or the "Company" or the "Parent Company") consolidated net income attributable to equity holders of the Parent Company increased by 54% from Php13.16 billion in 2018 to Php20.31 billion in 2019. The net income growth was principally due to an 8% increase in total revenues.

The increase in revenues came from the following component companies:

(1) higher auto sales from Toyota Motor Philippines Corporation ("TMP") and Toyota Manila Bay Corporation ("TMBC") as combined sales increased by 8% from Php179.12 billion to Php192.97 billion accounting for 87% of total revenue; and

(2) higher equity in net income of associates and joint venture which grew by 27% from Php11.51 billion to Php14.58 billion accounting for 7% of total revenues;
(3) The above increases are mitigated by a lower real estate sales and interest income on real estate sales from Federal Land Inc. (Federal Land) which declined by 7% from Php10.55 billion to Php9.84 billion.

Core net income attributable to equity holders of the Parent Company reached Php15.78 billion in 2019 from Php12.92 billion in 2018. 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. Core net income for 2018 amounted to Php12.92 billion from a reported net income of 13.16 billion, after deducting the Php0.32 billion non-recurring income, net of taxes-related to lot sales, non-recurring expenses, and share in MPIC's non-recurring loss; and adding back the Php0.08 billion amortization of fair value adjustments arising from business combinations.

The financial statements of Federal Land, TMP, TMBC and GT Capital Auto Dealership Holdings, Inc. ("GTCAD") are consolidated in the financial statements of the Company. The other component companies Metro Pacific Investments Corporation ("MPIC"), Metropolitan Bank & Trust Company ("Metrobank" or "MBT'), Philippine AXA Life Insurance Corporation ("AXA Philippines), Toyota Financial Services Philippines Corporation ("TFSPH") and Sumisho Motor Finance Corporation ("SMFC") are accounted for through equity accounting.

Of the ten (10) component companies, Metrobank, MPIC, TMP, Federal Land, TMBC and SMFC posted growths in their respective net income while TFSPH and AXA Philippines reported declines in their respective net income for the year. GTCAD reported a lower net loss for the year as compared to the previous year.

Automotive operations comprising the sale of assembled and imported auto vehicles and spare parts grew by 8% from Php179.12 billion to Php192.97 billion principally driven by the 5.0% increase in wholesales volume from 155,508 units to 163,493 units.

Equity in net income of associates and jointly-controlled entities increased by 27% from Php11.51 billion to Php14.58 billion primarily due to increases in:

(1) net income of Metrobank which increased by 28% from Php22.00 billion to Php28.06 billion and the impact of increased ownership from 36.36 to 36.65%;
(2) net income of MPIC which increased by 69% from Php14.13 billion to Php23.86 billion; and
(3) net income of SMFC which increased by 35% from Php0.26 billion to Php0.35 billion.

Real estate sales and interest income on real estate sales declined by 7% from Php10.55 billion to Php9.84 billion due to lot sales in 2018 which are not present in the current year.

Rent income grew by 29% from Php1.18 billion to Php1.53 billion driven by the increase in the number of tenants in iMET, Blue Bay Walk and MET Live, all located in Pasay City, Metro Manila.

Commission income increased by Php143.51 million from Php108.00 million to Php251.52 million due to an increase in reservation sales from Grand Hyatt Residences 2 and The Seasons Residences of Federal Land, both located in Fort BGC, Taguig City.

Other income grew by 19% from Php2.12 billion to Php2.53 billion with: (1) TMP contributing Php0.84 billion consisting of gain on sale of fixed assets, and subscription and ancillary income from its dealer subsidiaries; (2) Federal Land contributing Php0.74 billion comprising real estate forfeitures, management fees and other income; (3) TMBC contributing Php0.46 billion consisting of ancillary income on finance and insurance commissions and other income; and (4) GT Capital contributing Php0.45 billion comprising dividend income from TMC and gain on FVTPL investments. The remaining balance of Php0.04 billion came from GTCAD.

Consolidated costs and expenses increased by 6% from Php185.04 billion to Php196.59 billion with the following breakdown:

(1) Php156.07 billion from TMP comprising cost of goods manufactured, cost of goods and services sold, general and administrative expenses and interest expenses;

(2) Php23.25 billion from TMBC consisting of cost of goods and services sold, general and administrative expenses and interest expenses;
(3) Php10.73 billion from Federal Land consisting of cost of real estate sales, cost of goods sold, cost of rental, general and administrative expenses and interest expenses;
(4) Php4.84 billion from GT Capital representing interest expenses and general and administrative expenses; and
(5) Php1.70 billion from GTCAD comprising cost of goods sold, general and administrative expenses and interest expenses.

Cost of goods manufactured and sold comprising cost of materials, labor and overhead incurred in the assembly of vehicles from TMP increased by 16% from Php31.81 billion in 2018 to Php36.82 billion in 2019 due to a 20% increase in sales volume of completely-knocked-down (CKD) units from 44,751 to 53,919 units.

General and administrative expenses grew by 27% from Php10.67 billion to Php13.60 billion. TMP accounted for Php8.38 billion consisting of advertisements and promotional expenses, salaries and wages, taxes and licenses, and delivery and handling expenses. Federal Land accounted for Php2.97 billion composed of salaries and wages, commission expenses, taxes and licenses and repairs and maintenance expenses. TMBC contributed Php1.69 billion representing salaries and wages, commission expenses and taxes and licenses and advertising and promotional expenses. GT Capital and GTCAD contributed Php0.41 billion and Php0.15, respectively, consisting of salaries and wages, professional fees and administrative and management fees.

Interest expense increased from Php5.40 billion to Php6.45 billion with GT Capital, Federal Land, TMP, and TMBC accounting for Php4.43 billion, Php1.32 billion, Php0.58 billion, and Php0.12 billion, respectively.

Cost of real estate sales declined by 22% from Php6.84 billion to Php5.34 billion arising from the sale of lots to joint venture partners in Sunshine Fort and North Bonifacio Land Realty and Development, Inc. in 2018, both located in Fort BGC, Taguig City.

Cost of rental declined by 9% from Php0.48 billion to Php0.44 billion due to a decline in operating expenses incurred in the leasing business such as depreciation, repairs and maintenance and other overhead expenses.

Provision for income tax increased by 30% from Php3.89 billion to Php5.06 billion due to a higher level of taxable income in 2019 vis-à-vis the previous year.

Net income attributable to non-controlling interest grew by 8% from Php4.46 billion to Php4.80 billion due to an increase in net income of non-wholly owned subsidiaries.

Consolidated net income attributable to equity holders of the Parent Company increased by 54% from Php13.16 billion in 2018 to Php20.31 billion in 2019.

Consolidated Statements of Financial Position	Audited December 31		Increase (Decrease)	
(In Million Pesos, Except for Percentage)	**2019**	2018 (As restated)	**Amount**	**Percentage**
ASSETS				
Current Assets				
Cash and cash equivalents	**12,133**	14,353	(2,220)	(15%)
Short-term investments	**–**	65	(65)	(100%)
Financial assets at fair value through profit or loss	**4,698**	3,181	1,517	48%
Receivables	**13,382**	15,153	(1,771)	(12%)
Contract assets	**5,095**	8,329	(3,234)	(39%)
Inventories	**72,189**	75,389	(3,200)	(4%)
Due from related parties	**209**	666	(457)	(69%)
Prepayments and other current assets	**10,416**	9,790	626	6%
Total Current Assets	**118,122**	126,926	(8,804)	(7%)
Noncurrent Assets				
Receivables – net of current portion	**3,421**	932	2,489	267%
Contract asset – net of current portion	**5,556**	6,886	(1,330)	(19%)
Financial assets at fair value through other comprehensive income	**12,373**	10,948	1,425	13%
Investment properties	**15,347**	17,728	(2,381)	(13%)
Investments and advances	**178,059**	163,735	14,324	9%
Property and equipment	**13,159**	13,638	(479)	(4%)
Goodwill and intangible assets	**10,040**	12,955	(2,915)	(23%)
Deferred tax asset	**1,141**	1,024	117	11%
Other noncurrent assets	**436**	2,894	(2,458)	(85%)
Total Noncurrent Assets	**239,532**	230,740	8,792	4%
TOTAL ASSETS	**357,654**	357,666	(12)	(0%)
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts and other payables	**25,234**	25,411	(177)	(1%)
Contract liabilities – current portion	**4,553**	8,787	(4,234)	(48%)
Short-term debt	**12,890**	10,500	2,390	23%
Current portion of long-term debt	**4,974**	820	4,154	507%
Current portion of liabilities on purchased properties	**432**	416	16	4%
Current portion of bonds payable	**3,899**	2,994	905	30%
Customers' deposits	**560**	563	(3)	(1%)
Dividends payable	**589**	1,198	(609)	(51%)
Due to related parties	**204**	204	–	0%
Income tax payable	**875**	601	274	46%
Lease liabilities – current portion	**15**	–	15	100%
Other current liabilities	**1,356**	843	513	61%
Total Current Liabilities	**55,581**	52,337	3,244	6%

Consolidated Statements of Financial Position	**Audited December 31**		**Increase (Decrease)**	
(In Million Pesos, Except for Percentage)		2018		
	2019	(As restated)	**Amount**	**Percentage**
Noncurrent Liabilities				
Long term debt – net of current portion	**87,149**	94,349	(7,200)	(8%)
Lease Liabilities – net of current portion	**296**	–	296	100%
Bonds payable – net of current portion	**15,040**	18,913	(3,873)	(20%)
Liabilities on purchased properties - net of current portion	**3,352**	2,877	475	17%
Pension liabilities	**1,222**	859	363	42%
Deferred tax liabilities	**3,138**	5,334	(2,196)	(41%)
Other noncurrent liabilities	**2,556**	2,169	387	18%
Total Noncurrent Liabilities	**112,753**	124,501	(11,748)	(9%)
TOTAL LIABILITIES	**168,334**	176,838	(8,504)	(5%)
Equity attributable to equity holders of Parent Company				
Capital stock	**3,370**	3,211	159	5%
Additional paid-in capital	**98,827**	85,592	13,235	15%
Retained earnings				
Unappropriated	**74,569**	52,223	22,346	43%
Appropriated	**400**	17,000	(16,600)	(98%)
Other comprehensive loss	**(2,019)**	(4,207)	2,188	52%
Other equity adjustments	**2,322**	2,322	-	0%
	177,469	156,141	21,328	14%
Non-controlling interests	**11,851**	24,687	(12,836)	(52%)
TOTAL EQUITY	**189,320**	180,828	8,492	5%
TOTAL LIABILITIES AND EQUITY	**357,654**	357,666	(12)	(0%)

The major changes in GT Capital's consolidated statement of financial position from December 31, 2018 to December 31, 2019 are as follows:

Consolidated assets decreased by Php12.00 million from Php357.67 billion as of December 31, 2018 to Php357.65 billion as of December 31, 2019. Total liabilities decreased by 5% or Php8.50 billion from Php176.84 billion to Php168.33 billion while total equity increased by 5% or Php8.49 billion from Php180.83 billion to Php189.32 billion.

Cash and cash equivalents declined by Php2.22 billion from Php14.35 billion to Php12.13 billion with TMP, GT Capital-Parent Company, Federal Land, TMBC and GTCAD accounting for Php5.83 billion, Php3.57 billion, Php2.06 billion, Php0.46 billion and Php0.21 billion, respectively.

Short-term investments declined by 100% from Php0.07 billion to nil comprising short-term money market placements of TMP.

Financial assets at fair value through profit or loss (FVTPL) grew by 48% from Php3.18 billion to Php4.70 billion pertaining to the Parent Company's investment in Unit Investment Trust Fund (UITF).

Receivables-current decreased by 12% or Php1.77 billion from Php15.15 billion to Php13.38 billion with TMP contributing Php9.19 billion consisting of trade and non-trade receivables; TMBC contributing Php2.94 billion comprising of trade and non-trade receivables; Federal Land contributing Php1.03 billion, a majority of which were installment contract receivables, rent receivable and other receivables; GTCAD accounting for Php0.21 billion representing trade receivables from the sale of automobiles and after-sales maintenance services, and GT Capital contributing the remaining balance of Php0.01 billion.

Current portion of contract assets decreased by 39% from Php8.33 billion to Php5.10 billion due to the deconsolidation of PCFI.

Due from related parties declined by Php0.46 billion from Php0.67 billion to Php0.21 billion mainly from Federal Land's related parties.

Prepayments and other current assets grew by 6% from Php9.79 billion to Php10.42 billion comprising of advances to contractors and suppliers, input VAT, creditable withholding taxes, ad valorem taxes, prepaid expenses and other current assets amounting to Php3.71 billion, Php3.52 billion, Php1.25 billion, Php 0.71 billion, Php0.63 billion and Php0.60 billion.

Receivables - net of current portion increased by Php2.49 billion from Php0.93 billion to Php3.42 billion mainly due to Federal Land's booked real estate sales.

Contract assets - net of current portion decreased by 19% from Php6.89 billion to Php5.56 billion mainly attributable to the deconsolidation of PCFI.

Financial assets at fair value through other comprehensive income grew by 13% from Php10.95 billion to Php12.37 billion mainly due to the mark-to-market gains.

Investment properties declined by 13% from Php17.73 billion to Php15.35 billion due to the deconsolidation of PCFI.

Investments in associates and jointly controlled entities increased by 9% from Php163.74 billion to Php178.06 billion primarily attributable to the following:

1) Php14.58 billion equity in net income which is further broken down into MBTC, (Php9.98); MPIC, (Php3.63 billion); AXA, (Php0.60 billion); TFS, (Php0.30 billion); and other associates and joint ventures, (Php0.07 billion other associates and joint ventures);
2) Php0.75 billion, equity in other comprehensive income of associates and joint ventures;
3) Php0.22 billion impact of intragroup eliminations;
4) Php0.89 billion additional investments during the year; and
   Offset by Php2.12 billion dividends received.

Goodwill and intangible assets declined by 23% from Php12.96 billion to Php10.04 billion due to the deconsolidation of PCFI.

Deferred tax asset increased by 11% from Php1.02 billion to Php1.14 billion with TMP, Federal Land, and TMBC accounting for Php0.68 billion, Php0.39 billion, and Php0.07 billion, respectively.

Other non-current assets decreased by 85% from Php2.89 billion to Php0.44 billion comprising long-term deposits, non-current input tax, non-current prepaid rent and other assets from Federal Land, (Php0.23 billion); TMBC, (Php0.12 billion); TMP, (Php0.06 billion); GTCAD, (Php0.02 billion); and GT Capital, (Php0.01 billion).

Contract liabilities - current portion decreased by 48% from Php8.79 billion to Php4.55 billion mainly attributable to the deconsolidation of PCFI.

Short-term debt increased by Php2.39 billion from Php10.50 billion to Php12.89 billion due to loan availments of TMP, (Php23.46 billion); Federal Land, (Php7.57 billion); TMBC, (Php6.38 billion); and GTCAD (Php0.81 billion). These were offset by loan payments by TMP, (Php23.99 billion); TMBC, (Php5.62 billion); Federal Land, (Php1.82 billion); GTCAD, (Php0.79 billion); and offset by the deconsolidation of PCFI (Php3.60 billion).

Current portion of long-term debt increased by Php4.15 billion from Php0.82 billion to Php4.97 billion mainly attributable to the reclassification from noncurrent portion.

Current portion of bonds payable increased by Php0.91 from Php2.99 billion to Php3.90 billion due to a reclassification from long term portion and settlement of Php2.99 billion last November 2019.

Dividends payable declined by 51% from Php1.20 billion to Php0.59 billion due to the deconsolidation of PCFI. Dividends payable in 2018 includes PCFI's dividends payable to minority shareholders.

Income tax payable grew by 46% from Php0.60 billion to Php0.88 billion due to an increase in taxable income.

Lease liabilities – current portion arose from the adoption of PFRS 16, *Leases*, the new accounting standard for lease agreements which superseded the PAS 17.

Other current liabilities increased by Php0.51 billion from Php0.84 billion to Php1.36 billion attributable to the higher VAT payable of TMP relative to increase in auto sales.

Long-term debt – net of current portion decreased by Php7.20 billion from Php94.35 billion to Php87.15 billion mainly due to the deconsolidation of PCFI (Php6.53 billion), reclassification to current portion (Php4.93 billion) and foreign exchange gain of Php0.39 billion. This is offset by Php4.58 billion loan availments.

Lease liabilities – net of current portion arose from the adoption of PFRS 16, *Leases*, the new accounting standard for lease agreements, effective January 1, 2019.

Bonds payable – net of current portion decreased by Php3.87 billion due to its reclassification to current portion.

Pension liabilities increased by Php0.36 billion from Php0.86 billion to Php1.22 billion mainly due to increased retirement benefit obligation of TMP and Federal Land.

Deferred tax liabilities declined by 41% from Php5.33 billion to Php3.14 billion mostly due to the deconsolidation of PCFI.

Other noncurrent liabilities increased by 18% from Php2.17 billion to Php2.56 billion mostly due to higher retention payable of Federal Land.

Capital stock grew by 5% from Php3.21 billion to Php3.37 billion due to the distribution of 8% stock dividends (15,947,003 shares at Php10 par value per share).

Additional paid-in capital increased by 15% or Php13.24 billion due to the distribution of 8% stock dividends (15,947,003 shares issued at Php840 per share).

Unappropriated retained earnings increased by Php22.35 billion from Php52.22 billion to Php74.57 billion mainly due to the Php20.31 billion consolidated net income attributable to Parent Company earned during the year, the Php16.60 billion reversal of appropriated retained earnings for the strategic investment in financial services, and Php0.02 billion effect of deconsolidation of PCFI; offset by P13.40 billion stock dividends, and Php1.18 billion cash dividends declared on common and voting preferred shares in March 2019.

Retained earnings - appropriated of Php16.60 billion was reversed and reclassified into unappropriated.

Other comprehensive loss improved by Php2.19 billion from a negative Php4.21 billion to a negative Php2.02 billion primarily due to the Php0.75 billion equity in OCI of associates and Php1.46 billion MTM gain on FVOCI investments of Parent Company and subsidiaries; offset by Php0.02 billion effect of deconsolidation of PCFI.

Non-controlling interest (NCI) declined by 52% from Php24.69 billion to Php11.85 billion attributable to Php13.25 billion deconsolidated NCI on PCFI, Php4.26 billion NCI on dividends declared by subsidiaries and Php0.28 billion NCI on other comprehensive loss. Mitigated by NCI on net income during the year amounting to Php4.80 billion and Php0.15 billion NCI on acquisition of new subsidiaries (GTCAD-GTMV, GTMV-JBAP).

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, 2017, 2018 and 2019.

	In Million Pesos, except for percentages		
Income Statement	**2017**	**2018**	**2019**
Total Revenues	232,865	205,831	222,940
Net Income attributable to Equity Holders of GT Capital Holdings	14,372	13,156	20,309
Balance Sheet			
Total Assets	306,028	357,666	357,654
Total Liabilities	133,501	176,838	168,334
Equity attributable to GT Capital Holdings, Inc.	145,010	156,141	177,469
Return on Equity *	12.04%	8.86%	9.78%

**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		
	2017	**2018**	**2019**
Net income attributable to equity holders	18.2	22.0	28.1
Net interest margin on average earning assets	3.75%	3.82%	3.84%
Operating efficiency ratio	56.8%	58.5%	54.6%
Return on average assets	0.9%	1.02%	1.20%
Return on average equity	9.2%	9.1%	9.5%

	2017	**2018**	**2019**
Total assets	2,080.3	2,243.7	2,450.8
Total liabilities	1,876.2	1,953.0	2,132.3
Equity attributable to equity holders of the parent company	202.0	283.0	309.6
Tier 1 capital adequacy ratio	11.8%	14.6%	16.2%
Total capital adequacy ratio	14.4%	17.0%	17.5%
Non-performing loans ratio	1.0%	1.2%	1.3%
Non-performing loans coverage ratio	89.0%	105.0%	103.0%

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, 2016, 2017 and 2018 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 27.5% from Php22.0 billion in 2018 to Php28.1 billion in 2019. This was primarily due to the improvement in operating revenues driven by net interest margin expansion from 3.82% to 3.84%, strong trading and forex gains and moderate growth in loans and receivables at 6.7%.

Net interest income grew by 11.9% from Php68.8 billion in 2018 to Php77.0 billion in 2019, comprising 72.6% of total operating income. CASA deposits increased by 11.7% from Php964.9 billion to Php1.1 trillion, which resulted in CASA ratio at 63.0% of total deposits.

Strong non-interest income grew by 26.8% from Php22.9 billion in 2018 to Php29.1 billion in 2019 driven by increases in service charges, fees and commissions, trading and securities, and foreign exchange gains offset by lower miscellaneous income.

Total assets grew by 9.2% from Php2.2 trillion as of December 31, 2018 to Php2.5 trillion as of December 31, 2019 primarily due to increases in loans and receivables and investment securities.
Total liabilities, likewise, grew by 9.2% from Php2.0 trillion as of December 31, 2018 to Php2.1 trillion as of December 31, 2019 due mainly to increases in deposit liabilities and bonds payable offset by a decrease in bills payable and Securities Sold Under Repurchase Agreements and subordinated debts.

Equity attributable to equity holders of the parent company grew by 9.4% from Php283.0 billion as of December 31, 2018 to Php309.6 billion as of December 30, 2019 due to the net effect of the net income reported during the year and improvement in net unrealized gain on FVOCI.

Property Development

Federal Land, Inc.

	In Million Pesos, except for percentages and ratios		
	2017 as restated	**2018** as restated	**2019**
Real Estate Sales*	9,067.4	10,550.6	9,843.8
Revenues	11,260.0	13,383.6	13,166.8
Net income attributable to equity holders of the parent	1,604.0	1,032.9	1,611.4
	2017 as restated	**2018** as restated	**2019**
Total assets	75,668.8	82,220.8	92,291.7
Total liabilities	39,744.6	46,052.8	55,127.4
Total equity attributable to equity holders of the parent	35,813.9	36,062.3	37,039.4
Current ratio	4.6x	3.4x	2.3x
Debt to equity ratio	0.7x	0.8x	1.0x

* 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 grew by 95.7% from Php12.4 billion in 2018 to Php24.2 billion in 2019. This was complemented by the launch of six (6) projects namely: (1) Mi Casa Tower 1 – Hawaii, located in Macapagal Boulevard, Pasay City, (2) The Estate Makati, a joint venture project with SM Development Corporation (SMDC) located in Ayala Avenue, Makati City, (3) Quantum Tower 2 - Amethyst, located in Taft Avenue, Pasay City, (4) Marco Polo Residences 5 – Parkplace, located in Cebu City, (5) The Grand Midori Ortigas, located in Pasig City, and (6) The Seasons Residences Tower 2 – Natsu, a joint venture with Nomura Real Estate Development Co. Ltd. located in Grand Central Park of Bonifacio Global City, Taguig City.

Real estate sales and revenues showed a decline year-on-year as 2018 included one-time lot sale transactions to joint venture partners amounting to Php2.9 billion. Excluding these, real estate sales and revenues rose by 28.7% and 25.5%, respectively. Due to higher revenues arising from faster percentage-of-completion coupled with lower cost adjustments, net income attributable to equity holders of the parent increased by 56.0%.

Total assets of Federal Land grew by 12.2% from Php82.2 billion as of December 31, 2018 to Php92.3 billion as of December 31, 2019. This was mainly driven by increases in receivables from real estate buyers, inventories, investment properties, investments in joint venture projects and advances to contractors and suppliers.

Property Company of Friends, Inc.

On July 4, 2019, the Philippine Competition Commission approved the redemption of PCFI shares in exchange for selected assets. Realized net gain on redemption was Php2.3 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		
	2017	**2018**	**2019**
Sales	185,337.1	158,940.8	168,615.5
Gross Profit	23,058.8	16,620.2	21,143.2
Operating Profit	16,798.2	10,254.6	12,786.2
Net income attributable to Parent	13,186.1	7,881.9	9,082.4
	2017	**2018**	**2019**
Total Assets	42,158.3	36,427.5	38,750.9
Total Liabilities	23,010.7	21,189.8	23,142.4
Total Equity	19,147.6	15,237.6	15,608.4
Total Liabilities to Equity ratio*	1.2x	1.4x	1.5x

**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 slightly grew from Php158.9 billion in 2018 to Php168.6 billion in 2019 as wholesales volume grew by 5.1% from 155,508 to 163,493 units. TMP retail sales volume also increased by 5.9% from 153,004 units to 162,011 units. Retail sales volume outpaced industry growth of 2.4% from 400,298 to 410,035 units. As a result, TMP market share improved from 38.2% in 2018 to 39.5% in 2019, driven by Vios, Hilux, and Innova.

In 2019, TMP increased its auto dealership complement to 71 outlets - inaugurating Toyota Nueva Ecija, Toyota Albay and Toyota Valenzuela in January, March and June 2019, respectively.

Favorable F/X differential, higher revenues driven by increase in sales volume and price increase and higher export and spare parts profit, resulted in the improvement of gross profit and operating profit margins. Gross profit margin improved from 10.5% to 12.5% while operating profit margin increased from 6.5% to 7.6%. However, these profit increasing factors were offset by higher advertising on new model introductions and sales promotions, increased operating and overhead costs, and higher income tax provision from the expiration of income tax holiday on the old Vios, which resulted in a tapered net income margin improvement, from 5.0% to 5.5%. Consolidated net income attributable to equity holders grew by 15.2% from Php7.9 billion to Php9.1 billion.

As of December 31, 2019, TMP directly owns seven (7) 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 and Toyota Santa Rosa, situated in Sta. Rosa, Laguna.

Toyota Manila Bay Corporation (TMBC)

	In Million Pesos, except for ratios		
	2017	**2018**	**2019**
Net Sales	26,312.0	20,488.8	23,548.0
Gross Profit	1,787.9	1,438.4	1,662.6
Net Income*	390.2	176.7	226.1
	2017	**2018**	**2019**
Total Assets	6,059.9	6,503.3	7,731.5
Total Liabilities	3,839.8	4,224.4	5,233.4
Total Equity	2,220.1	2,278.9	2,498.1

**Note: Includes booked commission income from insurance*

Consolidated sales, comprising of vehicle sales, spare parts and maintenance services, increased by 15.1% from Php20.5 billion in 2018 to Php23.6 billion in 2019. The increase was driven significantly by the growth in vehicle sales by 15.7% from Php18.6 billion to Php21.5 billion, which accounted for 91.2% of TMBC's revenues. Such was a result of improvement in penetration rate from 10.6% to 11.0%.

Retail sales volume increased by 9.3% from 16,231 to 17,755 units driven by Vios, Innova and Hiace. Sales from spare parts and maintenance services, accounting for a combined 8.8% of revenues, increased by 9%.

Consolidated net income increased by 28.0% from Php176.6 million in 2018 to Php226.1 million in 2019 driven by a strong topline growth of 15.1% coupled with improvement in operating expenses which only grew by 7.3%.

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		
	2017	**2018**	**2019**
Gross Interest Income	4,920.6	6,164.7	6,958.7
Net Interest Income	2,860.8	3,254.7	3,082.1
Net Income	687.6	786.8	579.6
Finance Receivable	60,412.6	67,427.4	75,450.0
	2017	**2018**	**2019**
Total Assets	58,742.0	83,509.3	83,443.7
Total Equity	5,051.7	7,656.5	9,416.76

TFSPC recorded a modest 12.9% growth in gross interest income from Php6.2 billion in 2018 to Php7.0 billion in 2019, as finance receivables increased by 11.9% from Php67.4 billion to Php75.5 billion on a year-on-year basis.

Booking volume, increased by 7% from 31,827 units in 2018 to 34,039 units in 2019 attributable to the overall improvement in TMP's sales volume. This, however, resulted in slightly improved penetration rate from 20.8% to 21.0%.

Net income, however, declined by 26.3% at Php579.6 million due to the higher interest costs and increased operating expenses driven by growth in salaries and benefits, loss on sale of ROPA, taxes and licenses and legal expenses.

Sumisho Motor Finance Corporation (SMFC)

	In Million Pesos, except for ratios		
	2017	**2018**	**2019**
Gross Interest Income	836.7	1,167.8	1,636.3
Net Interest Income	804.7	1,078.6	1,436.1
Net Income	205.5	262.2	354.8
Finance Receivable	3,292.9	4,758.8	6,620.0
	2017	**2018**	**2019**
Total Assets	3,533.5	5,066.5	7,124.5
Total Equity	2,024.0	2,304.7	2,521.1

On August 9, 2017, GT Capital completed the acquisition of a 20% direct equity stake in SMFC from Philippine Savings Bank ("PS Bank") and the PS Bank Retirement Fund for a total consideration of Php379.92 million. The acquisition was GT Capital's entry into micro-financing, specifically motorcycle financing, a high growth sector in the Philippines. The investment will also strengthen the Group's strategic relationship with Sumitomo Corporation, one of Japan's leading conglomerates.

SMFC recorded a 40.1% growth in gross interest income from Php1.2 billion in 2018 to Php1.6 billion in 2019, as finance receivable increased by 39.1% from Php4.8 billion to Php6.6 billion on a year-on-year basis. Bookings also grew by 25.1% from 52,356 units in 2018 to 65,505 units in 2019. This outperformed the strong performance of the Philippine motorcycle industry, which increased by 7.9% from 1,580,846 units in 2018 to 1,705,394 units in 2019.

Net income increased by 35.3% from Php262.2 million in 2018 to Php354.8 in 2019 due to strong loan portfolio growth partially offset by increases in interest expenses, salaries, taxes and licenses.

__Life and Non-Life Insurance__

Philippine AXA Life Insurance Corporation and Subsidiary (AXA Philippines)

The following are the major performance measures used by AXA Philippines for the period ended 2017, 2018 and 2019.

In Million Pesos, except ratios				
	AXA Philippines			**Consolidated**
	2017	**2018**	**2019**	**2019**
Gross Premiums	26,359.1	29,708.4	26,541.3	32,081.6
Net income after tax	2,360.6	2,745.9	3,388.6	2,368.1
Net Profit Margin (%)[1]	8.4%	8.7%	11.8%	
Total Assets	114,378.6	116,107.2	132,278.6	142,168.3
Total Liabilities	106,814.5	106,580.4	119,268.6	130,416.0
Total Equity	7,564.2	9,526.8	13,010.0	11,752.3
Solvency ratio[2]	341.0%	473.0%	435.0%	

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 declined by 4.8% from Php7.1 billion in 2018 to Php6.8 billion in 2019. Such was driven by the decline in Single Premium by 38.5% as investors shifted towards guaranteed bank products due to market volatility, partially offset by the growth in Regular Premium by 4.4%. The growth in Regular Premium was driven by Protection and Health products by 39.9% as flagship products continue to grow year-on-year. The reported premium revenue mix of life insurance changed to 36%/64% (Single Premium vs. Regular Premium) in 2019 from 52%/48% in 2018. By distribution platform, bancassurance and sales agency accounted for 61% and 34% of premium revenues, respectively.

Gross written premiums of CPAIC amounted to Php5.4 billion in 2019, where motor and property premiums accounted for 48% and 31% of the total, respectively.

Consolidated net income reached Php2.4 billion in 2019. Consolidated net income included a Php1.0 billion net loss from CPAIC. Excluding CPAIC, AXA Philippines grew its net income by 23.4% from Php2.7 billion in 2018 to Php3.4 billion in 2019. The growth was primarily driven by the: (1) improvement in the life sector's premium margins by Php0.9 billion or 10.7%, (2) increase in asset management fees by 13.7% reaching Php2.0 billion and (3) higher investment income amounting to Php0.8 billion.

Infrastructure and Utilities

Metro Pacific Investments Corporation (MPIC)

In Million Pesos, except for Percentage			
	2017	**2018**	**2019**
Core net income	14,104	15,060	15,602
Net income attributable to equity holders	13,151	14,130	23,856
	2017	**2018**	**2019**
Total assets	503,751	557,946	611,778
Total liabilities	288,072	318,943	365,733
Total equity attributable to owners of Parent Company	161,244	173,311	190,962

MPIC's share in the consolidated operating core income increased by 7.0% from Php19.6 billion in 2018 to Php20.9 billion in 2019, primarily driven by the following:

- Substantial core income growth in Manila Electric Company (Meralco) by 6% and Global Business Power Corporation (GBPC) by 11%; Core net income contribution from Meralco and GBPC to MPIC in 2019 was Php11.6 billion.
- Domestic toll roads traffic growth (NLEX 7%, CAVITEX 24%, SCTEX 13%) and toll rate increases in NLEX, SCTEX and CAVITEX; Core net income contribution of Metro Pacific Tollways Corporation (MPTC) to MPIC was Php5.2 billion in 2019.
- Strong patient census from the Hospital group mainly due to the increase in number of patients served across all hospitals; Core net income contribution of the group to MPIC was Php0.9 billion.

Reported net income attributable to equity holders grew by 69.0% from Php14.1 billion in 2018 to Php23.9 billion in 2019 as it included the result of the Php30.1 billion Hospital deal with KKR & Co. which was completed in December 2019. Excluding head office, interest, forex and non-recurring income and expenses, core income increased by 4% from Php15.1 billion in 2018 to Php15.6 billion in 2019.

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 2020 capital expenditures ("capex") budget is presented as follows:

Component Company	**In Php Billion**	**Nature**	**Funding source**
Metrobank	3.0-5.0	Mainly for IT investments	Internal
Federal Land[1]	7.4	Land banking, project development, IT investments and FFE	Internal and Debt
TMP	4.9	New Model Introduction, Specs upgrade, and special projects	Internal
TMBC	0.5	Dealership expansion and property improvements	Internal
TFS	0.2	Hardware & Software, Leasehold & FFE	Internal
SMFC	0.2	HO relocation, branch expansion, leasehold improvements, FFE and IT investments	Debt
AXA Philippines[2]	0.3	Refurbishments, Computer and IT upgrade, Office equipment	Internal
GTCap-Parent	12.0	Acquisitions and other investments	Internal and Debt
Total	**28.5-30.5**		

(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, 2018 VERSUS YEAR ENDED DECEMBER 31, 2017

GT Capital Consolidated Statements of Income	**Audited Year Ended December 31**		**Increase (Decrease)**	
(In Million Pesos, Except for Percentage)	**2018 (As restated)**	2017 (As restated)	**Amount**	**Percentage**
CONTINUING OPERATIONS				
REVENUE				
Automotive operations	**179,117**	211,692	(32,575)	(15%)
Equity in net income of associates and joint venture	**11,513**	8,673	2,840	33%
Real estate sales and Interest income on real estate sales	**10,551**	9,068	1,483	16%
Rent income	**1,181**	915	266	29%
Sale of goods and services	**778**	640	138	22%
Interest income on deposits and investments	**460**	353	107	30%
Commission income	**108**	56	52	93%
Other income	**2,124**	1,468	656	45%
	205,832	232,865	(27,033)	(12%)
COSTS AND EXPENSES				
Cost of goods and services sold	**129,849**	147,713	(17,864)	(12%)
Cost of goods manufactured and sold	**31,809**	39,635	(7,826)	(20%)
General and administrative expenses	**10,667**	10,380	287	3%
Cost of real estate sales	**6,840**	5,176	1,664	32%
Interest expense	**5,401**	3,536	1,865	53%
Cost of rental	**476**	360	116	32%
	185,042	206,800	(21,758)	(11%)
INCOME BEFORE INCOME TAXES	**20,790**	26,065	(5,275)	(20%)
PROVISION FOR INCOME TAX	**3,886**	4,933	(1,047)	(21%)
NET INCOME FROM CONTINUING OPERATIONS	**16,904**	21,132	(4,228)	(20%)
NET INCOME FROM DISCONTINUED OPERATIONS	**707**	278	429	154%
NET INCOME	**17,611**	21,410	(3,799)	(18%)
ATTRIBUTABLE TO:				
Equity holders of the Parent Company				
Profit for the year from continuing operations	**12,795**	14,239	(1,444)	(10%)
Profit for the year from discontinued operations	**361**	133	228	171%
	13,156	14,372	(1,216)	(8%)
Non-controlling interests				
Profit for the year from continuing operations	**4,109**	6,893	(2,784)	(40%)
Profit for the year from discontinued operations	**346**	145	201	139%
	4,455	7,038	(2,583)	(37%)
	17,611	21,410	(3,799)	(18%)

GT Capital Holdings, Inc. (“GT Capital” or the “Company” or the “Parent Company”) consolidated net income attributable to equity holders of the Parent Company declined by 8% from Php14.37 billion in 2017 to Php13.16 billion in 2018. The decline in net income growth was principally due to a 12% decline in total revenues.

The decline in revenue came from the following component companies:

(1) lower auto sales from Toyota Motor Philippines Corporation (“TMP”) and Toyota Manila Bay Corporation (“TMBC”) as combined sales decreased by 15% from Php211.69 billion to Php179.12 billion accounting for 83% of total revenue; offset by:

(2) higher real estate sales and interest income on real estate sales from Federal Land Inc. (Federal Land) and Property Company of Friends, Inc. ("PCFI") which grew by 16% from Php8.67 billion to Php11.51 billion; and
(3) higher equity in net income of associates and joint venture which grew by 33% from Php8.67 billion to Php11.51 billion.

Core net income attributable to equity holders of the Parent Company reached Php12.92 billion in 2018 from Php14.84 billion in 2017. Core net income for 2018 amounted to Php12.92 billion from a a reported net income of 13.16 billion, after deducting the Php0.32 billion non-recurring income, net of the taxes-related to lot sales, non-recurring expenses, and share in MPIC's non-recurring loss; and adding back the Php0.08 billion amortization of fair value adjustments arising from business combinations. Core net income for 2017 amounted to Php14.84 billion after deducting the Php0.17 non-recurring income from discontinued operations and adding back the Php0.64 billion amortization of fair value adjustments arising from business combinations and non-recurring expenses.

The financial statements of Federal Land, PCFI, TMP, TMBC and GT Capital Auto Dealership Holdings, Inc. ("GTCAD") are consolidated in the financial statements of the Company. The other component companies Metro Pacific Investments Corporation ("MPIC"), Metropolitan Bank & Trust Company ("Metrobank" or "MBT'), Philippine AXA Life Insurance Corporation ("AXA Philippines), Toyota Financial Services Philippines Corporation ("TFSPH") and Sumisho Motor Finance Corporation ("SMFC") are accounted for through equity accounting.

Of the ten (10) component companies, Metrobank, PCFI, MPIC, TFSPH, AXA Philippines, and SMFC posted growths in their respective net income. TMP, TMBC, and Federal Land, reported declines in their respective net income for the year. GTCAD commenced commercial operations in November 2018.

Automotive operations comprising the sale of assembled and imported auto vehicles and spare parts declined by 15% from Php211.69 billion to Php179.12 billion principally driven by the 15% decrease in wholesales volume from 183,209 units to 155,508 units.

Equity in net income of associates and jointly-controlled entities increased by 33% from Php8.67 billion to Php11.51 billion primarily due to increases in:

(1) net income of Metrobank which increased by 21% from Php18.22 billion to Php22.01 billion given full year impact of increased ownership from 26.47% to 36.09% effective May 1, 2017 and further increasing to 36.36% effective April 1, 2018;
(2) net income of MPIC which increased by 7% from Php13.15 billion to Php14.13 billion;
(3) net income of AXA Philippines which increased by 25% from Php2.47 billion to Php3.08 billion; and
(4) net income of TFSPC which increased by 14% rom Php0.69 billion to Php0.79 billion.

Real estate sales and interest income on real estate sales rose by 16% from Php9.07 billion to Php10.55 billion.

Rent income, mainly from Federal Land's GT Tower International office building and Blue Bay Walk, increased by 29% from Php0.92 billion to Php1.18 billion driven by rate escalation and higher occupancy for IMET.

Sale of goods and services, consisting of the sale of petroleum products on a wholesale and retail basis, in the Blue Wave and Blue Baywalk malls and Roxas Boulevard situated in Pasay City and Marikina City, rose by 22% from Php0.64 billion to Php0.78 billion due an increase in retail fuel prices and new franchises.

Interest income on deposits and investments grew by 30% from Php0.35 billion to Php0.46 billion due to higher level of time deposit placements.

Commission income increased by Php0.05 billion from Php0.06 billion to Php0.11 billion due to an increase in booked sales from Grand Hyatt Residences I.

Other income grew by 45% from Php1.47 billion to Php2.12 billion with: (1) Federal Land contributing Php0.87 billion comprising real estate forfeitures, management fees and other income; (2) TMP contributing Php0.61 billion consisting of gain on sale of fixed assets, and subscription and ancillary income from its dealer subsidiaries; and (3) TMBC contributing Php0.44 billion consisting of ancillary income on finance and insurance commissions and other income. The remaining balance of Php0.20 billion came from GT Capital's dividend income from investments in Toyota Motor Corporation (TMC) and gain on FVPTL investments.

Consolidated costs and expenses decreased by 11% from Php206.80 billion to Php185.04 billion with the following breakdown:

(1) Php148.95 billion from TMP comprising cost of goods manufactured, cost of goods and services sold, general and administrative expenses and interest expenses;
(2) Php20.37 billion from TMBC consisting of cost of goods and services sold, general and administrative expenses and interest expenses;
(3) Php11.52 billion from Federal Land consisting of cost of real estate sales, cost of goods sold, cost of rental, general and administrative expenses and interest expenses; and
(4) Php4.20 billion from GT Capital representing interest expenses and general and administrative expenses.

Cost of goods and services sold decreased by 12% from Php147.71 billion to Php129.85 billion with TMP, TMBC and GTCAD's completely built-up units (CBU) and spare parts accounting for Php110.25 billion, Php18.73 billion and Php0.20 billion, respectively. The balance of Php0.67 billion came from Federal Land's petroleum service station business.

Cost of goods manufactured and sold comprising cost of materials, labor and overhead incurred in the assembly of vehicles from TMP declined by 20% from Php39.64 billion in 2017 to Php31.81 billion in 2018.

General and administrative expenses grew by 3% from Php10.38 billion to Php10.67 billion. TMP accounted for Php6.49 billion consisting of salaries and wages, taxes and licenses, advertisements and promotional expenses, and delivery and handling expenses. Federal Land accounted for Php2.37 billion composed of salaries and wages, commission expenses, taxes and licenses and repairs and maintenance expenses; and TMBC contributed Php1.54 billion representing salaries and wages, commission expenses and taxes and licenses and advertising and promotional expenses. GT Capital contributed Php0.24 billion consisting of salaries and wages, professional fees and taxes and licenses. The remaining Php0.03 came from GTCAD which consists mainly of salaries and wages, depreciation and amortization, and taxes and licenses.

Cost of real estate sales increased by 32% from Php5.18 billion to Php6.84 billion arising from the increase in real estate sales.

Interest expense increased from Php3.54 billion to Php5.40 billion with GT Capital, Federal Land, TMP, and TMBC accounting for Php3.95 billion, Php01.16 billion, Php0.19 billion, and Php0.10 billion, respectively.

Cost of rental grew by 32% from Php0.36 billion to Php0.48 billion due to an increase in operating expenses incurred in the leasing business such as depreciation, utilities and other overhead expenses.

Provision for income tax declined by 21% from Php4.93 billion to Php3.89 billion due to lower taxable income.

Net income from discontinued operations grew reached Php0.71 billion from Php0.28 billion.

Net income attributable to non-controlling interest decreased by 37% from Php7.04 billion to Php4.46 billion due decline in net income of non-wholly owned subsidiaries.

Consolidated net income attributable to equity holders of the Parent Company declined by 8% from Php14.37 billion in 2017 to Php13.16 billion in 2018.

Consolidated Statements of Financial Position	**Audited December 31**		**Increase (Decrease)**	
(In Million Pesos, Except for Percentage)	**2018 (As restated)**	2017 (As restated)	**Amount**	**Percentage**
ASSETS				
Current Assets				
Cash and cash equivalents	**14,353**	20,155	(5,802)	(29%)
Short-term investments	**65**	1,666	(1,601)	(96%)
Financial assets at fair value through profit or loss	**3,181**	-	3,181	100%
Available-for-sale investments	**-**	611	(611)	(100%)
Receivables	**15,153**	24,374	(9,221)	(38%)
Contract asset	**8,329**	-	8,329	100%
Inventories	**75,389**	73,235	2,154	3%
Due from related parties	**666**	166	500	301%
Prepayments and other current assets	**9,790**	10,417	(627)	(6%)
Total Current Assets	**126,926**	130,624	(3,698)	(3%)
Noncurrent Assets				
Receivables – net of current portion	**932**	4,720	(3,788)	(80%)
Contract asset – net of current portion	**6,886**	-	6,886	100%
Financial assets at fair value through other comprehensive income	**10,948**	-	10,948	100%
Available-for-sale investments	-	2,103	(2,103)	(100%)
Investment properties	**17,728**	17,392	336	2%
Investments and advances	**163,735**	124,866	38,869	31%
Property and equipment	**13,638**	11,671	1,967	17%
Goodwill and intangible assets	**12,955**	13,012	(57)	(0%)
Deferred tax asset	**1,024**	731	293	40%
Other noncurrent assets	**2,894**	909	1,985	218%
Total Noncurrent Assets	**230,740**	175,404	55,336	32%
TOTAL ASSETS	**357,666**	306,028	51,638	17%
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts and other payables	**25,411**	25,983	(572)	(2%)
Contract liabilities	**8,787**	-	8,787	100%
Short-term debt	**10,500**	6,033	4,467	74%
Current portion of long-term debt	**820**	2,467	(1,647)	(67%)
Current portion of liabilities on purchased properties	**416**	582	(166)	(29%)
Current portion of bonds payable	**2,994**	-	2,994	100%
Customers' deposits	**563**	4,941	(4,378)	(89%)
Dividends payable	**1,198**	589	609	103%
Due to related parties	**204**	189	15	8%
Income tax payable	**601**	777	(176)	(23%)
Other current liabilities	**843**	1,229	(386)	(31%)
Total Current Liabilities	**52,337**	42,790	9,547	22%

Consolidated Statements of Financial Position	**Audited December 31**		**Increase (Decrease)**	
(In Million Pesos, Except for Percentage)	**2018**	2017		
	(As restated)	(As restated)	**Amount**	**Percentage**
Noncurrent Liabilities				
Long term debt – net of current portion	**94,349**	57,021	37,328	65%
Bonds payable	**18,913**	21,877	(2,964)	(14%)
Liabilities on purchased properties - net of current portion	**2,877**	3,152	(275)	(9%)
Pension liabilities	**859**	1,399	(540)	(39%)
Deferred tax liabilities	**5,334**	5,095	239	5%
Other noncurrent liabilities	**2,169**	2,167	2	0%
Total Noncurrent Liabilities	**124,501**	90,711	33,790	37%
TOTAL LIABILITIES	**176,838**	133,501	43,337	32%
Equity attributable to equity holders of Parent Company				
Capital stock	**3,211**	3,143	68	2%
Additional paid-in capital	**85,592**	78,940	6,652	8%
Retained earnings				
Unappropriated	**52,223**	47,580	4,643	10%
Appropriated	**17,000**	19,000	(2,000)	(11%)
Other comprehensive loss	**(4,207)**	(5,975)	1,768	30%
Other equity adjustments	**2,322**	2,322	-	0%
	156,141	145,010	11,131	8%
Non-controlling interests	**24,687**	27,517	(2,830)	(10%)
TOTAL EQUITY	**180,828**	172,527	8,301	5%
TOTAL LIABILITIES AND EQUITY	**357,666**	306,028	51,638	17%

The major changes in GT Capital's consolidated statement of financial position from December 31, 2017 to December 31, 2018 are as follows:

Consolidated assets increased by 17% or Php51.64 billion from Php306.03 billion as of December 31, 2017 to Php357.67 billion as of December 31, 2018. Total liabilities increased by 32% or Php43.34 billion from Php133.50 billion to Php176.84 billion while total equity increased by 5% or Php8.30 billion from Php172.53 billion to Php180.83 billion.

Cash and cash equivalents declined by Php5.80 billion from Php20.16 billion to Php14.35 billion with TMP, GT Capital-Parent Company, PCFI, Federal Land, TMBC and GTCAD accounting for Php7.58 billion, Php3.67 billion, Php1.63 billion, Php1.24 billion, Php0.20 billion and Php0.03 billion, respectively.

Short-term investments declined by 96% from Php1.67 billion to Php0.07 billion comprising short-term money market placements of TMP.

Financial assets at fair value through profit or loss (FVTPL) amounting to Php3.18 billion pertaining to the Parent Company's investment in Unit Investment Trust Fund (UITF) following the classification under Philippine Financial Reporting Standards (PFRS) 9 effective January 1, 2018. Under the old standard, investments in UITF are classified under Available for sale (AFS) investments.

Receivables-current decreased by 38% or Php9.22 billion from Php24.37 billion to Php15.15 billion with TMP contributing Php8.15 billion consisting of trade and non-trade receivables; PCFI contributing Php2.78 billion comprising of installment contract receivables and other receivables; Federal Land contributing Php1.74 billion, a majority of which were installment contract receivables, rent receivable and other receivables; TMBC and GTCAD accounting for Php2.35 billion and Php0.12 billion, respectively, representing trade receivables from the sale of automobiles and after-sales maintenance services, and GT Capital contributing the remaining balance of Php0.01 billion.

Contract assets-current amounting to Php8.33 billion 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.

Inventories grew by 3% from Php74.87 billion to Php77.47 billion with Federal Land contributing Php38.58 billion comprising land and improvements, condominium units for sale and inventory with construction-in-progress; PCFI contributing Php29.66 billion comprising land and improvements, material inventory, ongoing construction of house inventory and condominium units for sale; TMP contributing Php8.43 billion mostly finished goods; and the balance of Php0.69 billion and Php0.11 billion coming from TMBC and GTCAD, respectively, representing automobiles and spare parts.

Due from related-parties increased by Php0.50 billion from Php0.17 billion to Php0.67 billion mainly Federal Land's related-parties.

Prepayments and other current assets decreased by 6% from Php10.42 billion to Php9.79 billion comprising advances to contractors and suppliers, prepaid expenses, deposit to land owners, input VAT, and creditable withholding taxes from Federal Land, (Php4.85 billion); PCFI, (Php3.61 billion); TMP, (Php1.22 billion); TMBC, (Php0.04 billion); and GT Capital, (Php0.07 billion).

Receivables - net of current portion decreased by Php3.79 billion from Php4.72 billion to Php0.93 billion mainly due to reclassification to non-current contract asset following the provisions of PFRS 15.

Contract assets - net of current portion amounting to Php6.89 billion pertain to the non-current portion of the excess of progress of work over the right to an amount of consideration that is unconditional.

Financial assets at fair value through other comprehensive income (FVOCI) amounted to Php10.95 billion mainly the Parent Company's acquisition of Toyota Motor Corporation common shares in the Tokyo Stock Exchange following the reclassification under PFRS 9 effective January 1, 2018. Under the old standard, investments in equity shares were classified under AFS investments.

Investments and advances increased by 31% from Php124.87 billion to Php163.74 billion primarily due to the following:

1) Php29.63 billion additional and initial investments broken down as follows:
    - Php22.45 billion additional investment in Metrobank arising from the latter's stock rights offering;
    - Php4.33 billion additional investment in Sunshine Fort of Federal Land;
    - Php1.58 billion initial investment in North Bonifacio Landmark Realty Development Corporation (NBLRDI), net of Php0.11 billion advances in 2017 converted to equity in 2018 of Federal Land ;
    - Php0.72 billion additional investment in TFSPC arising from its equity call;
    - Php0.47 billion additional investment in ST 6747 of Federal Land; and
    - Php0.08 billion initial investment in Magnificat and HSL South Food, Inc. of Federal Land.
2) Php11.51 billion share in net income of associates and joint ventures in 2018;
3) Php3.74 billion share in total comprehensive income arising from the adoption of PFRS 9 in January 1, 2018.

These were offset by the following:

1) Php2.44 billion share in other comprehensive loss of associates;
2) Php2.11 billion dividend income received from Metrobank, MPIC, AXA Philippines, and Crown Central; and
3) Php1.48 billion impact of intra-group elimination.

Property and equipment grew by 17% from Php11.67 billion to Php13.64 billion mostly from the newly completed building of TMP and TMBC (Marikina facility).

Deferred tax asset increased by 40% from Php0.73 billion to Php1.02 billion with TMP, Federal Land, TMBC and PCFI accounting for Php0.45 billion, Php0.43 billion, Php0.08 billion and Php0.06 billion, respectively.

Other noncurrent assets increased by Php1.98 billion from Php0.91 billion to Php2.89 billion comprising long-term deposits, non-current input tax, derivative asset, non-current prepaid rent and other assets from TMP, (Php1.55 billion), PCFI, (Php0.82 billion); Federal Land, (Php0.43 billion); GTCAD, (Php0.06 billion); TMBC, (Php0.02 billion); and GT Capital, (Php0.01 billion).

Contract liabilities amounting to Php8.79 billion consist of collections from real estate customers which have not reached the 10% threshold to qualify for revenue recognition and excess of collections over the recognized receivables and contract assets based on percentage of completion.

Short-term debt increased by Php4.47 billion from Php6.03 billion to Php10.50 billion due to loan availments of GT Capital, (Php10.75 billion); Federal Land, (Php9.20 billion); TMP, (Php2.42 billion); TMBC, (Php5.92 billion); PCFI, (Php3.85 billion); and GTCAD (Php0.17 billion). These were offset by loan payments by GT Capital, (Php10.75 billion); Federal Land, (Php7.61 billion); TMBC, (Php5.65 billion); TMP, (Php2.33 billion); and PCFI, (Php1.50 billion).

Current portion of long-term debt declined by 67% from Php2.47 billion to Php0.82 billion primarily due to loan payment by PCFI (Php3.51 billion) offset by reclassification from noncurrent portion of long-term debt (Php1.85 billion) and amortization of deferred financing cost and fair value adjustment (Php0.01 billion).

Current portion of liabilities on purchased properties decreased by 29% from Php0.58 billion to Php0.42 billion due to a reclassification from non-current to current for the loan portion due within one year.

Current portion of bonds payable increased by Php2.99 billion due to reclassification from noncurrent portion of bonds payable maturing in November 2019.

Customers' deposits pertaining to reservation deposits and collections for accounts which do not qualify for revenue recognition decreased by 89% from Php4.94 billion to Php0.56 billion.

Dividends payable increased by Php0.61 billion from Php0.59 billion to Php1.20 billion due to cash dividends payable to noncontrolling shareholders of non-wholly owned subsidiaries.

Due to related parties increased by 8% from Php0.19 billion to Php0.20 billion primarily due to Federal Land's related parties.

Income tax payable decreased by 23% from Php0.78 billion to Php0.60 billion due to decrease in taxable income in 2018 as compared to the taxable income in 2017.

Other current liabilities declined by Php0.39 billion from Php1.23 billion to Php0.84 billion primarily due to the settlement of withholding taxes and output tax as of December 31, 2017 which were paid in the first quarter of 2018.

Long-term debt increased by Php37.33 billion from Php57.02 billion to Php94.35 billion primarily due to the: 1) Php25 billion long-term loan availment by the Parent Company to fund its participation in the Metrobank stock rights offering, net of Php0.19 billion documentary stamp tax of, 2) P11.05 billion long-term loan availment by Parent Company denominated in foreign currency, net of Php0.09 billion transaction cost; 3) Php3.25 billion long term loan availment by Federal Land, net of Php0.03 billion transaction cost; 4) Php0.19 billion translation loss of foreign currency-denominated loans; and 5) Php0.07 billion amortization of deferred financing cost; offset by the 1) Php1.85 billion reclassification to current portion of long-term debt; and 2) the Php0.07 billion loan payments.

Non-current portion of bonds payable decreased by Php2.96 billion due to reclassification to current portion of bonds payable maturing in November 2019.

Non-current portion of liabilities on purchased properties declined by Php0.27 billion from Php3.15 billion to Php2.88 billion mainly due to reclassification to current portion.

Pension liabilities declined by 39% from Php1.40 billion to Php0.86 billion mainly due to increased funding in 2018.

Deferred tax liabilities grew by 5% from Php5.10 billion to Php5.33 billion due to an increase in taxable temporary differences.

Capital stock increase of Php67.41 million pertain to the par value of the 6.74 million common shares representing 3.5% stock dividends declared and issued by GT Capital in 2018.

Additional paid in capital increase of Php6.65 billion pertain to the excess over par value of the 3.5% stock dividends declared and issued by GT Capital in 2018 at Php997.00 per share.

Unappropriated retained earnings increased by Php4.64 billion from Php47.58 billion to Php52.22 billion due to the (1) Php13.16 billion net income attributable to equity holders of the Parent Company; and (2) Php19.00 billion retained earnings reverted back to unappropriated retained earnings from appropriated retained earnings; partially offset by the (1) Php1.16 billion cash dividends declared to shareholders of common and preferred stock; (2) Php6.72 billion stock dividends; (3) Php17.00 billion appropriation of retained earnings for strategic investment in financial services; (4) Php2.58 billion effect of the adoption of PFRS 9 and 15; and (5) and Php0.04 billion realized loss on sale of financial assets at FVOCI.

The Php17.00 billion appropriated retained earnings as of December 31, 2018 pertains to the appropriation of retained earnings earmarked for strategic investments in property development in 2019.

Other comprehensive loss improved by Php1.77 billion from a negative Php5.98 billion to a negative Php4.21 billion primarily due to the (1) Php5.54 billion equity in other comprehensive income of associates arising from adoption of PFRS 9; (2) Php0.07 bilion gain on remeasurement of cash flow hedge reserve; (3) Php0.13 billion gain on remeasurement of pension liabilities; and (4) Php0.04 billion effect of adoption of PFRS 9; offset by (1) Php2.44 billion equity in other comprehensive loss of associates; and (2) Php1.57 billion mark-to-market loss on FVOCI investments.

Non-controlling interest (NCI) declined by 10% from Php27.52 billion to Php24.69 billion due to the Php4.46 billion net income attributable to NCI, Php0.24 billion other comprehensive income attributable to NCI, Php0.04 billion share of NCI in capital call; offset by Php6.92 billion NCI share in dividends declared by majority-owned subsidiaries and Php0.65 billion effect of adoption of PFRS 9 and 15.

CALENDAR YEAR ENDED DECEMBER 31, 2017 VERSUS YEAR ENDED DECEMBER 31, 2016

GT Capital Consolidated Statements of Income	**Audited Year Ended December 31**		**Increase (Decrease)**	
(In Million Pesos, Except for Percentage)	**2017**	2016	**Amount**	**Percentage**
REVENUE				
Automotive operations	**211,692**	177,709	33,983	19%
Real estate sales and Interest income on real estate sales	**15,406**	13,731	1,675	12%
Equity in net income of associates and joint venture	**8,699**	6,366	2,333	37%
Sale of goods and services	**640**	620	20	3%
Rent income	**940**	826	114	14%
Interest income on deposits and investments	**771**	969	(198)	(20%)
Commission income	**56**	192	(136)	(71%)
Gain on revaluation of previously held interest	**-**	125	(125)	(100%)
Other income	**1,607**	1,586	21	1%
	239,811	202,124	37,687	19%
COSTS AND EXPENSES				
Cost of goods and services sold	**147,713**	122,060	25,653	21%
Cost of goods manufactured and sold	**39,635**	33,792	5,843	17%
General and administrative expenses	**12,899**	12,837	62	0%
Cost of real estate sales	**10,035**	7,586	2,449	32%
Interest expense	**3,394**	3,326	68	2%
Cost of rental	**360**	326	34	10%
	214,036	179,927	34,109	19%
INCOME BEFORE INCOME TAX FROM CONTINUING OPERATIONS	**25,775**	22,197	3,578	16%
PROVISION FOR INCOME TAX	**4,524**	4,586	(62)	(1%)
INCOME FROM CONTINUING OPERATIONS, NET OF TAX	**21,251**	17,611	3,640	21%
NET INCOME FROM DISCONTINUED OPERATIONS	**-**	4,916	(4,916)	(100%)
NET INCOME	**21,251**	22,527	(1,276)	(6%)
ATTRIBUTABLE TO:				
Equity holders of the parent company				
Profit for the year from continuing operations	**14,182**	10,631	3,551	33%
Profit for the year from discontinued operations	**-**	4,003	(4,003)	(100%)
	14,182	14,634	(452)	(3%)
Non-controlling interest				
Profit for the year from continuing operations	**7,069**	6,980	89	1%
Profit for the year from discontinued operations	**-**	913	(913)	(100%)
	7,069	7,893	(824)	(10%)
	21,251	22,527	(1,276)	(6%)

GT Capital Holdings, Inc. (“GT Capital” or the “Company” or the “Parent Company”) consolidated net income attributable to equity holders of the Parent Company declined by 3% from Php14.63 billion in 2016 to Php14.18 billion in 2017. The decline was principally due to the recognition of non-recurring gains from the sale of investments in 2016. Despite this, revenues still grew by 19% from Php202.12 billion in 2016 to Php239.81 billion in 2017.

The revenue growth came from the following component companies:

(1) auto sales from Toyota Motor Philippines Corporation ("TMP") and Toyota Manila Bay Corporation ("TMBC") as combined sales increased from Php177.71 billion to Php211.69 billion accounting for 88% of total revenue;
(2) higher real estate sales and interest income on real estate sales from Federal Land Inc. (Fed Land) and Property Company of Friends, Inc. ("PCFI") which grew by 12% from Php13.73 billion to Php15.41 billion; and
(3) higher equity in net income of associates and joint venture which grew by 37% from Php6.37 billion to Php8.70 billion.

Core net income attributable to equity holders of the Parent Company improved by 29% from Php11.67 billion to Php15.03 billion. Core net income for 2017 amounted to Php15.03 billion, after adding back the (1) Php0.70 billion amortization of fair value adjustments arising from various business combinations; and (2) Php0.15 billion non-recurring gains. Core net income for 2016 amounted to Php11.67 billion, after excluding the Php3.20 billion one-time gains from the sale of investments in shares of stock of Global Business Power Corporation (GBPC) and Charter Ping An Insurance Corporation ("CPAIC"), among others, net of related taxes and expenses; and adding back the (1) Php0.20 billion non-recurring reinsurance cost of CPAIC; and (2) Php0.04 billion amortization of fair value adjustments arising from various business combinations.

The financial statements of Fed Land, PCFI, TMP, TMBC and GT Capital Auto Dealership Holdings, Inc. ("GTCAD") are consolidated in the financial statements of the Company. The other component companies Metro Pacific Investments Corporation ("MPIC"), Metropolitan Bank & Trust Company ("Metrobank" or "MBT'), Philippine AXA Life Insurance Corporation ("AXA Philippines), Toyota Financial Services Philippines Corporation ("TFSPH") and Sumisho Motor Finance Corporation ("SMFC") are accounted for through equity accounting.

Of the ten (10) component companies, TMP, TMBC, Metrobank, MPIC, TFSPH, AXA Philippines, and SMFC posted growths in their respective net income. Fed Land, and PCFI, reported declines in their respective net income for the year. GTCAD has not commenced commercial operations.

Automotive operations comprising the sale of assembled and imported auto vehicles and spare parts grew by 19% from Php177.71 billion to Php211.69 billion principally driven by the 13% increase in wholesales volume from 162,085 units to 183,209 units and continued expansion in the dealer outlets from 52 to 63.

Real estate sales and interest income on real estate sales rose by 12% from Php13.73 billion to Php15.41 billion. Fed Land contributed approximately 59% of total sales, mostly from middle-market development projects. PCFI's low cost and economic housing projects contributed the remaining balance.

Equity in net income of associates and joint venture, increased by 37% from Php6.37 billion to Php8.70 billion due to increases in: (1) net income of MPIC increasing by 15% from Php11.46 billion to Php13.15 billion which contributed full year in 2017 as compared to seven (7) months in 2016; (2) net income of Metrobank increasing by 1% from Php18.09 billion to Php18.22 billion with increased ownership from 26.47% to 36.09% effective May 1, 2017; and (3) net income of AXA Philippines more than doubled from Php1.13 billion to Php2.47 billion.

Rent income, mainly from Fed Land's GT Tower International office building and Blue Bay Walk, increased by 14% from Php0.83 billion to Php0.94 billion.

Interest income on deposits and investments declined by 20% from Php0.97 billion to Php0.77 billion due to a decline in cash available for short-term placements by GT Capital and subsidiaries.

Commission income declined by Php0.14 billion from Php0.19 billion to Php0.05 billion due to a decline in booked sales of Grand Hyatt Residences.

Gain on revaluation of previously-held interest in 2016 amounted to Php0.12 billion, representing one-time gains arising from the re-measurement of GT Capital's investment in TMBC, (Php0.07 billion); and Fed Land's investment in Federal Land Orix Corporation (FLOC), (Php0.05 billion), which were previously accounted for as investment in jointly-controlled entities.

Consolidated costs and expenses increased by 19% from Php179.93 billion to Php214.04 billion with the following breakdown:

(1) Php169.34 billion from TMP comprising cost of goods manufactured, cost of goods and services sold, general and administrative expenses and interest expenses;
(2) Php25.91 billion from TMBC consisting of cost of goods and services sold, general and administrative expenses and interest expenses;
(3) Php9.29 billion from Fed Land consisting of cost of real estate sales, cost of goods sold, cost of rental, general and administrative expenses and interest expenses;
(4) Php6.62 billion from PCFI comprising cost of real estate sales, general and administrative expenses and interest expenses; and
(5) Php2.88 billion from GT Capital representing interest expenses and general and administrative expenses.

Cost of goods and services sold increased by 21% from Php122.06 billion to Php147.71 billion with TMP's and TMBC's completely built-up units and spare parts accounting for Php147.15 billion and the balance of Php0.56 billion from Fed Land's petroleum service station business.

Cost of goods manufactured and sold comprising cost of materials, labor and overhead incurred in the assembly of vehicles from TMP grew by 17% from Php33.79 billion in 2016 to Php39.63 billion in 2017.

Cost of real estate sales increased by 32% from Php7.59 billion to Php10.04 billion arising from the increase in real estate sales. Fed Land contributed 61% of the cost while PCFI accounted for the remaining 39%.

Interest expenses increased from Php3.33 billion to Php3.39 billion with GT Capital, PCFI, TMP, Fed Land, and TMBC accounting for Php2.61 billion, Php0.47 billion, Php0.12 billion, Php0.12 billion and Php0.07 billion, respectively.

General and administrative expenses grew from Php12.84 billion in 2016 to Php12.90 billion in 2017. TMP accounted for Php6.66 billion consisting of salaries and wages, advertisements and promotional expenses, taxes and licenses and delivery and handling expenses. PCFI contributed Php2.24 billion consisting of salaries and wages, commission expenses, advertising and promotional expenses, outside services and taxes and licenses. Fed Land accounted for Php2.13 billion composed of salaries and wages, commission expenses, taxes and licenses and repairs and maintenance expenses. TMBC contributed Php1.60 billion representing salaries and wages, commission expenses and advertising and promotional expenses and taxes and licenses and GT Capital contributed Php0.27 billion consisting of salaries and wages, professional fees and taxes and licenses.

Cost of rental grew by 10% from Php0.33 billion to Php0.36 billion due to an increase in depreciation of the building leased out.

Income from discontinued operations in 2016 amounted to Php4.92 billion consisting of non-recurring gains from sale of the Parent Company's investment in GBPC and CPAIC amounting to Php3.44 billion and Php0.25 billion, respectively, and net income contribution of GBPC amounted to Php1.39 billion offset by Php0.16 billion losses incurred by CPAIC.

Net income attributable to non-controlling interest decreased by 10% from Php7.89 billion to Php7.07 billion due to the sale of GBPC in 2016, which is a majority-owned subsidiary.

Consolidated net income attributable to equity holders of the Parent Company declined by 3% from Php14.63 billion in 2016 to Php14.18 billion in 2017.

Consolidated Statements of Financial Position	**Audited December 31**		**Increase (Decrease)**	
(In Million Pesos, Except for Percentage)	**2017**	2016	**Amount**	**Percentage**
ASSETS				
Current Assets				
Cash and cash equivalents	**20,155**	20,954	(799)	(4%)
Short-term investments	**1,666**	1,598	68	4%
Available-for-sale investments	**611**	1,284	(673)	(52%)
Receivables	**24,374**	22,798	1,576	7%
Inventories	**56,594**	52,060	4,534	9%
Due from related parties	**166**	80	86	108%
Prepayments and other current assets	**10,417**	6,992	3,425	49%
Total Current Assets	**113,983**	105,766	8,217	8%
Noncurrent Assets				
Available-for-sale investments	**2,103**	1,443	660	46%
Receivables – net of current portion	**4,720**	7,141	(2,421)	(34%)
Land held for future development	**18,278**	18,464	(186)	(1%)
Investment properties	**17,392**	14,314	3,078	22%
Investments and advances	**124,892**	94,828	30,064	32%
Property and equipment	**11,671**	9,367	2,304	25%
Goodwill and intangible assets	**13,012**	12,802	210	2%
Deferred tax asset	**731**	540	191	35%
Other noncurrent assets	**909**	781	128	16%
Total Noncurrent Assets	**193,708**	159,680	34,028	21%
TOTAL ASSETS	**307,691**	265,446	42,245	16%
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts and other payables	**25,983**	21,177	4,806	23%
Short term debt	**6,033**	6,697	(664)	(10%)
Current portion of long term debt	**2,467**	1,581	886	56%
Current portion of liabilities on purchased properties	**582**	166	416	251%
Customers' deposits	**4,941**	3,839	1,102	29%
Dividends payable	**589**	589	-	0%
Due to related parties	**189**	195	(6)	(3%)
Income tax payable	**777**	202	575	285%
Other current liabilities	**1,229**	638	591	93%
Total Current Liabilities	**42,790**	35,084	7,706	22%
Noncurrent Liabilities				
Long term debt – net of current portion	**57,021**	56,475	546	1%
Bonds payable	**21,877**	21,848	29	0%
Liabilities on purchased properties - net of current	**3,152**	1,993	1,159	58%
Pension liabilities	**1,399**	1,671	(272)	(16%)
Deferred tax liabilities	**5,594**	5,052	542	11%
Other noncurrent liabilities	**2,167**	2,085	82	4%
Total Noncurrent Liabilities	**91,210**	89,124	2,086	2%
TOTAL LIABILITIES	**134,000**	124,208	9,792	8%

	Audited December 31		Increase (Decrease)	
(In Million Pesos, Except for Percentage)	**2017**	2016	**Amount**	**Percentage**
EQUITY				
Equity attributable to equity holders of Parent Company				
Capital stock	**3,143**	2,960	183	6%
Additional paid-in capital	**78,940**	57,437	21,503	37%
Retained earnings				
Unappropriated	**48,582**	39,961	8,621	22%
Appropriated	**19,000**	14,900	4,100	28%
Other comprehensive loss	**(5,975)**	(2,775)	(3,200)	(115%)
Other equity adjustments	**2,322**	2,322	-	0%
	146,012	114,805	31,207	27%
Non-controlling interests	**27,679**	26,433	1,246	5%
TOTAL EQUITY	**173,691**	141,238	32,453	23%
TOTAL LIABILITIES AND EQUITY	**307,691**	265,446	42,245	16%

The major changes in GT Capital's consolidated statement of financial position from December 31, 2016 to December 31, 2017 are as follows:

Consolidated assets of the Group grew by 16% or Php42.24 billion from Php265.45 billion as of December 31, 2016 to Php307.69 billion as of December 31, 2017. Total liabilities increased by 8% or Php9.79 billion from Php124.21 billion to Php134.00 billion while total equity improved by 23% or Php32.45 billion from Php141.24 billion to Php173.69 billion.

Cash and cash equivalents declined by 4% from Php20.95 billion to Php20.15 billion with TMP, PCFI, Fed Land, TMBC, GTCAD and GT Capital-Parent Company accounting for Php17.17 billion, Php1.44 billion, Php1.02 billion, Php0.25 billion, Php0.21 billion and Php0.06 billion, respectively.

Short-term investments grew by 4% from Php1.60 billion to Php1.67 billion mainly TMP's short-term money market placements.

Available-for-sale (AFS) investments classified as current declined by Php0.67 billion from Php1.28 billion to Php0.61 billion due to the withdrawal of the Unit Investment Trust Fund (UITF) by GT Capital Parent to fund its acquisitions.

Receivables-current grew by 7% from Php22.80 billion to Php24.37 billion with: 1) TMP contributing Php7.75 billion consisting of trade receivables with credit terms ranging from one (1) to thirty (30) days; 2) Fed Land contributing Php7.63 billion, majority of which were installment contract receivables, rent receivables and other receivables; 3) PCFI contributing Php6.50 billion consisting of installment contract receivables and other receivables; and 4) TMBC contributing Php2.49 billion comprising trade receivables from the sale of vehicles, spare parts and after-sales service.

Inventories increased by 9% from Php52.06 billion to Php56.59 billion with Fed Land contributing Php38.09 billion comprising land and improvements, condominium units for sale and inventory with construction-in-progress; PCFI contributing Php11.55 billion comprising land and improvements, materials inventory, ongoing construction of house inventory and condominium units for sale; TMP contributing Php6.64 billion mostly finished goods; and the balance of Php0.31 billion came from TMBC representing automobiles and spare parts for sale.

Due from related-parties increased by Php0.09 billion from Php0.08 billion to Php0.17 billion mainly Fed Land's related-parties.

Prepayments and other current assets rose by 49% from Php6.99 billion to Php10.42 billion comprising advances to contractors and suppliers, prepaid expenses, input VAT, deposit to land owners and creditable withholding tax from Fed Land (Php4.96 billion); PCFI (Php4.20 billion); TMP (Php1.14 billion); TMBC (Php0.08 billion); and GT Capital (Php0.04 billion).

Available-for-sale (AFS) investments classified as non-current grew by 46% from Php1.44 billion to Php2.10 billion due to mark-to-market gains as of December 31, 2017.

Non-current receivables declined by 34% from Php7.14 billion to Php4.72 billion mainly bank take-out of installment contract receivables.

Investment properties grew by 22% from Php14.31 billion to Php17.39 billion, comprising of properties held for lease and capital appreciation from Fed Land (Php11.84 billion), PCFI (Php3.03 billion), TMP (Php2.22 billion) and TMBC (Php0.30 billion).

Investments and advances increased by 32% from Php94.83 billion to Php124.89 billion primarily due to: (1) Php24.74 billion additional 9.62% ownership over Metrobank; (2) Php8.70 billion equity in net income for 2017; (3) Php0.78 billion additional investment in ST 6747 Resources Corporation; (4) Php0.48 billion additional investment in TFS; (5) Php0.38 billion initial 20% investment in SMFC; (6) Php0.29 billion initial investment in Sunshine Fort; and (7) Php0.10 billion advances to North Bonifacio Landmark Realty Development Corporation; offset by (1) Php3.82 billion equity in other comprehensive loss and (2) cash dividends received from Metrobank (Php0.84 billion), MPIC (Php0.50 billion) and Phil AXA (Php0.25 billion).

Property and equipment grew by 25% from Php9.37 billion to Php11.67 billion mostly from the newly completed building of TMP and TMBC.

Deferred tax assets increased by 35% from Php0.54 billion to Php0.73 billion with TMP, PCFI, TMBC and Fed Land accounting for Php0.48 billion, Php0.14 billion, Php0.08 billion and Php0.03 billion, respectively.

Other noncurrent assets grew by 16% from Php0.78 billion to Php0.91 billion comprising long-term deposits, non-current input tax, non-current prepaid rent, other assets and retirement assets from PCFI (Php0.41 billion), Fed Land (Php0.33 billion), TMP (Php0.12 billion), GTCAD (Php0.04 billion) and TMBC (Php0.01 billion).

Accounts and other payables increased by 23% from Php21.18 billion to Php25.98 billion with TMP, Fed Land, PCFI, TMBC and GT Capital accounting for Php16.54 billion, Php5.04 billion, Php2.83 billion, Php1.41 billion and Php0.16 billion, respectively.

Short-term debt declined by 10% from Php6.70 billion to Php6.03 billion due to loan payments by GT Capital-Parent Company (Php3.00 billion), TMBC (Php4.87 billion), TMP dealership subsidiaries (Php1.75 billion), and Fed Land (Php1.23 billion); offset by availments of short-term loans by TMBC (Php5.11 billion), TMP dealer subsidiaries (Php2.57 billion); PCFI (Php1.25 billion) and Fed Land (Php1.25 billion).

Current-portion of long-term debt grew by Php0.89 billion from Php1.58 billion to Php2.47 billion due to a reclassification from non-current to current for the loan portion due within one year.

Current-portion of liabilities on purchased properties grew by Php0.42 billion from Php0.17 billion to Php0.58 billion due to a reclassification from non-current to current for the loan portion due within one year.

Customers' deposits grew by 29% from Php3.84 billion to Php4.94 billion mainly due to an improvement in reservation sales for the year.

Income tax payable grew by Php0.58 billion from Php0.20 billion to Php0.78 billion due to an increase in taxable income for the fourth quarter of 2017 vis-a-vis the fourth quarter of 2016.

Other current liabilities increased by Php0.59 billion from Php0.64 billion to Php1.23 billion due to an increase in VAT payable and withholding taxes payable as of year-end for remittance to the BIR in January 2018.

Pension liabilities declined by 16% from Php1.67 billion to Php1.40 billion with TMP, PCFI, TMBC and FLI accounting for Php1.09 billion, Php0.14 billion, Php0.09 billion and Php0.08 billion, respectively .

Non-current portion of liabilities on purchased properties grew by Php1.16 billion from Php1.99 billion to Php3.15 billion due to acquisition of lots.

Deferred tax liabilities grew by 11% from Php5.05 billion to Php5.59 billion due to an increase in taxable temporary differences.

Capital stock increased by 6% from Php2.96 billion to Php3.14 billion due to the issuance of 18.3 million new common shares to Grand Titan Capital Holdings, Inc. ("Grand Titan") in April 2017.

The Php21.50 billion increase in additional paid-in capital pertain to the excess of issue price over par value for the 18.3 million new common shares issued by GT Capital-Parent Company to Grand Titan.

Unappropriated retained earnings increased by Php8.62 billion from Php39.96 billion to Php48.58 billion due to the (1) Php14.18 billion net income attributable to equity holders of the Parent Company; and (2) Php14.90 billion retained earnings reverted back to unappropriated retained earnings from appropriated retained earnings; partially offset by the (1) Php1.46 billion cash dividends declared to shareholders of common and preferred stock and (2) Php19.00 appropriation of retained earnings for strategic investment in financial services.

The Php19.00 billion appropriated retained earnings as of December 31, 2017 pertains to the appropriation of retained earnings earmarked for strategic investments in financial services in 2018.

Other comprehensive loss increased by Php3.20 billion from a negative Php2.77 billion to a negative Php5.97 billion primarily due to the (1) Php1.49 billion net mark-to-market loss recorded on available-for-sale investments of subsidiaries and associates; 2) Php1.38 billion negative translation adjustment in associates; (3) Php0.19 billion mark-to-market loss on remeasurement of life insurance reserve; (4) Php0.13 billion mark-to-market loss on remeasurement of retirement liabilities; and (5) Php0.01 billion mark-to-market loss on cash flow hedge reserve.

Non-controlling interest (NCI) improved by 5% from Php26.43 billion to Php27.68 billion due to the Php7.07 billon NCI share in net income earned in 2017 offset by (1) Php5.79 billion NCI share in dividends declared by subsidiaries and (2) Php 0.03 billion NCI share in other comprehensive loss.

LIQUIDITY AND CAPITAL RESOURCES

In 2017, 2018 and 2019, 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, 2019, GT Capital's cash and cash equivalents reached Php12.13 billion.

The following table sets forth selected information from GT Capital's statement of cash flows for the periods indicated.

	In Million Pesos		
	2017	**2018**	**2019**
Net cash provided (used) by operating activities	6,478	(640)	(6,892)
Net cash used in investing activities	(30,505)	(45,428)	(3,876)
Net cash provided by financing activities	23,613	40,412	8,411
Effects of exchange rate changes on cash and cash equivalents	(385)	(146)	137
Net increase (decrease) in cash and cash equivalents	(799)	(5,802)	(2,220)
Cash and cash equivalents at the beginning of the period	20,954	20,155	14,353
Cash and cash equivalents of continuing operations at end of the period	20,155	14,353	12,134

Cash flows from operating activities

Net cash provided by operating activities amounted to Php6.48 billion in 2017 and net cash used by operating activities amounted to Php0.64 billion in 2018 and Php6.89 billion in 2019. In 2017, operating cash amounting to Php21.91 billion was used to increase inventories by Php8.20 billion, prepayments and other current assets by Php3.36 billion and pay dividends, income taxes and interest amounting to Php7.25 billion, Php3.70 billion and Php3.43 billion, respectively. In 2018, operating cash amounting to Php16.21 billion was used to increase financial assets at FVTPL by Php2.50 billion, receivables by Php2.21 billion and inventories by Php4.21 billion and to pay dividends, income taxes and interest amounting to Php7.48 billion, Php4.38 billion and Php4.62 billion, respectively. 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 Php9.15 billion, respectively.

Cash flows used in investing activities

Net cash used in investing activities amounted to Php30.50 billion in 2017, Php45.43 billion in 2018 and Php3.88 billion in 2019. In 2017, cash flows used in investing activities went to increase investment in associates and a joint venture by Php26.78 billion, investment properties by Php0.66 billion, property and equipment by Php3.48 billion, AFS investments by Php1.74 billion and intangible assets by Php0.24 billion. In 2018, cash flows used in investing activities went to pay for additional investment in associates and a joint venture by Php29.63 billion, financial assets at FVOCI by Php10.48 billion, property and equipment by Php3.92 billion, and investment properties by Php0.22 billion. In 2019, cash flows used in investing activities went to pay for additional investment in associates and a joint venture by Php0.94 billion, property and equipment by Php2.27 billion, and investment properties by Php1.10 billion.

Cash flows from financing activities

Net cash provided by financing activities amounted to Php23.61 billion in 2017, Php40.41 billion in 2018 and Php8.41 billion in 2019. In 2017, cash flows from financing activities came from Php38.35 billion in new loans and issuance of capital stock of Php21.69 billion which were used to partially settle Php38.40 billion in outstanding loans. In 2018, cash flows from financing activities came from loan availments of Php71.29 billion which were used to partially settle Php31.43 billion in outstanding loans and Php0.50 billion in liabilities on purchased properties. 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.

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, 2019.

The Group will also adopt several amended and revised standards and interpretations subsequent to 2019.

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 2019 and new PFRS and PAS that will be effective subsequent to 2019.

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, 2017, 2018 and 2019 have been audited by SGV & Co. (a member firm of Ernst & Young Global Limited), independent auditors, as stated in their reports appearing herein.

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, 2017, 2018 and 2019 for professional services rendered by SGV & Co. to GT Capital:

	2017	**2018**	**2019**
		(in Php million)	
Audit and Audit-Related Services	2.30	2.21	3.04
Non-Audit Services	0.04	0.32	0.04
Total	2.34	2.53	3.08

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, 2019 are as follows:

(i) Board of Directors

Board of Directors

Office	Name	Age	Citizenship
Chairman	Arthur V. Ty	53	Filipino
Co-Vice Chairman	Francisco C. Sebastian	65	Filipino
Co-Vice Chairman	Alfred V. Ty	52	Filipino
Director/President	Carmelo Maria Luza Bautista	62	Filipino
Director	Regis V. Puno	61	Filipino
Director	David T. Go	66	Filipino
Director	Pascual M. Garcia III*	66	Filipino
Lead Independent Director	Renato C. Valencia	78	Filipino
Independent Director	Jaime Miguel G. Belmonte	56	Filipino
Independent Director	Wilfredo A. Paras	73	Filipino
Independent Director	Rene J. Buenaventura	65	Filipino
Board Advisers			
Adviser	Mary V. Ty	79	Filipino
Adviser	Guillermo Co Choa	60	Filipino

**Resigned effective March 27, 2020*

Period of Directorship

Name	Date First Elected
Arthur V. Ty	June 3, 2011
Francisco C. Sebastian	May 12, 2014
Alfred V. Ty	February 14, 2012
Carmelo Maria Luza Bautista	August 5, 2011
Regis V. Puno	May 9, 2018
David T. Go	May 12, 2014
Pascual M. Garcia, III	May 9, 2018
Renato C. Valencia	May 10, 2017*
Jaime Miguel G. Belmonte	December 2, 2011
Wilfredo A. Paras	May 14, 2013
Rene J. Buenaventura	May 9, 2018

**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.*

Board Committees:

The members of the Executive Committee are:

Arthur V. Ty	- Chairman
Alfred V. Ty	- Vice-Chairman
Carmelo Maria Luza Bautista	- Member
Francisco C. Sebastian	- Member
Mary V. Ty	- Adviser

The members of the Audit Committee are:

Wilfredo A. Paras	- Chairman
Renato C. Valencia	- Member
Rene J. Buenaventura	- Member
Regis V. Puno	- Member
Pascual M. Garcia III*	- Member

**Resigned effective March 27, 2020*

The members of the Risk Oversight Committee are:

Rene J. Buenaventura	- Chairman
Renato C. Valencia	- Member
Wilfredo A. Paras	- Member
David T. Go	- Member

The members of the Compensation Committee are:

Jaime Miguel G. Belmonte	- Chairman
Alfred V. Ty	- Member
Renato C. Valencia	- 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
Jaime Miguel G. Belmonte	- 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 Ty, 53 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; Vice Chairman of First Metro Investment Corporation (FMIC) and 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, 65 years old, Filipino, 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 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 in 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, 52 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: Chairman, Federal Land, Inc.; Chairman, Lexus Manila; Chairman, Bonifacio Landmark Realty and Development Corporation; Vice Chairman of Metro Pacific Investments Corporation, a listed company; Chairman, Cathay International Resources Corporation; Vice Chairman, Toyota Motor School of Technology, Inc.; Vice Chairman, Federal Land-Orix Corporation; and Member of the Board of Trustees, Metrobank Foundation, Inc.

Carmelo Maria Luza Bautista, 62 years old, Filipino, assumed the role of Director and President 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 42 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 Citibank-Manila; Vice President-Real Estate Finance Group, Citibank N.A.-Singapore branch; Vice President-Structured Finance, Citibank N.A.-Singapore Regional Office; Country Manager, ABN AMRO Bank-Philippines; and President and CEO, Philippine Bank of Communications. 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), and Director of Federal Land, Inc., Toyota Motor Philippines Corporation (TMP), AXA Philippines, and GT Capital Auto Dealership Holdings, Inc. (GTCAD). He is also an Adviser to the Board of Trustees of GT Foundation, Inc. and an Independent Director of Vivant Corporation, a listed company.

Dr. David T. Go, 66 years old, Filipino, has been a Director of GT Capital since May 2014. He acquired his Doctor of Philosophy Degree (International Relations) from New York University in 1982. He currently serves as Vice Chairman and Treasurer of Toyota Motor Philippines Corporation (TMP). 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.; Trustee of Toyota Savings and Loan Association; Chairman of Toyota San Fernando, Inc., Toyota Manila Bay Corporation (TMBC), and Toyota Logistics, Inc.; Director of Lexus Manila. Dr. Go has no directorships in other listed companies aside from GT Capital.

Atty. Regis V. Puno, 61 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. He is also an 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.; LMG Chemicals Corporation; and is the Philippine Committee Chairman of the Alumni Admissions Program (AAP) of, Georgetown University, U.S.A.

Pascual M. Garcia III, 66 years old, Filipino, is currently the President of Federal Land Inc. and was appointed as Director of GT Capital in May 2018. He also holds several other 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. 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.

Mr. Garcia resigned effective March 27, 2020, due to personal reasons, and not for any disagreement with the Corporation on any matter relating to the Corporation's operations, policies or practices.

Renato C. Valencia, 78 years old, Filipino, is the Lead Independent Director of GT Capital, the current Chairman of iPeople Inc., and Independent Director of EEI Corporation and Anglo Philippine Holdings, Inc. His past positions include the following: 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); and Independent Director, Metropolitan Bank and Trust Company. Mr. Valencia was formerly a Director at the following companies: 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, and the Makati Stock Exchange. Mr. Valencia also served as Board Adviser at Philippine Veterans Bank, Advisory Board Member of the Philippines Coca-Cola System Council, and Board Member of the Civil Aeronautics Board. He is a graduate of the Philippine Military Academy with a degree in B.S. Gen. Engineering, and also holds a Master's degree in Business Administration from the Asian Institute of Management.

Jaime Miguel G. Belmonte, 56 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 Business World (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.

Wilfredo A. Paras, 73 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); Member of the Board of Trustees of Dualtech Training Center (2012-present); and President of WAP Holdings, Inc. (2007-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 is also a Fellow of the Institute of Corporate Directors.

Rene J. Buenaventura, 65 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. and Independent Director of Lorenzo Shipping Corporation. He is likewise a Director and Member of the Executive Committee of Maxicare Healthcare Corporation, Vice Chairman of Algo Leasing and Finance 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.

** 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, 79 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 and 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, 60 years old, Filipino, was appointed as Board Adviser of GT Capital in June 2016. He is currently the Vice-Chairman and President of PCFI. Mr. Choa earned his Bachelor's Degree in Commerce, Major in Marketing, from the De La Salle University and his Master's Degree in Business Economics from the University of Asia and Pacific.

Nominee Directors

As of the date of this report, the nominees for independent directors are Messrs. Renato C. Valencia, Wilfredo A. Paras, Jaime Miguel G. Belmonte and Rene J. Buenaventura. Messrs. Valencia, Paras, Belmonte and Buenaventura were nominated by Aaron M. Say. 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, David T. Go, Ms. Alesandra T. Ty and Atty. Regis V. Puno.

All the nominees, except Ms. Alesandra T. Ty, are incumbent directors of GT Capital. The experience and qualifications of the nominated incumbent directors are found above. The experience and qualifications of Ms. Alesandra T. Ty follows:

> **Alesandra T. Ty**, 39 years old, Filipino, was appointed Assistant Treasurer of GT Capital on February 14, 2012. She graduated from the Ateneo de Manila University with a Bachelor of Science degree in Legal Management. She then earned her Masters 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.

Review of qualifications of candidates nominated as Directors, including Independent Directors, is conducted by the Nominations Committee prior to the stock0holders' 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 re-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

Dr. David T. Go

Alesandra T. Ty

Atty. Regis V. Puno

Jaime Miguel G. Belmonte

Wilfredo A. Paras

Renato C. Valencia

Rene J. Buenaventura

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	62	Filipino
Francisco H. Suarez, Jr.	Executive Vice President/Chief Financial Officer	60	Filipino
Anjanette T. Dy Buncio	Treasurer	51	Filipino
Alesandra T. Ty	Assistant Treasurer	39	Filipino
Vicente S. Socco	Chairman, GTCAD	60	Filipino
Antonio P. A. Zara III	General Manager, GTCAD	52	Filipino

Name	Office	Age	Citizenship
Antonio V. Viray	Corporate Secretary	80	Filipino
Jocelyn Y. Kho	Assistant Corporate Secretary	65	Filipino
Winston Andrew L. Peckson	First Vice President/Chief Risk Officer	68	Filipino
Jose B. Crisol, Jr.	First Vice President/Head, Investor Relations, Strategic Planning and Corporate Communication	53	Filipino
Reyna Rose P. Manon-og	First Vice President/Controller and Head, Accounting and Financial Control	37	Filipino
Susan E. Cornelio	Vice President/Head, Human Resources and Administration	48	Filipino
Leo Paul C. Maagma	Vice President/Chief Audit Executive	49	Filipino
Elsie D. Paras	Vice President/Head, Corporate Finance and Business Development	47	Filipino
Renee Lynn Miciano-Atienza	Vice President /Head, Legal and Compliance	37	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 GTCAD	2019-Present
Antonio V. Viray	Corporate Secretary	2009-Present
Jocelyn Y. Kho	Assistant Corporate Secretary	2011-Present
Jose B. Crisol, Jr.	First Vice President/Head, Investor Relations, Strategic Planning and Corporate Communication	2012-Present
Winston Andrew L. Peckson	First Vice President/Chief Risk Officer	2016-Present
Reyna Rose P. Manon-og	First Vice President/Controller and Head, Accounting and Financial Control	2011-Present
Susan E. Cornelio	Vice President/Head, Human Resources and Administration	2012-Present
Elsie D. Paras	Vice President/Head, Corporate Finance and Business Development	2015-Present
Leo Paul C. Maagma	Vice President/Chief Audit Executive	2018-Present
Renee Lynn Miciano-Atienza	Vice President/Head, Legal and Compliance	2016-Present

Francisco H. Suarez Jr., 60 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 Dealership Holdings, Inc., Toyota Subic Bay, GT Mobility Ventures and JBA Philippines, Director of Toyota Manila Bay Corp., and Corporate Secretary of Toyota Financial Services. Over his tenure, he has successfully supervised over the launch of the Corporation's initial public offering, a top-up private placement, two retail bond issuances, bilateral fixed rate term loans and two series of perpetual preferred shares. Mr. Suarez brings to GT Capital over 35 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 Corp. He has also assumed various positions in Metrobank, International Corporate Bank, 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, 51 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: Vice Chairman and Director of Metrobank Card Corporation; Director, Treasurer, and Senior Vice President of Federal Land, Inc.; Director and Chairman of the Board of Manila Medical Services Inc.; Senior Vice President of Metrobank Foundation Inc.; 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, 39 years old, Filipino, was appointed Assistant Treasurer of GT Capital on February 14, 2012. She graduated from the Ateneo de Manila University with a Bachelor of Science degree in Legal Management. She then earned her Masters 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 Saniel Socco, 60 years old, is the Chairman of GT Capital Auto Dealership Holdings, Inc. (GTCAD). GTCAD is a wholly-owned subsidiary of GT Capital and is the vehicle for the automotive holdings of the Group. He brings close to forty years of expertise in the automotive sector. Mr. Socco began his career with Toyota in the Philippines as a member of the 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. 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 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.

