GT CAPITAL HOLDINGS, INC.

Php10,000,000,000.00
4.8371% Seven-Year Bonds Due 2020
5.0937% Ten-Year Bonds Due 2023
Offer Price: 100% of Face Value

Issue Manager

First Metro Investment Corporation
Metrobank Group

Joint Lead Underwriters

First Metro Investment Corporation
SB Capital Investment Corporation
BDO Capital & Investment Corporation
BPI Capital Corporation

Co-Lead Underwriter

RCBC Capital Corporation

Participating Underwriter

Development Bank of the Philippines

The date of this Prospectus is February 13, 2013

ALL REGISTRATION REQUIREMENTS HAVE BEEN MET AND ALL INFORMATION CONTAINED HEREIN IS TRUE AND CURRENT.

GT CAPITAL HOLDINGS, INC.
43/F GT TOWER INTERNATIONAL
6813 AYALA AVE. CORNER H.V. DELA COSTA ST.
1227 MAKATI CITY, PHILIPPINES
TELEPHONE NUMBER: (632) 836-4500
FAX NUMBER: (632) 836-4159

GT Capital Holdings, Inc. ("GT Capital" the "Issuer" or the "Company") is offering fixed rate bonds (the "Bonds") with an aggregate principal amount of Php10,000,000,000.00. The Bonds shall be issued simultaneously in two (2) series on Issue Date: (a) the Seven-Year Bonds shall have a term ending seven (7) years from the Issue Date, or on February 27, 2020, with a fixed interest rate of 4.8371% per annum and an optional redemption on every anniversary date, or the immediately succeeding Banking Day if such date is not a Banking Day, starting on the fourth (4th) anniversary from Issue Date; and (b) the Ten-Year Bonds shall have a term ending ten (10) years from the Issue Date, or on February 27, 2023, with a fixed interest rate of 5.0937% per annum and an optional redemption on every anniversary date, or the immediately succeeding Banking Day if such date is not a Banking Day, starting on the seventh (7th) anniversary from Issue Date. Interest on the Bonds shall be payable quarterly in arrears on February 27, May 27, August 27 and November 27 of each year while the Bonds are outstanding, or the subsequent Business Day without adjustment if such Interest Payment Date is not a Business Day. The last Interest Payment Date shall fall on the relevant Maturity Date while the Bonds are outstanding (see "Description of the Bonds" – "Interest").

The Bonds shall be repaid at maturity at par (or 100% of face value) on the relevant Maturity Date, unless the Company exercises its early redemption option according to the conditions therefore (see "Description of the Bonds" – "Redemption and Purchase").

Upon issuance, the Bonds shall constitute the direct, unconditional, unsecured and unsubordinated obligations of GT Capital and shall at all times rank pari passu and ratably without any preference or priority amongst themselves and at least pari passu with all other present and future unsecured and unsubordinated obligations of GT Capital, other than obligations preferred by law. The Bonds shall effectively be subordinated in right of payment to, among others, all of GT Capital's secured debts to the extent of the value of the assets securing such debt and all of its debt that is evidenced by a public instrument under Article 2244(14) of the Civil Code of the Philippines (see "Description of the Bonds" – "Ranking").

The Bonds have been rated PRS Aaa by Philippine Rating Services Corporation ("PhilRatings"). A rating of PRS Aaa is assigned to long-term debt securities of the highest quality with minimal credit risk. A rating of PRS Aaa is the highest credit rating on PhilRatings' long-term credit rating scale. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organization.

The Bonds are offered to the public at face value through the Issue Manager and the, Underwriters named below with the Philippine Depository & Trust Corp. ("PDTC") as the Registrar of the Bonds. The Bonds shall be issued in minimum denominations of Php50,000 each, and in integral multiples of Php10,000 thereafter. The Bonds shall be traded in denominations of Php10,000 in the secondary market.

GT Capital intends to cause the listing of the Bonds on a securities exchange licensed with the SEC and has initiated discussions with the Philippine Dealing & Exchange Corporation ("PDEx") for this purpose. However, there can be no assurance that such a listing will actually be achieved either before or after the Issue Date or whether such a listing will materially affect the liquidity of the Bonds on the secondary market. Such listing would be subject to the Company's execution of a listing agreement with PDEx that may require the Company to make certain disclosures, undertakings and payments on an ongoing basis.

GT Capital expects to raise gross proceeds of Php10,000,000,000 from the offering. The net proceeds are estimated to be at least Php9,903,299,466.40 after deducting fees, commissions and expenses relating to the issuance of the Bonds. Proceeds of the Offer shall be used for general corporate requirements, which are discussed further in the section entitled "Use of Proceeds" of this Prospectus. The Underwriters shall receive a fee of up to 0.35% on the final aggregate nominal principal amount of the Bonds issued, which is inclusive of underwriting fees and fee ceding to the Participating Underwriter.

On December 17 2012, GT Capital filed a Registration Statement with the Securities and Exchange Commission ("SEC"), in connection with the offer and sale to the public of debt securities with an aggregate principal amount of Php10,000,000,000 constituting the Offer. The SEC is expected to issue an order rendering the Registration Statement effective, and a corresponding permit to offer securities for sale covering the offer.

GT Capital confirms that this Prospectus contains all material information relating to the Company, its affiliates and subsidiaries, as well as all material information on the issue and offering of and the Bonds as may be required by the applicable laws of the Republic of the Philippines. No facts have been omitted that would make any statement in this Prospectus misleading in any material respect. GT Capital confirms that it has made all reasonable inquiries with respect to any information, data and analysis provided to it by its advisors and consultants or which is otherwise publicly available for inclusion into this Prospectus. GT Capital, however, has not independently verified any or all such publicly available information, data or analysis. The Issue Manager and the Underwriters assume no liability for any information supplied herein by GT Capital. Accordingly, GT Capital accepts responsibility.

The prices of securities can and do fluctuate. Any individual security may experience upward or downward movements, and may lose all or part of its value over time. The future performance of a security may defy the trends of its past performance, and there may be a significant difference between the buying price and the selling price of any security. As such, there is an inherent risk that losses may be incurred, rather than profit made, as a result of buying and selling securities. Thus, an investment in the Bonds described in this Prospectus involves a certain degree of risk.

In deciding whether to invest in the Bonds, a prospective purchaser of the Bonds ("Prospective Bondholder") should, therefore, carefully consider all the information contained in this Prospectus, including but not limited to, several factors inherent to the Company, which includes significant competition, exposure to risks relating to the performance of the economies of other countries, and other risks relating to customer default (detailed in "Risk Factors and Other Considerations" section of this Prospectus), and those risks relevant to the Philippines vis-à-vis risks inherent to the Bonds.

No representation or warranty, express or implied, is made by the Issue Manager and the Underwriters as to the accuracy or completeness of the information contained in this Prospectus. Neither the delivery of this Prospectus nor any sale made pursuant to the Offering shall, under any circumstances, constitute a representation or create any implication that the information contained or referred to in this Prospectus is accurate, complete or correct as of any time subsequent to the date hereof or that there has been no change in the affairs of GT Capital since the date of this Prospectus.

The contents of this Prospectus are not to be considered as definitive legal, business or tax advice. Each Prospective Bondholder receiving a copy of this Prospectus acknowledges that he has not relied on the Issue Manager and the Underwriters or any person affiliated with the Issue Manager and the Underwriters, in his investigation of the accuracy of any information found in this Prospectus or in his investment decision. Prospective Bondholders should consult their own counsel, accountants or other advisors as to legal, tax, business, financial and related aspects of the purchase of the Bonds, among others. It bears emphasis that investing in the Bonds involves certain risks. It is best to refer again to the section on "Risk Factors and Other Considerations" for a discussion of certain considerations with respect to an investment in the Bonds.

No person nor group of persons has been authorized by GT Capital, the Issue Manager and the Underwriters to give any information or to make any representation concerning GT Capital or the Bonds other than as contained in this Prospectus and, if given or made, any such other information or representation should not be relied upon as having been authorized by GT Capital or the Issue Manager or the Underwriters.

GT Capital is organized under the laws of the Philippines. Its principal office is at the 43/F GT Tower International, 6813 Ayala Avenue corner H.V. Dela Costa St. 1227 Makati City, Philippines with telephone number (632) 836-4500.

ALL REGISTRATION REQUIREMENTS HAVE BEEN MET AND ALL INFORMATION CONTAINED HEREIN IS TRUE AND CURRENT.

GT CAPITAL HOLDINGS, INC.
By:

CARMELO MARIA L. BAUTISTA
President

SUBSCRIBED AND SWORN to before me this 13 FEB 2013 day of ________ 2013, affiant exhibiting to me his Passport No. XX4905567 issued on 06 November 2009 at Manila.