Antonio P. A. Zara III, 52 years old, Filipino, is the General Manager of GT Capital Auto Dealership Holdings, Inc. (GTCAD). He was appointed to the position in November 2018. Mr. Zara brings to GT Capital close to three decades of global automotive industry experience in various technical, sales and marketing, and senior leadership roles. Prior to his involvement with GTCAD, he was General Manager for Global Aftersales Planning at the Nissan Motor Company global head office in Yokohama, Japan. Previously, he was the President of Nissan Motor Distributor Indonesia, heading the country's Nissan and Datsun assembly, importation, and distribution operations. Before this, he was the President of Nissan Motor Philippines, Inc., overseeing consistent double-digit vehicle unit sales growth and nearly doubling the said car company's market share during his tenure. Prior to Nissan, he held several positions in various markets for General Motors (GM): Managing Director of General Motors Korea in Incheon, South Korea; Vice President for Vehicle Sales, Service and Marketing of General Motors Southeast Asia in Bangkok, Thailand; President of General Motors Asia Pacific Japan, Ltd. in Tokyo, Japan; Vice President and Head of Vehicle Sales, Service, and Marketing for Pt. General Motors Indonesia; and Director of the sales and aftersales departments of General Motor Automobiles Philippines in Makati, Philippines. Mr. Zara graduated with honors from the Don Bosco Technical Institute with a Degree in Mechanical Engineering.

Antonio V. Viray, 80 years old, has been GT Capital's Corporate Secretary since 2009. He began his legal profession by becoming a litigation lawyer of the Feria Law Office (formerly Feria Feria Lugtu & Lao). He then embarked on a banking career with Philippine Savings Bank (PSBank), retiring as Senior Vice President and Corporate Secretary. When PSBank was acquired by Metrobank, he was recruited as Metrobank's General Counsel (later Special Counsel), later to become Senior Vice President, Corporate Secretary, and Director. He is currently Corporate Secretary of Grand Titan Capital Holdings, Inc., and Of Counsel at Feria Tantoco Daos Law Firm. The foundations of his career as a successful corporate lawyer and secretary were provided by Colegio de San Juan de Letran (Letran College), where he graduated Valedictorian, with an Associate in Arts degree; 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 through a Ford Foundation Fellowship Grant. In addition, Atty. Viray was a former President of the

Bankers Institute of the Philippines (BAIPhil); and Association of Bank Lawyers. He also incorporated the Chamber of Thrift Banks, the confederacy of three thrift bank associations: Savings Banks Association of the Philippines, Stock Savings and Loan Associations and the Development Bankers Association.

Jocelyn Y. Kho, 65 years old, Filipino, has served as the Corporation's Assistant Corporate Secretary since June 2011 and formerly the Corporation's Controller until 2010. She served as Vice President under the Office of the Assistant to the Group Chairman of Metrobank from 1978 to 2009. She concurrently holds the following positions: Assistant Corporate Secretary, Grand Titan Capital Holdings, Inc.; Controller and Assistant Corporate Secretary, Global Treasure Holdings, Inc.; Director and Treasurer, Global Business Holdings, Inc. and Circa 2000 Homes, Inc.; Director and Senior Vice President, 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 and Ex-Com Member of Federal Land, Inc. ; Director and Treasurer, Nove Ferum Holdings, Inc.; Director and Treasurer, Horizon Royale Holdings, Inc.; Chairman and President, Glam Holdings Corporation, Yorktown Properties, Inc., Uni-Plastic International Corporation, MBTC Management Consultancy, Inc. and The Metropolitan Park, Inc.; Director and President, Harmony Property Holdings, Inc.; Splendor Fortune Holdings, Inc.; and Splendor Realty Corporation. She earned her Bachelor of Science degree in Commerce with a major in Accounting from the University of Santo Tomas in 1975, and is a candidate for the Master of Science Degree in Taxation from MLQ University.

Jose B. Crisol, Jr., 53 years old, Filipino, serves as First 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. 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.

Winston Andrew L. Peckson, 68 years old, Filipino, serves as First Vice President and Chief Risk Officer of GT Capital. He was appointed to the position in February 2016. Mr. Peckson brings to the Corporation over 40 years of experience in banking. Concurrent to his position, he is a Director of the First Metro Philippine Equity Exchange Traded Fund, Inc. and a Fellow of the Institute of Corporate Directors. Before joining GT Capital, he served as a Consultant for the Treasury and Investment Banking Group of FMIC. Prior to his stint with FMIC, he was the Head of Treasury Marketing of Philippine National Bank. Before this, he was also Vice President and General Manager of ABN AMRO Bank NV's Manila Offshore Branch, a position he held for 10 years. Other previous positions he held were: Vice President and Corporate Treasury Advisor of Bank of America – Manila Branch; CEO and Director of Danamon Finance Company (HK) Ltd. (DFCL); Manager for Corporate Banking of Lloyds Bank PLC – Hong Kong Branch; Vice President for Commercial Banking of Lloyds Bank PLC – Manila Offshore Branch; and Branch Banking Head of Far East Bank & Trust Company. He obtained his Bachelor of Arts Degree, Major in Psychology and Minor in Business Administration, from the Ateneo de Manila University and earned his Masters Degree in Business Management from the Asian Institute of Management.

Reyna Rose P. Manon-og, 37 years old, Filipino, was appointed the Corporation's controller in October 2011. Before joining the Corporation, 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 in SGV & Co. where she gained seven years of experience in external audit. She is a Certified Public Accountant and a cum laude graduate of Bicol University with a Bachelor of Science degree in Accountancy. She recently completed the Strategic Business Economics Program of the University of Asia and the Pacific.

Susan E. Cornelio, 48 years old, Filipino, joined the Corporation on July 4, 2012 as the Head of Human Resources and Administration. Prior to this, she served as Vice President/ Head of Compensation and Benefits of Sterling Bank of Asia and as Assistant Vice President/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 the 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 recently obtained a Master in Business Economics from the University of Asia and the Pacific.

Leo Paul C. Maagma, 49 years old, Filipino, was appointed the Chief Audit Executive of GT Capital Holdings, Inc. in April 2018. With over 26 years of extensive work experience—more than 21 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 manufacturing foods business, and nearly 15 years in a business engaged in the distribution of health care products. He spent eight of his nearly 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) at 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 (UST) with a Bachelor of Science degree in Commerce, major in Accountancy.

Elsie D. Paras, 47 years old, Filipino, serves as GT Capital's Vice President and Head of Corporate Finance and Business Development. She has taken the lead in the mergers, acquisitions, divestment activities, and some fund-raising efforts of the Company since she joined on January 5, 2015. Prior to joining the Corporation, she served as Finance Manager and Deputy CFO of SIA Engineering Philippines, a joint venture of Cebu Air and SIA Engineering of Singapore. Before this, she was a Manager for Strategic Consulting for Jones Lang La Salle MENA in Dubai. Her other employments include: Business Development Manager for Commercial Centers of Robinsons Land Corporation and Project Development Manager at Ayala Land, Inc. for middle-income housing among others. She attained her Masters in Business Management, Major in Finance from the Asian Institute of Management in 2001. She was also a participant in the International Exchange Student Program of HEC School of Management of France. Prior to her MBM, she worked for six years in equity research and investment banking. She graduated with honors from the University of the Philippines with a Bachelor of Science degree in Business Economics.

Renee Lynn Miciano-Atienza, 37 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 Dealership 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.

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
Francisco C. Sebastian	
Metropolitan Bank & Trust Company	Vice Chairman/Director
Federal Land, Inc.	Director
Metro Pacific Investments Corporation	Director

Property Company of Friends, Inc.	Director

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

Alfred Vy Ty

Toyota Motor Philippines Corporation	Chairman/Director
Federal Land, Inc.	Chairman/Director
Metropolitan Bank & Trust Company	Director
Metrobank Foundation, Inc.	Trustee
Property Company of Friends, Inc.	Chairman/Director
Metro Pacific Investment Corporation	Director
Philippine Long Distance Telephone Company	Independent Director
GT Capital Auto Dealership 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
Property Company of Friends, Inc.	Director
Philippine AXA Life Insurance Corporation	Director
GT Capital Auto Dealership Holdings, Inc.	Director**
Toyota Subic, Inc.	Director**
Toyota Financial Services Philippines Corporation	Chairman/Director
GT Mobility Ventures	Chairman/Director**
Vivant Corporation	Independent Director

David T. Go

Toyota Manila Bay Corporation	Chairman/Director
Toyota Motor Philippines Corporation	Vice Chairman/ Director/ Treasurer
GT Capital Auto Dealership Holdings, Inc.	Chairman/President/Director
Toyota Subic, Inc.	Chairman/Director
Toyota Financial Services Philippines Corporation	Director/Treasurer
Toyota Cubao, Inc	Chairman/Director

Pascual M. Garcia

Federal Land, Inc.	President
Property Company of Friends, Inc.	Vice Chairman/Director**
Toyota Financial Services Philippines Corporation	Director**
Sumisho Motor Finance Corporation	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
Roxas Holdings, Inc.	President/CEO
Metropolitan Bank & Trust Company	Independent Director
Wilfredo A. Paras	
Philex Mining Corporation	Independent Director
Anjanette Ty Dy Buncio	
Federal Land, Inc.	Director/Treasurer/Senior Vice President
Property Company of Friends, Inc.	Director/Treasurer
Alesandra T. Ty	
Philippine AXA Life Insurance Corporation	Director/Treasurer
Sumisho Motorcycle Finance Corp.	Director
Vicente Saniel Socco	
GT Capital Auto Dealership Holdings, Inc.	Chairman/Director
GT Mobility Ventures, Inc.	Chairman/Director
Antonio P. A. Zara III	
GT Mobility Ventures, Inc.	Director/President
JBA Philippines, Inc.	Director/Chairman
Francisco H. Suarez, Jr.	
GT Capital Auto Dealership 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
Winston Andrew L. Peckson	
First Metro Philippine Equity Exchange Traded Fund, Inc.	Director
Renee Lynn Miciano-Atienza	
GT Capital Auto Dealership Holdings, Inc.	Director
Toyota Subic, Inc.	Director

The following will be nominated as officers of the Corporation during the Organizational meeting:

Office	Name
Chairman	Arthur V. Ty
Co-Vice Chairman	Alfred V. Ty
Co-Vice Chairman	Francisco C. Sebastian
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
Chairman of GTCAD	Vicente Jose S. Socco
General Manager of GTCAD	Antonio P. A. Zara III
Chief Financial Officer	Francisco H. Suarez, Jr.

Head, Investor Relations, Strategic Planning & Corporate Communications	Jose B. Crisol, Jr.
Chief Risk Officer	Winston Andrew L. Peckson
Head, Human Resources & Administration	Susan E. Cornelio
Chief Audit Executive	Leo Paul C. Maagma
Controller and Head, Accounting and Financial Control	Reyna Rose P. Manon-og
Head, Corporate Finance and Business Development	Elsie D. Paras
Head, Legal and Compliance	Renee Lynn Miciano-Atienza

The following will be nominated as Board Advisers during the Organizational meeting:

Adviser	Guillermo Co Choa
Adviser	Mary V. Ty

(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 12 (Disposal of Assets) and 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 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 2018, 2019, and 2020. The amounts (in Php millions) set forth in the table below have been prepared based on what the Corporation paid its executive officers in 2018 and 2019, and what the Corporation expects to pay in 2020.

Name and Principal Position	Year	Salary	Bonus	Other Annual Compensation
Named Executive Officers*..	2018	49.13	20.47	-
	2019	53.06	22.10	-
	2020**	56.97	26.10	-
All other Officers as a Group.....................	2018	32.80	13.66	
	2019	35.42	14.76	
	2020**	47.39	12.99	

** Named executive officers include: Carmelo Maria Luza Bautista (President), Vicente Saniel Socco (Chairman of GTCAD), Antonio P. A. Zara III (General Manager of GTCAD), Francisco H. Suarez, Jr. (Chief Financial Officer) , and Jose B. Crisol (Head, Investor Relations, Strategic Planning and Corporate Communication)*

*** Figures for the year 2020 are estimates*

Summary compensation table of Directors

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
Per diem Allowance	Php 1.30 million	Php 12.40 million	Php 5.20 million
Bonuses	Php 2.10 million	Php 9.90 million	Php 2.80 million
Transportation Allowance		PhP 0.17 million	PhP 0.86 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.

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, 2020, 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. (Non-Filipino)	Various Clients1	Foreign	62,152,208	28.87%
Common	PCD Nominee Corp. (Filipino)	Various Clients1	Filipino	32,022,886	14.875%
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 December 31, 2019

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	54,544 (I)	Filipino	0.0253%
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.	1000 (I)	Filipino	0.0207%
Common	Alesandra T. Ty	19,294 (I)	Filipino	0.0090%
Perpetual Preferred Share (GTPPA)		1900 (I)	Filipino	0.0393%
Perpetual Preferred Shares (GTPPB)		1100 (I)	Filipino	0.0154%
Common	Jaime Miguel G. Belmonte	1,118 (D)	Filipino	0.0005%
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	309 (I)	Filipino	0.0001%
Common	Winston Andrew L. Peckson	303 (I)	Filipino	0.0001%
Common	Reyna Rose P. Manon-Og	274(I)	Filipino	0.0001%

Common	David T. Go	112(D)	Filipino	0.0001%
Common	Pascual M. Garcia III	112(D)	Filipino	0.0001%
Common	Regis V. Puno	112(D)	Filipino	0.0001%
Common	Rene J. Buenaventura	112(D)	Filipino	0.0001%
Common	Renee Lynn Miciano-Atienza	50(I)	Filipino	0.0000%
Perpetual Preferred Shares (GTPPB)		50 (I)	Filipino	0.0007%
Common	Vicente Jose S. Socco	0	Filipino	0.0000%
Common	Antonio P. A. Zara	0	Filipino	0.0000%
Common	Antonio V. Viray	0	Filipino	0.0000%
Common	Jocelyn Y. Kho	1,080 (I)	Filipino	0.0005%
Common	Jose B. Crisol	0	Filipino	0.0000%
Perpetual Preferred Shares (GTPPB)		50 (I)	Filipino	0.0007%
Common	Susan E. Cornelio	0	Filipino	0.0000%
Common	Leo Paul C. Maagma	0	Filipino	0.0000%
Common	Elsie D. Paras	0	Filipino	0.0000%
Perpetual Preferred Shares (GTPPB)		300 (I)	Filipino	0.0042%
Total Common GTPPA GTPPB		227,692 (D) 264,956(I) 2,900(I) 1,500(I) 497,048 (Total)		0.2288% 0.0599% 0.0209%

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, 2019.

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, 2019 which forms part of the Annex of this SEC17A 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 were filed during the period covered by this report and are listed below:

	Date	Particulars
1.	March 13, 2019	Notice of Full Year 2018 Briefing on March 27, 2019
2.	March 26, 2019	Press Release – GT Capital to Extend Its Automotive Value Chain through Partnership with Japan Bike Auction Co, Ltd. (JBA)
3.	March 26, 2019	Board approved the declaration of a regular cash dividend in favor of the stockholders of its unlisted Voting Preferred Shares in the amount of Pesos: Six Hundred Fifty Seven Thousand One Hundred Eleven (Php657,111.00) or Php0.00377 per share, with record date on April 10, 2019 and payment date on April 25, 2019
4.	March 26, 2019	Board approved the declaration of regular cash dividends in the amount of Five Hundred Ninety Eight Million Twelve Thousand Seven Hundred Fifty Two Pesos (Php598,012,752.00) or Three Pesos (Php3.00) per share.
5.	March 26, 2019	Setting of date of the Annual Stockholders' Meeting (ASM) of the Corporation on May 8, 2019.
6.	March 26, 2019	Board approved the declaration of 8% stock dividends to its common stockholders equivalent to an estimate of Fifteen Million Nine Hundred Fifty Thousand (15,950,000) commons shares, to be paid out of the Corporation's unrestricted retained earnings as of March 31, 2019, subject to the approval of its stockholders representing two thirds (2/3) of the Corporation's outstanding capital stock entitled to vote during the Annual Stockholders' Meeting on May 8, 2019
7.	March 27, 2019	Press Release - GT Capital Full-Year 2018 Core Net Income Reaches Php13.7 Billion
8.	April 1, 2019	Clarification of the news article that was posted on Business World (Online Edition) on April 1, 2019 entitled "GT Capital allots P52B for capital expenditures."
9.	May 6, 2019	Notice of First Quarter 2019 Briefing on May 14, 2019

	Date	Particulars
10.	May 8, 2019	Results of Annual Stockholders' Meeting ("ASM") and the Organizational Board Meeting
11.	May 8, 2019	Approval of the stockholders of GT Capital Holdings during the Annual Stockholders Meeting held on May 8, 2019, of the declaration of 8.0% stock dividends, as equivalent to an estimated 15, 950,000 shares with record date and payment dates of July 8, 2019 and August 1, 2019, respectively.
12.	May 9, 2019	Clarification of the news article that was posted on Business World Online on May 9, 2019 entitled "GT Capital targets single-digit bottom-line growth this year,"
13.	May 10, 2019	Press Release - GT Capital First Quarter 2019 Core Net Income Reaches Php3.5 Billion
14.	May 10, 2019	Press Release - GT Capital to Exchange Pro-Friends Shares Held for 702 Hectares of Selected Assets
15.	July 8, 2019	GT Capital received a Decision dated July 4, 2019, in which the Philippine Competition Commission approved the proposed redemption by Pro-Friends of shares from GT Capital.
16.	August 2, 2019	Notice of First Half 2019 Briefing on August 15, 2019
17.	August 5, 2019	GT Capital Holdings, Inc. paid on August 2, 2019, Php62,720.00 as directed by the SEC in a letter received by the company on 25 July 2019 in relation to certain recommended website features under SEC Memorandum Circular No. 11, Series of 2014. The Company is now compliant with the template.
18.	August 8, 2019	Change of Venue for the First Half 2019 Briefing on August 15, 2019
19.	August 14, 2019	Press Release – GT Capital Appoints Toyota Executive
20.	August 14, 2019	Press Release - GT Capital First Half 2019 Core Net Income Rises 4% to Php 7.4 Billion.
21.	October 7, 2019	Change in Corporation's telephone number in compliance with NTC Memorandum Circular 04-07-2018.
22.	October 18, 2019	In relation to the disclosures dated May 10, 2019 & July 8, 2019, the parties finalized GT Capital's exchange of Pro-Friends shares held for 702.44 hectares of selected Assets worth Php20.0 billion by execution of a Deed of Assignment on October 18, 2019.

	Date	Particulars
23.	November 14, 2019	Press Release - GT Capital January to September 2019 Consolidated Net Income Grows 40% to Php15.3 Billion.
24.	November 26, 2019	Declaration of quarterly cash dividends for its non-voting, non-participating, non-convertible, and redeemable perpetual preferred shares for the year 2020 in the amount per quarter of Pesos: Fifty Six Million Twelve Thousand Nine Hundred Ninety Three and 19/100 (Php:56,012,993.19) for Series A (GTPPA) and Pesos: Ninety One Million Two Hundred Eight Thousand three Hundred Ninety and 31/100 (Php91, 208,390.31) for Series B (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 17 April, 2020.

GT Capital Holdings, Inc.

By:

03/30/2020

Arthur V. Ty
Chairman

Carmelo Maria Luza Bautista
President

Francisco H. Suarez, Jr.
Chief Financial Officer

Atty. Antonio V. Viray
Corporate Secretary

Reyna Rose P. Manon-og
Comptroller

Atty. Renee Lynn Miciano-Atienza
Head, Legal and Compliance

SUBSCRIBED AND SWORN to before me this _____ day of _________ 2020 affiant(s) exhibiting to me his/their Residence Certificates, as follows:

NAMES	PASSPORT NO.	DATE OF ISSUE	PLACE OF ISSUE
Arthur V. Ty	P2684687B	July 31, 2019	DFA Manila
Carmelo Maria L. Bautista	P7256366A	May 21, 2018	DFA NCR South
Francisco H. Suarez, Jr.	P1376139A	December 28, 2016	DFA Manila
Antonio V. Viray	P3215592A	May 30, 2017	DFA Central North
Reyna Rose P. Manon-og	P1795823A	January 30, 2017	DFA NCR South
Renee Lynn Miciano-Atienza	EC6658919	February 2, 2016	DFA Manila

Doc No. ____;
Page No. ____;
Book No. ____;
Series of 2019.

Notary Public

INDEX TO EXHIBITS

I. FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

A. 2019 Audited Consolidated Financial Statements and Supplementary Schedules – GT Capital Holdings, Inc.

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Independent Auditors' Report
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Consolidated Statements of Income for the Years Ended December 31, 2019, 2018 and 2017
Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2019, 2018 and 2017
Consolidated Statements of Changes in Equity for the Years Ended December 31, 2019, 2018 and 2017
Consolidated Statements of Cash Flow for the Years Ended December 31, 2019, 2018 and 2017
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Supplementary Schedules
Independent Auditors' Report on Supplementary Schedules
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C. Amounts Receivable from Related Parties which are Eliminated During the Consolidation of the Financial Statements
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Map of Relationship between and among the Parent Company, Subsidiaries, Jointly Controlled Entities and Associates
Schedule of Financial Soundness Indicators

B. 2019 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, 2019, 2018 and 2017, and for each of the three years in the period ended December 31, 2019, 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.

03/30/2020

Signature: ______________________________
Arthur V. Ty, Chairman of the Board

Signature: ______________________________
Carmelo Maria L. Bautista, President

Signature: ______________________________
Francisco H. Suarez, Jr., Chief Financial Officer

March 27, 2020

REPUBLIC OF THE PHILIPPINES)
CITY OF MAKATI) S.S.

SUBSCRIBED AND SWORN to before me on ________________, affiants exhibiting to me their respective Tax Identification Numbers, as follows:

Arthur V. Ty	TIN No. 121-526-580
Carmelo Maria L. Bautista	TIN No. 106-903-668
Francisco H. Suarez, Jr.	TIN No. 126-817-465

Doc. No. _________
Page No. _________
Book No. _________
Series of 2020

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)
85	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.*

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, 2019 and 2018, 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, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the 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.

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.

Redemption of shares in Property Company of Friends, Inc. (PCFI)

In 2019, GT Capital Holdings, Inc. (the Company) entered into a series of agreements with its then subsidiary, PCFI, for the latter's redemption, cancellation and retirement of 64,530,712 Series A Redeemable Voting Preferred Shares held by the Company, representing 51% ownership interest of the Company in PCFI. In exchange for the shares, PCFI assigned and transferred certain real properties to the Company, amounting to an aggregate fair value of ₱20.00 billion.

Upon completion of the closing conditions, the Group lost control over PCFI and the latter has been deconsolidated in the consolidated financial statements. Moreover, the results of PCFI's operations were presented as discontinued operations in the consolidated statements of income for the years ended December 31, 2019, 2018 and 2017. This transaction is significant to our audit as the amounts involved are material to the consolidated financial statements. Moreover, accounting for this transaction required significant management judgments, particularly, on the assessment of loss of control, determination of the fair values of assets received as consideration and the classification of PCFI as a discontinued operation. The discussion of management's judgments and other disclosures in relation to the redemption of shares in PCFI are included in Notes 3 and 12 to the consolidated financial statements.

Audit Response

We obtained and reviewed the relevant contracts and agreements pertaining to the transaction. We evaluated management's judgment on the loss of control over PCFI. We reviewed the assets and liabilities to be deconsolidated as at the date of loss of control, including the results of operations of PCFI for the six-month ended June 30, 2019. We also checked the propriety and valuation of properties received by reference to the related deeds of assignment, transfer certificates of titles, and appraisal reports.

We evaluated the Group's basis for classifying the former subsidiary as discontinued operation by checking whether the operations and cash flows of PCFI can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Group. Furthermore, we reviewed the presentation and disclosures in the notes to the consolidated financial statements.

Revenue recognition from real estate services

The Group's real estate revenue amounted to ₱7.98 billion in 2019. We consider this as a key audit matter because the revenue recognition of the Group requires the application of significant management judgment and estimation in the following areas: (1) assessment of the probability that the entity will collect the consideration from the buyer; and (2) application of the output method as the measure of progress in determining real estate revenue; (3) determination of the actual costs incurred as cost of sales; and (4) recognition of cost to obtain a contract.

In evaluating whether collectability of the amount of consideration is probable, the Group considers the significance of the buyer's initial payments in relation to the total contract price (or buyer's equity). Collectability is also assessed by considering factors such as past history with the buyer, age and pricing of the property. Management regularly evaluates the historical sales cancellations and back-outs if it would still support its current threshold of buyers' equity before commencing revenue recognition of real estate.

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), as well as survey of performance completed to date. 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 the construction activities for both sub-contracted 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. In other cases, the Group also compares the contractors' billing forms against the budgeted costs and adjusts the costs accordingly to real estate inventories or cost of real estate revenue.

The Group identifies sales commission after contract inception as the cost of obtaining the contract. For contracts which qualified for revenue recognition, the Group capitalizes the total sales commission due to sales agent as cost to obtain contract and recognizes the related commission payable. The Group uses percentage of completion 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

For the buyer's equity, we evaluated management's basis of the buyer's equity by comparing this to the historical analysis of sales collections from buyers with accumulated payments above the collection threshold.

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 and objectivity by reference to their qualifications, experience and reporting responsibilities.

For selected projects, we conducted ocular inspections, made relevant inquiries and obtained the supporting details of POC reports showing the completion of the major activities of the 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 obtained an understanding of the sales commission process. For selected contracts, we agreed the basis for calculating the sales commission capitalized and portion recognized in profit or loss, particularly (a) the percentage of commission due against contracts with sales agents, (b) the total commissionable amount (e.g., net contract price) against the related contract to sell, and, (c) the POC against the POC used in recognizing the related revenue from real estate sales.

Impairment Testing of Goodwill and Intangible Assets

Under PFRS, the Group is required to test goodwill and intangible assets with indefinite useful life for impairment at least on an annual basis. As of December 31, 2019, the Group has goodwill and customer relationship intangible asset amounting to ₱5.93 billion and ₱3.88 billion, respectively, which is considered significant to the consolidated financial statements. In addition, management's assessment process requires significant judgment and is based on assumptions, specifically estimated future cash inflows, budgeted gross margins, discount rates, long-term growth rates, attrition rate, and earnings before interest and taxes (EBIT) margin on key customers. The disclosures in relation to the significant assumptions and carrying value of goodwill and intangible assets are included in Note 13 to the consolidated financial statements.

Audit Response

We involved our internal specialists to evaluate the assumptions and methodologies used. These assumptions include discounted expected future cash inflows, budgeted gross margins, discount rates, long-term growth rates, attrition rate 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. We tested the parameters used in the determination of the discount rate 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.

Accounting for Investments in Associates

The Group has effective ownership of 15.52% in MPIC and 36.65% in MBTC as of December 31, 2019. These investments are accounted for using the equity method. The application of equity method of accounting to these investments is a key audit matter because these investments in associates contributed ₱13.08 billion or 51.89% to the consolidated net income of the Group in 2019, and accounted for 65.81% and 44.07% of the consolidated total noncurrent assets and total assets, respectively, of the Group as of December 31, 2019.

The Group's share in MPIC's net income is significantly affected by: (1) MPIC's revenue on water and sewerage services from the Metropolitan Waterworks and Sewerage System (MWSS) West Service Area; (2) accounting for KKR & Co. (KKR)'s investments in Metro Pacific Hospital Holdings, Inc. (MPHHI); and (3) MPIC's impairment testing of goodwill as well as its several service concession agreements with the Philippine Government.

Water and sewerage service revenue recognition is significant to our audit because it is affected by the: (a) completeness of data captured during monthly meter readings, which involves processing large volume of data from multiple locations and different billing cut-off dates for different customers; (b) the propriety of the application of the relevant rates to the billable consumption of different customers classified as residential, semi-business, commercial or industrial; and (c) the reliability of the systems involved in processing bills and recording revenues.

Moreover, MPIC and MPHHI completed a series of transactions on December 9, 2019 for the investment and entry of global investment firm, KKR, through Buhay (SG) Investments Pte. Ltd (Buhay SG), alongside Arran Investment Private Limited (Arran), in and to, MPHHI. These series of transactions which provided Buhay (SG) an economic interest of approximately 80%, on fully diluted basis post conversion of the Exchangeable Bonds, were accounted for as a single equity transaction with MPIC losing control over MPHHI. Subsequently, the retained investment in MPHHI is accounted for under the equity method. These matters are significant to our audit because these transactions required significant management judgments and estimates, which include the assessment of loss of control, subsequent accounting for retained investment, the determination of the fair values of liabilities assumed as part of consideration and the accounting for the Exchangeable Bonds. The amounts involved are also material to the Group's share in MPIC's net income.

In addition, MPIC has goodwill arising from its acquisition of long-term investments in water and tollways business as well as several service concession agreements (SCAs) with the Philippine Government and/or its agencies or instrumentalities that are not yet available for use and are required to be tested for impairment at least annually under PFRS. Discussions are currently ongoing with the MWSS on the provisions of Maynilad's Concession Agreement identified for renegotiation and amendment, which is an impairment indicator that 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 estimation that could have a material effect on the Group's share in MPIC's net income.

The Group's share in MBTC's net income is significantly affected by MBTC's application of Expected Credit Loss (ECL) model in calculating allowance for credit losses for its loans and receivables. This matter is a key area of judgment because it involves the exercise of significant management judgment. Key areas of judgment include: segmenting MBTC's credit risk exposures; determining the method to estimate ECL; defining default; identifying exposures with significant deterioration in credit quality; determining assumptions to be used in the ECL model such as the counterparty credit risk rating, the expected life of the financial asset and expected recoveries from defaulted accounts; and incorporating forward-looking information (called overlays) in calculating ECL.

The Group assesses impairment of its investments in associates and joint ventures whenever events or changes in circumstances indicate that the carrying amount of the investments may not be recoverable.

As of December 31, 2019, the Group's investment in MPIC amounted to ₱36.96 billion and fair value has declined significantly compared to the carrying value. The Group uses the higher between fair value less cost to sell and value in use in determining the recoverable amount. The Group performed an impairment test on its investment in MPIC using the sum of the parts of the value-in-use (VIU) and fair value less cost to sell (FVLCTS) of the MPIC Group. We considered the impairment testing of the Group's investment in MPIC as a key audit matter as significant judgment and estimates are involved in the determination of the VIU and FVLCTS.

The relevant disclosures related to the Group's investment in associates are provided in Note 8 to the consolidated financial statements.

Audit Response

For MPIC, 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, we performed test recalculation of the billed amounts using the MWSS approved rates and formulae, and compared them with the amounts reflected in the billing statements. Moreover, we involved our internal specialists in performing the aforementioned procedures on the automated aspects of this process.

We obtained and reviewed relevant contracts and agreements related to the linked transactions involving MPHII. We evaluated management's judgments on the loss of control over MPHHI, subsequent accounting for retained investment, and how the entry of KKR and issuance of Exchangeable Bond should be accounted for, by reference to the related purchase agreements and documents. We reviewed the assets and liabilities to be deconsolidated as at the date of loss of control. We also involved our internal specialists in reviewing the valuation methodology and key inputs, such as revenue growth, margins, estimates of certain taxes related to the fair values of liabilities assumed as part of consideration. We compared the revenue growth and margins to the historical performance of the investee. We also reviewed the presentation and disclosures in the notes to the consolidated financial statements.

We discussed with management and its legal counsel the status of the review of the concession agreement and obtained copies of correspondences with MWSS. We involved our internal specialist in evaluating the methodologies and the assumptions used in determining the value in use of goodwill and SCAs not yet available for use. These assumptions include the expected volume of traffic for the toll roads, ridership for the rail, billed water volume for the water concession, growth rate and discount rates. We compared the forecast revenue growth against the historical data of the CGUs and inquired from management and operations personnel about the plans to support the forecast 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. We reviewed the weighted average cost of capital (WACC) used in the impairment test by comparing it with WACC of other comparable companies in the regions.

For MBTC, 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 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 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 and credit risk management policies and practices in place; (c) tested MBTC's application of internal credit risk rating system by reviewing the ratings of sample credit exposures; (d) assessed whether expected life is different from the contractual life by testing the maturity dates reflected in 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; (f) tested exposure at default considering outstanding commitments and repayment scheme; (g) checked the reasonableness of forward-looking information used for overlay through statistical test and corroboration using publicly available information and our understanding of the MBTC's lending portfolios and broader industry knowledge; and (h) tested the effective interest rate used in discounting the expected loss.

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

We recalculated impairment provisions on a sample basis and checked the appropriateness of the transition adjustments.

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

For the Group's recoverability of investment in associates, we involved our internal specialist in evaluating the methodology and assumptions used. For MPIC's toll and light rail segment, the assumptions used in determining the VIU include the expected volume of traffic for the toll roads, ridership for the rail, growth rate and discount rates. We compared the forecast revenue growth against the historical data of the CGUs and inquired from management and operations personnel about the plans to support the forecast revenues. We also compared the key assumptions used such as traffic volume and rail ridership against historical data and against available studies by independent parties that were commissioned by the respective subsidiaries. We tested the WACC used in the impairment test by comparing it with WACC of other comparable companies in the region.

For the other components of MPIC, we also involved our internal specialists in evaluating the assumptions and methodology used by Group in determining the FVLCTS, in particular those relating to the use of price-earnings (P/E) ratios of comparable companies in the valuation of the unquoted equity shares. 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, 2019, 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, 2019 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 the Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, 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

- 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 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 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 Miguel U. Ballelos, Jr.

SYCIP GORRES VELAYO & CO.

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Partner
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SEC Accreditation No. 1566-AR-1 (Group A),
April 3, 2019, valid until April 2, 2022
Tax Identification No. 241-031-088
BIR Accreditation No. 08-001998-114-2019,
January 28, 2019, valid until January 27, 2022
PTR No. 8125210, January 7, 2020, Makati City

March 27, 2020

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(In Millions)

	December 31		January 1
	2019	2018 (As restated - Note 2)	2018 (As restated - Note 2)
ASSETS			
Current Assets			
Cash and cash equivalents (Note 4)	**₱12,133**	₱14,353	₱20,155
Short-term investments (Notes 4 and 27)	**–**	65	1,666
Financial assets at fair value through profit or loss (FVTPL) (Note 10)	**4,698**	3,181	611
Receivables (Note 5)	**13,382**	15,153	12,716
Contract assets (Note 21)	**5,095**	8,329	13,310
Inventories (Notes 2 and 6)	**72,189**	75,389	72,052
Due from related parties (Note 27)	**209**	666	166
Prepayments and other current assets (Note 7)	**10,416**	9,790	10,273
Total Current Assets	**118,122**	126,926	130,949
Noncurrent Assets			
Financial assets at fair value through other comprehensive income (FVOCI) (Note 10)	**12,373**	10,948	1,939
Receivables - net of current portion (Note 5)	**3,421**	932	1,063
Contract assets - net of current portion (Note 21)	**5,556**	6,886	2,863
Investment properties (Note 9)	**15,347**	17,728	17,392
Investments and advances (Notes 2 and 8)	**178,059**	163,735	128,601
Property and equipment (Note 11)	**13,159**	13,638	11,671
Goodwill and intangible assets (Note 13)	**10,040**	12,955	13,012
Deferred tax assets (Note 29)	**1,141**	1,024	814
Other noncurrent assets (Note 14)	**436**	2,894	909
Total Noncurrent Assets	**239,532**	230,740	178,264
	₱357,654	₱357,666	₱309,213
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts and other payables (Note 15)	**₱25,234**	₱25,411	₱25,823
Contract liabilities (Note 21)	**4,553**	8,787	5,446
Lease liabilities (Note 2 and 30)	**15**	–	–
Short-term debt (Note 16)	**12,890**	10,500	6,033
Current portion of long-term debt (Note 16)	**4,974**	820	2,467
Current portion of liabilities on purchased properties (Notes 20 and 27)	**432**	416	582
Current portion of bonds payable (Note 17)	**3,899**	2,994	–
Customers' deposits (Notes 2 and 18)	**560**	563	618
Dividends payable	**589**	1,198	589
Due to related parties (Note 27)	**204**	204	189
Income tax payable	**875**	601	777
Other current liabilities (Note 19)	**1,356**	843	1,229
Total Current Liabilities	**55,581**	52,337	43,753

(Forward)

	December 31		January 1
	2019	2018 (As restated - Note 2)	2018 (As restated - Note 2)
Noncurrent Liabilities			
Long-term debt - net of current portion (Note 16)	**₱87,149**	₱94,349	₱57,021
Lease liabilities – noncurrent (Note 2 and 30)	**296**	–	–
Bonds payable (Note 17)	**15,040**	18,913	21,877
Liabilities on purchased properties - net of current portion (Notes 20 and 27)	**3,352**	2,877	3,152
Pension liability (Note 28)	**1,222**	859	1,399
Deferred tax liabilities (Notes 2 and 29)	**3,138**	5,334	5,095
Other noncurrent liabilities (Note 20)	**2,556**	2,169	2,167
Total Noncurrent Liabilities	**112,753**	124,501	90,711
	168,334	176,838	134,464
Equity			
Equity attributable to equity holders of the Parent Company			
Capital stock (Note 22)	**3,370**	3,211	3,143
Additional paid-in capital (Note 22)	**98,827**	85,592	78,940
Retained earnings - unappropriated (Notes 2 and 22)	**74,569**	52,223	45,000
Retained earnings - appropriated (Note 22)	**400**	17,000	19,000
Other comprehensive loss (Notes 2 and 22)	**(2,019)**	(4,207)	(522)
Other equity adjustments (Note 22)	**2,322**	2,322	2,322
	177,469	156,141	147,883
Non-controlling interests (Notes 2 and 22)	**11,851**	24,687	26,866
Total Equity	**189,320**	180,828	174,749
	₱357,654	₱357,666	₱309,213

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		
	2019	2018 (As restated - Notes 2 and 12)	2017 (As restated - Notes 2 and 12)
CONTINUING OPERATIONS			
REVENUE			
Automotive operations (Note 35)	**₱192,966**	₱179,117	₱211,692
Equity in net income of associates and joint ventures (Note 8)	**14,578**	11,513	8,673
Real estate sales (Note 35)	**7,982**	9,342	7,753
Interest income (Note 23)	**2,305**	1,668	1,668
Rent income (Notes 9 and 30)	**1,526**	1,181	915
Sale of goods and services	**802**	778	640
Commission income	**252**	108	56
Other income (Note 23)	**2,529**	2,124	1,468
	222,940	205,831	232,865
COSTS AND EXPENSES			
Cost of goods and services sold (Note 24)	**133,943**	129,849	147,713
Cost of goods manufactured and sold (Note 25)	**36,819**	31,809	39,635
General and administrative expenses (Note 26)	**13,595**	10,667	10,380
Interest expense (Notes 16 and 17)	**6,453**	5,401	3,536
Cost of real estate sales (Note 6)	**5,340**	6,839	5,176
Cost of rental (Note 30)	**435**	476	360
	196,585	185,041	206,800
INCOME BEFORE INCOME TAXES FROM CONTINUING OPERATIONS	**26,355**	20,790	26,065
PROVISION FOR INCOME TAX (Note 29)	**5,057**	3,886	4,933
NET INCOME FROM CONTINUING OPERATIONS	**21,298**	16,904	21,132
NET INCOME FROM DISCONTINUED OPERATIONS (Note 12)	**3,814**	707	278
NET INCOME	**₱25,112**	₱17,611	₱21,410
ATTRIBUTABLE TO:			
Equity holders of the Parent Company			
Profit for the year from continuing operations	**₱16,586**	₱12,795	₱14,239
Profit for the year from discontinued operations	**3,723**	361	133
	20,309	13,156	14,372
Non-controlling interests			
Profit for the year from continuing operations	**4,712**	4,109	6,893
Profit for the year from discontinued operations	**91**	346	145
	4,803	4,455	7,038
	₱25,112	₱17,611	₱21,410
Basic/Diluted Earnings Per Share from Continuing Operations Attributable to Equity Holders of the Parent Company (Note 34)	**₱74.31**	₱56.70*	₱63.41*
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 34)	**₱91.60**	₱58.38*	₱64.02*

*Restated to show the effect of stock dividends distributed in 2019.

See accompanying Notes to Consolidated Financial Statements.

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Millions)

	Years Ended December 31		
	2019	2018 (As restated - Notes 2 and 12)	2017 (As restated - Notes 2 and 12)
NET INCOME FROM CONTINUING OPERATIONS	**₱21,298**	₱16,904	₱21,132
NET INCOME FROM DISCONTINUED OPERATIONS (Note 12)	**3,814**	707	278
NET INCOME	**25,112**	17,611	21,410
OTHER COMPREHENSIVE INCOME			
CONTINUING OPERATIONS			
Items that may be reclassified to profit or loss in subsequent periods:			
Changes in fair value of AFS investments (Note 10)	–	–	660
Changes in cumulative translation adjustments	**(4)**	4	(3)
Changes in cash flow hedge reserves (Note 16)	**10**	(62)	–
Equity in other comprehensive income of associates and joint venture (Note 8):			
Changes in fair value of AFS investments	–	–	(2,142)
Cash flow hedge reserve	**(307)**	85	8
Remeasurement on life insurance reserves	**(167)**	376	(190)
Translation adjustments	**(551)**	(1,968)	(1,382)
Other equity adjustments	–	19	–
	(1,019)	(1,546)	(3,049)
Items that may not be reclassified to profit or loss in subsequent periods:			
Changes in fair value of financial assets at FVOCI (Note 10)	**1,699**	(1,469)	–
Equity in changes in fair value of financial assets at FVOCI of associates (Note 8)	**2,517**	(1,228)	–
Remeasurements of defined benefit plans (Note 28)	**(435)**	348	(108)
Equity in remeasurement of defined benefit plans of associates (Note 8)	**(1,066)**	393	(169)
Income tax effect	**450**	(218)	67
	3,165	(2,174)	(210)
OTHER COMPREHENSIVE LOSS FROM CONTINUING OPERATIONS	**2,146**	(3,720)	(3,259)
OTHER COMPREHENSIVE INCOME FROM DISCONTINUED OPERATIONS, NET OF TAX	**(220)**	236	28
TOTAL OTHER COMPREHENSIVE LOSS, NET OF TAX	**1,926**	(3,484)	(3,231)
TOTAL COMPREHENSIVE INCOME, NET OF TAX	**₱27,038**	₱14,127	₱18,179
ATTRIBUTABLE TO:			
Equity holders of the Parent Company			
Total comprehensive income for the year from continuing operations	**₱18,930**	₱5,197	₱11,025
Total comprehensive income for the year from discontinued operations	**3,586**	4,230	147
	22,516	9,427	11,172
Non-controlling interests			
Total comprehensive income for the year from continuing operations	**4,539**	4,238	6,848
Total comprehensive income for the year from discontinued operations	**(17)**	462	159
	4,522	**4,700**	**7,007**
	₱27,038	**₱14,127**	**₱18,179**

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)	Treasury Shares (Note 22)	Retained Earnings - Appropriated (Note 22)	Retained Earnings - Unappropriated (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, 2019, as previously reported	**₱3,211**	**₱85,592**	**₱–**	**₱17,000**	**₱53,459**	**(₱4,207)**	**₱2,322**	**₱157,377**	**₱24,910**	**₱182,287**
Effect of adoption of IFRIC agenda decision on borrowing costs (Note 2)	–	–	–	–	**(1,236)**	–	–	**(1,236)**	**(223)**	**(1,459)**
At January 1, 2019, as restated	**3,211**	**85,592**	–	**17,000**	**52,223**	**(4,207)**	**2,322**	**156,141**	**24,687**	**180,828**
Stock dividend declared	**159**	**13,235**	–	–	**(13,395)**	–	–	**(1)**	–	**(1)**
Cash dividend declared (Note 22)	–	–	–	–	**(1,187)**	–	–	**(1,187)**	**(4,259)**	**(5,446)**
Reversal of appropriation upon completion of expansion and acquisition	–	–	–	**(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**	**₱–**	**₱400**	**₱74,569**	**(₱2,019)**	**₱2,322**	**₱177,469**	**₱11,851**	**₱189,320**
Balance at January 1, 2018	₱3,143	₱78,940	₱–	₱19,000	₱48,582	(₱5,975)	₱2,322	₱146,012	₱27,679	₱173,691
Effect of adoption of IFRIC agenda decision on borrowing costs (Note 2)	–	–	–	–	(1,002)	–	–	(1,002)	(162)	(1,164)
At January 1, 2018, as adjusted	3,143	78,940	–	19,000	47,580	(5,975)	2,322	145,010	27,517	172,527
Effect of adoption of PFRS 9	–	–	–	–	(1,945)	5,453	–	3,508	(92)	3,416
Effect of adoption of PFRS 15	–	–	–	–	(635)	–	–	(635)	(559)	(1,194)
At January 1, 2018, as restated	3,143	78,940	–	19,000	45,000	(522)	2,322	147,883	26,866	174,749
Cash dividend declared (Note 22)	–	–	–	–	(1,168)	–	–	(1,168)	(6,925)	(8,093)
Stock dividend declared (Note 22)	68	6,652	–	–	(6,721)	–	–	(1)	–	(1)
Appropriation during the period	–	–	–	17,000	(17,000)	–	–	–	–	–
Reversal of appropriation upon completion of expansion and acquisition	–	–	–	(19,000)	19,000	–	–	–	–	–
Realized gain (loss) on sale of financial assets at FVOCI	–	–	–	–	(44)	44	–	–	–	–
Total comprehensive income	–	–	–	–	13,156	(3,729)	–	9,427	4,700	14,127
Effect of equity call of a majority-owned subsidiary	–	–	–	–	–	–	–	–	45	45
Adjustments on NCI of a subsidiary	–	–	–	–	–	–	–	–	1	1
Balance at December 31, 2018, as restated	₱3,211	₱85,592	₱–	₱17,000	₱52,223	(₱4,207)	₱2,322	₱156,141	₱24,687	₱180,828
Balance at January 1, 2017	₱2,960	₱57,437	₱–	₱14,900	₱39,961	(₱2,775)	₱2,322	₱114,805	₱26,433	₱141,238
Effect of adoption of IFRIC agenda decision on borrowing costs (Note 2)	–	–	–	–	(1,192)	–	–	(1,192)	(131)	(1,323)
At January 1, 2017, as restated	2,960	57,437	–	14,900	38,769	(2,775)	2,322	113,613	26,302	139,915
Issuance of capital stock	183	21,503	–	–	–	–	–	21,686	–	21,686
Dividends declared (Note 22)	–	–	–	–	(1,461)	–	–	(1,461)	(5,791)	(7,252)
Appropriation during the period	–	–	–	19,000	(19,000)	–	–	–	–	–
Reversal of appropriation upon completion of expansion and acquisition	–	–	–	(14,900)	14,900	–	–	–	–	–
Acquisition of additional TMBC shares	–	–	–	–	–	–	–	–	(1)	(1)
Total comprehensive income	–	–	–	–	14,372	(3,200)	–	11,172	7,007	18,179
Balance at December 31, 2017, as restated	₱3,143	₱78,940	₱–	₱19,000	₱47,580	(₱5,975)	₱2,322	₱145,010	₱27,517	₱172,527

See accompanying Notes to Consolidated Financial Statements.

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Millions)

	Years Ended December 31		
	2019	2018 (As restated - Note 2)	2017 (As restated - Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax from continuing operations	**₱26,355**	20,790	₱26,065
Income before income tax from discontinued operations (Note 12)	**2,597**	866	(63)
Income before income tax	**28,952**	21,656	26,002
Adjustments for:			
Equity in net income of associates and joint venture (Note 8)	**(14,578)**	(11,513)	(8,673)
Interest expense (Notes 12, 16 and 17)	**6,453**	5,401	3,535
Depreciation and amortization (Note 11)	**2,417**	2,096	1,921
Interest income (Notes 12 and 23)	**(2,305)**	(1,668)	(1,668)
Pension expense (Note 28)	**244**	366	319
Dividend income (Notes 12 and 23)	**(335)**	(152)	(8)
Unrealized foreign exchange losses (Note 26)	–	146	385
Provisions (Note 26)	**213**	135	134
Realized and unrealized gain on financial assets at FVTPL	**(135)**	(59)	–
Gain on disposal of property and equipment (Notes 11 and 23)	**(15)**	(198)	(23)
Gain on sale of AFS investments	–	–	(15)
Gain on disposal of direct ownership in subsidiaries (Note 12)	**(2,341)**	–	–
Unrealized foreign exchange gains	**(137)**	–	–
Operating income before changes in working capital	**18,434**	16,210	21,909
Decrease (increase) in:			
Short-term investments	**64**	1,600	(68)
Contract assets	**1,876**	–	–
Land for future development	–	–	187
Financial assets at FVTPL	**(1,375)**	(2,505)	–
Receivables	**(6,318)**	(2,207)	768
Inventories	**(6,784)**	(4,212)	(8,201)
Due from related parties	**457**	(500)	(86)
Prepayments and other current assets	**(3,878)**	628	(3,358)
Increase (decrease) in:			
Accounts and other payables	**3,202**	2,630	4,896
Contract liabilities	**(1,054)**	–	–
Lease liabilities	**311**	–	–
Customers' deposits	**2**	976	1,102
Due to related parties	–	15	(35)
Other current liabilities	**787**	(386)	590
Net cash provided by operations	**5,724**	12,249	17,704
Dividends paid (Note 22)	**(4,910)**	(7,483)	(7,252)
Interest paid	**(9,146)**	(4,625)	(3,432)
Income tax paid	**(4,612)**	(4,377)	(3,700)
Interest received	**2,418**	1,922	2,188

(Forward)

	Years Ended December 31		
	2019	2018 (As restated - Note 2)	2017 (As restated - Note 2)
Dividends received (Note 8)	**₱3,742**	₱2,249	₱1,611
Contributions to pension plan assets and benefits paid (Note 28)	**(108)**	(575)	(641)
Net cash provided by operating activities	**(6,892)**	(640)	6,478
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from:			
Disposal of property and equipment and intangible assets (Note 11)	**60**	198	117
Disposal of investment property (Note 9)	**–**	177	–
Disposal of financial assets at FVOCI	**3**	495	–
Sale of AFS investments	**–**	–	2,430
Additions to:			
Investments in associates and joint venture (Note 8)	**(943)**	(29,630)	(26,776)
Investment properties (Note 9)	**(1,095)**	(222)	(659)
Financial assets at FVOCI	**–**	(10,478)	–
Property and equipment (Note 11)	**(2,274)**	(3,919)	(3,475)
AFS investments	**–**	–	(1,742)
Intangible assets (Note 13)	**(56)**	(62)	(235)
Impact of business consolidation	**49**	–	–
Impact of deconsolidation of a subsidiary	**(1,421)**	–	–
Acquisition of subsidiary, net of cash acquired	**–**	–	(59)
Increase (decrease) in other noncurrent assets	**1,801**	(1,987)	(106)
Net cash used in investing activities	**(3,876)**	(45,428)	(30,505)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Loan availments (Note 16)	**43,984**	71,286	38,354
Issuance of capital stock (Note 22)	**–**	–	21,686
Payment of loans payable	**(36,152)**	(31,427)	(38,398)
DST on stock dividend issuance	**(2)**	(1)	–
Increase (decrease) in:			
Liabilities on purchased properties	**492**	(503)	1,564
Other noncurrent liabilities	**(59)**	1,012	408
Non-controlling interests (Note 22)	**–**	–	(1)
Acquisition of noncontrolling interests	**148**	45	–
Net cash provided by financing activities	**8,411**	40,412	23,613
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**137**	(146)	(385)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(2,220)**	(5,802)	(799)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**14,353**	20,155	20,954
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱12,133**	₱14,353	₱20,155

See accompanying Notes to Consolidated Financial Statements.

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES
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 Subsidiary (TMBC Group) and GT Capital Auto Dealership Holdings, Inc. (GTCAD) and Subsidiary are collectively referred herein as the "Group". The Parent Company, which is the ultimate parent of the Group, the holding company of the Federal Land Group (real estate business), Toyota Group (automotive business), TMBC Group (automotive business) and GTCAD (automotive business) is engaged in investing, purchasing and holding shares of stock, notes and other securities and obligations.

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.

The principal business interests of GTCAD 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.

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), available-for-sale (AFS) investments and derivative financial instruments that have been measured at fair value. The Group's consolidated financial statements are presented in Philippine Peso (₱), the Parent Company'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). 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:

		Direct Percentages of Ownership		Effective Percentages of Ownership	
	Country of	December 31		December 31	
	Incorporation	**2019**	2018	**2019**	2018
Federal Land and Subsidiaries	Philippines	**100.00**	100.00	**100.00**	100.00
Toyota and Subsidiaries	-do-	**51.00**	51.00	**51.00**	51.00
TMBC and Subsidiaries	-do-	**58.10**	58.10	**58.10**	58.10
GTCAD and Subsidiaries	-do-	**100.00**	100.00	**100.00**	100.00
PCFI and Subsidiaries	-do-	–	51.00	–	51.00

Federal Land's Subsidiaries

	Percentages of Ownership	
	2019	2018
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**	–
Magnificat Resources Corp. (MRC)***	**100.00**	49.10
Central Realty and Development Corp. (CRDC)	**75.80**	75.80
Federal Brent Retail, Inc. (FBRI)	**51.66**	51.66

** Formerly Omni Orient Management Corp. Amended Articles of Incorporation was approved by the SEC on October 25, 2019.*
*** On April 30, 2019, FRHI was incorporated and has not started its commercial business operations.*
**** In September 2019, the Group increased ownership from 49.10% to 100.00% thereby obtaining control over Magnificat.*

Toyota's Subsidiaries

	Percentages of Ownership	
	2019	2018
Toyota Makati, Inc. (TMI)	**100.00**	100.00
Toyota Sta. Rosa Laguna, Inc. (TSRLI)	**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

TMBC's Subsidiaries

	Percentages of Ownership	
	2019	2018
Oxfordshire Holdings, Inc. (OHI)	**100.00**	100.00
TMBC Insurance Agency Corporation (TIAC)	**100.00**	100.00

GTCAD's Subsidiaries

	Percentages of Ownership	
	2019	2018
GT Mobility Ventures, Inc. (GTMV)*	**66.67**	–
Toyota Subic, Inc. (TSI)	**55.00**	55.00

** On January 31, 2019, GTMV was incorporated and has not started its commercial business operations.*

On September 9, 2019, the SEC approved GTMV's increase in authorized capital stock, from 1,000,000 shares with par value of ₱1.00 per share to 600,000,000 shares with par value of ₱1.00 per share. GTCAD and Mitsui & Co. Ltd. (Mitsui) have subscribed to the increase in the authorized capital stock of GTMV and has paid for such subscription amounting to ₱99.75 million and ₱50.00 million, respectively. This resulted to a change in GTCAD's direct holdings in GTMV from 100% to 66.67%.

In February 2019, the Parent Company remitted ₱100.00 million to GTCAD to fund the latter's investment in a used car auction business which had been completed in March 2019. GTCAD, through GTMV, a joint venture between the Company and Mitsui, formed JBA Philippines with auction house operator Japan Bike Auction Co., Ltd. ("JBA"). 60% of JBA Philippines will be controlled by GTMV while 40% will be owned by JBA.

PCFI's Subsidiaries

	Percentages of Ownership	
	2019*	2018
Micara Land, Inc. (MLI)	–	100.00
Firm Builders Realty Development Corporation (FBRDC)	–	100.00
Marcan Development Corporation (MDC)	–	100.00
Camarillo Development Corporation (CDC)	–	100.00
Branchton Development Corporation (BDC)	–	100.00
Williamton Financing Corporation (WFC)	–	100.00

** In July 2019, PCFI redeeemed its preferred shares and PCFI ceased to be a subsidiary of the Parent Company. Accordingly, the financial statements of PCFI were deconsolidated from the consolidated financial statements of the Group (Note 12).*

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 (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 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 in preparation of the consolidated financial statements are consistent with those of the previous year except for the following new and amended PFRSs and PAS which were adopted as of January 1, 2019.

Except as otherwise indicated, the following new and amended standards did not have a material impact on the accounting policies, financial position or performance of the Group.

New Standards

PFRS 16, *Leases*
The Group applied the standard for the first time. It supersedes PAS 17, *Leases*, Philippine Interpretation IFRIC 4, *Determining Whether an Arrangement Contains a Lease,* SIC-15, *Operating Leases – Incentives*, and SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.* The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lesses to account for most leases under a single on-balance sheet model. The Group adopted the modified retrospective approach with certain transition reliefs with the date of initial application of January 1, 2019 and applied the following practical expedients wherein it:

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

The reconciliation of the operating lease commitments to the total gross lease payments used in the measurement of the lease liabilities are as follows (in millions):

Operating lease commitments as of December 31, 2018	₱408
Add: Lease payments relating to renewal periods not included in operating lease commitments as of December 31, 2018	–
Less: Lease payments pertaining to leases of short-term and low-value assets	–
Operating lease commitments not considered on lease term	–
Total gross future lease payments as of January 1, 2019	₱408
Weighted average incremental borrowing rate	5.00% - 9.02 %
Lease liability as of January 1, 2019	₱393

Except for the additional disclosures required, PFRS 16 has no impact for leases where the Group is the lessor.

The Group has lease contracts for various office spaces. Prior to 2019, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the lease asset to the Group; otherwise it was classified as an operating lease. All leases (as lessee) were classified as operating leases. In an operating lease, the leased property was not capitalized and the lease payments were recognized as rent expense under 'General and Administrative Expenses' in the statement s of income on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognized under 'Prepaid expenses' and 'Accrued other expenses', respectively.

Effective January 1, 2019, the Group applied a single recognition and measurement approach for all leases (as lessee) except for short-term leases and leases of low-value assets. The Group recognized lease liabilities representing lease payments and right-of-use (ROU) assets representing the right to use the underlying assets. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate (IBR) at the date of initial application. ROU assets were recognized based on the amount equal to the lease liabilities adjusted for any related prepaid and accrued lease payments previously recognized.

Based on the foregoing, as of January 1, 2019, the Group recognized ROU assets of ₱393.04 million (presented under 'Property and equipment'); lease liability of ₱392.13 million; and derecognized accrued rent expense of ₱0.91 million related to previous operating leases.

<u>*Amendments*</u>

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

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
  The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

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

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
  The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan

amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

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

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

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

- *Annual Improvements to PFRSs* 2015-2017 Cycle
  a. Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements*, *Previously Held Interest in a Joint Operation*
  The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

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

  b. Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
  The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

  c. Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*
  The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

  Adoption of IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, Borrowing Cost) for the Real Estate Industry

  In March 2019, IFRIC published an Agenda Decision on whether borrowing costs can be capitalized on real estate inventories that are under construction and for which the related revenue is/will be recognized over time under par. 35(c) of IFRS 15. IFRIC concluded that borrowing costs cannot be capitalized for such real estate inventories as they do not meet the definition of a qualifying asset under IAS 23 considering that these inventories are ready for their intended sale in their current condition.

The IFRIC agenda decision would change the Group's current practice of capitalizing borrowing costs on real estate projects with pre-selling activities.

On February 11, 2020, the Philippine SEC issued Memorandum Circular No. 4, Series of 2020, providing relief to the Real Estate Industry by deferring the implementation of the above IFRIC Agenda Decision until December 31, 2020. Effective January 1, 2021, the Real Estate Industry will adopt the IFRIC agenda decision and any subsequent amendments thereto retrospectively or as the SEC will later prescribe. A real estate company may opt not to avail of the deferral and instead comply in full with the requirements of the IFRIC agenda decision.

For real estate companies that avail of the deferral, the SEC requires disclosure in the Notes to the Financial Statements of the accounting policies applied, a discussion of the deferral of the subject implementation issues, and a qualitative discussion of the impact in the financial statements had the IFRIC agenda decision been adopted.

The Group did not avail of the relief provided by the SEC and instead adopted the IFRIC agenda decision retrospectively effective January 1, 2019.

A reconciliation between the carrying amounts under the old practice to the balances reported is presented below (in millions):

	December 31, 2019		
	Before adoption of IFRIC agenda decision on borrowing cost	Effect of IFRIC agenda decision on borrowing costs	As reported
Statement of Financial Position			
Assets			
Current Assets			
Inventories	₱73,837	(₱1,648)	₱72,189
Noncurrent Assets			
Investments and advances	178,096	(37)	178,059
Liabilities			
Noncurrent Liabilities			
Deferred tax liabilities	3,644	(506)	3,138
Equity			
Retained earnings – Unappropriated	75,748	(1,179)	74,569
Statement of Comprehensive Income			
Revenue			
Equity in net income of associates	14,615	(37)	14,578
Cost and Expenses			
Interest expense	5,602	851	6,453
Cost of real estate sales	5,977	(637)	5,340
Provision for income tax	5,132	(75)	5,057

	December 31, 2018		
	As previously reported	Effect of IFRIC agenda decision on borrowing costs	As restated
Statement of Financial Position			
Assets			
Current Assets			
Inventories	₱77,469	(₱2,080)	₱75,389
Noncurrent Assets			
Investments and advances	163,739	(4)	163,735
Liabilities			
Noncurrent Liabilities			
Deferred tax liabilities	5,959	(625)	5,334
Equity			
Retained earnings – Unappropriated	53,459	(1, 236)	52,223
Noncontrolling interests	24,910	(223)	24,687
Statement of Comprehensive Income			
Revenue			
Equity in net income of associates	11,517	(4)	11,513
Real estate sales	18,508	(9,166)	9,342
Interest income	2,082	(414)	1,668
Rent income	1,257	(76)	1,181
Other income	2,458	(334)	2,124
Cost and Expenses			
General and administrative expenses	14,040	(3,373)	10,667
Interest expense	4,965	436	5,401
Cost of real estate sales	12,609	(5,770)	6,839
Provision for income tax	4,171	(285)	3,886

	January 1, 2018		
	As previously reported	Effect of IFRIC agenda decision on borrowing costs	As restated
Statement of Financial Position			
Assets			
Current Assets			
Inventories	₱73,689	(₱1,637)	₱72,052
Noncurrent Assets			
Investments and advances	128,627	(26)	128,601
Liabilities			
Noncurrent Liabilities			
Deferred tax liabilities	5,594	(499)	5,095
Equity			
Retained earnings – Unappropriated	46,002	(1,002)	45,000
Noncontrolling interests	27,028	(162)	26,866

	December 31. 2017		
	As previously reported	Effect of IFRIC agenda decision on borrowing costs	As restated
Statement of Comprehensive Income			
Revenue			
Equity in net income of associates	₱8,699	(₱26)	₱8,673
Real estate sales	14,092	(6,339)	7,753
Interest income	2,085	(417)	1,668
Rent income	940	(25)	915
Other income	1,607	(139)	1,468
Cost and Expenses			
General and administrative expenses	12,899	(2,519)	10,380
Interest expense	3,394	142	3,536
Cost of real estate sales	10,035	(4,859)	5,176
Provision for income tax	4,524	409	4,933

Interpretations

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*
  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes,* and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

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

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

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

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 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 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.

<u>Financial Instruments – Initial Recognition and Subsequent Measurement effective January 1, 2018</u>

<u>Financial Instruments</u>
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 sales 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 amortised 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. 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 amortised 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 statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

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 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 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" (other than "Taxes payable" which is covered by other accounting standard), "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.

d. Derivative Financial Instruments and Hedge Accounting

Initial Recognition and Subsequent Measurement

The Group uses derivative financial instruments such as cross-currency swaps, and 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.

Financial Instruments - Initial Recognition and Subsequent Measurement effective before January 1, 2018
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.

Initial recognition of financial instruments
All financial assets are initially recognized at fair value. Except for financial assets and financial liabilities at fair value through profit or loss (FVTPL), the initial measurement of financial assets and financial liabilities includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVTPL, held-to-maturity (HTM) investments, AFS investments, and loans and receivables. The Group classifies its financial liabilities as either financial liabilities at FVTPL or other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market.

Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

'Day 1' difference
Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Group recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the consolidated statement of income under 'Interest income' and 'Interest expense' accounts unless it qualifies for recognition as some other type of asset or liability. In cases where 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 consolidated 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.

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS investments or financial assets at FVTPL. This accounting policy relates to the accounts in the consolidated statement of financial position 'Receivables', 'Due from related parties', 'Cash and cash equivalents' and 'Short-term investments'.

Receivables are recognized initially at fair value which normally pertains to the billable amount. After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate (EIR). The amortization is included in 'Interest income' in the consolidated statement of income. The losses arising from impairment of such loans and receivables are recognized in the consolidated statement of income.

AFS investments
AFS investments are those which are designated as such or do not qualify to be classified as designated at FVTPL, HTM investments, or loans and receivables. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. The Group's AFS investments pertain to quoted and unquoted equity securities and other debt instruments.

After initial recognition, AFS investments are measured at fair value with gains or losses recognized as a separate component of equity until the investment is derecognized or until the investment is determined to be impaired, at which time the cumulative gain or loss previously included in equity are included in the consolidated statement of income. Dividends on AFS equity instruments are recognized in the consolidated statement of income when the entity's right to receive payment has been established. Interest earned on holding AFS debt instruments are reported in the consolidated statements of income as 'Interest income' using the effective interest method.

The fair value of investments that are traded in active markets is determined by reference to quoted market bid prices at the close of business on the reporting date. The unquoted equity instruments are carried at cost less any impairment losses because fair value cannot be measured reliably due to the unpredictable nature of future cash flows and the lack of suitable methods of arriving at a reliable fair value.

Other financial liabilities
These are financial liabilities not designated at FVTPL 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. After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest 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.

This accounting policy applies primarily to the Group's 'Accounts and other payables', 'Short-term debt', 'Long-term debt', 'Liabilities on purchased properties', 'Due to related parties' and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable). 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.

Derivative Financial Instrument and Hedge Accounting
The Group uses derivative financial instruments such as cross currency interest rate swap to hedge its foreign currency and interest rate risks. Such derivative financial instruments are initially recognized at fair value on the date in which a derivative transaction is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from the changes in fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognized as OCI.

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

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

Before 1 January 2018, the documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedge item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an on-going basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Cash flow hedges
The effective portion of the gain or loss on the hedging instrument is recognized directly as OCI in the cash flow hedge reserve, while the ineffective portion is recognized directly in profit or loss.

The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

Amounts recognized as OCI are transferred to profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognized as OCI are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognized in OCI are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover or if its designation as a hedge is revoked, any cumulative gain or loss previously recognized in OCI remains in OCI until the forecast transaction or firm commitment affects profit or loss. If the related transaction is not expected to occur, the amount is taken to profit or loss.

Impairment of Financial Assets

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

Loans and receivables

For loans and receivables carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR, adjusted for the original credit risk premium. The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to the consolidated statement of income. Interest income continues to be recognized based on the original EIR of the asset.

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

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as past due status and term. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

Loans, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost as at the reversal date.

AFS investments
For AFS investments, the Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

In case of equity instruments classified as AFS investments, this would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income, is removed from the consolidated statement of changes in equity and recognized in the consolidated statement of income. Impairment losses on equity instruments are not reversed through profit or loss. Increases in fair value after impairment are recognized directly in the consolidated statement of comprehensive income.

In the case of debt instruments classified as AFS investments, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as 'Interest income' in the consolidated statements of income. If, in the subsequent year, the fair value of the debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

<u>Derecognition of Financial Assets and Liabilities</u>
Financial asset
A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when:

a. the rights to receive cash flows from the asset have expired;
b. 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
c. the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risk and rewards of the asset but has transferred the control over the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liability
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 consolidated statement of income.

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.

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 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 Venture
Investments in associates and joint venture 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 venture 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 venture 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 venture 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 in retained investments and proceeds from disposal is recognized in profit or loss.

Land held for Future Development
Land held for future development consists of properties for future developments and are carried at the lower of cost or NRV. NRV is the estimated selling price in the ordinary course of business, less cost to complete and costs of sale. Costs include cost incurred for development and improvements of the properties. Upon start of development, the related cost of the land is transferred to real estate inventories.

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 5 to 41 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 41
Boilers and powerhouse	9 to 25
Turbine generators and desox system	9 to 25
Buildings and land improvements	9 to 25
Electrical distribution system	7 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 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 value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. 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 venture
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 venture 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 venture 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 co-ordinated 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.

Customers' Deposits
The Group requires buyers of real estate to pay a minimum percentage of the total selling price. The minimum percentage is on the basis of the level of buyer's commitment to pay and is part of the revenue recognition criteria. When the revenue recognition criteria are met, sales are then recognized and these deposits and downpayments will be applied against the related installment contracts receivable. In the event that the customer decides to terminate the purchase prior to recognition of sale, an amount equivalent to the cash surrender value of the deposit will be refunded to the buyer.

Customer's deposits consist of payment from buyers which have not reached the minimum required percentage and amounts that have not been applied against the related installment contracts receivable.

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.

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 effective January 1, 2018

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.

Cost recognition
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.

Rental income under noncancellable and cancellable 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.

Marketing fees, management fees from administration and property management are recognized when services are rendered.

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.

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 from administrative, property management and other fees are recognized when services are rendered.

Other customer related fees such as penalties and surcharges are recognized as they accrue, taking into account the provisions of the related contract. 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.

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 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.

Revenue Recognition prior to January 1, 2018

Revenue and Cost Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably measured. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent.

The Group has concluded that it is acting as principal in all of its revenue arrangements.
The following specific recognition criteria must also be met before revenue is recognized:

Automotive operations
Revenue from automotive operations arises from sale of manufactured vehicles and trading of completely built-up vehicles and local and imported parts. Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer (including certain "bill and hold" sales, wherein in the buyer takes title and accepts billing), usually on dispatch of goods.

Real estate sales
Real estate revenue and cost from completed projects is accounted for using the full accrual method. The percentage of completion method is used to recognize income from sales of projects where the Group has material obligations under the sales contract to complete the project after the property is sold. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work.

In accordance with PIC Q&A No. 2006-01, the POC method is used to recognize income from sales of projects where the Group has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished), and the costs incurred or to be incurred can be measured reliably. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work.

When the sale of real estate does not meet the requirements for revenue recognition, the sale is accounted under the deposit method until all the conditions are met. Under this method, revenue is not recognized, the receivable from the buyer is not recorded and the cash received from buyers are presented under the 'Customers' deposits' account in the liabilities section of the consolidated statement of financial position. The related real estate inventories continue to be reported in the consolidated statement of financial position as 'Inventories'.

Cost of condominium units sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works, as determined by the Group's in-house technical staff.

The cost of inventory recognized in the consolidated statement of income upon sale is determined with reference to the specific costs incurred on the property, allocated to saleable area based on relative size and takes into account the POC used for revenue recognition purposes.

Interest income
Interest is recognized as it accrues using the effective interest method.

Rent income
Rent income under noncancellable leases 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.

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
Service fees from installation of parts and repairs and maintenance of vehicles are recognized as revenue when the related services have been 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.

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. 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.

Expense Recognition
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
Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of subdivision land and condominium units sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works, as determined by the Group's project and construction department.
The cost of inventory recognized in the consolidated statement of income upon sale is determined with reference to the specific costs incurred on the property, allocated to saleable area based on relative size and takes into account the POC used for revenue recognition purposes.

Pension Costs
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.

Income Tax
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.

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 pesos, which is also the Parent Company'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

Policies applicable beginning January 1, 2019

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-of-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. 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 debt 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 (Note 20).

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.

Policies applicable prior to January 1, 2019
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:
(a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
(b) a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;

(c) there is a change in the determination of whether fulfillment is dependent on a specified asset; or
(d) there is a substantial change to the asset.

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

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to the ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments and included in

'Property and equipment' with the corresponding liability to the lessor included in 'Lease liabilities'. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recorded directly to 'Interest expense'.

Capitalized leased assets are depreciated over the shorter of the estimated useful lives of the assets or the respective lease terms, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Leases where the lessor retains substantially all the risk and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognized as an expense in the statement of income under 'Ocupancy and equipment-related cost' on a straight-line basis over the lease term. Contingent rental payables are recognized as expense in the year in which they are incurred. Any prepaid rent and accrued rent were recognized under 'Prepaid expenses' lodged in 'Other assets' and 'Accrued other expenses' lodged in 'Accrued interest and other expenses', respectively.

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.

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 Group will adopt the following standards and interpretations when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on its consolidated financial statements.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*
  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted. These amendments will apply on future business combinations of the Group.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, *Definition of Material*
  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*
  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

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

The Group is currently assessing the impact of adopting PFRS 17.

Deferred effectivity

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

  On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

- PIC Q&A No. 2018-14, PFRS 15 - *Accounting for Cancellation of Real Estate Sales*

- PIC Q&A No. 2018-15, PAS 1 - *Classification of Advances in the Nature of Prepayments: Current vs. Non – current*
  In 2018, Philippine Interpretations Committee (PIC) issued PIC Q&A No. 2018-14 and 2018-15 which provides guidance on some implementation issues with regard to the adoption of PFRS 15. Subsequently, SEC issued SEC Memorandum Circular No. 14 Series of 2018 and SEC Memorandum Circular No. 3 Series of 2019, respectively, providing relief to the real estate industry by deferring the applications of some of the provisions of the above PIC Q&As. Effective January 1, 2021, real estate companies need to adopt the PIC Q&As and any subsequent amendments thereof retrospectively, or as the SEC will later prescribe.

3. Management's Judgments and Use of Estimates

The preparation of the consolidated financial statements in compliance with PFRS 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 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 of 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, 2019 and 2018, the Group determined that it exercises significant influence over MPIC in which it holds 15.52% and 15.55% 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 Governance Committee (GC) of MPIC.

The combination of the Parent Company's 15.52% ownership over MPIC and representation in the BOD, AC, RMC and GC 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 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 commitment on the sale which may be ascertained through the significance of the buyer's initial investment; 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
Beginning 1 January 2018, 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 sales 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.

Collectibility of the sales price
Before January 1, 2018, in determining whether the sales prices are collectible, the Group considers that initial and continuing investments by the buyer of about 10.00% would demonstrate the buyer's commitment to pay.

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 – the 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)

Management's Use of Estimates
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. See Note 5 for the related balances.

The carrying amount of installment contracts receivables is disclosed in Note 5. The Group recognized real estate sales in 2019 and 2018 amounting to ₱7.98 billion and ₱9.34 billion, respectively.

Estimating allowance for impairment losses (Prior to January 1, 2018)
The Group reviews its loans and receivables at each reporting date to assess whether an allowance for impairment should be recorded in the consolidated statement of financial position and any changes thereto in profit or loss. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required such as the financial condition of the counterparty and net selling prices of collateral. Such estimates are based on assumptions about a number of factors. Actual results may also differ, resulting in future changes to the allowance.

The Group maintains allowance for impairment losses based on the result of the individual and collective assessment under PAS 39. Under the individual assessment, the Group is required to obtain the present value of estimated cash flows using the receivable's original EIR. Impairment loss is determined as the difference between the receivable's carrying balance and the computed present value. The collective assessment would require the Group to classify its receivables based on the credit risk characteristics (industry, customer type, customer location, past-due status and term) of the customers. Impairment loss is then determined based on historical loss experience of the receivables grouped per credit risk profile. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for the individual and collective assessments are based on management's judgment and estimate. Therefore, the amount and timing of recorded expense for any period would differ depending on the judgments and estimates made for the year.

The carrying values of these receivables and due from related parties are disclosed in Notes 5 and 27, 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, intangible assets from customer relationship and software costs are disclosed in Notes 9, 11 and 13, respectively.

Evaluating impairment of non-financial assets
The Group reviews input VAT, investments in and advances to associates and joint venture, investment properties, creditable withholding tax, property and equipment, intangible assets from customer relationship, software costs, 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 fair value less cost to sell and value in use. 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 and advances to associates and joint venture, property and equipment, and software cost.

The Group considers the significant and prolonged decline in the quoted market price of MPIC as an indicator of impairment. Accordingly, the Group conducted an impairment assessment of its investment in MPIC. The Group uses the higher between fair value less cost to sell and value in use in determining the recoverable amount. The recoverable amount of the investment in MPIC has been determined based on the sum of the parts of the value in use and fair value less cost to sell of the MPIC Group. Based on the Group's impairment testing, the investment in MPIC is 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, intangible assets from customer relationship, software costs, and other noncurrent assets are disclosed in Notes 7, 8, 9, 11, 13 and 14, respectively.

Estimating the 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 (i.e., credit spread).

Estimating impairment of AFS investments (Prior to January 1, 2018)
The Group treats AFS investments as impaired when there has been significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or when is 'prolonged' requires judgment. The Group treats 'significant' generally as 20.00% or more of the cost of AFS and 'prolonged' if greater than six months. In addition, the Group evaluates other factors, including normal and/or unusual volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities. The Group also considers the ability of the investee company to provide dividends.

The carrying values of AFS investments is disclosed in Note 10. The change in fair value of AFS investments is recorded in the consolidated statements of comprehensive income. The net unrealized gain on AFS investments is disclosed in Note 10.

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 to the consolidated statement of financial position 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.

Purchase price allocation of investment in MPIC
The Parent Company is required to perform a purchase price allocation for its investment in MPIC in 2017. A significant portion of MPIC's net assets pertain to concession assets and the valuation of these concession assets require estimates from management. These estimates include revenue growth, gross margins, expected traffic volume and billed water volume, toll or tariff rates and discount rates.

Purchase price allocation of investment in MBTC
The Parent Company is required to perform a purchase price allocation for its investment in MBTC. A significant portion of MBTC's net assets pertain to loans and receivables, property and equipment, investment properties and deposits, and the valuation of these assets require estimates from management. These estimates include future cash flows forecasts, discount rates and appraised values of property, equipment and investment properties.

4. Cash, Cash Equivalents and Short-term Investments

Cash and Cash Equivalents
This account consists of:

	2019	2018
Cash on hand	**₱65**	₱56
Cash in banks and other financial institution (Note 27)	**4,452**	6,512
Cash equivalents (Note 27)	**7,616**	7,785
	₱12,133	₱14,353

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 6.70% in 2019 and 2018 and from 0.10% to 3.75% in 2017 (Notes 23 and 27).

Short-term Investments
These represent the Group's foreign currency and peso-denominated time deposits, as well as money market placements, with original maturities of more than 3 months and up to 12 months and earn interest at the respective short-term investment rates, ranging from 0.01% to 2.50% in 2019 and 2018 and from 0.01% to 3.00% in 2017 (Notes 23 and 27).

5. Receivables

This account consists of:

	2019	2018
Trade receivables	**₱11,210**	₱9,681
Loans receivable (Note 27)	**3,421**	932
Nontrade receivables (Note 27)	**1,043**	1,438
Accrued rent and commission income (Note 27)	**445**	479
Installment contracts receivables	**289**	2,401
Accrued interest receivable (Note 27)	**97**	210
Management fee receivable (Note 27)	**64**	253
Others (Note 27)	**418**	973
	16,987	16,367
Less: Allowance for credit losses	**184**	282
	₱16,803	₱16,085

Total receivables shown in the consolidated statements of financial position follow:

	2019	2018
Current portion	**₱13,382**	₱15,153
Noncurrent portion	**3,421**	932
	₱16,803	₱16,085

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.

Loans Receivable
Loans receivable from various counterparties pertain to long-term receivables as follows:

	2019	2018
Real estate	**₱3,421**	₱932

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 2019, 2018 and 2017 amounted to ₱10.05 million, ₱9.58 and ₱8.52 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. The outstanding balance of long-term loans receivable as of December 31, 2019 and 2018 amounted to ₱665.63 million and ₱641.88 million, respectively (Note 27).

Loans receivable from Multi Fortune Holdings, Inc. (MFHI)
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.

Nominal interest income earned in 2019, 2018 and 2017 amounted to ₱27.64 million, ₱18.62 million and ₱8.36 million, respectively (Note23).

The outstanding balance of long-term loans receivable from MFHI as of December 31, 2019 and 2018 amounted to ₱425.00 million and ₱290.00 million, respectively.

Loans receivables of TMPC to local companies
In 2019, TMPC entered into loan agreements with local companies. The loan bears fixed interest rate of 4.00% and is payable for a period of three (3) years up to December 2, 2022. The outstanding balance of long-term loans receivable as of December 31, 2019 amounted to ₱2.33 billion.

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:

	2019	2018
Installment contracts receivables	**₱293**	₱3,314
Less: Unearned interest income	**4**	913
	289	2,401
Less: Noncurrent portion	**–**	–
Current portion	**₱289**	₱2,401

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 rates ranging from 8.00% to 12.00% in 2019 ,2018 and 2017. PCFI's installment contracts receivables bear annual interest of 12.00% to 21.00% in 2018 and from 12.00% to 21% in 2017, computed on the diminishing balance of the principal.

Movements in the unearned interest income in 2019 and 2018 follow:

	2019	2018
Balance at beginning of year	**₱913**	₱1,085
Additions	**4**	1,037
Reclassication to contract assets	**(911)**	–
Accretion (Note 23)	**(2)**	(1,209)
Balance at end of year	**₱4**	₱913

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, 2019		
	Trade Receivables	**Other Receivables**	**Total**
Balance at beginning of the year	**₱8**	**₱274**	**₱282**
Provision for (reversal of) credit losses (Note 26)	**(2)**	**(96)**	**(98)**
Balance at end of year	**₱6**	**₱178**	**₱184**

	December 31, 2018		
	Trade Receivables	Other Receivables	Total
Balance at beginning of year, as previously reported	₱7	₱276	₱283
Provision for (reversal of) credit losses (Note 26)	1	(2)	(1)
Balance at end of year	₱8	₱274	₱282

In 2019, reversals of credit losses were made due to improvements in payments and recovered amounts.

6. Inventories

This account consists of:

	2019	2018 (As restated – Note 2)
At cost		
Real estate		
Land and improvements	**₱43,115**	₱46,873
Condominium units held for sale	**12,940**	12,163
Construction in progress	**4,744**	6,217
Gasoline retail and petroleum products (Note 24)	**11**	10
Food (Note 24)	**8**	6
Materials and supplies	**–**	885
Automotive		
Finished goods	**5,311**	3,911
Work-in-process	**27**	122
Raw materials in transit	**1,694**	1,410
	67,850	71,597
At NRV		
Automotive		
Spare parts	**4,339**	3,792
	₱72,189	₱75,389

A summary of movements in real estate inventories (excluding materials and supplies, gasoline retail and petroleum products, and food) follows:

	2019					
	Rawland intended for development	**Land and improvements**	**Subtotal**	**Condominium units held for sale**	**Construction in progress**	**Total**
Balance at beginning of year, as previously reported	**₱18,492**	**₱29,032**	**₱47,524**	**₱13,592**	**₱6,217**	**₱67,333**
Effect of adoption of IFRIC agenda decision on borrowing costs (Note 2)	**–**	**(651)**	**(651)**	**(1,429)**	**–**	**(2,089)**
Balance at beginning of year, as restated	**18,492**	**28,381**	**46,873**	**12,163**	**6,217**	**65,253**
Construction and development costs incurred	**–**	**516**	**516**	**5,678**	**3,284**	**9,478**
Land acquired during the year	**18,418**	**3,322**	**21,740**	**–**	**–**	**21,740**
Borrowing costs capitalized	**–**	**196**	**196**	**25**	**910**	**1,131**
Effect of deconsolidation (Note 12)	**(18,492)**	**(7,050)**	**(25,542)**	**(259)**	**(3,841)**	**(29,642)**
Cost of sales during the year	**–**	**(598)**	**(598)**	**(5,130)**	**(1,433)**	**(7,161)**
Transfers from construction in progress to condominium units for sale	**–**	**–**	**–**	**393**	**(393)**	**–**
Transfer from land development and improvements to condominium units	**–**	**(70)**	**(70)**	**70**	**–**	**–**
Balance at end of the year	**₱18,418**	**₱24,697**	**₱43,115**	**₱12,940**	**₱4,744**	**₱60,799**

	2018 (As restated - Note 2)					
	Rawland intended for development	Land and improvements	Subtotal	Condominium units held for sale	Construction in progress	Total
Balance at beginning of year, as previously reported	₱18,278	₱32,703	₱50,981	₱9,755	₱4,852	₱65,588
Effect of adoption of IFRIC agenda decision on borrowing costs (Note 2)	–	(472)	(472)	(1,165)	–	(1,637)
Balance at beginning of the year, as restated	18,278	32,231	50,509	8,590	4,852	63,951
Construction and development costs incurred	–	1,444	1,444	4,698	5,845	11,987
Land acquired during the year	1,029	560	1,589	–	–	1,589
Borrowing costs capitalized	–	355	355	4	1,263	1,622
Cost of sales during the year	(44)	(5,431)	(5,475)	(1,364)	–	(6,839)
Income from discontinued operations	–	(1,910)	(1,910)	(59)	(3,209)	(5,178)
Transfers from construction in progress to condominium units for sale	–	–	–	675	(675)	–
Transfer to and from rawland	(751)	751	–	–	–	–
Transfers to investment property (Note 9)	–	–	–	(126)	(407)	(533)
Recognition of intercompany deferred gain	–	371	371	–	–	371
Reclassifications and others	(20)	10	(10)	(255)	(1,452)	(1,717)
Balance at end of the year	₱18,492	₱28,381	₱46,873	₱12,163	₱6,217	₱65,253

Federal Land's capitalized borrowing costs in its real estate inventories amounted to ₱1.05 billion and ₱1.26 billion in 2019 and 2018, respectively, for loans specifically used to finance Federal Land's project construction with interest rates ranging from 3.00% to 6.71%, from 2.90% to 6.71% and 2.58% to 6.27% in 2019, 2018 and 2017, respectively. Capitalized borrowing costs amounting to ₱113.28 million and ₱111.10 million pertains to capitalized cost on rawland intended for development. Also, Federal Land's capitalized borrowing costs in respect of its general borrowing amounted to ₱6.29 million and ₱116.20 million in 2019 and 2018, respectively. The average capitalization rate used to determine the amount of borrowing costs eligible for capitalization was 6.26% and 6.63% in 2019 and 2018, respectively.

PCFI's capitalized borrowing cost as part of real estate inventories amounted to ₱243.88 million in 2018.

Inventories charged to operations follow:

	2019	2018 (As restated – Notes 2 and 12)	2017 (As restated – Notes 2 and 12)
Cost of good and services sold (Note 24)	**₱133,943**	₱129,849	₱147,713
Cost of goods manufactured and sold (Note 25)	**36,819**	31,809	39,635
Cost of real estate sales	**5,340**	6,839	5,176
	₱176,102	₱168,497	₱192,524

The cost of the inventories carried at NRV amounted to ₱4.45 billion and ₱3.89 billion as of December 31, 2019 and 2018, respectively.

Allowance for inventory write-down on automotive spare parts inventories follow:

	2019	2018
Balance at beginning of year	**₱96**	₱91
Provision for inventory write-down	**17**	51
Write-off of scrap inventories	–	(8)
Reversal	–	(38)
	₱113	₱96

7. **Prepayments and Other Current Assets**

This account consists of:

	2019	2018
Advances to contractors and suppliers	**₱3,710**	₱3,197
Input VAT	**3,589**	1,087
Creditable withholding taxes (CWT)	**1,246**	1,438
Ad-valorem tax	**713**	412
Prepaid expenses	**627**	1,146
Cost to obtain a contract (Note 21)	**186**	236
Advances to officers, employees, agents and brokers (Note 27)	**50**	281
Deposit for land purchases	–	1,657
Others	**295**	336
	₱10,416	₱9,790

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.

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.

CWT are attributable to taxes withheld by third parties arising from service fees, real estate revenue, auto sales and rental income.
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.

Prepaid expenses mainly include prepayments for supplies, taxes and licenses, rentals, insurance and other land acquisition related costs.

Cost to obtain a contract pertain to commissions paid to brokers and marketing agents on the sale of pre-completed real estate units which are amortized to cost of sales over the expected construction period using percentage of completion.

Advances to officers and employees amounting to ₱41.72 million and ₱54.60 million as of December 31, 2019 and 2018, 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 ₱8.84 million and ₱8.45 million as of December 31, 2019 and 2018, 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. Cash advances to brokers amounting to nil and ₱217.43 million as of December 31, 2019 and 2018, respectively represent PCFI's advances to brokers which will be recovered by applying the amount to the commissions that will be earned by the brokers.

Deposit for land purchases are deposits made for the acquisition of certain parcels of land that are intended for future development. The Deed of Absolute Sale (DOAS) for these properties will be executed upon fulfillment by both parties of certain undertakings and conditions.

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:

	2019	2018 (As restated – Note 2)
Investments in associates	**₱160,605**	₱146,635
Investments in joint ventures	**17,454**	17,100
	₱178,059	₱163,735

There is no impairment loss for any of these investments in 2019 and 2018.