Doc. No. 230;
Page No. 47;
Book No. 3;
Series of 2013.

MA. DONNA V. AREVALO
Appointment No. M-495
Notary Public for Makati City
Until December 31, 2013
18th 19th & 17th Floor, Liberty Center
104 H.V. dela Costa Street
Salcedo Village, Makati City
Roll of Attorneys No.60352
PTR 3676663/Makati City/01-07-2013
IBP 908422/RSM /01-02-2013

TABLE OF CONTENTS

FORWARD-LOOKING STATEMENTS

This Prospectus contains certain "forward-looking statements". These forward-looking statements generally can be identified by use of statements that include words or phrases such as "believes," "expects," "anticipates," "intends," "plans," "foresees," or other words or phrases of similar import. Similarly, statements that describe GT Capital's objectives, plans or goals are also forward-looking statements. All such forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause actual results to differ materially from the expectations of GT Capital include, among others:

- General economic and business conditions in the Philippines;
- Holding company structure;
- Intensive capital requirements of subsidiaries and affiliates of GT Capital in the course of business;
- Increasing competition in the industries in which GT Capital's subsidiaries and affiliates operate;
- Industry risk in the areas in which GT Capital's subsidiaries and affiliates operate;
- Changes in laws and regulations that apply to the segments or industries in which GT Capital, its subsidiaries and affiliates operate;
- Changes in political conditions in the Philippines;
- Changes in foreign exchange control regulations in the Philippines; and
- Changes in the value of the Philippine Peso.

For further discussion of such risks, uncertainties and assumptions, see "*Risk Factors and Other Considerations*". Prospective purchasers of the Bonds are urged to consider these factors carefully in evaluating the forward-looking statements. The forward-looking statements included herein are made only as of the date of this Prospectus, and GT Capital undertakes no obligation to update such forward-looking statements publicly to reflect subsequent events or circumstances.

The Issue Manager and the Underwriters do not take any responsibility for, or give any representation, warranty or undertaking in relation to, any such forward-looking statement.

DEFINITION OF TERMS

In this Prospectus, unless the context otherwise requires, the following terms have the meanings set out below.

DEFINITION OF TERMS RELATED TO THE OFFER

Application to Purchase	The document to be executed by any Person or entity qualified to become a Bondholder.
Banking Day or Business Day	Shall be used interchangeably to refer to any day when commercial banks are open for business in Makati City, Metro Manila, except Saturday and Sunday or any legal holiday not falling on either a Saturday or Sunday.
Beneficial Owner	Any person (and "Beneficial Ownership" shall mean ownership by any person) who, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has or shares voting power, which includes the power to vote or to direct the voting of such security; and/or investment returns or power in respect of any security, which includes the power to dispose of, or to direct the disposition of, such security; provided, however, that a person shall be deemed to have an indirect beneficial ownership interest in any security which is held by: i. members of his immediate family sharing the same household; ii. a partnership in which he is a general partner; iii. a corporation of which he is a controlling shareholder; or iv. subject to any contract, arrangement or understanding, which gives him voting power or investment power with respect to such securities; provided, however, that the following persons or institutions shall not be deemed to be beneficial owners of securities held by them for the benefit of third parties or in customer or fiduciary accounts in the ordinary course of business, so long as such securities were acquired by such persons or institutions without the purpose or effect of changing or influencing control of the issuer: a. A broker dealer; b. An investment house registered under the Investment Houses Law; c. A bank authorized to operate as such by the Bangko Sentral ng Pilipinas; d. An insurance company subject to the supervision of the Office of the Insurance Commission; e. An investment company registered under the Investment Company Act; f. A pension plan subject to regulation and supervision by the Bureau of Internal Revenue and/or the Securities and Exchange Commission or relevant authority; and

	g.	A group in which all of the members are persons specified above.

BIR	The Bureau of Internal Revenue.
Bonds	The SEC-registered fixed-rate Peso-denominated retail bonds in the amount of Php10,000,000,000, of which shall be issued by GT Capital on February 27, 2013 and mature seven (7) years from the Issue date or on February 27, 2020 for the Seven-Year Bonds and on February 27, 2013 and mature Ten (10) years from the Issue date or on February 27, 2023 for the Ten-Year Bonds.
Bond Agreements	Shall mean the Trust Agreement between the Issuer and the Trustee, and the Registry and Paying Agency Agreement between the Issuer, the Registrar and the Paying Agent and the Underwriting Agreement between the Issuer and, Issue Manager and the Underwriters.
Bondholder	A Person whose name appears, at any time, as a holder of the Bonds in the Register of Bondholders.
BSP	Bangko Sentral ng Pilipinas
Co-Lead Underwriter	RCBC Capital Corporation, the entity appointed as the Co-Lead Underwriter for the Bonds pursuant to the Underwriting Agreement dated February 13, 2013.
Debt-to-Equity Ratio	Means the ratio of Consolidated Total Liabilities over Consolidated Stockholders' Equity of the Issuer
Government	The Government of the Republic of the Philippines
IAS	International Accounting Standards
IFRS	International Financial Reporting Standard
Interest Payment Date	For the Seven-Year Bonds, May 27, 2013 for the first Interest Payment Date and August 27, November 27, February 27, and May 27 of each year for each subsequent Interest Payment Date at which the Bonds are outstanding, or the subsequent Business Day, without adjustment if such Interest Payment Date is not a Business Day, and, for the Ten-Year Bonds, May 27, 2013 for the first Interest Payment Date and August 27, November 27, February 27, and May 27 of each year for each subsequent Interest Payment Date at which the Bonds are outstanding, or the subsequent Business Day, without adjustment if such Interest Payment Date is not a Business Day. The last Interest Payment Date shall fall on the Maturity Date of the Bonds, which is seven (7) years from Issue Date or on February 27, 2020 for the Seven-Year Bonds and which is ten (10) years from Issue Date or on February 27, 2023 for the Ten-Year Bonds .
Issue Date	February 27, 2013 or such date on which the Bonds shall be issued by GT Capital to the Bondholders

Issue Manager	First Metro Investment Corporation
Joint Lead Underwriters	The Issue Manager, SB Capital Investment Corporation, BPI Capital Corporation and BDO Capital & Investment Corporation, the entities appointed as the Joint Lead Underwriters for the Bonds pursuant to the Underwriting Agreement dated February 13, 2013.
Lead Underwriters	The Joint Lead Underwriters and the Co-lead Underwriter
Lien	Any mortgage, pledge, lien, encumbrance or similar security interest constituted on any of the Issuer’s properties for the purpose of securing its or its Affiliate’s obligations.
Majority Bondholders	At any time, the Bondholder or Bondholders who hold, represent or account for more than 50% of the aggregate outstanding principal amount of the Bonds.
Material Adverse Effect	Means a material adverse effect on (a) the ability of GT Capital to perform or comply with its material obligations, or to exercise any of its material rights, under the Bond Agreements in a timely manner; (b) the business, operations, prospects or financial condition of GT Capital; or (c) the rights or interests of the Bondholders under the Bond Agreements or any security interest granted pursuant thereto.
Master Certificate of Indebtedness	The certificate to be issued by GT Capital to the Trustee evidencing and covering such amount corresponding to the Bonds.
Maturity Date	February 27, 2020 or seven (7) years after the Issue Date for the Seven-Year Bonds and February 27, 2023 or ten (10) years after the Issue Date for the Ten-Year Bonds; provided that, in the event that any of the Maturity Dates falls on a day that is not a Business Day, the Maturity Date shall be automatically extended to the immediately succeeding Business Day.
Offer	The issuance of Bonds by GT Capital under the conditions as herein contained.
Offer Period	The period, commencing on February 14, 2013 and ending on February 20, 2013 or such other date as may be mutually agreed between the Issuer and the Issue Manager, during which the Bonds shall be offered to the public.
Participating Underwriter	Development Bank of the Philippines, the entity appointed as the Participating Underwriter for the Bonds pursuant to the Underwriting Agreement dated February 13, 2013.
PAS	Philippine Accounting Standards
Paying Agent	Philippine Depository & Trust Corporation, the party which shall receive the funds from GT Capital for payment of principal, interest and other amounts due on the Bonds and remit the same to the Bondholders based on the records shown in the Register of Bondholders.