The movements in the Group's investments in associates follow:

	2019	2018
Cost		
Balance at beginning of year	**₱110,284**	₱87,789
Acquisitions/additional investments during the year	**937**	22,495
Effect of business combination	**(149)**	–
Balance at end of year	**111,072**	110,284
Accumulated equity in net income		
Balance at beginning of year	**47,768**	36,487
Equity in net income for the year	**14,214**	10,909
Recognition of previously deferred gain	**11**	372
Balance at end of year	**61,993**	47,768
Dividends received		
Balance at beginning of year	**(9,539)**	(7,429)
Dividends received during the year	**(2,092)**	(2,110)
Balance at end of year	**(11,631)**	(9,539)
Accumulated equity in other comprehensive income		
Balance at beginning of year	**(3,573)**	(1,043)
Equity in fair value changes on financial assets at FVOCI for the year	**2,517**	(1,229)
Equity in net unrealized gain on AFS investments for the year	–	–
Equity in translation adjustments	**(551)**	(1,968)
Equity in remeasurement on life insurance reserves	**(167)**	376
Equity in net unrealized gain (loss) on remeasurements of defined benefit plans	**(739)**	272
Equity in other equity adjustments	–	19
Balance at end of year	**(2,513)**	(3,573)

(Forward)

	2019	2018
Effect of elimination of intragroup profit		
Balance at beginning of year	**₱1,695**	₱2,195
Recognition of previous deferred gain	**(11)**	(372)
Elimination during the year	–	(128)
Balance at end of year	**1,684**	1,695
	₱160,605	₱146,635

The movements in the Group's investments in joint ventures follow:

	2019	2018 (As restated – Note 2)
Cost		
Balance at beginning of year, as previously reported	**₱15,699**	₱8,458
Acquisitions/additional investments during the year	**106**	7,241
Balance at end of year	**15,805**	15,699
Accumulated equity in net income		
Balance at beginning of year, as previously reported	**2,280**	2,070
Effect of adoption of IFRIC agenda decision on borrowing costs (Note 2)	**(4)**	(26)
Balance at beginning of the year, as restated	**2,276**	2,044
Equity in net income for the year	**550**	430
Unrealized gain on sale of properties (Note 27)	**(197)**	(198)
Balance at end of year	**2,629**	2,276
Dividends received		
Balance at beginning of year	–	–
Dividends received during the year	**(26)**	–
Balance at end of year	**(26)**	–
Accumulated equity in other comprehensive income		
Balance at beginning of year	**109**	20
Equity in net unrealized gain (loss) on remeasurementsof defined benefit plans	**(7)**	4
Equity in cash flow hedge reserve	**(307)**	85
Balance at end of year	**(205)**	109
Effect of elimination of intragroup profit		
Balance at beginning of year	**(984)**	(52)
Recognition of deferred gain	**34**	–
Elimination during the year	**201**	(932)
Balance at end of year	**(749)**	(984)
	₱17,454	₱17,100

Details regarding the Group's associates and joint ventures follow:

	Nature of Business	Country of Incorporation	2019	2018
Associates:				
MBTC	Banking	Philippines	**36.65**	36.36
MPIC	Infrastructure	-do-	**15.52**	15.55
Phil AXA	Insurance	-do-	**25.33**	25.33
Crown Central Properties Corporation (CCPC)	Real estate	-do-	**48.00**	48.00
Magnificat Resources Corporation (Magnificat)	-do-	-do-	–	49.10
Joint ventures:				
Bonifacio Landmark Realty and Development Corporation (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**	–
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**	–
TFSPC	Financing	-do-	**40.00**	40.00
SMFC	-do-	-do-	**20.00**	20.00

**In September 2019, Federal Land increased its ownership in Magnificat from 49.10 to 100.00% thereby obtaining control over the latter.*
***On March 11, 2019, SFNBCMC was incorporated.*
**** In October 2018, Federal Land made a deposit to PHRDC for future stock subscription amounting to ₱100 million. In October 2019, upon SEC approval of PHRDC's increase in capital stocks, the deposit was converted to 1 million preferred shares of PHRDC with par value of ₱100 per share for 50% ownership by Federal Land.*

The following table summarizes cash dividends declared and paid by the Group's associates and joint venture (amount in millions, except for dividend per share):

	Declaration Date	Per Share	Total	Record Date	Payment Date
2019					
MBTC	February 13, 2019	₱1.00	₱3,980	March 1, 2019	March 14, 2019
MPIC	March 5, 2019	0.076	2,395	March 20, 2019	April 3, 2019
MPIC	August 1, 2019	0.0345	1,087	August 19, 2019	August 30, 2019
Phil AXA	November 6, 2019	40.9008	409	Octobe 24, 2019	December 17, 2019
SMFC	June 21, 2019	6.56	131	June 21, 2019	July 19, 2019

	Declaration Date	Per Share	Total	Record Date	Payment Date
2018					
MBTC	February 21, 2018	₱1.00	₱3,180	March 8, 2018	March 16, 2018
MPIC	March 1, 2018	0.076	2,395	March 28, 2018	April 26, 2018
MPIC	August 2, 2018	0.0345	1,087	August 31, 2018	September 25, 2018
Phil AXA	November 26, 2018	159.5033	1,595	November 23, 2018	December 17, 2018

Investment in MBTC

On April 20, 2017, the Parent Company acquired a total of 306.00 million common shares of MBTC from Ty-Family Companies for a total purchase price of ₱24.72 billion. On April 21, 2017, the Parent Company paid the purchase price in cash. This increased the Parent Company's ownership in MBTC from 26.47% to 36.09%. Based on the final purchase price allocation relating to the Parent Company's acquisition of investment in MBTC, the difference of ₱5.45 billion between the Parent Company's share in the carrying values of MBTC'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 MBTC's specific and identifiable assets and liabilities amounting to ₱1.60 billion and the remaining balance of ₱3.85 billion for notional goodwill.

In relation to the acquisition, the Parent Company capitalized advisory fees and other professional fees amounting to ₱0.02 billion as part of the cost of the investment.

In April 2018, the Parent Company participated in the ₱59.99 billion stock rights offering of MBTC for a total of 299.28 million shares, equivalent to ₱22.45 billion. As a result, the percentage ownership of the Parent Company in MBTC increased from 36.09% to 36.36%. Based on the final purchase price allocation relating to the Parent Company's increase of 0.27% ownership interest in MBTC, the difference of ₱218.00 million between the Parent Company's share in the carrying values of MBTC'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 MBTC's specific and identifiable assets and liabilities amounting to ₱208.00 million and the remaining balance of ₱10.00 million for notional goodwill.

In October 2019, the Parent Company received a stock dividend equivalent to a total of 189.22 million common shares of Metrobank.

On various dates in 2019, the Parent Company acquired an aggregate of 12.26 million common shares of Metrobank for a total consideration of ₱836.53 million. This increased the Parent Company's ownership interest in Metrobank from 36.36% to 36.65%.

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.

Federal Land does not exercise control at 70% ownership over BLRDC, but instead exercises joint control because Federal Land and ORPI have contractually agreed to share control over the economic activities of BLRDC.

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. This was reflected as additions of ₱1.69 billion in the investment in associates and joint ventures in 2018.

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 investment 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 investment 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 2018 and 2017, the Parent Company remitted ₱720.00 million and ₱480.00 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 Investment 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, 2019 and 2018, the fair values of the Group's investment in PSE-listed entities follow (Note 32):

	2019	2018
MBTC	**₱109,213**	₱115,834
MPIC	**17,003**	22,687
	₱126,216	₱138,521

Management considers significant and prolonged decline in the quoted market price of MPIC as an indicator of impairment. Accordingly, the Group conducted an impairment assessment of its investment in MPIC. The Group uses the higher between fair value less cost to sell and value in use in determining the recoverable amount. The recoverable amount of the investment in MPIC has been determined based on the sum of the parts of the value in use and fair value less cost to sell of the MPIC Group. Based on the Group's impairment testing, the investment in MPIC is determined to be not impaired.

The following tables present the carrying values of the Group's material associates:

Investments in MBTC

	2019	2018
Consolidated Statements of Comprehensive Income		
Net interest income, other income and share in net income of associates and joint ventures	**₱106,919**	₱92,606
Expenses	**78,045**	69,171
Net income	**28,874**	23,435
Other comprehensive income (loss)	**3,666**	(2,655)
Total comprehensive income	**32,540**	20,780
*Consolidated Statements of Financial Position**		
Total assets	**2,450,813**	2,243,693
Total liabilities	**(2,132,322)**	(1,952,989)
Net assets	**318,491**	290,704
Equity attributable to NCI	**(8,937)**	(7,744)
Other equity reserves	–	–

(Forward)

	2019	2018
Net assets attributable to common shareholders of MBTC	**₱309,554**	₱282,960
GT Capital’s ownership interest in MBTC	**36.65%**	36.36%
GT Capital's share in net assets of MBTC	**113,452**	102,884
Notional goodwill	**4,363**	4,450
Fair value and other adjustments	**2,852**	3,166
Elimination of intercompany transactions	**–**	(96)
	₱120,667	₱110,404

**MBTC does not present classified statements of financial position.*

Investments in MPIC

	2019	2018
Consolidated Statements of Comprehensive Income		
Revenues	**₱159,098**	₱122,686
Expenses	**97,287**	93,599
Net income	**27,818**	22,202
Other comprehensive income (loss)	**(1,477)**	320
Total comprehensive income	**26,341**	22,522
Consolidated Statements of Financial Position		
Current assets	**105,237**	79,579
Noncurrent assets	**506,541**	478,633
Current liabilities	**(75,118)**	(56,606)
Noncurrent liabilities	**(290,615)**	(262,377)
Net assets	**246,045**	239,229
Equity attributable to NCI	**(55,083)**	(65,692)
Net assets attributable to common shareholders of MPIC	**190,962**	173,537
GT Capital’s ownership interest in MPIC	**15.52%**	15.55%
GT Capital's share in net assets of MPIC	**29,637**	26,985
Capitalized transaction cost	**277**	277
Notional goodwill	**2,727**	2,727
Fair value and other adjustments	**4,311**	3,861
	₱36,952	₱33,850

The following table presents the carrying values of the Group’s material joint venture:

	2019			2018		
	BLRDC	**TFSPC***	**Sunshine Fort**	BLRDC	TFSPC*	Sunshine Fort
Selected Financial Information						
Cash and cash equivalents	**₱643**	**₱925**	**₱157**	₱1,071	₱1,501	₱743
Current financial liabilities	**4,548**	**–**	**1,595**	4,620	–	1,940
Non-current financial liabilities	**3,010**	**–**	**–**	3,004	–	–
Financial liabilities	**–**	**73,780**	**–**	–	73,850	–
Depreciation and amortization	**(26)**	**62**	**–**	72	44	–
Interest income	**29**	**6,959**	**7**	44	6,165	7
Interest expenses	**(223)**	**3,877**	**–**	120	2,910	2
Income tax expense	**11**	**183**	**5**	25	372	(55)
Statements of Comprehensive Income						
Revenues	**706**	**7,265**	**632**	2,311	6,481	42
Expenses	**759**	**6,503**	**613**	2,297	5,322	167
Net income	**(42)**	**580**	**15**	(11)	787	(70)
Other comprehensive income	**–**	**(781)**	**–**	–	218	–
Total comprehensive income	**(42)**	**(201)**	**15**	(11)	1,005	(70)

(Forward)

	2019			2018		
	BLRDC	**TFSPC***	**Sunshine Fort**	BLRDC	TFSPC*	Sunshine Fort
Statements of Financial Position						
Current assets	**₱1,466**	**₱–**	**₱10,852**	₱3,905	₱–	₱8,068
Noncurrent assets	**12,258**	**–**	**1,784**	10,746	–	1,495
Total assets	**13,724**	**83,444**	**12,636**	14,651	83,509	9,563
Current liabilities	**(4,548)**	**–**	**(1,595)**	(4,618)	–	(1,963)
Noncurrent liabilities	**(3,010)**	**–**	**(3,474)**	(3,825)	–	(48)
Total liabilities	**(7,558)**	**(74,027)**	**(5,069)**	(8,443)	(75,852)	(2,011)
Net assets	**6,166**	**9,417**	**7,567**	6,208	7,657	7,552
GT Capital's ownership interest	**70.00%**	**40.00%**	**60.00%**	70.00%	40.00%	60.00%
GT Capital's share in net assets	**4,316**	**3,767**	**4,540**	4,346	3,063	4,531
Additional subscription	–	–	–	–	720	–
Notional goodwill and other adjustments	**241**	**894**	**(195)**	241	894	(208)
	₱4,557	**₱4,661**	**₱4,345**	₱4,587	₱4,677	₱4,323

**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, 2019 and 2018:

	2019		2018	
	Associates	**Joint ventures**	Associates	Joint ventures
Statements of Financial Position				
Current assets	**₱189**	**₱12,317**	₱214	₱10,132
Non-current assets	**52**	**4,727**	308	2,899
Total assets*	**142,168**	–	126,794	
Current liabilities	**73**	**6,473**	69	3,556
Non-current liabilities	–	**353**	–	240
Total liabilities*	**130,416**	–	117,559	
Statements of Comprehensive Income				
Revenues	**17,409**	**3,397**	14,201	2,597
Expenses	**13,499**	**2,366**	9,854	1,878
Net income	**2,559**	**747**	3,114	493
Other comprehensive income	**778**	**(7)**	718	6
Total comprehensive income	**3,337**	**740**	3,832	499

**Phil AXA does not present classified statements of financial position.*

The aggregate carrying values of immaterial associates and joint ventures amounted to ₱6.88 billion and ₱5.89 billion as of December 31, 2019 and 2018, 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

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, 2019 and 2018, 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. MBTC's dividend declarations and payments are subject to the approval of BSP.

As of December 31, 2019 and 2018, accumulated equity in net earnings amounting to ₱52.97 billion, ₱40.51 billion and ₱32.91 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, 2019, 2018 and 2017, the Group has no share on commitments and contingencies of its associates and joint ventures.

9. Investment Properties

The composition and rollforward analysis of this account follow:

	December 31, 2019			
	Land and Improvements	**Building and Improvements**	**Construction In Progress**	**Total**
Cost				
At January 1	**₱6,983**	**₱7,907**	**₱4,301**	**₱19,191**
Additions	**587**	**506**	**2**	**1,095**
Effect of deconsolidation (Note 12)	**(2,389)**	**(656)**	**(258)**	**(3,303)**
Reclassifications	**33**	**78**	–	**111**
Transfers	**(2)**	**–**	–	**(2)**
At December 31	**5,212**	**7,835**	**4,045**	**17,092**
Accumulated Depreciation				
At January 1	**18**	**1,445**	**–**	**1,463**
Depreciation (Note 11)	**4**	**340**	**–**	**344**
Effect of deconsolidation (Note 12)	**–**	**(62)**	**–**	**(62)**
Reclasssification	**(2)**	**2**	**–**	**–**
At December 31	**20**	**1,725**	**–**	**1,745**
Net Book Value at December 31	**₱5,192**	**₱6,110**	**₱4,045**	**₱15,347**

	December 31, 2018			
	Land and Improvements	Building and Improvements	Construction In Progress	Total
Cost				
At January 1	₱7,105	₱7,592	₱3,819	₱18,516
Additions	19	128	75	222
Disposals	(177)	–	–	(177)
Transfers	36	61	–	97
Transfers from inventories (Note 6)	–	126	407	533
At December 31	6,983	7,907	4,301	19,191
Accumulated Depreciation				
At January 1	14	1,110	–	1,124
Depreciation (Note 11)	4	335	–	339
At December 31	18	1,445	–	1,463
Net Book Value at December 31	₱6,965	₱6,462	₱4,301	₱17,728

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 ₱1.53 billion ₱1.18 billion and ₱0.92 billion in 2019, 2018 and 2017, 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 2021.

The aggregate fair values of the Group's investment properties amounted to ₱26.61 billion and ₱37.45 billion as of December 31, 2019 and 2018, respectively. The fair values of the Group's investment properties have been determined based on valuations performed by Asian Appraisal Company (AAC) and Philippine Appraisal Co. Inc. (PACI), 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 by AAC and PACI in 2017.

10. Investment Securities

Investment securities consist of:

	2019	2018
Current:		
Financial assets at FVTPL (Note 27)	**₱4,698**	₱3,181
Quoted	–	–
Noncurrent:		
Financial assets at FVOCI		
Quoted	**12,160**	10,631
Unquoted	**213**	317
	12,373	10,948
	₱17,071	₱14,129

<u>Financial assets at FVTPL</u>
These pertain to the Parent Company's investments in unit investment trust fund (UITF) (Note 32).

<u>Financial assets at FVOCI</u>
Quoted equity securities
This includes foreign currency-denominated equity investments in Toyota Motor Corporation (TMC), a listed company in the Tokyo Stock Exchange, amounting to ₱11.06 billion and ₱9.43 billion as of December 31, 2019 and 2018, 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 ₱200.74 million and ₱301.95 million as of December 31, 2019 and 2018, respectively. Also included in the balance are unquoted equity securities of Federal Land and TMBC amounting to ₱9.94 million and ₱0.11 million, respectively, as of December 31, 2019 and ₱9.94 million and ₱0.46 million, respectively, as of December 31, 2018.

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:

	2019		
	Attributable to Parent Company	**Non-controlling Interest**	**Total**
Balance at beginning of year	**(₱734)**	**₱223**	**(₱511)**
Changes in fair values of financial assets at FVOCI	**1,733**	**(35)**	**1,698**
Balance at end of year	**₱999**	**₱188**	**₱1,187**

	2018		
	Attributable to Parent Company	Non-controlling Interest	Total
Balance at beginning of year	₱751	₱207	₱958
Changes in fair values of financial assets at FVOCI	(1,485)	16	(1,469)
Balance at end of year	(₱734)	₱223	(₱511)

11. Property and Equipment

The composition and rollforward analysis of this account follow:

	2019									
	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	₱706	₱1,193	₱328	₱2,482	₱2,951	₱5,120	₱5,708	₱–	₱964	₱19,452
Additions	188	107	30	556	3	212	329	453	397	2,275
Effect of deconsolidation (Note 12)	(186)	(370)	(21)	(699)	(84)	(629)	–	–	–	(1,989)
Disposals and reclassifications	(36)	97	–	188	220	2	(71)	–	(474)	(74)
At December 31	672	1,027	337	2,527	3,090	4,705	5,966	453	887	19,664
Accumulated Depreciation and Amortization										
At January 1	351	608	195	913	87	904	2,756	–	–	5,814
Effect of deconsolidation (Note 12)	(128)	(235)	(20)	(494)	–	(359)	–	–	–	(1,236)
Depreciation and amortization	158	201	42	275	16	381	1,000	61	–	2,134
Disposals and reclassifications	(30)	(9)	–	(4)	–	(108)	(56)	–	–	(207)
At December 31	351	565	217	690	103	818	3,700	61	–	6,505
Net Book Value at December 31	₱321	₱462	₱120	₱1,837	₱2,987	₱3,887	₱2,266	392	₱887	₱13,159

	2018								
	Transportation Equipment	Furniture, Fixtures and Equipment	Leasehold Improvements	Machinery, Tools and Equipment	Land and Building	Building and Land Improvements	Other Property and Equipment	Construction-in-Progress	Total
Cost									
At January 1	₱612	₱939	₱319	₱1,843	₱2,786	₱4,046	₱4,177	₱1,315	₱16,037
Additions	177	279	9	446	165	390	1,716	737	3,919
Disposals	(102)	(54)	–	(32)	–	(18)	(185)	(95)	(486)
Reclassifications and others	19	29	–	225	–	702	–	(993)	(18)
At December 31	706	1,193	328	2,482	2,951	5,120	5,708	964	19,452
Accumulated Depreciation and Amortization									
At January 1	281	446	153	717	75	613	2,081	–	4,366
Depreciation and amortization	148	174	42	225	12	308	850	–	1,759
Disposals	(78)	(12)	–	(29)	–	(17)	(175)	–	(311)
At December 31	351	608	195	913	87	904	2,756	–	5,814
Net Book Value at December 31	₱355	₱585	₱133	₱1,569	₱2,864	₱4,216	₱2,952	₱964	₱13,638

Construction-in-progress as of December 31, 2019 pertains to GTCAD and TMP's building construction and Toyota group's machineries and building improvements.

Construction-in-progress as of December 31, 2018 pertains to FLI's building improvements which were expected to be completed in 2019 and Toyota group's machineries, tools, equipment and other projects which are expected to be completed in 2020.

Gain on disposal of property and equipment amounted to ₱14.50 million, ₱23.27 million and ₱23.09 million in 2019, 2018 and 2017, respectively (Note 23).

Details of depreciation and amortization follow:

	2019	2018	2017
Continuing operations			
Property and equipment	**₱1,983**	₱1,542	₱1,280
Investment properties (Note 9)	**333**	309	224
Intangible assets (Note 13)	**101**	95	103
	2,417	1,946	1,607
Depreciation and amortization attributable to discontinued operations			
Property and equipment	**151**	217	243
Investment properties (Note 9)	**11**	24	21
Intangible assets (Note 13)	**8**	30	50
	170	271	314
	₱2,587	₱2,217	₱1,921

Breakdown of depreciation and amortization in the consolidated statements of income and consolidated statements of financial position follow:

	2019	2018	2017
Consolidated Statements of Income			
Cost of goods manufactured	**₱1,246**	₱974	₱809
Cost of rental (Note 30)	**329**	309	240
Cost of goods and services	–	31	61
General and administrative expenses (Note 26)	**842**	632	492
Attributable to discontinued operations (Note 12)	**170**	150	163
	2,587	2,096	1,765
Consolidated Statements of Financial Position			
Real estate inventories	–	121	156
	₱2,587	₱2,217	₱1,921

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.

The derecognized assets and liabilities of PCFI as of the date of deconsolidation follow:

Assets	
Cash and cash equivalents	₱1,421
Short-term investments	1
Receivables	5,482
Contract assets	2,688
Inventories	29,642
Prepayments and other current assets	3,251
Financial assets at FVOCI	3
Investment properties	3,241
Property and equipment	753
Goodwill and intangible assets	2,862
Deferred tax assets	64
Other noncurrent assets	634
	50,042
Liabilities	
Accounts and other payables	3,643
Contract liabilities	3,180
Loans payable	8,057
Customer's deposits	5
Dividends payable	1,145
Income tax payable	72
Pension liabilities	182
Deferred tax liabilities	2,417
Other liabilities	435
	19,136
Net assets	₱30,906

Net unrealized gain on financial assets at FVOCI and net unrealized gain on defined benefit plan of PCFI amounting to ₱18.91 million were reclassified to retained earnings.

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 consolidated statements of income for the years ended December 31, 2018 and 2017 have been restated to present the results of operation of PCFI as ‘Net income from discontinued operations’.

The results of operations of PCFI included in the consolidated statements of income are presented below:

	2019	2018	2017
Real estate sales	**₱3,275**	₱9,166	6,339
Rent income	**46**	76	25
Interest income	**204**	414	418
Other income	**193**	334	138
Revenue	**3,718**	9,990	6,920
Cost of real estate sales	**1,847**	5,111	3,771
General and administrative expenses	**1,331**	3,373	2,518
Interest expense	**284**	640	694
Cost and expenses	**3,462**	9,124	6,983
Income (Loss) before income tax	**256**	866	(63)
Provision for (Benefit from) income tax	**71**	159	(341)
Net income	**185**	707	278
Gain on deconsolidation	**2,341**	–	–
Dividend income from discontinued operations*	**1,288**	–	–
Net income from discontinued operations	**₱3,814**	₱707	₱278

**pertains to dividends attributable to the Group which were declared by PCFI and received by the Group after the loss of control over PCFI*

Attributable to Parent Company	**₱3,723**	₱361	133
Attributable to non-controlling interest	**91**	346	145
	₱3,814	₱707	₱278

Other comprehensive income from discontinued operations consists of the following:

	2019	2018	2017
Changes in fair value of available-for-sale investment	**₱–**	₱–	₱1
Changes in cash flow hedge reserve	**(226)**	252	–
Changes in fair value of financial assets at FVOCI	**–**	–	(27)
Remeasurement of defined benefit plan	**6**	(17)	54
	(220)	236	28

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:

	2019	2018
Goodwill	**₱5,926**	₱8,767
Customer relationship	**3,883**	3,883
Software costs - net	**228**	303
Franchise - net	**3**	2
	₱10,040	₱12,955

<u>Goodwill</u>
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:

			2019		
	Toyota	**TRDCI**	**PCFI**	**TMBC**	**Total**
Balances at beginning of year	**₱5,597**	**₱88**	**₱2,841**	**₱241**	**₱8,767**
Effect of deconsolidation (Note 12)	**–**	**–**	**(2,841)**	**–**	**(2,841)**
Balances at end of year	**₱5,597**	**₱88**	**₱–**	**₱241**	**₱5,926**

			2018		
	Toyota	TRDCI	PCFI	TMBC	Total
Balances at beginning and end of year	₱5,597	₱88	₱2,841	₱241	₱8,767

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 10.74% in 2019 and 16.90% in 2018. Cash flows beyond the three-year period are extrapolated using a steady growth rate of 3.56% in 2019 and 4.46% in 2018. The carrying value of goodwill amounted to ₱5.60 billion as of December 31, 2019 and 2018. 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.

PCFI (Note 12)
The recoverable amount of PCFI 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 14.64% in 2018. Cash flows beyond the forecast period are extrapolated using a long-term growth rate of 2.60% in 2018. The carrying value of goodwill amounted to ₱2.84 billion as of December 31, 2018. No impairment loss was recognized on the goodwill arising from the acquisition of PCFI.

The calculations of VIU for PCFI CGU are most sensitive to the following assumptions:

- Expected future cash inflows from real estate 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 PCFI, 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 11.53% in 2019, 14.48% in 2018. Cash flows beyond the forecast period are extrapolated using a long-term growth rate of 3.51% in 2019 and 4.46% in 2018. The carrying value of goodwill amounted to ₱241.06 million as of December 31, 2019 and 2018. 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.

<u>Customer Relationship</u>
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 17.58% and 20.1% in 2019 and 2018, respectively. Cash flows beyond the forecast period are extrapolated using a steady growth rate of 3.10% and 4.46% in 2019 and 2018, respectively. The carrying value of the customer relationship amounted to ₱3.88 billion as of December 31, 2019 and 2018. 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 5.28% 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 value-in-use 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:

	2019	2018
Cost		
Balance at beginning of year	**₱729**	₱667
Effect of deconsolidation (Note 12)	**(217)**	–
Additions	**55**	62
	567	729
Accumulated Amortization		
Balance at beginning of year	**₱426**	₱307
Effect of deconsolidation (Note 12)	**(196)**	
Amortization (Note 11)	**109**	119
Disposal/reclassification	**–**	–
	339	426
Net Book Value	**₱228**	₱303

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.

In 2017, Federal Land acquired additional franchise amounting to ₱0.87 million.

The amortization of the franchise fee amounting to ₱0.34 million, ₱0.33 million and ₱0.28 million in 2019, 2018 and 2017, 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):

	2019	2018	2017
Software cost	**₱101**	₱89	₱74
Franchise	**–**	–	–
Attributable to discontinued operations (Note 12)	**8**	30	50
	₱109	₱119	₱124

14. **Other Noncurrent Assets**

This account consists of:

	2019	2018
Rental and other deposits	**₱375**	₱2,252
Deferred input VAT	**40**	64
Retirement asset (Note 28)	**7**	9
Derivative asset (Note 16)	**–**	469
Escrow fund	**–**	26
Others	**14**	74
	₱436	₱2,894

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.

Escrow fund represents part of the proceeds from bank takeout that are required to be deposited in an escrow account until completion of certain documentation and other requirements of the bank.

15. **Accounts and Other Payables**

This account consists of:

	2019	2018
Trade payables	**₱12,337**	₱13,167
Accrued expenses	**4,534**	4,192
Deferred output tax	**2,380**	1,693
Telegraphic transfers, drafts and acceptances payable	**1,840**	1,675
Accrued interest payable	**896**	579
Accrued commissions	**777**	686
Nontrade payables	**602**	430
Customer advances	**577**	578
Royalty payable	**288**	255
Retentions payable	**10**	687
Payable for customer's refund	**–**	320
Due to landowners	**–**	34
Others	**993**	1,115
	₱25,234	₱25,411

The details of trade payables are as follows:

	2019	2018
Automotive	**₱11,106**	₱11,079
Real estate	**1,226**	2,081
Others	**5**	7
	₱12,337	₱13,167

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:

	2019	2018
Dealers' incentives, supports and promotions	**₱2,559**	₱2,444
Employee benefits	**579**	421
Freight, handling and transportation	**218**	112
Payable to contractors	**212**	173
Taxes	**114**	47
Utilities and services	**96**	97
Office supplies	**46**	31
Outsourced services	**40**	34
Insurance	**34**	61
Repairs and maintenance	**31**	19
Professional fees	**20**	29
Rent	**18**	35
Regulatory fees and charges	**2**	4
Others	**565**	685
	₱4,534	₱4,192

Accrued expenses are noninterest-bearing and are normally settled within a 15 to 60 day term.

Deferred output tax pertains mostly to VAT on the uncollected portion of the contract price of sold units.

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.

Accrued interest payables are normally settled within a 15 to 60 day term.

Accrued commissions are settled within one (1) year.

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.

Due to landowners represents liabilities to various real estate property sellers. These are noninterest-bearing and will be settled within one year.

Retentions payable represent a portion of construction cost withheld by the Federal Land Group and paid to the contractors upon completion of the project. Retentions payable due beyond one year are presented as noncurrent payable (Note 20).

Payable for customer's refund account represents deposit from buyers subject for refund and are normally settled within one year.

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 and Long-term Debt

This account consists of:

			2019			
			Long-term debt			
	Interest rates	**Short-term debt**	**Corporate notes**	**Loans payable**	**Subtotal**	**Total**
Parent Company	**0.85% - 7.25%**	**₱–**	**₱–**	**₱63,790**	**₱63,790**	**₱63,790**
Federal Land Group	**2.80% - 6.25%**	**8,580**	**4,850**	**22,586**	**27,436**	**36,016**
Toyota Group	**4.60% - 5.10%**	**2,270**	**–**	**246**	**246**	**2,516**
TMBC Group	**4.50% - 4.90%**	**1,855**	**–**	**1,021**	**1,021**	**2,876**
GTCAD Group	**4.60% - 4.85%**	**185**	**–**	**–**	**–**	**185**
		12,890	**4,850**	**87,643**	**92,493**	**105,383**
Less: Deferred financing cost		**–**	**–**	**370**	**370**	**370**
		12,890	**4,850**	**87,273**	**92,123**	**105,013**
Less: Current portion of long-term debt		**–**	**3,885**	**1,089**	**4,974**	**4,974**
		₱12,890	**₱965**	**₱86,184**	**₱87,149**	**₱100,039**

			2018			
			Long-term debt			
	Interest rates	Short-term debt	Corporate notes	Loans payable	Subtotal	Total
Parent Company	0.90% - 7.25%	₱–	₱–	₱61,075	₱61,075	₱61,075
Federal Land Group	2.55% - 6.71%	2,830	4,875	21,145	26,020	28,850
PCFI Group	3.95% - 7.50%	3,600	–	7,146	7,146	10,746
TMPC Group	5.00% - 6.25%	2,800	–	246	246	3,046
TMBC Group	4.85% - 5.94%	1,100	–	1,100	1,100	2,200
GTCAD Group	5.00% - 5.80%	170	–	–	–	170
		10,500	4,875	90,712	95,587	106,087
Less: Deferred financing cost		–	–	418	418	418
		10,500	4,875	90,294	95,169	105,669
Less: Current portion of long-term debt		–	25	795	820	820
		₱10,500	₱4,850	₱89,499	₱94,349	₱104,849

Short-term Debt

Parent Company Short-term Loans

In June 2018, the Parent Company obtained an unsecured short-term loan denominated in Japanese Yen (JPY or ¥) with a term of less than 30 days from a non-affiliated foreign bank for a principal amount of ¥22.20 billion with an interest rate of 0.90% and was refinanced by a JPY-denominated long-term debt in July 2018.

Federal Land Group Short-term Loans

Non-affiliated loans

In 2019 and 2018, Federal Land Group's outstanding unsecured short-term borrowings amounting to ₱6.38 billion and ₱2.83 billion, respectively, have terms of over 60 to 180 day obtained for the Group's working capital requirements with interest rates ranging from 4.25% to 6.00%, 2.80% to 6.00% and 2.80% to 4.00% in 2019, 2018 and 2017, respectively.

Affiliated loans (Note 27)

In 2019 and 2018, Federal Land Group's outstanding unsecured short-term borrowings from MBTC, an affiliated local bank amounting to ₱2.20 billion and ₱1.10 billion, respectively, have terms of over 60 to 180 day obtained for the Group's working capital requirements with interest rates ranging from 4.60% to 6.25%, 4.60% to 5.50% and 2.80% to 3.00% in 2019, 2018 and 2017, respectively.

Toyota Group Short-term Loans

Non-affiliated loans

In 2019 and 2018, Toyota Group's outstanding unsecured short-term borrowingsamounting to ₱0.62 billion and ₱1.22 billion, respectively,have terms of one year or less obtained to finance its operating activities. These loans bear annual fixed interest rates ranging from 4.60% to 5.10%, 5.05% to 6.25% and 2.55% to 3.38% in 2019, 2018 and 2017, respectively.

Affiliated loans (Note 27)

In 2019 and 2018, Toyota Group's outstanding unsecured short-term borrowings from MBTC, an affiliated local bank amounting to ₱1.65 billion and ₱1.58 billion, respectively, have terms of over 60 to 180 day obtained to fund the Group's working capital requirements with interest rates ranging from 4.60% to 4.85%, 5.00% to 5.65% and 2.50% to 2.98% in 2019, 2018 and 2017, respectively.

TMBC Group Short-term Loans

Non-affiliated loans

In 2019 and 2018, TMBC Group's unsecured short-term borrowings amounting to ₱0.93 billion and ₱0.25 billion, respectively, have terms ranging from 25 to 31 days obtained to finance its working capital requirements. These loans bear interest rates ranging from 4.55% to 4.90%, 5.10% to 5.50%, and 2.50% to 2.75% in 2019, 2018 and 2017, respectively.

Affiliated loans (Note 27)

In 2019 and 2018, TMBC Group's outstanding unsecured short-term borrowings from MBTC, an affiliated local bank amounting to ₱0.92 billion and ₱0.85 billion, respectively, have terms of over 28 to 39 days obtained to fund the Group's working capital requirements with interest rates ranging from 4.50% to 4.85%, 5.00% to 5.65% and 2.50% to 2.80% in 2019, 2018 and 2017, respectively.

GTCAD Group Short-term Loans

Non-affiliated loans

In 2019 and 2018, GTCAD Group's unsecured short short-term borrowings amounting to ₱0.05 billion and ₱0.08 billion, respectively, have terms ranging from 30 to 90 days obtained from affiliated and non-affiliated local banksto finance the working capital requirements with interest rates of 4.60% to 4.85% and 5.50% to 5.80%, in 2019 and 2018, respectively.

Affiliated loans (Note 27)
In 2019 and 2018, GTCAD Group's outstanding unsecured short-term borrowings from MBTC, an affiliated local bank amounting to ₱0.14 billion and ₱0.09 billion, respectively, have terms of over 28 to 39 days obtained to fund the Group's working capital requirements with interest rates ranging from 4.60% to 4.85%, and 5.00% to 5.35% in 2019 and 2018, respectively.

PCFI Group Short-term Loans
In 2018, PCFI Group's unsecured short-term loans amounting to ₱3.60 billion have terms of one year or less obtained from various non-affiliated local banks to finance its working capital requirements. These loans bear fixed interest rates ranging from 4.00% to 5.75% and 3.12% to 3.95% in 2018 and 2017, respectively.

Total interest expense charged to operations from the above-mentioned short-term loans amounted to ₱37.68 million and ₱145.39 million in 2018 and 2017, respectively. Interest expense capitalized amounted to nil and ₱20.51 million in 2018 and 2017, respectively.

Federal Land - Corporate Notes
On July 5, 2013, the Group issued ₱4.00 billion unsecured notes with 5.57% interest per annum maturing on July 5, 2020 and an additional ₱1.00 billion notes with 6.27% interest per annum maturing on July 5, 2023. The proceeds from the issuance were used to finance ongoing projects. As of December 31, 2019 and 2018, outstanding balance amounted to ₱4.85 billion and ₱4.88 billion, respectively. As of December 31, 2019 and 2018, the current portion amounting to ₱3.88 billion and ₱0.02 billion, respectively, are presented as a current liability.

The agreements covering the above-mentioned Notes provide for restrictions and requirements with respect to, among others, declaration or making payment of cash dividends/retirement of shares (other than dividends payable solely in shares of its capital stock and cash dividends due on its then-outstanding preferred shares); making distribution on its share capital; purchase, redemption or acquisition of any share of stock; incurrence or assumption of indebtedness; sale or transfer and disposal of all or a substantial part of its capital assets; restrictions on use of funds; maintaining certain financial ratios; and entering into any partnership, merger, consolidation or reorganization. As of December 31, 2019 and 2018, the Group has complied with the loan covenants.

Interest expense charged to operations amounted to ₱122.71 million in 2019, ₱77.27 million in 2018 and nil in 2017. Interest expense capitalized amounted to ₱165.86 million, ₱334.10 million and ₱289.73 million in 2019, 2018 and 2017, respectively.

Long-term Loans
Parent Company Long-term Peso Loans
In November 2019, the Parent Company obtained an unsecured long-term loan with a non-affiliated local bank with a principal amount of ₱3.00 billion to refinance bonds due in November 2019. Said loan bear fixed interest rate of 5.39% with a term of 10 years and maturity date of 2029.

In March 2018, the Parent Company obtained unsecured long-term loans with various non-affiliated local banks with an aggregate principal amount of ₱25.00 billion. Said loans bear fixed interest rates ranging from 6.50% to 7.25%, with terms ranging from 10 to 12 years and maturity dates ranging from 2028 to 2030.

In 2015, the Parent Company obtained unsecured long-term loans with various non-affiliated local banks with an aggregate principal amount of ₱25.00 billion. Said loans bear fixed interest rates ranging from 5.00% to 5.88%, with various terms ranging from 10 to 13 years and maturity dates ranging from 2025 to 2028.

As of December 31, 2019 and 2018, the carrying value of the above-mentioned long-term loans payable amounted to ₱52.74 billion and ₱49.73 billion, respectively.

Parent Company Long-term JPY Loans
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. Proceeds from the loan were used to refinance a short-term loan from a non-affiliated foreign bank for a principal amount of ¥22.20 billion with an interest rate of 0.90%. As of December 31, 2019 and 2018, the carrying value of the said loan amounted to ₱10.73 billion and ₱11.00 billion, respectively.

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 ₱52.58 million and ₱62.18 million in 2019 and 2018, respectively. As of December 31, 2019 and 2018 the negative fair value of the interest rate swap amounted ₱52.58 million and ₱62.18 million, respectively under 'Other noncurrent liabilities' (Note 20).

As of December 31, 2019 and 2018, the movement in the deferred financing cost follows:

	2019	2018
Balances at beginning of year	**₱346**	₱103
Additions	**53**	275
Amortization	**(74)**	(32)
Balances at end of year	**₱325**	₱346

Total interest expense incurred on these long-term loans payable in 2019, 2018 and 2017 amounted to ₱3.25 billion (including amortization of deferred financing cost of ₱73.86 million), ₱2.79 billion (including amortization of deferred financing cost of ₱31.61 million) and ₱1.41 billion (including amortization of deferred financing cost of ₱9.43 million), respectively.

Federal Land Long-term Loans
Non-affiliated loans
In 2014, Federal Land obtained unsecured loans from various non-affiliated banks amounting to ₱6.60 billion. The loan principal will be paid as follows: ₱2.00 billion payable in full after 10 years from drawdown date with fixed interest rate of 5.86% per annum; ₱1.50 billion payable in full after 10 years from drawdown date with fixed interest rate of 5.85% per annum; ₱2.00 billion payable at 40.00% quarterly principal payment starting at the end of 5th year and 60.00% principal balance on maturity date with fixed interest rate of 5.67% per annum; ₱1.10 billion principal payable at 40% quarterly payment at the end of 5th year to 9th year and 60.00% principal balance on maturity date with fixed interest rate of 5.05% per annum.

In 2015 to 2019, the Fed Land Group obtained unsecured long-term loans with various non-affiliated local banks with an aggregate principal amount of ₱7.08 billion. Said loans bear fixed annual interest rates ranging from 5.00% to 6.71%, various terms ranging from 5 to 10 years and maturity dates from 2020 to 2026.

As of December 31, 2019 and 2018, the carrying value of these non-affiliated long-term loans amounted to ₱18.41 billion and ₱12.14 billion, respectively, net of unamortized deferred financing cost.

Affiliated loans (Note 27)
On August 25, 2016, Federal Land obtained a 5-year unsecured loan from MBTC, an affiliated bank with a principal amount of ₱2.00 billion and interest rate of 2.80% maturing on August 25, 2021.

On various dates in 2016, the Federal Land Group obtained unsecured long-term loans from an affiliated bank with an aggregate principal amount of ₱2.00 billion. The loans bear interest rates of 2.55% to 2.60%, with terms of five (5) years and maturity date of 2021. The loan proceeds were used to finance real estate projects.

On various dates in 2017, the Federal Land Group obtained various unsecured long-term loans from an affiliated bank totaling ₱2.50 billion. Said loans bear interest rates of 2.75% to 2.90% and will be payable in 2022. The loan proceeds were used to finance real estate projects.

On June 29, 2018, Federal Land obtained a 5-year unsecured loan from an affiliated local bank, with a principal amount of ₱2.50 billion and interest rate of 4.25% maturing on June 29, 2023.

As of December 31, 2019 and 2018, the carrying value of these affiliated long-term loans payable amounted to ₱8.98 billion and ₱8.96 billion, respectively, net of unamortized deferred financing cost.

As of December 31, 2019 and 2018, the movement in the deferred financing cost is as follows:

	2019	2018
Balances at beginning of year	**₱42**	₱26
Additions	**12**	33
Amortization	**(11)**	(17)
Balances at end of year	**₱43**	₱42

Interest expense charged to operations amounted to ₱859.52 million in 2019, ₱1.07 billion in 2018 and ₱621.40 million in 2017. Interest expense capitalized from the above-mentioned loans payable amounted to ₱519.11 billion, ₱1.38 billion and ₱1.19 billion in 2019, 2018 and 2017, respectively.

Toyota Group Long-term Loans
As of December 31, 2019 and 2018, this account consists of unsecured long-term debt with the following entities:

	2019	2018
TAPI	**₱79**	₱79
Other entities	**167**	167
	₱246	₱246

The loan from TAPI bears a fixed interest rate of 4.20% per annum. This loan is for a period of five years up to February 26, 2021 which is automatically renewed upon maturity for another period of 5 years to 10 years.

The long-term unsecured interest-bearing loans with other entities consist of a 2.7% interest-bearing 10-year term loan with a maturity date of September 28, 2025 and October 23, 2026. These loans are automatically renewed upon maturity for another 10 years.

The loan covenants restrict TMPC from encumbering or disposing properties leased by the lenders during the respective terms of various loan agreements. TMPC is not required to maintain any financial ratios under the mentioned loan agreements. Interest expense on these loans amounted to ₱7.82 million, ₱7.86 million and ₱7.82 million in 2019, 2018 and 2017, respectively.

TMBC Long-term Loans
On March 21, 2016, TMBC entered into a Term Loan Facility with a non-affiliated local bank amounting to ₱1.50 billion to finance the construction of the dealership facilities, with interest rates ranging from 4.85% to 5.94% and payable for a period of 10 years, inclusive of three (3) years grace period on principal repayments subject to interest rate based on 10-year PDST-R2 plus a minimum spread of 1.25%. TMBC loan is secured by a real estate mortgage. The carrying value of the mortgaged properties amounted to ₱392.68 million as of December 31, 2019 and 2018.

TMBC is required to maintain the following financial ratios during the term of the loans:

- Minimum current ratio (CR) of 1.0x - defined as Current Assets divided by Current Liabilities
- Maximum debt to equity ratio (DER) of 4.0x - defined as Total Liabilities divided by Total Tangible Net Worth (Total Equity - Intangibles)
- Minimum debt service ratio (DSR) of 1.2x - defined as Earnings before Interest, Taxes, Depreciation and Amortization divided by Interest Expense plus current portion of Long-term debt of the previous year

As of December 31, 2019 and 2018, TMBC has complied with the required financial ratios.

As of December 31, 2019, 2018 and 2017, the movement in the deferred financing cost is as follows:

	2019	2018
Balances at beginning of year	**₱3**	₱4
Additions	**–**	–
Amortization	**(1)**	(1)
Balances at end of year	**₱2**	₱3

As of December 31, 2019 and 2018, the carrying value of long-term loans payable amounted to ₱1.02 billion and ₱1.10 billion, respectively. As of December 31, 2019 and 2018, the current portion of long-term loans payable amounted to ₱0.16 billion and ₱0.08 billion, respectively.

Interest expense on long-term loans payable amounted to ₱56.17 million, ₱56.17 million and ₱31.73 million in 2019, 2018 and 2017, respectively. Interest expense capitalized amounted to nil, ₱0.77 million and ₱28.10 million in 2019, 2018 and 2017, respectively.

PCFI Group Long-term Loans
Non-affiliated Loans
On January 10, 2012, PCFI issued ₱3.00 billion 5-year fixed rate notes to non-affiliated banks which were used to fund the acquisition of real estate properties, finance project development and construction costs and fund other general corporate purposes. The unsecured notes are payable quarterly and bear fixed rate of 7.18% plus 5% gross receipts tax and secured by various real estate properties (Note 6). The notes were paid in full on January 26, 2017.

On July 1, 2015, PCFI entered into a three-year unsecured Promissory Note Line facility with a non-affiliated bank amounting to ₱1.00 billion. The note bears 5.29% interest rate fixed, payable monthly in arrears and the principal are payable in lump sum on June 29, 2018. The loan was used to finance working capital. The note was fully paid in 2017.

On December 11, 2015, PCFI entered into a 5-year Loan Facility Agreement with a non-affiliated bank. The approved credit line was ₱6.00 billion of which ₱4.00 billion was drawn on December 31, 2015 and ₱2.00 billion was drawn on December 31, 2016. The loan bears a 6.00% interest rate payable quarterly in arrears with a grace period on the payment of principal for one year, thereafter, the principal shall be payable on quarterly installment. The net proceeds from the unsecured loan pursuant to the loan facility were used for working capital. As of December 31, 2018, the outstanding balance of the loan amounted to ₱4.00 billion.

On December 19, 2016, WFC issued ₱3.00 billion 5-year fixed rate term loan to non-affiliated banks which were used as permanent working capital in relation to the purchase of sales receivable from PCFI. The unsecured notes are payable quarterly and bear fixed rate of 6.00%. The note was fully paid in 2018.

Affiliated Loans (Note 27)
On July 1, 2015, the Company entered into a three-year Promissory Note Line facility with an affiliated bank amounting to ₱1.50 billion (Note 27). The note is unsecured and bears 5.29% interest rate fixed, payable monthly in arrears and the principal are payable in lump sum on June 29, 2018. The loan was used to finance working capital requirement. The loan was settled in 2018.

On June 22, 2017, WFC entered into a unsecured US Dollar denominated loan agreement with MBTC, an affiliated bank. On the same day, WFC also entered into a cross-currency swap (CCS) agreement with the same affiliated bank to hedge the foreign currency and interest rate risks in the US Dollar loan. WFC received $19.89 million on each tranche made in July, August and September 2017 for a total of $59.67 million but will pay in peso equivalent to ₱3.00 billion within 10 years in accordance with the CCS agreement. Also, WFC, on a semi-annual basis, will pay fixed interest rate of 5.13% per annum on the peso principal amounting to ₱3.00 billion and will receive floating interest rate at 6-month US Dollar LIBOR plus 0.75% on $59.67 million over a period of 10 years or up to the maturity date of June 25, 2027. Effectively, under the swap agreement, WFC swaps its US Dollar-denominated floating rate loans into peso fixed rate loans. On the same date, WFC designated the swap as effective hedging instrument under a cash flow hedge relationship. As such, the effective portion of the changes in fair value of the swaps was recognized under other comprehensive income amounting to positive ₱225.64 million as of December 31, 2018. As of December 31, 2018, the positive fair value of the currency swap amounting to ₱468.80 million is included in ‘Derivative assets’ under ‘Other noncurrent assets’.

As of December 31, 2018, the carrying value of WFC's USD loan amounted to ₱3.15 billion (including unrealized foreign exchange loss of ₱0.15 billion)

The loan has one-year grace period on principal payments and the partial payment on principal will be computed as follows:

i. 1% of original loan amount at the end of the 2nd year
ii. 3% of original loan amount at the end of 3rd, 4th and 5th year
iii. 18% of original loan amount at the end of 6th, 7th, 8th, 9th and 10th year

As of December 31, 2018, the movement of the deferred financing cost is as follows:

	2018
Balances at beginning of year	₱43
Additions	–
Amortization	(16)
Balances at end of year	₱27

Total interest expense incurred in 2018 and 2017 from the aforementioned loans payable amounted to ₱315.35 million and ₱415.13 million, respectively. Interest expense capitalized as part of real estate inventories amounted to ₱76.49 millionand ₱293.76 million in 2018 and 2017, respectively.

Debt Covenants
The agreements covering the above mentioned loans provide for restrictions and requirements with respect to, among others, declaration or making payment of dividends (except stock dividends); making distribution on its share capital; purchase, redemption or acquisition of any share of stock; incurrence or assumption of indebtedness; sale or transfer and disposal of all or a substantial part of its capital assets; restrictions on use of funds; sustaining current ratio of at least 1.75; debt-to-equity financial ratio should not be more than 2.00 and entering into any partnership, merger, consolidation or reorganization.

These restrictions and requirements were complied with by the Group as of December 31, 2019 and 2018.

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**
TMBC	CR	1:1
TMBC	DER	4:1
TMBC	DSR	1.2x
Federal Land - Corporate notes	DER	2:1
Parent Company - Long-term loans	DER	2.3:1

As of December 31, 2019 and 2018, the Group has complied with the foregoing financial ratios.

17. Bonds Payable

Maturity Dates	Interest rate	Par Value	**2019**	2018
₱10.0 billion Bonds				
February 27, 2020	4.8371%	₱3,900	**₱3,899**	₱3,892
February 27, 2023	5.0937%	6,100	**6,076**	6,069
		10,000	**9,975**	9,961
₱12.0 billion Bonds				
November 7, 2019	4.7106%	3,000	–	2,994
August 7, 2021	5.1965%	5,000	**4,986**	4,978
August 7, 2024	5.6250%	4,000	**3,978**	3,974
		12,000	**8,964**	11,946
		22,000	**18,939**	21,907
Less: Current portion of bonds payable		(3,000)	**(3,899)**	(2,994)
		₱19,000	**₱15,040**	₱18,913

₱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 net proceeds were utilized for general corporate requirements which included various equity calls (e.g., Toledo plant and Panay plant) and refinancing of corporate notes.

Prior to the relevant maturity dates, the Parent Company may redeem (in whole but not in part) any series of the outstanding bonds on every anniversary date, or the immediately succeeding banking day if such is not a banking day, starting on the fourth (4th) anniversary date for the seven-year bonds and the seventh anniversary date for the 10-year bonds (the relevant Optional Redemption Dates). The Parent Company shall give no less than 30 but not more than 60 days prior written notice of its intention to redeem the bonds at the relevant Optional Redemption Date.

₱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 net proceeds were utilized for general corporate requirements which included financing of ongoing projects (e.g., Veritown Fort and Metropolitan Park), refinancing of outstanding loans, and for working capital requirement.

Prior to the relevant maturity dates, the Parent Company may redeem in whole but not in part the Series B or Series C Bonds on every anniversary date, or the immediately succeeding banking day if such is not a banking day, starting on: (i) for the series B bonds: the third month after the fifth anniversary from issue date and (ii) for the series C bonds: the seventh anniversary from issue date (the relevant Optional Redemption Dates). The redemption price is equal to 100.00% of the principal amount together with the accrued and unpaid interest. The Parent Company shall give no less than 30 but not more than 60 days prior written notice of its intention to redeem the bonds, which notice shall be irrevocable and binding upon the Parent Company to effect such early redemption of the bonds on the Early Redemption Option Date stated in such notice.

The ₱3.00 billion bonds with maturity date of November 7, 2019 were paid. This was refinanced in November 2019 with a long-term loan from a non-affiliated local bank.

As of December 31, 2019 and 2018, the movement in the deferred financing cost is as follows:

	2019	2018
Balances at beginning of year	**₱93**	₱123
Amortization	**(32)**	(30)
Balances at end of year	**₱61**	₱93

Both bonds contain negative covenants, which among others, include provision that the Parent Company should maintain a debt-to-equity ratio of 2.3 to 1.0. As of December 31, 2019 and 2018, the Parent Company has complied with its bond covenants. Total interest expense incurred on bonds payable in 2019, 2018 and 2017 amounted to ₱1.15 billion (including amortization of deferred financing cost of ₱31.18 million), ₱1.15 billion (including amortization of deferred financing cost of ₱30.54 million) and ₱1.15 billion (including amortization of deferred financing cost of ₱28.98 million), respectively.

18. Customers' Deposits

As of December 31, 2019 and 2018, 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, 2019 and 2018, the balance of this account amounted to ₱0.56 billion and ₱0.56 billion, respectively (Note 27).

19. Other Current Liabilities

This account consists of:

	2019	2018
VAT Payable	**₱820**	₱318
Withholding taxes payable	**379**	424
Others	**157**	101
	₱1,356	₱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 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% 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 4.75% and the discounted liability as of December 31, 2019 and 2018, amounted to ₱1.22 billion and ₱1.44 billion, respectively.

In 2017, HLPDC entered into various contracts to acquire parcels of land for ₱161.37 million. Upon execution of the contracts, HLPDC paid ₱93.99 million and the outstanding balance amounting to ₱67.37 million shall be paid in 2018.

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, 2019 and 2018, amounted to ₱1.50 billion and ₱1.85 billion, respectively.

Total outstanding liabilities on purchased properties (including current portion) amounted to ₱3.78 billion and ₱3.29 billion as of December 31, 2019 and 2018, respectively (Note 27). Accretion of interest in 2019, 2018 and 2017 amounted to ₱156.48 million and ₱168.05 million and ₱95.04 million, respectively.

Other Noncurrent Liabilities

This account consists of:

	2019	2018
Retentions payable - noncurrent portion	**₱1,263**	₱1,024
Refundable and other deposits	**727**	676
Provisions (Note 36)	**505**	399
Derivative liabilities (Note 16)	**53**	62
Finance lease obligation - net	**8**	8
	₱2,556	₱2,169

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.

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:

	2019	2018
Claims and assessments	**₱315**	₱199
Product warranties	**190**	200
	₱505	₱399

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, general descriptions are provided.

21. Contract Balances and Cost to Obtain a Contract

The contract balances of the Group consist of the following:

	2019	2018
Contract Assets		
Current	**₱5,095**	₱8,329
Noncurrent	**5,556**	6,886
	₱10,651	₱15,215
Contract Liabilities		
Current	**₱4,553**	₱8,787
Noncurrent	–	–
	₱4,553	₱8,787

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% 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 2019 and 2018 from amounts included in contract liabilities at the beginning of the year amounted to ₱1.23 billion and ₱1.55 billion, respectively.

Cost to Obtain a Contract
The balances below pertain to the cost to obtain contracts included in 'Prepayments and other current assets' (see Note 7):

	2019	2018
Balance at beginning of year	**₱236**	₱184
Additions during the year	**1,239**	780
Amortization	**(1,289)**	(728)
	₱186	₱236

22. Equity

Capital Stock and Additional Paid-in Capital
As of December 31, 2019, 2018 and 2017, the paid-up capital consists of the following (amounts in millions, except for number of shares):

	Shares		Amount	
	2019	2018	**2019**	2018
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

(Forward)

	Shares		Amount	
	2019	2018	**2019**	2018
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**	199,337,584	**2,153**	1,994
Subtotal			**₱3,370**	₱3,211
Additional paid-in capital			**98,827**	85,592
			₱102,197	₱88,803

The Parent Company's common shares with par value of ₱10.00 were listed on the Philippine Stock Exchange on April 20, 2012.

Amendment to Articles of Incorporation to Create Voting Preferred Shares of Stock
On October 23, 2014, the BOD approved the proposed amendment to Article Seven of the Parent Company's Amended Articles of Incorporation to create a new class of shares – Voting Preferred Shares, to be taken from existing authorized capital stock of ₱5.00 billion. The Voting Preferred Shares of stock shall be voting, non-cumulative, non-participating and non-convertible.

On January 9, 2015, the stockholders of the Parent Company by the affirmative vote of over two-thirds (2/3) of the outstanding capital stock of the Parent Company, approved the amendment to Article Seventh of the Parent Company's Articles of Incorporation to create of a new class of shares – voting preferred shares, taken out of the Parent Company's existing and unissued portion of the Authorized Capital Stock. The Amended Articles of Incorporation was approved by the Securities and Exchange Commission on February 18, 2015.

Voting Preferred Shares Stock Rights Offering
On March 13, 2015, the BOD of the Parent Company approved the issuance of 174,300,000 Voting Preferred Shares with a par value of ₱0.10 per share through a 1:1 Stock Rights Offering, to all stockholders of record as of March 25, 2015, offered from April 1 to 8, 2015 and issued on April 13, 2015.

Amendment to Articles of Incorporation to Create Perpetual Preferred Shares of Stock
On March 13, 2015, the BOD of the Parent Company approved the amendment to Article Seven of its amended Articles of Incorporation to create a new class of shares (Perpetual Preferred Shares). The authorized capital stock of the corporation of ₱5.00 billion in lawful money of the Philippines, will be divided into 298,257,000 common shares with a par value of ₱10.00 per share, 20,000,000 perpetual preferred shares with a par value of ₱100.00 per share and 174,300,000 voting preferred shares with a par value of ₱0.10 per share.

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 ₱100.00 per share at an offer price of ₱1,000.00 per share for a total offer price of ₱12.00 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 Philippine Stock Exchange on October 27, 2016. The proceeds from the Offer will be used to refinance short-term loans and fund strategic acquisitions.

Common Shares
On April 20, 2017, the Parent Company and Grand Titan signed a subscription agreement for the subscription of 18.30 million common shares of the Parent Company for a total subscription price of ₱21.69 billion. On April 26, 2017, Grand Titan paid the subscription price in cash.

As of December 31, 2019 and 2018, the total number of shareholders of common stock of the Parent Company is 85 and 80, 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 8.0% 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 8.0% stock dividend equivalent to 15,947,003 common shares were issued and listed in the Philippine Stock Exchange.

The BOD and Shareholders of the Parent Company approved on March 16, 2018 and May 9, 2018, respectively, the declaration of a 3.5% stock dividend in favor of the Parent Company's shareholders of common stock. The record and payment dates were set on July 9, 2018 and August 2, 2018, respectively. On August 2, 2018, the 3.5% stock dividend equivalent to 6,740,899 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.

On December 7, 2017, the BOD of the Parent Company approved the appropriation of retained earnings amounting to ₱19.00 billion to be earmarked for strategic investment in financial services in 2018. Said appropriation was reversed in March 2018 upon completion of the purpose of appropriation.

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 26, 2019	₱0.00377	₱0.66	April 10, 2019	April 25, 2019
March 16, 2018	0.00377	0.66	April 4, 2018	April 13, 2018
March 21, 2017	0.00377	0.66	April 4, 2017	April 20, 2017
Perpetual Preferred Shares				
Series A				
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
December 6, 2018	11.57475	56.01	January 3, 2019	January 28, 2019
December 6, 2018	11.57475	56.01	April 3, 2019	April 29, 2019
December 6, 2018	11.57475	56.01	July 3, 2019	July 29, 2019
December 6, 2018	11.57475	56.01	October 3, 2019	October 28, 2019
December 7, 2017	11.57475	56.01	January 3, 2018	January 29, 2018

(Forward)

Date of declaration	Per share	Total amount (in millions)	Record date	Payment date
December 7, 2017	₱11.57475	₱56.01	April 3, 2018	April 27, 2018
December 7, 2017	11.57475	56.01	July 3, 2018	July 27, 2018
December 7, 2017	11.57475	56.01	October 3, 2018	October 29, 2018
Series B				
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
December 6, 2018	12.73725	91.21	January 3, 2019	January 28, 2019
December 6, 2018	12.73725	91.21	April 3, 2019	April 29, 2019
December 6, 2018	12.73725	91.21	July 3, 2019	July 29, 2019
December 6, 2018	12.73725	91.21	October 3, 2019	October 28, 2019
December 7, 2017	12.73725	91.21	January 3, 2018	January 29, 2018
December 7, 2017	12.73725	91.21	April 3, 2018	April 27, 2018
December 7, 2017	12.73725	91.21	July 3, 2018	July 27, 2018
December 7, 2017	12.73725	91.21	October 3, 2018	October 29, 2018

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 26, 2019	₱3.00	₱598.01	April 10, 2019	April 25, 2019
March 16, 2018	3.00	577.79	April 4, 2018	April 13, 2018
March 21, 2017	5.00	871.50	April 4, 2017	April 20, 2017

The computation of retained earnings available for dividend declaration in accordance with SEC Memorandum Circular No. 11 issued in December 2008 differs to a certain extent from the Parent Company's retained earnings as of December 31, 2019 and 2018.

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 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
	December 28, 2018	Preferred Shares-A	240.00	December 28, 2018	February 28, 2019
	December 28, 2018	Preferred Shares-B	272.58	December 28, 2018	February 28, 2019
	February 26, 2018	Common	100.00	April 24, 2017	February 28, 2018
	December 15, 2017	Preferred Shares-A	240.00	December 15, 2017	February 28, 2018
	December 15, 2017	Preferred Shares-B	272.58	December 15, 2017	February 28, 2018
	February 17, 2017	Common	100.00	February 17, 2017	March 15, 2017
PCFI	February 28, 2018	Preferred Shares-A	1,145.00	June 30, 2017	November 2019
	December 13, 2016	Preferred Shares-A	1,334.64	June 29, 2016	December 15, 2016
Toyota	May 14, 2019	Common	8,392.89	December 31, 2018	May 2019
	May 22, 2018	Common	12,482.39	December 31, 2017	May 2018
	May 23, 2017	Common	11,573.15	December 31, 2016	May 2017
TMBC	December 5, 2018	Common	115.00	December 31, 2017	January 28, 2019

Other comprehensive income
Other comprehensive income consists of the following, net of applicable income taxes:

	2019	2018
Net unrealized gain(loss) on financial assets at FVOCI (Note 10)	**₱999**	(₱734)
Net unrealized loss on remeasurement of retirement plan	**(290)**	(106)
Cash flow hedge reserve (Note 16)	**(53)**	53
Cumulative translation adjustments	**(2)**	–
Equity in other comprehensive income of associates:		
Equity in cumulative translation adjustments	**(3,225)**	(2,674)
Equity in net unrealized loss on remeasurement of retirement plan	**(1,457)**	(711)
Equity in net unrealized gain (loss) on financial assets at FVOCI	**2,186**	(331)
Equity in remeasurement on life insurance reserves	**18**	186
Equity in cash flow hedge reserves	**(201)**	105
Equity in other equity adjustments of associates	**6**	5
	(₱2,019)	(₱4,207)

The movements and analysis of the other comprehensive income are presented in the consolidated statements of comprehensive income.

Other Equity Adjustments
PCFI
In accordance with the Master Subscription Agreement dated August 6, 2015, the Parent Company subscribed to the final 28.32% of PCFI for a total subscription price of ₱8.76 billion on June 30, 2016. This subscription increased the Parent Company's direct ownership stake in PCFI from 22.68% to 51.00%. This subscription is accounted for as an equity transaction in the consolidated financial statements and resulted in the recognition of other equity adjustments amounting to ₱1.75 billion.

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:

	2019	2018 (As restated)	2017 (As restated)
Beginning balance	**₱24,910**	₱27,679	₱26,433
Effect of adoption of IFRIC agenda decision on borrowing costs (Note 2)	**(223)**	(162)	(131)
Beginning balance, as adjusted	**24,687**	27,517	26,302
Effect of adoption of PFRS 9	–	(92)	–
Effect of adoption of PFRS 15	–	(559)	–
Beginning balance, as restated	**24,687**	26,866	26,302

(Forward)

	2019	2018 (As restated)	2017 (As restated)
Share of non-controlling interest shareholders on:			
Net income	**₱4,803**	₱4,455	₱7,038
Other comprehensive income	**(281)**	245	(31)
Cash dividends paid to non-controlling interest shareholders	**(₱4,259)**	(₱6,925)	(₱5,791)
Acquisition of additional interests in a subsidiary	**148**	–	(1)
Effect of deconsolidation (Note 12)	**(13,247)**	–	–
Adjustment on NCI on subsidiary	–	1	–
Additional stock issuance of a subsidiary	–	45	–
	₱11,851	₱24,687	₱27,517

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 Ownership		Effective Ownership	
		2019	2018	**2019**	2018
TMPC	Motor	**49.00**	49.00	**49.00**	49.00
PCFI	Real Estate	–	49.00	–	49.00

Carrying value of material non-controlling interests

	2019	2018
TMPC	**₱10,288**	₱10,118
PCFI	–	13,487

Net income for the period allocated to material non-controlling interests

	2019	2018	2017
TMPC	**₱4,598**	₱4,024	₱6,712
PCFI	–	407	176

The following table presents the financial information of subsidiaries with material NCI as of and for the years ended December 31, 2019, 2018 and 2017:

	2019	2018	
	TMPC	TMPC	PCFI
Statement of Financial Position			
Current assets	**₱26,690**	₱25,475	₱34,982
Non-current assets	**12,061**	10,953	5,703
Current liabilities	**21,051**	20,027	11,595
Non-current liabilities	**2,091**	1,163	6,974
Dividends paid to non-controlling interests	**4,259**	6,306	561
Statement of Comprehensive Income			
Revenues	**169,664**	160,090	10,379
Expenses	**156,409**	149,120	8,838
Net income	**9,255**	8,097	1,180
Total comprehensive income	**8,910**	8,602	1,416

(Forward)

	2019	2018	
	TMPC	TMPC	PCFI
Statement of Cash Flows			
Net cash provided by operating activities	**₱10,267**	₱5,593	₱2,763
Net cash used in investing activities	**(2,438)**	(2,453)	(1,421)
Net cash provided by (used in) financing activities	**(9,367)**	(12,723)	(1,156)

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 2019 and 2018.

The Parent Company considers total equity as its capital amounting to ₱117.02 billion and ₱108.37 billion as of December 31, 2019 and 2018, 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:

	2019	2018 (As restated – Notes 2 and 12)	2017 (As restated – Notes 2 and 12)
Interest income on:			
Installment contracts receivable (Note 5)	**₱1,862**	₱1,209	₱1,314
Cash and cash equivalents (Note 4)	**193**	398	4
Short-term investments (Note 4)	**–**	25	316
Others	**250**	36	34
	₱2,305	₱1,668	₱1,668

Interest income on installment contracts receivable consist of accretion of unamortized discount of and interest income from collections of Federal Land. Accretion of unamortized discount amounted to ₱1.23 billion, ₱0.77 billion and ₱0.90 billion in 2019, 2018 and 2017, respectively. Interest income from collections amounted to ₱0.63 billion, ₱0.44 billion and ₱0.41 billion in 2019, 2018 and 2017, respectively.

Other Income
This account consists of:

	2019	2018 (As restated – Notes 2 and 12)	2017 (As restated – Notes 2 and 12)
Ancillary income	**₱903**	₱710	₱769
Real estate forfeitures, charges and penalties	**343**	281	201
Dividend income	**335**	152	8
Management fee (Note 27)	**278**	206	76
Foreign exchange gain	**137**	–	–
Realized and unrealized gain on financial assets at FVTPL	**135**	59	–
Gain on disposal of property and equipment (Note 11)	**15**	23	23
Subscription income	–	166	95
Others (Note 5)	**383**	527	296
	₱2,529	₱2,124	₱1,468

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.

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:

	2019	2018	2017
Beginning inventory			
Automotive	**₱5,646**	₱4,734	₱6,861
Gasoline, retail and petroleum products	**10**	10	9
Food	**6**	7	1
	5,662	4,751	6,871
Add: Net purchases	**135,476**	130,815	145,571
Total inventories available for sale	**141,138**	135,566	152,442
Less: Ending inventory (Note 6)			
Automotive	**7,784**	5,646	4,734
Gasoline, retail and petroleum products	**11**	10	10
Food	**8**	6	7
Subtotal (Note 6)	**133,335**	129,904	147,691
Cost adjustments and intercompany elimination	**(224)**	(574)	(202)
Internal and other transfers	**97**	(200)	(368)
Direct labor	**618**	523	365
Overhead (Note 30)	**117**	196	227
	₱133,943	₱129,849	₱147,713

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:

	2019	2018	2017
Raw materials, beginning	**₱1,371**	₱1,423	₱1,329
Purchases	**32,199**	28,745	35,350
Total materials available for production	**33,570**	30,168	36,679
Less: Raw materials, end	**1,169**	1,371	1,423
Raw materials placed in process	**32,401**	28,797	35,256
Direct labor	**405**	357	400
Manufacturing overhead	**4,113**	3,797	4,084
Total cost of goods placed in process	**36,919**	32,951	39,740
Work-in-process, beginning	**33**	12	13
Total Cost of goods in process	**36,952**	32,963	39,753
Less: Work-in-process, ending	**27**	33	12
Total cost of goods manufactured	**36,925**	32,930	39,741
Finished goods, beginning	**978**	19	66
Total goods available for sale/transfer	**37,903**	32,949	39,807
Less: Finished goods, ending	**861**	978	19
Other transfers	**223**	162	153
	₱36,819	₱31,809	₱39,635

26. General and Administrative Expenses

This account consists of:

	2019	2018 (As restated – Notes 2 and 12)	2017 (As restated – Notes 2 and 12)
Salaries, wages and employee benefits (Notes 27 and 28)	**₱2,985**	₱2,800	₱2,621
Advertising and promotions	**2,573**	1,434	1,483
Taxes and licenses	**1,834**	1,836	1,478
Commissions	**1,251**	1,090	1,109
Depreciation and amortization (Note 11)	**842**	632	496
Delivery and handling	**801**	768	709
Light, water and other utilities	**555**	499	448
Office supplies	**309**	198	401
Provisions for other expenses (Note 36)	**297**	–	–
Repairs and maintenance	**272**	231	255
Rent (Note 30)	**251**	156	144
Outside services	**233**	213	175
Warranty	**213**	85	121
Professional fees	**167**	134	146
Administrative and management fees	**153**	19	48
Transportation and travel	**137**	124	161
Provision for (recoveries from) credit losses (Note 5)	**(98)**	2	13
Communications	**70**	67	66
Insurance	**60**	46	42
Entertainment, amusement and recreation	**39**	39	36

(Forward)

	2019	2018 (As restated – Notes 2 and 12)	2017 (As restated – Notes 2 and 12)
Provision for inventory losses (Note 6)	**₱17**	₱5	₱23
Royalty and service fees	**14**	12	11
Donation	**1**	1	–
Unrealized foreign exchange loss	**–**	146	385
Others	**619**	130	9
	₱13,595	₱10,667	₱10,380

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 venture 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. Outstanding balances at year end are unsecured and settlement occurs generally in cash, except otherwise indicated. 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 table shows the significant related party transactions included in the consolidated financial statements.

	December 31, 2019		
Category	**Amount/ Volume**	**Outstanding Balances**	**Terms and Conditions/Nature**
Associates			
Cash and cash equivalents	₱128	₱6,737	Interest bearing at prevailing market rate; due and demandable; Unsecured
Short-term investments	–	135	Interest bearing at prevailing market rate; due and demandable; Unsecured
Long –term cash investments	1		More than three (3) years, interest-bearing
Interest Receivable	22	2	
Commission receivable	–	9	Non-interest bearing; due and demandable; Unsecured

(Forward)

Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/Nature
	December 31, 2019		
Rent receivable	₱–	₱59	Non-interest bearing; due and demandable; Unsecured
Receivable from sharing of expenses	–	41	Non-interest bearing; due and demandable; Unsecured
Nontrade receivables	8		
Other receivables	–	11	Non-interest bearing; due and demandable; Unsecured
Due from related parties	–	66	Non-interest bearing; due and demandable; Unsecured
Accounts and other payables	7	1	Within one (1) year, non-interest-bearing
Due to related parties	–	16	Non-interest bearing; due and demandable; Unsecured
Short-term debt	75	2,050	With interest 3%-6% due in 2019; Unsecured
Long-term loans payable	–	9,000	With interest ranging from 2.90% to 4.75%; Payable on 2021-2022; Unsecured
Commission income	3	–	Non-interest bearing; due and demandable; Unsecured
Interest income	93	1	
Rent income	160		
Interest expenses/capitalized	659	30	With interest ranging from 2.90% to 4.75%; With interest 3%-6% due in 2019; Payable on 2021-2022; Unsecured
Joint ventures			
Commission receivable	–	95	Non-interest bearing; due and demandable; Unsecured
Rent receivable	–	2	Non-interest bearing; due and demandable; Unsecured
Management fee receivable	–	16	Non-interest bearing; due and demandable; Unsecured
Nontrade receivables	1	–	Within one (1) year, non-interest-bearing
Other receivables	–	1	Non-interest bearing; due and demandable; Unsecured
Due from related parties	–	88	Non-interest bearing; due and demandable; Unsecured
Due to related parties	–	15	Non-interest bearing; due and demandable; Unsecured
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			
Cash and cash equivalents	13	332	Within one (1) year, interest-bearing
Dividends receivable	1,463	–	
Trade receivables	1,287	44	1-15 days, non-interest bearing, unsecured, no impairment
Interest receivable	95	26	With interest of 3.15%; Payable in 2022; Unsecured
Receivable from sharing of expenses	–	20	Non-interest bearing; due and demandable; Unsecured
Nontrade receivables	57	1	Within one (1) year, non-interest bearing, unsecured
Other receivables	–	36	Non-interest bearing; due and demandable; Unsecured
Due from related parties	–	55	Non-interest bearing; due and demandable; Unsecured
Long-term loans receivable	–	661	With interest of 3.15%; Payable in 2022; Unsecured
Investment in Shares of Stock	837	837	
Accounts and other payables	133,861	7,459	Within one (1) year, non-interest-bearing; 25th day of the succeeding month; 30 days
Royalty and Technical Assistance Fees	67	10	25th day of the second month after the end of the quarter, non-interest-bearing

(Forward)

Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/Nature
	December 31, 2019		
Insurance Payable	₱172	₱172	
Loans payable	3	79	5 years, interest bearing
Liabilities on purchased properties	–	1,493	With 3% interest; payable annually until 2026; Unsecured
Due to related parties	–	172	Non-interest bearing; due and demandable; Unsecured
Interest income	149	–	With interest of 3.15%; Payable in 2022; Unsecured
Management fee income	22	–	Non-interest bearing; due and demandable; Unsecured
Gain or Loss on Disposal of Investments in FVTPL - UITF	50	–	Realized gain on UITF investments
Unrealized Gain from 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 servies
Consultancy Fees	3	–	Consultancy fee

Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/Nature
	December 31, 2018		
Significant investor			
Accounts payable	₱–	₱1	Consultancy fee payable
Consultancy fee	3	–	Consultancy fee
Associates			
Cash and cash equivalents	33,502	10,390	Due and Demandable; fixed interest rates. Unsecured
Short-term investments	18	335	Interest bearing at prevailing market rate; due and demandable. Unsecured
Commission receivable	–	32	Non-interest bearing; due and demandable. Unsecured
Interest receivable	–	12	Interest on time deposit placements with MBTC at 4.0% to 6.7% p.a.
Rent receivable	–	23	Non-interest bearing; due and demandable. Unsecured
Receivable from sharing of expenses	–	39	Non-interest bearing; due and demandable. Unsecured
Financial assets at FVTPL	3,000	3,181	FVTPL investment
Due from related parties	–	44	Non-interest bearing; due and demandable. Unsecured
Investment and advances (Note 8)	22,495	22,495	Participation in MBTC's stock rights offering and initial investment in an associate
Other noncurrent assets	1	47	Non-interest bearing; due and demandable. Unsecured
Accounts and other payables	8	2	Non-interest bearing; due and demandable; Unsecured
Short term notes payable	–	1,100	With interest 3%-6% due in 2019. Unsecured
Due to related parties	–	16	Non-interest bearing; due and demandable. Unsecured
Loans payable	–	12,000	Various; fixed interest rates. Unsecured
Gain on UITF investments	66		Realized and unrealized gain on unit investment trust fund
Interest income	110	–	Various; fixed rate
Management fee income	9	–	Service fee in the administration of different project
Commission income	10	–	Commission fee received from selling or marketing the real estate units
Rent income	127	–	Lease of office space
Interest expenses	219	–	Various; fixed rate
Trust and agency fees	4	–	Retainer's and trustee fee
Joint ventures			
Management fee receivable	–	50	Non-interest bearing; due and demandable; Unsecured; no impairment
Commission receivable	–	100	Non-interest bearing; due and demandable; Unsecured; no impairment

(Forward)

Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/Nature
	December 31, 2018		
Rent receivable	₱–	₱1	Non-interest bearing; due and demandable; Unsecured; no impairment
Receivable from sharing of expenses	–	635	Non-interest bearing; due and demandable; Unsecured; no impairment
Other receivables	–	28	Non-interest bearing; due and demandable; Unsecured; no impairment
Due from related parties	516	566	Non-interest bearing; due and demandable; Unsecured; no impairment
Investment properties	184	184	Purchased properties
Investment and advances (Note 8)	7,241	7,241	Additional/initial investment in associates and joint ventures
Property and equipment	86	86	Purchased properties
Due to related parties	15	15	Non-interest bearing; due and demandable; Unsecured; no impairment
Commission income	37	–	Commission fee received from selling or marketing the real estate units
Management fee income	110	–	Service fee in the administration of different project related to the JV
Rent income	52	–	Lease of office space
Other related parties			
Cash and cash equivalents	34	218	Due and demandable, unsecured, no impairment; Fixed;
Interest receivable	–	50	Non-interest bearing; due and demandable; Unsecured; no impairment
Rent receivable	–	(8)	Non-interest bearing; due and demandable; Unsecured; no impairment
Commission receivable	–	4	Non-interest bearing; due and demandable; Unsecured; no impairment
Non-trade receivables	64	44	Within one (1) year, non-interest-bearing. Unsecured, no impairment
Prepaid expenses and others	–	1	Car plan insurance and directors and officers liability insurance premium
Dividends receivables	7	–	Non-interest bearing; due and demandable; Unsecured; no impairment
Receivable from sharing of expenses	–	31	Non-interest bearing; due and demandable; Unsecured; no impairment
Long-term loans receivable	–	662	With interest of 3.15%; Payable in 2022. Unsecured
Management fee receivable	–	175	Due and demandable
Due from related parties	–	56	Non-interest bearing; due and demandable; Unsecured; no impairment
Accounts and other payables	119	8,553	Within one (1) year, non-interest-bearing. Unsecured.
Royalty payable	–	154	25th day of the second month after the end of the quarter, non-interest-bearing. Unsecured
Due to related parties	–	173	Non-interest bearing; due and demandable; Unsecured; no impairment
Liabilities on purchased properties (Note 20)	(441)	3,293	With 3.00% interest; payable annually until 2026; unsecured
Loans payable	3	1,928	With 3% interest; payable annually until 2026. Unsecured
Commission income	10	–	Commission fee received from selling or marketing the real estate units
Management fee income	60	–	Due and Demandable
Interest income	41	–	Interest income from cash and cash equivalents
Rent income	92	–	Lease of office space
Royalty and technical assistance fee	1,019	–	25th day of the second month after the end of the quarter, non-interest-bearing. Unsecured
Insurance expense	2	–	Car plan insurance and directors and officers liability insurance premium

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 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, 2019 and 2018 , the Parent Company's investment in UITF amounted to ₱4.70 billion and ₱3.18 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.

Long-term loans receivable
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 interest rate of 3.15% and 4.81%, respectively. The outstanding balance of long-term loans receivable as of December 31, 2019, 2018 and 2017 amounted to ₱665.63 million, ₱641.88 million and ₱652.17 million, respectively (Note 5).

Investment Property
In 2018, Federal Land acquired condominium units at a gross consideration of ₱326.40 million from BLRDC with unrealized gain of ₱142.64 million (Note 8).

Property and equipment
In 2018, Federal Land acquired condominium units at a gross consideration of ₱142.01 million from BLRDC with unrealized gain of ₱55.52 million (Note 8).

Affiliated bank loans
The Group's loans payable to an affiliated commercial bank bears interest rates ranging from 4.50% to 6.25%, from 2.50% to 6.00% and from 2.50% to 5.13% per annum in 2019, 2018 and 2017, respectively (Note 16).

Management fee
Management fee amounting to ₱85.52 million and ₱109.85 million in 2019 and 2018, 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 ₱309.26 million, ₱326.75 million and ₱130.34 million in 2019, 2018 and 2017, respectively (Note 30).

Compensation of key management personnel for the years ended December 31 and 2019 follow:

	2019	2018	2017
Short-term employee benefits	**₱681**	₱713	₱643
Post-employment benefits	**118**	87	81
	₱799	₱800	₱724

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, 2019 and 2018 amounted to ₱2.68 billion and ₱2.43 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, 2019, 2018 and 2017 (in absolute amounts):

	December 31, 2019		
Category	**Amount/ Volume**	**Outstanding Balances**	**Terms and Conditions/Nature**
Parent			
Investment in equity securities		**₱8,895,194**	Unsecured with no impairment
Dividend income	**₱27,786**		Cash dividends
Associate			
Savings deposit		**13,418**	Savings account with annual interest of 1%, unsecured and no impairment;
Time deposit		**35,722,000**	With annual interest of 3.88%, 1 - 3 months maturity; unsecured and no impairment
Investment in equity securities		**20,228,130**	Unsecured with no impairment
Investment in UITF		**4,484,955**	Unsecured with no impairment
Investment in other security and debt instruments		**41,645,784**	Unsecured with no impairment
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

	December 31, 2018		
Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/Nature
Parent			
Investment in equity securities		₱9,030,450	Unsecured with no impairment
Gain on sale of shares	₱24,346		Income from sale of shares
Associate			
Savings deposit		23,571	Savings account with annual interest of 1%, unsecured and no impairment;
Time deposit		87,498,000	With annual interest of 3.88%, 1 - 3 months maturity; unsecured and no impairment
Investment in equity securities		19,832,750	Unsecured with no impairment
Investment in UITF		4,123,970	Unsecured with no impairment
Interest income	8,663,321		Income earned from savings and time deposit
Gain on sale of shares	631,243		Income from sale of shares
Gain on sale of UITF	10,797		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:

		2019		
		Actuarial Assumptions		
	Date of Actuarial Valuation	**Expected Return on Plan Assets**	**Salary Rate Increase**	**Discount Rate**
Real estate	**December 31, 2019**	**5.00%**	**8.00%**	**5.00%**
Automotive	**-do-**	**3.00% to 5.00%**	**5.00% to 8.00%**	**4.83% to 4.99%**
Financial	**-do-**	**N/A**	**8.00%**	**5.00%**

		2018		
		Actuarial Assumptions		
	Date of Actuarial Valuation	Expected Return on Plan Assets	Salary Rate Increase	Discount Rate
Real estate	December 31, 2018	3.93% to 5.00%	7.00% to 8.00%	7.30% to 7.44%
Automotive	-do-	3.71% to 5.00%	4.90% to 8.00%	7.26% to 7.37%
Financial	-do-	3.50%	8.00%	7.38%

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 statement of financial position follow:

	2019	2018
Retirement asset (Note 14)	**(₱7)**	(₱9)
Retirement liability	**1,222**	859
Net retirement liability	**₱1,215**	₱850

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, 2019	**Effect of deconsolidation (Note 12)**	**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, 2019**
Present value of defined benefit obligation	**₱3,277**	**(₱227)**	**₱204**	**₱214**	**₱6**	**₱424**	**(₱129)**	**₱–**	**(₱70)**	**₱1**	**₱623**	**554**	**₱–**	**₱3,899**
Fair value of plan assets	**(2,427)**	**45**	**–**	**(180)**	**–**	**(180)**	**136**	**(143)**	**–**	**–**	**–**	**(143)**	**(115)**	**(2,684)**
Net defined benefit liability	**₱850**	**(₱182)**	**₱204**	**₱34**	**₱6**	**₱244**	**₱7**	**(143)**	**(70)**	**₱1**	**₱623**	**₱411**	**(115)**	**₱1,215**

		Net benefit cost					Remeasurements in other comprehensive income						
	January 1, 2018	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, 2018
Present value of defined benefit obligation	₱3,433	₱248	₱185	₱58	₱491	(₱118)	₱–	(₱97)	₱1	(₱433)	(529)	₱–	₱3,277
Fair value of plan assets	(2,041)	–	(125)	–	(125)	111	196	–	–	–	196	(568)	(2,427)
Net defined benefit liability	₱1,392	₱248	₱60	₱58	₱366	(₱7)	₱196	(₱97)	₱1	(₱433)	(₱333)	(₱568)	₱850

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:

	2019	2018
Cash and cash equivalents	**₱36**	₱89
Investment in government securities	**2,002**	1,798
Investment in equity securities	**447**	406
Investment in debt and other securities	**209**	129
Receivables	**28**	4
Investment in mutual funds	**2**	4
Others	**–**	–
Liabilities	**(40)**	(3)
	₱2,684	₱2,427

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:

		2019	2018
	Possible Fluctuations	**Increase (Decrease)**	Increase (Decrease)
Discount rates	**+1%**	**(₱312)**	(₱205)
	-1%	**291**	232
Future salary increase rate	**+1%**	**300**	249
	-1%	**(326)**	(223)

The Group expects to contribute ₱300 million to its defined benefit pension plan in 2020.

The average duration of the defined benefit retirement liability at the end of the reporting period is 16.93 years for the Group.

Shown below is the maturity analysis of the undiscounted benefit payments:

Less than 1 year	₱223
More than 1 year to 5 years	1,762
More than 5 years to 10 years	2,442
More than 10 years to 15 years	1,636
More than 15 years to 20 years	1,955
More than 20 years	6,165

The Group does not currently have any asset-liability matching study.

29. **Income Taxes**

Provision for income tax account consists of:

	2019	2018 (As restated – Notes 2 and 12)	2017 (As restated – Notes 2 and 12)
Current	**₱4,797**	₱4,117	₱4,301
Deferred	**170**	(314)	565
Final	**90**	83	67
	₱5,057	₱3,886	4,933

The components of the Group's deferred taxes as of December 31, 2019, 2018 and 2017 are as follows:

Net deferred tax asset:

	2019	2018 (As restated – Note 2)
Deferred tax asset on:		
Retirement benefit obligation	**₱487**	₱412
Deferred intercompany gain	**315**	326
Accrued expenses	**94**	98
Allowance for impairment losses	**59**	93
Warranties payable and other provisions	**65**	57
Unrealized foreign exchange gain	**55**	–
Deferred gross profit	**53**	–
Allowance for inventory obsolescence	**31**	25
Unamortized past service cost from pension obligation	**27**	27
NOLCO	–	25
Unearned gross profit on ending inventories	–	23
Others	**15**	36
	1,201	1,122
Deferred tax liability on:		
Capitalized custom duties	**42**	32
Unearned gross profit on ending inventories	**(9)**	–
Unearned gross profit on real estate sales	–	20
Unrealized foreign exchange gain	–	12
Deferred financing cost	–	7
Others	**27**	27
	60	98
Net deferred tax asset	**₱1,141**	₱1,024

Net deferred tax liability:

	2019	2018 (As restated – Note 2)
Deferred tax asset on:		
Unrealized gain on sale of land	**₱685**	₱685
Excess of cost over fair value of investment property	**97**	101
Unearned income	**54**	56
Prepaid commission	**48**	54
Retirement benefit obligation	**44**	46
Unearned gross profit on ending inventories	**40**	23
Provision for impairment losses on receivables	**28**	29
Interest expense on Day 1 loss	**13**	13
Allowance for impairment loss on inventories	**5**	–
Accrued expenses	–	–

(Forward)

	2019	2018 (As restated – Note 2)
Allowance for probable losses	**₱–**	₱5
Others	**–**	6
	1,014	1,018
Deferred tax liability on:		
Fair value adjustment on acquisition - by Parent Company	**2,401**	5,055
Capitalized borrowing cost and guarantee fees	**1,062**	474
Excess of book basis over tax basis of deferred gross profit	**426**	441
Fair value adjustment on acquisition - by subsidiaries	**144**	147
Unamortized discount on long-term payable	**57**	59
Lease differential	**17**	17
Deferred financing costs − bonds	**8**	16
Retirement asset	**2**	3
Cash flow hedge reserve	**–**	97
Accrued income	**–**	–
Others	**35**	43
	4,152	6,352
Net deferred tax liability	**₱3,138**	₱5,334

The Group has deductible temporary differences for which deferred tax asset has not been recognized since management believes that it is not probable that sufficient taxable income will be available against which the said deductible temporary differences can be utilized.

The Group's unrecognized deductible temporary differences pertain to its NOLCO and MCIT with details as follows:

NOLCO

Year Incurred	Amount	Expired/Applied	Balance	Expiry Date
2018	₱4,076	₱–	₱4,076	2021
2017	2,891	–	2,891	2020
2016	3,048	3,048	–	2019
	₱10,015	₱3,048	₱6,967	

MCIT

Year Incurred	Amount	Expired/Applied	Balance	Expiry Date
2019	₱114	₱–	₱114	2022
2018	3	–	3	2021
2016	2	2	–	2019
	₱119	₱2	₱117	

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:

	2019	2018 (As restated - Notes 2 and 12)	2017 (As restated – Notes 2 and 12)
Provision for income tax computed at statutory rate	**30.00%**	30.00%	30.00%
Tax effects of:			
Income subjected to final tax	**(0.19)**	(0.22)	(0.18)
Nondeductible interest and other expenses	**0.57**	2.16	0.85
Change in unrecognized deferred tax assets	**(0.95)**	4.68	3.97
Nontaxable income	**(10.28)**	(15.75)	(10.27)
Operating income within ITH	**(0.82)**	(2.70)	(7.10)
Others	**(1.79)**	0.58	0.39
Income subjected to lower tax rate	**0.42**	(0.07)	–
Effective income tax rates	**16.96%**	18.68%	17.66%
Continuing operations	**16.72%**	17.95%	18.97%
Disposal group	**0.24%**	0.73%	(1.31%)
	16.96%	18.68%	17.66%

Board of Investments (BOI) Incentives

Federal Land

The BOI issued a Certificate of Registration (COR) as a New Developer of Mass Housing Project for its real estate projects in accordance with the Omnibus Investment Code of 1987. Pursuant thereto, the registered projects have been granted Income Tax Holiday (ITH) for a period of three to four years. The projects namely: PGMH - Narra Tower and PGMH - Mandarin Tower are entitled to ITH from 2013 to 2016 and Axis Residences Tower A is entitled to ITH from 2015 to 2018.

PCFI

On various dates, the BOI issued in favor of PCFI the COR as a new developer of Mass Housing Project for its 31 real estate projects in accordance with the Omnibus Investment Code of 1987. Pursuant thereto, the projects were granted an ITH for a period of three (3) to four (4) years commencing on various dates from 2014 to 2017 and expiring on various dates from 2017 to 2020.

TMPC

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 Commitment

The 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.

With the adoption of PFRS 16, as of December 31, 2019, the Group recognized interest expense on lease liabilities (included in 'Interest expense' in the consolidated statement of income) amounting to ₱25.69 million and rent expense from short-term leases and leases of low-value assets amounting to ₱250.79 million. Prior to PFRS 16 adoption, rent expense included under 'General and administrative expenses' amounted to ₱156.27 million and ₱143.35 million in 2018 and 2017, respectively (Note 26). Rental incurred on the lease of land for its mall and gasoline stations are presented as 'Overhead' and included in the 'Cost of goods and services sold' account, amounting to ₱22.89 million and ₱22.12 million in 2018 and 2017, respectively (Note 24).

As of December 31, 2019, the carrying amounts of lease liabilities are as follows:

	2019
Beginning balance	**₱392**
Accretion of interest	**26**
Payments	**(107)**
	₱311

As of December 31, 2019 and 2018, the future minimum rental payments are as follows:

	2019	2018
Within one year	**₱84**	₱92
After one year but not more than five years	**308**	342
More than five years	**-**	15
	₱392	₱449

The 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 ₱1.53 billion, ₱1.26 billion and ₱0.94 billion in 2019, 2018 and 2017, respectively (Note 9). The cost of rental services amounting ₱434.66 million, ₱476.37 million and ₱360.43 million in 2019, 2018 and 2017, respectively, includes maintenance fee, depreciation, repairs and maintenance, and taxes and licenses (Note 11).

As of December 31, 2019 and 2018, the future minimum rental receipts from these lease commitments are as follows:

	2019	2018
Within one year	**₱778**	₱708
After one year but not more than five years	**1,597**	1,565
More than five years	**643**	605
	₱3,018	₱2,878

31. **Business Combinations**

Acquisition of TRDCI
On February 10, 2017, FLI acquired 100.00% interest in TRDCI from Solid Share Holdings Philippines, Inc.

The fair values of the net liabilities assumed as of acquisition date, are as follow:

Current assets	₱433
Current liabilities	(847)
Noncurrent assets	486
Noncurrent liabilities	(100)
Fair value of net assets assumed	(28)
Consideration paid in cash	60
Goodwill (Note 13)	**₱88**

The gross contractual amount of receivables acquired amounted to ₱44.60 million. The goodwill of ₱0.09 billion comprises the value of the expected synergies arising from having TRDCI within the Group. Goodwill is allocated entirely to the acquisition of TRDCI and none of the goodwill is expected to be deductible for income tax purposes.

From the date of acquisition, TRDCI contributed gross revenues and net income amounting to ₱16.35 million and ₱27.86 million, respectively, to the Group for the year ended December 31, 2017.

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 ranged from 8% to 12% and 6.78% to 8.00% as of December 31, 2019 and 2018, respectively. 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, 2019 and 2018.