PCD Nominee	PCD Nominee Corporation, a corporation wholly owned by the PDTC
PDEx	Philippine Dealing & Exchange Corp.
PDTC	Philippine Depository & Trust Corporation, (formerly, the Philippine Central Depository, Inc.), which provides an infrastructure post trade securities services through the operations of the central depository; and likewise provides registry services in relation to which it maintains the electronic official registry or records of title to the Bonds, in accordance with the PDTC Rules, and its successor-in-interest.
PDTC Rules	The SEC-approved rules of the PDTC, including the PDTC Operating Procedures and PDTC Operating Manual, as may be amended, supplemented, or modified from time to time.
Pesos, Php and Philippine currency	The legal currency of the Republic of the Philippines.
Philratings	Philippine Rating Services Corporation
PFRS	Philippine Financial Reporting Standards
PSE	the Philippine Stock Exchange
Register of Bondholders	The electronic record of the issuances, sales and transfers of the Bonds to be maintained by the Registrar pursuant to and under the terms of the Registry and Paying Agency Agreement.
Registrar	The Philippine Depository & Trust Corporation, being the registrar appointed by GT Capital to maintain the Register of Bondholders pursuant to the Registry and Paying Agency Agreement.
SEC	The Philippine Securities and Exchange Commission.
SEC Permit	The Permit to Sell Securities issued by the SEC in connection with the Offer.
Security	Means, with respect to any Person, any lien, pledge, mortgage, charge, hypothecation, encumbrance, or other security or preferential arrangement on or with respect to any asset or revenue of such Person
Seven-Year Bonds	The Bonds maturing on February 27, 2020
Tax Code	The Philippine National Internal Revenue Code of 1997, as amended.
Taxes	Any present or future taxes, including, but not limited to, documentary stamp tax, levies, imposts, filing and other fees or charges imposed by the Republic of the Philippines or any political subdivision or taxing authority thereof, including surcharges, penalties and interests on said taxes, but excluding final withholding tax, gross receipts tax, taxes on the overall income of the underwriter

	or of the Bondholders, value-added tax, and taxes on any gains realized from the sale of the Bonds.
Ten-Year Bonds	The Bonds maturing on February 27, 2023
Trustee	Metropolitan Bank and Trust Company – Trust Banking Group, the entity appointed by GT Capital which shall act as the legal title holder of the Bonds and shall monitor compliance and observance of all covenants of and performance by GT Capital of its obligations under the Bonds and enforce all possible remedies pursuant to such mandate.
$ or US$	United States Dollars, being the currency of the United States of America.
Underwriters	The entities appointed as the Underwriters pursuant to the Underwriting Agreement
VAT	Value-added tax.

DEFINITION OF TERMS RELATED TO THE BUSINESSES

AVID	Association of Vehicle Importers and Distributors
AXA	Philippine AXA Life Insurance Corporation
AXA APH	AXA Asia Pacific Holdings Limited, a subsidiary of the AXA Group
AXA Group	The AXA group of companies
AXA Shareholders Agreement	The shareholders agreement among AXA APH, FMIC and Ausan dated January 21, 1999 for the acquisition of the Metro Philippines Life Insurance Corporation
BPO	Business process outsourcing
CAMPI	Chamber of Automotive Manufacturers of the Philippines, Inc.
CAR	Capital adequacy ratio
CEDC	Cebu Energy Development Corporation
CEDC Contract of Services	The operation and maintenance agreement between FHIC and CEDC dated January 26, 2011
CFB	Circulating fluidized bed boiler technology
CIR	Cathay International Resources Corporation

CKD	Completely knocked down
Coal Orbis	Coal Orbis AG
COC	Certificate of Compliance, which is the permit issued by the ERC that allows a generation facility to generate electricity
Code	Philippine Insurance Code
CTS	Contracts-to-sell
DAR	Philippine Department of Agrarian Reform
DENR	Philippine Department of Environment and Natural Resources
DMTM	A multi-channel distribution network comprised of agents, bancassurance, corporate solutions and direct marketing/telemarketing
DOE	Philippine Department of Energy
DOSRI	Directors, officers, stockholders and related interests
DST	The Philippine documentary stamp tax
EPC	Engineering, procurement and construction
EPIRA	Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001, as amended from time to time, and including the rules and regulations issued thereunder
EPPAs	Electric power purchase agreements
ERC	Philippine Energy Regulatory Commission
FAMI	First Metro Asset Management, Inc.
Fed Land	Federal Land, Inc.
FHIC	Formosa Heavy Industries Corporation
FLOC	Federal Land Orix Corporation
FMIC	First Metro Investment Corporation
FMIIC	First Metro International Investment Company Limited

FMSBC	First Metro Securities Brokerage Corporation
Foundation	Metrobank Foundation, Inc.
GBH	Global Business Holdings, Inc.
GBP	Global Business Power Corporation
GCLDC	GBH Generation Cebu Limited Duration Company
Generation Subsidiaries	CEDC, PEDC, TPC, PPC and GPRI
GOF	First Metro Global Opportunity Fund, Inc.
Governance Manual	The Manual on Corporate Governance of the Company
GPIoS	Green Philippine Islands of Sustainability
GPRI	GBH Power Resources, Inc.
Grid Code	The Philippine Grid Code
GT-TACC	GT-Toyota Asian Cultural Center
HLURB	Housing and Land Use Regulatory Board, a government agency which enforces statutes affecting the real estate industry
IAG	Internal Audit Group
IBNR	The incurred but not reported death claims for AXA's group and individual businesses
IFRIC	The International Financial Interpretations Committee
IFRIC 15	International Financial Interpretations Committee's Interpretation No.15 on Agreements for the Construction of Real Estate
ISPPIA	International Standards for the Professional Practice of Internal Auditing
kW	Kilowatt, or one thousand watts
kWh	Kilowatt-hour, the standard unit of energy used in the electric power industry. One kilowatt-hour is the amount of energy that would be produced by a generator producing one thousand watts for one hour

LC	Letters of credit
Lexus Distributor Agreement	The Lexus brand distributor agreement among TMP, TMC and TMAP renewed on December 3, 2009
LGU	Local government unit
Maceda Law	Republic Act No. 6552, a Philippine statute known as the "Realty Installment Buyer Act" as amended from time to time
Management Committee	The Management Committee of MBT
MBCL	Metropolitan Bank (China) Ltd.
MBT	Metropolitan Bank & Trust Company
MBT Group	MBT along with its subsidiaries and associates
MCC	Metrobank Card Corporation
Metro Manila	The metropolitan area comprising the cities of Kalookan, Las Piñas, Makati, Malabon, Mandaluyong, Manila, Marikina, Muntinlupa, Navotas, Parañaque, Pasay, Pasig, Quezon, Valenzuela, Taguig and San Juan, which together comprise the "National Capital Region" and are commonly referred to as "Metro Manila"
Mitsui	Mitsui & Co. Ltd.
MOA	Memorandum of agreement
MRCI	Metro Remittance Center, Inc.
Named executive officers	The three most highly compensated executive officers of the Company
NEA	National Electrification Administration
NGCP	National Grid Corporation of the Philippines
NLI	Northpine Land Inc.
Non-NPC	Plants owned and operated by IPPs that supply electricity to customers other than NPC
NPAC	Non-Performing Assets Committee

NPAs	Non-performing assets
NPC	National Power Corporation
NPLs	Non-performing loans
NREB	National Renewable Energy Board
OEM	Original equipment manufacturer, a category of parts under the Toyota Distributer Agreement
OFWs	Overseas Filipino workers
Open Access	As defined in the implementing rules and regulations of the EPIRA, the system of allowing any qualified person the use of electric power transmission, and/or distribution systems, and associated facilities subject to the payment of transmission and/or distribution retail wheeling rates duly approved by the ERC
Orix	ORIX Corporation of Japan
ORIX Metro Leasing	ORIX Metro Leasing & Finance Corporation
Orix Risingsun	ORIX Risingsun Properties, Inc.
Orix Risingsun II	ORIX Risingsun Properties II, Inc.
PAS	Philippine Accounting Standards
PCIC	PBC Capital Investment Corporation
PEDC	Panay Energy Development Corporation
PEDC Contract of Services	The operation and maintenance agreement between FHIC and PEDC dated January 26, 2011
PhilCharter	Philippine Charter Insurance Corporation
PI One	Philippine Investment One (SPV-AMC), Inc.
PI Two	Philippine Investment Two (SPV-AMC), Inc.
PPC	Panay Power Corporation
PPHC	Panay Power Holdings Corporation
PPSRP	Philippine Peñablanca Sustainable Reforestation Project