Due from and to related pasrties
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 cross currency and 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 0.085% to 7.35% and from 0.085% to 7.35% for the year ended December 31, 2019 and 2018, 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 payable was incurred in 2017 and 2012 with 3.00% interest 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.

	2019				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets measured at fair value:					
Financial Assets					
Financial assets at FVTPL	**₱4,698**	**₱–**	**₱4,698**	**₱–**	**₱4,698**
Financial assets at FVOCI					
Quoted equity securities	**12,160**	**12,160**	**–**	**–**	**12,160**
Other noncurrent assets					
Derivative asset	**–**	**–**	**–**	**–**	**–**
	₱16,858	**₱12,160**	**₱4,698**	**₱–**	**₱16,858**
Assets for which fair values are disclosed:					
Financial Assets					
Loans and receivables					
Installment contracts receivables	**₱289**	**₱–**	**₱–**	**₱293**	**₱293**
Loans receivables	**3,421**	**–**	**–**	**1,243**	**1,243**
Non-financial Assets					
Investment in listed associates	**157,619**	**126,216**	**–**	**–**	**126,216**
Investment properties	**15,347**	**–**	**–**	**26,606**	**26,606**
	₱176,676	**₱126,216**	**₱–**	**₱28,142**	**₱154,358**
Liabilities measured at fair value:					
Financial Liabilities					
Other noncurrent liabilities					
Derivative liability	**₱53**	**₱–**	**53**	**₱–**	**₱53**
	₱53	**₱–**	**₱53**	**₱–**	**₱53**
Liabilities for which fair values are disclosed:					
Financial Liabilities					
Liabilities on purchased properties	**₱3,784**	**₱–**	**₱–**	**₱2,591**	**₱2,591**
Lease liabilities	**311**	**–**	**–**	**311**	**311**
Loans payable	**105,012**	**–**	**–**	**100,622**	**100,622**
Bonds payable	**18,939**	**19,120**	**–**	**–**	**19,120**
	₱128,046	**₱19,120**	**₱–**	**₱103,524**	**₱122,644**

	2018				
	Carrying Value	Level 1	Level 2	Level 3	Total
Assets measured at fair value:					
Financial Assets					
Financial assets at FVTPL	₱3,181	₱–	₱3,181	₱–	₱3,181
Financial assets at FVOCI					
Quoted equity securities	10,631	10,631	–	–	10,631
Unquoted equity securities	317	–	–	317	317
Other noncurrent assets					
Derivative asset	469	–	469	–	469
	₱14,598	₱10,631	₱3,650	₱317	₱14,598
Assets for which fair values are disclosed:					
Financial Assets					
Loans and receivables					
Installment contracts receivables	₱2,401	₱–	₱–	₱2,384	₱2,384
Loans receivables	932	–	–	1,075	1,075
Non-financial Assets					
Investment in listed associates	144,254	138,521	–	–	138,521
Investment properties	17,392	–	–	37,451	37,451
	₱164,979	₱138,521	₱–	₱40,910	₱179,431
Liabilities measured at fair value:					
Financial Liabilities					
Other noncurrent liabilities					
Derivative liability	₱62	₱–	62	₱–	₱62
	₱62	₱–	₱62	₱–	₱62
Liabilities for which fair values are disclosed:					
Financial Liabilities					
Liabilities on purchased properties	₱3,293	₱–	₱–	₱3,004	₱3,004
Loans payable	105,669	–	–	108,252	108,252
Bonds payable	21,907	20,565	–	–	20,565
	₱130,869	₱20,565	₱–	₱111,256	₱131,821

As of December 31, 2019 and 2018, 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:

<u>Valuation Techniques</u>

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.

<u>Significant Unobservable Inputs</u>

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.

Significant Unobservable Inputs

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.
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, short-term investments, receivables, due from related parties, financial assets at FVOCI and financial assets at FVTPL/AFS investments, accounts and other payables, due to/from related parties, loans payable 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, 2019 and 2018, 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, 2019						
	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)	**₱12,068**	**₱–**	**₱–**	**₱12,068**	**₱–**	**₱–**	**₱12,068**
Short-term investments (Note 4)	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Receivables (Note 5)							
Trade receivables	**7,616**	**–**	**–**	**7,616**	**3,590**	**4**	**11,210**
Loans receivable	**3,421**	**–**	**–**	**3,421**	**–**	**–**	**3,421**
Nontrade receivables	**514**	**61**	**–**	**575**	**455**	**13**	**1,043**
Accrued rent and commission income	**423**	**–**	**–**	**423**	**4**	**18**	**445**
Installment contracts receivable	**87**	**–**	**–**	**87**	**201**	**1**	**289**
Management fee receivables	**64**	**–**	**–**	**64**	**–**	**–**	**64**
Accrued interest receivable	**67**	**–**	**–**	**67**	**–**	**30**	**97**
Others	**300**	**–**	**–**	**300**	**46**	**72**	**418**
Due from related parties (Note 27)	**155**	**–**	**–**	**155**	**–**	**54**	**209**
	₱24,715	**₱61**	**₱–**	**₱24,776**	**₱4,296**	**₱192**	**₱29,264**

**Excludes cash on hand amounting to ₱64.95 million*

	December 31, 2018						
	Neither Past Due Nor Individually Impaired						
	High Grade	Medium Grade	Low Grade	Total	Past Due but not Individually Impaired	Individually Impaired	Total
Cash and cash equivalents* (Note 4)	₱14,297	₱–	₱–	₱14,297	₱–	₱–	₱14,297
Short-term investments (Note 4)	65	–	–	65	–	–	65
Receivables (Note 5)							
Trade receivables	5,287	34	263	5,584	4,093	4	9,681
Loans receivable	932	–	–	932	–	–	932
Nontrade receivables	935	153	92	1,180	223	35	1,438
Accrued rent and commission income	444	–	–	444	4	31	479
Installment contracts receivable	2,062	–	–	2,062	315	24	2,401
Management fee receivables	253	–	–	253	–	–	253
Accrued interest receivable	180	–	–	180	–	30	210
Others	717	–	–	717	121	135	973
Due from related parties (Note 27)	612	–	–	612	–	54	666
	₱25,784	₱187	₱355	₱26,326	₱4,756	₱313	₱31,395

**Excludes cash on hand amounting to ₱56.15 million*

As of December 31, 2019, 2018 and 2017, the aging analysis of past due but not individually impaired financial assets presented per class, is as follows:

	December 31, 2019								
		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)	**₱12,068**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱12,068**
Short-term investments (Note 4)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Receivables (Note 5)									
Trade receivable	**7,616**	**1,155**	**1,246**	**309**	**235**	**645**	**3,590**	**4**	**11,210**
Loans receivable	**3,421**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3,421**
Non-trade receivable	**575**	**154**	**20**	**18**	**14**	**250**	**455**	**13**	**1,043**
Accrued rent and commission income	**423**	**1**	**1**	**1**	**1**	**–**	**4**	**18**	**445**
Installment contracts receivable	**87**	**64**	**40**	**67**	**–**	**30**	**201**	**1**	**289**
Accrued interest receivable	**67**	**–**	**–**	**–**	**–**	**–**	**–**	**30**	**97**
Management fee receivables	**64**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**64**
Others	**300**	**1**	**–**	**–**	**–**	**46**	**47**	**72**	**418**
Due from related parties (Note 27)	**155**	**–**	**–**	**–**	**–**	**–**	**–**	**54**	**209**
	₱24,776	**₱1,375**	**₱1,307**	**₱395**	**₱250**	**₱971**	**₱4,296**	**₱192**	**₱29,264**

**Excludes cash on hand amounting to ₱64.95 million*

	December 31, 2018								
	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)	₱14,297	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱14,297
Short-term investments (Note 4)	65	–	–	–	–	–	–	–	65
Receivables (Note 5)									
Trade receivable	5,584	1,412	1,353	537	341	450	4,093	4	9,681
Loans receivable	932	–	–	–	–	–	–	–	932
Non-trade receivable	1,180	109	29	22	32	31	223	35	1,438
Accrued rent and commission income	444	1	1	1	1	–	4	31	479
Installment contracts receivable	2,062	95	63	70	8	79	315	24	2,401
Accrued interest receivable	180	–	–	–	–	–	–	30	210
Management fee receivables	253	–	–	–	–	–	–	–	253
Others	717	49	–	–	–	72	121	135	973
Due from related parties (Note 27)	612	–	–	–	–	–	–	54	666
	₱26,326	₱1,666	₱1,446	₱630	₱382	₱632	₱4,756	₱313	₱31,395

**Excludes cash on hand and cash in other financial institution amounting to ₱56.15 million and ₱69.33 million, respectively .*

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, 2019			
	< 1 year	> 1 to < 5 years	> 5 years	Total
Financial assets				
Cash and cash equivalents* (Note 4)	**₱12,068**	**₱–**	**₱–**	**₱12,068**
Receivables (Note 5)				
Trade receivables	**11,210**	–	–	**11,210**
Loans receivable	**173**	**835**	–	**1,008**
Nontrade receivable	**1,043**	–	–	**1,043**
Accrued rent and commissions income	**445**	–	–	**445**
Installment contracts receivables	**289**	–	–	**289**
Accrued interest receivable	**97**	–	–	**97**
Management fee receivable	**64**	–	–	**64**
Others	**418**	–	–	**418**
Due from related parties (Note 27)	**209**	–	–	**209**
Financial assets at FVTPL (Note 10)				
Investments in UITF	**4,698**	–	–	**4,698**
Financial assets at FVOCI (Note 10)				
Equity securities				
Quoted	–	–	**12,160**	**12,160**
Unquoted	–	–	**213**	**213**
Total undiscounted financial assets	**₱30,714**	**₱835**	**₱12,373**	**₱43,922**
Other financial liabilities				
Accounts and other payables (Note 15)				
Trade payables	**₱12,337**	**₱–**	**₱–**	**₱12,337**
Accrued expenses	**4,534**	–	–	**4,534**
Telegraphic transfers and drafts and acceptances payable	**1,840**	–	–	**1,840**
Retentions payable	**10**	**1,263**	–	**1,272**
Accrued interest payable	**896**	–	–	**896**
Accrued commissions	**777**	–	–	**777**
Nontrade payables	**602**	–	–	**602**
Royalty payable	**288**	–	–	**288**
Others	**993**	–	–	**993**
Dividends payable	**589**	–	–	**589**
Loans payable (Note 16)	**22,199**	**37,051**	**79,391**	**138,641**
Bonds payable (Note 17)	**4,725**	**16,738**	–	**21,463**
Due to related parties (Note 27)	**204**	–	–	**204**
Liabilities on purchased properties (Note 20)	**432**	**2,396**	**799**	**3,627**
Derivative liabilities (Note 20)	–	–	**53**	**53**
Total undiscounted financial liabilities	**₱50,426**	**₱57,448**	**₱80,243**	**₱188,113**
Liquidity Gap	**(₱19,712)**	**(₱56,613)**	**(₱67,870)**	**(₱144,191)**

**Excludes cash on hand amounting to ₱64.95 million.*

	December 31, 2018			
	< 1 year	> 1 to < 5 years	> 5 years	Total
Financial assets				
Cash and cash equivalents* (Note 4)	₱14,310	₱–	₱–	₱14,310
Short-term investments (Note 4)	65	–	–	65
Receivables (Note 5)				
Installment contracts receivables	820	1,846	907	3,573
Trade receivables	9,681	–	–	9,681
Loans receivable	163	1,191	–	1,354
Nontrade receivable	1,438	–	–	1,438
Accrued rent and commissions income	479	–	–	479
Management fee receivables	253	–	–	253
Accrued interest receivable	210	–	–	210
Dividend receivable	12	–	–	12
Others	973	–	–	973
Due from related parties (Note 27)	666	–	–	666
Financial assets at FVTPL (Note 10)				
Investments in UITF	3,181	–	–	3,181
Financial assets at FVOCI (Note 10)				
Equity securities				
Quoted	–	–	10,631	10,631
Unquoted	–	–	317	317
Derivative assets (Note 14)	–	–	469	469
Total undiscounted financial assets	₱32,251	₱3,037	₱12,324	₱47,612
Other financial liabilities				
Accounts and other payables (Note 15)				
Trade payables	₱13,167	₱–	₱–	₱13,167
Accrued expenses	4,192	–	–	4,192
Retentions payable	687	1,024	–	1,711
Telegraphic transfers and drafts and acceptances payable	1,675	–	–	1,675
Accrued commissions	686	–	–	686
Accrued interest payable	579	–	–	579
Nontrade payables	430	–	–	430
Royalty payable	255	–	–	255
Due to landowners	34	–	–	34
Others	1,115	–	–	1,115
Dividends payable	1,198	–	–	1,198
Loans payable (Note 16)	12,698	42,994	95,339	151,031
Bonds payable (Note 17)	4,105	17,328	4,136	25,569
Due to related parties (Note 27)	204	–	–	204
Liabilities on purchased properties (Note 20)	582	2,287	762	3,631
Derivative liabilities (Note 20)	–	–	62	62
Total undiscounted financial liabilities	₱41,607	₱63,633	₱100,299	₱205,539
Liquidity Gap	(₱9,356)	(₱60,596)	(₱87,975)	(₱157,927)

**Excludes cash on hand amounting to ₱56.15 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$42.29 million and JP¥1.80 billion as of December 31, 2019, US$34.75 million and JP¥1.28 billion as of December 31, 2018 and US$142.63 million and JP¥6.91 million as of December 31, 2017. Short-term investments denominated in foreign currency amounted to JP¥130.00 million as of December 31, 2018 and

US$32.21 million and JP¥120.00 million as of December 31, 2017. Receivables denominated in foreign currency amounted to US$0.09 million as of December 2019, US$0.16 million as of December 31, 2018 and US$0.46 million as of December 31, 2017. Accounts and other payables denominated in foreign currency amounted to US$139.57 million and JP¥39.34 million as of December 31, 2019 and US$179.85 million and JP¥14.27 million as of December 31, 2017. Loans payables denominated in foreign currency amounted to JP¥23.31 billion as of December 31, 2019, US$59.68 million and JP¥23.31 billion as of December 31, 2018 and US$59.68 million as of December 31, 2017.

In translating the foreign currency-denominated monetary assets and liabilities into peso amounts, the exchange rates used were ₱50.74 to US$1.00 the Philippine peso-U.S. dollar exchange rates, and ₱0.46 to JP¥1.00 as at December 31, 2019, ₱52.72 to US$1.00, the Philippine peso-U.S. dollar exchange rates, ₱0.48 to JP¥1.00 as at December 31, 2018 and ₱49.92 to US$1.00, the Philippine peso-U.S. dollar exchange rates, and ₱0.44 to JP¥1.00 as at December 31, 2017.

The following table demonstrates the sensitivity to a reasonably possible change in the Philippine peso-US dollar and 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, 2019, 2018 and 2017. 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
2019	**US$**	**₱0.31**	**(₱21)**
		(0.31)	**21**
	JP¥	**0.0002**	**(3)**
		(0.0002)	**3**
2018	US$	₱1.85	(₱32)
		(1.85)	32
	JP¥	0.0002	(4)
		(0.0002)	4

The Group determined the reasonably possible change in foreign exchange rate by using the absolute average change in peso-U.S. dollar and peso-JPY 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 and retrospectively. All designated hedging relationships were sufficiently effective as of December 31, 2019 and 2018.

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. Consistent with the hedge ratio per the Parent Company's risk management policy, 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.

There is no sensitivity to the changes in interest rates of the Parent Company's income before tax through the impact of floating rate borrowings because the risk is effectively hedged by an interest rate swap.

As of December 31, 2019 and 2018, the Group has no financial instruments subject to floating interest rates.

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 and retrospectively. The designated hedging relationship was sufficiently effective as December 31, 2019 and 2018.

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. Consistent with the hedge ratio per the Parent Company's risk management policy, 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.

Cross currency swap
WFC entered into a CCS agreement to hedge the variability in the cash flows of its USD loan arising from foreign currency exchange rates and the variability in the interest cash flows arising from the floating interest rate of the same USD loan attributable to the changes in six-month USD LIBOR (6m USD LIBOR). The hedged risk is variability in the cash flows from the translation of its USD Loan amounting to $59.67 million due to fluctuations in USD/PHP FX rates (foreign currency risk) and variability in the interest cash flows of the USD Loan attributable to changes in the 6m USD LIBOR (interest rate risk). The hedged items are the variability in the cash flows arising from the translation of the USD loan due to foreign currency risk and the interest cash flows on the USD Loan which is based on 6m USD LIBOR + 0.75% (the Hedged Items). The hedging instrument is the CCS under which WFC will pay in peso equivalent to ₱3.00 billion but will receive $59.67 million and pays fixed interest rate of 5.13% per annum on ₱3.00 billion principal but will receive floating interest rate at 6m USD LIBOR plus 0.75% on $59.67 million over a period of 10 years or up to the maturity date of June 25, 2027. The terms of the hedging relationships will end in June 2027. The effectiveness of hedging relationship is tested prospectively and retrospectively. The designated hedging relationship was sufficiently effective as December 31, 2018 .

An economic relation between the hedged items and the hedging instrument was qualitatively tested by matching their critical terms. The hedged items create a foreign currency risk on the translation of $59.67 million loan and an exposure to pay 6m LIBOR +0.75%, settled semi-annually (interest rate risk). The hedging instrument creates an exact offset of these exposures with a consequence of paying a fixed interest payment of 5.13% per annum. Since the critical terms of the hedged items and the hedging instrument matched, a clear economic relationship was established. WFC and the counterparty's credit risk were monitored for adverse changes. WFC 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. Consistent with the hedge ratio per WFC's risk management policy, the hedge ratio for hedge accounting purposes is 1:1 or 100% since the notional amount of the CCS exactly matches the notional amount of the USD 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, 2019 and 2018:

	Maturity					
	Less than 3 months	**3 to 6 months**	**6 to 12 months**	**1 to 2 years**	**More than 2 years**	**Total**
As at 31 December 2019						
Interest Rate Swap						
Fixed interest rate (%)	0.852%	0.852%	0.852%	0.852%	0.852%	0.852%

	Maturity					
	Less than 3 months	3 to 6 months	6 to 12 months	1 to 2 years	More than 2 years	Total
As at 31 December 2018						
Interest Rate Swap						
Fixed interest rate (%)	.852%	.852%	.852%	.852%	.852%	.852%
Cross Currency Swap						
Fixed interest rate (%)	5.13%	5.13%	5.13%	5.13%	5.13%	5.13%

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 their changes in fair values used for measuring hedge ineffectiveness separately showing the effective and ineffective portions as of December 31, 2019 and 2018:

	December 31, 2019			
	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 liability	**₱53**	**₱53**	**₱53**	**₱–**

	December 31, 2018			
	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				
Cross-currency swap				
Other noncurrent asset (Note 14)	₱469	₱469	₱469	₱–
Interest rate swap				
Other noncurrent liabilities (Note 20)	62	62	62	–

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:

	2019	2018
Balance at beginning of year	**₱190**	(₱27)
Effect of deconsolidation (Note 12)	**(252)**	–
Net unrealized gain on cash flow hedge	**9**	314
Balance at end of year (gross of tax)	**(53)**	287
Deferred tax	**–**	(97)
Balance at end of year (net of tax)	**(₱53)**	₱190

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 AFS investments 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 and AFS investments. 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
2019	**Increase by 12.78%**	**₱117**
	Decrease by 12.78%	**(117)**
2018	Increase by 32.36%	₱3,392
	Decrease by 32.36%	(3,392)

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
2019	**Increase by 15.21%**	**₱1,683**
	Decrease by 15.21%	**(1,683)**
2018	Increase by 19.69%	₱1,856
	Decrease by 19.69%	(1,856)

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, 2019, 2018 and 2017 were computed as follows (amounts in million, except earnings per share):

	2019	2018 (As restated – Notes 2 and 12)	2017 (As restated – Notes 2 and 12)
a.) Net income attributable to equity holders of the Parent Company from continuing operations	**₱ 16,586**	₱12,795	₱ 14,239
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	**15,997**	12,206	13,650
d.) Weighted average number of outstanding common shares of the Parent Company, as previously reported	–	199	199
e.) Basic/diluted earnings per share, as previously reported (c / d)	–	₱61.23	₱68.48
f.) Weighted average number of outstanding common shares of the Parent Company, including effect of stock dividend issued in 2018 and 2019	**215**	215*	215*
g.) Basic/diluted earnings per share, as restated (c / f)	**₱74.31**	₱56.70	₱63.41

**Restated to show the effect of stock dividends distibuted in 2019*

The basic/diluted earnings per share from **discontinued operations** attributable to equity holders of the Parent Company for the years ended December 31, 2019, 2018 and 2017 were computed as follows:

	2019	2018 (As restated – Notes 2 and 12)	2017 (As restated – Notes 2 and 12)
a.) Net income attributable to equity holders of the Parent Company	**₱3,723**	₱361	₱133
b.) Weighted average number of outstanding common shares of the Parent Company, as previously reported	–	199	199
c.) Basic/diluted earnings per share, as previously reported (a / b)	–	1.81	0.67
d.) Weighted average number of outstanding common shares of the Parent Company, including effect of stock dividend issued in 2018 and 2019	215	215*	215*
e.) Basic/diluted earnings per share, as restated (a / d)	**₱17.28**	₱1.68	₱0.62

**Restated to show the effect of stock dividends distributed in 2019*

The basic/diluted earnings per share attributable to equity holders of the Parent Company for the years ended December 31, 2019, 2018 and 2017 were computed as follows:

	2019	2018 (As restated – Notes 2 and 12)	2017 (As restated – Notes 2 and 12)
a.) Net income attributable to equity holders of the Parent Company	**₱20,309**	₱13,156	₱14,372
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	**19,720**	12,567	13,783
d.) Weighted average number of outstanding common shares of the Parent Company, as previously reported	–	199	199
e.) Basic/diluted earnings per share, as previously reported (c / d)	–	₱63.05	₱69.14
f.) Weighted average number of outstanding common shares of the Parent Company, including effect of stock dividend issued in 2018	**215**	215*	215*
g.) Basic/diluted earnings per share, as restated (e / f)	**₱91.60**	₱58.38	₱64.02

**Restated to show the effect of stock dividends distributed in 2019*

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;
- Others pertain to other corporate activities of the Group (i.e., capital raising activities, acquisitions and investments); and

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.

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, 2019, 2018 and 2017:

	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**

	December 31, 2018 (As restated – Notes 2 and 12)					
	Real Estate	Financial Institution	Automotive Operations	Infrastructure	Others	Total
Revenue	₱9,342	₱–	₱179,117	₱–	₱–	₱188,459
Other income	2,936	–	1,053	–	202	4,191
Equity in net income of associates and joint venture	(119)	9,506	–	2,126	–	11,513
	12,159	9,506	180,170	2,126	202	204,163
Cost of goods and services sold	673	–	129,176	–	–	129,849
Cost of goods manufactured and sold	–	–	31,809	–	–	31,809
Cost of rental	476	–	–	–	–	476
Cost of real estate sales	6,839	–	–	–	–	6,839
General and administrative expenses	2,366	–	8,074	–	227	10,667
	10,354	–	169,059	–	227	179,640
Earnings before interest and taxes	1,805	9,506	11,111	2,126	(25)	24,523
Depreciation and amortization	542	–	1,547	–	7	2,096
EBITDA	2,347	9,506	12,658	2,126	(18)	26,619
Interest income	1,215	–	332	–	121	1,668
Interest expense	(1,164)	–	(285)	–	(3,952)	(5,401)
Depreciation and amortization	(542)	–	(1,547)	–	(7)	(2,096)
Pretax income	1,856	9,506	11,158	2,126	(3,856)	20,790
Provision for income tax	(930)	–	(2,932)	–	(24)	(3,886)
Net income from continuing operations	926	9,506	8,226	2,126	(3,880)	16,904
Net income from discontinued operations	707	–	–	–	–	707
Net income	₱1,633	₱9,506	₱8,226	₱2,126	(₱3,880)	₱17,611
Segment assets	₱131,788	₱ 118,157	₱56,430	₱33,850	₱17,441	₱357,666
Segment liabilities	₱65,413	₱–	₱27,865	₱–	₱83,560	₱176,838

	December 31, 2017(As restated – Notes 2 and 12)					
	Real Estate	Financial Institution	Automotive Operations	Infrastructure	Others	Total
Revenue	₱7,753	₱–	₱211,692	₱–	₱–	₱219,445
Other income	2,006	–	1,068	–	5	3,079
Equity in net income of associates and joint venture	134	6,979	–	1,560	–	8,673
	9,893	6,979	212,760	1,560	5	231,197
Cost of goods and services sold	555	–	147,158	–	–	147,713
Cost of goods manufactured and sold	–	–	39,635	–	–	39,635
Cost of rental	360	–	–	–	–	360
Cost of real estate sales	5,176	–	–	–	–	5,176
General and administrative expenses	1,850	–	8,262	–	268	10,380
	7,941	–	195,055	–	268	203,264
Earnings before interest and taxes	1,952	6,979	17,705	1,560	(263)	27,933
Depreciation and amortization	476	–	1,283	–	6	1,765
EBITDA	2,428	6,979	18,988	1,560	(257)	29,698
Interest income	1,324	–	320	–	24	1,668
Interest expense	(736)	–	(189)	–	(2,611)	(3,536)
Depreciation and amortization	(476)	–	(1,283)	–	(6)	(1,765)
Pretax income	2,540	6,979	17,836	1,560	(2,850)	26,065
Provision for income tax	(953)	–	(3,975)	–	(5)	(4,933)
Net income from continuing operations	1,587	6,979	13,861	1,560	(2,855)	21,132
Net income from discontinued operations	278	–	–	–	–	278
Net incoe	₱1,865	₱6,979	₱13,861	₱1,560	(₱2,855)	₱21,410
Segment assets	₱123,817	₱85,771	₱61,835	₱32,365	₱2,240	₱306,028
Segment liabilities	₱56,745	₱–	₱29,178	₱–	₱47,578	₱133,501

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:

	2019	2018 (As restated – Notes 2 and 12)	2017 (As restated – Notes 2 and 12)
Domestic	**₱215,907**	₱197,616	₱224,909
Foreign	**7,033**	8,215	7,956
	₱222,940	₱205,831	₱232,865

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 ₱3.83 billion, ₱3.45 billion and ₱2.01 billion as of December 31, 2019, 2018 and 2017, respectively.

37. Events after the Reporting Date

On January 27, 2020, 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 3, 2020.

On January 27, 2020, 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 c series B stockholders as of record date January 3, 2020.

In a move to contain the COVID-19 pandemic, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine throughout the island of Luzon until April 12, 2020, unless earlier lifted or extended. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve. As of March 27, 2020, the Group has yet to fully ascertain the risk and impact of the COVID-19 pandemic to its core operations due to the yet unfolding events of the situation. The Parent Company coordinates with its component companies regarding their respective business operations and continuity plans.

The Group considers the events surrounding the pandemic as non-adjusting subsequent events, which do not impact its financial position and performance as of and for the year ended

December 31, 2019. However, the outbreak could have a material impact on its 2020 financial results and even periods thereafter. Considering the evolving nature of this pandemic, the Group cannot determine at this time the impact to its financial position, performance and cash flows. The Group will continue to monitor the situation. The Group continues to abide by and comply with all rules and regulations issued by the government in relation to the COVID-19 pandemic. In the interim, in line with applicable rules and regulations, the said risks are mitigated by business continuity strategies set in place by the Group. Measures currently undertaken by the Parent Company to mitigate the risks of COVID-19 pandemic on its operations include work-from-home arrangements, proper and frequent sanitation of office premises, cancellation of large group meetings in person, an internal ban on foreign business travel, and the practice of social distancing through remote communication, among others.

38. Consolidated Statements of Cash Flows

Below are the noncash operating, investing and financing transactions of the Group:

	2019	2018	2017
Transfers between investment property and inventories (Note 6)	**₱–**	₱533	₱2,775
Borrowing cost capitalized to inventories (Note 6)	**1,131**	1,622	1,408
Fair value of previously held interest	–	–	–
Reclassification during the year:			
Prepayments and other current assets	–	–	998
Land held for future development	–	–	(1,416)
Investment properties	–	–	(561)
Property and equipment	–	–	561
Accounts and other payables	–	–	418
Fair value of net assets acquired from business combinations:			
Assets			
Cash and cash equivalents	–	–	1
Receivables	–	–	44
Inventories	–	–	321
Prepayments and other current assets	–	–	67
Property and equipment	–	–	–
Investment properties	–	–	484
Deferred tax assets	–	–	–
Intangible assets	–	–	–
Other noncurrent assets	–	–	2
Liabilities			
Accounts and other payables			28
Customer's deposits	–	–	–
Loans payable – current	–	–	789
Due to related parties	–	–	30
Other current liabilities	–	–	–
Income tax payable	–	–	–
Deferred tax liabilities on fair value increment	–	–	94
Pension liabilities	–	–	–
Other noncurrent liabilities	–	–	6
Net assets deconsolidated due to sale of subsidiary (Note 12)			

(Forward)

	2019	2018	2017
Assets			
Cash and cash equivalents	₱–	₱–	₱–
Short-term investments	1	–	–
Receivables	5,482	–	–
Contract assets	2,688		
Inventories	29,642	–	–
Prepayments and other current assets	3,251	–	–
Financial assets at FVOCI	3	–	–
Property and equipment	752	–	–
Investment properties	3,241		
Goodwill and intangible assets	2,862	–	–
Deferred tax assets	64	–	–
Other noncurrent assets	634	–	–
Liabilities			
Accounts and other payables	3,643	–	–
Contract liabilities	3,180		
Customer's deposits	5	–	–
Dividends payable	1,145		
Income tax payable	72	–	–
Other current liabilities	274	–	–
Pension liabilities	182	–	–
Long-term debt	8,057	–	–
Deferred tax liabilities	2,417	–	–
Other noncurrent liabilities	161	–	–

The following are the changes in liabilities in 2019, 2018 and 2017 arising from financing activities including both cash and non-cash changes:

	January 1, 2019	Effect of deconsolidation (Note 12)	Availment	Payment	Forex movement	Amortization of Day 1 loss	Amortization of Deferred Financing cost	Others*	December 31, 2019
Short-term debt (Note 16)	**₱10,500**	**(3,194)**	**₱ 38,215**	**(₱32,631)**	**₱–**	**₱–**	**₱–**	**₱–**	**₱12,890**
Current portion of long-term debt (Note 16)	**820**	**(1,707)**	**1,141**	**(3,480)**	**–**	**–**	**13**	**8,187**	**4,974**
Long-term debt – net of current portion (Note 16)	**94,349**	**(3,156)**	**4,614**	**(41)**	**(390)**	**–**	**(53)**	**(8,174)**	**87,149**
Current portion of bonds payable	**2,994**	**–**	**–**	**(2,994)**	**–**	**–**	**–**	**3,899**	**3,899**
Bonds payable (Note 17)	**18,913**	**–**	**–**	**–**	**–**	**–**	**26**	**(3,899)**	**15,040**
Current portion of liabilities on purchased properties (Notes 20 and 27)	**416**	**–**	**–**	**(416)**	**–**	**–**	**–**	**432**	**432**
Liabilities on purchased properties - net of current portion (Notes 20 and 27)	**2,877**	**–**	**852**	**–**	**–**	**55**	**–**	**(432)**	**3,352**
	₱130,869	**(8,057)**	**₱44,822**	**(39,562)**	**₱(390)**	**₱55**	**₱(14)**	**₱13**	**₱127,736**

* *Others include effect of business combination and reclassification from noncurrent to current portion.*

	January 1, 2018	Availment	Payment	Forex movement	Amortization of Day 1 loss	Amortization of Deferred Financing cost	Others*	December 31, 2018
Short-term debt (Note 16)	₱6,033	₱32,314	(₱27,847)	₱–	₱–	₱–	₱–	₱10,500
Current portion of long-term debt (Note 16)	2,467	(17)	(3,506)	–	–	17	1,859	820
Long-term debt – net of current portion (Note 16)	57,021	38,989	(75)	195	–	67	(1,848)	94,349
Current portion of bonds payable	–	–	–	–	–	–	2,994	2,994
Bonds payable (Note 17)	21,877	–	–	–	–	30	(2,994)	18,913
Current portion of liabilities on purchased properties (Notes 20 and 27)	582	–	(503)	–	–	–	337	416
Liabilities on purchased properties - net of current portion (Notes 20 and 27)	3,152	–	–	–	62	–	(337)	2,877
	₱91,132	₱71,286	(₱31,931)	₱195	₱62	₱114	₱11	₱130,869

* *Others include effect of business combination and reclassification from noncurrent to current portion.*

	January 1, 2017	Availment	Payment	Forex movement	Amortization of Day 1 loss	Amortization of Deferred Financing cost	Others*	December 31, 2017
Short-term debt (Note 16)	₱6,697	₱31,549	(₱33,002)	₱–	₱–	₱–	₱789	₱6,033
Current portion of long-term debt (Note 16)	1,581	–	(4,995)	–	–	–	5,881	2,467
Long-term debt – net of current portion (Note 16)	56,475	6,805	(400)	(20)	–	42	(5,881)	57,021
Bonds payable (Note 17)	21,848	–	–	–	–	29	–	21,877
Current portion of liabilities on purchased properties (Notes 20 and 27)	166	250	(166)	–	–	–	332	582
Liabilities on purchased properties - net of current portion (Notes 20 and 27)	1,993	1,479	–	–	12	–	(332)	3,152
	₱88,760	₱40,083	(₱38,563)	(₱20)	₱12	₱71	₱789	₱91,132

* *Others include effect of business combination and reclassification from noncurrent to current portion.*

39. **Approval for the Release of the Financial Statements**

The accompanying financial statements of the Group were approved and authorized for issue by the Parent Company's BOD on March 27, 2020.

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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors
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 Subsidiaries (the Group) as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 included in this Form 17-A and have issued our report thereon dated March 27, 2020. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole The schedules listed in the Index to the Financial Statements and Supplementary Schedules are the responsibility of the Company'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 financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Miguel U. Ballelos, Jr.

Miguel U. Ballelos, Jr.
Partner
CPA Certificate No. 109950
SEC Accreditation No. 1566-AR-1 (Group A),
April 3, 2019, valid until April 2, 2022
Tax Identification No. 241-031-088
BIR Accreditation No. 08-001998-114-2019,
January 28, 2019, valid until January 27, 2022
PTR No. 8125210, January 7, 2020, Makati City

March 27, 2020

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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 financial statements of GT Capital Holdings, Inc. and Subsidiaries (the Group) as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, and have issued our report thereon dated March 27, 2020. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Company's financial statements as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Miguel U. Ballelos, Jr.

Miguel U. Ballelos, Jr.
Partner
CPA Certificate No. 109950
SEC Accreditation No. 1566-AR-1 (Group A),
April 3, 2019, valid until April 2, 2022
Tax Identification No. 241-031-088
BIR Accreditation No. 08-001998-114-2019,
January 28, 2019, valid until January 27, 2022
PTR No. 8125210, January 7, 2020, Makati City

March 27, 2020

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

DECEMBER 31, 2019

GT CAPITAL HOLDINGS, INC.

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

FOR THE YEAR ENDED DECEMBER 31, 2019
(In Millions)

Unappropriated Retained Earnings, beginning		₱2,712
Add: Net income actually earned during the period		
Net income during the period closed to Retained earnings	8,065	
Less: Unrealized gain on financial assets at FVTPL	(85)	7,980
Subtotal		10,692
Add (Less):		
Reversal of appropriation upon completion of the expansion and acquisition	16,600	
Dividend declaration during the period	(1,188)	
Stock dividends distribution	(13,395)	2,017
Total Retained Earnings, end available for dividend declaration		₱12,709

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULES REQUIRED BY ANNEX 68-E
FOR THE YEAR ENDED DECEMBER 31, 2019
(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	₱4,698	₱4,698	₱135
Financial assets at FVOCI				
Quoted	Various	12,160	12,160	349
Unquoted	Various	213	213	(103)

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related parties)

Name of debtor	Designation of debtor	Balance at beginning of period	Additions	Amounts collected (ii)	Amounts written off (iii)	Current	Not Current	Balance at end of period
M.L. Gopez I	Officer	₱1	₱–	₱–	₱–	₱–	₱1	₱1
P.C. Castro	Officer	1	–	–	–	–	1	1
I.E. Claudio	Officer	1	–	–	–	–	1	1
I.O. Elopre	Rank & File / Supervisor	1	–	–	–	–	1	1
M.D. Halili	Rank & File / Supervisor	–	1	–	–	–	1	1
L.B. Aguilera	Rank & File / Supervisor	1	–	–	–	–	1	1
M.W. Guieb	Rank & File / Supervisor	1	–	–	–	–	–	1
R.B. Dugang	Officer	1	–	–	–	–	–	1
C.T. Dionela	Officer	1	–	–	–	–	1	1
M.S. Villanueva	Rank & File / Supervisor	1	–	–	–	–	–	1
A.S. Bonifacio	Officer	1	–	–	–	–	–	1
W.A. Endaya	Rank & File / Supervisor	1	–	–	–	–	–	1
R.S. Maaño	Rank & File / Supervisor	1	–	–	–	–	–	1
R.N. Gaspar	Officer	1	–	–	–	–	–	1
G.E. Amoranto	Officer	1	–	–	–	–	1	1
A.G. Lopez	Officer	1	–	–	–	–	–	1
N.O. Pante	Officer	1	–	–	–	–	1	1
G.G. Deangkinay	Officer	1	–	–	–	–	1	1
V.P. Constantino Jr.	Rank & File / Supervisor	1	–	–	–	–	1	1
R.D. Basilio Jr.	Rank & File / Supervisor	–	1	–	–	–	1	1
C.M. Aberin Jr.	Rank & File / Supervisor	1	–	–	–	–	–	1
A.M. Cruz	Rank & File / Supervisor	–	1	–	–	–	1	1

Name of debtor	Designation of debtor	Balance at beginning of period	Additions	Amounts collected (ii)	Amounts written off (iii)	Current	Not Current	Balance at end of period
D.G. Jimenez	Rank & File / Supervisor	–	1	–	–	–	1	1
R.T. Rodriguez	Officer	1	–	–	–	–	–	1
A.A. Oblea	Officer	1	–	–	–	–	1	1
G.A. Javier	Rank & File / Supervisor	1	–	–	–	–	–	1
P.B. Amoroso	Rank & File / Supervisor	1	–	–	–	–	1	1
N.C. Inton	Rank & File / Supervisor	–	1	–	–	–	1	1
F.C. Cristobal	Rank & File / Supervisor	–	1	–	–	–	1	1
E.E. Embile	Rank & File / Supervisor	1	–	–	–	–	–	1
F.C. Escrimadora	Rank & File / Supervisor	1	–	–	–	–	–	1
F.M. Mercado Jr.	Rank & File / Supervisor	1	–	–	–	–	1	1
V.M. Perlas Jr.	Rank & File / Supervisor	1	–	–	–	–	–	1
A.M. Prado Jr.	Rank & File / Supervisor	1	–	–	–	–	–	1
R.M. Tuscano Jr.	Rank & File / Supervisor	1	–	–	–	–	1	1
L.M. De Leon	Rank & File / Supervisor	1	–	–	–	–	1	1
R.M. Gayorgor	Rank & File / Supervisor	1	–	–	–	–	–	1
A.L. Avenido	Rank & File / Supervisor	1	–	–	–	–	–	1
M.D. Garcia	Rank & File / Supervisor	1	–	–	–	–	1	1
A.A. Nazareth	Rank & File / Supervisor	1	–	–	–	–	–	1
N.R. Amboy	Rank & File / Supervisor	1	–	–	–	–	–	1
R.Q. Villanueva	Rank & File / Supervisor	1	–	–	–	–	–	1
R.B. Fortuna	Rank & File / Supervisor	1	–	–	–	–	1	1
E.O. Garcia	Rank & File / Supervisor	1	–	–	–	–	1	1
A.E. Delmo	Rank & File / Supervisor	1	–	–	–	–	–	1
M.B. Candelario	Rank & File / Supervisor	1	–	–	–	–	1	1
A.L. Cansicio	Rank & File / Supervisor	1	–	–	–	–	–	1
E.P. Ramos	Rank & File / Supervisor	1	–	–	–	–	–	1
R.G. Pane	Rank & File / Supervisor	1	–	–	–	–	–	1
R.G. Jaspe	Rank & File / Supervisor	1	–	–	–	–	–	1
A.L. Laureta	Rank & File / Supervisor	1	–	–	–	–	1	1
L.F. Ternate	Rank & File / Supervisor	1	–	–	–	–	–	1
J.M. Lamberte	Rank & File / Supervisor	1	–	–	–	–	1	1
C.G. Sevilla	Rank & File / Supervisor	1	–	–	–	–	–	1
J.A. Maraña	Rank & File / Supervisor	1	–	–	–	–	–	1
A.B. Nuñez	Rank & File / Supervisor	1	–	–	–	–	–	1
R.C. Castillo	Rank & File / Supervisor	1	–	–	–	–	–	1

Name of debtor	Designation of debtor	Balance at beginning of period	Additions	Amounts collected (ii)	Amounts written off (iii)	Current	Not Current	Balance at end of period
N.A. Dedicatoria	Rank & File / Supervisor	1	–	–	–	–	–	1
R.P. Prado	Rank & File / Supervisor	1	–	–	–	–	–	1
J.M. Tardeo	Rank & File / Supervisor	1	–	–	–	–	–	1
M.H. Espeso	Rank & File / Supervisor	–	1	–	–	–	1	1
Z.C. Palad	Rank & File / Supervisor	–	1	–	–	–	1	1
A.M. Brecia	Rank & File / Supervisor	1	–	–	–	–	–	1
R.S. Camo	Rank & File / Supervisor	1	–	–	–	–	1	1
R.B. Fabula	Rank & File / Supervisor	1	–	–	–	–	1	1
R.M. Simon	Rank & File / Supervisor	1	–	–	–	–	–	1
L.G. Esguerra	Rank & File / Supervisor	1	–	–	–	–	–	1
O.N. Muya	Rank & File / Supervisor	1	–	–	–	–	–	1
R.F. Gaa	Rank & File / Supervisor	1	–	–	–	–	–	1
W.V. Gonzales	Officer	1	–	–	–	–	1	1
D.T. Tagubase	Officer	1	–	–	–	–	1	1
J.S. Abes	Rank & File / Supervisor	–	1	–	–	–	1	1
J.L. Orteza	Officer	1	–	–	–	–	–	1
P.P. Bausa	Rank & File / Supervisor	–	1	–	–	–	–	1
R.S. Ladines	Rank & File / Supervisor	1	–	–	–	–	–	1
J.O. Benaid	Rank & File / Supervisor	1	–	–	–	–	–	1
A.C. Feliciano	Rank & File / Supervisor	1	–	–	–	–	–	1
J.L. Agustin	Rank & File / Supervisor	1	–	–	–	–	–	1
E.H. Magat	Rank & File / Supervisor	1	–	–	–	–	–	1
N.T. Espejon	Rank & File / Supervisor	1	–	–	–	–	–	1
R.R. Gutierrez	Officer	1	2	(1)	–	–	1	2
D.R. Escuro	Officer	1	–	–	–	–	1	1
I.C. Sincioco	Officer	1	–	–	–	–	–	1
M.T. Esplana	Officer	1	–	–	–	–	1	1
R.B. Valdez	Officer	2	–	–	–	–	1	1
A.A. Guico	Officer	–	1	–	–	–	1	1
M.B. Antonio	Officer	1	–	–	–	–	1	1
A.B. Bautista	Officer	1	–	–	–	–	–	1
V.B. Delos Santos	Officer	1	–	–	–	–	–	1
E.M. Claro	Rank & File / Supervisor	1	–	–	–	–	–	1
J.G. Jimenez	Rank & File / Supervisor	1	–	–	–	–	–	1
J.C. Villanueva	Officer	1	–	–	–	–	1	1

Name of debtor	Designation of debtor	Balance at beginning of period	Additions	Amounts collected (ii)	Amounts written off (iii)	Current	Not Current	Balance at end of period
J.T. Arias	Officer	1	–	–	–	–	–	1
P.L. Peñaflorida	Rank & File / Supervisor	1	–	–	–	–	–	1
M.Y. Santoalla	Officer	1	–	–	–	–	1	1
E.G. Chavez	Rank & File / Supervisor	1	–	–	–	–	1	1
E.P. Chua	Rank & File / Supervisor	1	–	–	–	–	–	1
J.M. Atienza	Officer	1	–	–	–	–	–	1
J.O. Sandoval	Officer	1	–	–	–	–	–	1
M.C. Capco	Rank & File / Supervisor	1	–	–	–	–	–	1
B.L. Aquino	Rank & File / Supervisor	1	–	–	–	–	–	1
S.T. Chua-Lim	Officer	1	–	–	–	–	–	1
J.D. De Leon	Rank & File / Supervisor	1	–	–	–	–	1	1
D.C. Cruz	Officer	1	–	–	–	–	–	1
E.C. Delizo	Rank & File / Supervisor	1	–	–	–	–	–	1
E.O. Marcellana	Rank & File / Supervisor	1	–	–	–	–	–	1
M.J. Rosario	Officer	1	–	–	–	–	–	1
A.B. Aspiras	Rank & File / Supervisor	1	–	–	–	–	1	1
D.Z. Robosa	Officer	1	–	–	–	–	1	1
J.V. Morada	Rank & File / Supervisor	–	1	–	–	–	1	1
E.C. Marcial	Officer	–	1	–	–	–	1	1
R.A. Kalambacal	Rank & File / Supervisor	1	–	–	–	–	–	1
C.C. Santiago	Rank & File / Supervisor	1	–	–	–	–	1	1
M.C. Masamayor	Rank & File / Supervisor	1	–	–	–	–	–	1
J.A. Maunte	Rank & File / Supervisor	1	–	–	–	–	–	1
R.P. Pedregosa	Rank & File / Supervisor	1	–	–	–	–	1	1
A.E. Pancho	Officer	1	–	–	–	–	1	1
E.D. Lucio	Rank & File / Supervisor	1	–	–	–	–	–	1
E.M. Caisip	Rank & File / Supervisor	1	–	–	–	–	1	1
R.A. Valdez	Rank & File / Supervisor	–	1	–	–	–	1	1
E.I. Manzanero	Rank & File / Supervisor	1	–	–	–	–	–	1
H.L. Buendia	Officer	1	–	–	–	–	1	1
R.S. Mercado	Rank & File / Supervisor	1	–	–	–	–	–	1
R.P. Ocampo	Rank & File / Supervisor	1	–	–	–	–	–	1
E.D. Forteza	Rank & File / Supervisor	1	–	–	–	–	1	1
V.A. Nazareth	Rank & File / Supervisor	1	1	(1)	–	–	1	1
R.O. Romero	Rank & File / Supervisor	1	–	–	–	–	–	1

Name of debtor	Designation of debtor	Balance at beginning of period	Additions	Amounts collected (ii)	Amounts written off (iii)	Current	Not Current	Balance at end of period
E.N. Mogol	Rank & File / Supervisor	–	1	–	–	–	1	1
R.M. Inanoria	Rank & File / Supervisor	1	–	–	–	–	–	1
J.P. Sto Domingo Jr.	Rank & File / Supervisor	1	–	–	–	–	1	1
I.E. Borsigue	Rank & File / Supervisor	1	–	–	–	–	–	1
D.C. Rosales	Rank & File / Supervisor	1	–	–	–	–	–	1
M.P. Beniopa	Rank & File / Supervisor	–	1	–	–	–	1	1
G.F. Pante	Rank & File / Supervisor	1	–	–	–	–	–	1
A.B. Parilla	Rank & File / Supervisor	1	–	–	–	–	1	1
B.L. Abraham	Rank & File / Supervisor	1	–	–	–	–	1	1
D.A. Carpio	Rank & File / Supervisor	1	–	–	–	–	–	1
M.C. Visaya	Rank & File / Supervisor	1	–	–	–	–	–	1
E.E. Sto Tomas	Rank & File / Supervisor	1	–	–	–	–	–	1
A.M. Abante	Rank & File / Supervisor	1	–	–	–	–	1	1
J.C. Alicabo	Rank & File / Supervisor	1	–	–	–	–	–	1
L.R. Olaco Jr.	Rank & File / Supervisor	1	–	–	–	–	–	1
R.D. Andal	Rank & File / Supervisor	1	–	–	–	–	–	1
J.M. Broqueza	Rank & File / Supervisor	1	–	–	–	–	–	1
J.C. Soto	Rank & File / Supervisor	1	–	–	–	–	–	1
J.Z. Alam	Rank & File / Supervisor	1	–	–	–	–	1	1
G.G. Castillo	Officer	1	–	–	–	–	1	1
A.C. Hayag	Rank & File / Supervisor	1	–	–	–	–	–	1
R.V. Liwanag	Rank & File / Supervisor	1	–	–	–	–	–	1
A.M. Marquez	Rank & File / Supervisor	1	–	–	–	–	–	1
R.T. Pahati Jr.	Rank & File / Supervisor	1	–	–	–	–	–	1
E.D. Parala	Rank & File / Supervisor	1	–	–	–	–	1	1
R.A. Peña	Rank & File / Supervisor	1	–	–	–	–	–	1
R.E. Pineda	Rank & File / Supervisor	1	–	–	–	–	–	1
W.M. Solas	Rank & File / Supervisor	1	1	(1)	–	–	1	1
L.D. Tejano	Officer	1	–	–	–	–	1	1
N.F. Fuedan	Rank & File / Supervisor	1	–	–	–	–	–	1
L.A. Gregorio	Rank & File / Supervisor	–	1	–	–	–	1	1
L.L Cabauatan	Rank & File / Supervisor	1	–	–	–	–	–	1
C.B. Nalaunan	Rank & File / Supervisor	1	–	–	–	–	1	1
R.G. Waje	Rank & File / Supervisor	1	–	–	–	–	–	1
R.P. Malaiba	Rank & File / Supervisor	–	1	–	–	–	1	1

Name of debtor	Designation of debtor	Balance at beginning of period	Additions	Amounts collected (ii)	Amounts written off (iii)	Current	Not Current	Balance at end of period
T.V. Pinca	Rank & File / Supervisor	1	–	–	–	–	–	1
O.S. Tirador	Rank & File / Supervisor	1	–	–	–	–	–	1
R.R. Bayot	Rank & File / Supervisor	1	–	–	–	–	–	1
P.R. Santos	Rank & File / Supervisor	1	–	–	–	–	1	1
L.G. Perey	Rank & File / Supervisor	1	–	–	–	–	–	1
E.M. Caancan	Rank & File / Supervisor	1	–	–	–	–	–	1
E.C. Camaing	Rank & File / Supervisor	–	1	–	–	–	1	1
E.A. Concepcion	Rank & File / Supervisor	–	1	–	–	–	1	1
R.A. Parado	Rank & File / Supervisor	1	–	–	–	–	–	1
G.V. Rodriguez	Rank & File / Supervisor	1	–	–	–	–	–	1
J.M. Santiago	Rank & File / Supervisor	1	–	–	–	–	–	1
R.C. Bay	Rank & File / Supervisor	1	–	–	–	–	–	1
R.S. Aquino	Rank & File / Supervisor	1	–	–	–	–	–	1
C.T. Biscocho	Rank & File / Supervisor	1	–	–	–	–	1	1
F.A. Macatangay	Rank & File / Supervisor	1	–	–	–	–	–	1
J.I. Baltazar Jr.	Rank & File / Supervisor	–	1	–	–	–	–	1
J.L. Pareja	Rank & File / Supervisor	1	–	–	–	–	–	1
A.B. Divinagracia	Rank & File / Supervisor	1	–	–	–	–	–	1
R.V. Dizon	Rank & File / Supervisor	1	–	–	–	–	–	1
R.C. Vargas	Rank & File / Supervisor	1	–	–	–	–	1	1
P.Y. Sanchez Jr.	Rank & File / Supervisor	–	1	–	–	–	1	1
R.P. Ugates	Rank & File / Supervisor	1	–	–	–	–	1	1
R.C. Delos Santos Jr.	Rank & File / Supervisor	1	–	–	–	–	–	1
T.T. Lopez Jr.	Officer	1	–	–	–	–	–	1
B.G. Luna	Rank & File / Supervisor	–	1	–	–	–	1	1
E.A. Rogador	Rank & File / Supervisor	1	–	–	–	–	1	1
J.D. Sotto	Rank & File / Supervisor	–	1	–	–	–	1	1
A.I. Manongsong	Rank & File / Supervisor	1	–	–	–	–	1	1
A.B. Alvarez	Rank & File / Supervisor	1	–	–	–	–	1	1
F.M. Aspuria	Rank & File / Supervisor	1	–	–	–	–	1	1
R.C. Cay	Rank & File / Supervisor	–	1	–	–	–	1	1
A.S. Dayrit	Officer	–	1	–	–	–	1	1
M.A. Quinto	Rank & File / Supervisor	1	–	–	–	–	1	1
A.P. Binauhan	Rank & File / Supervisor	–	1	–	–	–	1	1
L.C. Francisco	Rank & File / Supervisor	(1)	1	–	–	–	1	1

Name of debtor	Designation of debtor	Balance at beginning of period	Additions	Amounts collected (ii)	Amounts written off (iii)	Current	Not Current	Balance at end of period
L.C. Capidos	Rank & File / Supervisor	1	–	–	–	–	1	1
A.D. Cruzado	Rank & File / Supervisor	1	–	–	–	–	–	1
R.N. Metica	Rank & File / Supervisor	–	1	–	–	–	1	1
R.A. Adorador	Rank & File / Supervisor	1	–	–	–	–	–	1
A.D. Gimang	Rank & File / Supervisor	1	–	–	–	–	–	1
F.C. Hermosa	Rank & File / Supervisor	1	–	–	–	–	–	1
R.M. Cantalejo	Rank & File / Supervisor	1	–	–	–	–	1	1
J.I. Palma	Rank & File / Supervisor	–	1	–	–	–	1	1
F.B. De Guzman	Rank & File / Supervisor	1	–	–	–	–	–	1
G.C. Cruzado	Rank & File / Supervisor	1	–	–	–	–	–	1
R.T. Ramos	Rank & File / Supervisor	1	–	–	–	–	–	1
R.B. Magdaong	Rank & File / Supervisor	1	–	–	–	–	1	1
A.A. Andallo	Rank & File / Supervisor	1	–	–	–	–	–	1
D.L. Samson	Rank & File / Supervisor	1	–	–	–	–	–	1
M.N. Caraan	Rank & File / Supervisor	1	–	–	–	–	1	1
A.D. Bautista	Rank & File / Supervisor	1	–	–	–	–	1	1
B.P. Oclarino	Rank & File / Supervisor	1	–	–	–	–	–	1
H.H. Hara	Rank & File / Supervisor	1	–	–	–	–	–	1
D.F. Mendiola	Officer	–	1	–	–	–	1	1
A.Y. Aguilar	Rank & File / Supervisor	–	1	–	–	–	1	1
C.F. Tolete	Rank & File / Supervisor	–	1	–	–	–	1	1
A.A. Viloria	Rank & File / Supervisor	–	1	–	–	–	–	1
R.A. Sampan	Officer	–	1	–	–	–	1	1
E.S. Araracap	Rank & File / Supervisor	–	1	–	–	–	1	1
C.B. Agapito	Rank & File / Supervisor	–	1	–	–	–	–	1
C.D. Malaguit	Rank & File / Supervisor	–	1	–	–	–	1	1
J.D. Cabrera	Rank & File / Supervisor	–	1	–	–	–	1	1
F.M. Montero	Rank & File / Supervisor	–	1	–	–	–	1	1
P.D. De Torres	Rank & File / Supervisor	–	1	–	–	–	1	1
R.F. Dela Cruz	Rank & File / Supervisor	–	1	–	–	–	1	1
M.D. Gonzales	Rank & File / Supervisor	–	1	–	–	–	1	1
M.C. Fernandez	Rank & File / Supervisor	–	1	–	–	–	1	1
E.C. Pedriña	Rank & File / Supervisor	–	1	–	–	–	1	1
M.C. Arca	Rank & File / Supervisor	–	1	–	–	–	1	1
O.J. Dante Jr.	Rank & File / Supervisor	–	1	–	–	–	1	1

Name of debtor	Designation of debtor	Balance at beginning of period	Additions	Amounts collected (ii)	Amounts written off (iii)	Current	Not Current	Balance at end of period
R.A. Evangelista	Rank & File / Supervisor	–	1	–	–	–	1	1
V.A. Acebuche	Rank & File / Supervisor	–	1	–	–	–	–	1
M.C. Desepeda	Rank & File / Supervisor	–	1	–	–	–	–	1
A.L. Carrasca	Rank & File / Supervisor	–	1	–	–	–	–	1
A.D. Barcia	Rank & File / Supervisor	–	1	–	–	–	1	1
J.C. Laurenaria	Rank & File / Supervisor	–	1	–	–	–	–	1
A.G. Alaurin	Rank & File / Supervisor	–	1	–	–	–	–	1
R.B. Polero	Rank & File / Supervisor	–	1	–	–	–	–	1
E.B. Balderama	Rank & File / Supervisor	–	1	–	–	–	–	1
C.B. Dacir	Rank & File / Supervisor	–	1	–	–	–	1	1
M.A. Zalameda,	Officer	–	1	–	–	–	1	1
J.B. Tablizo	Rank & File / Supervisor	–	1	–	–	–	1	1
B.F. Felipe	Rank & File / Supervisor	–	1	–	–	–	1	1
L.R. Aspiras	Rank & File / Supervisor	–	1	–	–	–	1	1
M.L. Gardiner	Officer	–	1	–	–	–	1	1
F.E. Bautista	Rank & File / Supervisor	–	1	–	–	–	–	1
M.L. Lubugan	Rank & File / Supervisor	–	1	–	–	–	–	1
G.M Castro	Rank & File / Supervisor	–	1	–	–	–	1	1
E.A. Capunitan	Rank & File / Supervisor	–	1	–	–	–	1	1
R.L. Martinez	Rank & File / Supervisor	–	1	–	–	–	1	1
J.N. Velasco Jr.	Rank & File / Supervisor	–	1	–	–	–	1	1
R.D. Pelobello	Rank & File / Supervisor	–	1	–	–	–	1	1
E.D. Mangila	Rank & File / Supervisor	–	1	–	–	–	1	1
M.A. Gache	Rank & File / Supervisor	–	1	–	–	–	1	1
J.J. Lacatan	Rank & File / Supervisor	–	1	–	–	–	1	1
R.V. Arellano	Rank & File / Supervisor	–	1	–	–	–	1	1
L.L. Elomina	Rank & File / Supervisor	–	1	–	–	–	1	1
P.D. Dean	Rank & File / Supervisor	–	–	(1)	–	(1)	–	(1)
		₱185	₱78	(₱4)	₱–	(₱1)	₱128	₱259

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
Toyota San Fernando Pampanga, Inc.	Subsidiary of Toyota Motor Philippines Corp.	₱195	₱34	₱229	₱–	₱ 229
Toyota Makati, Inc.	-do-	199	96	295	–	295
Lexus Manila, Inc.	-do-	310	(296)	14	–	14
Toyota Sta. Rosa Laguna Inc.	-do-	55	77	132	–	132
TMP Logistics, Inc.	-do-	14	(8)	6	–	6
Topsphere Realty Development Co. Inc.	Subsidiary of Federal Land, Inc.	823	101	924	–	924
Omni Orient Management Corp.	-do-	4	–	4	–	4
Central Realty & Dev't Corp.	-do-	328	–	328	–	328
Horizon Land Property Development Corp.	-do-	1,967	(1,695)	272	-	272
TMBC Insurance Agency Corporation	Subsidiary of Toyota Manila Bay Corporation	1	–	1	–	1
Oxfordshire Holdings, Inc.	-do-	26	(7)	19	–	19
		₱3,922	(₱1,698)	₱2,224	₱–	₱2,224

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	₱3,900	₱3,899	₱–	Interest rate of 4.8371% and will mature on February 27, 2020
Bonds payable	6,100	–	6,076	Interest rate of 5.0937% and will mature on February 27, 2023
Bonds payable	5,000	–	4,986	Interest rate of 5.1965% and will mature on August 7, 2021
Bonds payable	4,000	–	3,978	Interest rate of 5.6250% and will mature on August 7, 2024
	19,000	3,899	15,040	
Note Facility Agreement	4,850	3,871	979	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	-	6,982	Interest rate of 5.556% and will mature on March 26, 2025
Loans payable	6,000	-	5,984	Interest rate of 5.0500% and will mature on March 26, 2025
Loans payable	2,000	-	1,994	Interest rate of 5.8081% and will mature on December 4, 2027
Loans payable	4,000	-	3,985	Interest rate of 5.8075% and will mature on December 3, 2027
Loans payable	2,000	-	1,992	Interest rate of 5.9343% and will mature on December 22, 2028
Loans payable	4,000	-	3,986	Interest rate of 5.5556% and will mature on December 22, 2026
Loans payable	10,000	-	9,933	Interest rate of 7.3232% and will mature on March 27, 2030
Loans payable	15,000	-	14,903	Interest rate of 6.5687% and will mature on March 27, 2028
Loans payable	3,000	-	2,978	Interest rate of 5.44824% and will mature on November 4, 2029
Loans payable	10,790	-	10,728	Interest rate of 3-month JPY Libor plus 0.65% spread and will mature in July 2024
Loans payable	79	-	79	Interest rate of 4.2% and will mature on February 26, 2021
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	861	Interest rates ranging from 4.85% to 5.94% and will mature on May 29, 2026
Loans payable	2,000	-	1,998	Interest rate of 2.8% and will mature on August 25, 2021
Loans payable	200	-	200	Interest rate of 2.6% and will mature on November 22, 2021
Loans payable	536	-	535	Interest rate of 2.55% and will mature on November 22, 2021
Loans payable	300	-	300	Interest rate of 2.55% and will mature on November 22, 2021
Loans payable	200	-	200	Interest rate of 2.55% and will mature on November 22, 2021
Loans payable	3,264	-	3,257	Interest rate of 2.60% to 2.90% and will mature in 2022
Loans payable	6,511	435	6,075	₱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 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	2,200	-	2,200	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	800	-	800	Interest rate of 6.07% with a term of 20 years and will be paid in full on maturity date.
Loans payable	200	200	-	Interest rate of 5.0% with a term of 5 years and will be paid in full on maturity date.
Loans payable	335	-	335	Interest rate of 5.0% with a term of 5 years and will be paid in full on maturity date.
Loans payable	140	140	-	Interest rate of 5.0% with a term of 5 years and will be paid in full on maturity date.
Loans payable	120	120	-	Interest rate of 5.0% with a term of 5 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 amounting to ₱0.20 million starting on May 29, 2021 and fully payable on May 29, 2026
Loans payable	225	13	212	Interest rate of 5.25%, due in annual payment of ₱12.5 million starting on September 2018 and fully payable on September 5, 2021
Loans payable	100	-	100	Interest rate of 5.725% and will mature on March 16, 2022
Loans payable	500	-	498	Interest rate of 5.9625% and will mature on November 4, 2022
Loans payable	2,500	-	2,486	Interest rate of 4.25% and will mature on June 29, 2023
Loans payable	675	38	635	Interest rates of 6.6728% and 6.7097% and will mature on September 5, 2021
Loans payable	1,280	-	1,270	Interest rate of 5.30% and will mature on November 23, 2024
Loans payable	300	-	298	Interest rate of 5.29% and will mature on November 26, 2024

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
	92,572	4,974	87,149	
	₱111,572	₱8,873	₱102,189	

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	₱9,000	
Toyota Aisin Philippines, Inc.	79	79	
Metropolitan Bank & Trust Co.	850	925	

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				

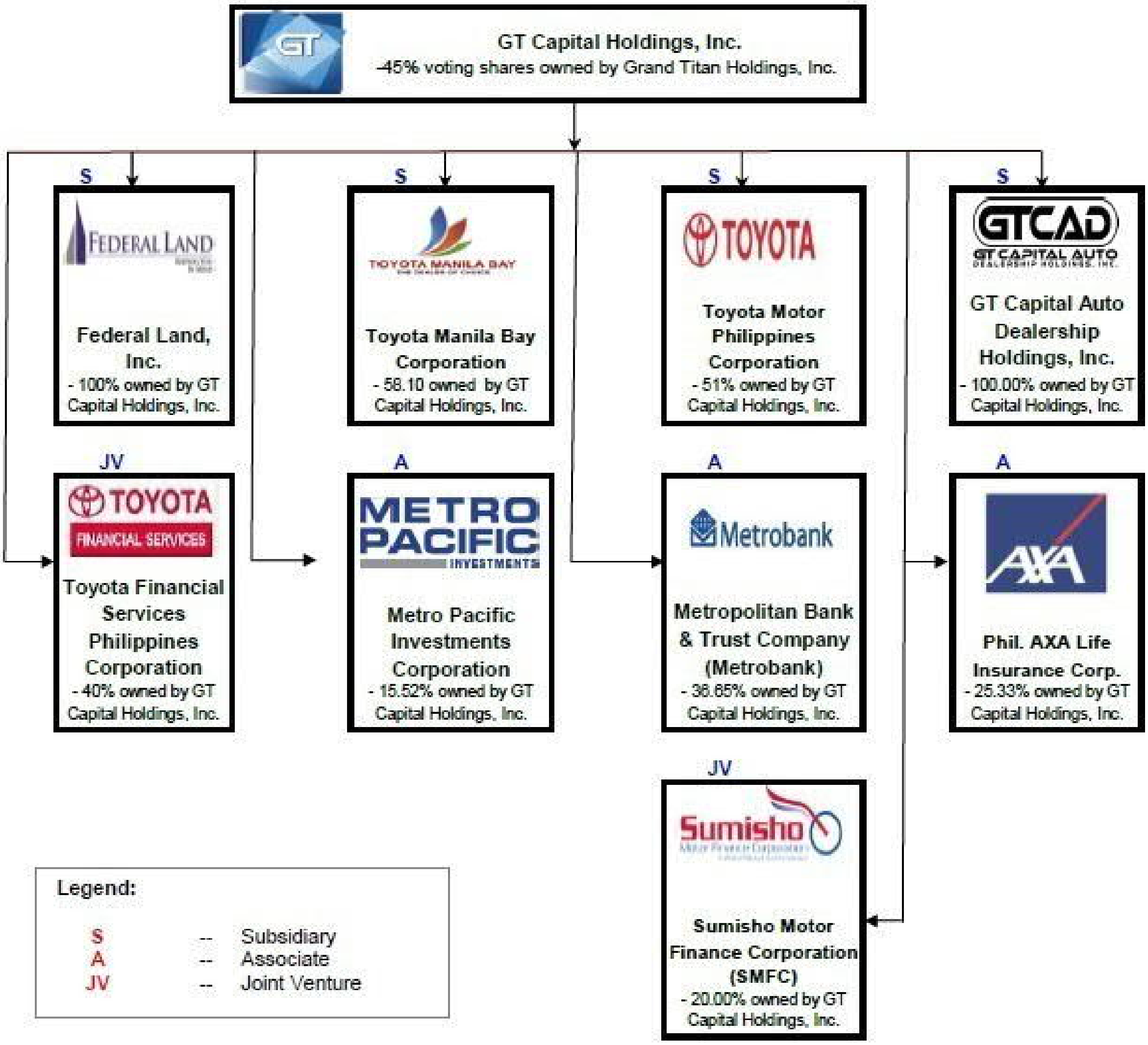
Schedule G. Capital Stock (in absolute amounts)

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	492,648	94,378,281
Voting preferred stock	174,300,000	174,300,000	–	170,490,640	722,548	3,086,812
Perpetual preferred stock	20,000,000	12,000,000	–	–	4,400	11,995,600

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, 2019



LEGEND:

Subsidiary (S)

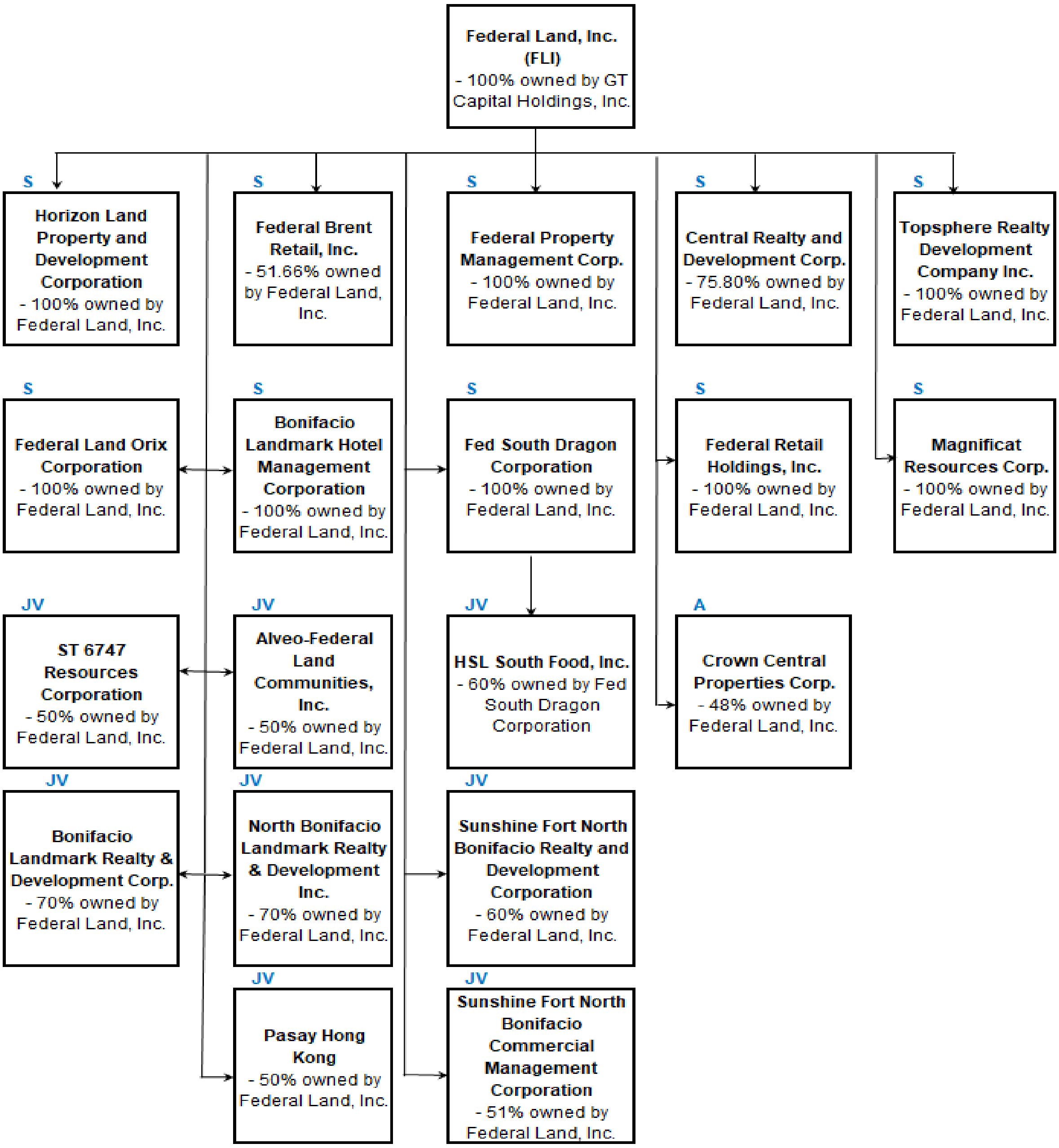
Associate (A)

Joint Venture (JV)

FEDERAL LAND, INC.

SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE

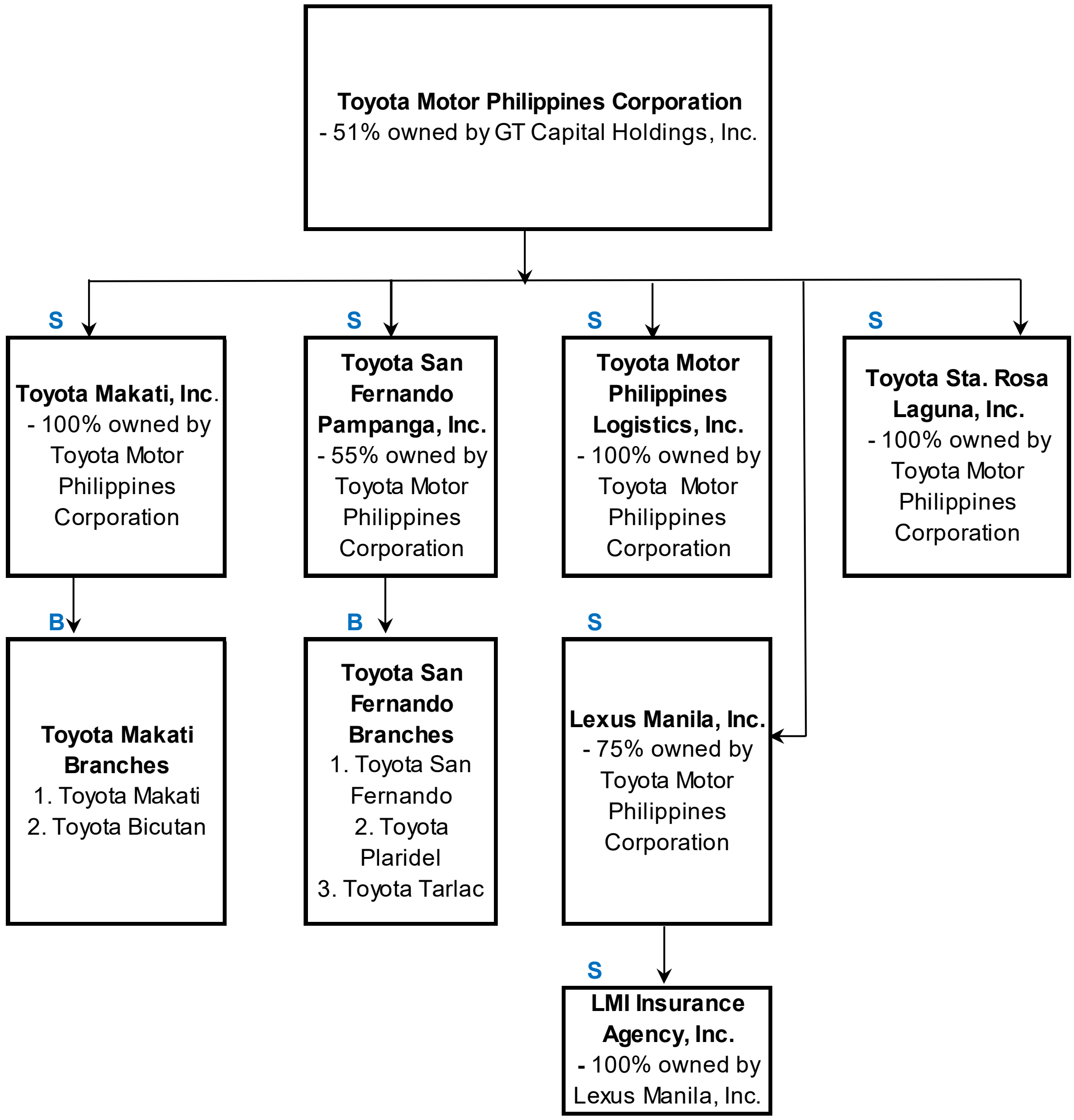
AS OF DECEMBER 31, 2019



LEGEND:

Subsidiary (S)
Associate (A)
Joint Venture (JV)

TOYOTA MOTOR PHILIPPINES CORPORATION
SUBSIDIARIES
AS OF DECEMBER 31, 2019

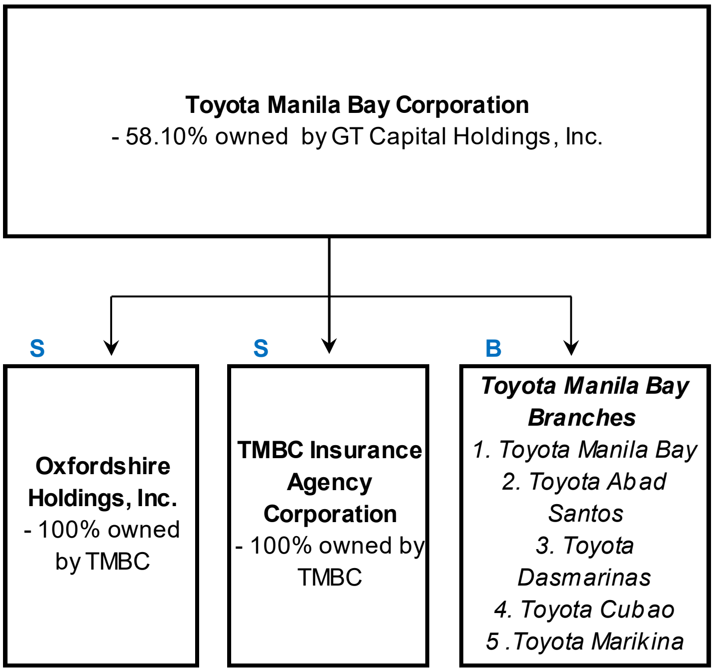


LEGEND:
Subsidiary (S)
Branch (B)

TOYOTA MANILA BAY CORPORATION

SUBSIDIARIES

AS OF DECEMBER 31, 2019

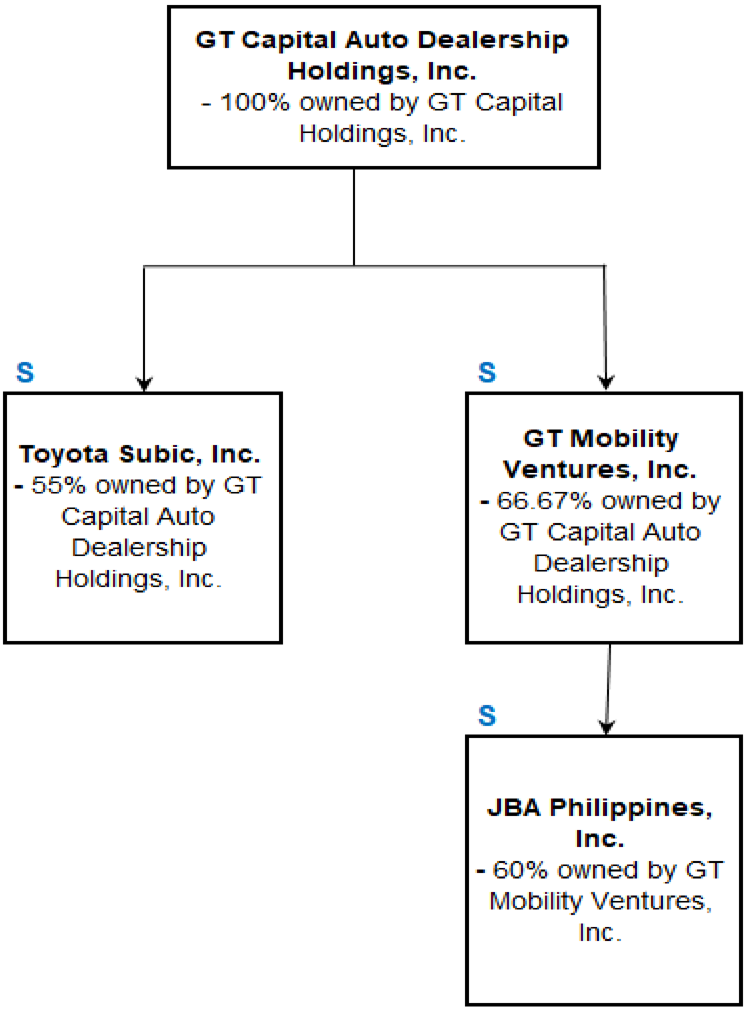


LEGEND:
Subsidiary (S)
Branch(B)

GT CAPITAL AUTO DEALERSHIP HOLDINGS, INC.

SUBSIDIARIES

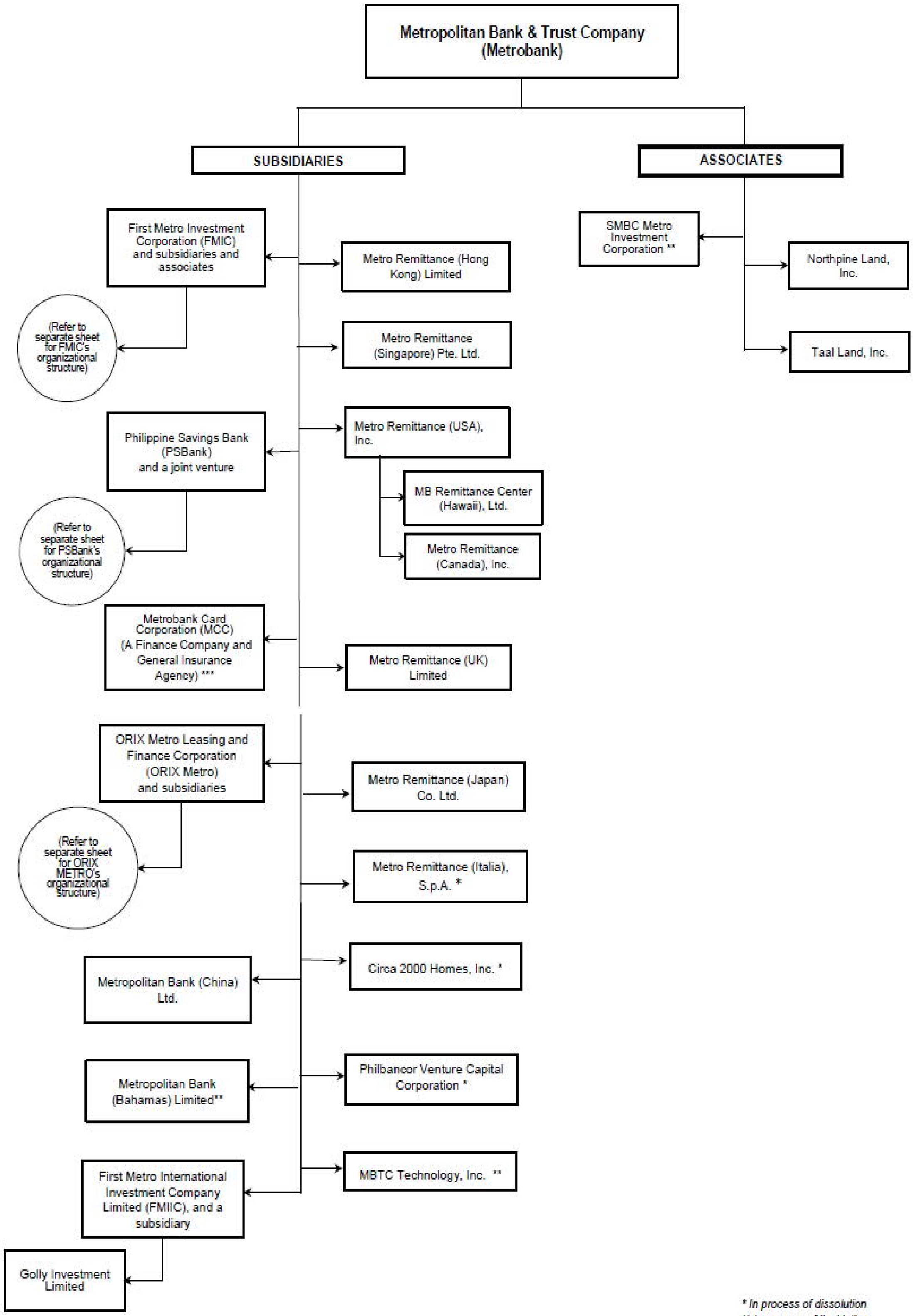
AS OF DECEMBER 31, 2019



LEGEND:

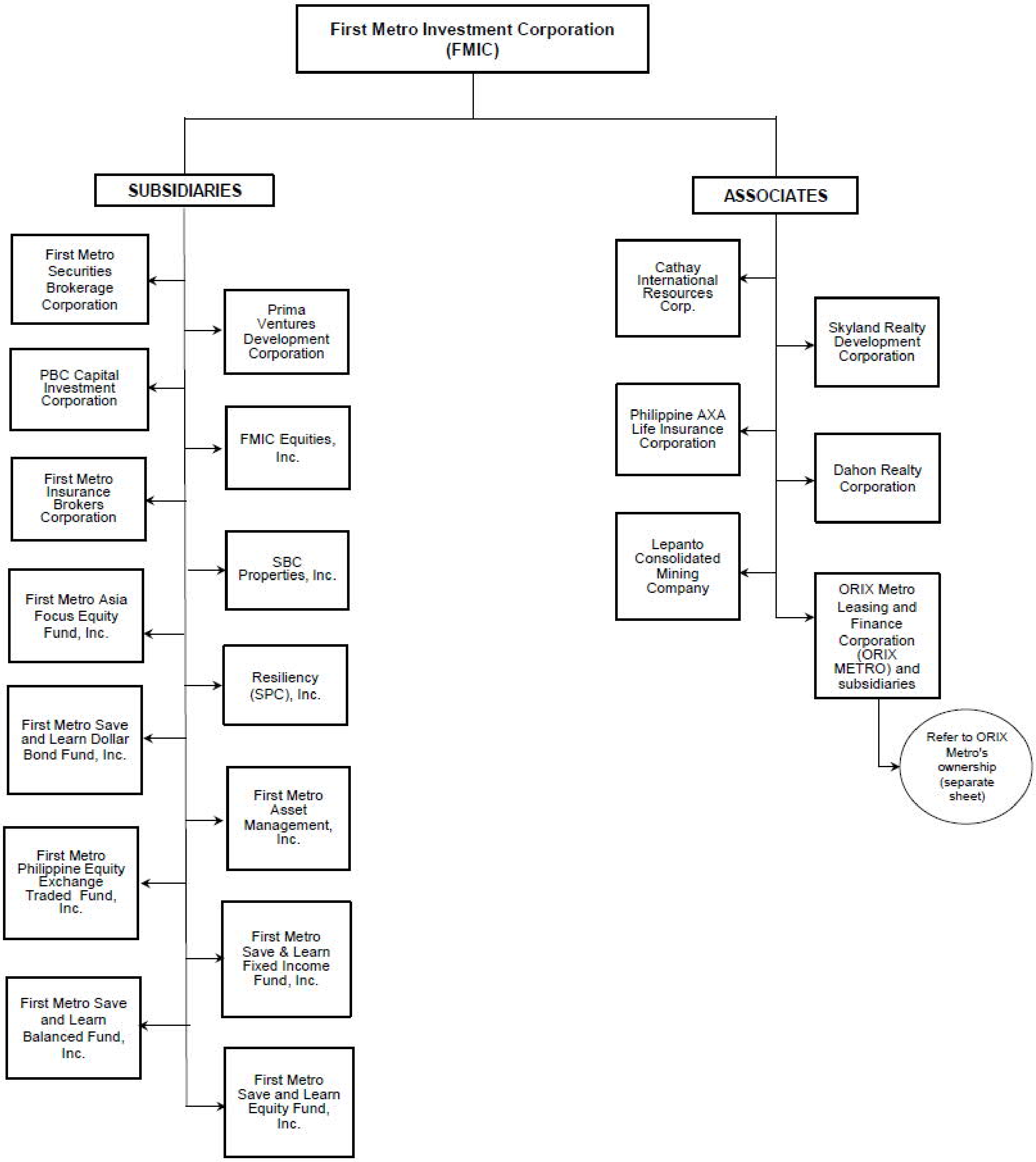
Subsidiary (S)

METROPOLITAN BANK AND TRUST COMPANY
SUBSIDIARIES AND ASSOCIATES
AS OF DECEMBER 31, 2019

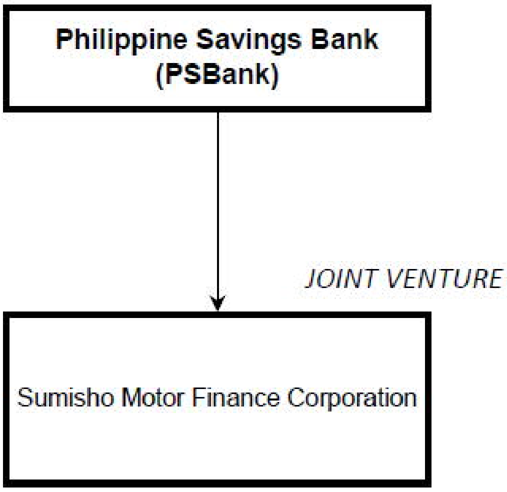


** In process of dissolution*
*** In process of liquidation*
**** The SEC approved the merger of MCC into the Bank effective January 3, 2020*

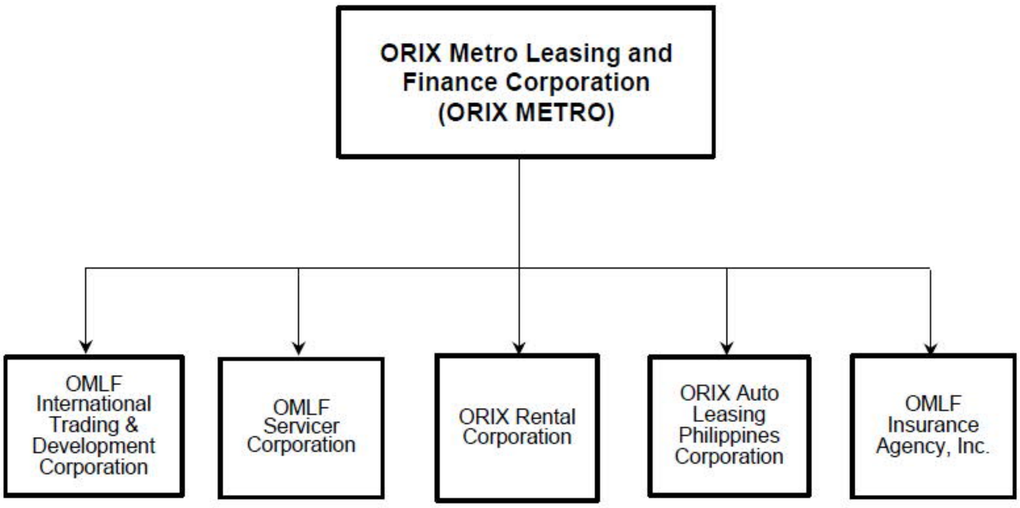
First Metro Investment Corporation
Subsidiaries, Joint Venture and Associates
As of December 31, 2019



Philippine Savings Bank
Joint Venture
As of December 31, 2019



ORIX Metro Leasing and Finance Corporation (ORIX METRO)
Subsidiaries
As of December 31, 2019



PHILIPPINE AXA LIFE INSURANCE CORPORATION

SUBSIDIARY

AS OF DECEMBER 31, 2019

Phil. AXA Life Insurance Corp.
- 25.33% owned by GT Capital Holdings, Inc.

S

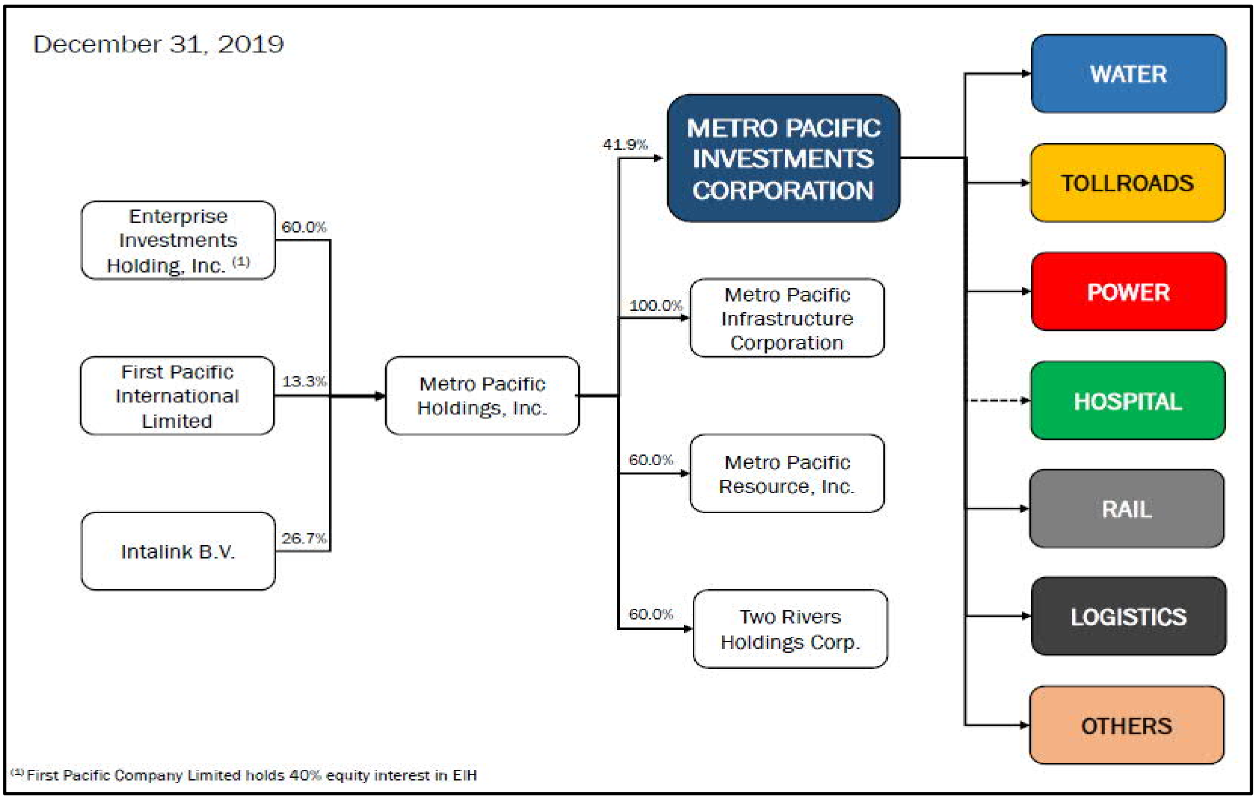
Charter Ping An Insurance Corporation
- 100% owned by Phil. AXA Life Insurance Corp.

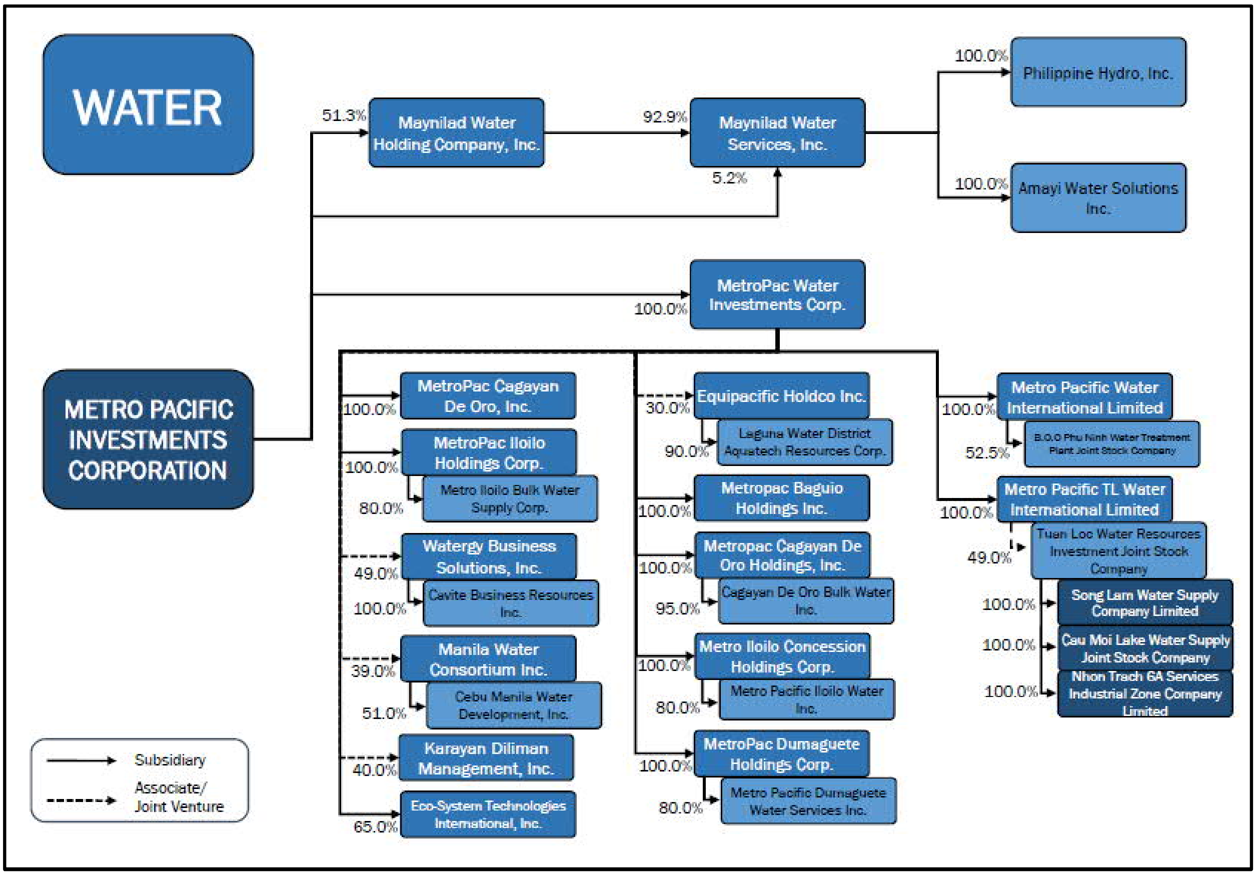
LEGEND:
Subsidiary (S)

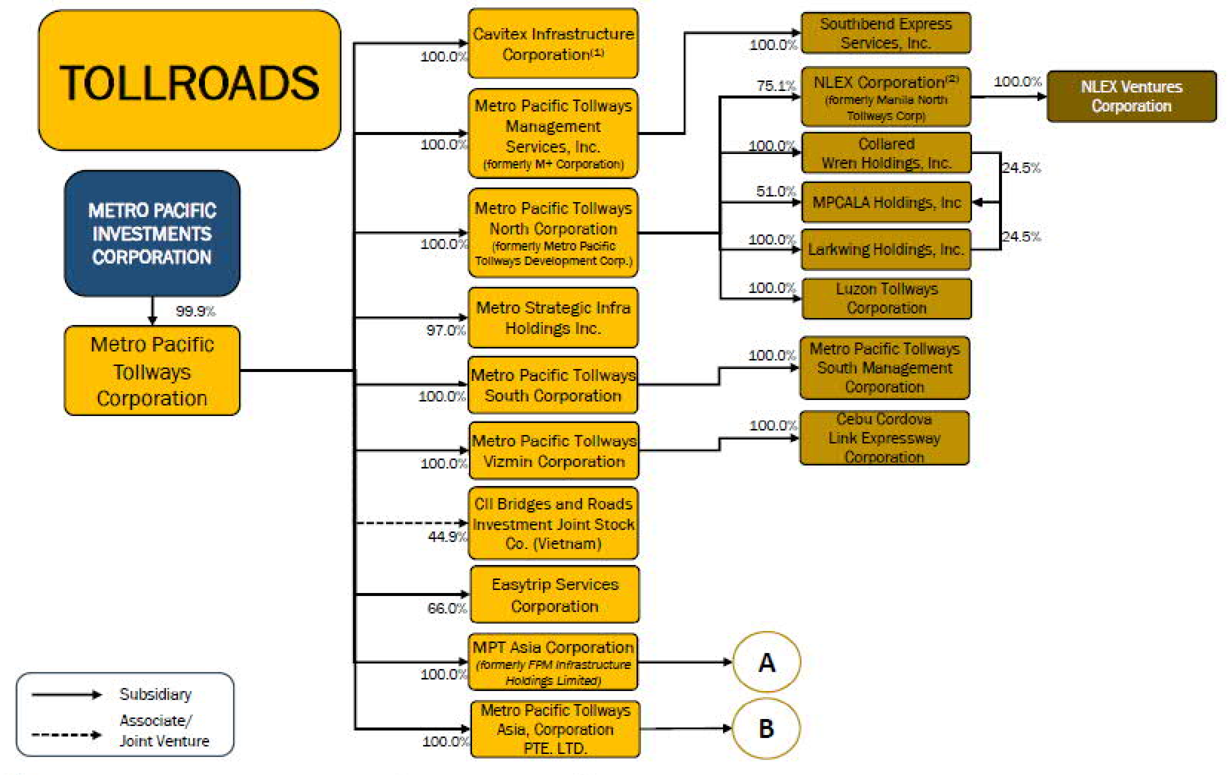
METRO PACIFIC INVESTMENTS CORPORATION

SUBSIDIARIES

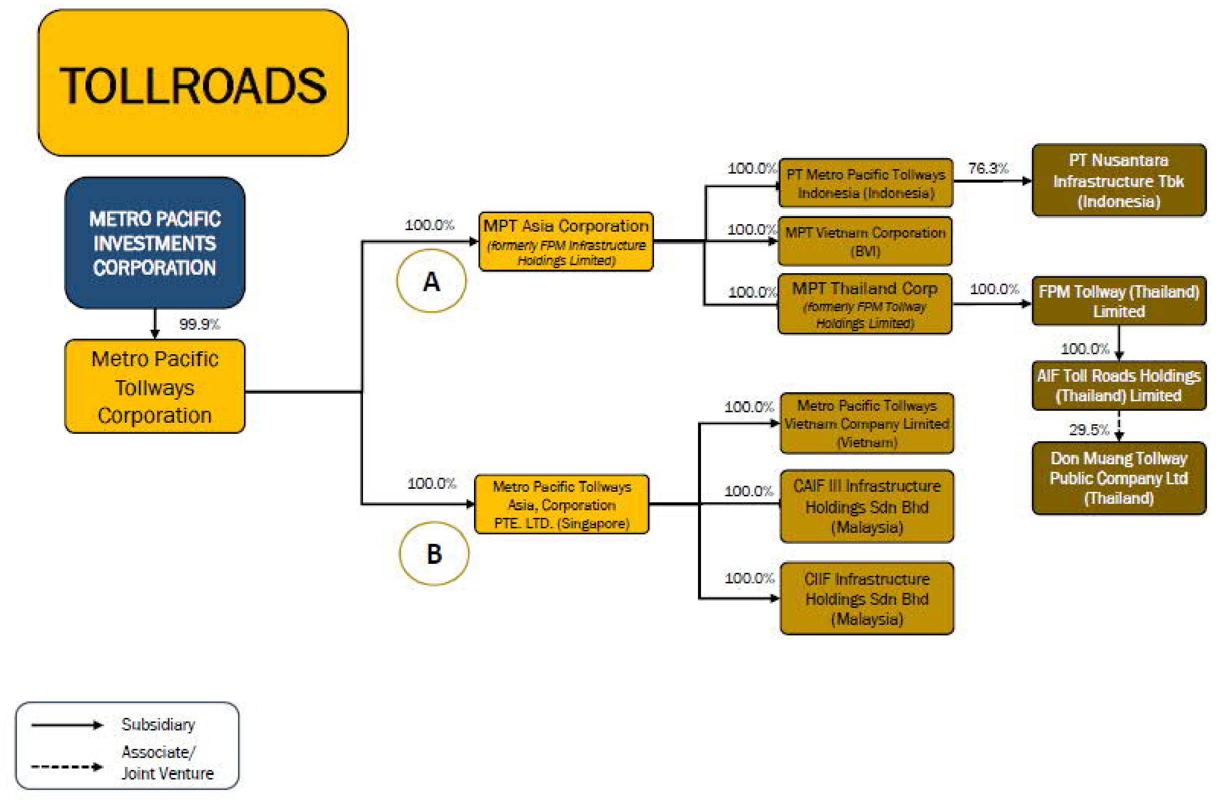
AS OF DECEMBER 31, 2019

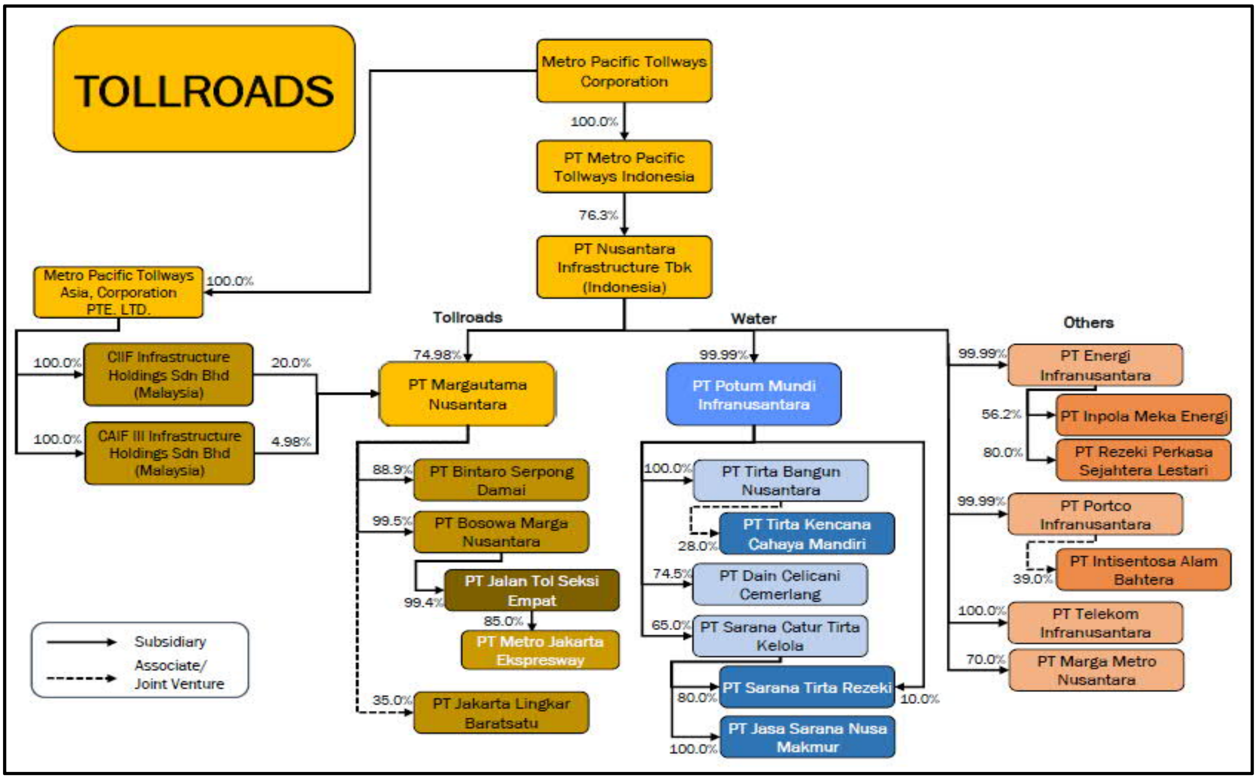


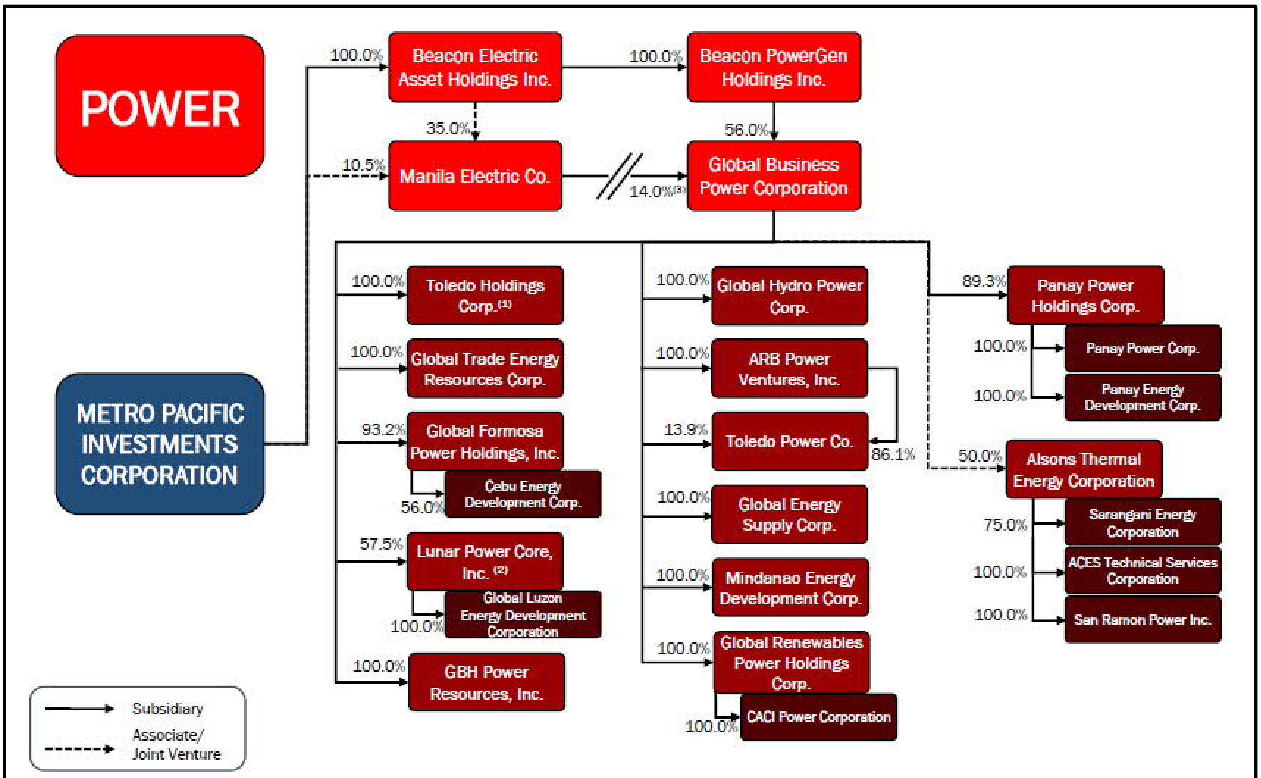




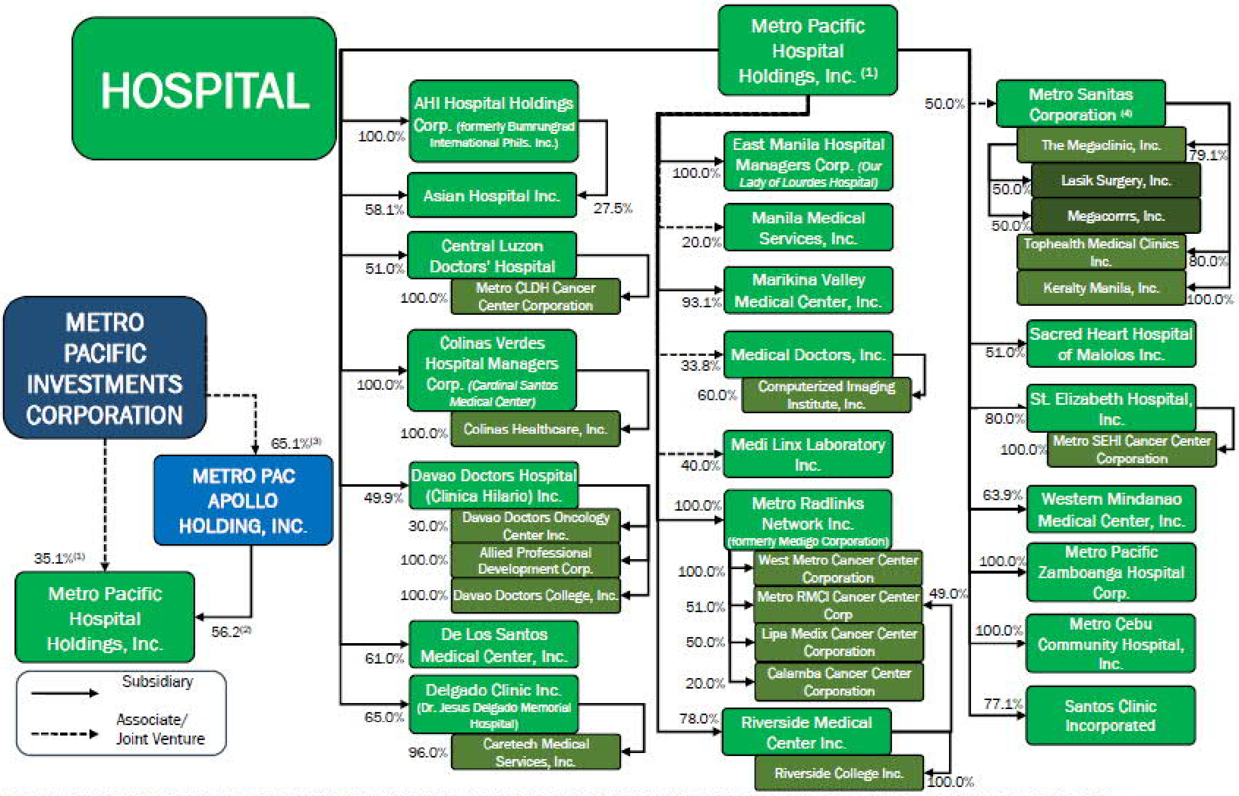
(1) By virtue of the Management Letter-Agreement, MPTC acquired control over CIC effective Jan 2, 2013.
(2) 4.3% is owned through 42.8% ownership in Egis Investment Partners Philippines Inc.



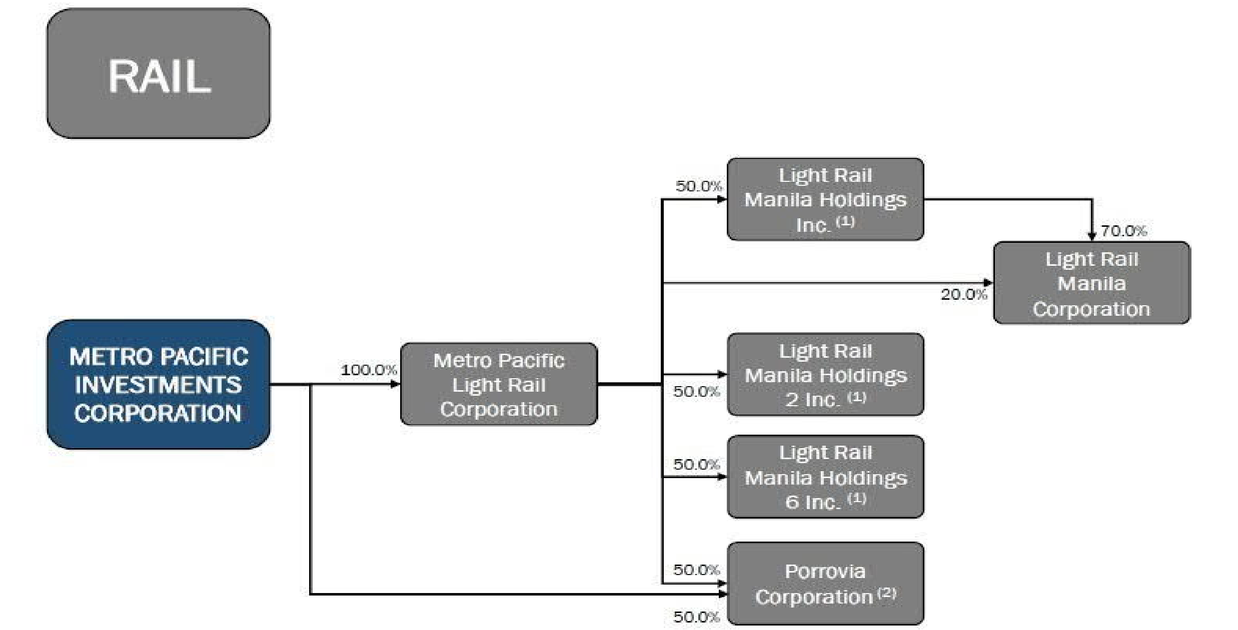




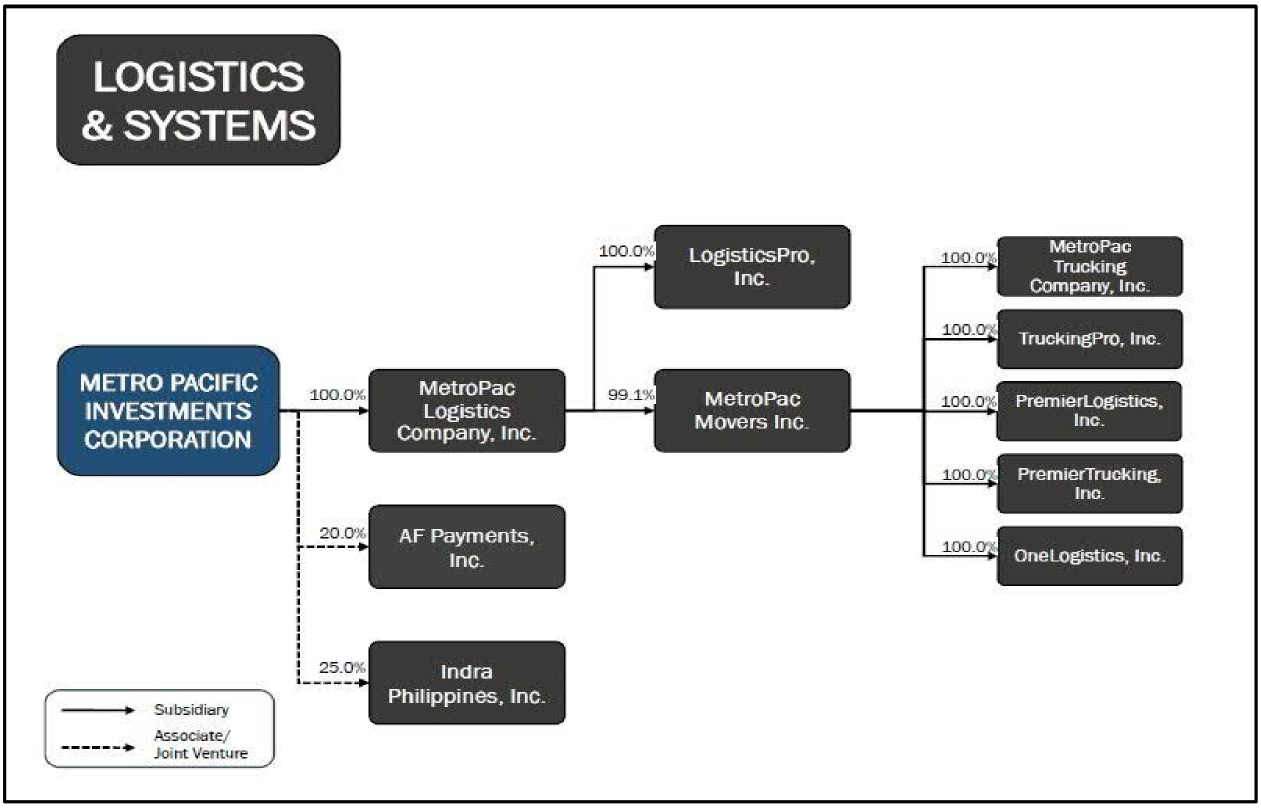
(1) Includes 16% shares owned by GBH Cebu Limited Duration Company which was assigned to GPBC but pending issuance of BIR Certificate Authorizing Registration.
(2) GBPC owns 56.5% of common (voting) shares, and thus exercises 56.5% voting rights.
(3) MERALCO owns 14% effective interest in GBPC through a wholly owned subsidiary Meralco PowerGen Corporation.

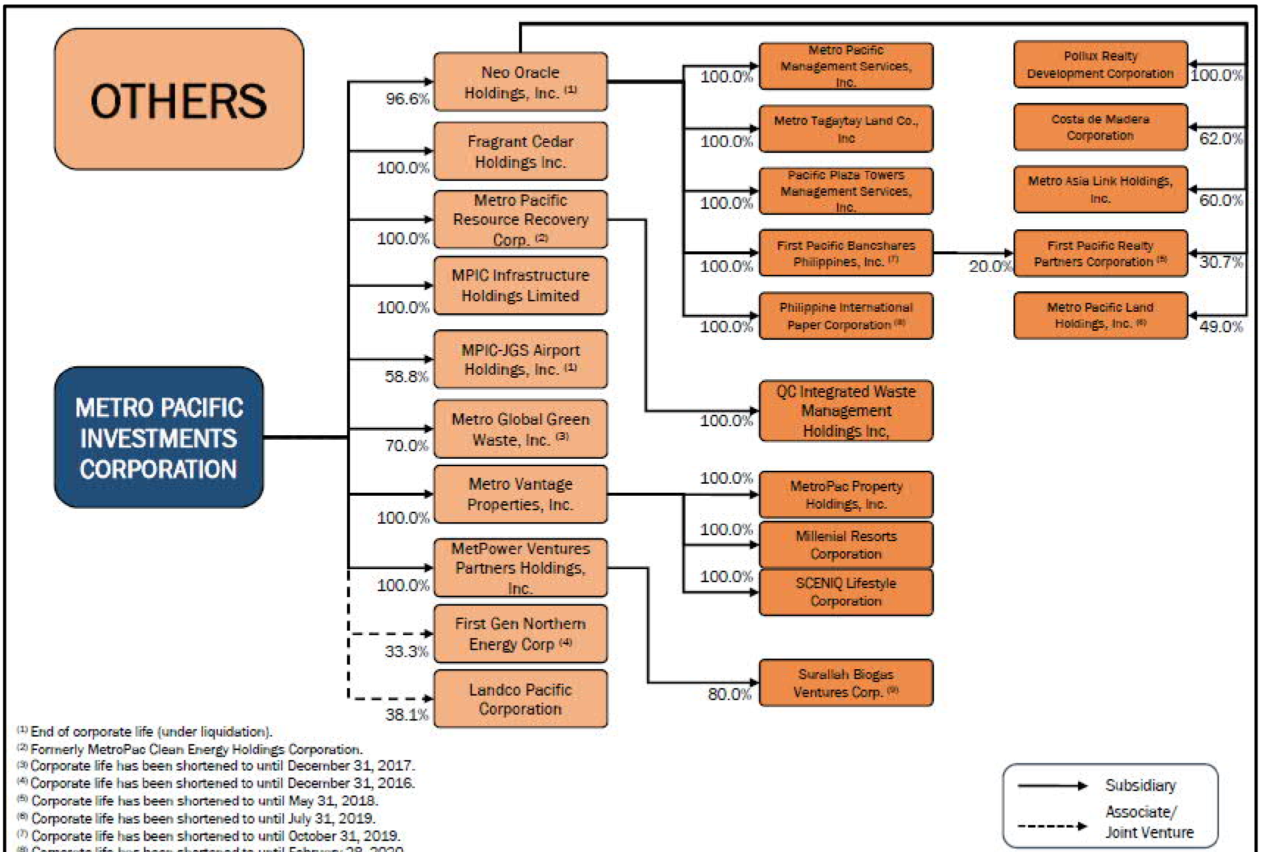


(1) Represents voting rights of common shares issued by MPHHI. Subject of an Exchangeable Bond covering 398,070,552 MPHHI common shares (refer to 2019 Audited Consolidated Financial Statements).
(2) Represents voting rights of preferred shares issued by MPHHI (refer to 2019 Audited Consolidated Financial 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 2019 Audited Consolidated Financial Statements).
(4) Met Live Clinic, Festival Mall Clinic and Gateway Clinic are operated as branches of MSC.



(1) Controlling interest in LRMHI, LRMH2 and LRMH6. Equity interest of 50% plus one share.
(2) Corporate life has been shortened to until March 31, 2019.





(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 May 31, 2018.
(6) Corporate life has been shortened to until July 31, 2019.
(7) Corporate life has been shortened to until October 31, 2019.
(8) Corporate life has been shortened to until February 28, 2020.
(9) Pending SEC approval of the increase in authorized capital stock.

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019, 2018 AND 2017

	2019	2018 (As restated)	2017 (As restated)
Liquidity Ratio			
Current ratio	**2.13**	2.43	3.05
Current assets	**₱118,122**	₱126,926	₱130,624
Current liabilities	**55,581**	52,337	42,790
Solvency Ratio			
Total liabilities to total equity ratio	**0.89**	0.98	0.77
Total liabilities	**168,334**	176,838	133,501
Total equity	**189,320**	180,828	172,527
Debt to equity ratio	**0.67**	0.72	0.53
Total debt	**127,736**	130,869	91,132
Total equity	**189,320**	180,828	172,527
Asset to Equity Ratio			
Asset to equity ratio	**1.89**	1.98	1.77
Total assets	**357,654**	357,666	306,028
Total equity	**189,320**	180,828	172,527
Interest Rate Coverage Ratio*			
Interest rate coverage ratio**	**5.12**	4.24	6.65
Earnings before interest and taxes (EBIT) **	**34,468**	25,615	28,146
Interest expense**	**6,737**	6,041	4,230
Profitability Ratio			
Return on average assets	**5.68%**	3.96%	5.03%
Net income attributable to Parent Company	**20,309**	13,156	14,372
Average assets	**357,660**	331,847	285,737
Return on Average Equity	**12.18%**	8.74%	11.06%
Net income attributable to Parent Company	**20,309**	13,156	14,372
Average equity attributable to Parent Company	**166,805**	150,576	129,908
Income before income tax**	**30,240**	21,656	26,002
Interest expense**	**6,737**	6,041	4,230
Interest income**	**2,509**	2,082	2,086
EBIT**	**34,468**	25,615	28,146

*computed as EBIT/Interest Expense
**consist of continuing and discontinued operations

Metrobank

February 20, 2020

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, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017 and the corresponding Management Discussion and Analysis.

Very truly yours,

Marilou C. Bartolome-Cirilo
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

METROPOLITAN BANK & TRUST COMPANY

(Company's Full Name)

Metrobank Plaza, Sen. Gil Puyat Avenue, Urdaneta Village, Makati City, Metro Manila

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

MARILOU C. BARTOLOME-CIRILO	8898-8805
(Contact Person)	(Company Telephone Number)

1 2	3 1	1 7 - C	0 4	2 2
Month	*Day*	(Form Type)	*Month*	*Day*
(Fiscal Year)			(Annual Meeting)	

NONE

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

2,986		
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 20, 2020
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, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017 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:

MARILOU C. BARTOLOME-CIRILO
Senior Vice President/Controller

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's statements of financial position and statements of income as of and for the three years in the period ended December 31, 2019 are presented below.

Statements of Financial Position
(Amounts in millions)

	December 31			Increase (Decrease) 2019 vs. 2018		Increase (Decrease) 2018 vs. 2017	
	2019	**2018**	**2017**	**Amount**	%	**Amount**	%
Assets							
Cash and Other Cash Items	₱32,956	₱33,091	₱27,631	(₱135)	(0.41)	₱5,460	**19.76**
Due from Bangko Sentral ng Pilipinas	219,994	240,134	261,959	(20,140)	**(8.39)**	(21,825)	**(8.33)**
Due from Other Banks	54,767	45,802	31,291	8,965	**19.57**	14,511	**46.37**
Interbank Loans Receivable and Securities Purchased Under Resale Agreements (SPURA)	72,174	50,719	45,475	21,455	**42.30**	5,244	**11.53**
Investment Securities at Fair Value Through Profit or Loss (FVTPL)	61,867	39,689	43,887	22,178	**55.88**	(4,198)	**(9.57)**
Fair Value Through Other Comprehensive Income (FVOCI)/AFS Investments	202,520	111,288	343,910	91,232	**81.98**	(232,622)	**(67.64)**
Amortized Cost	251,628	265,376	-	(13,748)	**(5.18)**	265,376	**100.00**
Loans and Receivables	1,483,568	1,391,034	1,265,469	92,534	**6.65**	125,565	**9.92**
Property and Equipment	25,700	21,954	22,362	3,746	**17.06**	(408)	(1.82)
Investments in Associates and a Joint Venture	6,591	5,947	5,764	644	**10.83**	183	3.17
Goodwill	5,200	5,200	5,200	-	-	-	-
Investment Properties	7,762	7,500	7,717	262	3.49	(217)	(2.81)
Deferred Tax Assets	10,512	10,238	9,161	274	2.68	1,077	**11.76**
Other Assets	15,574	15,721	10,466	(147)	(0.94)	5,255	**50.21**
Total Assets	₱2,450,813	₱2,243,693	₱2,080,292	₱207,120	**9.23**	₱163,401	**7.85**

Liabilities and Equity							
Liabilities							
Deposit Liabilities	₱1,714,144	₱1,556,753	₱1,527,962	₱157,391	**10.11**	₱28,791	1.88
Bills Payable and Securities Sold Under Repurchase Agreements	238,281	259,607	227,835	(21,326)	**(8.21)**	31,772	**13.95**
Derivative Liabilities	7,427	6,537	5,352	890	**13.61**	1,185	**22.14**
Manager's Checks and Demand Drafts Outstanding	6,806	7,565	8,054	(759)	**(10.03)**	(489)	**(6.07)**
Income Taxes Payable	4,188	2,830	3,381	1,358	**47.99**	(551)	**(16.30)**
Accrued Interest and Other Expenses	10,499	9,619	6,973	880	**9.15**	2,646	**37.95**
Bonds Payable	80,486	30,743	2,910	49,743	**161.80**	27,833	**956.46**
Subordinated Debts	7,660	26,618	26,580	(18,958)	**(71.22)**	38	0.14
Deferred Tax Liabilities	108	357	277	(249)	**(69.75)**	80	**28.88**
Non-equity Non-controlling Interest	6,553	6,747	8,002	(194)	(2.88)	(1,255)	**(15.68)**
Other Liabilities	56,170	45,613	58,876	10,557	**23.14**	(13,263)	**(22.53)**
Total Liabilities	2,132,322	1,952,989	1,876,202	179,333	**9.18**	76,787	4.09

	December 31			Increase (Decrease) 2019 vs. 2018		Increase (Decrease) 2018 vs. 2017	
	2019	**2018**	**2017**	**Amount**	%	**Amount**	%
Equity							
Equity Attributable to Equity Holders of the Bank							
Common stock	₱89,948	₱79,600	₱63,603	₱10,348	**13.00**	₱15,997	**25.15**
Capital paid in excess of par value	85,252	85,252	42,139	-	-	43,113	**102.31**
Surplus reserves	2,098	1,956	1,810	142	**7.26**	146	**8.07**
Surplus	144,154	130,550	116,786	13,604	**10.42**	13,764	**11.79**
Treasury stock	(72)	(67)	(46)	(5)	**(7.46)**	(21)	**(45.65)**
Remeasurement losses on retirement plan	(5,531)	(3,591)	(4,025)	(1,940)	**(54.02)**	434	10.78
Net unrealized loss on investment securities at FVOCI/AFS investments	2,629	(2,994)	(15,804)	5,623	**187.81**	12,810	**81.06**
Equity in other comprehensive income (losses) of investees	345	(27)	22	372	**1,377.78**	(49)	**(222.73)**
Translation adjustment and others	(9,269)	(7,719)	(2,530)	(1,550)	**(20.08)**	(5,189)	**(205.10)**
	309,554	**282,960**	**201,955**	**26,594**	**9.40**	**81,005**	**40.11**
Other equity reserves	-	-	(7,400)	-	-	7,400	**100.00**
Non-controlling Interest	8,937	7,744	9,535	**1,193**	**15.40**	**(1,791)**	**(18.78)**
Total Equity	318,491	290,704	204,090	27,787	9.56	86,614	42.44
Total Liabilities and Equity	₱2,450,813	₱2,243,693	₱2,080,292	₱207,120	**9.23**	₱163,401	**7.85**

Statements of Income

Interest Income	₱116,183	₱97,186	₱80,322	₱18,997	**19.55**	₱16,864	**21.00**
Interest and Finance Charges	39,186	28,364	18,916	10,822	**38.15**	9,448	**49.95**
Net Interest Income	76,997	68,822	61,406	8,175	**11.88**	7,416	**12.08**
Provision for Credit and Impairment Losses	10,078	7,770	7,507	2,308	29.70	263	3.50
Net Interest Income After Provision for Credit and Impairment Losses	66,919	61,052	53,899	5,867	**9.61**	7,153	**13.27**
Other Operating Income	29,054	22,910	22,147	6,144	26.82	763	3.45
Other Operating Expenses	57,906	53,656	47,475	4,250	**7.92**	6,181	**13.02**
Income Before Share in Net Income of Associates and a Joint Venture	38,067	30,306	28,571	7,761	**25.61**	1,735	**6.07**
Share in Net Income of Associates and a Joint Venture	868	874	689	(6)	**(0.69)**	185	**26.85**
Income Before Income Tax	38,935	31,180	29,260	7,755	**24.87**	1,920	**6.56**
Provision for Income Tax	10,061	7,745	7,990	2,316	29.90	(245)	(3.07)
Net Income	₱28,874	₱23,435	₱21,270	₱5,439	**23.21**	₱2,165	**10.18**
Attributable to:							
Equity holders of the Bank	₱28,055	₱22,008	₱18,223	₱6,047	**27.48**	₱3,785	**20.77**
Non-controlling interest	819	1,427	3,047	(608)	**(42.61)**	(1,620)	**(53.17)**
	₱28,874	₱23,435	₱21,270	₱5,439	**23.21**	₱2,165	**10.18**

Statements of Comprehensive Income

Net Income	₱28,874	₱23,435	₱21,270	₱5,439	23.21	₱2,165	10.18
Other Comprehensive Income for the Year, net of tax							
Items that may not be reclassified to profit or loss:							
Change in net unrealized loss on equity securities at FVOCI	(414)	(351)	-	(63)	**(17.95)**	(351)	**-**
Change in remeasurement gain (loss) on retirement plan	(2,039)	498	26	(2,537)	**509.44**	472	**1,815.38**
Items that may be reclassified to profit or loss:							
Change in net unrealized gain (loss) on investment on debt securities at FVOCI/AFS investments	6,142	(2,443)	(5,772)	8,585	**351.41**	3,329	**57.67**
Change in equity in other comprehensive income (loss) of investees	374	(50)	(32)	424	**848.00**	(18)	**(56.25)**
Translation adjustment and others	(399)	(309)	733	(90)	**(29.13)**	(1,042)	**(142.16)**
	6,117	(2,802)	(5,071)	8,919	**318.31**	2,269	**44.74**
Total Comprehensive Income for the Year	₱32,538	₱20,780	₱16,225	₱11,758	**56.58**	₱4,555	**28.07**
Attributable to:							
Equity holders of the Bank	₱31,212	₱19,665	₱13,365	₱11,547	**58.72**	₱6,300	**47.14**
Non-controlling Interest	1,326	1,115	2,860	211	**18.92**	(1,745)	**(61.01)**
	₱32,538	₱20,780	₱16,225	₱11,758	**56.58**	₱4,555	**28.07**

Key Performance Indicators

The performance of the Bank 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 2019

Metrobank Group	₱68.84	₱6.24*	9.47%	1.20%	3.84%
FMIC (a)	39.66	1.08	2.62%	0.92%	0.58%
PSBank	91.38	8.03*	10.29%	1.31%	5.82%
MCC	19.48	4.91	28.63%	5.55%	13.50%

For the Year 2018

Metrobank Group	₱71.11	₱5.16*	9.08%	1.02%	3.82%
FMIC (a)	39.74	1.35	3.46%	1.07%	1.36%
PSBank	96.29	10.51*	11.38%	1.15%	5.79%
MCC	14.83	4.97	34.94%	6.30%	13.99%

** Restated to show the effect of stock dividends issued in 2019 and stock rights issued in 2018 by the Parent Company and the effect of stock rights issued by PSBank in 2019.*
(a) FMIC and Subsidiaries

A separate schedule showing financial soundness indicators of the Group as of December 31, 2019 and 2018 is presented in Exhibit “A” as an attachment to this report.

2019 Performance

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 and represents 21.05% and 18.56% of the Group’s total assets as of December 31, 2019 and 2018, respectively, went up by ₱99.66 billion or 23.94%. FVTPL securities consist of HFT securities and derivative assets amounting to ₱53.38 billion and ₱8.49 billion, respectively, as of December 31, 2019 and ₱29.04 billion and ₱10.65 billion, respectively, as of December 31, 2018. The ₱91.23 billion increase in FVOCI securities was mainly due to the net effect of the increases in investments in government bonds (₱25.87 billion) and treasury notes and bonds (₱71.01 billion). On the other hand, the ₱13.75 billion decrease in investment securities at amortized cost was due to various maturities and FMIC’s disposal of HTC debt securities as discussed in Note 8 of the audited financial statements of the Group as presented in Exhibit B.

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, interest rate swaps, cross currency swaps, credit default 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. Deferred tax liabilities decreased by ₱0.25 billion or 69.75%.

Other Liabilities increased by ₱10.56 billion or 23.14% 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 15.40% 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.

2018 Performance

Financial Position

As of December 31, 2018, the Metrobank Group posted a 7.85% growth in total assets from ₱2.08 trillion as of December 31, 2017 to ₱2.24 trillion. Total liabilities of the Group increased to ₱1.95 trillion from ₱1.88 trillion or by 4.09%. Moreover, equity attributable to equity holders of the Parent Company was higher by ₱81.01 billion or 40.11% from ₱201.96 billion to ₱282.96 billion.

Cash and Other Cash Items increased by ₱5.46 billion or 19.76% due to the higher level of cash requirements of the Parent Company. Due from BSP which represents 10.70% of the Group's total assets decreased by ₱21.83 billion or 8.33% due to reserve cuts in 2018. Due from Other Banks increased by ₱14.51 billion or 46.37% 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 ₱5.24 billion or 11.53% primarily due to increase in balance of securities under resale agreement with BSP.

Total investment securities which consisted of FVTPL, FVOCI (AFS in 2017) and securities at amortized cost which represents 18.56% and 18.64% of the Group's total assets as of December 31, 2018 and 2017, respectively, went up by ₱28.56 billion or 7.36%. As a result of the adoption of the classification and measurement requirements of PFRS 9, the Group classified debt securities held under AFS investments as at January 1, 2018 as either at amortized cost for securities belonging to portfolios managed under a hold to collect business model or at FVOCI.

Loans and Receivables, representing 62.0% and 60.83% of the Group's total assets as of December 31, 2018 and 2017, respectively, went up by ₱125.57 billion or 9.92% driven by the strong demand for loans from all segments. Non-performing loans were at 1.20% as of December 31, 2018. Deferred Tax Assets (DTA) increased by ₱1.08 billion or 11.76% primarily attributable to allowance for credit and impairment losses. Other Assets increased by ₱5.26 billion or 50.21% from ₱10.47 billion to ₱15.72 billion primarily due to the increases in miscellaneous assets (inclusive of the funding for retirement) and interoffice float items.

Deposit liabilities represent 79.71% and 81.44% of the consolidated total liabilities as of December 31, 2018 and 2017, respectively, wherein, low cost deposits represent 61.98% and 62.19% of the Group's total deposits, respectively. The Group's deposit level, sourced by the Bank, PSBank and MBCL reached ₱1.56 trillion as of December 31, 2018, an increase of ₱28.79 billion or 1.88% from ₱1.53 trillion as of December 31, 2017. The increment came from CASA by ₱14.73 billion or 1.55%, time deposits by ₱0.30 billion or 0.05% and from the issuances of LTNCDs by the Bank for ₱8.68 billion and by PSBank for ₱5.08 billion on October 4 and August 9, 2018, respectively.

Bills Payable and SSURA representing 13.29% and 12.14% of the Group's total liabilities as of December 31, 2018 and 2017, respectively, went up by ₱31.77 billion or 13.95% due to the net effect of higher balances of borrowings from foreign banks by ₱18.48 billion, local banks by ₱4.07 billion and SSURA by ₱30.67 billion reduced by the decreases in borrowings from BSP by ₱6.50 billion and deposits substitutes by ₱14.95 billion. Derivative Liabilities which represent mark-to-market of foreign currency forwards, interest rate swaps, cross currency swaps and foreign currency options with negative fair value increased by ₱1.19 billion or 22.14%.

The decrease of ₱0.49 billion or 6.07% in Manager's Checks and Demand Drafts Outstanding resulted from normal banking operations of the Bank and PSBank. Income taxes payable decreased by ₱0.55 billion or 16.30% while Accrued Interest and Other Expenses went up by ₱2.65 billion or 37.95% due to increases in accruals of other bank expenses and interests on deposit liabilities. Bonds payable increased by ₱27.83 billion on account of the ₱10.00 billion and ₱18.00 billion fixed rate bonds issued by the Parent Company on November 9 and December 17, 2018, respectively, which bear an interest rate of 7.15% per annum and will mature on November 9, 2020. Deferred tax liabilities increased by ₱0.08 billion or 28.88%. 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 down by ₱1.26 billion or 15.68% on account of the net decline in income of these mutual funds.

Other Liabilities decreased by ₱13.26 billion or 22.53% primarily due to the settlement of the ₱14.80 billion liability on the agreed purchase of 40% stake in MCC and the funding of the ₱3.40 billion retirement liability, partially offset by the ₱1.00 billion increase in marginal deposits and the ₱2.60 billion unsecured notes issued by ORIX Metro on October 29, 2018.

Equity attributable to equity holders of the Parent Company increased by ₱81.01 billion or 40.11% due to the net effect of the ₱59.1 billion net proceeds from the stock rights issued by the Parent Company on April 12, 2018, net income reported during the year, net impact of PFRS 9 adoption on Surplus and net unrealized loss on FVOCI/AFS investments, and the ₱3.18 billion cash dividends declared and paid during the year. The Group also recognized additional equity reserves (included in "Translation adjustment and others") for the difference between the acquisition price and the acquired remaining non-controlling interest of 20% in MCC. The acquisition of the remaining 20% interest in MCC was completed on September 4, 2018 ("second tranche") and the Group recognized equity reserves (included in "Translation adjustment and others") for the difference between the acquisition price and the acquired non-controlling interest amounting to ₱5.1 billion. Other accounts affected by this transaction were "other equity reserves" and "non-controlling interest".

Results of Operations

Net income attributable to equity holders of the Bank amounted to ₱22.01 billion for the year 2018 compared with ₱18.22 billion net income for the year 2017.

Interest income improved by ₱16.86 billion or 21.00% resulting from higher interest income on loans and receivables by ₱16.27 billion and on total investment securities by ₱0.72 billion net of the ₱0.14 billion decrease in interest income on interbank loans and SPURA. Meanwhile, the increases in interest expense on deposit liabilities by ₱6.36 billion and on borrowings by ₱3.09 billion accounted for the increase of ₱9.45 billion or 49.95% in interest and finance charges. These resulted to a ₱7.42 billion or 12.08% increase net interest income.

Other operating income of ₱22.91 billion increased by ₱0.76 billion or 3.45% from ₱22.15 billion in 2017 on account of the increases in fee-based income by ₱1.65 billion, income from leasing by ₱0.12 billion and profit from disposal of foreclosed properties by ₱0.30 billion, reduced by lower net trading and securities and foreign exchange gains by ₱1.10 billion.

Provision for credit and impairment losses in 2018 was at ₱7.77 billion under PFRS 9 compared with ₱7.51 billion in 2017 under PAS 39 or increased by ₱0.26 billion or 3.50%. Total other operating expenses increased by ₱6.18 billion or 13.02% as a result of the increases in compensation and fringe benefits by ₱2.15 billion or 10.63%, taxes and licenses by ₱2.20 billion or 33.37% (as a result of changes on tax rates, particularly on documentary stamp taxes, brought about by the implementation of the TRAIN law in 2018), occupancy and equipment-related expenses by ₱0.26 billion or 9.01% and miscellaneous expenses by ₱1.51 billion or 10.96%. Provision for income tax was lower by ₱0.25 billion or 3.07% due to net movements in deferred income tax, corporate and final taxes.

Share in net income of associates and a joint venture increased by ₱0.19 billion or 26.85% due to higher net income of certain associates while income attributable to non-controlling interest went down by ₱1.62 billion or 53.17% due to the effect of the acquisition of the remaining 20% interest in MCC.

Total comprehensive income went up by ₱4.56 billion from ₱16.23 billion income in 2017 to ₱20.78 billion in 2018. The variance was attributable to the higher net income of the Group and the lower net unrealized loss recognized on investment securities. As a result, total comprehensive income attributable to equity holders of the Parent Company went up to ₱19.67 billion or by ₱6.30 billion from ₱13.37 billion in 2017.

Market share price was at ₱80.95 from ₱101.40 as of December 31, 2017 with a market capitalization of ₱322.18 billion as at December 31, 2018.

Exhibit A

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES
FINANCIAL INDICATORS
AS OF DECEMBER 31, 2019 AND 2018

		2019	2018
a)	Liquidity Ratio	36.56%	35.04%
b)	Loans to Deposits Ratio	86.67%	89.49%
c)	Debt to Equity Ratio	688.84%	690.20%
d)	Asset to Equity Ratio	791.72%	792.94%
e)	Return on Average Equity	9.47%	9.08%
f)	Return on Average Assets	1.20%	1.02%
g)	Net Interest Margin on Average Earning Assets	3.84%	3.82%
h)	Operating Efficiency Ratio	54.60%	58.49%
i)	Capital Adequacy Ratio	17.49%	16.98%
j)	Common Equity Tier 1 Ratio	16.19%	14.56%

SGV
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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

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, 2019 and 2018, and the consolidated and parent company statements of income, consolidated and parent company statements of comprehensive income, consolidated and parent company statements of changes in equity and consolidated and parent company statements of cash flows for each of the three years in the period ended December 31, 2019, and notes to the consolidated and parent company financial statements, including a summary of significant accounting policies.

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

Adoption of PFRS 16, Leases
Effective January 1, 2019, the Group and the Parent Company adopted PFRS 16, *Leases*, under the modified retrospective approach which resulted in significant changes in the Group's and the Parent Company's accounting policy for leases. The Group's and the Parent Company's adoption of PFRS 16 is significant to our audit because the Group and the Parent Company have high volume of lease agreements; the recorded amounts are material to the consolidated and parent company financial statements; and adoption involves application of significant judgment and estimation in determining the lease term, including evaluating whether the Group and the Parent Company are reasonably certain to exercise options to extend or terminate the lease, and in determining the incremental borrowing rate. This resulted in the recognition of right-of-use assets amounting to ₱4.2 billion and ₱2.2 billion for the Group and Parent Company, respectively, and lease liability amounting to ₱4.5 billion and ₱2.4 billion for the Group and Parent Company, respectively, as of January 1, 2019, and the recognition of depreciation expense of ₱1.3 billion and ₱687.0 million for the Group and Parent Company, respectively, and interest expense of ₱319.3 million and ₱169.9 million for the Group and Parent Company, respectively, for the year ended December 31, 2019.

The disclosures related to the adoption of PFRS 16 are included in Notes 2, 10 and 13 to the financial statements.

Audit response
We obtained an understanding of the Group's and the Parent Company's process in implementing the new standard, including the determination of the population of the lease contracts covered by PFRS 16, the application of the short-term and low value assets exemptions, the selection of the transition approach and any election of available practical expedients. We tested the completeness of the population of lease agreements by comparing the number of leases per operational report against the master lease schedule. On a test basis, we inspected lease agreements (i.e., lease agreements existing prior to the adoption of PFRS 16 and new lease agreements) from the master lease schedule, identified their contractual terms and conditions, and traced these contractual terms and conditions to the lease calculation prepared by management, which covers the calculation of the financial impact of PFRS 16, including the transition adjustments.

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

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

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

Allowance for credit losses as of December 31, 2019 for the Group and the Parent Company amounted to ₱24.3 billion and ₱13.9 billion, respectively. Provision for credit losses of the Group and the Parent Company in 2019 amounted to ₱9.6 billion and ₱1.6 billion, respectively.

Refer to Note 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 to reflect an unbiased and probability-weighted outcome, and to consider time value of money and the best available forward-looking information.

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

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

We recalculated impairment provisions on a sample basis. We reviewed the completeness of the disclosures made in the financial statements.

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

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, 2019, the Group has an investment in associate amounting to ₱2.0 billion where its fair value declined significantly compared to the carrying value. The Group performed impairment testing using the investment's value-in-use (VIU). 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. 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, 2019, the Group has goodwill amounting to ₱5.2 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) fair value less costs to sell (FVLCTS). The annual impairment test was significant to our audit because significant judgment and estimates are involved in the determination of the CGU's FVLCTS. 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. 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 in relation 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 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 testing the discount rate if based on prevailing interest rates for similar instruments. 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, 2019, 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, 2019 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 Revenue Regulations No. 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations No. 15-2010 in Note 37 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of the 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
Josephine Adrienne A. Abarca

SYCIP GORRES VELAYO & CO.

Josephine Adrienne A. Abarca

Josephine Adrienne A. Abarca
Partner
CPA Certificate No. 92126
SEC Accreditation No. 0466-AR-4 (Group A),
November 13, 2018, valid until November 12, 2021
Tax Identification No. 163-257-145
BIR Accreditation No. 08-001998-61-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 8125200, January 7, 2020, Makati City

February 19, 2020

EXHIBIT B

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION
(In Millions)

	Consolidated		Parent Company	
	December 31			
	2019	2018	**2019**	2018
ASSETS				
Cash and Other Cash Items	**₱32,956**	₱33,091	**₱30,659**	₱29,280
Due from Bangko Sentral ng Pilipinas (BSP) (Notes 4 and 16)	**219,994**	240,134	**195,770**	206,289
Due from Other Banks (Note 4)	**54,767**	45,802	**38,698**	35,218
Interbank Loans Receivable and Securities Purchased Under Resale Agreements (SPURA) (Notes 4, 7 and 26)	**72,174**	50,719	**56,152**	24,712
Investment Securities at				
Fair Value Through Profit or Loss (FVTPL) (Note 8)	**61,867**	39,689	**49,550**	30,166
Fair Value Through Other Comprehensive Income (FVOCI) (Notes 4 and 8)	**202,520**	111,288	**188,676**	92,144
Amortized Cost (Notes 4 and 8)	**251,628**	265,376	**216,644**	212,607
Loans and Receivables (Notes 4 and 9)	**1,483,568**	1,391,034	**1,177,101**	1,116,257
Property and Equipment (Note 10)	**25,700**	21,954	**17,857**	15,632
Investments in Subsidiaries (Note 11)	**–**	–	**95,739**	81,288
Investments in Associates and a Joint Venture (Note 11)	**6,591**	5,947	**542**	494
Goodwill (Note 11)	**5,200**	5,200	**–**	–
Investment Properties (Note 12)	**7,762**	7,500	**3,291**	2,825
Deferred Tax Assets (Note 28)	**10,512**	10,238	**6,918**	6,769
Other Assets (Note 14)	**15,574**	15,721	**9,838**	9,983
	₱2,450,813	₱2,243,693	**₱2,087,435**	₱1,863,664

LIABILITIES AND EQUITY				
LIABILITIES				
Deposit Liabilities (Notes 16 and 31)				
CASA	**₱1,077,507**	₱964,944	**₱1,003,249**	₱900,186
Time	**592,897**	548,019	**461,713**	390,475
Long-Term Negotiable Certificates	**43,740**	43,790	**35,330**	35,330
	1,714,144	1,556,753	**1,500,292**	1,325,991
Bills Payable and Securities Sold Under Repurchase Agreements (SSURA) (Notes 17 and 31)	**238,281**	259,607	**139,072**	151,079
Derivative Liabilities (Note 8)	**7,427**	6,537	**5,994**	6,182
Manager's Checks and Demand Drafts Outstanding	**6,806**	7,565	**5,508**	5,950
Income Taxes Payable	**4,188**	2,830	**3,259**	1,670
Accrued Interest and Other Expenses (Note 18)	**10,499**	9,619	**6,654**	5,625
Bonds Payable (Notes 19 and 31)	**80,486**	30,743	**70,110**	27,826
Subordinated Debts (Note 20)	**7,660**	26,618	**6,494**	22,471
Deferred Tax Liabilities (Note 28)	**108**	357	**–**	–
Non-equity Non-controlling Interest (Note 21)	**6,553**	6,747	**–**	–
Other Liabilities (Note 21)	**56,170**	45,613	**30,060**	24,107
	2,132,322	1,952,989	**1,767,443**	1,570,901

(Forward)

	Consolidated		Parent Company	
	December 31			
	2019	2018	**2019**	2018
EQUITY				
Equity Attributable to Equity Holders of the Parent Company				
Common stock (Note 23)	**₱89,948**	₱79,600	**₱89,948**	₱79,600
Capital paid in excess of par value (Note 23)	**85,252**	85,252	**85,252**	85,252
Treasury stock (Notes 23 and 31)	**(72)**	(67)	**(72)**	(67)
Surplus reserves (Note 24)	**2,098**	1,956	**2,098**	1,956
Surplus (Note 23)	**144,154**	130,550	**144,154**	130,550
Net unrealized gain (loss) on investment securities at FVOCI (Note 8)	**2,629**	(2,994)	**2,629**	(2,994)
Remeasurement losses on retirement plan (Notes 11 and 27)	**(5,531)**	(3,591)	**(5,531)**	(3,591)
Equity in other comprehensive income (losses) of investees (Note 11)	**345**	(27)	**345**	(27)
Translation adjustment and others (Note 11)	**(9,269)**	(7,719)	**1,169**	2,084
	309,554	282,960	**319,992**	292,763
Non-controlling Interest (Note 11)	**8,937**	7,744	**–**	–
	318,491	290,704	**319,992**	292,763
	₱2,450,813	₱2,243,693	**₱2,087,435**	₱1,863,664

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					
	2019	2018	2017	**2019**	2018	2017
INTEREST INCOME ON						
Loans and receivables (Notes 9 and 31)	**₱95,847**	₱79,659	₱63,391	**₱59,603**	₱46,860	₱35,072
Investment securities at FVOCI/AFS investments and at amortized cost (Note 8)	**16,573**	14,610	13,480	**13,778**	11,592	10,655
Investment securities at FVTPL (Note 8)	**1,936**	1,170	1,585	**1,695**	1,006	1,362
Interbank loans receivable and securities purchased under resale agreements (SPURA) (Notes 7 and 31)	**941**	1,092	1,231	**468**	441	606
Deposits with banks and others	**886**	655	635	**689**	422	316
	116,183	97,186	80,322	**76,233**	60,321	48,011
INTEREST AND FINANCE CHARGES						
Deposit liabilities (Notes 16 and 31)	**23,407**	18,968	12,613	**17,293**	13,447	8,777
Bills payable and securities sold under repurchase agreements, bonds payable, subordinated debts and others (Notes 13, 17, 19, 20, 21 and 31)	**15,779**	9,396	6,303	**9,019**	4,546	2,741
	39,186	28,364	18,916	**26,312**	17,993	11,518
NET INTEREST INCOME	**76,997**	68,822	61,406	**49,921**	42,328	36,493
PROVISION FOR CREDIT AND IMPAIRMENT LOSSES (Note 15)	**10,078**	7,770	7,507	**1,644**	807	1,395
NET INTEREST INCOME AFTER PROVISION FOR CREDIT AND IMPAIRMENT LOSSES	**66,919**	61,052	53,899	**48,277**	41,521	35,098
OTHER OPERATING INCOME						
Service charges, fees and commissions (Notes 25 and 31)	**14,266**	12,695	11,045	**5,145**	4,954	4,171
Trading and securities gain (loss) - net (Notes 8, 21 and 31)	**5,472**	2,541	(402)	**4,352**	3,041	(1,079)
Foreign exchange gain (loss) - net (Note 31)	**3,798**	210	4,257	**3,521**	(66)	4,101
Leasing (Notes 12, 13 and 31)	**2,122**	2,252	2,129	**210**	224	215
Profit from assets sold (Notes 12 and 31)	**585**	1,371	1,075	**210**	623	639
Income from trust operations (Notes 24 and 31)	**1,241**	1,290	1,377	**1,204**	1,259	1,351
Dividends (Note 8)	**172**	141	182	**29**	23	19
Miscellaneous (Note 25)	**1,398**	2,410	2,484	**83**	401	446
	29,054	22,910	22,147	**14,754**	10,459	9,863
OTHER OPERATING EXPENSES						
Compensation and fringe benefits (Notes 27 and 31)	**23,706**	22,368	20,218	**16,023**	15,115	13,526
Taxes and licenses (Note 28)	**10,219**	8,776	6,580	**6,466**	5,253	3,701
Depreciation and amortization (Notes 10, 12 and 14)	**5,538**	4,084	4,018	**2,568**	1,690	1,708
Occupancy and equipment-related costs (Note 13)	**1,867**	3,193	2,929	**1,162**	1,824	1,730
Miscellaneous (Note 25)	**16,576**	15,235	13,730	**11,086**	9,573	8,553
	57,906	53,656	47,475	**37,305**	33,455	29,218
INCOME BEFORE SHARE IN NET INCOME OF SUBSIDIARIES, ASSOCIATES AND A JOINT VENTURE	**38,067**	30,306	28,571	**25,726**	18,525	15,743
SHARE IN NET INCOME OF SUBSIDIARIES, ASSOCIATES AND A JOINT VENTURE (Note 11)	**868**	874	689	**8,938**	7,967	6,995
INCOME BEFORE INCOME TAX	**38,935**	31,180	29,260	**34,664**	26,492	22,738
PROVISION FOR INCOME TAX (Note 28)	**10,061**	7,745	7,990	**6,609**	4,484	4,515
NET INCOME	**₱28,874**	₱23,435	₱21,270	**₱28,055**	₱22,008	₱18,223
Attributable to:						
Equity holders of the Parent Company (Note 32)	**₱28,055**	₱22,008	₱18,223			
Non-controlling interest (Note 11)	**819**	1,427	3,047			
	₱28,874	₱23,435	₱21,270			
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 32)	**₱6.24**	₱5.16*	₱4.97*			

*Restated to show the effect of stock dividends issued in 2019 and stock rights issued in 2018

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					
	2019	2018	2017	**2019**	2018	2017
Net Income	**₱28,874**	₱23,435	₱21,270	**₱28,055**	₱22,008	₱18,223
Other Comprehensive Income for the Year, Net of Tax						
Items that may not be reclassified to profit or loss:						
Change in net unrealized loss on equity securities at FVOCI	**(414)**	(351)	–	**(410)**	(347)	–
Change in remeasurement gain (loss) on retirement plan (Notes 11 and 27)	**(2,038)**	498	26	**(1,940)**	434	(18)
	(2,452)	147	26	**(2,350)**	87	(18)
Items that may be reclassified to profit or loss:						
Change in net unrealized gain (loss) on investment on debt securities at FVOCI/AFS investments (Note 8)	**6,142**	(2,443)	(5,772)	**6,052**	(2,324)	(5,689)
Change in equity in other comprehensive income (loss) of investees (Note 11)	**375**	(50)	(32)	**372**	(49)	(32)
Translation adjustment and others (Note 11)	**(399)**	(309)	733	**(915)**	(57)	881
	6,118	(2,802)	(5,071)	**5,509**	(2,430)	(4,840)
Total Comprehensive Income for the Year	**₱32,540**	₱20,780	₱16,225	**₱31,214**	₱19,665	₱13,365
Attributable to:						
Equity holders of the Parent Company	**₱31,214**	₱19,665	₱13,365			
Non-controlling interest	**1,326**	1,115	2,860			
	₱32,540	₱20,780	₱16,225			

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 23)	**Surplus** (Note 23)	**Net Unrealized Gain (Loss) on Investment Securities at FVOCI/AFS Investments** (Note 8)	**Remeasurement Losses on Retirement Plan** (Notes 11 and 27)	**Equity in Other Comprehensive Income (Losses) of Investees** (Note 11)	**Translation Adjustment and Others** (Note 11)	**Total**	**Other Equity Reserve** (Note 11)	**Non-controlling Interest** (Note 11)	**Total Equity**
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	**–**	**–**	**–**	**–**	**(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 acquired 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**
Balance as at December 31, 2017	₱63,603	₱42,139	(₱46)	₱1,810	₱116,786	(₱15,804)	(₱4,025)	₱22	(₱2,530)	₱201,955	(₱7,400)	₱9,535	₱204,090
Effect of adoption of Philippine Financial Reporting Standards (PFRS) 9, *Financial Instruments*	–	–	–	–	(4,756)	15,359	–	–	–	10,603	–	(108)	10,495
Effect of adoption of PFRS 15, *Revenue from Contracts with Customers*	–	–	–	–	(40)	–	–	–	–	(40)	–	(10)	(50)
Balance as at January 1, 2018	63,603	42,139	(46)	1,810	111,990	(445)	(4,025)	22	(2,530)	212,518	(7,400)	9,417	214,535
Issuance of stock rights	15,997	43,113	–	–	–	–	–	–	–	59,110	–	–	59,110
Total comprehensive income (loss) for the year	–	–	–	–	22,008	(2,671)	434	(49)	(57)	19,665	–	1,115	20,780
Transfer to surplus reserves	–	–	–	146	(146)	–	–	–	–	–	–	–	–
Cash dividend	–	–	–	–	(3,180)	–	–	–	–	(3,180)	–	(520)	(3,700)
Realized gain (loss) on sale of equity securities at FVOCI	–	–	–	–	(122)	122	–	–	–	–	–	–	–
Parent Company shares held by mutual fund subsidiary	–	–	(21)	–	–	–	–	–	–	(21)	–	–	(21)
Settlement of non-controlling interest acquired (Note 11)	–	–	–	–	–	–	–	–	(5,132)	(5,132)	7,400	(2,268)	–
Balance as at December 31, 2018	₱79,600	₱85,252	(₱67)	₱1,956	₱130,550	(₱2,994)	(₱3,591)	(₱27)	(₱7,719)	₱282,960	₱–	₱7,744	₱290,704
Balance as at January 1, 2017	₱63,603	₱42,139	(₱485)	₱1,653	₱101,900	(₱10,115)	(₱4,007)	₱54	₱1,260	₱196,002	₱–	₱9,551	₱205,553
Total comprehensive income for the year	–	–	–	–	18,223	(5,689)	(18)	(32)	881	13,365	–	2,860	16,225
Transfer to surplus reserves	–	–	–	157	(157)	–	–	–	–	–	–	–	–
Cash dividend	–	–	–	–	(3,180)	–	–	–	–	(3,180)	–	(147)	(3,327)
Disposal of Parent Company shares held by mutual fund subsidiaries	–	–	439	–	–	–	–	–	–	439	–	–	439
Acquisition of non-controlling interest (Note 11)	–	–	–	–	–	–	–	–	(4,671)	(4,671)	(7,400)	(2,729)	(14,800)
Balance as at December 31, 2017	₱63,603	₱42,139	(₱46)	₱1,810	₱116,786	(₱15,804)	(₱4,025)	₱22	(₱2,530)	₱201,955	(₱7,400)	₱9,535	₱204,090

	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/AFS Investments (Note 8)	Remeasurement Losses on Retirement Plan (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, 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	**–**	**–**	**–**	**–**	**(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**
Balance as at December 31, 2017	₱63,603	₱42,139	(₱46)	₱1,810	₱116,786	(₱15,804)	(₱4,025)	₱22	₱2,141	₱206,626
Effect of adoption of PFRS 9	–	–	–	–	(4,756)	15,359	–	–	–	10,603
Effect of adoption of PFRS 15	–	–	–	–	(40)	–	–	–	–	(40)
Balance as at January 1, 2018	63,603	42,139	(46)	1,810	111,990	(445)	(4,025)	22	2,141	217,189
Issuance of stock rights	15,997	43,113	–	–	–	–	–	–	–	59,110
Total comprehensive income (loss) for the year	–	–	–	–	22,008	(2,671)	434	(49)	(57)	19,665
Transfer to surplus reserves	–	–	–	146	(146)	–	–	–	–	–
Cash dividend	–	–	–	–	(3,180)	–	–	–	–	(3,180)
Share in realized gain (loss) on sale of equity securities at FVOCI	–	–	–	–	(122)	122	–	–	–	–
Parent Company shares held by mutual fund subsidiary	–	–	(21)	–	–	–	–	–	–	(21)
Balance as at December 31, 2018	₱79,600	₱85,252	(₱67)	₱1,956	₱130,550	(₱2,994)	(₱3,591)	(₱27)	₱2,084	₱292,763
Balance as at January 1, 2017	₱63,603	₱42,139	(₱485)	₱1,653	₱101,900	(₱10,115)	(₱4,007)	₱54	₱1,260	₱196,002
Total comprehensive income for the year	–	–	–	–	18,223	(5,689)	(18)	(32)	881	13,365
Transfer to surplus reserves	–	–	–	157	(157)	–	–	–	–	–
Cash dividends	–	–	–	–	(3,180)	–	–	–	–	(3,180)
Disposal of Parent Company shares held by mutual fund subsidiaries	–	–	439	–	–	–	–	–	–	439
Balance as at December 31, 2017	₱63,603	₱42,139	(₱46)	₱1,810	₱116,786	(₱15,804)	(₱4,025)	₱22	₱2,141	₱206,626

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					
	2019	2018	2017	**2019**	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES						
Income before income tax	**₱38,935**	₱31,180	₱29,260	**₱34,664**	₱26,492	₱22,738
Adjustments for:						
Provision for credit and impairment losses (Note 15)	**10,078**	7,770	7,507	**1,644**	807	1,395
Trading and securities loss (gain) on investment securities at FVOCI/AFS investments (Note 8)	**(4,403)**	115	(641)	**(3,788)**	24	(554)
Depreciation and amortization (Notes 10, 12 and 14)	**4,906**	3,572	3,524	**2,327**	1,559	1,585
Unrealized market valuation loss (gain) on financial assets and liabilities at FVTPL	**1,395**	(3,499)	1,652	**1,612**	(3,494)	1,652
Profit from assets sold (Notes 10 and 12)	**(585)**	(1,371)	(1,075)	**(210)**	(623)	(639)
Share in net income of subsidiaries, associates and a joint venture (Note 11)	**(868)**	(874)	(689)	**(8,938)**	(7,967)	(6,995)
Gain on initial recognition of investment properties and chattel properties acquired in foreclosure (Note 25)	**(487)**	(638)	(1,075)	**(33)**	(23)	(26)
Amortization of software costs (Note 14)	**632**	512	494	**241**	131	123
Dividends (Note 8)	**(172)**	(141)	(182)	**(29)**	(23)	(19)
Amortization of discount on subordinated debts, bonds payable and lease liability (Notes 19 and 20)	**605**	45	66	**342**	34	33
Decrease (increase) in:						
Investment securities at FVTPL	**(22,009)**	5,735	(7,497)	**(21,184)**	3,617	(6,327)
Loans and receivables	**(107,137)**	(138,128)	(213,951)	**(63,413)**	(117,786)	(161,020)
Other assets	**143**	(5,785)	1,033	**(1,390)**	(4,737)	938
Increase (decrease) in:						
Deposit liabilities	**157,391**	28,791	138,660	**174,301**	12,044	108,260
Bills payable - deposit substitutes	**7,972**	(14,952)	2,425	**–**	–	–
Manager's checks and demand drafts outstanding	**(759)**	(489)	1,122	**(442)**	110	669
Accrued interest and other expenses	**880**	2,646	(94)	**1,029**	1,720	(741)
Other liabilities	**6,624**	(8,732)	(5,704)	**4,034**	(3,187)	(7,317)
Non-equity non-controlling interest	**(194)**	(1,255)	68	**–**	–	–
Net cash provided by (used in) operations	**92,947**	(95,498)	(45,097)	**120,767**	(91,302)	(46,245)
Dividends received (Note 8)	**172**	141	182	**29**	23	19
Income taxes paid	**(8,715)**	(8,489)	(7,053)	**(5,097)**	(4,886)	(3,704)
Net cash provided by (used in) operating activities	**84,404**	(103,846)	(51,968)	**115,699**	(96,165)	(49,930)
CASH FLOWS FROM INVESTING ACTIVITIES						
Acquisitions of:						
Investment securities at FVOCI/AFS investments (Note 4)	**(1,286,010)**	(786,157)	(108,623)	**(1,267,741)**	(774,480)	(89,874)
Investment securities at amortized cost (Note 4)	**(4.488)**	(7,017)	–	**(4,333)**	(5,037)	–
Property and equipment (Note 10)	**(3,722)**	(2,889)	(3,556)	**(1,999)**	(1,473)	(1,826)
Investments in subsidiaries and associates (Note 11)	**(9)**	–	(235)	**(7,839)**	(15,011)	–
Software (Note 14)	**–**	(636)	(978)	**–**	(233)	(144)
Proceeds from sale of:						
Investment securities at FVOCI/AFS investments (Notes 4 and 11)	**1,203,883**	764,214	77,175	**1,180,411**	759,803	67,936
Property and equipment (Note 10)	**955**	585	165	**76**	278	85
Investments in associates (Note 11)	**–**	–	190	**–**	–	–
Investment properties (Note 12)	**1,475**	1,896	3,031	**553**	626	1,407
Proceeds from:						
Maturity of investment securities at amortized cost	**920**	4,077	–	**469**	30	–
Disposal of investment securities at amortized cost (Note 8)	**16,686**	–	–	**–**	–	–
Return of investment from an associate (Note 11)	**–**	180	–	**–**	180	–
Cash dividends from investees (Note 11)	**169**	462	288	**1,073**	2,448	3,655
Decrease (increase) in interbank loans receivable and SPURA (Note 26)	**6,489**	1,388	3,039	**407**	5,984	(322)
Net cash used in investing activities	**(63,652)**	(23,897)	(29,504)	**(98,923)**	(26,885)	(19,083)

(Forward)

	Consolidated			Parent Company		
	Years Ended December 31					
	2019	2018	2017	**2019**	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES (Note 26)						
Settlements of bills payable	**(₱4,721,604)**	(₱4,472,284)	(₱2,808,869)	**(₱3,574,659)**	(₱3,445,236)	(₱2,458,936)
Availments of bills payable and SSURA	**4,692,306**	4,519,008	2,872,903	**3,562,652**	3,489,833	2,496,553
Proceeds from issuance of:						
Bonds payable (Note 19)	**52,499**	27,826	–	**42,135**	27,826	–
Notes payable (Note 21)	–	2,600	–	–	–	–
Stock rights (Note 23)	–	59,110	–	–	59,110	–
Maturity of bonds payable (Note 19)	**(3,000)**	–	(8,599)	–	–	–
Repayments of subordinated debts (Note 20)	**(19,000)**	–	(3,000)	**(16,000)**	–	–
Cash dividends paid (Note 23)	**(4,113)**	(3,700)	(3,327)	**(3,980)**	(3,180)	(3,180)
Payment of principal portion of lease liabilities	**(1,213)**	–	–	**(748)**	–	–
Proceeds from disposal of Parent Company shares by mutual fund subsidiaries (Note 31)	–	10	455	–	–	–
Acquisition of Parent Company shares by a mutual fund subsidiary (Note 23)	**(5)**	(31)	(16)	–	–	–
Net cash provided by (used in) financing activities	**(4,130)**	132,539	49,547	**9,400**	128,353	34,437
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**16,622**	4,796	(31,925)	**26,176**	5,303	(34,576)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR						
Cash and other cash items	**33,091**	27,631	26,553	**29,280**	24,975	23,470
Due from BSP	**240,134**	261,959	238,806	**206,289**	224,723	203,781
Due from other banks	**45,808**	31,291	44,315	**35,218**	19,286	30,101
Interbank loans receivable and SPURA (Note 26)	**39,380**	32,736	75,868	**22,742**	19,242	65,450
	358,413	353,617	385,542	**293,529**	288,226	322,802
CASH AND CASH EQUIVALENTS AT END OF YEAR						
Cash and other cash items	**32,956**	33,091	27,631	**30,659**	29,280	24,975
Due from BSP	**219,994**	240,134	261,959	**195,770**	206,289	224,723
Due from other banks	**54,772**	45,808	31,291	**38,698**	35,218	19,286
Interbank loans receivable and SPURA (Note 26)	**67,313**	39,380	32,736	**54,578**	22,742	19,242
	₱375,035	₱358,413	₱353,617	**₱319,705**	₱293,529	₱288,226

OPERATIONAL CASH FLOWS FROM INTEREST

	Consolidated			Parent Company		
	Years Ended December 31					
	2019	2018	2017	**2019**	2018	2017
Interest paid	**₱39,558**	₱25,910	₱18,347	**₱26,207**	₱17,452	₱11,391
Interest received	**113,745**	95,315	79,549	**73,717**	61,129	47,253

See accompanying Notes to Financial Statements.

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES
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 until April 6, 2057 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) 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 2019 and 2018 (Note 11):

Subsidiary	**Principal Place of Business and Country of Incorporation**	**Effective Percentage of Ownership**	**Functional Currency**
Financial Markets:			
Domestic:			
Metrobank Card Corporation (A Finance Company and General Insurance Agency) (MCC)	Philippines	100.00	PHP
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 2019, the Parent Company's effective percentage of ownership in FMIC and PSBank increased from 99.25% and 82.68%, respectively.

** Dissolved in April 2019

*** In process of dissolution

**** In process of liquidation

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 31). 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 retained earnings; (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 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.

Entity with Significant Influence over the Group
GT Capital Holdings, Inc. (GT Capital) holds 36.65% and 36.36% interest in the Parent Company as of December 31, 2019 and 2018, respectively (Note 31).

Non-controlling Interest
Non-controlling interest represents the portion of profit or loss and the net assets of the funds not held by the Group and are presented separately in the consolidated statement of income, consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from 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.

Non-equity Non-controlling Interest
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 (loss) - net' in the consolidated statement of income.

Changes in Accounting Policies and Disclosures
Except for these new and amended standards which were adopted as of January 1, 2019, the accounting policies adopted are consistent with those of previous financial year.

The Group applied for the first time, Philippine Financial Reporting Standards (PFRS) 16, *Leases.* It supersedes PAS 17, *Leases*, Philippine Interpretation IFRIC 4, *Determining Whether an Arrangement Contains a Lease*, SIC-15, *Operating Leases – Incentives*, and SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lesses to account for most leases under a single on-balance sheet model. The Group adopted the modified retrospective approach with certain transition reliefs with the date of initial application of January 1, 2019 and applied the following practical expedients wherein it:

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

As of January 1, 2019, the weighted average incremental borrowing rate applied to the lease liabilities ranges from 6.14% to 9.35%. The reconciliation of the operating lease commitments to the total gross lease payments used in the measurement of the lease liabilities are as follows:

	Consolidated	Parent Company
Operating lease commitments as of December 31, 2018	**₱5,418**	**₱3,073**
Lease payments relating to renewal periods not included in operating lease commitments as of December 31, 2018	**51**	**43**
Lease payments pertaining to leases of short-term and low-value assets	**(125)**	–
Operating lease commitments not considered on lease term	**(14)**	–
Total gross lease payments as of January 1, 2019	**₱5,330**	**₱3,116**
Weighted average incremental borrowing rate	**6.14% - 9.35%**	**7.89%**
Lease liability as of January 1, 2019	**₱4,530**	**₱2,407**

Except for the additional disclosures required, PFRS 16 has no impact for leases where the Group is the lessor.

The Group has lease contracts for various office spaces used as branch offices. Prior to 2019, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the lease asset to the Group; otherwise it was classified as an operating lease. All leases (as lessee) were classified as operating leases. In an operating lease, the leased property was not capitalized and the lease payments were recognized as rent expense under 'Occupancy and equipment-related cost' in the statement of income on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognized under 'Prepaid expenses' lodged in 'Other assets', and 'Accrued other expenses' lodged in 'Accrued interest and other expenses', respectively.

Effective January 1, 2019, the Group applied a single recognition and measurement approach for all leases (as lessee) except for short-term leases and leases of low-value assets. The Group recognized lease liabilities representing lease payments and right-of-use (ROU) assets representing the right to use the underlying assets. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate (IBR) at the date of initial application. ROU assets were recognized based on the amount equal to the lease liabilities adjusted for any related prepaid and accrued lease payments previously recognized.

Based on the foregoing, as of January 1, 2019, the Group and the Parent Company recognized ROU assets of ₱4.2 billion and ₱2.2 billion, respectively (presented under 'Property and equipment'); lease liability of ₱4.5 billion and ₱2.4 billion, respectively (presented under 'Other liabilities'); and derecognized accrued other expenses of ₱368.5 million and ₱182.2 million, respectively, related to previous operating leases.

The adoption of the following amendments and interpretation to standards did not have significant impact on the financial statements of the Group:

Amendments

- Amendments to PFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to PAS 28, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*
- Amendments to PAS 19, Employee Benefits – *Plan Amendment, Curtailment or Settlement*
- Annual Improvements to PFRS 2015 to 2017 Cycle
    - PFRS 3, *Business Combinations* and PFRS 11, *Joint Arrangements – Previously held interest in a joint operation*
    - PAS 12, *Income Taxes - Income tax consequence of payments on financial instruments classified as equity*
    - PAS 23, *Borrowing Costs – Borrowing costs eligible for capitalization*

Interpretation

- Philippine Interpretation IFRIC 23, *Uncertainty over Income Tax Treatments*
  The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes*. It does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:
    - Whether an entity considers uncertain tax treatments separately
    - The assumptions an entity makes about the examination of tax treatments by taxation authorities
    - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
    - How an entity considers changes in facts and circumstances

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

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

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 (for 2019 and 2018) and the Philippine Dealing System (PDS) closing rate (for 2017) 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 (PDS in 2017) closing rate prevailing at the statement of financial position date, and their income and expenses are translated at BAP weighted average rate for 2019 and 2018 while in 2017, the basis was the PDS weighted average 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 (i.e., 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 reporting period. 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 to banks and customers and loans are recognized when cash is received by the Group or advanced to the borrowers.

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

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

Classification and Subsequent Measurement
Financial assets are measured at FVTPL unless these are measured at FVOCI or at amortized cost. Financial liabilities are classified as either financial liabilities at FVTPL or financial liabilities at amortized cost. The classification of financial assets depends on the contractual terms and the business model for managing the financial assets. Subsequent to initial recognition, the Group may reclassify its financial assets only when there is a change in its business model for managing these financial assets. Reclassification of financial liabilities is not allowed.

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 it 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, securities and foreign exchange 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, securities and foreign exchange 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 loss on investment securities at FVOCI'.

Debt securities at FVOCI are those that meet both of the following conditions: (i) 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 (ii) 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, securities and foreign exchange 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: (i) these are held within a business model whose objective is to hold the financial assets in order to collect contractual cash flows; and (ii) the contractual terms give rise on specified dates to cash flows that are SPPI on the outstanding principal amount. This accounting policy relates to the statement of financial position captions 'Due from BSP', 'Due from other banks', 'Interbank loans receivable and 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 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. Starting January 1, 2018, these contracts are in the scope of the ECL requirements where the Group estimates the expected portion of the undrawn loan commitments that will be drawn over their expected life. The ECL related to financial guarantees and undrawn loan commitments is recognized in 'Miscellaneous liabilities' under 'Other liabilities'.

Derecognition of Financial Assets and Financial Liabilities
Financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of financial assets) is derecognized when:
- the rights to receive cash flows from the asset have expired; or
- 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.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control 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 (i) the amount of the asset and (ii) 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.

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 Statements 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.

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 and does not restate any previously recognized gains, losses or interest.

Impairment of Financial Assets
Policies applicable beginning January 1, 2018
The adoption of PFRS 9 has changed the Group's loss impairment method on financial assets by replacing PAS 39's 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 SICR of the financial asset since origination. Otherwise if a SICR is observed, then the ECL estimation is extended until the end of the life of the financial asset. The 12-month ECL represents the losses that result from default events on a financial asset which may happen within 12 months after the reporting date. The Lifetime ECL on the other hand represents the losses that result from default events on a financial asset which may happen over its life. Both Lifetime ECLs and 12-month ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

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

Definition of "default" and "cure"
The Group defines a financial instrument as in default, which is fully aligned with the definition of non-performing loans i.e. credit impaired, in all cases when the borrower becomes more than 90 days (more than 30 days in 2018) past due on its contractual payments. As a part of a qualitative assessment of whether a customer is in default, the Group also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted. An instrument is considered to be no longer in default (i.e. to have cured) when it no longer meets any of the default criteria and has exhibited a satisfactory track record.

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 (i.e. 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 (1 day past due in 2018), the credit risk is deemed to have increased significantly since initial recognition. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. In subsequent reporting periods, if the credit risk of the financial asset improves over an observable period such that there is no longer a SICR since initial recognition, the Group shall revert to recognizing a 12-month ECL.

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

For credit-impaired financial assets:
- Financial assets are classified as Stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a financial asset or a portfolio of financial assets. ECL for Stage 3 exposure are computed on a 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 purchased or originated credit-impaired (POCI) assets. These are recorded at fair value at original recognition and interest income is subsequently recognized based on a credit-adjusted EIR. ECL is only recognized or released to the extent that there is a subsequent change in the ECLs. POCI assets pertain to loans purchased by the Parent Company from MBCL.

Assessment of ECL on a collective basis
The Group calculates ECL either on an individual or a collective basis. The Group performs collective impairment by grouping exposures into smaller homogenous portfolios based on a combination of borrower and account characteristics. Accounts with similar risk attributes (i.e. facility, 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.

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

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

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.

MCC offers credit card facilities, in which MCC has the right to cancel and/or reduce the facilities with one-day notice. MCC does not limit its exposure to credit losses to the contractual notice period, but instead, calculates ECL over a period that reflects MCC's expectations of the customers' behavior, their likelihood of default, and MCC's future risk mitigation procedures, which could include reducing or cancelling the facilities. Based on past experience and MCC's expectations, the period over which MCC calculates ECL for these products is two 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. MCC uses the contractual interest rate as discounting factor as MCC 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 2018, the Company incorporated forward-looking information to its ECL estimation using the following economic inputs:
- Gross Domestic Product (GDP) (current) growth
- London Interbank Offered Rate (LIBOR)
- PHP / USD exchange rate

In 2019, after model reviews and validation, the Company relied on the following as economic inputs in measuring ECL:
- Treasury Bill (T-Bill) Rates
- Philippine Stock Exchange (PSE) All Shares Index
- GDP growth
- External debt
- PSE Financials Index
- GDP Financial intermediation
- Government expenditure

Debt investment securities measured at FVOCI
The ECL for debt securities at FVOCI do 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 OCI 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.

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

Financial assets carried at amortized cost
For financial assets carried at amortized cost such as loans and receivables, due from other banks, interbank loans and SPURA, and HTM investments, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. For individually assessed

financial assets, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR, adjusted for the original credit risk premium. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

Financial assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment. The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to the statement of income. Interest income continues to be recognized based on the original EIR of the asset. Financial assets, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent period, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. If a future write-off is later recovered, any amounts formerly charged are credited to 'Recovery on charged-off assets' under 'Miscellaneous income' in the statements of income. If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

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

The Group also uses the Net Flow Rate (NFR) method to determine the credit loss rate of a particular delinquency age bucket based on historical data of flow-through and flow-back of loans across specific delinquency age buckets. The allowance for credit losses is determined based on the results of the net flow to write-off methodology. Net flow tables are derived from monitoring of monthly peso movements between different stage buckets, from 1-day past due to 180-day past due. The net flow to write-off methodology relies on the last 12 months of net flow tables to establish a NFR percentage of accounts receivable that are current or in any state of delinquency (i.e., 30, 60, 90, 120, 150 and 180 day past due) as of reporting date that will eventually result in write-off. The gross provision is then computed based on the outstanding balances of the receivables as of statement of financial position date and the NFRs determined for the current and each delinquency bucket. This gross provision is reduced by the estimated recoveries, which are also based on historical data, to arrive at the required allowance for credit losses.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

AFS investments
In case of quoted equity securities classified as 'AFS investments', this would include a significant or prolonged decline in the fair value of the securities below their cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the statement of income - is removed from OCI and recognized in the statement of income. Impairment losses on equity securities are not reversed through the statement of income. Increases in fair value after impairment are recognized directly in OCI. In case of unquoted equity securities classified as 'AFS investments', the amount of the impairment is measured as the difference between their carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

In case of debt instruments classified as 'AFS investments', impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of 'Interest income' in the statement of income. If subsequently, the fair value of a debt instrument increased and the increase can be objectively related to an event occurring after the impairment loss was recognized in the statement of income, the impairment loss is reversed through the statement of income.

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
Effective January 1, 2018
Revenue from contracts with customers is recognized upon transfer of services to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services.

The 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 within the scope of PFRS 15:

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.

Prior to January 1, 2018, the Group adopted PAS 18 in accounting for the above fees and commissions. The Group assessed that there is no difference in accounting for the above fees and commission income under PFRS 15 and PAS 18.

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 Group's credit card business, 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	Revenue recognition under PAS 18
Discounts earned	Charges arising from credit availments by the Group's and other credit companies' cardholders when the Group 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 Group's cardholders and other credit companies' cardholders when the Group is acting as an acquirer.	Recognized as revenue upon receipt from member establishments of charges arising from credit availments by the Group's cardholders and other credit companies' cardholders when the Group 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.	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.