PRC	The People's Republic of China
PSALM	Power Sector Assets and Liabilities Management Corporation
PSBank	Philippine Savings Bank
PSCES	Pulong Sta. Cruz Elementary School
PT Adaro	PT Adaro Indonesia
PT Sion	PT Sion Anugrah Mandiri
QAR	Quality Assurance Review
RBC	Risk-based capital
RCIT	Regular corporate income tax
ROPA	Real and other properties acquired
RPB	The regional product blueprint published by AXA which contains the AXA Group's Asian businesses' product management and development guidelines
RSK	The Risk Management Group of MBT
SALFIF	First Metro Save & Learn Fixed Income Fund, Inc.
SALMMF	First Metro Save & Learn Money Market Fund, Inc.
Samtan	Samtan Co. Ltd.
Semirara	Semirara Mining Corporation
SES	Supervision and Examination Sector of the BSP
SGV & Co	SyCip Gorres Velayo & Co., a member firm of Ernst & Young Global Limited
Shell Oil	Pilipinas Shell Petroleum Corporation
SMBC Metro	SMBC Metro Investment Corporation
SMEs	Small-and-medium-enterprises
SMFC	Sumisho Motor Finance Corporation

SMile	Safety Milestone Recognition from the Bureau of Working Conditions of the Department of Labor and Employment
SoC	Substance of Concern elements
SPI	SBC Properties, Inc.
TFSPH	Toyota Financial Services Philippines Corporation
THC	Toledo Holdings Corporation
TLI	Taal Land, Inc.
TMAP	Toyota Motor Asia Pacific Pte Ltd.
TMAP-EM	TMAP-Engineering and Manufacturing Co., Ltd.
TMC	Toyota Motor Corporation
TMP	Toyota Motor Philippines Corporation
TMPCLO	Toyota Motor Philippines Corporation Labor Organization
TMPCSU	Toyota Motor Philippines Corporation Supervisory Union
Toyota Distributor Agreement	The Toyota brand distributor agreement amongst TMP, TMC and TMAP renewed on December 3, 2009
TPC	Toledo Power Company
TPS	The Toyota Production System, TMC’s system of just-in-time production and quality control and feedback mechanisms
Treasury	MBT’s treasury operations
TSEZ	The TMP facility in Santa Rosa, Laguna, which was given special economic zone status through Presidential Proclamation No. 381
UITF	Unit investment trust funds
Union	Associated Labor Union – Trade Union Congress of the Philippines, the trade union of MBT
UP	The University of the Philippines
VaR	Value-at-Risk

WESM	Wholesale Electricity Spot Market
wheel or wheeled	The transmission of electricity

EXECUTIVE SUMMARY

The following summary is qualified in its entirety by the more detailed information and financial statements and notes thereto appearing elsewhere in this Prospectus. Because it is a summary, it does not contain all of the information that a prospective purchaser should consider before investing. Prospective investors should read the entire Prospectus carefully, including the section entitled "Risk Factors and Other Considerations" and the financial statements and the related notes to those statements included in this Prospectus.

OVERVIEW OF GT CAPITAL

GT Capital Holdings, Inc. (GT Capital) is a major Philippine conglomerate with interests in market-leading businesses across banking, real estate development, power generation, automotive, and life insurance. 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 current portfolio of businesses is well-positioned to benefit from broad-based growth in the Philippine economy in general, and from domestic consumption in particular. The current portfolio comprises directly-held interests in the following GT Capital companies:

- **Banking** – GT Capital conducts banking services through its 25.1% interest in Metropolitan Bank & Trust Company ("MBT"), a universal bank that offers corporate and commercial banking products and services throughout the Philippines. As of September 30, 2012, MBT, along with its subsidiaries and associates (the "MBT Group"), was the second largest Philippine bank by asset size, net loans and receivables, and total equity with total assets of Php954 billion, net loans and receivables of Php481 billion, and total equity of Php115.8 billion. MBT has been listed on the Philippine Stock Exchange since 1981, and as of September 30, 2012 had a market capitalization of Php195.3 billion. As of the same date, the MBT Group's Tier 1 and total adequacy ratios were 14.3% and 18.3%, respectively.

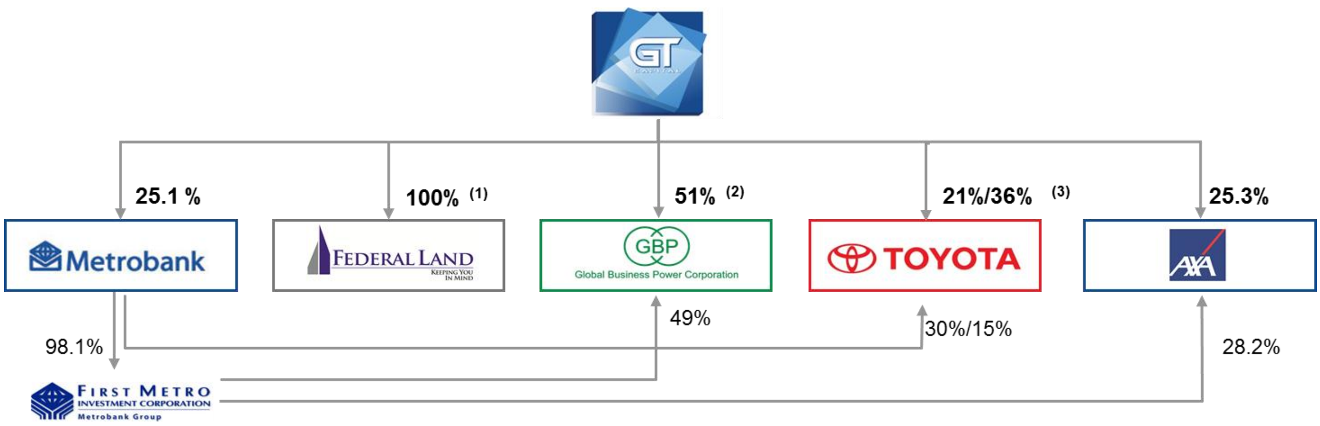
- **Real estate development** – GT Capital conducts its real estate development business through its 100% interest in its fully-consolidated subsidiary Federal Land, Inc. ("Fed Land"), which develops residential and commercial projects. On May 3, 2012, the Company executed a Deed of Absolute Sale with various selling shareholders of Fed Land to acquire the remaining 20% equity stake in Fed Land for an aggregate consideration of Php2.7 billion. The acquisition increased the direct holdings of GT Capital from 80% to 100%. Following a successful consolidation process, Fed Land is today the sole Philippine real estate development company of the Ty family. Fed Land is currently executing a comprehensive growth plan that aims to fully capitalize on the Ty family companies' 40-year track record in real estate and Fed Land's high-quality land bank and brand recognition. In 2011, Fed Land made reservation sales of 2,168 residential units with a total sales value of P9.05 billion (an increase of 114% compared to 2010 in terms of value). As of September 30, 2012, Fed Land had 31 different ongoing residential projects at various stages of completion, with a total number of units of 9,958. Fed Land's land bank as of September 30, 2012 comprised 101.8 hectares.

- **Power generation** – GT Capital conducts its power generation business through its 51.0% direct ownership in Global Business Power Corporation ("GBP"), a holding company that through its subsidiaries, is a leading independent power producer in the Visayas region, with a combined gross dependable capacity of 627 MW (480 MW attributable to GBP, net of minority interests in its subsidiaries). Panay Energy Development Corporation ("PEDC") and Cebu Energy Development Corporation ("CEDC"), GBP's two largest power generation subsidiaries, which own power plants with a combined installed capacity of 410 MW, only began commercial operations during the first quarter of 2011. The financial year ending December 31, 2012 is expected to be the first year of full contribution by these plants. For 2012, Toledo Power Corporation ("TPC), a wholly-owned subsidiary of GBP, embarked on an expansion program through an 82 MW clean coal-fired power plant, which will be in addition to its existing fuel oil plants. Plant construction is ongoing. On October 9, 2012, a memorandum of understanding between PEDC and FHIC was signed to study and finalize the reconfiguration of its current expansion plans in Panay from two 82 MW plants into one single plant with a 150 MW capacity.

- **Automotive** – GT Capital conducts its automotive business through its 36% interest in Toyota Motor Philippines ("TMP"). On December 3, 2012, GT Capital and MBT executed a Sale and Purchase Agreement whereby GT Capital acquired an additional 15% direct equity in TMP thereby increasing the Company's direct equity stake from 21% to 36%. TMP is engaged in the manufacture, importation, and wholesale distribution of Toyota brand motor vehicles in the Philippines, and is also engaged in the sale of motor vehicle parts and accessories both within the Philippines and through exports. TMP is also engaged in the distribution of Lexus brand motor vehicles in the Philippines. Every year since 2002, Toyota has been the top selling brand for both passenger cars and commercial vehicles in the Philippines, and since 1989, TMP has been number one in total sales in 21 out of 23 years. In 2011, TMP had a market share of 33.0% of total vehicle sales in the Philippines, according to data from the Chamber of Automotive Manufacturers of the Philippines ("CAMPI") and the Association of Vehicle Importers and Distributions ("AVID"). As of September 30, 2012, TMP's overall market share reached 35.1%. As the clear market leader in a key consumption sector and as exclusive manufacturer, importer, and wholesale distributor in the Philippines of the number one global automotive brand (based on Interbrand 2011 and WPP 2011 studies), TMP is ideally positioned to capitalize on the strong projected growth of the domestic automotive market.