Type of product/service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under PFRS 15	Revenue recognition under PAS 18
Awards revenue	The Group operates a loyalty points program, which allows customers to accumulate points when they purchase from member establishments using the issued card of the Group. The points accumulate and do not expire.	The Group 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.	A proportion of the revenue from discounts earned and interchange fees from credit cards is allocated to the reward points. The allocated revenue that corresponds to the total fair value of the reward points is determined by applying statistical analysis. The fair value of the points issued is deferred and recorded under 'Deferred revenue' and recognized as revenue when the points are redeemed.

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. Under PAS 39 (applicable prior to January 1, 2018), once the recorded value of a financial asset or group of similar financial assets carried at amortized cost has been reduced due to an impairment loss, interest income continues to be recognized using the original EIR applied to the new carrying amount.

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 consolidated 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.

Trading and securities gain (loss) - 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 investment securities at FVTPL, debt securities at FVOCI/AFS and HTM investments.

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 direct financing leases and 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.

Gain on sale of investment in associate
Upon loss of significant influence over an associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Gain on sale of non-current asset held for sale
The gain or loss arising from the sale of non-current asset held for sale is included in profit or loss when the item is derecognized. The gain or loss arising from the derecognition of non-current asset held for sale is determined as the difference between the net disposal proceeds and its carrying amount on the date of the transaction.

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 less any impairment in value and depreciable properties including buildings, furniture, fixtures and equipment and leasehold improvements are stated at cost less accumulated depreciation and amortization, and any impairment in value. 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 any impairment in value. 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 plan, net unrealized loss on investment securities at FVOCI and AFS investments, 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 impairment in value.

Investment properties are derecognized when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in 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 impairment in value. Depreciation is calculated on a straight-line basis using the remaining useful lives from the time of acquisition of the vehicles. The useful lives of chattel mortgage properties are estimated to be five 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 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 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 cash generating unit (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 senior management in determining the recoverable amount.

Leases
Group as lessee
Policies applicable beginning January 1, 2019
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-of-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:

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 debt 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 (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of ATM site and 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.

<u>*Policies applicable prior to January 1, 2019*</u>
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:
(a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
(b) a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
(c) there is a change in the determination of whether fulfillment is dependent on a specified asset; or
(d) there is a substantial change to the asset.

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

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to the ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments and included in 'Property and equipment' with the corresponding liability to the lessor included in 'Other liabilities'. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recorded directly to 'Interest expense'.

Capitalized leased assets are depreciated over the shorter of the estimated useful lives of the assets or the respective lease terms, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Leases where the lessor retains substantially all the risk and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognized as an expense in the statement of income under 'Ocupancy and equipment-related cost' on a straight-line basis over the lease term. Contingent rental payables are recognized as expense in the year in which they are incurred. Any prepaid rent and accrued rent were recognized under 'Prepaid expenses' lodged in 'Other assets' and 'Accrued other expenses' lodged in 'Accrued interest and other expenses', respectively.

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 plan 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 reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:
- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. 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 profit or loss. 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 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 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 profit or loss 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 unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized but are disclosed in the financial statements when an inflow of economic benefits is probable.

Income Taxes
Current 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 taxing 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. 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 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 set off current tax assets against current tax liabilities and deferred taxes relate to the same taxable entity and the same taxation 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 Board of Directors (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, 2020
Amendments to PFRS 3, *Business Combinations - Definition of a Business*
The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business. An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted. These amendments will apply to future business combinations of the Group.

Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material*
The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements. An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective beginning on or after January 1, 2021
PFRS 17, *Insurance Contracts*
PFRS 17 provides updated information about the obligation, risks and performance of insurance contracts, increases transparency in financial information reported by insurance companies, and introduces consistent accounting for all insurance contracts based on a current measurement model. The standard is effective for annual periods beginning on or after January 1, 2021. Early application is permitted but only if the entity also applies PFRS 9 and PFRS 15.

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, *Business Combinations*. 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 Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board 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 joint ventures.

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

Judgments

a. *Classification of financial assets*
Beginning January 1, 2018, 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:
- 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.

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: (a) an investor has the power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) 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 (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: (a) representation in the board of directors or equivalent governing body of the investee; (b) participation in policy-making processes, including participation in decisions about dividends or other distributions; (c) material transactions between the investor and the investee; (d) interchange of managerial personnel; (e) joint voting agreement with other investors; or (f) 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 where 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
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 (i.e., 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.

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 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 (i.e., 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 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 this proceeding (Note 31).

Estimates

a. *Credit losses on financial assets*
The Group reviews its debt financial assets subject to ECL 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. 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 2019, Stage 2 includes those accounts that are "Watchlisted" due to financial and repayment concerns, which are previously under Stage 1, and aligned the definition of default (previously more than 30 days past due) with the BSP's definition of non-performing loans, i.e., more than 90 days past due
- 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. In 2019, the Parent Company recalibrated its lifetime PD models and loss rates (for portfolios to which the loss rate approach is applied).
- Determination of associations between macroeconomic scenarios and economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomics 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, 2019 and December 31, 2018 are disclosed in Note 4, while the related ECL allowances for credit losses are disclosed in Note 15. In 2019 and 2018, provision for credit losses on these financial assets amounted to ₱9.6 billion and ₱7.7 billion, respectively for the Group and ₱1.6 billion and ₱0.8 billion, repectively for the Parent Company (Note 16).

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 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, future salary increases, mortality rates and future pension increases. 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. 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: a) significant underperformance relative to expected historical or projected future operating results; b) significant changes in the manner of use of the acquired assets or the strategy for overall business; and c) significant negative industry or economic trends.

The Group uses the higher of FVLCTS and VIU in determining recoverable amount. As of December 31, 2019 and 2018, there has been a significant and prolonged decline in the fair value of an associate. The recoverable amount of the investment in the associate has been determined based on a VIU calculation. Key assumptions in VIU calculation are most sensitive to the following assumptions: (a) production volume; (b) price; (c) exchange rates; (d) capital expenditures and (e) long-term growth rates. Based on the Group's impairment testing as of December 31, 2019, allowance for impairment loss on investment in associate amounted to ₱513.6 million.

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 11, 12, 13 and 15, 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 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

CGU's equity investments. The FVLCTS calculation of the CGU is most sensitive to discount rates and the P/E ratios of listed comparable companies of the CGU's equity investments. As of December 31, 2019 and 2018, 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 Board of Directors (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 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 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.

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 (e.g., 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 (i.e., on- or off-balance sheet exposures). The Parent Company manages its credit risk at various levels (i.e., 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 issuer (for investment securities);
- Utilizing the Internal Credit Risk Rating System (ICRRS) in order 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 group 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 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.

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							
	2019				2018			
	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	**₱401**	**₱401**	**₱401**	**₱–**	₱8,067	₱8,060	₱8,058	₱9
Loans and receivables - net								
Receivables from customers								
Commercial loans	**341,616**	**856,065**	**299,588**	**42,028**	305,371	793,563	283,893	21,478
Auto loans	**116,069**	**202,470**	**115,636**	**433**	116,975	197,160	116,465	510
Residential mortgage loans	**109,093**	**207,864**	**93,723**	**15,370**	106,818	202,043	96,980	9,838
Trade loans	**61,260**	**59,907**	**59,785**	**1,475**	59,972	58,936	58,718	1,254
Others	**796**	**738**	**702**	**94**	674	694	655	19
	628,834	**1,327,044**	**569,434**	**59,400**	589,810	1,252,396	556,711	33,099
Accrued interest receivable	**3,507**	**3,370**	**3,370**	**137**	3,424	3,416	3,416	8
Sales contract receivable	**142**	**414**	**100**	**42**	155	347	122	33
	632,483	**1,330,828**	**572,904**	**59,579**	593,389	1,256,159	560,249	33,140
Total	**₱632,884**	**₱1,331,229**	**₱573,305**	**₱59,579**	₱601,456	₱1,264,219	₱568,307	₱33,149

	Parent Company							
	2019				2018			
	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	**₱–**	**₱–**	**₱–**	**₱–**	₱1,459	₱1,634	₱1,459	₱–
Loans and receivables - net								
Receivables from customers								
Commercial loans	**296,577**	**806,784**	**264,137**	**32,440**	269,607	753,469	254,545	15,062
Auto loans	**23,674**	**63,917**	**23,330**	**344**	29,109	74,249	28,646	463
Residential mortgage loans	**56,977**	**114,374**	**56,780**	**197**	57,239	113,903	57,026	213
Trade loans	**61,260**	**59,907**	**59,785**	**1,475**	59,908	58,873	58,654	1,254
Others	**796**	**738**	**703**	**93**	659	685	647	12
	439,284	**1,045,720**	**404,735**	**34,549**	416,522	1,001,179	399,518	17,004
Accrued interest receivable	**1,659**	**1,656**	**1,656**	**3**	1,489	1,483	1,483	6
Sales contract receivable	**100**	**187**	**100**	**–**	116	140	109	7
	441,043	**1,047,563**	**406,491**	**34,552**	418,127	1,002,802	401,110	17,017
Total	**₱441,043**	**₱1,047,563**	**₱406,491**	**₱34,552**	₱419,586	₱1,004,436	₱402,569	₱17,017

The maximum exposure to credit risks for the other financial assets is limited to their carrying values as of December 31, 2019 and 2018.

Collaterals on loans and receivables includes real estate and chattel mortgages, guarantees, and other registered securities over assets (Note 9). 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, 2019 and 2018. 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						
2019						
Derivative assets	**₱233,601**	**₱225,128**	**₱8,473**	**₱1,634**	**₱–**	**₱6,839**
SPURA	**39,686**	**–**	**39,686**	**–**	**39,686**	**–**
	₱273,287	**₱225,128**	**₱48,159**	**₱1,634**	**₱39,686**	**₱6,839**
2018						
Derivative assets	₱178,920	₱168,270	₱10,650	₱1,534	₱–	₱9,116
SPURA	8,067	–	8,067	–	8,058	9
	₱186,987	₱168,270	₱18,717	₱1,534	₱8,058	₱9,125

	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: Financial Instruments	Effect of Remaining Rights of Set-Off (including rights to set-off financial collateral) Not Meeting Offsetting Criteria: Fair Value of Financial Collateral	Net Exposure
Financial assets recognized by type						
Parent Company						
2019						
Derivative assets	**₱233,601**	**₱225,128**	**₱8,473**	**₱1,634**	**₱–**	**₱6,839**
SPURA	**36,921**	**–**	**36,921**	**–**	**36,921**	**–**
	₱270,522	**₱225,128**	**₱45,394**	**₱1,634**	**₱36,921**	**₱6,839**
2018						
Derivative assets	₱177,295	₱166,659	₱10,636	₱1,534	₱–	₱9,102
Financial liabilities recognized by type						
Consolidated						
2019						
Derivative liabilities	**₱236,188**	**₱228,780**	**₱7,408**	**₱1,634**	**₱–**	**₱5,774**
SSURA	**91,492**	**–**	**91,492**	**–**	**91,428**	**64**
	₱327,680	**₱228,780**	**₱98,900**	**₱1,634**	**₱91,428**	**₱5,838**
2018						
Derivative liabilities	₱172,755	₱166,221	₱6,534	₱1,534	₱–	₱5,000
SSURA	95,247	–	95,247	–	95,247	–
	₱268,002	₱166,221	₱101,781	₱1,534	₱95,247	₱5,000
Parent Company						
2019						
Derivative liabilities	**₱216,963**	**₱210,986**	**₱5,977**	**₱1,634**	**₱–**	**₱4,343**
SSURA	**90,780**	**–**	**90,780**	**–**	**90,716**	**64**
	₱307,743	**₱210,986**	**₱96,757**	**₱1,634**	**₱90,716**	**₱4,407**
2018						
Derivative liabilities	₱154,742	₱148,562	₱6,180	₱1,534	₱–	₱4,646
SSURA	95,247	–	95,247	–	95,247	–
	₱249,989	₱148,562	₱101,427	₱1,534	₱95,247	₱4,646

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 reporting date based on carrying amount:

	Consolidated				
	Loans and Receivables*	Loans and Advances to Banks**	Investment Securities***	Others****	Total
2019					
Concentration by Industry					
Financial and insurance activities	**₱241,154**	**₱346,941**	**₱69,197**	**₱221,912**	**₱879,204**
Wholesale and retail trade, repair of motor vehicles, motorcycles	**233,963**	–	**154**	**25,268**	**259,385**
Manufacturing	**218,319**	–	**1,010**	**19,620**	**238,949**
Real estate activities	**232,781**	–	**5**	**1,105**	**233,891**
Transportation and storage, information and communication	**111,277**	–	**293**	**3,017**	**114,587**
Electricity, gas, steam and air-conditioning supply and water supply, sewerage, waste management and remediation activities	**101,210**	–	**1,812**	**1,781**	**104,803**

(Forward)

	Consolidated				
	Loans and Receivables*	**Loans and Advances to Banks****	**Investment Securities*****	**Others******	**Total**
Activities of households as employers and undifferentiated goods and services and producing activities of households for own use	**₱82,359**	**₱–**	**₱–**	**₱185**	**₱82,544**
Construction	**64,442**	–	–	**10,326**	**74,768**
Agricultural, forestry and fishing	**41,102**	–	–	**508**	**41,610**
Accommodation and food service activities	**35,310**	–	–	**19**	**35,329**
Others*****	**142,633**	–	**380,043**	**3,040**	**525,716**
	1,504,550	**346,941**	**452,514**	**286,781**	**2,590,786**
Less allowance for credit losses	**24,223**	**6**	**26**	**9,681**	**33,936**
	₱1,480,327	**₱346,935**	**₱452,488**	**₱277,100**	**₱2,556,850**
Concentration by Location					
Philippines	**₱1,450,466**	**₱256,774**	**₱379,799**	**₱280,584**	**₱2,367,623**
Asia	**53,781**	**57,586**	**44,213**	**6,071**	**161,651**
USA	**237**	**13,369**	**17,778**	**125**	**31,509**
Europe	**51**	**16,897**	**7,561**	–	**24,509**
Others	**15**	**2,315**	**3,163**	**1**	**5,494**
	1,504,550	**346,941**	**452,514**	**286,781**	**2,590,786**
Less allowance for credit losses	**24,223**	**6**	**26**	**9,681**	**33,936**
	₱1,480,327	**₱346,935**	**₱452,488**	**₱277,100**	**₱2,556,850**
2018					
Concentration by Industry					
Financial and insurance activities	₱184,848	₱336,673	₱80,486	₱199,358	₱801,365
Manufacturing	218,850	–	967	28,694	248,511
Wholesale and retail trade, repair of motor vehicles, motorcycles	231,924	–	–	8,023	239,947
Real estate activities	210,582	–	1,416	912	212,910
Transportation and storage, information and communication	113,058	–	152	1,372	114,582
Electricity, gas, steam and air-conditioning supply and water supply, sewerage, waste management and remediation activities	100,346	–	4,238	3,601	108,185
Activities of households as employers and undifferentiated goods and services and producing activities of households for own use	86,926	–	–	257	87,183
Construction	58,218	–	–	488	58,706
Agricultural, forestry and fishing	34,356	–	–	2,810	37,166
Accommodation and food service activities	32,211	–	–	5	32,216
Others*****	138,767	–	288,324	25,571	452,662
	1,410,086	336,673	375,583	271,091	2,393,433
Less allowance for credit losses	22,688	18	48	10,598	33,352
	₱1,387,398	₱336,655	₱375,535	₱260,493	₱2,360,081
Concentration by Location					
Philippines	₱1,371,536	₱249,078	₱323,643	₱265,578	₱2,209,835
Asia	38,166	53,007	25,362	5,298	121,833
USA	273	10,968	13,829	215	25,285
Europe	81	14,672	7,727	–	22,480
Others	30	8,948	5,022	–	14,000
	1,410,086	336,673	375,583	271,091	2,393,433
Less allowance for credit losses	22,688	18	48	10,598	33,352
	₱1,387,398	₱336,655	₱375,535	₱260,493	₱2,360,081

	Parent Company				
	Loans and Receivables*	**Loans and Advances to Banks****	**Investment Securities*****	**Others******	**Total**
2019					
Concentration by Industry					
Financial and insurance activities	**₱160,968**	**₱290,621**	**₱30,010**	**₱11,938**	**₱493,537**
Wholesale and retail trade, repair of motor vehicles, motorcycles	**215,828**	–	**154**	**25,268**	**241,250**
Manufacturing	**210,633**	–	**1,009**	**19,620**	**231,262**
Real estate activities	**182,336**	–	–	**660**	**182,996**
Transportation and storage, information and communication	**96,581**	–	**293**	**3,017**	**99,891**
Electricity, gas, steam and air-conditioning supply and water supply, sewerage, waste management and remediation activities	**95,041**	–	**1,672**	**1,780**	**98,493**
Activities of households as employers and undifferentiated goods and services and producing activities of households for own use	**81,911**	–	–	**185**	**82,096**

(Forward)

	Parent Company				
	Loans and Receivables*	**Loans and Advances to Banks****	**Investment Securities*****	**Others*******	**Total**
Construction	**₱50,120**	**₱–**	**₱–**	**₱10,273**	**₱60,393**
Agricultural, forestry and fishing	**37,474**	–	–	**509**	**37,983**
Accommodation and food service activities	**34,869**	–	–	**19**	**34,888**
Others*****	**22,021**	–	**371,682**	**1,844**	**395,547**
	1,187,782	**290,621**	**404,820**	**75,113**	**1,958,336**
Less allowance for credit losses	**13,922**	**1**	–	**9,681**	**23,604**
	₱1,173,860	**₱290,620**	**₱404,820**	**₱65,432**	**₱1,934,732**
Concentration by Location					
Philippines	**₱1,168,082**	**₱233,721**	**₱339,445**	**₱68,951**	**₱1,810,199**
Asia	**19,410**	**24,558**	**36,879**	**6,038**	**86,885**
USA	**230**	**13,198**	**17,778**	**124**	**31,330**
Europe	**46**	**16,885**	**7,560**	–	**24,491**
Others	**14**	**2,259**	**3,158**	–	**5,431**
	1,187,782	**290,621**	**404,820**	**75,113**	**1,958,336**
Less allowance for credit losses	**13,922**	**1**	–	**9,681**	**23,604**
	₱1,173,860	**₱290,620**	**₱404,820**	**₱65,432**	**₱1,934,732**
2018					
Concentration by Industry					
Financial and insurance activities	₱120,484	₱266,231	₱31,692	₱11,000	₱429,407
Manufacturing	213,184	–	967	28,694	242,845
Wholesale and retail trade, repair of motor vehicles, motorcycles	215,810	–	–	8,023	223,833
Real estate activities	164,310	–	–	873	165,183
Electricity, gas, steam and air-conditioning supply and water supply, sewerage, waste management and remediation activities	97,581	–	3,836	3,601	105,018
Transportation and storage, information and communication	98,907	–	152	1,372	100,431
Activities of households as employers and undifferentiated goods and services and producing activities of households for own use	86,271	–	–	257	86,528
Construction	44,195	–	–	435	44,630
Agricultural, forestry and fishing	29,837	–	–	2,810	32,647
Accommodation and food service activities	31,762	–	–	5	31,767
Others*****	23,077	–	267,679	24,397	315,153
	1,125,418	266,231	304,326	81,467	1,777,442
Less allowance for credit losses	12,797	12	48	9,685	22,542
	₱1,112,621	₱266,219	₱304,278	₱71,782	₱1,754,900
Concentration by Location					
Philippines	₱1,110,240	₱208,586	₱258,035	₱75,993	₱1,652,854
Asia	14,810	23,471	19,773	5,261	63,315
USA	258	10,589	13,769	213	24,829
Europe	80	14,637	7,727	–	22,444
Others	30	8,948	5,022	–	14,000
	1,125,418	266,231	304,326	81,467	1,777,442
Less allowance for credit losses	12,797	12	48	9,685	22,542
	₱1,112,621	₱266,219	₱304,278	₱71,782	₱1,754,900

* Excludes statutory receivables which are not considered financial assets.
** 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.
***** Includes government-issued debt securities.

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 is 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. 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.

<u>Standard Grade</u>
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.

<u>Substandard Grade</u>
6 - 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. Borrower finds it hard to cope with any significant economic downturn and a default in such a case is more than a possibility. Borrower which incurs net losses and has salient financial weaknesses specifically in profitability. 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.

7 - Especially Mentioned
This rating is given to a borrower that exhibits potential 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.

<u>Impaired</u>
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.

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 are currently evaluated using quantitative and qualitative criteria. For booked consumer loans, the description of credit quality is as follows:

<u>High Grade</u>
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.

<u>Standard Grade</u>
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.

<u>Substandard Grade</u>
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.

<u>Impaired</u>
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.

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' (i.e., those under High grade in the table above).

The following tables show the credit quality of loans and advances to banks and investment securities, gross of allowance for credit losses, as of December 31, 2019 and 2018. All loans and advances to banks are classified as Stage 1 in 2019 and 2018. As of December 31, 2018, all investment securities are classified as Stage 1. In 2019, sovereign debt securities at FVOCI with total carrying value of ₱37.8 million as of December 31, 2018 was transferred from Stage 1 to Stage 3. As of December 31, 2019, the total carrying value of investment securities classified as Stage 1 and Stage 3 amounts to ₱200.8 billion and ₱28.9 million, respectively.

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Due from BSP				
High grade	**₱219,994**	₱240,134	**₱195,770**	₱206,289
Due from other banks				
High grade	**53,472**	44,707	**38,671**	35,137
Standard grade	**941**	697	–	50
Unrated	**359**	404	**27**	31
	54,772	45,808	**38,698**	35,218
Interbank loans receivable and SPURA				
High grade	**71,646**	48,757	**55,624**	22,750
Unrated	**529**	1,974	**529**	1,974
	72,175	50,731	**56,153**	24,724
Total loans and advances to banks				
High grade	**345,112**	333,598	**290,065**	264,176
Standard grade	**941**	697	–	50
Unrated	**888**	2,378	**556**	2,005
	₱346,941	₱336,673	**₱290,621**	₱266,231
Debt securities at FVOCI				
Private				
High grade	**₱32,793**	₱41,872	**₱25,827**	₱32,576
Standard grade	**3,163**	258	**254**	258
Unrated	**243**	239	**243**	239
	36,199	42,369	**26,324**	33,073
Treasury notes and bonds				
High grade	**111,791**	40,786	**109,203**	37,377
Government				
High grade	**52,841**	26,226	**52,620**	20,443
Sub-standard grade	**29**	778	**29**	778
	52,870	27,004	**52,649**	21,221
Total debt securities at FVOCI				
High grade	**197,425**	108,884	**187,650**	90,396
Standard grade	**3,163**	258	**254**	258
Sub-standard grade	**29**	778	**29**	778
Unrated	**243**	239	**243**	239
	200,860	110,159	**188,176**	91,671
Investment securities at amortized cost				
Treasury notes and bonds				
High grade	**227,442**	237,476	**208,514**	204,176
Government				
High grade	**20,110**	21,859	**8,130**	8,479
Standard grade	**122**	–	–	–
	20,232	21,859	**8,130**	8,479
Private				
High grade	**331**	5,298	–	–
Standard grade	**3,543**	742	–	–
Unrated	**6**	–	–	–
	3,880	6,040	–	–
Treasury bills				
High grade	**100**	49	–	–
Total investment securities at amortized cost				
High grade	**247,983**	264,682	**216,644**	212,655
Standard grade	**3,665**	742	–	–
Unrated	**6**	–	–	–
	251,654	265,424	**216,644**	212,655

(Forward)

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Total debt investment securities				
High grade	**₱445,408**	₱373,566	**₱404,294**	₱303,051
Standard grade	**6,828**	1,000	**254**	258
Sub-standard grade	**29**	778	**29**	778
Unrated	**249**	239	**243**	239
	₱452,514	₱375,583	**₱404,820**	₱304,326

As of December 31, 2019 and 2018, availments of interbank loans and SPURA amounted to ₱73.4 billion and ₱33.0 billion, respectively, for the Group and ₱56.2 billion and ₱24.7 billion, respectively, for the Parent Company while maturities of interbank loans and SPURA amounted to ₱50.7 billion and ₱27.7 billion, respectively, for the Group and ₱24.7 billion and ₱27.2 billion, respectively, for the Parent Company. As of December 31, 2019 and 2018, net decrease in due from BSP amounted to ₱20.1 billion and ₱21.8 billion, respectively, for the Group, and ₱10.5 billion and ₱18.4 billion, respectively, for the Parent Company and net increase in due from other banks amounted to ₱9.0 billion and ₱14.5 billion, respectively, for the Group, and ₱3.5 billion and ₱15.9 billion, respectively, for the Parent Company.

As of December 31, 2019 and 2018, purchases of investment in debt securities at FVOCI amounted to ₱1.3 trillion and ₱786.2 billion, respectively, for the Group and ₱1.3 trillion and ₱774.5 billion, respectively, for the Parent Company while disposals/maturities amounted to ₱1.2 trillion and ₱764.2 billion, respectively, for the Group and ₱1.2 trillion and ₱759.8 billion, 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, 2019 and 2018 amounting to ₱8.6 billion and (₱10.1 billion), respectively, for the Group and an increase increase/(decrease) in carrying value of ₱9.2 billion and (₱2.2 billion), respectively for the Parent Company.

As of December 31, 2019 and 2018, purchases of investment securities at amortized cost amounted to ₱4.5 billion and ₱7.0 billion, respectively, for the Group and ₱4.3 billion and ₱5.0 billion, respectively, for the Parent Company while maturities and disposals amounted to ₱17.6 billion and ₱4.1 billion, respectively, for the Group and ₱468.8 million and ₱29.6 million, 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 investment securities at amortized cost as of December 31, 2019 and 2018 amounting to (₱651.2 million) and ₱1.5 billion, respectively, for the Group and an increase/(decrease) in carrying value of (₱0.1 billion) and ₱2.9 million, respectively, for the Parent Company.

The credit quality of receivables from customers, net of unearned discount and capitalized interest, as of December 31, 2019 and 2018 follow:

	Consolidated			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
2019				
Commercial loans				
High grade	**₱320,456**	**₱662**	**₱–**	**₱321,118**
Standard grade	**540,388**	**1,670**	**–**	**542,058**
Sub-standard grade	**52,925**	**133,775**	**–**	**186,700**
Unrated	**93**	**–**	**–**	**93**
Non-performing individually impaired	**–**	**–**	**10,652**	**10,652**
	913,862	**136,107**	**10,652**	**1,060,621**

(Forward)

	Consolidated			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Auto loans				
High grade	**₱83,179**	**₱6,418**	**₱–**	**₱89,597**
Standard grade	**20,186**	**5,245**	**–**	**25,431**
Sub-standard grade	**12**	**8**	**–**	**20**
Non-performing individually impaired	**–**	**–**	**3,360**	**3,360**
	103,377	**11,671**	**3,360**	**118,408**
Residential mortgage loans				
High grade	**42,893**	**8,595**	**–**	**51,488**
Standard grade	**53,176**	**1,186**	**–**	**54,362**
Sub-standard grade	**1,506**	**292**	**–**	**1,798**
Non-performing individually impaired	**–**	**–**	**2,351**	**2,351**
	97,575	**10,073**	**2,351**	**109,999**
Trade loans				
High grade	**8,530**	**–**	**–**	**8,530**
Standard grade	**47,930**	**17**	**–**	**47,947**
Sub-standard grade	**4,636**	**2,142**	**–**	**6,778**
Non-performing individually impaired	**–**	**–**	**105**	**105**
	61,096	**2,159**	**105**	**63,360**
Credit card				
Standard grade	**83,481**	**–**	**–**	**83,481**
Sub-standard grade	**–**	**2,040**	**–**	**2,040**
Non-performing individually impaired	**–**	**–**	**1,509**	**1,509**
	83,481	**2,040**	**1,509**	**87,030**
Other loans				
High grade	**14,705**	**241**	**–**	**14,946**
Standard grade	**21,733**	**2,117**	**–**	**23,850**
Sub-standard grade	**54**	**712**	**–**	**766**
Unrated	**13**	**–**	**–**	**13**
Non-performing individually impaired	**–**	**–**	**1,494**	**1,494**
	36,505	**3,070**	**1,494**	**41,069**
Total receivables from customers				
High grade	**469,763**	**15,916**	**–**	**485,679**
Standard grade	**766,894**	**10,235**	**–**	**777,129**
Sub-standard grade	**59,133**	**138,969**	**–**	**198,102**
Unrated	**106**	**–**	**–**	**106**
Non-performing individually impaired	**–**	**–**	**19,471**	**19,471**
	₱1,295,896	**₱165,120**	**₱19,471**	**₱1,480,487**
2018				
Commercial loans				
High grade	₱266,886	₱–	₱–	₱266,886
Standard grade	595,361	792	–	596,153
Sub-standard grade	104,142	7,488	3,793	115,423
Past due but not impaired	–	111	–	111
Non-performing individually impaired	–	230	7,114	7,344
	966,389	8,621	10,907	985,917
Auto loans				
High grade	71,575	8,104	–	79,679
Standard grade	25,154	6,205	–	31,359
Sub-standard grade	22	1,558	13	1,593
Past due but not impaired	–	3,301	–	3,301
Non-performing individually impaired	–	34	4,006	4,040
	96,751	19,202	4,019	119,972
Residential mortgage loans				
High grade	41,224	6,181	–	47,405
Standard grade	52,462	2,247	–	54,709
Sub-standard grade	1,009	253	310	1,572
Past due but not impaired	–	1,855	–	1,855
Non-performing individually impaired	–	142	2,264	2,406
	94,695	10,678	2,574	107,947

(Forward)

	Consolidated			
	Stage 1	Stage 2	Stage 3	Total
Trade loans				
High grade	₱6,664	₱–	₱–	₱6,664
Standard grade	53,566	–	–	53,566
Sub-standard grade	2,521	276	–	2,797
Non-performing individually impaired	–	–	99	99
	62,751	276	99	63,126
Credit card				
Standard grade	67,776	–	–	67,776
Non-performing individually impaired	–	1,692	1,186	2,878
	67,776	1,692	1,186	70,654
Other loans				
High grade	13,053	345	–	13,398
Standard grade	23,956	1,434	–	25,390
Sub-standard grade	6	420	–	426
Past due but not impaired	–	86	–	86
Non-performing individually impaired	–	385	920	1,305
	37,015	2,670	920	40,605
Total receivables from customers				
High grade	399,402	14,630	–	414,032
Standard grade	818,275	10,678	–	828,953
Sub-standard grade	107,700	9,995	4,116	121,811
Past due but not impaired	–	5,353	–	5,353
Non-performing individually impaired	–	2,483	15,589	18,072
	₱1,325,377	₱43,139	₱19,705	₱1,388,221

	Parent Company				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
2019					
Commercial loans					
High grade	**₱275,842**	**₱–**	**₱–**	**₱–**	**₱275,842**
Standard grade	**538,993**	**1,200**	**–**	**–**	**540,193**
Sub-standard grade	**52,898**	**133,472**	**–**	**–**	**186,370**
Non-performing individually impaired	**–**	**–**	**6,753**	**2,992**	**9,745**
	867,733	**134,672**	**6,753**	**2,992**	**1,012,150**
Auto loans					
High grade	**3,804**	**–**	**–**	**–**	**3,804**
Standard grade	**20,162**	**54**	**–**	**–**	**20,216**
Sub-standard grade	**12**	**8**	**–**	**–**	**20**
Non-performing individually impaired	**–**	**–**	**142**	**–**	**142**
	23,978	**62**	**142**	**–**	**24,182**
Residential mortgage loans					
High grade	**1,843**	**–**	**–**	**–**	**1,843**
Standard grade	**53,176**	**225**	**–**	**–**	**53,401**
Sub-standard grade	**1,506**	**292**	**–**	**–**	**1,798**
Non-performing individually impaired	**–**	**–**	**478**	**–**	**478**
	56,525	**517**	**478**	**–**	**57,520**
Trade loans					
High grade	**7,824**	**–**	**–**	**–**	**7,824**
Standard grade	**47,930**	**17**	**–**	**–**	**47,947**
Sub-standard grade	**4,636**	**2,142**	**–**	**–**	**6,778**
Non-performing individually impaired	**–**	**–**	**105**	**–**	**105**
	60,390	**2,159**	**105**	**–**	**62,654**
Other loans					
High grade	**14,120**	**–**	**–**	**–**	**14,120**
Standard grade	**376**	**–**	**–**	**–**	**376**
Sub-standard grade	**6**	**–**	**–**	**–**	**6**
Non-performing individually impaired	**–**	**–**	**40**	**–**	**40**
	14,502	**–**	**40**	**–**	**14,542**

(Forward)

	Parent Company				
	Stage 1	Stage 2	Stage 3	POCI	Total
Total receivables from customers					
High grade	**₱303,433**	**₱–**	**₱–**	**₱–**	**₱303,433**
Standard grade	**660,637**	**1,496**	**–**	**–**	**662,133**
Sub-standard grade	**59,058**	**135,914**	**–**	**–**	**194,972**
Non-performing individually impaired	**–**	**–**	**7,518**	**2,992**	**10,510**
	₱1,023,128	**₱137,410**	**₱7,518**	**₱2,992**	**₱1,171,048**
2018					
Commercial loans					
High grade	₱255,970	₱–	₱–	₱–	₱255,970
Standard grade	569,963	–	–	–	569,963
Sub-standard grade	104,141	7,290	3,793	–	115,224
Non-performing individually impaired	–	57	3,127	3,309	6,493
	930,074	7,347	6,920	3,309	947,650
Auto loans					
High grade	4,014	1	–	–	4,015
Standard grade	25,120	313	–	–	25,433
Sub-standard grade	16	2	12	–	30
Non-performing individually impaired	–	34	169	–	203
	29,150	350	181	–	29,681
Residential mortgage loans					
High grade	1,802	–	–	–	1,802
Standard grade	52,428	1,462	–	–	53,890
Sub-standard grade	1,009	183	311	–	1,503
Non-performing individually impaired	–	142	637	–	779
	55,239	1,787	948	–	57,974
Trade loans					
High grade	6,664	–	–	–	6,664
Standard grade	53,502	–	–	–	53,502
Sub-standard grade	2,521	276	–	–	2,797
Non-performing individually impaired	–	–	99	–	99
	62,687	276	99	–	63,062
Other loans					
High grade	12,194	–	–	–	12,194
Standard grade	336	–	–	–	336
Non-performing individually impaired	–	–	41	–	41
	12,530	–	41	–	12,571
Total receivables from customers					
High grade	280,644	1	–	–	280,645
Standard grade	701,349	1,775	–	–	703,124
Sub-standard grade	107,687	7,751	4,116	–	119,554
Non-performing individually impaired	–	233	4,073	3,309	7,615
	₱1,089,680	₱9,760	₱8,189	₱3,309	₱1,110,938

Movements during 2019 and 2018 for receivables from customers follows:

	Consolidated			
	Receivables from Customers			
	Stage 1	Stage 2	Stage 3	Total
2019				
Commercial loans				
Balance at January 1, 2019	**₱966,389**	**₱8,621**	**₱10,907**	**₱985,917**
New assets originated	**533,499**	**–**	**–**	**533,499**
Assets derecognized or repaid	**(440,204)**	**(12,696)**	**(3,570)**	**(456,470)**
Amounts written-off	**–**	**–**	**(294)**	**(294)**
Transfers to/(from) Stage 1	**(143,955)**	**–**	**–**	**(143,955)**
Transfers to/(from) Stage 2	**–**	**140,182**	**–**	**140,182**
Transfers to/(from) Stage 3	**–**	**–**	**3,773**	**3,773**
Others	**(1,867)**	**–**	**(164)**	**(2,031)**
Balance at December 31, 2019	**913,862**	**136,107**	**10,652**	**1,060,621**

(Forward)

	Consolidated			
	Receivables from Customers			
	Stage 1	Stage 2	Stage 3	Total
Auto loans				
Balance at January 1, 2019	**₱96,751**	**₱19,202**	**₱4,019**	**₱119,972**
New assets originated	**44,354**	**–**	**–**	**44,354**
Assets derecognized or repaid	**(34,357)**	**(8,527)**	**(2,876)**	**(45,760)**
Amounts written-off	**(1)**	**(45)**	**(112)**	**(158)**
Transfers to/(from) Stage 1	**(3,370)**	**–**	**–**	**(3,370)**
Transfers to/(from) Stage 2	**–**	**1,041**	**–**	**1,041**
Transfers to/(from) Stage 3	**–**	**–**	**2,329**	**2,329**
Balance at December 31, 2019	**103,377**	**11,671**	**3,360**	**118,408**
Residential mortgage loans				
Balance at January 1, 2019	**94,695**	**10,678**	**2,574**	**107,947**
New assets originated	**21,914**	**–**	**–**	**21,914**
Assets derecognized or repaid	**(16,607)**	**(2,462)**	**(793)**	**(19,862)**
Amounts written-off	**–**	**–**	**–**	**–**
Transfers to/(from) Stage 1	**(2,427)**	**–**	**–**	**(2,427)**
Transfers to/(from) Stage 2	**–**	**1,857**	**–**	**1,857**
Transfers to/(from) Stage 3	**–**	**–**	**570**	**570**
Balance at December 31, 2019	**97,575**	**10,073**	**2,351**	**109,999**
Trade loans				
Balance at January 1, 2019	**62,751**	**276**	**99**	**63,126**
New assets originated	**63,143**	**–**	**–**	**63,143**
Assets derecognized or repaid	**(62,673)**	**(232)**	**–**	**(62,905)**
Transfers to/(from) Stage 1	**(2,122)**	**–**	**–**	**(2,122)**
Transfers to/(from) Stage 2	**–**	**2,115**	**–**	**2,115**
Transfers to/(from) Stage 3	**–**	**–**	**7**	**7**
Others	**(3)**	**–**	**(1)**	**(4)**
Balance at December 31, 2019	**61,096**	**2,159**	**105**	**63,360**
Credit card				
Balance at January 1, 2019	**67,776**	**1,692**	**1,186**	**70,654**
New assets originated	**22,868**	**–**	**–**	**22,868**
Amounts written-off	**–**	**–**	**(6,492)**	**(6,492)**
Transfers to/(from) Stage 1	**(7,163)**	**–**	**–**	**(7,163)**
Transfers to/(from) Stage 2	**–**	**348**	**–**	**348**
Transfers to/(from) Stage 3	**–**	**–**	**6,815**	**6,815**
Balance at December 31, 2019	**83,481**	**2,040**	**1,509**	**87,030**
Other loans				
Balance at January 1, 2019	**37,015**	**2,670**	**920**	**40,605**
New assets originated	**30,574**	**–**	**–**	**30,574**
Assets derecognized or repaid	**(28,522)**	**(690)**	**(628)**	**(29,840)**
Amounts written-off	**(1)**	**(96)**	**(866)**	**(963)**
Transfers to/(from) Stage 1	**(2,559)**	**–**	**–**	**(2,559)**
Transfers to/(from) Stage 2	**–**	**1,186**	**–**	**1,186**
Transfers to/(from) Stage 3	**–**	**–**	**1,373**	**1,373**
Others	**(2)**	**–**	**695**	**693**
Balance at December 31, 2019	**36,505**	**3,070**	**1,494**	**41,069**
Total receivables from customers				
Balance at January 1, 2019	**1,325,377**	**43,139**	**19,705**	**1,388,221**
New assets originated	**716,352**	**–**	**–**	**716,352**
Assets derecognized or repaid	**(582,363)**	**(24,607)**	**(7,867)**	**(614,837)**
Amounts written-off	**(2)**	**(141)**	**(7,764)**	**(7,907)**
Transfers to/(from) Stage 1	**(161,596)**	**–**	**–**	**(161,596)**
Transfers to/(from) Stage 2	**–**	**146,729**	**–**	**146,729**
Transfers to/(from) Stage 3	**–**	**–**	**14,867**	**14,867**
Others	**(1,872)**	**–**	**530**	**(1,342)**
Balance at December 31, 2019	**₱1,295,896**	**₱165,120**	**₱19,471**	**₱1,480,487**
2018				
Commercial loans				
Balance at January 1, 2018	₱895,139	₱10,211	₱5,820	₱911,170
New assets originated	478,641	–	–	478,641
Assets derecognized or repaid	(405,069)	(3,954)	(420)	(409,443)
Amounts written-off	–	(1)	(78)	(79)
Transfers to/(from) Stage 1	(7,652)	–	–	(7,652)
Transfers to/(from) Stage 2	–	2,259	–	2,259
Transfers to/(from) Stage 3	–	–	5,393	5,393
Others	5,330	106	192	5,628
Balance at December 31, 2018	966,389	8,621	10,907	985,917

(Forward)

	Consolidated			
	Receivables from Customers			
	Stage 1	Stage 2	Stage 3	Total
Auto loans				
Balance at January 1, 2018	₱98,612	₱16,068	₱3,485	₱118,165
New assets originated	46,127	–	–	46,127
Assets derecognized or repaid	(33,364)	(7,986)	(2,511)	(43,861)
Amounts written-off	–	(12)	(447)	(459)
Transfers to/(from) Stage 1	(14,624)	–	–	(14,624)
Transfers to/(from) Stage 2	–	11,132	–	11,132
Transfers to/(from) Stage 3	–	–	3,492	3,492
Balance at December 31, 2018	96,751	19,202	4,019	119,972
Residential mortgage loans				
Balance at January 1, 2018	83,368	14,181	2,187	99,736
New assets originated	26,618	–	–	26,618
Assets derecognized or repaid	(14,891)	(2,768)	(748)	(18,407)
Transfers to/(from) Stage 1	(400)	–	–	(400)
Transfers to/(from) Stage 2	–	(735)	–	(735)
Transfers to/(from) Stage 3	–	–	1,135	1,135
Balance at December 31, 2018	94,695	10,678	2,574	107,947
Trade loans				
Balance at January 1, 2018	40,624	395	101	41,120
New assets originated	62,840	–	–	62,840
Assets derecognized or repaid	(41,071)	(253)	(20)	(41,344)
Transfers to/(from) Stage 1	(151)	–	–	(151)
Transfers to/(from) Stage 2	–	134	–	134
Transfers to/(from) Stage 3	–	–	17	17
Others	509	–	1	510
Balance at December 31, 2018	62,751	276	99	63,126
Credit card				
Balance at January 1, 2018	58,391	1,852	648	60,891
New assets originated	15,207	–	–	15,207
Amounts written off	–	–	(5,444)	(5,444)
Transfers to/(from) Stage 1	(5,822)	–	–	(5,822)
Transfers to/(from) Stage 2	–	(160)	–	(160)
Transfers to/(from) Stage 3	–	–	5,982	5,982
Balance at December 31, 2018	67,776	1,692	1,186	70,654
Other loans				
Balance at January 1, 2018	23,512	2,177	1,105	26,794
New assets originated	35,584	–	–	35,584
Assets derecognized or repaid	(20,626)	(668)	(242)	(21,536)
Amounts written off	(4)	(66)	(173)	(243)
Transfers to/(from) Stage 1	(1,457)	–	–	(1,457)
Transfers to/(from) Stage 2	–	1,227	–	1,227
Transfers to/(from) Stage 3	–	–	230	230
Others	6	–	–	6
Balance at December 31, 2018	37,015	2,670	920	40,605
Total receivables from customers				
Balance at January 1, 2018	1,199,646	44,884	13,346	1,257,876
New assets originated	665,017	–	–	665,017
Assets derecognized or repaid	(515,021)	(15,629)	(3,941)	(534,591)
Amounts written off	(4)	(79)	(6,142)	(6,225)
Transfers to/(from) Stage 1	(30,106)	–	–	(30,106)
Transfers to/(from) Stage 2	–	13,857	–	13,857
Transfers to/(from) Stage 3	–	–	16,249	16,249
Others	5,845	106	193	6,144
Balance at December 31, 2018	₱1,325,377	₱43,139	₱19,705	₱1,388,221

	Parent Company				
	Receivables from Customers				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
2019					
Commercial loans					
Balance at January 1, 2019	**₱930,074**	**₱7,347**	**₱6,920**	**₱3,309**	**₱947,650**
New assets originated	**505,051**	**–**	**–**	**–**	**505,051**
Assets derecognized or repaid	**(423,882)**	**(12,287)**	**(3,007)**	**(247)**	**(439,423)**
Amounts written-off	**–**	**–**	**(233)**	**–**	**(233)**
Transfers to/(from) Stage 1	**(142,769)**	**–**	**–**	**–**	**(142,769)**
Transfers to/(from) Stage 2	**–**	**139,612**	**–**	**–**	**139,612**
Transfers to/(from) Stage 3	**–**	**–**	**3,157**	**–**	**3,157**
Others	**(741)**	**–**	**(84)**	**(70)**	**(895)**
Balance at December 31, 2019	**867,733**	**134,672**	**6,753**	**2,992**	**1,012,150**

(Forward)

	Parent Company				
	Receivables from Customers				
	Stage 1	Stage 2	Stage 3	POCI	Total
Auto loans					
Balance at January 1, 2019	**₱29,150**	**₱350**	**₱181**	**₱–**	**₱29,681**
New assets originated	**8,710**	**–**	**–**	**–**	**8,710**
Assets derecognized or repaid	**(14,066)**	**(87)**	**(51)**	**–**	**(14,204)**
Amounts written-off	**–**	**–**	**(5)**	**–**	**(5)**
Transfers to/(from) Stage 1	**184**	**–**	**–**	**–**	**184**
Transfers to/(from) Stage 2	**–**	**(201)**	**–**	**–**	**(201)**
Transfers to/(from) Stage 3	**–**	**–**	**17**	**–**	**17**
Balance at December 31, 2019	**23,978**	**62**	**142**	**–**	**24,182**
Residential mortgage loans					
Balance at January 1, 2019	**55,239**	**1,787**	**948**	**–**	**57,974**
New assets originated	**11,842**	**–**	**–**	**–**	**11,842**
Assets derecognized or repaid	**(11,750)**	**(265)**	**(281)**	**–**	**(12,296)**
Transfers to/(from) Stage 1	**1,194**	**–**	**–**	**–**	**1,194**
Transfers to/(from) Stage 2	**–**	**(1,005)**	**–**	**–**	**(1,005)**
Transfers to/(from) Stage 3	**–**	**–**	**(189)**	**–**	**(189)**
Balance at December 31, 2019	**56,525**	**517**	**478**	**–**	**57,520**
Trade loans					
Balance at January 1, 2019	**62,687**	**276**	**99**	**–**	**63,062**
New assets originated	**62,499**	**–**	**–**	**–**	**62,499**
Assets derecognized or repaid	**(62,673)**	**(232)**	**–**	**–**	**(62,905)**
Transfers to/(from) Stage 1	**(2,123)**	**–**	**–**	**–**	**(2,123)**
Transfers to/(from) Stage 2	**–**	**2,115**	**–**	**–**	**2,115**
Transfers to/(from) Stage 3	**–**	**–**	**7**	**–**	**7**
Others	**–**	**–**	**(1)**	**–**	**(1)**
Balance at December 31, 2019	**60,390**	**2,159**	**105**	**–**	**62,654**
Other loans					
Balance at January 1, 2019	**12,530**	**–**	**41**	**–**	**12,571**
New assets originated	**9,633**	**–**	**–**	**–**	**9,633**
Assets derecognized or repaid	**(7,644)**	**–**	**(18)**	**–**	**(7,662)**
Transfers to/(from) Stage 1	**(17)**	**–**	**–**	**–**	**(17)**
Transfers to/(from) Stage 3	**–**	**–**	**17**	**–**	**17**
Balance at December 31, 2019	**14,502**	**–**	**40**	**–**	**14,542**
Total receivables from customers					
Balance at January 1, 2019	**1,089,680**	**9,760**	**8,189**	**3,309**	**1,110,938**
New assets originated	**597,735**	**–**	**–**	**–**	**597,735**
Assets derecognized or repaid	**(520,015)**	**(12,871)**	**(3,357)**	**(247)**	**(536,490)**
Amounts written-off	**–**	**–**	**(238)**	**–**	**(238)**
Transfers to/(from) Stage 1	**(143,531)**	**–**	**–**	**–**	**(143,531)**
Transfers to/(from) Stage 2	**–**	**140,521**	**–**	**–**	**140,521**
Transfers to/(from) Stage 3	**–**	**–**	**3,009**	**–**	**3,009**
Others	**(741)**	**–**	**(85)**	**(70)**	**(896)**
Balance at December 31, 2019	**₱1,023,128**	**₱137,410**	**₱7,518**	**₱2,992**	**₱1,171,048**
2018					
Commercial loans					
Balance at January 1, 2018	₱839,156	₱9,092	₱1,880	₱3,383	₱853,511
New assets originated	474,250	–	–	–	474,250
Assets derecognized or repaid	(381,738)	(3,661)	(265)	(74)	(385,738)
Transfers to/(from) Stage 1	(6,923)	–	–	–	(6,923)
Transfers to/(from) Stage 2	–	1,810	–	–	1,810
Transfers to/(from) Stage 3	–	–	5,113	–	5,113
Others	5,329	106	192	–	5,627
Balance at December 31, 2018	930,074	7,347	6,920	3,309	947,650
Auto loans					
Balance at January 1, 2018	32,153	1,579	151	–	33,883
New assets originated	10,921	–	–	–	10,921
Assets derecognized or repaid	(14,698)	(335)	(90)	–	(15,123)
Transfers to/(from) Stage 1	774	–	–	–	774
Transfers to/(from) Stage 2	–	(894)	–	–	(894)
Transfers to/(from) Stage 3	–	–	120	–	120
Balance at December 31, 2018	29,150	350	181	–	29,681
Residential mortgage loans					
Balance at January 1, 2018	46,938	5,519	684	–	53,141
New assets originated	16,379	–	–	–	16,379
Assets derecognized or repaid	(10,492)	(752)	(302)	–	(11,546)
Transfers to/(from) Stage 1	2,414	–	–	–	2,414
Transfers to/(from) Stage 2	–	(2,980)	–	–	(2,980)
Transfers to/(from) Stage 3	–	–	566	–	566
Balance at December 31, 2018	55,239	1,787	948	–	57,974

(Forward)

	Parent Company				
	Receivables from Customers				
	Stage 1	Stage 2	Stage 3	POCI	Total
Trade loans					
Balance at January 1, 2018	₱40,574	₱395	₱101	₱–	₱41,070
New assets originated	62,826	–	–	–	62,826
Assets derecognized or repaid	(41,071)	(253)	(20)	–	(41,344)
Transfers to/(from) Stage 1	(151)	–	–	–	(151)
Transfers to/(from) Stage 2	–	134	–	–	134
Transfers to/(from) Stage 3	–	–	17	–	17
Others	509	–	1	–	510
Balance at December 31, 2018	62,687	276	99	–	63,062
Other loans					
Balance at January 1, 2018	12,793	–	42	–	12,835
New assets originated	8,118	–	–	–	8,118
Assets derecognized or repaid	(8,387)	–	(1)	–	(8,388)
Others	6	–	–	–	6
Balance at December 31, 2018	12,530	–	41	–	12,571
Total receivables from customers					
Balance at January 1, 2018	971,614	16,585	2,858	3,383	994,440
New assets originated	572,494	–	–	–	572,494
Assets derecognized or repaid	(456,386)	(5,001)	(678)	(74)	(462,139)
Transfers to/(from) Stage 1	(3,886)	–	–	–	(3,886)
Transfers to/(from) Stage 2	–	(1,930)	–	–	(1,930)
Transfers to/(from) Stage 3	–	–	5,816	–	5,816
Others	5,844	106	193	–	6,143
Balance at December 31, 2018	₱1,089,680	₱9,760	₱8,189	₱3,309	₱1,110,938

The credit quality of other receivables, gross of allowance for credit losses, as of December 31, 2019 and 2018 follows:

	Consolidated			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
2019				
Unquoted debt securities				
High grade	**₱630**	**₱–**	**₱–**	**₱630**
Non-performing individually impaired	–	–	**386**	**386**
	630	–	**386**	**1,016**
Accrued interest receivable				
High grade	**8,404**	**134**	–	**8,538**
Standard grade	**2,517**	**153**	–	**2,670**
Sub-standard grade	**285**	**745**	–	**1,030**
Unrated	**12**	–	–	**12**
Non-performing individually impaired	–	–	**855**	**855**
	11,218	**1,032**	**855**	**13,105**
Sales contract receivables				
High grade	**23**	–	–	**23**
Unrated	**100**	–	–	**100**
Non-performing individually impaired	–	–	**22**	**22**
	123	–	**22**	**145**
Other receivables				
High grade	**3**	–	–	**3**
Standard grade	**261**	–	–	**261**
Unrated	**65**	–	–	**65**
Non-performing individually impaired	–	–	**2**	**2**
	329	–	**2**	**331**
Total other receivables				
High grade	**9,060**	**134**	–	**9,194**
Standard grade	**2,778**	**153**	–	**2,931**
Sub-standard grade	**285**	**745**	–	**1,030**
Unrated	**177**	–	–	**177**
Non-performing individually impaired	–	–	**1,265**	**1,265**
	₱12,300	**₱1,032**	**₱1,265**	**₱14,597**
2018				
Unquoted debt securities				
Standard grade	₱632	₱–	₱–	₱632
Non-performing individually impaired	–	–	386	386
	632	–	386	1,018

(Forward)

	Consolidated			
	Stage 1	Stage 2	Stage 3	Total
Accrued interest receivable				
High grade	₱6,063	₱120	₱–	₱6,183
Standard grade	2,787	105	–	2,892
Sub-standard grade	488	49	2	539
Unrated	22	–	–	22
Past due but not impaired	3	95	–	98
Non-performing individually impaired	–	1	932	933
	9,363	370	934	10,667
Sales contract receivables				
High grade	45	–	–	45
Unrated	116	–	–	116
Non-performing individually impaired	–	–	29	29
	161	–	29	190
Other receivables				
High grade	3	–	–	3
Standard grade	282	–	–	282
Unrated	48	–	–	48
Non-performing individually impaired	–	–	2	2
	333	–	2	335
Total other receivables				
High grade	6,111	120	–	6,231
Standard grade	3,701	105	–	3,806
Sub-standard grade	488	49	2	539
Unrated	186	–	–	186
Past due but not impaired	3	95	–	98
Non-performing individually impaired	–	1	1,349	1,350
	₱10,489	₱370	₱1,351	₱12,210

	Parent Company			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
2019				
Unquoted debt securities				
Non-performing individually impaired	**₱–**	**₱–**	**₱386**	**₱386**
Accrued interest receivable				
High grade	**6,600**	–	–	**6,600**
Standard grade	**2,468**	**5**	–	**2,473**
Sub-standard grade	**285**	**741**	–	**1,026**
Unrated	**10**	–	–	**10**
Non-performing individually impaired	–	–	**394**	**394**
	9,363	**746**	**394**	**10,503**
Sales contract receivables				
Unrated	**100**	–	–	**100**
Non-performing individually impaired	–	–	**2**	**2**
	100	–	**2**	**102**
Other receivables				
Unrated	**10**	–	–	**10**
Non-performing individually impaired	–	–	**2**	**2**
	10	–	**2**	**12**
Total other receivables				
High grade	**6,600**	–	–	**6,600**
Standard grade	**2,468**	**5**	–	**2,473**
Sub-standard grade	**285**	**741**	–	**1,026**
Unrated	**120**	–	–	**120**
Non-performing individually impaired	–	–	**784**	**784**
	₱9,473	**₱746**	**₱784**	**₱11,003**
2018				
Unquoted debt securities				
Non-performing individually impaired	₱–	₱–	₱386	₱386
Accrued interest receivable				
High grade	4,188	–	–	4,188
Standard grade	2,737	6	–	2,743
Sub-standard grade	487	23	2	512
Unrated	21	–	–	21
Past due but not impaired	3	–	–	3
Non-performing individually impaired	–	1	519	520
	7,436	30	521	7,987
Sales contract receivables				
Unrated	117	–	–	117
Non-performing individually impaired	–	–	2	2
	117	–	2	119

(Forward)

	Parent Company			
	Stage 1	Stage 2	Stage 3	Total
Other receivables				
Unrated	₱11	₱–	₱–	₱11
Non-performing individually impaired	–	–	2	2
	11	–	2	13
Total other receivables				
High grade	4,188	–	–	4,188
Standard grade	2,737	6	2	2,743
Sub-standard grade	487	23	–	512
Unrated	149	–	–	149
Past due but not impaired	3	–	–	3
Non-performing individually impaired	–	1	909	910
	₱7,564	₱30	₱911	₱8,505

Movements during 2019 and 2018 for other receivables follow:

	Consolidated			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
2019				
Balance at January 1, 2019	**₱10,489**	**₱370**	**₱1,351**	**₱12,210**
New assets originated	**8,985**	**–**	**–**	**8,985**
Assets derecognized or repaid	**(5,522)**	**(366)**	**(709)**	**(6,597)**
Amounts written-off	**–**	**–**	**(1)**	**(1)**
Transfers to/(from) Stage 1	**(1,652)**	**–**	**–**	**(1,652)**
Transfers to/(from) Stage 2	**–**	**1,028**	**–**	**1,028**
Transfers to/(from) Stage 3	**–**	**–**	**624**	**624**
Balance at December 31, 2019	**₱12,300**	**₱1,032**	**₱1,265**	**₱14,597**
2018				
Balance at January 1, 2018	₱8,899	₱452	₱878	₱10,229
New assets originated	3,811	–	–	3,811
Assets derecognized or repaid	(1,505)	(105)	(218)	(1,828)
Transfers to/(from) Stage 1	(716)	–	–	(716)
Transfers to/(from) Stage 2	–	23	–	23
Transfers to/(from) Stage 3	–	–	693	693
Others	–	–	(2)	(2)
Balance at December 31, 2018	₱10,489	₱370	₱1,351	₱12,210

	Parent Company			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
2019				
Balance at January 1, 2019	**₱7,564**	**₱30**	**₱911**	**₱8,505**
New assets originated	**7,575**	**–**	**–**	**7,575**
Assets derecognized or repaid	**(4,487)**	**(219)**	**(370)**	**(5,076)**
Amounts written-off	**–**	**–**	**(1)**	**(1)**
Transfers to/(from) Stage 1	**(1,179)**	**–**	**–**	**(1,179)**
Transfers to/(from) Stage 2	**–**	**935**	**–**	**935**
Transfers to/(from) Stage 3	**–**	**–**	**244**	**244**
Balance at December 31, 2019	**₱9,473**	**₱746**	**₱784**	**₱11,003**
2018				
Balance at January 1, 2018	₱6,004	₱145	₱726	₱6,875
New assets originated or purchased	2,861	–	–	2,861
Assets derecognized or repaid	(1,117)	(55)	(57)	(1,229)
Transfers to/(from) Stage 1	(184)	–	–	(184)
Transfers to/(from) Stage 2	–	(60)	–	(60)
Transfers to/(from) Stage 3	–	–	244	244
Others	–	–	(2)	(2)
Balance at December 31, 2018	₱7,564	₱30	₱911	₱8,505

The credit risk exposure on the accounts receivable (excluding statutory receivables which are not considered financial assets) of the Group and the Parent Company based on their aging as of December 31, 2019 and 2018 follows:

	Consolidated		**Parent Company**	
Age of accounts receivables	**2019**	2018	**2019**	2018
Up to 1 month	**₱5,775**	₱5,256	**₱2,191**	₱2,359
> 1 to 2 months	**76**	126	**41**	57
> 2 to 3 months	**36**	55	**26**	18
More than 3 months	**3,579**	4,218	**3,473**	3,541
Total gross carrying amount	**₱9,466**	₱9,655	**₱5,731**	₱5,975

The maximum exposure and credit quality of loan commitments and financial guarantees as of December 31, 2019 and 2018 follows:

	Consolidated			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
2019				
Standard grade	**₱210,260**	**₱–**	**₱–**	**₱210,260**
Unrated	**62,768**	**1,460**	**–**	**64,228**
	₱273,028	**₱1,460**	**₱–**	**₱274,488**
2018				
High grade	₱71	₱–	₱–	₱71
Standard grade	188,211	–	–	188,211
Unrated	69,513	84	–	69,597
	₱257,795	₱84	₱–	₱257,879

	Parent Company			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
2019				
Unrated	**₱62,768**	**₱1,460**	**₱–**	**₱64,228**
2018				
Unrated	₱69,513	₱84	₱–	₱69,597

Movements during 2019 and 2018 for loan commitments and financial guarantees follow:

	Consolidated			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
2019				
Balance at January 1, 2019	**₱257,795**	**₱84**	**₱–**	**₱257,879**
New assets originated or purchased	**47,799**	**–**	**–**	**47,799**
Assets derecognized or repaid	**(30,939)**	**(251)**	**–**	**(31,190)**
Transfers to/(from) Stage 1	**(1,627)**	**–**	**–**	**(1,627)**
Transfers to/(from) Stage 2	**–**	**1,627**	**–**	**1,627**
Balance at December 31, 2019	**₱273,028**	**₱1,460**	**₱–**	**₱274,488**
2018				
Balance at January 1, 2018	₱228,559	₱302	₱–	₱228,861
New assets originated or purchased	50,093	–	–	50,093
Assets derecognized or repaid	(20,980)	(95)	–	(21,075)
Transfers to/(from) Stage 1	123	–	–	123
Transfers to/(from) Stage 2	–	(123)	–	(123)
Balance at December 31, 2018	₱257,795	₱84	₱–	₱257,879

	Parent Company			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
2019				
Balance at January 1, 2019	**₱69,513**	**₱84**	**₱–**	**₱69,597**
New assets originated or purchased	**25,821**	**–**	**–**	**25,821**
Assets derecognized or repaid	**(30,939)**	**(251)**	**–**	**(31,190)**
Transfers to/(from) Stage 1	**(1,627)**	**–**	**–**	**(1,627)**
Transfers to/(from) Stage 2	**–**	**1,627**	**–**	**1,627**
Balance at December 31, 2019	**₱62,768**	**₱1,460**	**₱–**	**₱64,228**
2018				
Balance at January 1, 2018	₱68,419	₱302	₱–	₱68,721
New assets originated or purchased	21,939	–	–	21,939
Assets derecognized or repaid	(20,968)	(95)	–	(21,063)
Transfers to/(from) Stage 1	123	–	–	123
Transfers to/(from) Stage 2	–	(123)	–	(123)
Balance at December 31, 2018	₱69,513	₱84	₱–	₱69,597

Breakdown of restructured receivables from customers by class are shown below:

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Commercial loans	**₱2,048**	₱1,798	**₱2,044**	₱1,793
Auto loans	**16**	25	**–**	–
Residential mortgage loans	**95**	123	**11**	23
Others	**276**	164	**–**	–
	₱2,435	₱2,110	**₱2,055**	₱1,816

As of December 31, 2019 and 2018, 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
2019						
Auto loans	**₱419**	**₱165**	**₱330**	**₱1,392**	**₱1,132**	**₱3,438**
Residential mortgage loans	**807**	**328**	**187**	**422**	**1,035**	**2,779**
	₱1,226	**₱493**	**₱517**	**₱1,814**	**₱2,167**	**₱6,217**
2018						
Auto loans	₱61	₱14	₱10	₱34	₱1,464	₱1,583
Residential mortgage loans	266	88	43	120	838	1,355
	₱327	₱102	₱53	₱154	₱2,302	₱2,938

	Parent Company					
	Number of days past due					
	Within 30 days	31-60 days	61-90 days	91-180 days	Over 180 days	Total
2019						
Auto loans	**₱61**	**₱20**	**₱8**	**₱11**	**₱121**	**₱221**
Residential mortgage loans	**322**	**84**	**39**	**105**	**357**	**907**
	₱383	**₱104**	**₱47**	**₱116**	**₱478**	**₱1,128**
2018						
Auto loans	₱54	₱12	₱9	₱26	₱103	₱204
Residential mortgage loans	265	87	43	119	436	950
	₱319	₱99	₱52	₱145	₱539	₱1,154

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 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 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 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 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 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 funding need 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
2019							
Financial Assets							
Cash and other cash items	**₱32,956**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱32,956**
Due from BSP	**219,994**	**–**	**–**	**–**	**–**	**–**	**219,994**
Due from other banks	**51,867**	**26**	**2,724**	**164**	**4**	**–**	**54,785**
Interbank loans receivable and SPURA	**175**	**66,185**	**3,632**	**2,196**	**–**	**–**	**72,188**
Investment securities at FVTPL							
FVTPL investments	**–**	**12,310**	**38,502**	**–**	**–**	**38**	**50,850**
Derivative assets							
Trading:							
Receive	**–**	**53,050**	**27,989**	**29,617**	**14,099**	**3,018**	**127,773**
Pay	**–**	**(53,625)**	**(28,447)**	**(30,201)**	**(14,307)**	**(3,151)**	**(129,731)**
	–	**(575)**	**(458)**	**(584)**	**(208)**	**(133)**	**(1,958)**
Investment securities at FVOCI	**–**	**546**	**2,799**	**5,049**	**2,940**	**230,995**	**242,329**
Investment securities at amortized cost	**–**	**15,370**	**150**	**312**	**9,766**	**317,901**	**343,499**
Loans and receivables							
Receivables from customers	**60,348**	**276,769**	**178,037**	**129,824**	**103,398**	**994,261**	**1,742,637**
Unquoted debt securities	**–**	**10**	**1**	**161**	**18**	**980**	**1,170**
Accrued interest receivable	**11,220**	**1,276**	**251**	**52**	**306**	**–**	**13,105**
Accounts receivable	**7,761**	**259**	**21**	**11**	**1,413**	**1**	**9,466**
Sales contract receivable	**9**	**–**	**19**	**13**	**26**	**86**	**153**
Other receivables	**15**	**316**	**–**	**–**	**–**	**–**	**331**
Other assets							
Returned checks and other cash items	**407**	**–**	**–**	**–**	**–**	**–**	**407**
Miscellaneous	**8**	**–**	**1**	**4**	**8**	**172**	**193**
	₱384,760	**₱372,492**	**₱225,679**	**₱137,202**	**₱117,671**	**₱1,544,301**	**₱2,782,105**

	Consolidated						
	On demand	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Beyond 1 year	Total
Financial Liabilities							
Non-derivative liabilities							
Deposit liabilities							
CASA	₱1,077,507	₱–	₱–	₱–	₱–	₱–	₱1,077,507
Time	–	394,827	125,808	23,838	30,119	21,280	595,872
LTNCD	–	34	104	8,375	590	40,253	49,356
	1,077,507	394,861	125,912	32,213	30,709	61,533	1,722,735
Bills payable and SSURA	–	91,394	50,379	22,665	26,319	51,687	242,444
Manager's checks and demand drafts outstanding	6,806	–	–	–	–	–	6,806
Accrued interest payable	766	1,295	1,199	171	339	146	3,916
Accrued other expenses	3,395	792	1	–	180	–	4,368
Bonds payable	–	–	442	1,098	30,283	56,468	88,291
Subordinated debts	–	–	54	104	6,623	1,394	8,175
Non-equity non-controlling interest	6,553	–	–	–	–	–	6,553
Other liabilities							
Bills purchased - contra	14,089	–	–	–	–	–	14,089
Accounts payable	5,089	9,964	–	2,384	–	–	17,437
Marginal deposits	6,138	–	236	–	–	–	6,374
Outstanding acceptances	–	488	378	324	398	23	1,611
Deposits on lease contracts	36	54	83	121	291	1,140	1,725
Notes payable	–	–	–	1,881	1,028	–	2,909
Dividends payable	90	–	–	–	–	–	90
Lease liability	59	125	225	341	644	3,593	4,987
Miscellaneous	3	–	–	–	–	–	3
	1,120,531	498,973	178,909	61,302	96,814	175,984	2,132,513
Derivative liabilities*							
Trading:							
Pay	–	84,202	26,452	17,814	17,521	2,097	148,086
Receive	–	(83,588)	(26,100)	(17,699)	(17,462)	(1,930)	(146,779)
	–	614	352	115	59	167	1,307
Loan commitments and financial guarantees	218,613	6,182	16,531	12,967	12,457	7,738	274,488
	₱1,339,144	₱505,769	₱195,792	₱74,384	₱109,330	₱183,889	₱2,408,308
2018							
Financial Assets							
Cash and other cash items	₱33,091	₱–	₱–	₱–	₱–	₱–	₱33,091
Due from BSP	240,134	–	–	–	–	–	240,134
Due from other banks	40,058	3,728	2,036	–	–	–	45,822
Interbank loans receivable and SPURA	2,200	27,992	13,294	3,749	3,521	–	50,756
Investment securities at FVTPL							
HFT investments	–	9,508	20,036	–	–	39	29,583
Derivative assets							
Trading:							
Receive	4	34,677	27,348	13,324	3,734	–	79,087
Pay	–	(59,215)	(24,785)	(12,371)	(5,417)	–	(101,788)
	4	(24,538)	2,563	953	(1,683)	–	(22,701)
Investment securities at FVOCI	–	309	1,314	5,405	15,132	109,071	131,231
Investment securities at amortized cost	29	40	253	929	3,773	366,156	371,180
Loans and receivables							
Receivables from customers	49,067	242,271	173,781	125,761	89,350	984,476	1,664,706
Unquoted debt securities	–	9	–	9	18	1,306	1,342
Accrued interest receivable	8,546	1,319	358	377	67	–	10,667
Accounts receivable	8,515	564	24	5	56	491	9,655
Sales contract receivable	8	1	13	14	26	143	205
Other receivables	15	320	–	–	–	–	335
Other assets							
Returned checks and other cash items	417	–	–	–	–	–	417
Miscellaneous	11	2	2	5	6	191	217
	₱382,095	₱261,525	₱213,674	₱137,207	₱110,266	₱1,461,873	₱2,566,640

	Consolidated						
	On demand	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Beyond 1 year	Total
Financial Liabilities							
Non-derivative liabilities							
Deposit liabilities							
CASA	₱964,944	₱–	₱–	₱–	₱–	₱–	₱964,944
Time	–	328,841	133,644	38,455	28,169	20,887	549,996
LTNCD	–	34	104	375	750	49,814	51,077
	964,944	328,875	133,748	38,830	28,919	70,701	1,566,017
Bills payable and SSURA	1,155	87,961	65,458	35,957	24,933	52,487	267,951
Manager's checks and demand drafts outstanding	7,565	–	–	–	–	–	7,565
Accrued interest payable	329	1,141	2,154	240	90	334	4,288
Accrued other expenses	2,592	848	325	195	–	2	3,962
Bonds payable	–	67	265	501	3,964	30,002	34,799
Subordinated debts	–	–	301	16,360	290	12,008	28,959
Non-equity non-controlling interest	6,747	–	–	–	–	–	6,747
Other liabilities							
Bills purchased - contra	12,171	–	–	–	–	–	12,171
Accounts payable	3,101	10,446	–	2,082	–	–	15,629
Marginal deposits	82	–	4,150	–	–	–	4,232
Outstanding acceptances	–	898	419	225	251	–	1,793
Deposits on lease contracts	–	46	93	81	320	1,103	1,643
Notes payable	–	16	31	47	96	2,699	2,889
Dividends payable	–	90	–	–	–	–	90
Miscellaneous	8	–	–	–	–	–	8
	998,694	430,388	206,944	94,518	58,863	169,336	1,958,743
Derivative liabilities*							
Trading:							
Pay	–	73,574	40,125	66,613	5,474	7,402	193,188
Receive	–	(36,064)	(30,290)	(15,322)	(4,895)	(7,277)	(93,848)
	–	37,510	9,835	51,291	579	125	99,340
Loan commitments and financial guarantees	199,507	7,373	19,844	10,917	14,763	5,475	257,879
	₱1,198,201	₱475,271	₱236,623	₱156,726	₱74,205	₱174,936	₱2,315,962

	Parent Company						
	On demand	**Up to 1 month**	**1 to 3 months**	**3 to 6 months**	**6 to 12 months**	**Beyond 1 year**	**Total**
2019							
Financial Assets							
Cash and other cash items	**₱30,659**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱30,659**
Due from BSP	**195,770**	**–**	**–**	**–**	**–**	**–**	**195,770**
Due from other banks	**34,495**	**1,498**	**2,717**	**–**	**–**	**–**	**38,710**
Interbank loans receivable and SPURA	**–**	**55,708**	**426**	**33**	**–**	**–**	**56,167**
Investment securities at FVTPL							
FVTPL investments	**–**	**–**	**38,502**	**–**	**–**	**38**	**38,540**
Derivative assets							
Trading:							
Receive	**–**	**53,050**	**27,989**	**29,617**	**14,099**	**3,018**	**127,773**
Pay	**–**	**(53,625)**	**(28,447)**	**(30,201)**	**(14,307)**	**(3,151)**	**(129,731)**
	–	**(575)**	**(458)**	**(584)**	**(208)**	**(133)**	**(1,958)**
Investment securities at FVOCI	**–**	**381**	**1,574**	**2,914**	**2,022**	**220,905**	**227,796**
Investment securities at amortized cost	**–**	**15,017**	**–**	**–**	**7,605**	**275,365**	**297,987**
Loans and receivables							
Receivables from customers	**10,053**	**276,409**	**160,093**	**105,231**	**49,435**	**722,173**	**1,323,394**
Unquoted debt securities	**–**	**–**	**–**	**–**	**–**	**482**	**482**
Accrued interest receivable	**10,503**	**–**	**–**	**–**	**–**	**–**	**10,503**
Accounts receivable	**5,731**	**–**	**–**	**–**	**–**	**–**	**5,731**
Sales contract receivable	**5**	**–**	**19**	**12**	**25**	**49**	**110**
Other receivables	**12**	**–**	**–**	**–**	**–**	**–**	**12**
Other assets							
Returned checks and other cash items	**378**	**–**	**–**	**–**	**–**	**–**	**378**
	₱287,606	**₱348,438**	**₱202,873**	**₱107,606**	**₱58,879**	**₱1,218,879**	**₱2,224,281**

	Parent Company						
	On demand	**Up to 1 month**	**1 to 3 months**	**3 to 6 months**	**6 to 12 months**	**Beyond 1 year**	**Total**
Financial Liabilities							
Non-derivative liabilities							
Deposit liabilities							
CASA	**₱1,003,249**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱1,003,249**
Time	**–**	**318,644**	**114,318**	**18,571**	**9,812**	**1,248**	**462,593**
LTNCD	**–**	**34**	**104**	**8,375**	**590**	**30,606**	**39,709**
	1,003,249	**318,678**	**114,422**	**26,946**	**10,402**	**31,854**	**1,505,551**
Bills payable and SSURA	**–**	**73,962**	**17,763**	**13,313**	**13,299**	**22,656**	**140,993**
Manager's checks and demand drafts outstanding	**5,508**	**–**	**–**	**–**	**–**	**–**	**5,508**
Accrued interest payable	**–**	**1,058**	**835**	**170**	**272**	**146**	**2,481**
Accrued other expenses	**2,124**	**–**	**–**	**–**	**–**	**–**	**2,124**
Bonds payable	**–**	**–**	**442**	**1,097**	**29,930**	**45,694**	**77,163**
Subordinated debts	**–**	**–**	**36**	**85**	**6,585**	**–**	**6,706**
Other liabilities							
Bills purchased - contra	**14,080**	**–**	**–**	**–**	**–**	**–**	**14,080**
Accounts payable	**–**	**8,269**	**–**	**–**	**–**	**–**	**8,269**
Outstanding acceptances	**–**	**488**	**378**	**324**	**398**	**23**	**1,611**
Marginal deposits	**–**	**–**	**236**	**–**	**–**	**–**	**236**
Lease liability	**59**	**62**	**121**	**181**	**340**	**1,981**	**2,744**
	1,025,020	**402,517**	**134,233**	**42,116**	**61,226**	**102,354**	**1,767,466**
Derivative liabilities*							
Trading:							
Pay	**–**	**80,750**	**26,452**	**17,814**	**18,566**	**–**	**143,582**
Receive	**–**	**(80,276)**	**(26,100)**	**(17,699)**	**(18,487)**	**–**	**(142,562)**
	–	**474**	**352**	**115**	**79**	**–**	**1,020**
Loan commitments and financial guarantees	**8,776**	**6,169**	**16,531**	**12,557**	**12,457**	**7,738**	**64,228**
	₱1,033,796	**₱409,160**	**₱151,116**	**₱54,788**	**₱73,762**	**₱110,092**	**₱1,832,714**
2018							
Financial Assets							
Cash and other cash items	₱29,280	₱–	₱–	₱–	₱–	₱–	₱29,280
Due from BSP	206,289	–	–	–	–	–	206,289
Due from other banks	29,607	3,701	1,923	–	–	–	35,231
Interbank loans receivable and SPURA	–	18,046	6,106	–	601	–	24,753
Investment securities at FVTPL							
HFT investments	–	–	20,036	–	–	38	20,074
Derivative assets							
Trading:							
Receive	–	34,674	27,341	13,324	3,734	–	79,073
Pay	–	(59,215)	(24,785)	(12,371)	(5,417)	–	(101,788)
	–	(24,541)	2,556	953	(1,683)	–	(22,715)
Investment securities at FVOCI	–	240	866	4,788	10,751	91,191	107,836
Investment securities at amortized cost	–	–	57	–	423	298,611	299,091
Loans and receivables							
Receivables from customers	6,227	236,314	159,325	107,788	43,325	732,624	1,285,603
Unquoted debt securities	–	–	–	–	–	595	595
Accrued interest receivable	7,987	–	–	–	–	–	7,987
Accounts receivable	5,975	–	–	–	–	–	5,975
Sales contract receivable	4	1	13	13	25	77	133
Other receivables	13	–	–	–	–	–	13
Other assets							
Returned checks and other cash items	397	–	–	–	–	–	397
	₱285,779	₱233,761	₱190,882	₱113,542	₱53,442	₱1,123,136	₱2,000,542

	Parent Company						
	On demand	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Beyond 1 year	Total
Financial Liabilities							
Non-derivative liabilities							
Deposit liabilities							
CASA	₱900,186	₱–	₱–	₱–	₱–	₱–	₱900,186
Time	–	255,265	98,486	24,356	12,121	1,563	391,791
LTNCD	–	34	104	375	750	39,946	41,209
	900,186	255,299	98,590	24,731	12,871	41,509	1,333,186
Bills payable and SSURA	–	58,122	42,463	26,629	5,396	21,201	153,811
Manager's checks and demand drafts outstanding	5,950	–	–	–	–	–	5,950
Accrued interest payable	–	807	1,149	238	88	93	2,375
Accrued other expenses	1,881	–	–	–	–	–	1,881
Bonds payable	–	–	265	501	1,001	30,002	31,769
Subordinated debts	–	–	241	16,300	171	6,756	23,468
Other liabilities							
Bills purchased - contra	12,158	–	–	–	–	–	12,158
Accounts payable	–	7,104	–	–	–	–	7,104
Outstanding acceptances	–	898	419	225	251	–	1,793
Marginal deposits	–	–	166	–	–	–	166
	920,175	322,230	143,293	68,624	19,778	99,561	1,573,661
Derivative liabilities*							
Trading:							
Pay	–	73,574	40,122	66,613	5,474	–	185,783
Receive	–	(36,064)	(30,290)	(15,322)	(4,895)	–	(86,571)
	–	37,510	9,832	51,291	579	–	99,212
Loan commitments and financial guarantees	11,296	7,373	19,791	10,900	14,762	5,475	69,597
	₱931,471	₱367,113	₱172,916	₱130,815	₱35,119	₱105,036	₱1,742,470

*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 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 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, 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, the Parent Company 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. 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, 2019			
December 27	**₱189.27**	**₱139.49**	**₱9.18**
Average	**146.87**	**141.22**	**12.26**
Highest	**223.46**	**269.07**	**42.02**
Lowest	**57.91**	**32.93**	**2.12**
As of December 31, 2018			
December 28	₱47.91	₱34.15	₱2.58
Average	71.66	77.34	13.52
Highest	250.69	214.96	37.96
Lowest	23.21	28.84	1.88

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 the risks.

The table below summarizes the VaR levels of FMIC and PSBank:

	FMIC			PSBank		
		Bonds		Bonds		
	Equities	PHP	USD	PHP	USD	FX
As of December 31, 2019						
December 27	**₱–**	**₱9.05**	**₱0.18**	**₱0.00**		**₱0.98**
Average	**0.99**	**30.26**	**3.63**	**0.00**		**0.75**
Highest	**9.42**	**89.66**	**11.34**	**0.00**		**1.33**
Lowest	**0.64**	**4.86**	**0.18**	**0.00**		**0.01**
As of December 31, 2018						
December 28	₱–	₱7.58	₱–	₱0.00	₱–	₱0.86
Average	8.32	11.90	0.34	0.50	0.86	0.92
Highest	24.61	37.26	4.06	12.17	12.14	3.64
Lowest	1.45	4.40	1.31	0.00	–	0.12

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 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 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.

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, 2019 and 2018:

	Parent Company	FMIC	PSBank	MCC	ORIX Metro	Group
2019	**(₱2,892.41)**	**(₱88.73)**	**(₱1,411.33)**	**(₱140.61)**	**(₱97.92)**	**(₱2,498.06)**
2018	(1,407.13)	(166.00)	(1,121.72)	(197.34)	(18.12)	(2,910.31)

The Parent Company generates and monitors daily its EaR exposure while the subsidiaries generate their EaR reports at least monthly.

In March 2019, the Parent Company started to use Delta EVE as additional IRRBB risk metric. ΔEVE is used to measure changes in the net present value of its banking book at different interest rate shocks and stress scenarios. It reflects changes in the economic value of equity over the remaining life of the assets and liabilities. 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.

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**					
	2019			2018			**2019**			2018		
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%**	**(12.81)**	**5.04**	+1.00%	(121.52)	1.89	**+1.00%**	**107.32**	**1.21**	+1.00%	(34.54)	0.09
EUR	**+1.00%**	**(36.41)**	**0.00**	+1.00%	24.26	–	**+1.00%**	**(36.41)**	**–**	+1.00%	23.40	0.00
JPY	**+1.00%**	**9.37**	**0.00**	+1.00%	(18.51)	–	**+1.00%**	**9.37**	**–**	+1.00%	(18.51)	0.00
GBP	**+1.00%**	**8.16**	**0.00**	+1.00%	22.25	–	**+1.00%**	**8.16**	**–**	+1.00%	22.25	0.00
Others	**+1.00%**	**(162.34)**	**0.00**	+1.00%	11.41	–	**+1.00%**	**(162.34)**	**–**	+1.00%	11.41	0.00
USD	**-1.00%**	**12.81**	**(5.04)**	-1.00%	121.52	(1.89)	**-1.00%**	**(107.32)**	**(1.21)**	-1.00%	34.54	(0.09)
EUR	**-1.00%**	**36.41**	**0.00**	-1.00%	(22.53)	–	**-1.00%**	**36.41**	**–**	-1.00%	(23.40)	0.00
JPY	**-1.00%**	**(9.37)**	**0.00**	-1.00%	18.51	–	**-1.00%**	**(9.37)**	**–**	-1.00%	18.51	0.00
GBP	**-1.00%**	**(8.16)**	**0.00**	-1.00%	(22.25)	–	**-1.00%**	**(8.16)**	**–**	-1.00%	(22.25)	0.00
Others	**-1.00%**	**162.34**	**0.00**	-1.00%	(11.41)	–	**-1.00%**	**162.34**	**–**	-1.00%	(11.41)	0.00

Information relating to the Parent Company's currency derivatives is included in Note 8. As of December 31, 2019 and 2018, the Parent Company has outstanding foreign currency spot transactions (in equivalent peso amounts) of ₱21.24 billion and ₱7.6 billion, respectively (sold), and ₱13.85 billion and ₱8.8 billion, respectively (bought).

The impact on the Parent Company's equity already excludes the impact on transactions affecting the profit and loss.

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. The Circular sets out a minimum Common Equity Tier 1 (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. Compliance with this requirement was phased-in starting January 1, 2017, with full compliance on January 1, 2019.

The details of CAR, as reported to the BSP, as of December 31, 2019 and 2018 follow:

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Tier 1 capital	**₱310,100**	₱278,930	**₱310,971**	₱281,282
CET1 Capital	**310,100**	278,930	**310,971**	281,282
Less: Required deductions	**33,812**	31,156	**127,872**	106,847
Net Tier 1 Capital	**276,288**	247,774	**183,099**	174,435
Tier 2 capital	**22,032**	41,177	**17,271**	32,649
Total Qualifying Capital	**₱298,320**	₱288,951	**₱200,370**	₱207,084
Credit Risk-Weighted Assets	**₱1,487,360**	₱1,469,970	**₱1,143,218**	₱1,160,414
Market Risk-Weighted Assets	**72,042**	57,101	**66,166**	46,045
Operational Risk-Weighted Assets	**146,694**	174,345	**86,437**	102,152
Total Risk-Weighted Assets	**1,706,096**	1,701,416	**1,295,821**	1,308,611
CET1 Ratio*	**16.19%**	14.56%	**14.13%**	13.33%
Tier 1 capital ratio	**16.19%**	14.56%	**14.13%**	13.33%
Total capital ratio	**17.49%**	16.98%	**15.46%**	15.82%

** of which capital conservation buffer in 2019 and 2018 is 10.19% and 8.56%, respectively, for the Group and 8.13% and 7.33%, 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. As discussed in Note 30, as of December 31, 2018, additional operational risk has been included as required by the MB, which was lifted on July 18, 2019.