- **Insurance** – GT Capital conducts its insurance business through its 25.3% interest in Philippine AXA Life Insurance Corporation ("AXA"), which offers personal and group insurance products in the Philippines, including life insurance and investment-linked insurance products. AXA was number one in first year premium and single premium of variable life insurance in the Philippines as of December 31, 2010. In 2011, the 'AXA' brand was the top insurance brand in the world according to Interbrand.

In addition to the direct ownership stakes set out above, GT Capital owns additional indirect stakes in GBP, TMP and AXA, as set out in the chart below.



Note:

1 *On May 3, 2012, GT Capital executed a Deed of Absolute Sale with various selling shareholders of Fed Land to acquire the remaining 20% equity stake in Fed Land for an aggregate consideration of Php2.7 billion. The acquisition increased the direct holdings of GT Capital from 80% to 100%.*

2 *On May 2, 2012, the Company exercised its option to acquire an additional 4.6% of GBP at a fixed price of Php35.00 per share. On September 12, 2012, GT Capital acquired an additional 12% of GBP at a fixed price of Php35.13 per share. The acquisitions increased GT Capital's direct equity stake in GBP to 51%.*

3 *On December 3, 2012, GT Capital and MBT executed a Sale and Purchase Agreement whereby GT Capital acquired 15% of TMP for a consideration of Php4.5 billion. This effectively increased the direct equity stake of GT Capital to TMP to 36%.*

COMPETITIVE STRENGTHS

Established market leadership across all current GT Capital Businesses

Each of the GT Capital companies is an established franchise and market leader in its respective industry sector:

- As of September 30, 2012, the **MBT Group** was the second largest Philippine bank by asset size, net loans and receivables, and total equity, with total assets of net loans and receivables of Php481.3 billion, and total capital accounts of Php115.8 billion. MBT enjoys strong brand recognition throughout the Philippines and was named the "Best Bank in the Philippines" by Euromoney for 2010, 2011 and 2012.

- **Fed Land** is one of the major developers of vertical, master-planned communities in the Philippines. Fed Land is the dedicated property development company of the Ty family in the Philippines and is currently implementing a comprehensive and sustainable growth program to fully capitalize on its expertise, land bank, and brand recognition. In 2011, Fed Land made reservation sales for 2,168 residential units with a total sales value of P9.05 billion (an increase of 114% compared to 2010 in terms of value). As of September 30, 2012, Fed Land has 31 different ongoing residential projects at various stages of completion, with a total number of 9,958 units. Fed Land's land bank as of September 30, 2012 comprised 101.8 hectares of land.

- **GBP** is one of the largest independent power producers in the Visayas, with a combined gross dependable capacity of 627 MW (480 MW attributable to GBP, net of minority interests in its subsidiaries) comprising 619.5 MW of power supplied to the Visayas grid and 7.5 MW of power supplied to Mindoro Island. With 410 MW of capacity coming on-stream during 2011 and on ongoing expansion projects, GBP is also one of the fastest growing power producers across the Philippines.

- **TMP** is the Philippines' largest automobile manufacturer and the exclusive importer and wholesale distributor in the Philippines of Toyota, the number one global automotive brand. TMP has been number one in total vehicle sales in 21 of 23 years since 1989, with a 2011 market share of 33.0% based on data from CAMPI and AVID. As of September 30, 2012, TMP's overall market share reached 35.1%. TMP received the "Excellent Quality Company" award from Toyota Motor Corporation of Japan ("TMC") in April 2011 for its outstanding performance in quality vehicle production and the "Outstanding Achievement on Productivity and Quality" award during the 2011 Kapatiran sa Industriya Awards organized by the Employers Confederation of the Philippines.

- **AXA** was number one in first year premium and single premium of variable life insurance in the Philippines as of December 31, 2010. AXA provides a diverse range of innovative products under the 'AXA' brand, which has been named as the 2011 top insurance brand in the world for the third consecutive year, according to Interbrand.

High levels of ownership in all businesses

GT Capital directly owns 100% of its fully consolidated, unlisted subsidiary Fed Land. GT Capital directly owns a 25.1% stake in MBT, with another 26.0% held by shareholders affiliated with the Ty family. GT Capital's interest in the power industry is through its fully consolidated subsidiary GBP, in which it directly owns a 51.0% stake and where a further 49.0% stake is held by FMIC, a majority-owned subsidiary of MBT. GT Capital conducts its automotive business through TMP, in which it holds a direct 36.0% stake and where a further 15% stake is held by MBT. GT Capital's involvement in the insurance business is through AXA, in which it directly owns 25.3%, while an additional 28.2% stake is held by FMIC.

Strong partnerships with leading global players

A key element of GT Capital's business model is to combine local talent and expertise with the technology and resources of leading global business partners. To this end, several of the GT Capital businesses have benefited from strong partnerships with leading global players such as AXA, Australia and New Zealand Banking Group Limited ("ANZ"), Formosa Heavy Industries Corporation ("FHIC"), Mitsui Co. Ltd. ("Mitsui"), ORIX Corporation of Japan ("Orix"), Sumitomo and TMC.

For example, in addition to its market-leading brand value, TMC has contributed a superior product range as well as excellence in manufacturing, marketing, and customer service to TMP. Meanwhile, AXA is a leading global insurance brand with recognized leadership in product design and risk management practices. FHIC, for its part, has contributed state-of-the-art coal technology to GT Capital's power business.

GT Capital believes it is a strong local business partner for global investors in search of opportunities in the Philippines. The Ty family has a well-established reputation and credibility for integrity, sound business practices, and strong corporate governance that GT Capital believes has earned it the trust and confidence of clients, suppliers, regulators and business partners, as well as strong support from the capital markets and the general investing public. Furthermore, GT Capital has a large geographic footprint in its coverage of the domestic economy as it deals with many of the key segments of the Philippine economy in Luzon, Visayas, and Mindanao. GT Capital also has an established track record of successfully growing its various businesses through both stable and volatile socio-economic and political environments. GT Capital believes that it possesses in-depth knowledge of the local business environment, including the legal, regulatory, and political landscapes, which are key considerations for any foreign investor looking to do business in the Philippines.

GT Capital believes that strategic partnerships with leading global players leverage the complementary skill sets, expertise and resources of GT Capital and its partners, while GT Capital is able to optimize time to market, market impact, customer recognition and corporate performance based on global best practices.

Experienced management teams that are consistently focused on promoting synergies across the businesses

GT Capital has an experienced management team with a proven ability to efficiently build and operate market-leading businesses, and to identify and exploit profitable growth opportunities. GT Capital's Chairman, Dr. George Ty, founded MBT in 1962, and since then has been the driving force behind the GT Capital companies and many of the successful business ventures of the Ty family.

GT Capital also believes that the GT Capital companies follow global best practices for corporate governance. For example, MBT's board of directors consists of 12 members, seven of whom are independent.

GT Capital considers active management to be a key part of its investment policy and has maintained a strict focus on recruiting and retaining strong management teams for each of its businesses. Furthermore, GT Capital's management has consistently and successfully promoted and implemented business plans across the GT Capital companies to crystallize available synergies. GT Capital believes that the market experience and knowledge that key members of its businesses management teams possess and the business relationships they have developed in the various industries in which they are involved has been, and will continue to be, an integral part of GT Capital's ability to retain and further expand its market leadership positions, to promote synergies among the GT Capital companies, and to identify profitable growth opportunities and business initiatives.

Strong financial profile based on track record of sustained and profitable growth

GT Capital and each of the GT Capital companies exhibit a strong and resilient financial profile. Over the period 2009 to 2011, growth in net income (CAGR) for each of the GT Capital companies MBT, Fed Land, GBP, TMP and AXA was 35.0%, 98.7%, 211.6%, 11.8% and 6.8%, respectively.