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%. The monitoring period has been set every quarter starting December 31, 2014 and extended until June 30, 2018. 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, 2019 and 2018 follow:

	Consolidated		**Parent Company**	
	2019	2018	**2019**	2018
Tier 1 Capital	**₱276,288**	₱247,774	**₱183,099**	₱174,435
Exposure Measure	**₱2,532,633**	₱2,312,538	**₱2,055,498**	₱1,840,207
BLR	**10.91%**	10.71%	**8.91%**	9.48%

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, 2019 and 2018, the LCR in single currency as reported to the BSP, was at 245.10% and 131.92%, respectively for the Group, and 279.11% and 147.82%, 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, 2019 and 2018, the NSFR as reported to the BSP, was at 148.53% and 134.17%, respectively for the Group, and 150.61% and 139.88%, 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 (e.g. 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 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
2019					
Assets Measured at Fair Value					
Financial Assets					
Investment securities at FVTPL					
FVTPL investments					
Debt securities					
Private	₱7,935	₱7,935	₱–	₱–	₱7,935
Government	13,048	13,048	–	–	13,048
Treasury notes and bonds	24,145	24,145	–	–	24,145
Treasury bills	1,662	1,662	–	–	1,662
BSP	2	2	–	–	2
	46,792	46,792	–	–	46,792
Equity securities	6,585	6,585	–	–	6,585
Derivative assets					
Cross-currency swaps	6,007	–	6,007	–	6,007
Currency forwards	1,756	–	1,756	–	1,756
Interest rate swaps	711	–	711	–	711
Put option	10	–	10	–	10
Call option	6	–	6	–	6
	8,490	–	8,490	–	8,490
	61,867	53,377	8,490	–	61,867
Investment securities at FVOCI					
Debt securities					
Treasury notes and bonds	111,791	110,346	1,445	–	111,791
Government	52,870	52,495	375	–	52,870
Private	36,199	28,487	7,712	–	36,199
	200,860	191,328	9,532	–	200,860
Equity securities	1,660	1,454	206	–	1,660
	202,520	192,782	9,738	–	202,520
	₱264,387	₱246,159	₱18,228	₱–	₱264,387
Assets for which Fair Values are Disclosed					
Financial Assets					
Investment securities at amortized cost					
Treasury notes and bonds	₱227,438	₱200,742	₱11,585	₱–	₱212,327
Government	20,213	20,554	338	–	20,892
Private	3,877	2,482	1,367	–	3,849
Treasury bills	100	101	–	–	101
	251,628	223,879	13,290	–	237,169
Loans and receivables - net					
Receivables from customers					
Commercial loans	1,049,544	–	–	1,039,249	1,039,249
Auto loans	116,434	–	–	137,168	137,168
Residential mortgage loans	109,292	–	–	133,645	133,645
Trade loans	63,093	–	–	63,093	63,093
Credit card	82,449	–	–	82,449	82,449
Others	39,812	–	–	40,858	40,858
	1,460,624	–	–	1,496,462	1,496,462
Unquoted debt securities	630	–	–	647	647
Sales contract receivable	142	–	–	146	146
	1,461,396	–	–	1,497,255	1,497,255
Other assets	185	–	–	257	257
	1,713,209	223,879	13,290	1,497,512	1,734,681
Non-Financial Assets					
Investment properties	7,762	–	–	14,283	14,283
Residual value of leased assets	1,135	–	–	1,001	1,001
	8,897	–	–	15,284	15,284
	₱1,722,106	₱223,879	₱13,290	₱1,512,796	₱1,749,965

(Forward)

	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	**₱3,772**	**₱–**	**₱3,772**	**₱–**	**₱3,772**
Interest rate swaps	**2,235**	**–**	**2,235**	**–**	**2,235**
Currency forwards	**1,401**	**–**	**1,401**	**–**	**1,401**
Call option	**12**	**–**	**12**	**–**	**12**
Put option	**6**	**–**	**6**	**–**	**6**
Credit default swaps	**1**	**–**	**1**	**–**	**1**
Non-equity non-controlling interest	**6,553**	**–**	**6,553**	**–**	**6,553**
	₱13,980	**₱–**	**₱13,980**	**₱–**	**₱13,980**
Liabilities for which Fair Values are Disclosed					
Financial Liabilities					
Deposit liabilities					
Time	**₱592,897**	**₱–**	**₱–**	**₱594,991**	**₱594,991**
LTNCD	**43,740**	**35,122**	**9,042**	**–**	**44,164**
	636,637	**35,122**	**9,042**	**594,991**	**639,155**
Bills payable and SSURA	**238,281**	**–**	**–**	**243,017**	**243,017**
Bonds payable	**80,486**	**82,297**	**–**	**–**	**82,297**
Subordinated debts	**7,660**	**6,502**	**–**	**1,195**	**7,697**
Other liabilities					
Deposits on lease contracts	**1,725**	**–**	**–**	**1,440**	**1,440**
Notes Payable	**2,592**	**–**	**–**	**2,677**	**2,677**
	₱967,381	**₱123,921**	**₱9,042**	**₱843,320**	**₱976,283**
2018					
Assets Measured at Fair Value					
Financial Assets					
Investment securities at FVTPL					
HFT investments					
Debt securities					
Private	₱9,257	₱9,257	₱–	₱–	₱9,257
Government	6,247	6,247	–	–	6,247
Treasury notes and bonds	4,285	4,285	–	–	4,285
Treasury bills	2,642	2,642	–	–	2,642
BSP	2	2	–	–	2
	22,433	22,433	–	–	22,433
Equity securities	6,605	6,605	–	–	6,605
Derivative assets					
Cross-currency swaps	8,222	–	8,222	–	8,222
Currency forwards	1,223	–	1,223	–	1,223
Interest rate swaps	1,205	–	1,205	–	1,205
Put option	1	–	1	–	1
	10,651	–	10,651	–	10,651
	39,689	29,038	10,651	–	39,689
Investment securities at FVOCI					
Debt securities					
Private	42,369	36,498	5,871	–	42,369
Treasury notes and bonds	40,786	40,786	–	–	40,786
Government	27,004	26,610	394	–	27,004
	110,159	103,894	6,265	–	110,159
Equity securities	1,129	945	184	–	1,129
	111,288	104,839	6,449	–	111,288
	₱150,977	₱133,877	₱17,100	₱–	₱150,977
Assets for which Fair Values are Disclosed					
Financial Assets					
Investment securities at amortized cost					
Treasury notes and bonds	₱237,464	₱202,537	₱–	₱–	₱202,537
Government	21,823	20,700	–	–	20,700
Private	6,040	5,654	–	–	5,654
Treasury bills	49	49	–	–	49
	265,376	228,940	–	–	228,940
Loans and receivables – net					
Receivables from customers					
Commercial loans	977,404	–	–	961,772	961,772
Auto loans	117,309	–	–	138,227	138,227
Residential mortgage loans	107,079	–	–	128,752	128,752
Trade loans	62,786	–	–	62,786	62,786

(Forward)

	Consolidated				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Credit card	₱66,568	₱–	₱–	₱66,569	₱66,569
Others	39,446	–	–	40,122	40,122
	1,370,592	–	–	1,398,228	1,398,228
Unquoted debt securities	632	–	–	635	635
Sales contract receivable	156	–	–	196	196
	1,371,380	–	–	1,399,059	1,399,059
Other assets	207	–	–	315	315
	1,636,963	228,940	–	1,399,374	1,628,314
Non-Financial Assets					
Investment properties	7,500	–	–	14,224	14,224
Residual value of leased assets	1,130	–	–	1,006	1,006
	8,630	–	–	15,230	15,230
	₱1,645,593	₱228,940	₱–	₱1,414,604	₱1,643,544
Liabilities Measured at Fair Value					
Financial Liabilities					
Financial liabilities at FVTPL					
Derivative liabilities					
Cross-currency swaps	₱3,857	₱–	₱3,857	₱–	₱3,857
Currency forwards	1,388	–	1,388	–	1,388
Interest rate swaps	1,290	–	1,290	–	1,290
Put option	2	–	2	–	2
Non-equity non-controlling interest	6,747	–	6,747	–	6,747
	₱13,284	₱–	₱13,284	₱–	₱13,284
Liabilities for which Fair Values are Disclosed					
Financial Liabilities					
Deposit liabilities					
Time	₱548,019	₱–	₱–	₱548,680	₱548,680
LTNCD	43,790	40,354	–	–	40,354
	591,809	40,354	–	548,680	589,034
Bills payable and SSURA	259,607	–	–	255,472	255,472
Bonds payable	30,743	28,023	–	2,944	30,967
Subordinated debts	26,618	22,047	–	3,356	25,403
Other liabilities					
Notes payable	2,600	–	–	2,575	2,575
Deposits on lease contracts	1,643	–	–	1,376	1,376
	₱913,020	₱90,424	₱–	₱814,403	₱904,827

	Parent Company				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
2019					
Assets Measured at Fair Value					
Financial Assets					
Investment securities at FVTPL					
FVTPL investments					
Debt securities					
Private	**₱7,213**	**₱7,213**	**₱–**	**₱–**	**₱7,213**
Government	**12,838**	**12,838**	**–**	**–**	**12,838**
Treasury notes and bonds	**20,210**	**20,210**	**–**	**–**	**20,210**
Treasury bills	**761**	**761**	**–**	**–**	**761**
BSP	**2**	**2**	**–**	**–**	**2**
	41,024	**41,024**	**–**	**–**	**41,024**
Equity securities	**38**	**38**	**–**	**–**	**38**
Derivative assets					
Cross-currency swaps	**6,007**	**–**	**6,007**	**–**	**6,007**
Currency forwards	**1,755**	**–**	**1,755**	**–**	**1,755**
Interest rate swaps	**711**	**–**	**711**	**–**	**711**
Put option	**9**	**–**	**9**	**–**	**9**
Call option	**6**	**–**	**6**	**–**	**6**
	8,488	**–**	**8,488**	**–**	**8,488**
	49,550	**41,062**	**8,488**	**–**	**49,550**
Investment securities at FVOCI					
Debt securities					
Treasury notes and bonds	**109,203**	**109,203**	**–**	**–**	**109,203**
Private	**26,324**	**25,766**	**558**	**–**	**26,324**
Government	**52,649**	**52,494**	**155**	**–**	**52,649**
	188,176	**187,463**	**713**	**–**	**188,176**
Equity securities	**500**	**439**	**61**	**–**	**500**
	188,676	**187,902**	**774**	**–**	**188,676**
	₱238,226	**₱228,964**	**₱9,262**	**₱–**	**₱238,226**

	Parent Company				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Assets for which Fair Values are Disclosed					
Financial Assets					
Investment securities at amortized cost					
Treasury notes and bonds	**₱208,514**	**₱193,267**	**₱–**	**₱–**	**₱193,267**
Government	**8,130**	**8,223**	**–**	**–**	**8,223**
	216,644	**201,490**	**–**	**–**	**201,490**
Loans and receivables – net					
Receivables from customers					
Commercial loans	**1,002,413**	**–**	**–**	**989,097**	**989,097**
Auto loans	**24,038**	**–**	**–**	**24,243**	**24,243**
Residential mortgage loans	**57,176**	**–**	**–**	**57,635**	**57,635**
Trade loans	**62,387**	**–**	**–**	**62,387**	**62,387**
Others	**14,505**	**–**	**–**	**14,505**	**14,505**
	1,160,519	**–**	**–**	**1,147,867**	**1,147,867**
Sales contract receivable	**100**	**–**	**–**	**100**	**100**
	1,160,619	**–**	**–**	**1,147,967**	**1,147,967**
	1,377,263	**201,490**	**–**	**1,147,967**	**1,349,457**
Non-Financial Assets					
Investment properties	**3,291**	**–**	**–**	**7,179**	**7,179**
	₱1,380,554	**₱201,490**	**₱–**	**₱1,155,146**	**₱1,356,636**
Liabilities Measured at Fair Value					
Financial Liabilities					
Financial liabilities at FVTPL					
Derivative liabilities					
Cross-currency swaps	**₱2,341**	**₱–**	**₱2,341**	**₱–**	**₱2,341**
Currency forwards	**1,401**	**–**	**1,401**	**–**	**1,401**
Interest rate swaps	**2,234**	**–**	**2,234**	**–**	**2,234**
Credit default swaps	**1**	**–**	**1**	**–**	**1**
Call option	**12**	**–**	**12**	**–**	**12**
Put option	**5**	**–**	**5**	**–**	**5**
	₱5,994	**₱–**	**₱5,994**	**₱–**	**₱5,994**
Liabilities for which Fair Values are Disclosed					
Financial Liabilities					
Deposit liabilities					
Time	**₱461,713**	**₱–**	**₱–**	**₱461,713**	**₱461,713**
LTNCD	**35,330**	**26,536**	**9,042**	**–**	**35,578**
	497,043	**26,536**	**9,042**	**461,713**	**497,291**
Bills payable and SSURA	**139,072**	**–**	**–**	**139,223**	**139,223**
Bonds payable	**70,110**	**71,741**	**–**	**–**	**71,741**
Subordinated debts	**6,494**	**6,502**	**–**	**–**	**6,502**
	₱712,719	**₱104,779**	**₱9,042**	**₱600,936**	**₱714,757**
2018					
Assets Measured at Fair Value					
Financial Assets					
Investment securities at FVTPL					
HFT investments					
Debt securities					
Private	₱8,571	₱8,571	₱–	₱–	₱8,571
Government	6,063	6,063	–	–	6,063
Treasury notes and bonds	3,394	3,394	–	–	3,394
Treasury bills	1,460	1,460	–	–	1,460
BSP	2	2	–	–	2
	19,490	19,490	–	–	19,490
Equity securities	38	38	–	–	38
Derivative assets					
Cross-currency swaps	8,222	–	8,222	–	8,222
Currency forwards	1,210	–	1,210	–	1,210
Interest rate swaps	1,205	–	1,205	–	1,205
Put option	1	–	1	–	1
	10,638	–	10,638	–	10,638
	30,166	19,528	10,638	–	30,166

(Forward)

	Parent Company				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Investment securities at FVOCI					
Debt securities					
Treasury notes and bonds	₱37,377	₱37,377	₱–	₱–	₱37,377
Private	33,073	32,499	574	–	33,073
Government	21,221	21,058	163	–	21,221
	91,671	90,934	737	–	91,671
Equity securities	473	412	61	–	473
	92,144	91,346	798	–	92,144
	₱122,310	₱110,874	₱11,436	₱–	₱122,310
Assets for which Fair Values are Disclosed					
Financial Assets					
Investment securities at amortized cost					
Treasury notes and bonds	₱204,164	₱173,943	₱–	₱–	₱173,943
Government	8,443	8,162	–	–	8,162
	212,607	182,105	–	–	182,105
Loans and receivables - net					
Receivables from customers					
Commercial loans	940,127	–	–	922,105	922,105
Auto loans	29,444	–	–	29,522	29,522
Residential mortgage loans	57,500	–	–	57,860	57,860
Trade loans	62,722	–	–	62,722	62,722
Others	12,530	–	–	12,530	12,530
	1,102,323	–	–	1,084,739	1,084,739
Sales contract receivable	118	–	–	118	118
	1,102,441	–	–	1,084,857	1,084,857
	1,315,048	182,105	–	1,084,857	1,266,962
Non-Financial Assets					
Investment properties	2,825	–	–	6,194	6,194
	₱1,317,873	₱182,105	₱–	₱1,091,051	₱1,273,156
Liabilities Measured at Fair Value					
Financial Liabilities					
Financial liabilities at FVTPL					
Derivative liabilities					
Cross-currency swaps	₱3,505	₱–	₱3,505	₱–	₱3,505
Currency forwards	1,385	–	1,385	–	1,385
Interest rate swaps	1,290	–	1,290	–	1,290
Put option	2	–	2	–	2
	₱6,182	₱–	₱6,182	₱–	₱6,182
Liabilities for which Fair Values are Disclosed					
Financial Liabilities					
Deposit liabilities					
Time	₱390,475	₱–	₱–	₱390,475	₱390,475
LTNCD	35,330	32,661	–	–	32,661
	425,805	32,661	–	390,475	423,136
Bills payable and SSURA	151,079	–	–	150,852	150,852
Bonds payable	27,826	28,023	–	–	28,023
Subordinated debts	22,471	22,047	–	–	22,047
	₱627,181	₱82,731	₱–	₱541,327	₱624,058

When fair values of listed equity and debt securities, as well as publicly traded derivatives at the reporting 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.

As of December 31, 2019, the fair value hierarchy of FVOCI debt and equity securities amounting to ₱1.4 billion and ₱1.2 million, respectively, were transferred from Level 1 to Level 2 due to absence of an 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 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
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**
2018							
Results of Operations							
Net interest income (expense)							
Third party	₱17,881	₱40,602	₱–	₱9,444	(₱1,997)	₱2,892	₱68,822
Intersegment	(476)	(30,190)	–	1,761	27,639	1,266	–
Net interest income after intersegment transactions	17,405	10,412	–	11,205	25,642	4,158	68,822
Non-interest income	6,892	1,078	347	1,748	4,771	8,074	22,910
Revenue - net of interest expense	24,297	11,490	347	12,953	30,413	12,232	91,732
Non-interest expense	14,523	4,877	26	2,418	23,203	16,379	61,426
Income (loss) before share in net income of subsidiaries, associates and a JV	9,774	6,613	321	10,535	7,210	(4,147)	30,306
Share in net income of subsidiaries, associates and a JV	–	77	–	–	–	797	874
Provision for income tax	(2,212)	(455)	–	(2,637)	(88)	(2,353)	(7,745)
Non-controlling interest in net income of consolidated subsidiaries	–	–	–	–	–	(1,427)	(1,427)
Net income (loss)	₱7,562	₱6,235	₱321	₱7,898	₱7,122	(₱7,130)	₱22,008
Statement of Financial Position							
Total assets	₱221,884	₱1,043,630	₱–	₱464,751	₱153,913	₱359,515	₱2,243,693
Total liabilities	₱75,848	₱999,803	₱–	₱488,041	₱259,621	₱129,676	₱1,952,989
Other Segment Information							
Capital expenditures	₱488	₱62	₱–	₱108	₱60	₱2,807	₱3,525
Depreciation and amortization	₱586	₱130	₱–	₱28	₱1,557	₱1,783	₱4,084
Provision for credit and impairment losses	₱6,607	₱669	₱–	₱126	₱172	₱196	₱7,770
2017							
Results of Operations							
Net interest income (expense)							
Third party	₱15,528	₱29,594	₱–	₱10,900	₱2,491	₱2,893	₱61,406
Intersegment	(267)	(11,914)	–	(1,240)	16,036	(2,615)	–
Net interest income after intersegment transactions	15,261	17,680	–	9,660	18,527	278	61,406
Non-interest income	6,827	871	307	2,252	3,935	7,955	22,147
Revenue - net of interest expense	22,088	18,551	307	11,912	22,462	8,233	83,553
Non-interest expense	12,784	5,521	28	1,587	20,818	14,244	54,982
Income (loss) before share in net incomeof subsidiaries, associates and a JV	9,304	13,030	279	10,325	1,644	(6,011)	28,571
Share in net income of subsidiaries, associates and a JV	–	72	–	–	–	617	689
Provision for income tax	(2,192)	(306)	–	(2,686)	(6)	(2,800)	(7,990)
Non-controlling interest in net income of consolidated subsidiaries	–	–	–	–	–	(3,047)	(3,047)
Net income (loss)	₱7,112	₱12,796	₱279	₱7,639	₱1,638	(₱11,241)	₱18,223
Statement of Financial Position							
Total assets	₱199,070	₱948,654	₱–	₱428,021	₱146,941	₱357,606	₱2,080,292
Total liabilities	₱73,918	₱915,469	₱–	₱462,108	₱241,208	₱183,499	₱1,876,202
Other Segment Information							
Capital expenditures	₱884	₱91	₱–	₱130	₱110	₱3,319	₱4,534
Depreciation and amortization	₱583	₱137	₱–	₱19	₱1,271	₱2,008	₱4,018
Provision for credit and impairment losses	₱5,667	₱1,882	₱–	(₱426)	₱202	₱182	₱7,507

Non-interest income consists of service charges, fees and commissions, profit from assets sold, trading and securities gain (loss) - 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
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**
2018					
Interest income	₱94,670	₱2,461	₱55	₱–	₱97,186
Interest expense	27,269	1,075	20	–	28,364
Net interest income	67,401	1,386	35	–	68,822
Non-interest income	21,189	1,065	602	54	22,910
Provision for credit and impairment losses	7,576	194	–	–	7,770
Total external net operating income	₱81,014	₱2,257	₱637	₱54	₱83,962
Non-current assets	₱31,635	₱653	₱15	₱5	₱32,308
2017					
Interest income	₱78,302	₱1,980	₱40	₱–	₱80,322
Interest expense	18,079	827	10	–	18,916
Net interest income	60,223	1,153	30	–	61,406
Non-interest income	20,768	819	505	55	22,147
Provision for credit and impairment losses	7,388	119	–	–	7,507
Total external net operating income	₱73,603	₱1,853	₱535	₱55	₱76,046
Non-current assets	₱32,233	₱652	₱10	₱5	₱32,900

Non-current assets consist of property and equipment, 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	
	2019	2018	**2019**	2018
Interbank loans receivable - net (Note 31)	**₱32,488**	₱42,652	**₱19,231**	₱24,712
SPURA	**39,686**	8,067	**36,921**	–
	₱72,174	₱50,719	**₱56,152**	₱24,712

As of December 31, 2019 and 2018, the allowance for credit losses for interbank loans receivable of the Parent Company amounted to ₱0.7 million and ₱11.7 million, respectively (Note 15).

In 2019, 2018 and 2017, the interest rates of the interbank loans receivables ranged from 0.00% to 4.60%, 0.00% to 5.40%, and 0.00% to 5.90%, respectively, for the Group and 0.00% to 4.00%, 0.00% to 3.54%, and 0.00% to 3.50%, respectively, for the Parent Company.

8. Trading and Investment Securities

This account consists of:

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Investment securities at:				
FVTPL	**₱61,867**	₱39,689	**₱49,550**	₱30,166
FVOCI (Note 29)	**202,520**	111,288	**188,676**	92,144
Amortized cost (Note 29)	**251,628**	265,376	**216,644**	212,607
	₱516,015	₱416,353	**₱454,870**	₱334,917

Investment securities at FVTPL consist of the following:

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
HFT investments				
Debt securities				
Treasury notes and bonds	**₱24,145**	₱4,285	**₱20,210**	₱3,394
Government	**13,048**	6,247	**12,838**	6,063
Private	**7,935**	9,257	**7,213**	8,571
Treasury bills	**1,662**	2,642	**761**	1,460
BSP	**2**	2	**2**	2
	46,792	22,433	**41,024**	19,490
Equity securities	**6,585**	6,605	**38**	38
	53,377	29,038	**41,062**	19,528
Derivative assets	**8,490**	10,651	**8,488**	10,638
	₱61,867	₱39,689	**₱49,550**	₱30,166

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, 2019 and 2018 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, 2019				
Freestanding derivatives:				
Currency forwards				
BOUGHT:				
USD	**₱13**	**₱992**	**USD 1,932**	**₱51.2254**
CNY	**24**	**81**	**CNY 1,010**	**CNY 0.1435**
EUR	**1**	**94**	**EUR 57**	**EUR 1.1493**
THB	**1**	**–**	**THB 113**	**THB 0.0330**
TWD	**–**	**77**	**TWD 2,591**	**TWD 0.0328**
JPY	**–**	**57**	**JPY 9,049**	**JPY 0.0093**
HKD	**22**	**4**	**HKD 2,341**	**HKD 0.1281**

(Forward)

	Derivative Assets	Derivative Liabilities	Notional Amount	Average Forward Rate (in every USD 1)
SOLD:				
USD	**₱1,550**	**₱1**	**USD 1,911**	**₱51.6015**
CNY	**42**	**51**	**CNY 2,028**	**CNY 0.1426**
JPY	**59**	**1**	**JPY 9,287**	**JPY 0.0093**
EUR	**40**	**4**	**EUR 66**	**EUR 1.1283**
MXN	–	**0**	**MXN 1**	**MXN 0.0526**
THB	**0**	**2**	**THB 189**	**THB 0.0330**
CHF	–	**1**	**CHF 13**	**CHF 1.0207**
NZD	–	**1**	**NZD 2**	**NZD 0.6605**
HKD	**3**	**33**	**HKD 2,405**	**HKD 0.1281**
SGD	–	**2**	**SGD 48**	**SGD 0.7381**
TRY	–	**0**	**TRY 1**	**TRY 0.1681**
DKK	–	**0**	**DKK 2**	**DKK 0.1490**
Interest rate swaps - PHP	**329**	**157**	**₱24,258**	
Interest rate swaps - FX	**382**	**2,077**	**USD 2,091**	
Cross-currency swaps - PHP	**3,559**	**119**	**₱61,247**	
Cross-currency swaps - FX	**2,422**	**1,907**	**USD 1,728**	
Cross-currency swaps - EUR	**25**	**276**	**EUR 75**	
Cross-currency swaps - JPY	**1**	**39**	**JPY 1,500**	
Credit default swaps - USD	–	**1**	**USD 1**	
Over-the-counter FX options	**15**	**17**	**USD 436**	
	₱8,488	**₱5,994**		
December 31, 2018				
Freestanding derivatives:				
Currency forwards				
BOUGHT:				
USD	₱68	₱1,152	USD 1,774	₱53.1275
CNY	–	28	CNY 515	CNY 0.1463
EUR	–	1	EUR 1	EUR 1.1746
THB	0	–	THB 5	THB 0.0307
TWD	4	7	TWD 67	TWD 436.96
SOLD:				
USD	1,009	133	USD 1,357	₱53.5023
CNY	110	11	CNY 871	CNY 0.1475
JPY	2	47	JPY 6,779	JPY 0.0195
EUR	6	–	EUR 2	EUR 49.1943
MXN	–	0	MXN 1	MXN 0.0487
THB	0	1	THB 60	THB 0.0306
CHF	–	3	CHF 7	CHF 1.0057
AUD	10	0	AUD 16	AUD 0.7168
HKD	1	0	HKD 40	HKD 0.1280
SGD	–	2	SGD 18	SGD 0.7292
TRY	–	0	TRY 1	TRY 0.1699
DKK	–	0	DKK 2	DKK 0.1530
Interest rate swaps - PHP	320	667	₱27,375	
Interest rate swaps - FX	885	623	USD 1,936	
Cross-currency swaps - PHP	159	3,396	₱46,245	
Cross-currency swaps - FX	7,577	109	USD 1,458	
Cross-currency swaps - EUR	486	0	EUR 57	
Cross-currency swaps - JPY	0	–	JPY 10	
Credit default swaps - USD	0	–	USD 1	
Over-the-counter FX options	1	2	USD 41	
	₱10,638	₱6,182		

As of December 31, 2019 and 2018, the Group's derivative assets include currency forwards and FX options entered into by the subsidiaries amounting to ₱1.5 million and ₱13.0 million, respectively. As of December 31, 2019 and 2018, the Group's derivative liabilities include currency forwards, cross-currency swaps and FX options entered into by the subsidiaries amounting to ₱1.4 billion and ₱354.4 million, respectively.

Investment securities at FVOCI as of December 31, 2019 and 2018 consist of the following:

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Debt securities				
Treasury notes and bonds (Note 17)	**₱111,791**	₱40,786	**₱109,203**	₱37,377
Government (Note 17)	**52,870**	27,004	**52,649**	21,221
Private	**36,199**	42,369	**26,324**	33,073
	200,860	110,159	**188,176**	91,671
Equity securities	**1,660**	1,129	**500**	473
	₱202,520	₱111,288	**₱188,676**	₱92,144

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. As part of its risk management, the Group disposed equity securities at FVOCI with total carrying value of ₱771.4 million and recognized a loss on disposal charged against 'Surplus' of ₱121.8 million in 2018.

Outstanding equity securities at FVOCI as of December 31, 2019 and 2018 generated dividends amounting to ₱40.0 million and ₱126.5 million, respectively for the Group and ₱11.3 million and ₱23.1 million, respectively, for the Parent Company. No dividends were recognized in 2019 and 2018 for the disposed equity securities at FVOCI.

As of December 31, 2019 and 2018, the ECL on debt securities at FVOCI (included in 'Net unrealized loss on investment securities at FVOCI') amounted to ₱148.3 million and ₱247.7 million respectively, for the Group and ₱144.9 million and ₱244.3 million, respectively, for the Parent Company (Note 15).

As of December 31, 2019 and 2018, investment securities at FVOCI include floating and fixed rate private notes with total carrying value of USD11.02 million and USD10.9 million, respectively (with peso equivalent of ₱558.2 million and ₱573.9 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.

As of December 31, 2018, investment securities at FVOCI also include US treasury notes with carrying value of USD1.0 million (with peso equivalent of ₱52.6 million) which are pledged by MR USA to the State Treasury Office pursuant to the California Financial Code and in accordance with the requirements of the California Department of Business Oversight relative to its license as a transmitter of money (Note 11). In 2019, upon the merger of MR USA with MRCI, the former is no longer required to pledge securities tp the State Treasury Office due to change in its business type (i.e., from money remittance to holding company).

The 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	
	2019	2018	**2019**	2018
Balance at beginning of the year	**(₱3,134)**	(₱463)	**(₱2,994)**	(₱445)
Unrealized gains/(loss) recognized in OCI*	**10,201**	(2,468)	**9,495**	(2,294)
Amounts realized in surplus	**(19)**	122	**(19)**	122
Amounts realized in profit or loss	**(4,403)**	115	**(3,788)**	24
	2,645	(2,694)	**2,694**	(2,593)
Tax (Note 28)	**(70)**	(440)	**(65)**	(401)
Balance at end of the year	**₱2,575****	(₱3,134)**	**₱2,629**	(₱2,994)

* Includes impact of ECL (Note 15)

** Includes share of non-controlling interest in unrealized losses amounting to ₱54.0 million and ₱139.4 million as of December 31, 2019 and 2018, respectively.

Investment securities at amortized cost as of December 31, 2019 and 2018 consist of the following:

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Treasury notes and bonds (Note 17)	**₱227,442**	₱237,476	**₱208,514**	₱204,176
Government (Notes 17 and 19)	**20,232**	21,859	**8,130**	8,479
Private	**3,880**	6,040	–	–
Treasury bills	**100**	49	–	–
	251,654	265,424	**216,644**	212,655
Less allowance for credit losses (Note 15)	**26**	48	–	48
	₱251,628	₱265,376	**₱216,644**	₱212,607

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 Hold-to-Collect (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 subsequently sold securities totaling ₱4.1 billion. In 2019, the Group and the Parent Company recognized trading gains (included in 'Trading and securities gain (loss) – net') of ₱172.8 million and ₱32.1 million, respectively. As of December 31, 2019, the outstanding balance of these securities in the Parent Company books amounted to ₱124.5 million (classified as 'Investment Securities at FVTPL') and ₱2.4 billion (classified as 'Investment Securities at Amortized Cost') (Note 31).

Interest income on investment securities at FVOCI/AFS investments and at amortized cost consists of:

	Consolidated			Parent Company		
	2019	2018	2017	**2019**	2018	2017
Investment securities at amortized cost	**₱11,035**	₱11,147	₱–	**₱9,105**	₱8,916	₱–
Investment securities at FVOCI/ AFS investments	**5,538**	3,463	13,480	**4,673**	2,676	10,655
	₱16,573	₱14,610	₱13,480	**₱13,778**	₱11,592	₱10,655

In 2019, 2018 and 2017, foreign currency-denominated trading and investment securities bear nominal annual interest rates ranging from 0.10% to 10.63%, 0.10% to 11.63% and 0.10% to 11.63%, respectively, for the Group and the Parent Company while peso-denominated trading and investment securities bear nominal annual interest rates ranging from 3.25% to 18.25%, 2.13% to 18.25% and 1.63% to 15.00%, respectively, for the Group and from 3.25% to 18.25%, 3.25% to 18.25% and 1.63% to 15.00%, respectively, for the Parent Company.

Trading and securities gain (loss) - net consists of:

	Consolidated			Parent Company		
	2019	2018	2017	**2019**	2018	2017
Investment securities at FVTPL	**₱3,362**	(₱1,668)	₱1,915	**₱2,774**	(₱570)	₱73
Derivative assets/liabilities - net	**(2,213)**	3,639	(1,706)	**(2,210)**	3,635	(1,706)
Debt securities at FVOCI/AFS investments	**4,403**	(115)	641	**3,788**	(24)	554
Investment securities at amortized cost	**150**	–	–	–	–	–
	5,702	1,856	850	**₱4,352**	₱3,041	(₱1,079)
Income (loss) attributable to non-equity non-controlling interests (Note 21)	**(230)**	685	(1,252)			
	₱5,472	₱2,541	(₱402)			

Trading gains (losses) on debt securities at FVOCI/AFS investments represent realized gains/losses previously reported in OCI.

9. Loans and Receivables

This account consists of:

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Receivables from customers (Note 31)				
Commercial loans	**₱1,063,146**	₱987,186	**₱1,012,387**	₱947,916
Auto loans	**118,409**	119,972	**24,182**	29,681
Residential mortgage loans	**109,999**	107,947	**57,520**	57,974
Credit card	**86,785**	70,487	–	–
Trade loans	**63,360**	63,126	**62,655**	63,062
Others	**43,937**	44,362	**14,542**	12,571
	1,485,636	1,393,080	**1,171,286**	1,111,204
Less unearned discounts and capitalized interest	**5,149**	4,859	**238**	266
	1,480,487	1,388,221	**1,171,048**	1,110,938
Accrued interest receivable (Note 31)	**13,105**	10,667	**10,503**	7,987
Accounts receivable (Notes 30 and 31)	**12,707**	13,291	**8,972**	9,611
Unquoted debt securities - private	**1,016**	1,018	**386**	386
Sales contract receivable	**145**	190	**102**	119
Other receivables	**331**	335	**12**	13
	1,507,791	1,413,722	**1,191,023**	1,129,054
Less allowance for credit losses (Note 15)	**24,223**	22,688	**13,922**	12,797
	₱1,483,568	₱1,391,034	**₱1,177,101**	₱1,116,257

Receivables from customers consist of:

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Loans and discounts	**₱1,409,451**	₱1,319,442	**₱1,095,627**	₱1,037,424
Less unearned discounts and capitalized interest	**5,149**	4,859	**238**	266
	1,404,302	1,314,583	**1,095,389**	1,037,158
Customers' liabilities under letters of credit (LC)/trust receipts	**62,016**	61,590	**61,454**	61,526
Bills purchased (Note 21)	**14,169**	12,048	**14,205**	12,254
	₱1,480,487	₱1,388,221	**₱1,171,048**	₱1,110,938

Receivables from customers - others of the Group include notes receivables financed and lease contract receivables amounting to ₱24.3 billion and ₱1.5 billion, respectively, as of December 31, 2019 and ₱6.8 billion and ₱6.1 billion, respectively, as of December 31, 2018 (Note 13).

Interest income on loans and receivables consists of:

	Consolidated			Parent Company		
	2019	2018	2017	**2019**	2018	2017
Receivables from customers (Note 31)	**₱72,697**	₱60,071	₱47,403	**₱56,345**	₱44,980	₱34,014
Receivables from cardholders	**15,161**	13,527	11,550	–	–	–
Lease contract receivables	**4,680**	4,162	3,299	–	–	–
Customers' liabilities under LC/trust receipts	**3,073**	1,711	979	**3,073**	1,711	979
Others	**236**	188	160	**185**	169	79
	₱95,847	₱79,659	₱63,391	**₱59,603**	₱46,860	₱35,072

As of December 31, 2019 and 2018, 82.47% and 83.21%, respectively, of the total receivables from customers of the Group, and 99.92% and 99.91%, respectively, of the total receivables from customers of the Parent Company are subject to periodic interest repricing. In 2019 and 2018, the remaining peso receivables from customers earn annual fixed interest rates ranging from 4.70% to 45.00% and from 4.70% to 42.00%, while foreign currency-denominated receivables from customers earn annual fixed interest rates ranging from 1.32% to 45.00% and from 2.10% to 36.00%, respectively.

BSP Reporting

The following table shows information relating to receivables from customers by collateral, gross of unearned discounts and capitalized interest:

	Consolidated				Parent Company			
	2019		2018		**2019**		2018	
	Amount	**%**	Amount	%	**Amount**	**%**	Amount	%
Secured by:								
Other securities	**₱294,368**	**19.81**	₱286,705	20.58	**₱294,362**	**25.13**	₱286,693	25.80
Chattel	**159,754**	**10.75**	157,259	11.29	**26,950**	**2.30**	28,801	2.59
Real estate	**112,107**	**7.55**	110,901	7.96	**74,718**	**6.38**	74,860	6.74
Deposit hold-out	**31,054**	**2.09**	19,096	1.37	**30,004**	**2.56**	18,181	1.64
Equity securities	**27,705**	**1.87**	18,525	1.33	**11,996**	**1.02**	5,161	0.46
Others	**27,366**	**1.84**	18,420	1.32	**5,114**	**0.44**	6,450	0.58
	652,354	**43.91**	610,906	43.85	**443,144**	**37.83**	420,146	37.81
Unsecured	**833,282**	**56.09**	782,174	56.15	**728,142**	**62.17**	691,058	62.19
	₱1,485,636	**100.00**	₱1,393,080	100.00	**₱1,171,286**	**100.00**	₱1,111,204	100.00

Information on the concentration of credit as to industry of receivables from customers, gross of unearned discount and capitalized interest, follows:

	Consolidated				Parent Company			
	2019		2018		**2019**		2018	
	Amount	**%**	**Amount**	%	**Amount**	**%**	Amount	%
Wholesale and retail trade, repair of motor vehicles, motorcycles	**₱245,670**	**16.54**	₱242,426	17.40	**₱215,281**	**18.38**	₱215,353	19.38
Real estate activities	**231,358**	**15.57**	209,610	15.05	**181,388**	**15.49**	163,386	14.70
Manufacturing	**217,654**	**14.65**	215,125	15.44	**209,813**	**17.91**	212,451	19.12
Activities of households as employers and undifferentiated goods and services - producing activities of households for own use	**164,684**	**11.09**	153,597	11.03	**77,456**	**6.61**	82,678	7.44
Financial and insurance activities	**149,670**	**10.07**	106,338	7.63	**158,407**	**13.53**	117,435	10.57
Transportation and storage, information and communication	**104,283**	**7.02**	106,139	7.62	**96,078**	**8.20**	98,405	8.86
Electricity, gas, steam and air-conditioning supply and water supply, sewerage, waste management and remediation activities	**99,422**	**6.69**	98,857	7.10	**93,787**	**8.01**	96,149	8.65
Construction	**65,327**	**4.40**	58,405	4.19	**49,990**	**4.27**	44,100	3.97
Agricultural, forestry and fishing	**41,437**	**2.79**	34,714	2.49	**37,294**	**3.18**	29,688	2.67
Accommodation and food service activities	**35,105**	**2.36**	32,005	2.30	**34,773**	**2.97**	31,657	2.85
Others	**131,026**	**8.82**	135,864	9.75	**17,019**	**1.45**	19,902	1.79
	₱1,485,636	**100.00**	₱1,393,080	100.00	**₱1,171,286**	**100.00**	₱1,111,204	100.00

The BSP considers that concentration of credit exists when total loan exposure to a particular industry or economic sector exceeds 30.00% of total loan portfolio except for thrift banks.

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	
	2019	2018	**2019**	2018
Gross NPLs	**₱19,277**	₱16,866	**₱10,209**	₱8,041
Less allowance for credit losses	**11,019**	8,530	**8,236**	6,026
Net carrying amount	**₱8,258**	₱8,336	**₱1,973**	₱2,015

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.

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
2019							
Cost							
Balance at beginning of year	**₱5,824**	**₱14,952**	**₱17,542**	**₱4,588**	**₱261**	**₱4,162**	**₱47,329**
Additions	–	**47**	**2,851**	**128**	**696**	**679**	**4,401**
Disposals/early termination	–	**(4)**	**(2,132)**	**(28)**	–	**(34)**	**(2,198)**
Reclassification/others	**(22)**	**400**	**(25)**	**42**	**(638)**	**9**	**(234)**
Balance at end of year	**5,802**	**15,395**	**18,236**	**4,730**	**319**	**4,816**	**49,298**
Accumulated depreciation and amortization							
Balance at beginning of year	–	**5,820**	**12,039**	**3,346**	–	–	**21,205**
Depreciation and amortization	–	**604**	**2,166**	**382**	–	**1,301**	**4,453**
Disposals/early termination	–	**(4)**	**(1,864)**	**(24)**	–	**(25)**	**(1,917)**
Reclassification/others	–	**(13)**	**(15)**	**(137)**	–	**14**	**(151)**
Balance at end of year	–	**6,407**	**12,326**	**3,567**	–	**1,290**	**23,590**
Allowance for impairment losses	–	**8**	–	–	–	–	**8**
Net book value at end of year	**₱5,802**	**₱8,980**	**₱5,910**	**₱1,163**	**₱319**	**₱3,526**	**₱25,700**
2018							
Cost							
Balance at beginning of year	₱5,908	₱9,647	₱20,817	₱4,309	₱4,846	₱–	₱45,527
Additions	–	20	1,862	147	860	–	2,889
Disposals	(84)	–	(5,166)	(11)	–	–	(5,261)
Reclassification/others	–	5,285	29	143	(5,445)	–	12
Balance at end of year	5,824	14,952	17,542	4,588	261	–	43,167

(Forward)

	Consolidated						
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Improvements	BUC	ROU Assets	Total
Accumulated depreciation and amortization							
Balance at beginning of year	₱–	₱5,264	₱14,867	₱3,010	₱–	₱–	₱23,141
Depreciation and amortization	–	530	2,244	383	–	–	3,157
Disposals	–	–	(5,082)	(11)	–	–	(5,093)
Reclassification/others	–	26	10	(36)	–	–	–
Balance at end of year	–	5,820	12,039	3,346	–	–	21,205
Allowance for impairment losses							
Balance at beginning of year	–	24	–	–	–	–	24
Reclassification/others	–	(16)	–	–	–	–	(16)
Balance at end of year	–	8	–	–	–	–	8
Net book value at end of year	₱5,824	₱9,124	₱5,503	₱1,242	₱261	₱–	₱21,954

	Parent Company						
	Land	**Buildings**	**Furniture, Fixtures and Equipment**	**Leasehold Improvements**	**BUC**	**ROU Assets**	**Total**
2019							
Cost							
Balance at beginning of year	**₱4,381**	**₱13,238**	**₱7,334**	**₱2,776**	**₱261**	**₱2,225**	**₱30,215**
Additions	–	**1**	**1,294**	**8**	**696**	**338**	**2,337**
Disposals/early termination	–	–	**(852)**	**(1)**	–	–	**(853)**
Reclassification/others	–	**440**	**(1)**	**170**	**(638)**	**14**	**(15)**
Balance at end of year	**4,381**	**13,679**	**7,775**	**2,953**	**319**	**2,577**	**31,684**
Accumulated depreciation and amortization							
Balance at beginning of year	–	**5,072**	**5,367**	**1,911**	–	–	**12,350**
Depreciation and amortization	–	**547**	**824**	**220**	–	**687**	**2,278**
Disposals	–	–	**(821)**	**(1)**	–	–	**(822)**
Reclassification/others	–	**4**	**3**	**(9)**	–	**15**	**13**
Balance at end of year	–	**5,623**	**5,373**	**2,121**	–	**702**	**13,819**
Allowance for impairment losses	–	**8**	–	–	–	–	**8**
Net book value at end of year	**₱4,381**	**₱8,048**	**₱2,402**	**₱832**	**₱319**	**₱1,875**	**₱17,857**
2018							
Cost							
Balance at beginning of year	₱4,465	₱7,955	₱10,855	₱2,627	₱4,846	₱–	₱30,748
Additions	–	–	609	4	860	–	1,473
Disposals	(84)	–	(4,162)	(1)	–	–	(4,247)
Reclassification/others	–	5,283	32	146	(5,445)	–	16
Balance at end of year	4,381	13,238	7,334	2,776	261	–	27,990
Accumulated depreciation and amortization							
Balance at beginning of year	–	4,579	8,662	1,726	–	–	14,967
Depreciation and amortization	–	470	813	223	–	–	1,506
Disposals	–	–	(4,126)	(1)	–	–	(4,127)
Reclassification/others	–	23	18	(37)	–	–	4
Balance at end of year	–	5,072	5,367	1,911	–	–	12,350
Allowance for impairment losses							
Balance at beginning of year	–	24	–	–	–	–	24
Reclassification/others	–	(16)	–	–	–	–	(16)
Balance at end of year	–	8	–	–	–	–	8
Net book value at end of year	₱4,381	₱8,158	₱1,967	₱865	₱261	₱–	₱15,632

As of December 31, 2019 and 2018, the cost of fully depreciated property and equipment still in use amounted to ₱6.2 billion and ₱4.7 billion, respectively, for the Group and ₱2.4 billion and ₱2.2 billion, respectively, for the Parent Company.

11. **Investments in Subsidiaries, Associates and a Joint Venture**

Investments in subsidiaries consist of:

	2019	2018
Acquisition cost		
MCC	**₱15,149**	₱15,149
PSBank	**13,076**	5,237
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	**291**	291
	51,989	44,150
Accumulated equity in net income		
Balance at beginning of year	**36,457**	30,967
Share in net income	**8,892**	7,928
Dividends	**(1,073)**	(2,438)
Balance at end of year	**44,276**	36,457
Equity in net unrealized loss on investment securities at FVOCI	**(537)**	(1,074)
Equity in net unrealized gain on remeasurement of retirement plan and translation adjustment and others	**98**	1,777
Excess of share in net losses of subsidiaries over cost included in 'Miscellaneous liabilities' (Note 21)	**35**	100
Equity in realized loss on sale of equity securities at FVOCI	**(122)**	(122)
Carrying value		
MCC	**29,233**	24,586
FMIC	**19,647**	19,312
MBCL	**12,051**	12,488
PSBank	**30,294**	20,467
Circa	**250**	241
ORIX Metro	**3,529**	3,294
MR USA	**49**	122
MR Japan	**74**	73
MR UK	**49**	52
MRHL	**142**	156
MRSPL	**154**	158
Others	**267**	339
	₱95,739	₱81,288

The following subsidiaries have material non-controlling interests as of December 31, 2019 and 2018:

	Country of Incorporation and Principal Place of Business	Principal Activities	Effective Ownership of Non-Controlling Interest	
			2019	2018
ORIX Metro	Philippines	Leasing, Financing	**40.15%**	40.15%
PSBank	Philippines	Banking	**11.62%**	17.32%

The following table presents financial information of subsidiaries with material non-controlling interests as of December 31, 2019 and 2018.

	2019		2018	
	PSBank	**ORIX Metro**	PSBank	ORIX Metro
Statement of Financial Position				
Total assets	**₱224,907**	**₱52,821**	₱237,894	₱55,627
Total liabilities	**190,450**	**43,998**	213,597	47,392
Non-controlling interest	**5,187**	**3,562**	4,240	3,319
Statement of Income				
Gross income	**20,656**	**7,745**	19,241	7,095
Operating income	**14,602**	**5,248**	14,199	5,121
Net income	**3,028**	**1,147**	2,652	1,230
Net income attributable to non-controlling interest	**352**	**460**	459	738
Total comprehensive income	**3,401**	**710**	2,271	1,304
Statement of Cash Flows				
Net cash provided by (used in) operating activities	**(35,641)**	**3,320**	223	(16,755)
Net cash provided by (used in) investing activities	**12,614**	**(791)**	287	(960)
Net cash provided by (used in) financing activities	**10,752**	**(2,662)**	787	16,894
Net increase (decrease) in cash and cash equivalents	**(12,275)**	**(133)**	1,297	(821)
Cash and cash equivalents at beginning of year	**22,510**	**6,279**	21,213	7,100
Cash and cash equivalents at end of year	**10,235**	**6,146**	22,510	6,279

Investment in PSBank
On January 11, 2019, PSBank concluded its ₱8.0 billion SRO, involving 142,856,925 common shares priced at ₱56.0 per share and listed at the PSE on January 18, 2019. This was approved by the BOD of PSBank on October 15, 2018 and noted by the BSP on October 19, 2018. The Parent Company exercised its rights to purchase thus increasing its ownership in PSBank to 88.38% (Note 2).

Investment in MCC
On October 18, 2017, with the approval of the Parent Company's BOD, the Parent Company has entered into an agreement with its JV partner ANZ Funds Pty. Ltd. (ANZ) to:

a. Purchase 20% of MCC for a consideration of ₱7.4 billion upon the approval of the BSP of the transaction, and
b. Grant ANZ the option to sell the remaining 20% of MCC to the Parent Company at the same consideration of ₱7.4 billion ("Put Option") which can be exercised at any time within the period beginning July 10, 2018 until September 2018 ("Option Exercise Period"). If in the ordinary course of business, MCC pays dividend to the stockholders during the Option Exercise Period, ANZ will exercise the Put Option by serving an exercise notice ("Exercise Notice") to the Parent Company within ten (10) banking days of receiving that dividend ("Dividend Exercise Period"). If ANZ fails to serve an Exercise Notice by the end of the Dividend Exercise Period, the Put Option is deemed exercised by ANZ on the end of the Dividend Exercise Period.

On December 28, 2017, the BSP approved the acquisition of 40% of MCC. With this BSP approval, the purchase of the 20% stake in MCC is deemed completed for accounting purposes in the financial statements as of December 31, 2017 and the acquisition was completed on January 8, 2018 ("first tranche") while the remaining 20% was completed on September 4, 2018 ("second tranche"). In the consolidated financial statements, the Group recognized equity reserves (included in 'Translation adjustment and others') for the difference between the acquisition price and the acquired non-controlling interest amounting to ₱4.7 billion (for the first tranche) and ₱5.1 billion (for the second tranche).

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: (1) improve synergy and cross-sell; (2) increase the profitability and improve capital efficiency; and (3) enable the Parent Company to be more competitive in the credit card business. The proposed merger was ratified by the stockholders of the Parent Company on April 24, 2019, and was approved by the BSP on October 23, 2019.

Investment in MR USA
On August 17, 2017, the New York State Department of Financial Services has approved the merger of MR USA and Metro Remittance Center, Inc. (MRCI) with MR USA being the surviving entity. The merger, as agreed upon by both parties, took effect on December 31, 2017, MRCI's two wholly-owned subsidiaries, Metro Remittance (Canada), Inc. and MB Remittance Center Hawaii, Ltd. became subsidiaries of MR USA. On August 1, 2019, the BOD of MR USA approved the reclassification of the business type of MR USA from a Money Transmission Business to a Holding Company.

Investment in Metrobank Bahamas
On April 17, 2018, Metrobank Bahamas has advised The Central Bank of The Bahamas (CBTB) of its intention to discontinue its operations effective June 30, 2018. On October 11 and October 12, 2018, it has surrendered its securities and banking licenses, respectively, to CBTB and has been placed into a voluntary liquidation. On June 30, 2019, the Register General's Department advised that the Metrobank Bahamas has been removed from the Register of Companies as of April 8, 2019.

As of December 31, 2019 and 2018, 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.

Investments in associates and a JV consist of:

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Acquisition cost:				
Lepanto Consolidated Mining Company (LCMC) (13.45% effectively owned)	**₱2,527**	₱2,527		
SMFC (30% effectively owned)*	**610**	610		
Northpine Land, Inc. (NLI) (20.00% owned)	**232**	232	**₱232**	₱232
Taal Land Inc. (TLI) (35.00% owned)	**178**	178	**178**	178
Cathay International Resources Corporation (CIRC) (34.74% effectively owned)	**175**	175		
Philippine AXA Life Insurance Corporation (PALIC) (28.18% owned)	**172**	172		
SMBC Metro Investment Corporation (SMBC Metro) (30.00% owned)	**180**	180	**180**	180
Others	**42**	33		
	4,116	4,107	**590**	590
Accumulated equity in net income:				
Balance at beginning of year	**2,122**	1,710	**159**	130
Share in net income	**868**	874	**46**	39
Dividends	**(169)**	(462)	**–**	(10)
Balance at end of year	**2,821**	2,122	**205**	159
Equity in other comprehensive income (losses)	**348**	(27)	**2**	–
Return of investment - SMBC Metro	**(180)**	(180)	**(180)**	(180)
Allowance for impairment losses (Note 15)	**(514)**	(75)	**(75)**	(75)

(Forward)

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Carrying value				
LCMC	**₱1,546**	₱2,107		
SMFC	**756**	685		
NLI	**474**	429	**₱474**	₱429
TLI	**21**	16	**21**	16
CIRC	**177**	199		
PALIC	**3,535**	2,419		
SMBC Metro	**47**	49	**47**	49
Others	**35**	43		
	₱6,591	₱5,947	**₱542**	₱494

* Represents investment in a JV of the Group and effective ownership interest of the Parent Company through PSBank.

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, 2019 and 2018, LCMC-A shares are trading at ₱0.091 per share and ₱0.112 per share, respectively and LCMC-B shares are trading at ₱0.101 per share and ₱0.115 per share, respectively. As of December 31, 2019, there has been a significant decline in the fair value of the shares compared to the acquisition cost. Based on management's assessment, the investment in LCMC is impaired by ₱439.2 million (Note 3).

Investment in SMBC Metro

On March 2, 2018, the Board of Liquidating Trustees of SMBC Metro declared the liquidation of its entire paid-up capital to its stockholders on record as of December 31, 2017 due to the expiration of its corporate term on the same date. On March 28, 2018, the Parent Company received a total amount of ₱180.0 million representing partial liquidation.

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, 2019							
PALIC	**₱141,938**	**₱129,320**	**₱17,813**	**₱4,017**	**₱2,669**	**₱–**	**₱2,669**
LCMC	**16,664**	**9,426**	**1,566**	**(639)**	**(642)**	–	**(642)**
NLI	**3,825**	**1,556**	**516**	**245**	**222**	–	**222**
SMFC	**7,125**	**4,606**	**1,465**	**510**	**353**	**(7)**	**346**
CIRC	**2,131**	**608**	**233**	**59**	**(71)**	–	**(71)**
December 31, 2018							
PALIC	₱126,794	₱117,559	₱14,120	₱4,310	₱3,084	₱–	₱3,084
LCMC	9,754	3,067	2,093	(702)	(687)	–	(687)
NLI	3,538	1,510	482	197	186	–	186
SMFC	5,054	2,749	1,267	390	262	6	268
CIRC	2,290	1,426	324	143	6	–	6

Major assets of significant associates and a JV include the following:

	2019	2018
PALIC		
Cash and cash equivalents	**₱4,734**	₱4,392
Loans and receivables - net	**940**	912
Investment securities at FVTPL	**1,960**	1,454
Investment securities at FVOCI	**16,282**	12,744
Investment in unit-linked funds	**58**	56
Property and equipment	**614**	726
LCMC		
Inventories	**538**	415
Investments and advances	**579**	997
Mine exploration cost	**6,720**	6,684
Property, plant and equipment - net	**6,956**	6,879

(Forward)

	2019	2018
NLI		
Cash and cash equivalents	**₱406**	₱241
Real estate properties	**1,956**	1,933
Receivables - net	**1,214**	1,151
SMFC		
Cash and cash equivalents	**209**	109
Receivables - net	**6,637**	4,776
CIRC		
Cash and cash equivalents	**140**	162
Receivables - net	**520**	441
Property, plant and equipment - net	**1,275**	1,370
Condominium units for sale/inventories	**109**	213

Dividends declared by investee companies of the Parent Company follow:

Subsidiary/Associate	Date of Declaration	Per Share	Total Amount	Record Date	Payment Date
2019					
Subsidiaries					
Cash Dividend					
PSBank	January 17, 2019	₱0.75	₱287	February 1, 2019	February 18, 2019
PSBank	April 15, 2019	0.75	287	May 3, 2019	May 15, 2019
PSBank	July 19, 2019	0.75	287	August 5, 2019	August 19, 2019
PSBank	October 14, 2019	0.75	287	October 29, 2019	November 13, 2019
Stock Dividend					
ORIX Metro	November 27, 2019	₱100.00	₱932	November 27, 2019	January 31, 2020
2018					
Subsidiaries					
Cash Dividend					
PSBank	January 18, 2018	₱0.75	₱180	February 2, 2018	February 19, 2018
PSBank	April 23, 2018	0.75	180	May 9, 2018	May 23, 2018
PSBank	July 20, 2018	0.75	180	August 6, 2018	August 20, 2018
PSBank	October 15, 2018	0.75	180	October 30, 2018	November 14, 2018
MCC	June 29, 2018	1.98	1,975	June 29, 2018	August 29, 2018
Metrobank Bahamas	July 16, 2018	USD 0.30	USD 1.5	July 16, 2018	December 4, 2018
Stock Dividend					
ORIX Metro	October 28, 2018	₱100.00	₱647	October 28, 2018	January 31, 2019
ORIX Metro	October 28, 2018	100.00	1,250	May 20, 2019	May 31, 2019
Associates					
Cash Dividend					
NLI	March 21, 2018	₱4.35	₱53	December 31, 2017	April 5, 2018

Dividends declared by significant investee companies of PSBank and FMIC follow:

Subsidiary/Associate	Date of Declaration	Per Share	Total Amount	Record Date	Payment Date
2019					
Associates					
Cash Dividend					
PALIC	November 6, 2019	₱40.90	₱409	October 24, 2019	December 17, 2019
Travel Services, Inc. (TSI)	March 20, 2019	34.00	47	December 31, 2018	December 13, 2019
SMFC	June 21, 2019	6.56	131	June 21, 2019	July 19, 2019
Stock Dividend					
ORIX Metro	November 27, 2019	₱100.00	₱932	November 27, 2019	January 31, 2020
2018					
Subsidiaries					
Cash Dividend					
FAMI	December 12, 2018	₱18.00	₱27	December 14, 2018	December 21, 2018
FMSBC	February 1, 2018	29.59	50	February 15, 2018	March 15, 2018
FMSBC	December 17, 2018	15.00	25	December 31, 2018	March 15, 2019
Associates					
Cash Dividend					
PALIC	November 26, 2018	₱159.50	₱1,595	November 23, 2018	December 18, 2018
Stock Dividend					
ORIX Metro	October 28, 2018	₱100.00	₱647	October 28, 2018	January 31, 2019
ORIX Metro	October 28, 2018	100.00	1,250	May 20, 2019	May 31, 2019

12. Investment Properties

This account consists of foreclosed real estate properties and investments in real estate:

	Consolidated					
	2019			2018		
	Land	**Buildings and Improvements**	**Total**	Land	Buildings and Improvements	Total
Cost						
Balance at beginning of year	**₱5,360**	**₱4,857**	**₱10,217**	₱5,997	₱4,577	₱10,574
Additions	**1,009**	**644**	**1,653**	327	660	987
Disposals	**(673)**	**(877)**	**(1,550)**	(685)	(683)	(1,368)
Reclassification/others	**22**	**27**	**49**	(279)	303	24
Balance at end of year	**5,718**	**4,651**	**10,369**	5,360	4,857	10,217
Accumulated depreciation and amortization						
Balance at beginning of year	–	**1,148**	**1,148**	–	1,174	1,174
Depreciation and amortization	–	**140**	**140**	–	148	148
Disposals	–	**(188)**	**(188)**	–	(167)	(167)
Reclassification/others	–	**17**	**17**	–	(7)	(7)
Balance at end of year	–	**1,117**	**1,117**	–	1,148	1,148
Allowance for impairment losses (Note 15)						
Balance at beginning of year	**1,313**	**256**	**1,569**	1,490	193	1,683
Provision for (reversal of) impairment loss	**(8)**	**8**	–	1	26	27
Disposals	**(6)**	**(65)**	**(71)**	(131)	(2)	(133)
Reclassification/others	**(1)**	**(7)**	**(8)**	(47)	39	(8)
Balance at end of year	**1,298**	**192**	**1,490**	1,313	256	1,569
Net book value at end of year	**₱4,420**	**₱3,342**	**₱7,762**	₱4,047	₱3,453	₱7,500

	Parent Company					
	2019			2018		
	Land	**Buildings and Improvements**	**Total**	Land	Buildings and Improvements	Total
Cost						
Balance at beginning of year	**₱3,099**	**₱1,453**	**₱4,552**	₱3,317	₱1,617	₱4,934
Additions	**758**	**111**	**869**	67	92	159
Disposals	**(286)**	**(148)**	**(434)**	(288)	(277)	(565)
Reclassification/others	–	**2**	**2**	3	21	24
Balance at end of year	**3,571**	**1,418**	**4,989**	3,099	1,453	4,552
Accumulated depreciation and amortization						
Balance at beginning of year	–	**665**	**665**	–	726	726
Depreciation and amortization	–	**39**	**39**	–	43	43
Disposals	–	**(64)**	**(64)**	–	(104)	(104)
Reclassification/others	–	**2**	**2**	–	–	–
Balance at end of year	–	**642**	**642**	–	665	665
Allowance for impairment losses (Note 15)						
Balance at beginning of year	**1,022**	**40**	**1,062**	1,143	52	1,195
Disposals	**(5)**	**(2)**	**(7)**	(131)	(2)	(133)
Reclassification/others	**(1)**	**2**	**1**	10	(10)	–
Balance at end of year	**1,016**	**40**	**1,056**	1,022	40	1,062
Net book value at end of year	**₱2,555**	**₱736**	**₱3,291**	₱2,077	₱748	₱2,825

As of December 31, 2019 and 2018, foreclosed investment properties still subject to redemption period by the borrowers amounted to ₱1.0 billion and ₱1.1 billion, respectively, for the Group and ₱150.8 million and ₱121.5 million, respectively, for the Parent Company.

As of December 31, 2019 and 2018, aggregate market value of investment properties amounted to ₱14.3 billion and ₱14.2 billion, respectively, for the Group and ₱7.2 billion and ₱6.2 billion, respectively, for the Parent Company, of which ₱8.1 billion for the Group and ₱7.1 billion 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 2019, 2018 and 2017 amounted to ₱85.1 million, ₱67.3 million and ₱59.9 million, respectively, for the Group and nil, ₱1.0 million and ₱1.4 million, respectively, for the Parent Company (Note 13).

Direct operating expenses on investment properties that generated rental income (included under 'Litigation expenses') in 2019, 2018 and 2017 amounted to ₱0.1 million, ₱0.4 million and ₱1.0 million, respectively, for the Group and nil, ₱0.3 million and ₱1.0 million, respectively, for the Parent Company. Direct operating expenses on investment properties that did not generate rental income (included under 'Litigation expenses') in 2019, 2018 and 2017 amounted to ₱286.4 million, ₱257.9 million and ₱219.4 million, respectively, for the Group and ₱90.6 million, ₱102.5 million and ₱66.9 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 2019, 2018 and 2017 amounted to ₱605.4 million, ₱883.3 million and ₱960.0 million, respectively, for the Group and ₱189.5 million, ₱322.4 million and ₱497.0 million, respectively, for the Parent Company (Note 31).

13. **Leases**

<u>Group as a Lessee</u>
As of December 31, 2019 and 2018, 59.69% and 59.55% 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 one 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%. As of December 31, 2019 and 2018, the Group has no contingent rent payable.

As of December 31, 2019, the carrying amounts of lease liabilities (included in 'Other Liabilities' in Note 21) are as follows:

	Consolidated	**Parent Company**
Balance at beginning of year	**₱4,530**	**₱2,407**
Additions	**657**	**338**
Expiry/termination	**(31)**	**–**
Accretion of interest	**319**	**170**
Payments	**(1,436)**	**(754)**
Others	**(1)**	**(1)**
	₱4,038	**₱2,160**

With the adoption of PFRS 16, as of December 31, 2019, the Group and the Parent Company recognized interest expense on lease liabilities (included in 'Interest and Finance Charges' in the Statement of Income) amounting to ₱319.3 million and ₱169.9 million, respectively, and rent expense from short-term leases and leases of low-value assets amounting to ₱736.0 million and ₱413.9 million, respectively. Prior to PFRS 16 adoption, rent expense (included in 'Occupancy and equipment-related costs' in the statements of income) in 2018 and 2017 amounted to ₱2.4 billion and ₱2.2 billion, respectively, for the Group and ₱1.3 billion and ₱1.2 billion, respectively, for the Parent Company.

Future minimum rentals payable under non-cancelable leases follows:

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Within one year	**₱1,553**	₱1,322	**₱824**	₱708
After one year but not more than five years	**3,075**	3,346	**1,659**	1,963
More than five years	**903**	750	**595**	402
	₱5,531	₱5,418	**₱3,078**	₱3,073

As of December 31, 2019, the Group and the Parent Company has 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 ₱89.3 million and ₱89.1 million, respectively. In addition, the Group has undiscounted potential future rental payments amounting to ₱6.6 million which were not incuded in the calculation of lease liability due to expected exercise of termination options.

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 1 to 20 years. In 2019, 2018 and 2017, leasing income amounted to ₱2.1 billion, ₱2.3 billion and ₱2.1 billion, respectively, for the Group and ₱210.5 million, ₱223.6 million and ₱215.2 million, respectively, for the Parent Company.

Future minimum rentals receivable under non-cancelable operating leases follows:

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Within one year	**₱875**	₱1,655	**₱86**	₱114
After one year but not more than five years	**776**	1,638	**121**	184
More than five years	–	1	–	1
	₱1,651	₱3,294	**₱207**	₱299

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 five years. These are broken down as follows (Note 9):

	2019	2018
Within one year	**₱218**	₱607
After one year but not more than five years	**1,301**	5,476
	₱1,519	₱6,083

14. **Other Assets**

This account consists of:

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Investment in SPVs	**₱8,857**	₱8,857	**₱8,857**	₱8,857
Software costs - net	**2,080**	1,800	**1,011**	665
Creditable withholding tax	**1,692**	1,505	**1,150**	956
Interoffice float items	**1,643**	2,536	**1,654**	2,619
Customized system development cost	**1,616**	1,753	**1,616**	1,753
Residual value of leased assets	**1,135**	1,130	**–**	–
Chattel properties acquired in foreclosure - net	**1,093**	835	**32**	24
Prepaid expenses	**730**	832	**193**	165
Documentary and postage stamps on hand	**486**	491	**339**	355
Returned checks and other cash items	**407**	417	**378**	397
Assets held under joint operations (Note 31)	**219**	219	**219**	219
Miscellaneous (Note 27)	**5,927**	5,654	**4,671**	4,258
	25,885	26,029	**20,120**	20,268
Less allowance for impairment losses	**10,311**	10,308	**10,282**	10,285
	₱15,574	₱15,721	**₱9,838**	₱9,983

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. These were received by the Parent Company on April 1, 2006 in exchange for the subordinated note issued by Asia Recovery Corporation (ARC) in 2003 with face amount of ₱11.9 billion. The subordinated note issued by ARC represents payment on the non-performing assets (NPAs) sold by the Parent Company to ARC in 2003. The related deed of absolute sale was formalized on September 17, 2003 and approved by the BSP on November 28, 2003, having qualified as a true sale. 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	
	2019	2018	**2019**	2018
Cost				
Balance at beginning of year	**₱5,164**	₱4,653	**₱2,165**	₱1,925
Additions	**1,050**	636	**606**	233
Others	**(151)**	(125)	**(61)**	7
Balance at end of year	**6,063**	5,164	**2,710**	2,165
Accumulated amortization				
Balance at beginning of year	**3,364**	2,906	**1,500**	1,353
Amortization	**632**	512	**241**	131
Others	**(13)**	(54)	**(42)**	16
Balance at end of year	**3,983**	3,364	**1,699**	1,500
Net book value at end of year	**₱2,080**	₱1,800	**₱1,011**	₱665

Movements in chattel properties acquired in foreclosure follow:

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Cost				
Balance at beginning of year	**₱1,036**	₱979	**₱49**	₱61
Additions	**3,750**	2,824	**29**	19
Disposals/others	**(3,476)**	(2,767)	**(21)**	(31)
Balance at end of year	**1,310**	1,036	**57**	49
Accumulated depreciation and amortization				
Balance at beginning of year	**192**	155	**22**	25
Depreciation and amortization	**313**	267	**10**	10
Disposals/others	**(297)**	(230)	**(9)**	(13)
Balance at end of year	**208**	192	**23**	22
Allowance for impairment losses	**9**	9	**2**	3
Net book value at end of year	**₱1,093**	₱835	**₱32**	₱24

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 31). 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 2019 and 2018 is as follows:

	Consolidated					
			Investment Securities at FVOCI			Investment Securities at Amortized Cost
	Due from Other Banks	Interbank Loans Receivable	Stage 1	Stage 3	Total	
2019						
ECL allowance, January 1, 2019	**₱6**	**₱12**	**₱248**	**₱–**	**₱248**	**₱48**
New assets originated	**5**	**1**	**176**	**–**	**176**	**1**
Assets derecognized or repaid	**(6)**	**(12)**	**(87)**	**–**	**(87)**	**–**
Transfers to/(from) Stage 1	**–**	**–**	**(2)**	**–**	**(2)**	**–**
Transfers to/(from) Stage 3	**–**	**–**	**–**	**30**	**30**	**–**
Changes in assumptions	**–**	**–**	**(217)**	**–**	**(217)**	**(23)**
ECL allowance, December 31, 2019	**₱5**	**₱1**	**118**	**30**	**₱148**	**₱26**
2018						
ECL allowance, January 1, 2018	₱18	₱25	₱140	₱–	₱140	₱2
New assets originated	6	12	69	–	69	46
Assets derecognized or repaid	–	(25)	(20)	–	(20)	–
Changes in assumptions	(18)	–	59	–	59	–
ECL allowance, December 31, 2018	₱6	₱12	₱248	₱–	₱248	₱48

	Consolidated			
	Receivables from Customers			
	Stage 1	Stage 2	Stage 3	Total
2019				
Commercial loans				
ECL allowance, January 1, 2019	**₱2,093**	**₱781**	**₱5,639**	**₱8,513**
New assets originated	**3,408**	**–**	**–**	**3,408**
Assets derecognized or repaid	**(762)**	**(497)**	**(631)**	**(1,890)**
Amounts written off	**–**	**–**	**(293)**	**(293)**
Transfers to/(from) Stage 1	**(1,730)**	**–**	**–**	**(1,730)**
Transfers to/(from) Stage 2	**–**	**724**	**–**	**724**
Transfers to/(from) Stage 3	**–**	**–**	**1,878**	**1,878**
Changes in assumptions	**(37)**	**(188)**	**692**	**467**
ECL allowance, December 31, 2019	**2,972**	**820**	**7,285**	**11,077**

(Forward)

	Consolidated			
	Receivables from Customers			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Auto loans				
ECL allowance, January 1, 2019	**₱538**	**₱1,077**	**₱1,048**	**₱2,663**
New assets originated	**1,466**	**–**	**–**	**1,466**
Assets derecognized or repaid	**(1,147)**	**(134)**	**(708)**	**(1,989)**
Amounts written off	**(1)**	**(45)**	**(111)**	**(157)**
Transfers to/(from) Stage 1	**(122)**	**–**	**–**	**(122)**
Transfers to/(from) Stage 2	**–**	**(358)**	**–**	**(358)**
Transfers to/(from) Stage 3	**–**	**–**	**424**	**424**
Changes in assumptions	**(1)**	**(1)**	**49**	**47**
ECL allowance, December 31, 2019	**733**	**539**	**702**	**1,974**
Residential mortgage loans				
ECL allowance, January 1, 2019	**122**	**280**	**466**	**868**
New assets originated	**51**	**–**	**–**	**51**
Assets derecognized or repaid	**(21)**	**(31)**	**(56)**	**(108)**
Transfers to/(from) Stage 1	**(17)**	**–**	**–**	**(17)**
Transfers to/(from) Stage 2	**–**	**(61)**	**–**	**(61)**
Transfers to/(from) Stage 3	**–**	**–**	**2**	**2**
Changes in assumptions	**(11)**	**(2)**	**(15)**	**(28)**
ECL allowance, December 31, 2019	**124**	**186**	**397**	**707**
Trade loans				
ECL allowance, January 1, 2019	**224**	**21**	**95**	**340**
New assets originated	**96**	**–**	**–**	**96**
Assets derecognized or repaid	**(52)**	**(16)**	**–**	**(68)**
Transfers to/(from) Stage 1	**(12)**	**–**	**–**	**(12)**
Transfers to/(from) Stage 2	**–**	**7**	**–**	**7**
Transfers to/(from) Stage 3	**–**	**–**	**5**	**5**
Changes in assumptions	**(107)**	**(1)**	**7**	**(101)**
ECL allowance, December 31, 2019	**149**	**11**	**107**	**267**
Credit card				
ECL allowance, January 1, 2019	**917**	**1,841**	**1,328**	**4,086**
New assets originated	**58**	**–**	**–**	**58**
Amounts written off	**–**	**–**	**(4,758)**	**(4,758)**
Transfers to/(from) Stage 1	**427**	**–**	**–**	**427**
Transfers to/(from) Stage 2	**–**	**(65)**	**–**	**(65)**
Transfers to/(from) Stage 3	**–**	**–**	**5,043**	**5,043**
Changes in assumptions	**(10)**	**(93)**	**(107)**	**(210)**
ECL allowance, December 31, 2019	**1,392**	**1,683**	**1,506**	**4,581**
Other loans				
ECL allowance, January 1, 2019	**148**	**289**	**722**	**1,159**
New assets originated	**609**	**–**	**–**	**609**
Assets derecognized or repaid	**(349)**	**(27)**	**(223)**	**(599)**
Amounts written off	**(1)**	**(96)**	**(866)**	**(963)**
Transfers to/(from) Stage 1	**(306)**	**–**	**–**	**(306)**
Transfers to/(from) Stage 2	**–**	**171**	**–**	**171**
Transfers to/(from) Stage 3	**–**	**–**	**444**	**444**
Changes in assumptions	**156**	**(79)**	**665**	**742**
ECL allowance, December 31, 2019	**257**	**258**	**742**	**1,257**
Total receivables from customers				
ECL allowance, January 1, 2019	**4,042**	**4,289**	**9,298**	**17,629**
New assets originated	**5,688**	**–**	**–**	**5,688**
Assets derecognized or repaid	**(2,331)**	**(705)**	**(1,618)**	**(4,654)**
Amounts written off	**(2)**	**(141)**	**(6,028)**	**(6,171)**
Transfers to/(from) Stage 1	**(1,760)**	**–**	**–**	**(1,760)**
Transfers to/(from) Stage 2	**–**	**418**	**–**	**418**
Transfers to/(from) Stage 3	**–**	**–**	**7,796**	**7,796**
Changes in assumptions	**(10)**	**(364)**	**1,291**	**917**
ECL allowance, December 31, 2019	**₱5,627**	**₱3,497**	**₱10,739**	**₱19,863**
2018				
Commercial loans				
ECL allowance, January 1, 2018	₱1,995	₱852	₱4,745	₱7,592
New assets originated	1,418	–	–	1,418
Assets derecognized or repaid	(985)	(323)	(258)	(1,566)
Amounts written off	–	–	(52)	(52)
Transfers to/(from) Stage 1	(422)	–	–	(422)
Transfers to/(from) Stage 2	–	251	–	251
Transfers to/(from) Stage 3	–	–	1,060	1,060
Changes in assumptions	87	1	144	232
ECL allowance, December 31, 2018	2,093	781	5,639	8,513

(Forward)

	Consolidated			
	Receivables from Customers			
	Stage 1	Stage 2	Stage 3	Total
Auto loans				
ECL allowance, January 1, 2018	₱520	₱1,232	₱1,218	₱2,970
New assets originated	881	–	–	881
Assets derecognized or repaid	(306)	(288)	(278)	(872)
Amounts written off	–	(12)	(447)	(459)
Transfers to/(from) Stage 1	(258)	–	–	(258)
Transfers to/(from) Stage 2	–	(45)	–	(45)
Transfers to/(from) Stage 3	–	–	191	191
Changes in assumptions	(299)	190	364	255
ECL allowance, December 31, 2018	538	1,077	1,048	2,663
Residential mortgage loans				
ECL allowance, January 1, 2018	129	580	449	1,158
New assets originated	82	–	–	82
Assets derecognized or repaid	(46)	(147)	(76)	(269)
Transfers to/(from) Stage 1	(25)	–	–	(25)
Transfers to/(from) Stage 2	–	(165)	–	(165)
Transfers to/(from) Stage 3	–	–	85	85
Changes in assumptions	(18)	12	8	2
ECL allowance, December 31, 2018	122	280	466	868
Trade loans				
ECL allowance, January 1, 2018	145	56	88	289
New assets originated	280	–	–	280
Assets derecognized or repaid	(145)	(41)	(7)	(193)
Transfers to/(from) Stage 1	(10)	–	–	(10)
Transfers to/(from) Stage 2	–	10	–	10
Transfers to/(from) Stage 3	–	–	(3)	(3)
Changes in assumptions	(46)	(4)	17	(33)
ECL allowance, December 31, 2018	224	21	95	340
Credit card				
ECL allowance, January 1, 2018	836	1,739	1,059	3,634
New assets originated	23	–	–	23
Amounts written off	–	–	(3,980)	(3,980)
Transfers to/(from) Stage 1	(330)	–	–	(330)
Transfers to/(from) Stage 2	–	59	–	59
Transfers to/(from) Stage 3	–	–	4,339	4,339
Changes in assumptions	388	43	(90)	341
ECL allowance, December 31, 2018	917	1,841	1,328	4,086
Other loans				
ECL allowance, January 1, 2018	118	145	625	888
New assets originated	620	–	–	620
Assets derecognized or repaid	(59)	(15)	(16)	(90)
Amounts written off	(3)	(66)	(173)	(242)
Transfers to/(from) Stage 1	(512)	–	–	(512)
Transfers to/(from) Stage 2	–	225	–	225
Transfers to/(from) Stage 3	–	–	287	287
Changes in assumptions	(16)	–	(1)	(17)
ECL allowance, December 31, 2018	148	289	722	1,159
Total receivables from customers				
ECL allowance, January 1, 2018	3,743	4,604	8,184	16,531
New assets originated	3,304	–	–	3,304
Assets derecognized or repaid	(1,541)	(814)	(635)	(2,990)
Amounts written off	(3)	(78)	(4,652)	(4,733)
Transfers to/(from) Stage 1	(1,557)	–	–	(1,557)
Transfers to/(from) Stage 2	–	335	–	335
Transfers to/(from) Stage 3	–	–	5,959	5,959
Changes in assumptions	96	242	442	780
ECL allowance, December 31, 2018	₱4,042	₱4,289	₱9,298	₱17,629

	Consolidated			
	Other Receivables			
	Stage1	Stage 2	Stage 3	Total
2019				
ECL allowance, January 1, 2019	**₱194**	**₱80**	**₱1,039**	**₱1,313**
New assets originated	**262**	**–**	**–**	**262**
Assets derecognized or repaid	**(29)**	**(40)**	**(178)**	**(247)**
Amounts written off	**–**	**–**	**(1)**	**(1)**
Transfers to/(from) Stage 1	**(386)**	**–**	**–**	**(386)**
Transfers to/(from) Stage 2	**–**	**(20)**	**–**	**(20)**
Transfers to/(from) Stage 3	**–**	**–**	**273**	**273**
Changes in assumptions	**(36)**	**(8)**	**65**	**21**
ECL allowance, December 31, 2019	**₱5**	**₱12**	**₱1,198**	**₱1,215**
2018				
ECL allowance, January 1, 2018	₱43	₱42	₱716	₱801
New assets originated	390	–	–	390
Assets derecognized or repaid	(18)	(10)	(158)	(186)
Transfers to/(from) Stage 1	(397)	–	–	(397)
Transfers to/(from) Stage 2	–	23	–	23
Transfers to/(from) Stage 3	–	–	378	378
Changes in assumptions	176	25	103	304
ECL allowance, December 31, 2018	₱194	₱80	₱1,039	₱1,313

	Consolidated			
	Loan Commitments and Financial Guarantees			
	Stage1	Stage 2	Stage 3	Total
2019				
ECL allowance, January 1, 2019	**₱943**	**₱3**	**₱–**	**₱946**
New assets originated or purchased	**41**	**–**	**–**	**41**
Assets derecognized or repaid	**(14)**	**–**	**–**	**(14)**
Transfers to/(from) Stage 1	**(3)**	**–**	**–**	**(3)**
Transfers to/(from) Stage 2	**–**	**4**	**–**	**4**
Changes in assumptions	**(142)**	**–**	**–**	**(142)**
ECL allowance, December 31, 2019	**₱825**	**₱7**	**₱–**	**₱832**
2018				
ECL allowance, January 1, 2018	₱874	₱13	₱–	₱887
New assets originated	97	–	–	97
Assets derecognized or repaid	(19)	(4)	–	(23)
Transfers to/(from) Stage 1	–	–	–	–
Transfers to/(from) Stage 2	–	(6)	–	(6)
Changes in assumptions	(9)	–	–	(9)
ECL allowance, December 31, 2018	₱943	₱3	₱–	₱946

	Parent Company					
			Investment Securities at FVOCI			Investment Securities at Amortized Cost
	Due from Other Banks	Interbank Loans Receivable	Stage 1	Stage 3	Total	
2019						
ECL allowance, January 1, 2019	**₱–**	**₱12**	**₱244**	**₱–**	**₱244**	**₱48**
New assets originated	**–**	**1**	**177**	**–**	**177**	**–**
Assets derecognized or repaid	**–**	**(12)**	**(87)**	**–**	**(87)**	**–**
Transfers to/(from) Stage 1	**–**	**–**	**(2)**	**–**	**(2)**	**–**
Transfers to/(from) Stage 3	**–**	**–**	**–**	**30**	**30**	**–**
Changes in assumptions	**–**	**–**	**(217)**	**–**	**(217)**	**(48)**
ECL allowance, December 31, 2019	**₱–**	**₱1**	**₱115**	**₱30**	**₱145**	**₱–**
2018						
ECL allowance, January 1, 2018	₱18	₱25	₱140	₱–	₱140	₱2
New assets originated	–	12	69	–	69	46
Assets derecognized or repaid	–	(25)	(20)	–	(20)	–
Changes in assumptions	(18)	–	55	–	55	–
ECL allowance, December 31, 2018	₱–	₱12	₱244	₱–	₱244	₱48

	Parent Company				
	Receivables from Customers				
	Stage1	**Stage 2**	**Stage 3**	**POCI**	**Total**
2019					
Commercial loans					
ECL allowance, January 1, 2019	**₱1,563**	**₱700**	**₱2,604**	**₱2,656**	**₱7,523**
New assets originated	**2,889**	**–**	**–**	**–**	**2,889**
Assets derecognized or repaid	**(678)**	**(488)**	**(381)**	**(95)**	**(1,642)**
Amounts written off	**–**	**–**	**(233)**	**–**	**(233)**
Transfers to/(from) Stage 1	**(1,489)**	**–**	**–**	**–**	**(1,489)**
Transfers to/(from) Stage 2	**–**	**629**	**–**	**–**	**629**
Transfers to/(from) Stage 3	**–**	**–**	**1,651**	**–**	**1,651**
Changes in assumptions	**(199)**	**(123)**	**301**	**430**	**409**
ECL allowance, December 31, 2019	**2,086**	**718**	**3,942**	**2,991**	**9,737**
Auto loans					
ECL allowance, January 1, 2019	**66**	**86**	**85**	**–**	**237**
New assets originated	**7**	**–**	**–**	**–**	**7**
Assets derecognized or repaid	**(53)**	**(18)**	**(15)**	**–**	**(86)**
Amounts written off	**–**	**–**	**(5)**	**–**	**(5)**
Transfers to/(from) Stage 1	**(1)**	**–**	**–**	**–**	**(1)**
Transfers to/(from) Stage 2	**–**	**(62)**	**–**	**–**	**(62)**
Transfers to/(from) Stage 3	**–**	**–**	**6**	**–**	**6**
Changes in assumptions	**–**	**–**	**48**	**–**	**48**
ECL allowance, December 31, 2019	**19**	**6**	**119**	**–**	**144**
Residential mortgage loans					
ECL allowance, January 1, 2019	**68**	**106**	**300**	**–**	**474**
New assets originated	**10**	**–**	**–**	**–**	**10**
Assets derecognized or repaid	**(1)**	**(13)**	**(22)**	**–**	**(36)**
Transfers to/(from) Stage 1	**4**	**–**	**–**	**–**	**4**
Transfers to/(from) Stage 2	**–**	**(70)**	**–**	**–**	**(70)**
Transfers to/(from) Stage 3	**–**	**–**	**(11)**	**–**	**(11)**
Changes in assumptions	**(11)**	**(2)**	**(14)**	**–**	**(27)**
ECL allowance, December 31, 2019	**70**	**21**	**253**	**–**	**344**
Trade loans					
ECL allowance, January 1, 2019	**223**	**22**	**95**	**–**	**340**
New assets originated	**96**	**–**	**–**	**–**	**96**
Assets derecognized or repaid	**(51)**	**(17)**	**–**	**–**	**(68)**
Transfers to/(from) Stage 1	**(12)**	**–**	**–**	**–**	**(12)**
Transfers to/(from) Stage 2	**–**	**7**	**–**	**–**	**7**
Transfers to/(from) Stage 3	**–**	**–**	**5**	**–**	**5**
Changes in assumptions	**(107)**	**(1)**	**7**	**–**	**(101)**
ECL allowance, December 31, 2019	**149**	**11**	**107**	**–**	**267**
Other loans					
ECL allowance, January 1, 2019	**1**	**–**	**40**	**–**	**41**
New assets originated	**14**	**–**	**–**	**–**	**14**
Assets derecognized or repaid	**(1)**	**–**	**(18)**	**–**	**(19)**
Transfers to/(from) Stage 1	**(14)**	**–**	**–**	**–**	**(14)**
Transfers to/(from) Stage 3	**–**	**–**	**13**	**–**	**13**
Changes in assumptions	**1**	**–**	**1**	**–**	**2**
ECL allowance, December 31, 2019	**1**	**–**	**36**	**–**	**37**
Total receivables from customers					
ECL allowance, January 1, 2019	**1,921**	**914**	**3,124**	**2,656**	**8,615**
New assets originated	**3,016**	**–**	**–**	**–**	**3,016**
Assets derecognized or repaid	**(784)**	**(536)**	**(436)**	**(95)**	**(1,851)**
Amounts written off	**–**	**–**	**(238)**	**–**	**(238)**
Transfers to/(from) Stage 1	**(1,512)**	**–**	**–**	**–**	**(1,512)**
Transfers to/(from) Stage 2	**–**	**504**	**–**	**–**	**504**
Transfers to/(from) Stage 3	**–**	**–**	**1,664**	**–**	**1,664**
Changes in assumptions	**(316)**	**(126)**	**343**	**430**	**331**
ECL allowance, December 31, 2019	**₱2,325**	**₱756**	**₱4,457**	**₱2,991**	**₱10,529**
2018					
Commercial loans					
ECL allowance, January 1, 2018	₱1,292	₱813	₱1,563	₱2,775	₱6,443
New assets originated	1,180	–	–	–	1,180
Assets derecognized or repaid	(693)	(311)	(155)	(60)	(1,219)
Transfers to/(from) Stage 1	(302)	–	–	–	(302)
Transfers to/(from) Stage 2	–	197	–	–	197
Transfers to/(from) Stage 3	–	–	993	–	993
Changes in assumptions	86	1	203	(59)	231
ECL allowance, December 31, 2018	1,563	700	2,604	2,656	7,523

(Forward)

	Parent Company				
	Receivables from Customers				
	Stage1	Stage 2	Stage 3	POCI	Total
2018					
Auto loans					
ECL allowance, January 1, 2018	₱124	₱387	₱65	₱–	₱576
New assets originated	33	–	–	–	33
Assets derecognized or repaid	(84)	(56)	(21)	–	(161)
Transfers to/(from) Stage 1	3	–	–	–	3
Transfers to/(from) Stage 2	–	(255)	–	–	(255)
Transfers to/(from) Stage 3	–	–	40	–	40
Changes in assumptions	(10)	10	1	–	1
ECL allowance, December 31, 2018	66	86	85	–	237
Residential mortgage loans					
ECL allowance, January 1, 2018	57	319	277	–	653
New assets originated	39	–	–	–	39
Assets derecognized or repaid	(16)	(40)	(26)	–	(82)
Transfers to/(from) Stage 1	5	–	–	–	5
Transfers to/(from) Stage 2	–	(185)	–	–	(185)
Transfers to/(from) Stage 3	–	–	42	–	42
Changes in assumptions	(17)	12	7	–	2
ECL allowance, December 31, 2018	68	106	300	–	474
Trade loans					
ECL allowance, January 1, 2018	145	56	88	–	289
New assets originated	280	–	–	–	280
Assets derecognized or repaid	(145)	(41)	(7)	–	(193)
Transfers to/(from) Stage 1	(10)	–	–	–	(10)
Transfers to/(from) Stage 2	–	11	–	–	11
Transfers to/(from) Stage 3	–	–	(2)	–	(2)
Changes in assumptions	(47)	(4)	16	–	(35)
ECL allowance, December 31, 2018	223	22	95	–	340
Other loans					
ECL allowance, January 1, 2018	4	–	42	–	46
New assets originated	1	–	–	–	1
Assets derecognized or repaid	(3)	–	(1)	–	(4)
Changes in assumptions	(1)	–	(1)	–	(2)
ECL allowance, December 31, 2018	1	–	40	–	41
Total receivables from customers					
ECL allowance, January 1, 2018	1,622	1,575	2,035	2,775	8,007
New assets originated	1,533	–	–	–	1,533
Assets derecognized or repaid	(941)	(448)	(210)	(60)	(1,659)
Transfers to/(from) Stage 1	(304)	–	–	–	(304)
Transfers to/(from) Stage 2	–	(232)	–	–	(232)
Transfers to/(from) Stage 3	–	–	1,073	–	1,073
Changes in assumptions	11	19	226	(59)	197
ECL allowance, December 31, 2018	₱1,921	₱914	₱3,124	₱2,656	₱8,615

	Parent Company			
	Other Receivables			
	Stage1	**Stage 2**	**Stage 3**	**Total**
2019				
ECL allowance, January 1, 2019	**₱188**	**₱54**	**₱672**	**₱914**
New assets originated	**218**	**–**	**–**	**218**
Assets derecognized or repaid	**(12)**	**(44)**	**(150)**	**(206)**
Amounts written off	**–**	**–**	**(1)**	**(1)**
Transfers to/(from) Stage 1	**(353)**	**–**	**–**	**(353)**
Transfers to/(from) Stage 2	**–**	**3**	**–**	**3**
Transfers to/(from) Stage 3	**–**	**–**	**218**	**218**
Changes in assumptions	**(36)**	**(8)**	**65**	**21**
ECL allowance, December 31, 2019	**₱5**	**₱5**	**₱804**	**₱814**
2018				
ECL allowance, January 1, 2018	₱7	₱28	₱704	₱739
New assets originated	21	–	–	21
Assets derecognized or repaid	(1)	(10)	(45)	(56)
Transfers to/(from) Stage 1	(15)	–	–	(15)
Transfers to/(from) Stage 2	–	10	–	10
Transfers to/(from) Stage 3	–	–	8	8
Changes in assumptions	176	26	5	207
ECL allowance, December 31, 2018	₱188	₱54	₱672	₱914

	Parent Company			
	Loan Commitments and Financial Guarantees			
	Stage1	**Stage 2**	**Stage 3**	**Total**
2019				
ECL allowance, January 1, 2019	**₱28**	**₱2**	**₱–**	**₱30**
New assets originated	**41**	**–**	**–**	**41**
Assets derecognized or repaid	**(14)**	**–**	**–**	**(14)**
Transfers to/(from) Stage 1	**(4)**	**–**	**–**	**(4)**
Transfers to/(from) Stage 2	**–**	**5**	**–**	**5**
Changes in assumptions	**(2)**	**–**	**–**	**(2)**
ECL allowance, December 31, 2019	**₱49**	**₱7**	**₱–**	**₱56**
2018				
ECL allowance, January 1, 2018	₱43	₱13	₱–	₱56
New assets originated	13	–	–	13
Assets derecognized or repaid	(19)	(4)	–	(23)
Transfers to/(from) Stage 1	–	–	–	–
Transfers to/(from) Stage 2	–	(6)	–	(6)
Changes in assumptions	(9)	(1)	–	(10)
ECL allowance, December 31, 2018	₱28	₱2	₱–	₱30

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, 2019 and 2018, the ECL allowances on loan commitments and financial guarantees are included in 'Miscellaneous liabilities' under 'Other liabilities' (Note 21).

The increase in the ECL allowances was driven by an increase in the gross size of the portfolio and movements between stages as a result of increase in credit risk.

The ECL allowance on accounts receivables of the Group and the Parent Company based on their aging as of December 31, 2019 and 2018 follows:

	Consolidated		Parent Company	
Age of accounts receivables	**2019**	2018	**2019**	2018
Up to 1 month	**₱563**	₱19	**₱62**	₱–
> 1 to 2 months	**15**	1	**15**	–
> 2 to 3 months	**9**	1	**7**	0
More than 3 months	**2,558**	3,725	**2,495**	3,268
Total ECL	**₱3,145**	₱3,746	**₱2,579**	₱3,268

Below is the breakdown of provision for (reversal of) credit and impairment losses:

	Consolidated			Parent Company		
	2019	2018	2017	**2019**	2018	2017
Financial assets and other credit-related exposures:						
Loans and receivables	**₱9,627**	₱7,676	₱7,969	**₱1,645**	₱748	₱1,821
Investment securities at FVOCI/AFS investments	**11**	94	1	**–**	92	–
Investment securities at amortized cost	**–**	49	–	**–**	49	–
Interbank loans receivable	**(1)**	(17)	–	**(1)**	(17)	–
Due from other banks	**–**	4	(7)	**–**	–	–
Loan commitments and financial guarantees	**1**	(65)	–	**–**	(65)	–
	9,638	7,741	7,963	**1,644**	807	1,821
Non-financial assets:						
Investment properties	**–**	27	(32)	**–**	–	–
Chattel properties acquired in foreclosure	**–**	–	2	**–**	–	–
Investments in associates and a joint venture	**439**	–	–	**–**	–	–
Other assets	**1**	2	(426)	**–**	–	(426)
	440	29	(456)	**–**	–	(426)
	₱10,078	₱7,770	₱7,507	**₱1,644**	₱807	₱1,395

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	2019	2018
Parent Company					
September 18, 2014	4.00%	October 24, 2014	April 24, 2020	**₱8,000**	₱8,000
September 18, 2014	4.25%	November 21, 2014	November 22, 2021	**6,250**	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
				35,330	35,330
PSBank					
December 8, 2016	3.50%	January 30, 2017	April 30, 2022	**3,363**	3,375
July 13, 2018	5.00%	August 9, 2018	February 9, 2024	**5,047**	5,085
				8,410	8,460
				₱43,740	₱43,790

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.

As of December 31, 2019 and 2018, 34.25% and 33.51%, respectively, of the total interest-bearing deposit liabilities of the Group and 31.94% and 30.69%, respectively, of the total interest-bearing deposit liabilities of the Parent Company are subject to periodic interest repricing. In 2019, 2018 and 2017 the remaining peso deposit liabilities (excluding LTNCDs above) earn annual fixed interest rates ranging from 0.00% to 4.50%, while the remaining foreign currency-denominated deposit liabilities earn annual fixed interest rates ranging from 0.00% to 3.00%, from 0.00% to 7.56%, and from 0.00% to 3.80%, respectively.

Interest expense on deposit liabilities consists of:

	Consolidated			**Parent Company**		
	2019	2018	2017	**2019**	2018	2017
CASA	**₱2,388**	₱2,351	₱2,155	**₱1,987**	₱1,948	₱1,795
Time	**19,126**	15,240	9,389	**13,806**	10,353	6,029
LTNCD	**1,893**	1,377	1,069	**1,500**	1,146	953
	₱23,407	₱18,968	₱12,613	**₱17,293**	₱13,447	₱8,777

Reserve Requirement

In 2019, BSP Circular Nos. 1041, 1056 and 1063 were issued reducing the reserve requirements against deposit and deposit substitute liabilities. As of December 31, 2019, non-FCDU deposit liabilities of the Parent Company and deposit substitutes of FMIC, ORIX Metro and MCC are subject to required reserves of 14% from 18% in 2018 while non-FCDU deposit liabilities of PSBank are subject to required reserves of 4% from 8% in 2018. Peso-denominated LTNCDs are subject to reserves equivalent to 4% from 7% in 2018. 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. The Parent Company, PSBank, FMIC, MCC and ORIX Metro were in compliance with such regulations as of December 31, 2019 and 2018.

The total statutory and liquidity reserves (under 'Due from BSP' account), as reported to the BSP are as follows:

	2019	2018
Parent Company	**₱166,770**	₱206,289
PSBank	**6,798**	15,178
MCC	**5,994**	9,527
ORIX Metro	**5,682**	5,669
FMIC	**1,255**	3,490
	₱186,499	₱240,153

17. Bills Payable and Securities Sold Under Repurchase Agreements

This account consists of borrowings from:

	Consolidated		**Parent Company**	
	2019	2018	**2019**	2018
SSURA	**₱91,492**	₱95,247	**₱90,780**	₱95,247
Deposit substitutes	**61,197**	53,225	**–**	–
Foreign banks	**55,799**	35,895	**46,212**	27,335
Local banks	**29,793**	53,740	**2,080**	8,497
BSP	**–**	21,500	**–**	20,000
	₱238,281	₱259,607	**₱139,072**	₱151,079

Interbank borrowings with foreign and local banks are mainly short-term borrowings. Deposit substitutes pertain to borrowings of PSBank, FMIC, ORIX Metro and MCC 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**			
	2019		2018		**2019**		2018	
	Transferred Securities	**SSURA**	Transferred Securities	SSURA	**Transferred Securities**	**SSURA**	Transferred Securities	SSURA
Investment securities at amortized cost	**₱71,073**	**₱53,635**	₱111,504	₱70,217	**₱71,073**	**₱53,635**	₱111,504	₱70,217
Investment securities at FVOCI	**46,678**	**37,857**	32,166	25,030	**45,965**	**37,145**	32,166	25,030
	₱117,751	**₱91,492**	₱143,670	₱95,247	**₱117,038**	**₱90,780**	₱143,670	₱95,247

The Group's peso borrowings are subject to annual fixed interest rates ranging from 0.88% to 7.25%, from 0.88% to 7.45% and from 0.06% to 6.45% in 2019, 2018 and 2017, respectively, while the Group's foreign currency-denominated borrowings are subject to annual fixed interest rates ranging from 1.30% to 4.28%, from 1.38% to 8.00% and from 0.05% to 3.76% in 2019, 2018 and 2017, 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 2019, 2018 and 2017 amounted to ₱10.4 billion, ₱7.2 billion and ₱4.2 billion, respectively, for the Group and ₱4.2 billion, ₱2.8 billion and ₱1.4 billion, respectively, for the Parent Company.

18. Accrued Interest and Other Expenses

This account consists of:

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Accrued interest (Note 31)	**₱3,916**	₱4,288	**₱2,481**	₱2,375
Accrued other expenses	**6,583**	5,331	**4,173**	3,250
	₱10,499	₱9,619	**₱6,654**	₱5,625

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:

				Carrying Value	
Issue Date	Maturity Date	Interest Rate	Face Value	**2019**	2018
Parent Company					
November 9, 2018	November 9, 2020	7.15%	₱10,000	**₱9,962**	₱9,922
December 17, 2018	November 9, 2020	7.15%	18,000	**17,952**	17,904
April 11, 2019	April 11, 2022	6.30%	17,500	**17,384**	–
July 3, 2019	July 3, 2021	5.50%	11,250	**11,178**	–
October 24, 2019	April 24, 2023	4.50%	13,750	**13,634**	–
			70,500	**70,110**	27,826
PSBank					
July 24, 2019	July 24, 2021	5.60%	6,300	**6,255**	–
ORIX Metro					
November 15, 2019	November 15, 2021	4.55%	4,160	**4,121**	–
FMIC					
August 10, 2012	August 10, 2019	5.75%	2,920	–	2,917
			₱83,880	**₱80,486**	₱30,743

Parent Company Fixed Rate Bonds
On November 9, 2018, the Parent Company issued ₱10.0 billion fixed rate bonds with issue price at 100% face value, which bear an interest rate of 7.15% per annum and will mature on November 9, 2020 and further issued ₱18.0 billion fixed rate bonds (Additional Bonds) on December 17, 2018 at an issue price of 100.26% plus an amount corresponding to accrued interest from, and including, November 9, 2018, but excluding the new issue date. The interest of the bonds for the entire term are payable quarterly in arrears on February 9, May 9, August 9 and November 9 of each year, commencing on February 9, 2019. Total bond issuance costs, net of bonds premium, amounted to ₱184.9 million.

On April 11, 2019, the Parent Company issued ₱17.5 billion fixed rate bonds with an issue price at 100% face value, which bear an interest rate of 6.30% per annum and will mature on April 11, 2022. The interest of the bonds for the entire term are payable quarterly in arrears on January 11, April 11, July 11 and October 11 of each year, commencing on July 11, 2019. Total bond issuance costs amounted to ₱148.47 million. On July 3, 2019, the Parent Company also issued ₱11.25 billion fixed rate bonds with an issue price at 100% face value, which bear an interest rate of 5.50% per annum and will mature on July 3, 2021. The interest of the bonds for the entire term are payable quarterly in arrears on January 3, April 3, July 3 and October 3 of each year, commencing on July 3, 2019. Total bond issuance costs amounted to ₱94.55 million. Further, on October 24, 2019, ₱13.75 billion fixed rate bonds were issued at 100% face value. The bonds bear an interest rate of 4.50% per annum and will mature on April 24, 2023. The interest of the bonds for the entire term are payable quarterly in arrears on January 24, April 24, July 24 and October 24 of each year, commencing on October 24, 2019. Total bond issuance costs amounted to ₱122.1 million.

PSBank Fixed Rate Bonds due 2021

On July 24, 2019, PSBank issued ₱6.30 billion fixed rate bonds with issue price at 100% face value. The bonds bear an interest rate of 5.60% per annum and will mature on July 24, 2021. The interest of the bonds for the entire term are payable quarterly in arrears on January 24, April 24, July 24 and October 24 of each year, commencing on July 24, 2019. Total bond issuance costs amounted to ₱56.9 million.

ORIX Metro Fixed Rate Bonds due 2021

On November 15, 2019, ORIX Metro issued ₱4.16 billion fixed rate bonds with issue price at 100% face value. The bonds bear an interest rate of 4.55% per annum and will mature on November 15, 2021. The interest of the bonds for the entire term are payable quarterly in arrears on February 15, May 15, August 15 and November 15 of each year, commencing on November 15, 2019. Total bond issuance costs amounted to ₱44.2 million.

FMIC Fixed Rate Corporate Bonds due 2019

These bonds were issued in principal amounts of ₱50,000 and in multiples of ₱5,000 in excess of ₱50,000 with an option to redeem in whole, but not in part, on any quarterly interest payment after the fourth or fifth anniversary of the issue date at 102.00% of its face value plus accrued interest. These are exempt securities pursuant to certain provisions of the Securities Regulation Code (SRC) and are covered by deeds of assignment on government securities held in trust by a collateral agent which shall have aggregate market value of 100.00% of the issued amount, otherwise, additional government securities shall be offered to increase and maintain the cover at 100.00%. The carrying amount of government securities assigned as collateral amounted to ₱3.9 billion classified under 'Investment securities at amortized cost' as of December 31, 2018. FMIC has complied with the terms of the issuance in 2019 and 2018.

Interest expense on bonds payable (included in 'Interest expense on bills payable and SSURA, bonds payable, subordinated debts and others') in 2019, 2018 and 2017 amounted to ₱3.6 billion, ₱336.7 million and ₱399.9 million, respectively for the Group and ₱3.4 billion in 2019 and ₱163.9 million in 2018 for the Parent Company. As of December 31, 2019 and 2018, unamortized bond issue costs amounted to ₱474.2 million and ₱174.3 million for the Group, and ₱389.9 million and ₱174.3 million for the Parent Company.

<u>Reserve Requirement</u>

Peso-denominated bonds are subject to reserves equivalent to 3% and 4% in 2019 and 2018, respectively. The Parent Company, PSBank and Orix Metro were in compliance with such regulations as of December 31, 2019. The Parent and FMIC were in compliance with such regulations as of December 31, 2018.

20. **Subordinated Debts**

This account consists of the following Peso Notes:

	Maturity Date	Face Value	Carrying Value 2019	Carrying Value 2018	Market Value 2019	Market Value 2018
Parent Company						
2025	August 8, 2025	₱6,500	**₱6,494**	₱6,484	**₱6,502**	₱6,234
2024	June 27, 2024	16,000	–	15,987	–	15,813
		22,500	**6,494**	22,471	**6,502**	22,047
MCC-2023	December 20, 2023	1,170	**1,166**	1,165	**1,195**	1,113
PSBank-2024	August 23, 2024	3,000	–	2,982	–	2,243
		₱26,670	**₱7,660**	₱26,618	**₱7,697**	₱25,403

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 and will rank *pari passu* and without any preference among themselves and at least equally with all its other present and future unsecured and subordinated obligations. These Peso Notes have a term of 10.25 and 11 years and are redeemable at the option of the Parent Company (but not the holders) on the call option date in whole but not in part at redemption price equal to 100.00% of the principal amount together with accrued and unpaid interest on the call option date, upon prior approval of the BSP and at least 30-banking day prior written notice to the Noteholders of record, subject to the following conditions: (1) the capital adequacy of the Issuer is at least equal to the required minimum ratio; (2) the note is simultaneously replaced with the issues of new capital which are neither smaller in size nor lower in quality than the original issue. Furthermore, upon the occurrence of a Tax Redemption Event or a Regulatory Redemption Event, the Parent Company may, upon prior approval of the BSP and at least a 30-banking day prior written notice to the Noteholders on record, redeem all and not less than all of the outstanding Notes prior to the stated maturity by paying the Noteholder the Redemption Option Amount which, (a) in the case of a Tax Redemption Event is an amount equal to 100.00% of the face value of the Note plus accrued Interest at the Interest Rate relating to the then current Interest Period up to but excluding the date of such redemption, and (b) in the case of a Regulatory Redemption Event is an amount equal to 101.00% of the face value of the Note plus accrued Interest at the Interest Rate relating to the then current Interest Period up to but excluding the date of such redemption. The Notes have a loss absorption feature which are subject to a Non-Viability Write-Down in case of the occurrence of a Non-Viability Trigger Event, subject to certain conditions as set out in “Terms and Conditions of the Notes - Loss Absorption Measure”, when the Issuer is considered non-viable as determined by the BSP. Non-Viability is a deviation from a certain level of CET1 Ratio or the inability of the Issuer to continue business (closure) or any other event as determined by the BSP, whichever comes earlier. A Non-Viability Trigger Event shall be deemed to have occurred if the BSP notifies the Issuer in writing that it has determined that a: (i) a Write-Down (as defined in “Terms and Conditions of the Notes”) of the Notes and other capital instruments of the Issuer is necessary because, without such Write-Down, the Issuer would become non-viable, (ii) public sector injection of capital, or equivalent support, is necessary because, without such injection or support, the Issuer would become non-viable, or (iii) Write-Down of the Notes and other capital instruments of the Issuer is necessary because, as a result of the closure of the Issuer, the Issuer has become non-viable.

Each Noteholder may not exercise or claim any right of set-off in respect of any amount owed to it by the Parent Company arising under or in connection with the Peso Notes and to the fullest extent permitted by applicable law, waive and be deemed to have waived all such rights of set-off. These Notes are not deposits and are not insured by the Philippine Deposit Insurance Corporation.

Specific terms of these Basel III-compliant Peso Notes follow:

Parent Company
2024 Peso Notes - issued on March 27, 2014 at 100.00% of the principal amount of ₱16.0 billion

- Bear interest at 5.375% per annum from March 27, 2014 to but excluding June 27, 2019. Interest will be payable quarterly in arrears on March 27, June 27, September 27 and December 27 of each year, commencing on June 27, 2014. Unless the Notes are previously redeemed, the initial interest rate will be reset at the equivalent of the five-year PDST-F as of reset date plus a spread of 1.51% per annum and such interest will be payable commencing on June 27, 2019 (call option date) up to and including June 27, 2024. As approved by the BSP on April 25, 2019, on June 27, 2019, the Parent Company redeemed the Notes ahead of its maturity.

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.

MCC
2023 Peso Notes - issued on December 20, 2013 at 100.00% of the principal amount of ₱1.2 billion

- 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.

PSBank
2024 Peso Notes - issued on May 23, 2014 at 100.00% of the face value of ₱3.0 billion

- Bear interest at the rate 5.50% per annum for the first 5 years and 3 months. Interest will be payable quarterly in arrears on August 23, November 23, February 23 and May 23 of each year, commencing on August 23, 2014. Unless the Notes are previously redeemed, the initial interest rate will be reset at the equivalent of the five-year PDST-F as of reset date plus a spread of 1.4438% per annum.
- Basel III - compliant unsecured subordinated notes qualified as Tier 2 capital as approved by the BSP on April 14, 2014.
- May be redeemed by PSBank in full, but not in part, on the call option date upon prior approval of the BSP and subject to certain conditions.

- May be redeemed by PSBank in full, but not in part, upon the occurrence of a Tax Redemption or Regulatory Redemption Event prior to maturity by paying the Holders the following:
  a) In the case of a Tax Redemption Event, 100.00% of the face value of the Note plus accrued interest
  b) In the case of a Regulatory Redemption Event, 101.00% of the face value of the Note plus accrued interest.
- Have a loss absorption feature which means the Notes are subject to a Non-Viability Write-Down in case of the occurrence of a Non-Viability Trigger Event, subject to certain conditions.

As approved by the BSP on April 25, 2019, on August 23, 2019, PSBank redeemed the Notes ahead of its maturity.

As of December 31, 2019 and 2018, the Parent Company, PSBank and MCC are in compliance with the terms and conditions upon which these subordinated notes have been issued.

In 2019, 2018 and 2017, interest expense on subordinated debts included in ‘Interest expense on bills payable and SSURA, bonds payable, subordinated debts and others’ amounted to ₱983.0 million, ₱1.5 billion and ₱1.5 billion (including amortization of debt issue cost and premium of ₱41.9 million, ₱38.2 million and ₱35.3 million), respectively, for the Group, and ₱0.8 billion, ₱1.2 billion and ₱1.2 billion, respectively (including amortization of debt issue cost and premium of ₱22.5 million, ₱34.4 million and ₱32.6 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 (₱0.2 billion), ₱0.7 billion, and (₱1.3 billion) in 2019, 2018 and 2017, respectively, is included under ‘Trading and securities gain (loss) - net’ in the statements of income (Note 8).

Other Liabilities

This account consists of:

	Consolidated		**Parent Company**	
	2019	2018	**2019**	2018
Accounts payable	**₱17,436**	₱15,629	**₱8,269**	₱7,104
Bills purchased - contra (Note 9)	**14,089**	12,171	**14,080**	12,158
Marginal deposits	**6,374**	4,232	**236**	166
Lease liability (Note 13)	**4,038**	–	**2,160**	–
Notes payable	**2,592**	2,600	**–**	–
Other credits	**1,800**	1,887	**853**	726
Deposits on lease contracts	**1,725**	1,643	**–**	–
Outstanding acceptances	**1,611**	1,793	**1,611**	1,793
Deferred revenues (Note 25)	**1,486**	1,398	**63**	64
Retirement liability (Note 27)	**938**	277	**–**	–
Withholding taxes payable	**742**	897	**448**	564
Miscellaneous (Notes 11 and 15)	**3,339**	3,086	**2,340**	1,532
	₱56,170	₱45,613	**₱30,060**	₱24,107

Notes payable represent unsecured notes issued by ORIX Metro on October 29, 2018 maturing on April 29, 2020 and October 29, 2020 with annual interest rates of 7.02% and 7.45%, respectively, payable quarterly in arrears every January 29, April 29, July 29 and October 29 until their maturity. In 2019 and 2018, interest expense on notes payable included in 'Interest expense on bills payable and SSURA, bonds payable, subordinated debts and others' amounted to ₱188.8 million and ₱32.6 million, respectively.

Deferred revenues include deferral and release of MCC's loyalty points program transactions and membership fees and dues.

As of December 31, 2019 and 2018, miscellaneous liabilities of the Group include dividends payable amounting to ₱90.0 million and ₱90.4 million, respectively.

22. Maturity Profile of Assets and Liabilities

The following tables present the assets and liabilities by contractual maturity and settlement dates:

	Consolidated					
	2019			2018		
	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	**₱32,956**	**₱–**	**₱32,956**	₱33,091	₱–	₱33,091
Due from BSP	**219,994**	**–**	**219,994**	240,134	–	240,134
Due from other banks	**54,772**	**–**	**54,772**	45,808	–	45,808
Interbank loans receivable and SPURA (Note 7)	**72,175**	**–**	**72,175**	50,731	–	50,731
Investment securities at FVTPL (Note 8)	**61,867**	**–**	**61,867**	39,689	–	39,689
Investment securities at FVOCI (Note 8)	**16,418**	**186,102**	**202,520**	25,167	86,121	111,288
Investment securities at amortized cost (Note 8)	**24,075**	**227,579**	**251,654**	2,684	262,740	265,424
Loans and receivables (Note 9)						
Receivables from customers	**697,171**	**788,465**	**1,485,636**	631,150	761,930	1,393,080
Unquoted debt securities	**150**	**866**	**1,016**	–	1,018	1,018
Accrued interest receivable	**13,102**	**3**	**13,105**	10,661	6	10,667
Accounts receivable	**9,382**	**84**	**9,466**	9,574	81	9,655
Sales contract receivable	**62**	**83**	**145**	119	71	190
Other receivables	**313**	**18**	**331**	335	–	335
Other assets (Note 14)						
Investments in SPVs	**8,857**	**–**	**8,857**	8,857	–	8,857
Interoffice float items	**1,643**	**–**	**1,643**	2,536	–	2,536
Returned checks and other cash items	**407**	**–**	**407**	417	–	417
Other investments	**–**	**31**	**31**	–	26	26
	1,213,344	**1,203,231**	**2,416,575**	1,100,953	1,111,993	2,212,946
Non-Financial Assets - at gross						
Investments in associates and a JV (Note 11)	**–**	**7,105**	**7,105**	–	6,022	6,022
Property and equipment (Note 10)	**–**	**49,298**	**49,298**	–	43,167	43,167
Investment properties (Note 12)	**–**	**10,369**	**10,369**	–	10,217	10,217
Deferred tax assets (Note 28)	**–**	**10,512**	**10,512**	–	10,238	10,238
Goodwill (Note 11)	**–**	**5,200**	**5,200**	–	5,200	5,200
Assets held under joint operations (Note 14)	**–**	**219**	**219**	–	219	219
Accounts receivable (Note 9)	**–**	**3,241**	**3,241**	–	3,636	3,636
Residual value of leased asset	**390**	**745**	**1,135**	354	776	1,130
Other assets (Note 14)	**2,908**	**14,885**	**17,793**	2,828	13,581	16,409
	3,298	**101,574**	**104,872**	3,182	93,056	96,238
	₱1,216,642	**₱1,304,805**	**2,521,447**	₱1,104,135	₱1,205,049	2,309,184
Less:						
Unearned discounts and capitalized interest (Note 9)			**5,149**			4,859
Accumulated depreciation and amortization (Notes 10, 12 and 14)			**28,898**			25,909
Allowance for credit and impairment losses (Notes 10, 11, 12, 14, and 15)			**36,587**			34,723
			₱2,450,813			₱2,243,693

	Consolidated					
	2019			2018		
	Due Within One Year	**Due Beyond One Year**	**Total**	Due Within One Year	Due Beyond One Year	Total
Financial Liabilities						
Deposit liabilities						
CASA	**₱1,077,507**	**₱–**	**₱1,077,507**	₱964,944	₱–	₱964,944
Time	**565,982**	**26,915**	**592,897**	527,635	20,384	548,019
LTNCD (Note 16)	**8,000**	**35,740**	**43,740**	–	43,790	43,790
	1,651,489	**62,655**	**1,714,144**	1,492,579	64,174	1,556,753
Bills payable and SSURA (Note 17)	**195,762**	**42,519**	**238,281**	212,478	47,129	259,607
Derivative liabilities (Note 8)	**6,322**	**1,105**	**7,427**	6,537	–	6,537
Manager's checks and demand drafts outstanding	**6,806**	–	**6,806**	7,565	–	7,565
Accrued interest and other expenses	**8,412**	**43**	**8,455**	8,155	95	8,250
Bonds payable (Note 19)	**27,914**	**52,572**	**80,486**	2,917	27,826	30,743
Subordinated debts (Note 20)	**6,494**	**1,166**	**7,660**	15,987	10,631	26,618
Non-equity non-controlling interest (Note 21)	**6,553**	–	**6,553**	6,747	–	6,747
Other liabilities (Note 21)						
Bills purchased – contra	**14,089**	–	**14,089**	12,171	–	12,171
Accounts payable	**17,226**	**210**	**17,436**	15,629	–	15,629
Marginal deposits	**6,374**	–	**6,374**	4,232	–	4,232
Notes payable	–	**2,592**	**2,592**	–	2,600	2,600
Outstanding acceptances	**1,588**	**23**	**1,611**	1,793	–	1,793
Deposits on lease contracts	**627**	**1,098**	**1,725**	540	1,103	1,643
Dividends payable	**90**	–	**90**	90	–	90
	1,949,746	**163,983**	**2,113,729**	1,787,420	153,558	1,940,978
Non-Financial Liabilities						
Retirement liability (Note 21 and 27)	–	**938**	**938**	–	277	277
Income taxes payable	**4,188**	–	**4,188**	2,830	–	2,830
Lease liability	**779**	**3,259**	**4,038**	–	–	–
Accrued other expenses	**2,044**	–	**2,044**	1,369	–	1,369
Withholding taxes payable (Note 21)	**742**	–	**742**	897	–	897
Deferred tax and other liabilities (Notes 21 and 28)	**4,735**	**1,908**	**6,643**	4,394	2,244	6,638
	12,488	**6,105**	**18,593**	9,490	2,521	12,011
	₱1,962,234	**₱170,088**	**₱2,132,322**	₱1,796,910	₱156,079	₱1,952,989

	Parent Company					
	2019			2018		
	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	**₱30,659**	**₱–**	**₱30,659**	₱29,280	₱–	₱29,280
Due from BSP	**195,770**	–	**195,770**	206,289	–	206,289
Due from other banks	**38,698**	–	**38,698**	35,218	–	35,218
Interbank loans receivable and SPURA (Note 7)	**56,153**	–	**56,153**	24,724	–	24,724
Investment securities at FVTPL (Note 8)	**7,551**	**41,999**	**49,550**	30,166	–	30,166
Investment securities at FVOCI (Note 8)	**8,262**	**180,414**	**188,676**	16,647	75,497	92,144
Investment securities at amortized cost (Note 8)	**22,420**	**194,224**	**216,644**	471	212,184	212,655
Loans and receivables (Note 9)						
Receivables from customers	**596,047**	**575,239**	**1,171,286**	547,558	563,646	1,111,204
Unquoted debt securities	–	**386**	**386**	–	386	386
Accrued interest receivable	**10,500**	**3**	**10,503**	7,981	6	7,987
Accounts receivable	**5,731**	–	**5,731**	5,975	–	5,975
Sales contract receivable	**55**	**47**	**102**	47	72	119
Other receivables	**12**	–	**12**	13	–	13
Other assets (Note 14)						
Investments in SPVs	**8,857**	–	**8,857**	8,857	–	8,857
Interoffice float items	**1,654**	–	**1,654**	2,619	–	2,619
Returned checks and other cash items	**378**	–	**378**	397	–	397
	982,747	**992,312**	**1,975,059**	916,242	851,791	1,768,033
Non-Financial Assets - at gross						
Investments in subsidiaries (Note 11)	–	**95,739**	**95,739**	–	81,288	81,288
Investments in associates (Note 11)	–	**617**	**617**	–	569	569
Property and equipment (Note 10)	–	**31,684**	**31,684**	–	27,990	27,990
Investment properties (Note 12)	–	**4,989**	**4,989**	–	4,552	4,552
Deferred tax assets (Note 28)	–	**6,918**	**6,918**	–	6,769	6,769
Assets held under joint operations (Note 14)	–	**219**	**219**	–	219	219
Accounts receivable (Note 9)	–	**3,241**	**3,241**	–	3,636	3,636
Other assets (Note 14)	**1,682**	**9,054**	**10,736**	1,477	8,224	9,701
	1,682	**152,461**	**154,143**	1,477	133,247	134,724
	₱984,429	**₱1,144,773**	**2,129,202**	₱917,719	₱985,038	1,902,757
Less:						
Unearned discounts and capitalized interest (Note 9)			**238**			266
Accumulated depreciation and amortization (Notes 10, 12 and 14)			**16,183**			14,537
Allowance for credit and impairment losses (Notes 10, 11, 12, 14, and 15)			**25,346**			24,290
			₱2,087,435			₱1,863,664

	Parent Company					
	2019			2018		
	Due Within One Year	**Due Beyond One Year**	**Total**	Due Within One Year	Due Beyond One Year	Total
Financial Liabilities						
Deposit liabilities						
CASA	**₱1,003,249**	**₱–**	**₱1,003,249**	₱900,186	₱–	₱900,186
Time	**460,529**	**1,184**	**461,713**	389,008	1,467	390,475
LTNCD (Note 16)	**8,000**	**27,330**	**35,330**	–	35,330	35,330
	1,471,778	**28,514**	**1,500,292**	1,289,194	36,797	1,325,991
Bills payable and SSURA (Note 17)	**117,755**	**21,317**	**139,072**	131,870	19,209	151,079
Derivative liabilities (Note 8)	**5,994**	–	**5,994**	6,182	–	6,182
Manager's checks and demand drafts outstanding	**5,508**	–	**5,508**	5,950	–	5,950
Accrued interest and other expenses	**4,567**	**43**	**4,610**	3,863	93	3,956
Bonds payable (Note 19)	**27,914**	**42,196**	**70,110**	–	27,826	27,826
Subordinated debts (Note 20)	**6,494**	–	**6,494**	15,987	6,484	22,471
Other liabilities (Note 21)						
Bills purchased – contra	**14,080**	–	**14,080**	12,158	–	12,158
Accounts payable	**8,269**	–	**8,269**	7,104	–	7,104
Marginal deposits	**236**	–	**236**	166	–	166
Outstanding acceptances	**1,588**	**23**	**1,611**	1,793	–	1,793
	1,664,183	**92,093**	**1,756,276**	1,474,267	90,409	1,564,676
Non-Financial Liabilities						
Income taxes payable	**3,259**	–	**3,259**	1,670	–	1,670
Lease liability	**615**	**1,545**	**2,160**	–	–	–
Accrued other expenses	**2,044**	–	**2,044**	1,669	–	1,669
Withholding taxes payable (Note 21)	**448**	–	**448**	564	–	564
Other liabilities (Note 21)	**2,403**	**853**	**3,256**	1,596	726	2,322
	8,769	**2,398**	**11,167**	5,499	726	6,225
	₱1,672,952	**₱94,491**	**₱1,767,443**	₱1,479,766	₱91,135	₱1,570,901

23. Capital Stock

As of December 31, 2019 and 2018, this account consists of (amounts in millions, except par value and number of shares):

	Shares		Amount	
	2019	2018	**2019**	2018
Authorized				
Common stock – ₱20.00 par value	**6,000,000,000**	4,000,000,000		
Preferred stock – ₱20.00 par value	**1,000,000,000**	1,000,000,000		
Common stock issued and outstanding				
Balance at beginning of year	**3,980,015,036**	3,180,172,786	**₱79,600**	₱63,603
Issuance of stock rights	–	799,842,250	–	15,997
Issuance of stock dividend	**517,400,519**	–	**10,348**	–
Balance at the end of year	**4,497,415,555**	3,980,015,036	**₱89,948**	₱79,600

As of December 31, 2019 and 2018, treasury shares totaling 959,257 and 825,000, respectively, represent shares of the Parent Company held by FMIC's mutual fund subsidiary (Note 31).

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 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 values 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, 2019 and 2018, there are 2,986 and 3,031 holders, respectively, of the listed shares of the Parent Company, with share price closed at ₱66.30 and ₱80.95 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 2017 to 2019 follow:

Date of Declaration	Per Share	Total Amount	Record Date	Payment Date
February 13, 2019	₱1.00	₱3,980	March 1, 2019	March 14, 2019
February 21, 2018	1.00	3,180	March 8, 2018	March 16, 2018
February 22, 2017	1.00	3,180	March 9, 2017	March 23, 2017

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:

	2019	2018
Reserve for trust business (Note 29)	**₱1,596**	₱1,475
Reserve for self-insurance	**502**	481
	₱2,098	₱1,956

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**		
	2019	2018	2017	**2019**	2018	2017
Consumer banking	**₱5,724**	₱5,694	₱5,094	**₱110**	₱125	₱93
Branch banking	**3,679**	3,418	2,711	**2,589**	2,482	1,957
Corporate banking	**1,639**	791	585	**936**	812	635
Investment banking/treasury	**855**	680	599	**357**	297	267
Others	**2,369**	2,112	2,056	**1,153**	1,238	1,219
	₱14,266	₱12,695	₱11,045	**₱5,145**	₱4,954	₱4,171

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 ₱832.0 million and ₱722.1 million (included in 'Deferred revenues' under 'Other liabilities') as of December 31, 2019 and 2018, respectively, relate to the customer loyalty program of MCC. The customer loyalty points have no expiration and redemptions can go beyond one year.

Miscellaneous Income and Expenses
In 2019, 2018 and 2017, miscellaneous income includes gain on initial recognition of investment properties and other non-financial assets amounting to ₱486.5 million, ₱638.5 million and ₱1.1 billion, respectively, for the Group and ₱33.2 million, ₱22.8 million and ₱25.5 million, respectively, for the Parent Company; recovery on charged-off assets amounting to ₱866.8 million, ₱874.9 million and ₱1.1 billion, respectively, for the Group and ₱12.0 million, ₱8.8 million and ₱28.9 million, respectively, for the Parent Company; and information technology and other fees amounting to ₱44.9 million, ₱895.9 million and ₱307.6 million, respectively, for the Group and ₱38.1 million, ₱365.9 million and ₱369.2 million, respectively, for the Parent Company (Note 31).

Miscellaneous expenses consist of:

	Consolidated			Parent Company		
	2019	2018	2017	**2019**	2018	2017
Insurance	**₱3,420**	₱3,422	₱3,220	**₱2,764**	₱2,684	₱2,457
Security, messengerial and janitorial	**2,581**	2,433	2,359	**2,054**	1,837	1,779
Management, professional and supervision fees	**1,569**	1,530	1,302	**1,308**	1,151	936
Information technology (Note 31)	**1,385**	1,066	769	**911**	684	520
Advertising	**1,161**	986	895	**340**	221	284
Litigation (Note 12)	**904**	781	794	**390**	276	309
Communications	**634**	647	616	**115**	115	96
Repairs and maintenance	**569**	538	608	**222**	190	292
Transportation and travel	**569**	527	497	**428**	382	344
Stationery and supplies used	**520**	446	403	**337**	261	240
Entertainment, amusement and representation (EAR) (Note 28)	**488**	340	302	**440**	295	261
Others (Note 31)	**2,776**	2,519	1,965	**1,777**	1,477	1,035
	₱16,576	₱15,235	₱13,730	**₱11,086**	₱9,573	₱8,553

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		
	2019	2018	2017	**2019**	2018	2017
Interbank loans receivable and SPURA	**₱72,175**	₱50,731	₱45,475	**₱56,153**	₱24,724	₱27,208
Interbank loans receivable and SPURA not considered as cash and cash equivalents	**(4,862)**	(11,351)	(12,739)	**(1,575)**	(1,982)	(7,966)
	₱67,313	₱39,380	₱32,736	**₱54,578**	₱22,742	₱19,242

Significant non-cash transactions of the Group and the Parent Company (other than the impact of PFRS 9 and PFRS 16 adoption) 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; accrual of cash dividends from subsidiaries and SMBC Metro as disclosed in Notes 11 and 31; reclassifications of BUC (Note 10); and issuance of stock dividends (Note 23).

The table below provides for the changes in liabilities arising from financing activities in 2019 and 2018:

	Consolidated			
	Beginning	Net cash flows	Others	Ending
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**
2018				
Bills payable and SSURA (Note 17)	₱227,835	₱46,724	(₱14,952)	₱259,607
Bonds payable (Note 19)	2,910	27,826	7	30,743
Subordinated debts (Note 20)	26,580	–	38	26,618
Notes payable (Note 21)	–	2,600	–	2,600
Dividends payable (Note 21)	91	(3,180)	3,179	90
Total liabilities from financing activities	₱257,416	₱73,970	(₱11,728)	₱319,658

	Parent Company			
	Beginning	Net cash flows	Others	Ending
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**
2018				
Bills payable and SSURA (Note 17)	₱106,482	₱44,597	₱–	₱151,079
Bonds payable (Note 19)	–	27,826	–	27,826
Subordinated debts (Note 20)	22,437	–	34	22,471
Dividends payable	–	(3,180)	3,180	–
Total liabilities from financing activities	₱128,919	₱69,243	₱3,214	₱201,376

Others include the effect of cash flows of liabilities arising from operating activities, declaration of dividends, and effect of amortization of transaction costs.

27. Retirement Plan and Other Employee Benefits

The Parent Company and most of its subsidiaries have funded non-contributory defined benefit retirement plan 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, Republic Act (RA) 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 7641.

The principal actuarial assumptions used in determining retirement liability of the Parent Company and significant subsidiaries are shown below:

	Parent Company	MCC	FMIC	PSBank	ORIX Metro
As of January 1, 2019					
Average remaining working life	**9.6 years**	**10 years**	**7 years**	**12 years**	**14 to 27 years**
Discount rate	**7.29%**	**7.28%**	**7.16% to 7.32%**	**7.33%**	**6.80% to 7.80%**
Future salary increases	**7.00%**	**8.00%**	**5.00%**	**6.00%**	**7.00% to 8.00%**
As of January 1, 2018					
Average remaining working life	9 years	12 years	7 to 10 years	11 years	12 to 27 years
Discount rate	5.39%	5.74%	5.62% to 5.77%	5.73%	4.84% to 5.40%
Future salary increases	7.00%	8.00%	5.00%	5.00%	7.00% to 8.00%

Discount rates used in computing for the present value of the DBO of the Parent Company and significant subsidiaries as of December 31, 2019 and 2018 follow:

	Parent Company	MCC	FMIC	PSBank	ORIX Metro
2019	**4.74%**	**4.88%**	**4.61% to 4.84%**	**4.86%**	**5.10% to 5.20%**
2018	7.29%	7.28%	7.16% to 7.32%	7.33%	6.80% to 7.83%

The net retirement liability (asset) of the Group and the Parent Company is presented in the following accounts in the statement of financial position:

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Other assets (Note 14)	**(₱3,930)**	(₱3,654)	**(₱3,930)**	(₱3,606)
Other liabilities (Note 21)	**938**	277	–	–
	(₱2,992)	(₱3,377)	**(₱3,930)**	(₱3,606)

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 reporting year are as follows:

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Cash and cash equivalents	**₱974**	₱1,500	**₱4**	₱417
Investment securities				
Debt securities (Note 31)	**21,415**	14,648	**17,997**	12,318
Equity securites (Note 31)	**4,855**	4,078	**4,640**	3,811
Unit investment trust fund and others (Note 31)	**573**	1,960	**415**	1,838
Total investment securities	**26,843**	20,686	**23,052**	17,967
Other assets	**266**	453	**245**	423
Total assets	**28,083**	22,639	**23,301**	18,807
Total liabilities	**(6)**	(8)	–	(6)
Fair value of net plan assets	**₱28,077**	₱22,631	**₱23,301**	₱18,801

Changes in net defined benefit liability (asset) in 2019 are as follows:

Consolidated	**Present Value of DBO**	**Fair Value of Plan Assets**	**Net retirement liability/(asset)**
January 1, 2019	**₱19,254**	**(₱22,631)**	**(₱3,377)**
Net benefit cost			
Current service cost	**1,558**	–	**1,558**
Past service cost	**4**	–	**4**
Net interest	**1,326**	**(1,658)**	**(332)**
Sub-total	**2,888**	**(1,658)**	**1,230**
Benefits paid	**(1,474)**	**1,474**	–
Remeasurement in OCI			
Return on plan assets (excluding amount included in net interest)	–	**(1,509)**	**(1,509)**
Actuarial changes arising from experience adjustments	**734**	–	**734**
Actuarial changes arising from changes in financial/demographic assumptions	**3,683**	–	**3,683**
Sub-total	**4,417**	**(1,509)**	**2,908**
Benefits paid from previous year separation	**–**	**8**	**8**
Settlement	**1**	–	**1**
Effect of curtailment	**(1)**	–	**(1)**
Contributions paid	–	**(3,761)**	**(3,761)**
December 31, 2019	**₱25,085**	**(₱28,077)**	**(₱2,992)**

Parent Company	**Present Value of DBO**	**Fair Value of Plan Assets**	**Net retirement liability/(asset)**
January 1, 2019	**₱15,195**	**(₱18,801)**	**(₱3,606)**
Net benefit cost			
Current service cost	**1,169**	–	**1,169**
Net interest	**1,039**	**(1,369)**	**(330)**
Sub-total	**2,208**	**(1,369)**	**839**
Benefits paid	**(1,291)**	**1,291**	–
Remeasurement in OCI			
Return on plan assets (excluding amount included in net interest)	–	**(1,507)**	**(1,507)**
Actuarial changes arising from experience adjustments	**647**	–	**647**
Actuarial changes arising from changes in financial/demographic assumptions	**2,612**	–	**2,612**
Sub-total	**3,259**	**(1,507)**	**1,752**
Contributions paid	–	**(2,915)**	**(2,915)**
December 31, 2019	**₱19,371**	**(₱23,301)**	**(₱3,930)**

Changes in net defined benefit liability (asset) in 2018 are as follows:

Consolidated	Present Value of DBO	Fair Value of Plan Assets	Net retirement liability/(asset)
January 1, 2018	₱20,281	(₱16,674)	₱3,607
Net benefit cost			
Current service cost	1,641	–	1,641
Past service cost	55	–	55
Net interest	1,048	(923)	125
Sub-total	2,744	(923)	1,821
Benefits paid	(1,498)	1,498	–
Remeasurement in OCI			
Return on plan assets (excluding amount included in net interest)	–	1,559	1,559
Actuarial changes arising from experience adjustments	(70)	–	(70)
Actuarial changes arising from changes in financial/demographic assumptions	(2,203)	–	(2,203)
Sub-total	(2,273)	1,559	(714)
Contributions paid	–	(8,091)	(8,091)
December 31, 2018	₱19,254	(₱22,631)	(₱3,377)

Parent Company	Present Value of DBO	Fair Value of Plan Assets	Net retirement liability/(asset)
January 1, 2018	₱16,279	(₱13,461)	₱2,818
Net benefit cost			
Current service cost	1,225	–	1,225
Net interest	830	(735)	95
Sub-total	2,055	(735)	1,320
Benefits paid	(1,273)	1,273	–
Remeasurement in OCI			
Return on plan assets (excluding amount included in net interest)	–	1,414	1,414
Actuarial changes arising from experience adjustments	(97)	–	(97)
Actuarial changes arising from changes in financial/demographic assumptions	(1,769)	–	(1,769)
Sub-total	(1,866)	1,414	(452)
Contributions paid	–	(7,292)	(7,292)
December 31, 2018	₱15,195	(₱18,801)	(₱3,606)

In 2019, 2018 and 2017, deferred tax on remeasurements on retirement plans credited (charged) to OCI amounted to (₱873.1 million), (₱214.2 million), and ₱11.1 million, respectively, for the Group, and (₱525.6 million), (₱135.6 million) and (₱7.6 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 defined benefit obligation as of December 31, 2019 and 2018, assuming all other assumptions were held constant:

	Parent Company	**MCC**	**FMIC**	**PSBank**	**ORIX Metro**
As of December 31, 2019					
Discount rate					
+100 basis points (bps)	**₱18,192**	**₱1,309**	**₱311**	**₱3,033**	**₱527**
- 100 bps	**20,703**	**1,593**	**358**	**3,697**	**675**
Salary increase rate					
+100 bps	**20,593**	**1,562**	**359**	**3,706**	**672**
- 100 bps	**18,259**	**1,328**	**310**	**3,020**	**527**
Turnover rate					
+300 bps	**18,824**	–	–	–	–
+ 20 bps	–	**1,402**	**322**	**3,280**	–
- 300 bps	**20,068**	–	–	–	–
- 20 bps	–	**1,484**	**346**	**3,407**	–
As of December 31, 2018					
Discount rate					
+100 basis points (bps)	₱14,368	₱890	₱231	₱2,240	₱295
- 100 bps	16,117	1,069	259	2,699	367
Salary increase rate					
+100 bps	16,082	1,052	261	2,717	364
- 100 bps	14,380	901	229	2,220	297
Turnover rate					
+300 bps	14,930	–	–	–	–
+100 bps	–	–	–	2,448	–
+ 25 bps	–	952	239	–	–
- 300 bps	15,494	–	–	–	–
- 100 bps	–	–	–	2,457	–
- 25 bps	–	998	250	–	–

The Group expects to contribute to the defined benefit retirement plans the required funding for normal cost in 2020 amounting to ₱522.5 million.

The average duration of the DBO of the Group as of December 31, 2019 and 2018 are as follows:

	Parent Company	FMIC	PSBank	MCC	ORIX Metro
2019	**12.15 years**	**10.57 to 14.94 years**	**15.43 years**	**14.26 years**	**11.40 to 12.60 years**
2018	12.55 years	10.14 to 15.90 years	16.69 years	14.81 years	9.00 to 11.50 years

Shown below is the maturity analysis of the undiscounted benefit payments:

	Parent Company	FMIC	PSBank	MCC	ORIX Metro
As of December 31, 2019					
Less than 1 year	**₱2,165**	**₱28**	**₱184**	**₱58**	**₱–**
More than 1 year to 5 years	**9,782**	**156**	**968**	**353**	**157**
More than 5 years to 10 years	**11,066**	**316**	**1,984**	**1,025**	**344**
More than 10 years to 15 years	**8,517**	**217**	**2,385**	**1,432**	–
More than 15 years to 20 years	**10,755**	**189**	**3,515**	**1,934**	–
More than 20 years	**11,762**	**199**	**3,999**	**1,123**	–
As of December 31, 2018					
Less than 1 year	₱1,877	₱28	₱130	₱33	₱4
More than 1 year to 5 years	8,425	123	788	274	120
More than 5 years to 10 years	11,363	292	1,699	867	265
More than 10 years to 15 years	7,631	161	2,396	1,204	–
More than 15 years to 20 years	9,664	134	3,547	1,918	–
More than 20 years	11,954	125	5,280	1,124	–

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 2019 and 2018 amounted to ₱265.3 million and ₱273.1 million, respectively.

As of December 31, 2019 and 2018, the retirement funds of the Group's employees amounting to ₱28.1 billion and ₱22.6 billion, respectively, are being managed by its trust banking units. 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. Directors' fees and bonuses of the Parent Company in 2019, 2018 and 2017 amounted to ₱66.1 million, ₱57.8 million and ₱65.7 million, respectively, while, officers' compensation and benefits of the Parent Company aggregated to ₱8.5 billion, ₱7.8 billion and ₱7.3 billion, respectively.

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 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 30.00% 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 33.00% of interest income subjected to final tax.

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. The regulations also provide for MCIT of 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.

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	2019 - 21.00% federal income tax; 8.85% state tax; 6.50% city tax 2018 - 21.00% federal income tax; 7.10% state tax; 6.50% city tax
Japan - Tokyo and Osaka Branches	23.40% 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		
	2019	2018	2017	**2019**	2018	2017
Current:						
Final tax	**₱3,442**	₱2,928	₱2,875	**₱2,915**	₱2,389	₱2,286
RCIT*	**6,631**	5,010	5,374	**3,772**	2,090	2,318
	10,073	7,938	8,249	**6,687**	4,479	4,604
Deferred*	**(12)**	(193)	(259)	**(78)**	5	(89)
	₱10,061	₱7,745	₱7,990	**₱6,609**	₱4,484	₱4,515

* Includes income taxes of foreign subsidiaries.

Components of net deferred tax assets of the Group and the Parent Company follow:

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Deferred tax asset on:				
Allowance for credit and impairment losses	**₱7,692**	₱7,650	**₱4,785**	₱4,774
Unamortized past service cost	**2,744**	2,629	**2,437**	2,382
Retirement asset/liability	**1,255**	861	**996**	791
Deferred membership/awards	**334**	340	–	–
Accumulated depreciation of investment properties	**272**	284	**160**	169
Unrealized foreign exchange and mark-to-market losses	**7**	–	–	–
Fair value loss on securities	–	299	–	390
Others	**189**	461	**47**	98
	12,493	12,524	**8,425**	8,604
Deferred tax liability on:				
Unrealized foreign exchange and mark-to-market losses	**1,386**	1,522	**1,384**	1,677
Unrealized gain on initial measurement of investment properties	**433**	546	**58**	158
Fair value gain on securities	**70**	50	**65**	–
Retirement asset/liability	**17**	14	–	–
Others	**75**	154	–	–
	1,981	2,286	**1,507**	1,835
Net deferred tax assets	**₱10,512**	₱10,238	**₱6,918**	₱6,769

Components of net deferred tax liabilities of the Group follow:

	2019	2018
Deferred tax asset on:		
Allowance for credit and impairment losses	**₱287**	₱231
Unamortized past service cost	**4**	3
Others	**256**	49
	547	283
Deferred tax liability on:		
Leasing income differential on lease accounting methods	**581**	559
Fair value gain on securities	**4**	5
Retirement asset/liability	**–**	2
Others	**70**	74
	655	640
Net deferred tax liabilities	**₱108**	₱357

In 2019 and 2018, deferred tax credited to OCI amounted to ₱511.0 million and ₱225.7 million for the Group, respectively, and ₱70.9 million and ₱259.7 million for the Parent Company, respectively.

As of December 31, 2019 and 2018, no deferred tax asset was recognized on the following temporary differences: (a) allowance for credit and impairment losses amounting to ₱16.8 million and ₱341.9 million, respectively, for the Group; (b) NOLCO of ₱813.8 million and ₱816.5 million, respectively, for the Group, (c) MCIT of ₱19.7 million and ₱8.5 million, respectively, for the Group, and ₱5.4 million in 2019 for the Parent Company. 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 the shareholders of the Group. There are no temporary differences arising from undistributed profits of subsidiaries, branches, associates and a JV.

Details of the excess MCIT credits follow:

	Consolidated				Parent Company			
	Amount	Used/Expired	Balance	Expiry Year	Amount	Used/Expired	Balance	Expiry Year
2018	₱9	₱–	₱9	2021	₱–	₱–	₱–	2021
2019	11	–	11	2022	5	–	5	2022
	₱20	₱–	₱20		₱5	₱–	₱5	

Details of the consolidated NOLCO follow:

Inception Year	Amount	Used/Expired	Balance	Expiry Year
2016	₱258	₱258	₱–	2019
2017	266	–	266	2020
2018	281	–	281	2021
2019	267	–	267	2022
	₱1,072	₱258	₱814	

A reconciliation of the statutory income tax rates and the effective income tax rates follows:

	Consolidated			Parent Company		
	2019	2018	2017	**2019**	2018	2017
Statutory income tax rate	**30.00%**	30.00%	30.00%	**30.00%**	30.00%	30.00%
Tax effect of:						
Tax-paid, tax-exempt and other non-taxable income	**(10.41)**	(12.13)	(14.52)	**(8.16)**	(12.02)	(14.23)
Non-deductible interest expense	**4.14**	4.94	3.33	**3.82**	4.08	3.04
FCDU income	**(1.51)**	(1.89)	(2.29)	**(1.43)**	(1.94)	(2.52)
Others - net	**3.62**	3.92	10.79	**(5.16)**	(3.19)	3.57
Effective income tax rate	**25.84%**	24.84%	27.31%	**19.07%**	16.93%	19.86%

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 (Note 30).

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	
	2019	2018	**2019**	2018
Investment securities at amortized cost	**₱5,000**	₱5,000	**₱5,000**	₱5,000
Investment securities at FVOCI	**143**	84	**–**	–
	₱5,143	₱5,084	**₱5,000**	₱5,000

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.

BSP Reporting

The following is a summary of contingencies and commitments at their peso-equivalent contractual amounts arising from off-balance sheet items:

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Trust Banking Group accounts (Note 29)	**₱491,659**	₱429,162	**₱484,586**	₱422,761
Credit card lines	**209,766**	188,211	**–**	–
Unused commercial letters of credit (Note 31)	**44,036**	43,051	**41,342**	42,123
Undrawn commitments - facilities to lend	**21,980**	6,890	**21,980**	6,890
Bank guaranty with indemnity agreement (Note 31)	**9,904**	11,708	**9,904**	11,708
Credit line certificate with bank commission	**5,984**	5,509	**5,984**	5,492
Outstanding shipside bonds/airway bills	**1,931**	6,350	**1,931**	6,350
Late deposits/payments received	**1,539**	1,376	**1,530**	1,366
Inward bills for collection	**991**	1,141	**991**	1,141
Confirmed export letters of credits	**935**	235	**44**	83
Outward bills for collection	**850**	747	**849**	746
Outstanding guarantees	**139**	209	**139**	209
Others	**12,933**	9,080	**835**	612
	₱802,647	₱703,669	**₱570,115**	₱499,481

Upon its own discovery, the Bank immediately caused the arrest of its Corporate Service Management Division Head, Ma. Victoria S. Lopez on July 17, 2017 for qualified theft through falsification of commercial documents. Both the Motion to Fix Bail and Motion for Reconsideration were denied. On July 24, 2017, another criminal complaint for qualified theft through falsification of commercial documents and violation of Section 55 of the General Banking Law (GBL) was filed against her and her cohorts for the abstraction of ₱900.0 million before the Regional Trial Court (RTC) of Makati City. On December 5, 2017, a third criminal case for the qualified theft through falsification of commercial documents and violation of Section 55 of GBL was filed against her, her cohorts and family members relative to the abstraction of ₱850.0 million. In addition, foreign proceedings are ongoing on the cases which were filed in the United States of America and in Singapore to preserve and recover their identified properties. Accounts receivable classified under 'Loans and Receivables' includes total identified claims of ₱1.75 billion with provisioning. Relative to this incident, the Monetary Board (MB) approved the imposition of certain sanctions to the Bank (Note 4) and added that the MB took into consideration the strong financial condition and immediate corrective actions of the Bank as well as its safety and soundness given the medium to long-term initiatives that improve governance, controls and compliance. The Bank does not expect this isolated incident to have long term material impact on its financial statements. Further, the Bank is reinforcing its commitment to the highest standards of integrity and upholds the protection of its customers as its main priority.

In June 2019, Ms. Lopez was found guilty of qualified theft and was sentenced accordingly. Two more convictions followed in September 2019 and October 2019. Ms. Lopez is serving her prison sentence at the Correctional Institute for Women as her convictions are already final and unappealable. Two counts of qualified theft are still pending with the RTC. In the civil case, the RTC issued judgment ordering Ms. Lopez to restitute the Bank.

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. **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 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 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.

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, MCC, PSBank, FMIC, and ORIX Metro.

The following table shows information on related party loans as reported to the BSP:

	Consolidated			
	2019		2018	
	DOSRI Loans	**Related Party Loans**	DOSRI Loans	Related Party Loans
Total outstanding loans	**₱13,837**	**₱69,244**	₱8,218	₱59,772
Percent of DOSRI/ Related Party Loans to total loan portfolio	**0.89%**	**4.46%**	0.57%	4.15%
Percent of unsecured DOSRI/Related Party Loans to total DOSRI/Related Party Loans	**22.10%**	**83.93%**	31.51%	84.27%
Percent of past due DOSRI/Related Party Loans to total DOSRI/Related Party Loans	**0.00%**	**0.00%**	0.00%	0.04%
Percent of non-performing DOSRI/Related Party Loans to total DOSRI/Related Party Loans	**0.00%**	**0.00%**	0.00%	0.02%

	Parent Company			
	2019		2018	
	DOSRI Loans	**Related Party Loans**	DOSRI Loans	Related Party Loans
Total outstanding loans	**₱13,571**	**₱67,944**	₱7,869	₱59,772
Percent of DOSRI/ Related Party Loans to total loan portfolio	**1.11%**	**5.54%**	0.69%	5.26%
Percent of unsecured DOSRI/Related Party Loans to total DOSRI/Related Party Loans	**20.73%**	**83.62%**	28.69%	84.27%
Percent of past due DOSRI/Related Party Loans to total DOSRI/Related Party Loans	**0.00%**	**0.00%**	0.00%	0.04%
Percent of non-performing DOSRI/Related Party Loans to total DOSRI/Related Party Loans	**0.00%**	**0.00%**	0.00%	0.02%

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, 2019 and 2018, 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 16.59% and 17.61%, 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 2019, 2018 and 2017 amounted to ₱485.8 million, ₱276.5 million and ₱52.3 million, respectively, for the Group and ₱468.7 million, ₱262.8 million and ₱37.2 million, respectively, for the Parent Company.

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**
2019		
Entity with Significant Influence Over the Group		
Outstanding Balance:		
Deposit liabilities*	**₱2,371**	With annual fixed interest rates ranging from 0.00% to 3.00% including time deposits with maturity terms from 10 to 30 days (Note 16)
Bills payable*	**212**	Peso borrowings subject to annual fixed interest rates ranging from 3.63% to 4.00% with maturity term of 60 days (Note 17)
Amount/Volume:		
Deposit liabilities	**1,891**	Generally similar to terms and conditions above
Bills payable	**8**	Generally similar to terms and conditions above
Service charges, fees and commissions	**129**	Financial advisory fees

(Forward)

Category	Consolidated Amount	Terms and Conditions/Nature
Interest expense	**₱16**	Interest expense on deposit liabilities and bills payable (Notes 16 and 17)
Subsidiaries		
Outstanding Balance:		
Interbank loans receivable*	**6,878**	Foreign currency-denominated lending which earn annual fixed interest rates ranging from 0.00% to 4.00% with maturity terms from 7 to 366 days (Note 7)
Investment securities at		
FVTPL	**125**	Treasury notes and private bonds purchased from FMIC (Note 8)
Amortized cost	**2,368**	Treasury note purchased from FMIC (Note 8)
Receivables from customers*	**16,079**	Secured - ₱14.1 million and unsecured - ₱16.0 billion, with ECL of ₱1.7 million; with annual fixed interest rates ranging from 2.94% to 4.25% and maturity terms from 6 days to 3 years (Note 9)
Accounts receivable	**194**	Non-interest bearing receivables on service fees, underwriting fees, remittance, rental fees and common use service area fees (Note 9)
Derivative assets	**726**	Cross-currency swaps with various terms (Note 8)
Deposit liabilities*	**4,229**	With annual fixed interest rates ranging from 0.00% to 3.00% including time deposits with maturity terms from 6 to 126 days (Note 16)
Bills payable*	**139**	Peso borrowings subject to annual fixed interest rates ranging from 3.00% to 5.88% with maturity terms from 90 to 365 days (Note 17)
Treasury stock	**72**	Parent Company's shares held by FMIC's mutual fund subsidiary (Note 23)
Dividends declared	**1,073**	Dividend declared by PSBank and MB Bahamas (Note 11)
Amount/Volume:		
Interbank loans receivable	**2,244**	Generally similar to terms and conditions above
Receivables from customers	**2,394**	Generally similar to terms and conditions above
Accounts receivable	**(139)**	Generally similar to terms and conditions above
Deposit liabilities	**954**	Generally similar to terms and conditions above
Bills payable	**12**	Generally similar to terms and conditions above
Bonds payable	**(81)**	Generally similar to terms and conditions above
Interest income	**826**	Interest income on receivables from customers and interbank loan receivables (Notes 7 amd 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)
Contingent - derivatives	**8,473**	Cross-currency swaps with various terms
Securities transactions		
Purchases	**13,100**	Outright purchases of investment securities at FVTPL, FVOCI and at amortized cost
Sales	**77,841**	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	**28,461**	Outright purchases of foreign currency
Sell	**18,638**	Outright sale of foreign currency
Associates		
Outstanding Balance:		
Receivables from customers*	**₱1,307**	Unsecured with ECL of ₱0.1 million; with annual fixed interest rates ranging from 5.00% to 6.85% and maturity terms from 94 to 360 days (Note 9)
Accounts receivable	**1**	Non-interest bearing receivable on rental fees (Note 9)
Deposit liabilities*	**1,415**	With annual fixed interest rates ranging from 0.00% to 3.63% including time deposits with maturity terms from 31 to 35 days (Note 16)

(Forward)

Category	Consolidated Amount	Terms and Conditions/Nature
Dividends declared	**₱169**	Dividends declared by PALIC, SMFC and TSI
Amount/Volume:		
Receivables from customers	**604**	Generally similar to terms and conditions above
Accounts receivable	**(1)**	Generally similar to terms and conditions above
Deposit liabilities	**579**	Generally similar to terms and conditions above
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)
Securities transactions		
Outright sales	**1,664**	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	**168**	Outright purchases of foreign currency
Sell	**374**	Outright sale of foreign currency
Other Related Parties		
Outstanding Balance:		
Receivables from customers*	**₱32,227**	Secured - ₱6.6 billion and unsecured - ₱25.6 billion, with ECL of ₱11.4 million; with annual fixed interest rates ranging from 3.88% to 5.20% and maturity terms from 28 days to 5 years (Note 9)
Accounts receivable	**2**	Credit card receivables, current and non-revolving (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*	**13,890**	With annual fixed interest rates ranging from 0.00% to 3.50% including time deposits with maturity terms from 1 day to 357 days (Note 16)
Amount/Volume:		
Receivables from customers	**2,755**	Generally similar to terms and conditions above
Accounts receivable	**(1)**	Generally similar to terms and conditions above
Deposit liabilities	**69**	Generally similar to terms and conditions above
Bills payable	**(51)**	Generally similar to terms and conditions above
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)
Contingent		
Unused commercial LCs	**5**	LC transactions with various terms
Securities transactions		
Outright sales	**572**	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	**308**	Outright purchases of foreign currency
Sell	**1,140**	Outright sale of foreign currency
Key Personnel		
Outstanding Balance:		
Receivables from customers	**₱85**	Secured - ₱62.5 million unsecured - ₱22.1 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	**167**	With various terms and minimum annual interest rate of 0.00% (Note 16)
Amount/Volume:		
Deposit liabilities	**1**	Generally similar to terms and conditions above
Interest income	**3**	Interest income on receivables from customers (Note 9)
2018		
Entity with Significant Influence Over the Group		
Outstanding Balance:		
Deposit liabilities*	₱480	With annual fixed interest rates ranging from 0.00% to 4.00% including time deposits with maturity terms from 21 to 30 days (Note 16)
Bills payable*	204	Peso borrowings subject to annual fixed interest rates ranging from 4.25% to 4.38% with maturity term of 45 days (Note 17)

(Forward)

	Consolidated	
Category	Amount	Terms and Conditions/Nature
Amount/Volume:		
Deposit liabilities	₱464	Generally similar to terms and conditions above
Bills payable	204	Generally similar to terms and conditions above
Interest expense	40	Interest expense on deposit liabilities and bills payable (Notes 16 and 17)
Subsidiaries		
Outstanding Balance:		
Interbank loans receivable*	₱4,634	Foreign currency-denominated lending which earn annual fixed interest rates ranging from 2.61% to 3.54% with maturity terms from 32 to 184 days with minimal ECL (Note 7)
Receivables from customers*	13,685	Unsecured, with ECL of ₱3.0 million; with annual fixed interest rates ranging from 3.43% to 5.45% and maturity terms from 5 days to 3 years (Note 9)
Accounts receivable	333	Non-interest bearing receivables on service fees, underwriting fees, remittance, rental fees and common use service area fees (Note 9)
Derivative assets	118	Fair value of forward and swaps bought with various terms
Deposit liabilities*	3,275	With annual fixed interest rates ranging from 0.00% to 1.25% including time deposits with maturity terms from 5 to 31 days (Note 16)
Bills payable*	127	Peso borrowings subject to annual fixed interest rates ranging from 4.00% to 6.25% with maturity terms from 30 to 185 days (Note 17)
Bonds payable*	81	Issued by FMIC with interest rate of 5.75% and maturity term of 5 years (Note 19)
Treasury stock	67	Parent Company's shares held by FMIC's mutual fund subsidiary (Note 23)
Dividends declared	2,255	Dividend declared by PSBank, MCC and Metrobank Bahamas
Amount/Volume:		
Interbank loans receivable	1,195	Generally similar to terms and conditions above
Receivables from customers	13,450	Generally similar to terms and conditions above
Accounts receivable	(167)	Generally similar to terms and conditions above
Deposit liabilities	(3,936)	Generally similar to terms and conditions above
Bills payable	(761)	Generally similar to terms and conditions above
Treasury stock	10	Proceeds from disposal of Parent Company's shares held by FMIC's mutual fund subsidiaries
Interest income	406	Interest income on receivables from customers and interbank loan receivables (Note 9)
Service charges, fees and commissions	323	Income on transactional fees, including underwriting fees
Trading and securities loss - net	(6)	Net loss from securities transactions (Note 8)
Foreign exchange gain - net	7	Net gain from foreign exchange transactions
Leasing income	77	Income from leasing agreements with various lease terms
Miscellaneous income	248	Information technology and other fees
Interest expense	29	Interest expense on deposit liabilities, bills payable and bonds payable (Notes 16, 17 and 19)
Miscellaneous expense	45	Other fees (Note 25)
Contingent - derivatives	989	Swap bought with various terms
Securities transactions		
Purchases	7,040	Outright purchases of investment securities at FVTPL and FVOCI
Sales	13,715	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	43,162	Outright purchases of foreign currency
Sell	37,744	Outright sale of foreign currency
Associates		
Outstanding Balance:		
Receivables from customers*	₱703	Unsecured with ECL of ₱0.01 million; with annual fixed interest rates ranging from 4.33% to 6.18% and maturity terms from 346 to 360 days (Note 9)
Accounts receivable	2	Non-interest bearing receivable on rental fees (Note 9)
Investments in associates	180	Liquidating dividends from SMBC Metro (Note 11)
Deposit liabilities*	836	With annual fixed interest rates ranging from 0.00% to 3.38% including time deposits with maturity terms from 31 to 36 days (Note 16)
Dividends declared	10	Dividend declared by NLI

(Forward)

Category	Consolidated Amount	Terms and Conditions/Nature
Amount/Volume:		
Receivables from customers	₱703	Generally similar to terms and conditions above
Deposit liabilities	(289)	Generally similar to terms and conditions above
Interest Income	19	Interest income on receivables from customers (Note 9)
Foreign exchange loss - net	1	Net loss from foreign exchange transactions
Leasing income	33	Income from leasing agreements with various lease terms
Interest expense	1	Interest expense on deposit liabilities (Note 16)
Securities transactions		
Outright sales	1,561	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	1,924	Outright purchases of foreign currency
Sell	1,054	Outright sale of foreign currency
Other Related Parties		
Outstanding Balance:		
Receivables from customers*	₱29,472	Secured - ₱5.2 billion and unsecured - ₱24.2 billion, with ECL of ₱3.1 million; with annual fixed interest rates ranging from 3.88% to 6.00% and maturity terms from 14 days to 5 years (Note 9)
Accounts receivable	3	Credit card receivables, current and non-revolving (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*	13,821	With annual fixed interest rates ranging from 0.00% to 4.00% including time deposits with maturity terms from 6 to 359 days (Note 16)
Bills payable*	51	Peso-denominated borrowings subject to annual fixed interest rates ranging from 2.25% to 4.00% with maturity terms from 90 to 122 days (Note 17)
Amount/Volume:		
Receivables from customers	9,769	Generally similar to terms and conditions above
Accounts receivable	(1)	Generally similar to terms and conditions above
Deposit liabilities	(13,149)	Generally similar to terms and conditions above
Bills payable	(146)	Generally similar to terms and conditions above
Interest income	713	Interest income on receivables from customers (Note 9)
Foreign exchange gain - net	1	Net gain from foreign exchange transactions
Leasing income	22	Income from leasing agreements with various lease terms
Interest expense	678	Interest expense on deposit liabilities and bills payable (Notes 16 and 17)
Contingent - others	3	Bank guaranty with indemnity agreement (Note 30)
Securities transactions		
Outright sales	219	Outright sale of investment securities at FVTPL and FVOCI investments
Foreign currency		
Buy	422	Outright purchases of foreign currency
Sell	967	Outright sale of foreign currency
Key Personnel		
Outstanding Balance:		
Receivables from customers	₱85	Secured - ₱59.5 million unsecured - ₱25.1 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	166	With various terms and with annual interest rates ranging from 0.00% to 6.00%; with interest of ₱0.7 million (Note 16)
Amount/Volume:		
Receivables from customers	9	Generally similar to terms and conditions above
Deposit liabilities	2	Generally similar to terms and conditions above
Interest income	4	Interest income on receivables from customers (Note 9)

*including accrued interest

	Parent Company	
Category	**Amount**	**Terms and Conditions/Nature**
2019		
Entities with Significant Influence		
Outstanding Balance:		
Deposit liabilities*	**₱2,371**	With annual fixed interest rate ranging from 0.00% to 3.00% (including time deposits) and maturity terms of 10 to 30 days (Note 16)
Amount/Volume:		
Deposit liabilities	**1,891**	Generally similar to terms and conditions above
Interest expense	**6**	Interest expense on deposit liabilities (Note 16)
Subsidiaries		
Outstanding Balance:		
Interbank loans receivable*	**₱5,678**	Foreign currency-denominated lending which earn annual fixed interest rates ranging from 0.00% to 3.17% and maturity terms of 7 to 366 days with minimal ECL (Note 7)
Investment Securities at		
FVTPL	**125**	Treasury notes and private bonds purchased from FMIC (Note 8)
Amortized Cost	**2,368**	Treasury notes purchased from FMIC (Note 8)
Receivables from customers*	**16,079**	Secured - ₱14.1 million and unsecured – ₱16.0 billion, with ECL of ₱1.7 million; with annual fixed interest rates ranging from 2.94% to 4.25% and maturity terms of 6 days to 3 years (Note 9)
Accounts receivable	**136**	Non-interest bearing receivables on service fees, underwriting fees, remittance, rental fees and common use service area fees (Note 9)
Derivative assets	**726**	Cross-currency swaps with various terms (Note 8)
Deposit liabilities*	**4,229**	With annual fixed interest rates ranging from 0.00% to 3.00% (including time deposits) and maturity terms of 6 days to 126 days (Note 16)
Treasury stocks	**72**	Parent Company's shares held by FMIC's mutual fund subsidiary (Note 23)
Dividend declared	**1,073**	Dividend declared by PSBank and MB Bahamas (Note 11)
Amount/Volume:		
Interbank loans receivable	**1,044**	Generally similar to terms and conditions above
Receivables from customers	**2,394**	Generally similar to terms and conditions above
Accounts receivable	**(138)**	Generally similar to terms and conditions above
Deposit liabilities	**1,136**	Generally similar to terms and conditions above
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)
Contingent - derivatives	**8,473**	Cross-currency swaps with various terms
Securities transactions		
Purchases	**13,100**	Outright purchases of investment securities at FVTPL, FVOCI and at amortized cost
Sales	**77,541**	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	**28,461**	Outright purchases of foreign currency
Sell	**18,638**	Outright sale of foreign currency
Associates		
Outstanding Balance:		
Receivables form customers*	**₱1,307**	Unsecured with ECL; with annual fixed rates ranging from 5.00% to 6.85% and maturity terms of 94 to 360 days (Note 9)
Deposit liabilities*	**1,391**	With annual fixed interest rates ranging from 0.00% to 3.63% (including time deposits) and maturity terms of 31 to 35 days (Note 16)
Amount/Volume:		
Receivables from customers	**604**	Generally similar to terms and conditions above
Deposit liabilities	**570**	Generally similar to terms and conditions above
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)

(Forward)

	Parent Company	
Category	**Amount**	**Terms and Conditions/Nature**
Outright sale of securities	**₱268**	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	**168**	Outright purchases of foreign currency
Sell	**374**	Outright sale of foreign currency
Other Related Parties		
Outstanding Balance:		
Receivables from customers*	**₱32,227**	Secured - ₱6.6 billion and unsecured - ₱25.6 billion, with ECL of ₱11.4 million; with annual fixed interest rates ranging from 3.88% to 5.20% and maturity terms of 28 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*	**13,377**	With annual fixed interest rates ranging from 0.00% to 3.50% (including time deposits) and maturity terms of 6 to 357 days (Note 16)
Amount/Volume:		
Receivables from customers	**2,755**	Generally similar to terms and conditions above
Deposit liabilities	**194**	Generally similar to terms and conditions above
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)
Contingent		
Unused commercial LCs	**5**	LC transactions with various terms
Securities transactions		
Sales	**200**	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	**308**	Outright purchases of foreign currency
Sell	**1,140**	Outright sale of foreign currency
Key Personnel		
Outstanding Balance:		
Receivables from customers	**₱70**	Secured - ₱58.8 million and unsecured - ₱10.8 million, no impairment; with annual fixed interest rates ranging from 0.00% to 10.00% and maturity terms of 5 to 15 years (Note 9)
Deposit liabilities	**167**	With various terms and with annual interest rates of 0.00% (Note 16)
Amount/Volume:		
Receivables from customers	**2**	Generally similar to terms and conditions above
Deposit liabilities	**1**	Generally similar to terms and conditions above
Interest income	**2**	Interest income on receivables from customers (Note 9)
2018		
Entities with Significant Influence		
Outstanding Balance:		
Deposit liabilities*	₱480	With annual fixed interest rate ranging from 0.00% to 4.00% including time deposits with maturity terms of 21 to 30 days (Note 16)
Amount/Volume:		
Deposit liabilities	464	Generally similar to terms and conditions above
Interest expense	36	Interest expense on deposit liabilities (Note 16)
Subsidiaries		
Outstanding Balance:		
Interbank loans receivable*	₱4,634	Foreign currency-denominated lending which earn annual fixed interest rates ranging from 2.61% to 3.54% with maturity terms of 32 to 184 days with minimal ECL (Note 7)
Receivables from customers*	13,685	Unsecured, with ECL of ₱3.0 million; with annual fixed interest rates ranging from 3.43% to 5.45% and maturity terms of 5 days to 3 years (Note 9)
Accounts receivable	274	Non-interest bearing receivables on service fees, underwriting fees, remittance, rental fees and common use service area fees (Note 9)
Derivative assets	118	Fair value of forward and swaps bought with various terms (Note 8)
Deposit liabilities*	3,093	With annual fixed interest rates ranging from 0.00% to 0.50% including time deposits with maturity terms of 3 days to 357 days (Note 16)

(Forward)

	Parent Company	
Category	Amount	Terms and Conditions/Nature
Treasury stock	₱67	Parent Company's shares held by FMIC's mutual fund subsidiary (Note 23)
Dividend declared	2,255	Dividend declared by PSBank, MCC and MB Bahamas (Note 11)
Amount/Volume:		
Interbank loans receivable	2,496	Generally similar to terms and conditions above
Receivables from customers	13,450	Generally similar to terms and conditions above
Accounts receivable	(171)	Generally similar to terms and conditions above
Deposit liabilities	(2,661)	Generally similar to terms and conditions above
Treasury stock	10	Proceeds from disposal of Parent Company's shares held by FMIC's mutual fund subsidiaries
Interest income	365	Interest income on receivables from customers and interbank loans receivables
Service charges, fees and commissions	35	Income from transactional fees
Trading and securities loss - net	(17)	Net loss from securities transactions
Foreign exchange gain - net	7	Net gain from foreign exchange transactions
Leasing income	36	Income from leasing agreements with various lease terms
Miscellaneous income	212	Information technology and other fees (Note 25)
Interest expense	16	Interest expense on deposit liabilities and bills payable (Notes 16 and 17)
Miscellaneous expense	45	Other fees (Note 25)
Contingent - derivatives	989	Swap bought with various terms
Securities transactions		
Purchases	6,907	Outright purchases of investment securities at FVTPL and FVOCI
Sales	13,566	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	43,162	Outright purchases of foreign currency
Sell	37,744	Outright sale of foreign currency
Associates		
Outstanding Balance:		
Receivables form customers*	₱703	Unsecured with ECL of ₱0.01 million; with annual fixed rates ranging from 4.33% to 6.18% and maturity terms of 346 to 360 days (Note 9)
Investment in associates	180	Liquidating dividends from SMBC Metro (Note 11)
Deposit liabilities*	821	With annual fixed interest rates ranging from 0.00% to 3.38% (including time deposits) and maturity terms of 31 to 36 days (Note 16)
Dividends declared	10	Dividend declared by NLI (Note 11)
Amount/Volume:		
Receivables from customers	703	Generally similar to terms and conditions above
Deposit liabilities	(290)	Generally similar to terms and conditions above
Interest Income	19	Interest income on receivables from customers (Note 9)
Foreign exchange gain - net	1	Net gain 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)
Outright sale of securities	340	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	1,924	Outright purchases of foreign currency
Sell	1,054	Outright sale of foreign currency
Other Related Parties		
Outstanding Balance:		
Receivables from customers*	₱29,472	Secured - ₱5.2 billion and unsecured - ₱24.2 billion, with ECL of ₱3.1 million; with annual fixed interest rates ranging from 3.88% to 6.00% and maturity terms of 14 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*	13,183	With annual fixed interest rates ranging from 0.00% to 4.00% (including time deposits) and maturity terms of 6 to 359 days (Note 16)
Amount/Volume:		
Receivables from customers	9,770	Generally similar to terms and conditions above
Deposit liabilities	(12,237)	Generally similar to terms and conditions above
Interest income	713	Interest income on receivables from customers (Note 9)
Foreign exchange gain - net	1	Net gain from foreign exchange transactions
Leasing income	22	Income from leasing agreements with various lease terms
Interest expense	636	Interest expense on deposit liabilities (Note 16)

(Forward)

	Parent Company	
Category	Amount	Terms and Conditions/Nature
Contingent		
Others	₱3	Bank guaranty with indemnity agreement
Securities transactions		
Sales	70	Outright sale of FVTPL and AFS investments
Foreign currency		
Buy	422	Outright purchases of foreign currency
Sell	967	Outright sale of foreign currency
Key Personnel		
Outstanding Balance:		
Receivables from customers	₱68	Secured - ₱55.9 million and unsecured - ₱11.9 million, no impairment; with annual fixed interest rates ranging from 0.00% to 10.00% and maturity terms of 5 to 15 years (Note 9)
Deposit liabilities	166	With various terms and with annual interest rates ranging from 0.00% to 6.00%; with interest expense of ₱0.7 million (Note 16)
Amount/Volume:		
Receivables from customers	8	Generally similar to terms and conditions above
Deposit liabilities	2	Generally similar to terms and conditions above
Interest income	2	Interest income on receivables from customers (Note 9)

*including accrued interest

As of December 31, 2019 and 2018, government bonds with total face value of ₱60.0 million (classified as 'Investment securities at amortized cost') 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 ₱4.0 billion (classified as 'Investment securities at amortized cost') to secure PSBank's deposits to the Parent Company.

As of December 31, 2018, government securities classified as 'Investment securities at amortized cost' amounting to ₱40.9 billion for the Group and the Parent Company are pledged to various funds managed by the Trust Banking Group of the Parent Company to secure borrowings from these funds.

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**		
	2019	2018	2017	**2019**	2018	2017
Short-term employee benefits	**₱3,446**	₱3,222	₱2,910	**₱2,500**	₱2,334	₱2,165
Post-employment benefits	**140**	197	132	**56**	80	46
	₱3,586	₱3,419	₱3,042	**₱2,556**	₱2,414	₱2,211

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 ₱98.3 million, ₱69.1 million and ₱65.2 million in

2019, 2018 and 2017, respectively. In 2019 and 2018, the Parent Company sold securities totaling ₱4.5 billion and ₱2.2 billion, respectively, to its related party retirement plans and recognized net trading losses of ₱11.3 million and ₱94 thousand in 2019 and 2018, respectively, and has also purchased securities totaling ₱2.1 billion and ₱266.9 million, respectively. Further, as of December 31, 2019 and 2018, the total outstanding deposit liabilities of the Group to these related party retirement funds amounted to ₱103.6 million and ₱433.6 million, respectively. Interest expense on deposit liabilities amounted to ₱23.7 million, ₱17.7 million and ₱13.8 million in 2019, 2018 and 2017, respectively.

As of December 31, 2019 and 2018, the related party retirement plans also hold investments in the equity shares of various companies within the Group amounting to ₱278.8 million and ₱196.3 million, respectively, with unrealized trading losses of ₱20.1 million and ₱14.3 million, respectively, and investments in mutual funds and trust funds of various companies within the Group amounting to ₱672.4 million and ₱2.0 billion, respectively, with unrealized trading gains of ₱19.5 million and ₱48.7 million, respectively. Further as of December 31, 2019 and 2018, investments in the corporate bonds of the Parent Company by the related party retirement plans amounted to ₱3.7 billion and ₱2.1 billion, respectively, with unrealized trading gain of ₱109.1 million and minimal unrealized trading loss in 2019 and 2018, respectively. In 2019, 2018 and 2017, realized trading gains amounted to ₱92 million, ₱48.6 million and ₱7.8 million, respectively. The related party retirement plans also recognized dividend income amounting to ₱0.7 million in 2019.

32. **Financial Performance**

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):

	2019	2018	2017
a. Net income attributable to equity holders of the Parent Company	**₱28,055**	₱22,008	₱18,223
b. Weighted average number of outstanding common shares of the Parent Company	**4,496**	4,267	3,665
c. Basic/diluted earnings per share (a/b)	**₱6.24**	₱5.16*	₱4.97*

**Restated to show the effect of stock dividends issued in 2019 and stock rights issued in 2018.*

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

	Consolidated			**Parent Company**		
	2019	2018	2017	**2019**	2018	2017
Return on average equity [(1)]	**9.47%**	9.08%	9.16%	**9.16%**	8.81%	9.05%
Return on average assets [(2)]	**1.20%**	1.02%	0.92%	**1.42%**	1.23%	1.12%
Net interest margin on average earning assets [(3)]	**3.84%**	3.82%	3.75%	**3.09%**	2.98%	2.85%

(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.

33. Foreign Exchange

Closing rates as of December 31 and WAR for each of the year ended December 31 are as follows:

	BAP		PDS
	2019	2018	2017
Closing	**₱50.64**	₱52.58	₱49.93
WAR	**51.79**	52.68	50.41

34. Other Matters

The Group has no significant matters to report in 2019 on the following:

a. Known trends, events or uncertainties that would have material impact on liquidity and on the sales or revenues.

b. Explanatory comments about the seasonality or cyclicality of operations.

c. Issuances, repurchases and repayments of debt and equity securities except for the issuances of ₱17.5 billion, ₱11.25 billion and ₱13.75 billion fixed rate bonds and the redemption of the 2024 Peso Notes by the Parent Company; the issuance of ₱6.3 billion fixed rate bonds and the redemption of the 2024 Peso Notes by PSBank; and the issuance of ₱4.16 billion fixed rate bonds by ORIX Metro as discussed in Notes 19 and 20.

d. Unusual items as to nature, size or incidents affecting assets, liabilities, equity, net income or cash flows except for the payments 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 Notes 2 and 11).

35. Subsequent Events

a. The SEC approved the merger of MCC into the Parent Company effective January 3, 2020.

b. As discussed in Note 16, 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.

c. On January 16, 2020, the BOD of PSBank declared a 7.50% regular cash dividend for the fourth quarter of 2019 amounting to ₱287.3 million or ₱0.75 per share, payable on February 17, 2020 to all stockholders of record as of January 31, 2020.

d. On January 16, 2020, PSBank received the SEC Order fixing the Record Date of the 11.42% stock dividend involving 43,750,000 shares on January 31, 2020. Payment date of February 21, 2020 was set in accordance with the BOD approval and the rules of the PSE.

e. On February 4, 2020, PSBank issued ₱4.65 billion fixed rate bonds with an issue price at 100% face value, which bear an interest rate of 4.50% per annum and will mature on February 4, 2023.

f. On February 19, 2020, the BOD of the Parent Company approved the following:
   i. Declaration of 5% regular cash dividend payable on March 20, 2020 to all stockholders of record as of March 6, 2020; and
   ii. Exercise the call option on the Parent Company's ₱6.50 billion 2025 Peso Notes described in Note 20 on August 8, 2020 in accordance with its terms and conditions subject to BSP approval.

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 19, 2020.

37. 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, 2019 included under 'Taxes and licenses' account in the statements of income:

GRT	₱3,426
DST	2,400
Local taxes	177
Real estate tax	95
Others	368
	₱6,466

Details of the total withholding taxes remittances for the taxable year December 31, 2019 follow:

Final withholding taxes	₱4,561
Taxes withheld on compensation	2,205
Expanded withholding taxes	231
	₱6,997

GT CAPITAL
HOLDINGS, INCORPORATED

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, 2019
Highest Ranking Person responsible for this report	Mr. Winston Andrew L. Peckson, Chief Risk Officer

Materiality Process

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.[1]
GT Capital partnered with the University of Asia and the Pacific ("UA&P") to conduct the materiality process. With the help of UA&P, GT Capital identified the following stakeholder groups that would be consulted on the basis of their influence on the Company's economic, social, and environmental performance, and who are most affected by its operations: (a) principals; (b) capital fund providers; (c) employees; (d) senior executives; (e) regulators; and (f) component companies. A structured and codified online survey was distributed among the identified stakeholders. This process resulted in the following material topics and disclosures that are part of this reporting template: I. Economic A. Economic Performance 1. Direct Economic Value Generated and Distributed B. Anti-corruption 1. Training on Anti-corruption Policies and Procedures II. Environment A. Resource Management

[1] See *GRI 102-46* (2016) for more guidance.

1. Reduction of energy consumption

B. Environmental Compliance
   1. Non-compliance with Environmental Laws and Regulations

III. Social

A. Employee Management
   1. Employee Hiring and Benefits
   2. Employee Training and Development
   3. Diversity and Equal Opportunity

B. Supplier Chain Management

C. Customer Management
   1. Marketing and labelling
   2. Customer privacy
   3. Data security

GT Capital is also expected to release its 2019 Sustainability Report in accordance with Global Reporting Initiative ("GRI") Standards: Core Option within the second-third quarter of 2020.

GT CAPITAL
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ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

Disclosure	Amount (in millions)	Units
Direct economic value generated (revenue)	226,754	PhP
Direct economic value distributed:		
a. Operating costs	176,537	PhP
b. Employee wages and benefits	2,985	PhP
c. Payments to suppliers, other operating costs	10,609	Php
d. Dividends given to stockholders and interest payments to loan providers	21,035	PhP
e. Taxes given to government	4,887	PhP
f. Investments to community (e.g. donations, CSR)	1	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
This determines how value is generated and distributed among our stakeholders.	Principals, minority shareholders, management, regulatory agencies, suppliers, capital fund providers, employees, and component companies.	GT Capital manages the impacts by reviewing and validating the component companies' annual budget. The Company also develops an annual budget, periodic forecasts, and long-term projections that are regularly updated and compared with actual vs budget to evaluate if targets are achieved. GT Capital has also developed several accounting policies and processes to guide the finance and accounting group in monitoring the economic performance of the company.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Economic indicators may not be	Minority shareholders,	The Company takes steps to be more

aligned with metrics measured by some investor groups.	capital fund providers.	transparent in its sustainability reporting process to better address the needs of said investor groups.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Direct economic value generated and distributed translates the Company's operations to its corresponding impact from a sustainability context. This provides the Company an indication of how well it performs using this set of metrics.	Principals, minority shareholders, management, regulatory agencies, suppliers, capital fund providers, employees, and component companies.	The Company shall use this data to eventually set sustainability-related targets and to benchmark against its peers.

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.

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.

Procurement Practices

Proportion of spending on local suppliers

This disclosure is not material to GT Capital as per materiality process.

Disclosure	Quantity	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	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

Anti-corruption

Training on Anti-corruption Policies and Procedures

Disclosure	Quantity	Units
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	42	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	No available data for this report.	%

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 eventually result in low morale of internal stakeholders and may have financial, legal, and regulatory consequences.	Internal stakeholders	The Corporation promotes a culture of good governance. GT Capital's Code of Discipline provides penalties for corruption violations. Its Code of Ethics also 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. 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 Company aims to continue its zero corruption-related violations. It intends to have a refresher on policies for internal stakeholders. Likewise, it aims to have a periodic review and adjustment of its Code of Discipline. The Company also has whistleblowing as part of its grievance mechanisms. GT Capital assigns its audit department for monitoring and the human resource department for implementation of sanctions. These departments facilitate the distribution and orientation of the Code of Discipline and Ethics among its internal stakeholders. They are also in charge of the periodic review and adjustment of these documents.

What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Training on anti-corruption policies and procedures may not be highlighted as a key sustainability initiative of the Company.	Internal stakeholders	The Company shall integrate its anti-corruption policies and procedures in its Code of Discipline for employees.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Training on anti-corruption policies and procedures provides a guide to internal stakeholders about actions that are deemed acceptable in the conduct of business operations.	Internal stakeholders	Once integrated in the Code of Discipline, the Company shall require annual acknowledgement of the understanding of its provisions to ensure constant communication and awareness.

Incidents of Corruption

This disclosure is not material to GT Capital as per materiality process.

Disclosure	Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption	N/A	#
Number of incidents in which employees were dismissed or disciplined for corruption	N/A	#
Number of incidents when contracts with business partners were terminated due to incidents of corruption	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		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
N/A	N/A	N/A

ENVIRONMENT

Resource Management

Energy consumption within the organization:

Electricity is the main type of energy used in GT Capital's principal office.

Disclosure	Quantity	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)	5,125.87	kWh

Reduction of energy consumption

GT Capital will report on the reduction following the baseline on electricity consumption, as reflected above.

Disclosure	Quantity	Units
Energy reduction (gasoline)	N/A	GJ
Energy reduction (LPG)	N/A	GJ
Energy reduction (diesel)	N/A	GJ
Energy reduction (electricity)	N/A	kWh
Energy reduction (gasoline)	N/A	GJ

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 cutting back GT Capital's operating expenses, which is key to sustainable and profitable business operations.	Principals, minority shareholders, management	The Company plans to draft its environmental policy in the coming years. It also aims to achieve a reduction in its energy consumption which translates to lower energy costs and contributes to sustainable business operations. GT Capital also targets a net percentage decrease in total energy consumption and in average consumption per employee.

What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Initiatives to conserve energy may initially translate to capital expenditures.	Principals, minority shareholders, management	The Company shall actively assess its current energy infrastructure and will implement necessary adjustments as applicable.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Initiatives to conserve energy will result to significant financial savings in the long-term while Company's operations remains sustainable.	Principals, minority shareholders, management	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.

Disclosure	Quantity	Units
Water withdrawal	N/A	Cubic meters
Water consumption	N/A	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

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

This disclosure is not material to GT Capital as per materiality process.

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions	N/A	Tonnes CO_2e
Energy indirect (Scope 2) GHG Emissions	N/A	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
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

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	None	PhP
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	None	#
No. of cases resolved through dispute resolution mechanism	None	#

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 damage GT Capital's reputation, as well as result in breach of its contractual obligations.	Principals, minority shareholders, management, regulatory agencies, capital fund providers, employees	GT Capital aims to maintain its compliance with environmental laws and regulations and receive no fines or sanctions.

What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Non-compliance with environmental laws and regulations of subsidiaries and affiliates may negatively impact GT Capital's reputation.	Principals, minority shareholders, management, regulatory agencies, capital fund providers, employees	The Company actively monitors issues of its subsidiaries and affiliates to ensure compliance with relevant laws and regulations.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Compliance with relevant laws and regulations highlights the Company's commitment to sustainably operate within the communities it serves.	Principals, minority shareholders, management, regulatory agencies, capital fund providers, employees	The Company has a 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]	42	Employees
a. Number of female employees	22	Employees
b. Number of male employees	20	Employees
Attrition rate[5]	2.38%	-
Ratio of lowest paid employee against minimum wage	196%	-

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	4.5%	5%
PhilHealth*	Y	13.63%	10%
Pag-ibig	Y	No loan availment.	No loan availment.
Parental leaves**	Y	9.09%	None
Vacation leaves	Y	100%	100%
Sick leaves	Y	72.7%	50%
Medical benefits (aside from PhilHealth)	Y	100%	100%
Housing assistance (aside from Pag-ibig)	Y	None	None
Retirement fund (aside from SSS)	Y	2.38%	None
Further education support	Y	9.09%	5%
Company stock options	N	N/A	N/A
Telecommuting	N	N/A	N/A
Flexible-working Hours	Y	100%	100%

*Preliminary information
**Maternity / paternity leave

[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
This topic ensures delivery of services to the various stakeholders of the Company and ensures continuity of business operations. Employment impacts primarily the employees (regular and contractual) and the management.	To create value for employees and management, the Human Resources (HR) and Administration Department (HRAD) provides practices that are fully integrated and aligned with the organizational goals and strategies. This business integration is then reinforced by HR policies, practices, and procedures that work together to provide seamless solutions to the evolving needs of the organization, even down to its component companies up to a certain extent. HR has a vital role and voice during the annual strategic planning in coming up with initiatives that will strengthen employee engagement, support future business requirement when it comes to talent availability for succession planning, and ensure business continuity in times of leadership transition (e.g., transfers, resignation, 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 creates a positive, collaborative environment and meaningful employee experience. To effectively manage the employee relationship in the organization, the Company encourages 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. 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 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 hours to address the traffic problem and other personal concerns such 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.
What are the Opportunity/ies Identified?	**Management Approach**
The identification of key metrics monitored in this material disclosure provides the Company with the necessary information to determine potential areas of improvement.	The Company shall actively assess potential areas where it can better improve its employee management practices.

Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees	2,796.5	hours
a. Female employees	913	hours
b. Male employees	1,883.5	hours
Average training hours provided to employees	53.3	hours
a. Female employees	48.1	hours/employee
b. Male employees	61.7	hours/employee

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.	The Company commits to upgrade its employees' competencies through individual development plans. Through the HRAD and Human Resources Committee, the Company targets to provide at least sixteen (16) hours of training per employee per year.
What are the Risk/s Identified?	**Management Approach**
Employees who are not provided sufficient training and development opportunities may drag the Company's effectiveness and efficiency in the conduct of its business operations.	Aside from the company-wide competency assessment conducted in 2018, GT Capital's annual performance management systems capture the areas for improvement, strengths and weaknesses in which both the immediate superior and the employee should focus on to help the latter meet the current expectation of the job. It is a two-way agreement between the parties through setting of goals as well as expressing the commitment of each to ensure effectiveness and efficiency in the function.
What are the Opportunity/ies Identified?	**Management Approach**
The Company, with appropriate training and development programs, can cultivate its talent pool who may eventually take on leadership roles.	One of the objectives of the competency assessment is to identify the competency gaps of each employee and to determine where to focus the intervention on either behavioral skills or technical training to ensure holistic development of talents to prepare them for 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	N/A	%
Number of consultations conducted with employees concerning employee-related policies	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

Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce	52.3%	-
% of male workers in the workforce	47.7%	-
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 are subjected to a periodic audit based on IAD's annual plan.
What are the Risk/s Identified?	**Management Approach**
The Company may not sustain its manpower requirements without the necessary diversity in its workforce and without providing equal opportunity to members of different genders and vulnerable groups.	The Company does not provide any preference on the basis of gender, ethnicity or race.
What are the Opportunity/ies Identified?	**Management Approach**
The Company can improve its business operations by pooling together actively engaged and diverse workforce.	The Company provides equal opportunity to all qualified applicants.

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

This disclosure is not material to GT Capital as per materiality process.

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

This disclosure is not material to GT Capital as per materiality process.

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor	N/A	#

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor	N/A	
Child labor	N/A	
Human Rights	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

Supply Chain Management

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy.

GT Capital targets to develop a supplier social policy to be implemented in 2020.

Pending the formal supplier accreditation policy, 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.

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	N/A

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
GT Capital ensures that there is an assessment of its activities in order to prevent and mitigate its negative social impacts in the supply chain. These include impacts of GT Capital that are directly linked to its activities, products, or services.	GT Capital shall strive to prevent and mitigate negative social impacts in its supply chain. Part of its goals and targets include development of a supplier social policy, which will be the responsibility of HRAD, as well as the Bids and Awards Committee. Moreover, as part of its specific actions, GT Capital aims to formulate a supplier social policy which will be cascaded to all component companies.
What are the Risk/s Identified?	**Management Approach**
Improper practices within the Company's supply chain which are inconsistent with its core values may potentially disrupt the delivery of goods and services and may impact the Company's reputation.	The Company is actively assessing the impact of its supply chain and aims to implement an integrated and comprehensive policy across the Group.
What are the Opportunity/ies Identified?	**Management Approach**
The Company can ensure sustainability of its operations through proper management of its supply chain.	The Company is actively assessing the impact of its supply chain and aims to implement an integrated and comprehensive policy across the Group.

Relationship with Community

Significant Impacts on Local Communities

This disclosure is not material to GT Capital as per materiality process.

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be	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)

business operations)					
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*	No noted incidents of non-compliance with regulations nor substantiated complaints from stakeholders concerning marketing communications in 2019.	#
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
GT Capital ensures stakeholders' access to accurate and adequate information about the Company and its transactions. Through timely and accurate disclosures of material information, GT Capital aims to mitigate the negative effects of inadequate marketing.	GT Capital is committed to respect the stakeholders' right to information based on prescribed rules and regulations. The Company also aims to provide stakeholders accurate and timely information during the annual stockholders' meeting and quarterly briefings, and to achieve non-violation of disclosure rules. As part of evaluating the effectiveness of the Company's approach in this area, we ensure 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.	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*	None	#
No. of complaints addressed	N/A	#
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.*

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	None.	#

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 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 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.

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 indirect economic impacts primarily occur through our component companies and the supply chain which includes both customers and suppliers.	**Contribution to the national economy** SDG No. 8 - Decent Work and Economic Growth SDG No. 9 - Industry, Innovation, and Infrastructure SDG No. 16 - Peace, Justice, and Strong Institutions **Providing decent work opportunities** SDG No. 3 - Good Health and Well-being SDG No. 4 - Quality Education SDG No. 5 - Gender Equality SDG No. 8 - Decent Work	Looking beyond value creation and appreciation from the perspective of economic value, we acknowledge that our business significantly affects our society and the environment. Investment decisions may lead to negative sustainability impacts.	We ensure that investment decisions made are consistent with our core values. The Company has developed an investment criteria and risk appetite highlighting a target investment's contribution to the national and fiscal economy. It also commits to continuously invest in companies that will not just make positive returns for stakeholders but will also stimulate and uplift the national and local economy. GT Capital's goal is to engage in meaningful investment ventures that contribute to nation-building and to continuously support component companies in venturing into expansion initiatives which further improve its economic contribution.

	and Economic Growth SDG No. 10 - Reduced Inequalities SDG No. 16 - Peace, Justice, and Strong Institutions		