Diversified portfolio geared towards growth in domestic consumption and the broader Philippine economy

The Philippine economy has experienced significant growth from 2003 to 2011, with real gross domestic product ("GDP") growing at a compound rate of 5.0% per annum according to Bangko Sentral ng Pilipinas ("BSP"). The economy maintained positive growth throughout the global financial crisis of 2008-09 and according to Economic Intelligence Unit ("EIU"), real GDP growth in the Philippines is expected to continue on a strong upward trajectory, at a compound annual growth rate of 5.0% from 2011 to 2015. The Philippine economy particularly benefits from several key pillars of growth, including sustained increases in remittances from overseas Filipino workers ("OFWs") and domestic consumption, which in 2011 accounted for 71% of GDP according to BSP. Fed Land, for example, stands to benefit from strong growth in the business process outsourcing ("BPO") sector and OFW remittances by tailoring its commercial and residential real estate products to cater to these markets.

The Philippines is one of the most populous country in the world with a total population of 94.2 million as of 2011, according to BSP. According to the United Nations, as of 2010, approximately 55% of the Philippine population is below the age of 24 (the median age of the population being 22.2 years), and strong population growth is expected to continue in the future. The United Nation's medium estimate for the Philippines' population in 2030 is 126.3 million. According to the World Bank, the primary school completion rate in the Philippines in 2009 was 92% and the adult literacy rate in 2008 was 95%, both well above the worldwide 2009 averages of 88% and 84%, respectively. Overall, the Philippines have a large, growing, young and well-educated population, which provides the Philippine economy with very favorable fundamentals for further growth.

As one of the leading Philippine conglomerates with a highly diversified business portfolio, GT Capital is broadly exposed to the Philippine economy through its range of businesses spanning financial services, property development, power, automotive, and insurance. GT Capital's businesses are well positioned within industries which it believes are resilient and high growth sectors that particularly stand to benefit from the projected strong and sustained growth in Philippine domestic consumption.

RECENT DEVELOPMENTS

On April 20, 2012, the Parent Company's common shares were listed on the Philippine Stock Exchange, Inc. raising Php18.8 billion based on the offer and sale of 41,217,300 common shares at an offer price of Php455.00 per share. The offer shares consisted of 41,217,300 through a primary offering and 8,217,300 existing common shares offered by Ausan Resources Corporation and Titan Resources Corporation.

The Company received gross proceeds amounting to Php15.02 billion from the primary offering of 33,000,000 shares on April 20, 2012, and incurred Php1.16 billion IPO-related expenses.

As of September 30, 2012, the net proceeds amounting to Php 13.86 billion have been disbursed as follows: (1) Php 893 million for the acquisition of 4.6% of Global Business Power (GBP) from Global Business Holdings; (2) Php2.7 billion for the acquisition of an additional 20% stake in Federal Land, Inc.; (3) Php2.8 billion originally earmarked for the pre-payment of the Php2.00 billion Union Bank term loan and Php800.00 million partial payment of the Company's Php5.00 billion notes facility maturing in 2013, was re-allocated and used to fully settle the Php4.0 billion 5-year term loan with Metrobank, as approved by the Board of Directors on May 30, 2012, in order to save on the annual guarantee fee amounting to Php31.5 million due on June 25, 2012; (4) Php507 million for GBP's first equity call to fund the Toledo plant expansion; (5) Php3.8 billion for capital expenditures to finance the acceleration of key growth projects of Federal Land, Inc.; and (6) Php2.32 billion was used to finance the acquisition of additional 66,145,700 GBP shares representing 12% of GBP. The Company still have to fund an estimated Php1.15 billion in equity contribution to GBP representing future equity calls on the Toledo Expansion Project. The Company is planning to fund this through a combination of internally generated funds and bank loans.

On December 3, 2012, GT Capital and MBT executed a Sale and Purchase Agreement whereby GT Capital acquired an additional 15% direct equity in TMP thereby increasing its direct equity stake from 21% to 36%.

On January 10, 2013, GT Capital launched and priced an overnight private placement of 23,027,000 common shares (the "Placement") to institutional investors. Grand Titan Capital Holdings, Inc. ("Grand Titan"), which is GT Capital's controlling shareholder, sold existing shares, with a substantial portion of the proceeds received from such sale to be used to subscribe to an equivalent number of shares of GT Capital. The Placement, which was priced at Php620 per share, raised approximately Php10.1 billion of primary proceeds for GT Capital and Php4.2 billion of secondary proceeds for Grand Titan. The Placement increases the public float of the Company from 30% to approximately 40%. Majority of the primary proceeds will go towards funding the acquisition of additional shares in TMP to raise GT Capital's direct equity stake in TMP to 51%.

On January 17, 2013, GT Capital and MBT executed a Sale and Purchase Agreement whereby GT Capital acquired an additional 15% direct equity in TMP thereby increasing its direct equity stake from 36% to 51%.

STRATEGY, FUTURE PLANS AND PROSPECTS

Further strengthen GT Capital's leadership position across its existing businesses

In each of its existing businesses, GT Capital intends to further strengthen its market position by targeted strategies and investments that leverage its existing expertise, market insights, partnerships, and brand value and customer recognition:

- At MBT, there will be focused expansion on its retail portfolio, high-potential middle market segment, and on regional areas. Superior asset quality shall be maintained through enhanced NPA (non-performing assets) management and by ensuring a superior credit process. MBT will also continue focusing on low cost deposit growth and cross selling of financial products, resulting in funding efficiencies and margin support.

- At Fed Land, diversified products for middle- and high-end markets will continue to be offered. Development of master-planned communities shall likewise continue through the construction of additional residential towers at existing sites. Recurring income is to be increased by launching commercial and retail projects in key locations. Furthermore, business synergies with other GT Capital companies shall be enhanced.

- At GBP, distinct and flexible solutions will be offered for the various power requirements of clients, given the company's unique position of having both diesel- and coal-fired plants. In addition, GBP intends to market base load and peaking power as a blended rate rather than separately. This shall maximize the utilization of both types of plants, resulting in better efficiency. Maintenance schedules for the plants will be restructured thus significantly minimizing downtime.

- At TMP, there will be preparations for the "motorization" phase of the Philippine economy, which the company expects to take place in 2013. As and when the phase occurs, there will be a graduation from two-wheeled to four-wheeled vehicles in the country, which may result in substantially stronger unit sales. TMP also aims to enhance the competitive advantages of the Toyota brand and to sustain its market leadership and business growth.

- At AXA, greater brand awareness will be created, while tailor fitting product propositions to specific segment requirements. The market-leading bancassurance distribution will be further optimized together with building up agency and direct marketing initiatives. There will be continued product innovation and targeting of new customers.

Seek profitable growth opportunities in other key domestic industries via proven partnership model

GT Capital's management is focused on identifying and addressing long-term profitable business opportunities in key sectors of the economy. These include sectors where GT Capital companies are already present, such as property development and power generation. For example, Fed Land intends to capitalize on the significant future growth expected in the BPO sector by providing innovative commercial real estate solutions in key locations to potential BPO customers. In addition, GBP is currently exploring both greenfield and brownfield power generation projects, including those in the renewable energy sector such as hydroelectric. Beyond its existing business interests, GT Capital is also actively considering and evaluating new business initiatives in sectors that complement GT Capital's existing portfolio and where GT Capital will be able to contribute relevant insights, expertise and resources. Where appropriate value-enhancing business initiatives exist, GT Capital will seek to expand on its successful partnership model with recognized global industry leaders.

Consolidate GT Capital's ownership of the GT Capital companies

GT Capital is the primary vehicle for the holding and management of the various business interests of the Ty family in the Philippines. Subject to applicable laws and regulations and the conformity of its joint venture partners, GT Capital intends to acquire, over time, additional interests in current GT Capital companies, or in other companies controlled by the Ty family. Such consolidation would be consistent with GT Capital's active management approach to its portfolio and may allow an even more integrated approach among the GT Capital companies.

Further optimize synergy creation among the GT Capital companies

GT Capital's management intends to continuously seek and realize synergies among the GT Capital companies in areas including strategy, fund deployment, human resources and sharing of common IT and service platforms in order to further enhance cost efficiencies, competitive strengths and market positions across the group. Furthermore, there exist significant revenue synergies as many products and services offered by GT Capital are attractive to a common consumer target group and stand to benefit from cross-selling. For example, MBT's large depositor base represents a significant opportunity for the cross-selling of other GT Capital companies' products through coordinated efforts. In addition, mortgage products can be offered to potential purchasers of Fed Land condominium units, and the same target demographic may also be interested in automotive products (including lease financing) or life insurance-linked investment products. GT Capital aims to maximize such synergies from both existing and future business initiatives.

SUMMARY FINANCIAL INFORMATION

The following tables set forth the summary consolidated financials of the Issuer as at and for the periods indicated. The selected financial information presented below as at 31 December 2009, 2010 and 2011 and for each of the three years in the period ended 31 December 2011 has been derived from the Issuer in the period consolidated financial statements. The information set out below should be read in conjunction with, and is qualified in its entirety by reference to, the relevant consolidated financial statements of the Issuer, including the notes thereto, included elsewhere in this Prospectus. The summary financial data as of September 30, 2012 and 2011 under columns "unaudited" are derived from the Issuer's SEC 17-Q report, which are found elsewhere in this Prospectus.

Consolidated Income Statement

	Unaudited Nine Months Ended September 30		**Audited Year Ended December 31**	
(In millions, except for percentage)	**2012**	**2011**	**2011**	**2010**
REVENUE				
Equity in net income of associates - net	**3,595**	2,840	3,568	2,949
Net fees	**8,378**	–		
Real estate sales	**1,624**	1,171	2,512	2,161
Interest income on real estate sales	**212**	145	196	175
Sale of goods and services	**541**	562	764	645
Commission income	**103**	86	96	47
Rent income	**165**	179	238	198
Finance and other income	**2,086**	387	591	132
	16,704	5,370	7,965	6,307

COSTS AND EXPENSES				
Cost of real estate sales	**1,023**	790	1,554	1,365
Cost of goods and services	**475**	495	709	585
Power plant operation and maintenance	**4,729**	–	–	–
General and administrative expenses	**1,495**	694	1,110	893
Interest expense	**1,987**	684	990	282
	9,709	2,663	4,363	3,125
INCOME BEFORE INCOME TAX	**6,995**	2,707	3,602	3,182
PROVISION FOR INCOME TAX	**132**	64	148	70
NET INCOME	**6,863**	2,643	3,454	3,112
Attributable to:				
Equity holders of the GT Capital Holdings, Inc.	**5,330**	2,569	3,325	3,002
Non-controlling interest	**1,533**	74	129	110
	6,863	2,643	3,454	3,112

Consolidated Balance Sheet

	Unaudited	**Audited**	
(In Millions, except for Percentage)	**September 2012**	**December 2011**	**December 2010**
ASSETS			
Current Assets			
Cash and cash equivalents	**11,761**	455	3,065
Receivables	**6,895**	4,864	1,176
Inventories	**9,747**	11,338	7,889
Due from related parties	**1,063**	939	558
Prepayments and other current assets	**3,405**	975	752
Total Current Assets	**32,871**	18,571	13,440
Noncurrent Assets			
Noncurrent receivables	**3,978**	1,115	909
Long term investment	–	2,440	-
Deposits	**3,085**	4,085	-
Investments and advances	**39,721**	38,113	31,123
Investment properties	**5,086**	5,227	5,299
Property and equipment	**36,850**	396	431
Deferred tax assets	**163**	4	7
Other noncurrent assets	**1,214**	112	94
Total Noncurrent Assets	**90,097**	51,492	37,863
	122,968	70,063	51,303
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts and other payables	**5,740**	4,573	1,936
Current portion on purchased land	-	-	119
Short term loans payable	**2,707**	7,649	7,182
Customers' deposits	**417**	458	417
Due to related parties	**380**	403	321
Income tax payable	**38**	-	2
Other current liabilities	**2,420**	58	24
Total Current Liabilities	**11,702**	13,141	10,001

Noncurrent Liabilities			
Pension liabilities	**151**	28	24
Loans payable - non-current portion	**43,931**	19,600	9,000
Non-current portion on purchased land	-	-	398
Deferred tax liabilities	**353**	81	7
Other noncurrent liabilities	**704**	63	53
Total Noncurrent Liabilities	**45,139**	19,772	9,482
	56,841	32,913	19,483
Equity			
Equity attributable to equity holders of GT Capital			
Capital Stock	**1,580**	1,250	1,250
Additional paid-in capital	**36,694**	23,072	23,072
Retained earnings	**12,631**	7,802	5,377
Other equity adjustments	**(607)**	–	–
Other Comprehensive income	**2,059**	2,805	(90)
	52,357	34,929	29,609
Non-controlling interest	**13,770**	2,221	2,211
Total equity	**66,127**	37,150	31,820
	122,968	70,063	51,303

CAPITALIZATION AND INDEBTEDNESS

As of December 31, 2012, the Company's authorized capital stock was Php5,000,000,000.00, consisting of 500,000,000 Common Shares with a par value of Php10.00 per Common Share. As of December 31, 2012, the Company's issued and outstanding share capital amounted to Php1,580,000,000.00, which is equivalent to 158,000,000 Common Shares.

The following table sets forth GT Capital's consolidated short-term and long-term debt and capitalization as of September 30, 2012 (unaudited) and as of December 31, 2011 and 2010, respectively (audited).

	As of September 30 (Unaudited) *In Php million except for ratio*	As of December 31 (Audited) *In Php million except for ratio*	As of December 31 (Audited) *In Php million except for ratio*
	2012	**2011**	**2010**
Short-term debt	2,707	7,649	7,182
Long-term debt	43,931	19,600	9,000
Total debt	46,638	27,249	16,182
Less:			
Cash and cash equivalents	11,761	455	3,065
Net debt	34,877	26,794	13,117
Total Liabilities	56,841	32,913	19,483

Total Equity	66,127	37,150	31,820
Net debt to equity	0.53	0.72	0.41
Debt to equity	0.86	0.89	0.61

FINANCIAL SOUNDNESS INDICATORS

The following are the financial soundness indicators of the Company for the period ended September 30, 2012 and for the years ended December 31, 2011 and 2010:

		AS OF AND FOR THE PERIOD ENDED	
	SEPTEMBER 30, 2012 (Unaudited)	**DECEMBER 31, 2011 (Audited)**	**DECEMBER 31, 2010 (Audited)**
1. Liquidity Ratio			
Current Ratio	2.81	1.41	1.34
2. Solvency Ratio			
Debt to Equity Ratio	0.86	0.89	0.61
3. Asset-to-Equity Ratio	2.35	2.01	1.73
4. Interest Rate Coverage Ratio*	4.52	4.64	12.29
5. Profitability Ratios			
Return on Assets	6.7%	5.5%	6.8%
Return on Equity	15.2 %	10.3%	10.6%

*computed as EBIT/Interest Expense

SUMMARY OF THE OFFER

The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this Prospectus.

Issuer	GT Capital Holdings, Inc.
Issue Manager	First Metro Investment Corporation
Joint Lead Underwriters	First Metro Investment Corporation, SB Capital Investment Corporation, BPI Capital Corporation and BDO Capital & Investment Corporation
Co-Lead Underwriter	RCBC Capital Corporation
Participating Underwriter	Development Bank of the Philippines
Instrument	Fixed Rate Bonds (the "Bonds") constituting the direct, unconditional, unsecured and general obligations of the Issuer
Issue Amount	Php10,000,000,000.00
Use of Proceeds	For general corporate requirements
Offer Price	At par (or 100% of face value)
Form and Denomination of the Bonds	The Bonds shall be issued in scripless form in minimum denominations of Php50,000.00 each and in multiples of Php10,000.00 thereafter
Offer Period	The Offer shall commence on February 14, 2013 and end on February 20, 2013.
Issue Date	The Bonds are expected to be issued on February 27,2013.
Maturity Date	**Seven-Year Bonds:** Seven (7) years from Issue Date unless otherwise earlier redeemed by the Issuer **Ten-Year Bonds:** Ten (10) years from Issue Date unless otherwise earlier redeemed by the Issuer The Issuer has the ability to repurchase any Bonds from the secondary market on a purely voluntary basis, at any time. Any Bonds so purchased shall be redeemed and cancelled and may not be re-issued.
Interest Rate	**Seven-Year Bonds:** 4.8371% p.a. **Ten-Year Bonds:** 5.0937% p.a.
Interest Payment	Interest on the Bonds shall be calculated on a 30/360-day count basis and shall be paid quarterly in arrears
Optional Redemption	Prior to relevant Maturity Dates, the Issuer has the right, but not the obligation, to redeem (in whole but not in part) any series of the outstanding Bonds on every anniversary dates, or the immediately succeeding Banking Day if such date is not a Banking Day, starting on the fourth (4^{th}) anniversary for the Seven-Year Bonds and the Seventh (7^{th}) anniversary for the Ten-Year Bonds (the relevant Optional Redemption Dates). The Issuer shall give no less than thirty (30) nor more than sixty

(60) days prior written notice of its intention to redeem the Bonds at the relevant Optional Redemption Date stated in such notice.

The amount payable to the Bondholders in respect of the Optional Redemption exercise shall be calculated based on the principal amount of the Bonds being redeemed as the aggregate of the: (i) accrued interest computed up to the relevant Optional Redemption Date; and (ii) the product of the principal amount and the applicable Optional Redemption Price (except in case of Change in Law (see "Change in Law or Circumstance") in accordance with the following schedule:

	Optional Redemption Date	Optional Redemption Price
Seven-Year Bonds	Fourth (4th) Anniversary Date	102.0%
	Fifth (5th) Anniversary Date	101.5%
	Sixth (6th) Anniversary Date	101.0%
Ten-Year Bonds	Seventh (7^{th}) Anniversary Date	102.0%
	Eighth (8^{th}) Anniversary Date	101.5%
	Ninth (9^{th}) Anniversary Date	101.0%

Final Redemption — Except when the Optional Redemption is exercised, the Bonds will be redeemed at par or 100% of face value on Maturity Date.

Status of the Bonds — The Bonds shall constitute the direct, unconditional, unsubordinated, and unsecured obligations of GT Capital and shall at all times rank *pari passu* and rateably without any preference or priority amongst themselves and at least *pari passu* with all other present and future unsubordinated unsecured obligations of GT Capital other than obligations preferred by law.

Bond Rating — PRS Aaa by Philippine Rating Services Corporation

Bond Listing — The Bonds are intended to be listed at the Philippine Dealing & Exchange Corp. or such other securities exchange licensed as such by the SEC on which the trading of debt securities in significant volume occurs.

USE OF PROCEEDS

Based on the maximum gross proceeds of Php10,000,000,000, the estimated net proceeds to be raised by GT Capital from this Offer, will be approximately Php9,903,299,466.40 after deducting fees and other issue-related expenses.

GT Capital intends to use the net proceeds for general corporate requirements pursuant to its operations as a holding company. See section on "Use of Proceeds" for more information.

RISKS OF INVESTING

An investment in the Bonds involves a certain degree of risk. A prospective purchaser of the Bonds should carefully consider the following factors, in addition to the other information contained in this Prospectus, in deciding whether or not to invest in the Bonds.

Risks Relating to GT Capital

- GT Capital is a holding company that depends on dividends and distributions from the GT Capital companies.
- GT Capital's ability to grow its revenue in the future will depend, in part, on its ability to acquire additional companies or additional stakes in existing component companies.

- GT Capital may face risks associated with inorganic growth through acquisitions.
- Failure to obtain financing on reasonable terms or at all could affect the execution of GT Capital's growth strategies and increased debt financing may have a material adverse effect on GT Capital.
- GT Capital depends on the continued service of its senior management team, and its ability to attract and retain talented personnel.
- GT Capital's voting interests in some portfolio companies may be diluted.

Risks Relating to the Business

- Banking
- Property Development
- Automotive Manufacturing
- Power Generation
- Insurance

Risks Relating to the Country

- Any political instability in the Philippines may adversely affect GT Capital's business, results of operations and financial condition
- Acts of terrorism and violent crimes could destabilize the country and could have a material adverse effect on GT Capital's business and financial condition.
- The sovereign credit ratings of the Philippines may adversely affect GT Capital's business.
- The occurrence of natural catastrophes could adversely affect the GT Capital companies' business, financial condition and results of operations

Risks Relating to the Bonds

- Liquidity Risk
- Pricing Risk
- Retention of Ratings Risk
- Bonds have no Preference under Article 2244(14) of the Civil Code

A detailed discussion on the above enumerated risks appears on the "Risk Factors and Other Considerations" of this Prospectus. This Prospectus contains forward-looking statements that involve risks and uncertainties. GT Capital adopts what it considers conservative financial and operational controls and policies to manage its business risks. GT Capital's actual results may differ significantly from the results discussed in the forward-looking statements. See section "Forward-Looking Statements" of this Prospectus. Factors that might cause such differences, thereby making the offering speculative or risky, may be summarized into those that pertain to the business and operations of GT Capital, in particular, and those that pertain to the over-all political, economic, and business environment, in general.

RISK FACTORS AND OTHER CONSIDERATIONS

RISK FACTORS

An investment in securities involves a number of risks. The prices of securities can and do fluctuate, and any individual security may experience upward or downward movements and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities. Past performance is not a guide to future performance and there may be a large difference between the buying price and the selling price of these securities. Investors deal with a range of investments, each of which may carry a different level of risk. Investors should carefully consider all the information contained in this Prospectus, including the risk factors described below and elsewhere in this Prospectus, before deciding to invest in the Bonds.

This section does not purport to disclose all of the risks or other significant aspects of investing in the Bonds. The occurrence of any of the events discussed below and any additional risks and uncertainties not presently known to the Company or that are currently considered immaterial could have a material adverse effect on the Company's business, results of operations, financial condition and prospects and on the Bonds and the investors may lose all or part of their investment. Investors may request publicly available information on the Bonds and the Company from the Philippine SEC and PSE.

An investor should seek professional advice if he or she is uncertain of, or has not understood, any aspect of this offer or the nature of risks involved in purchasing, holding, and trading the Bonds. Each investor should consult his or her own counsel, accountant, and other advisors as to legal, tax, business, financial and related aspects of an investment in the Bonds.

The risk factors discussed in this section are of equal importance and are only separated into categories for easy reference.

RISKS RELATING TO GT CAPITAL

GT Capital is a holding company that depends on dividends and distributions from the GT Capital companies.

GT Capital is a holding company and conducts no independent business operations other than providing certain corporate and other support services to the GT Capital companies. GT Capital conducts most of its operations through the GT Capital companies. Most of its assets are held by, and most of its earnings and cash flows are attributable to, the GT Capital companies. GT Capital's liquidity, ability to pay interest and expenses, meet obligations and providing funds to its subsidiaries are dependent upon the flow of funds from the GT Capital companies. There can be no assurance that the GT Capital companies will generate sufficient earnings and cash flows to pay dividends or otherwise distribute sufficient funds to GT Capital to enable it to meet its own financial obligations.

The ability of direct and indirect subsidiaries of GT Capital to pay dividends to its shareholders is subject to applicable laws and restrictions contained in debt instruments of such subsidiaries and may also be subject to deduction of taxes. No assurance can be given that GT Capital will have sufficient cash flow from dividends to satisfy its own financial obligations or to make payments to the GT Capital companies to enable them to meet their obligations. Any shortfall would have to be made up from other sources of revenue, such as a sale of investments or financing, available to GT Capital, which could materially and adversely affect GT Capital's business, financial condition and results of operations.

GT Capital's ability to grow its revenue in the future will depend, in part, on its ability to acquire additional companies or additional stakes in existing component companies.

As part of its business strategy, GT Capital has acquired and expects to continue to acquire businesses and assets in the Philippines, including additional stakes in existing component companies. No assurance can be given as to the timing of any additional acquisitions, or the likelihood that GT Capital will complete a transaction on favorable terms and conditions, or at all. GT Capital ability to continue to expand successfully through acquisitions or alliances depends on many factors, including GT Capital ability to identify new targets and to negotiate, finance and close the acquisitions.

Furthermore, certain sectors in which the GT Capital companies operate, or may in the future operate, are undergoing consolidation, and several parties may compete for a given opportunity. In respect of these opportunities, some of GT Capital's competitors may have greater resources, financial or otherwise, which could reduce the likelihood that GT Capital will successfully complete desirable acquisitions. In addition, for acquisitions within certain sectors, such as public utilities, GT Capital's bid may be subject to regulatory approval processes, which GT Capital may not be able to complete on a timely basis, or at all.

GT Capital may face risks associated with inorganic growth through acquisitions.
Growth through acquisitions involve business risks, including unforeseen contingent risks or latent business liabilities that may only become apparent after the acquisition is finalized, successful integration and management of the acquired entity within GT Capital, retention of key personnel, ability to realize synergies with other GT Capital companies, and management of a larger business. Acquisitions could also materially increase GT Capital's costs or liabilities and divert management from its other business activities. If GT Capital is unable to successfully manage and grow any future acquisitions, its business, financial condition and results of operations could be adversely affected.

Failure to obtain financing on reasonable terms or at all could affect the execution of GT Capital's growth strategies and increased debt financing may have a material adverse effect on GT Capital.

GT Capital ability to make strategic investments and acquisitions may depend on external fundraising activities, including debt and equity financing. GT Capital's ability to raise additional equity financing from non-Philippine investors is subject to prevailing market risks and foreign ownership restrictions imposed by the Philippine Constitution and applicable laws. GT Capital's access to debt financing for new projects and acquisitions and its ability to refinance maturing debt is subject to many factors, some of which are outside of GT Capital's control. For example, political instability, economic downturns, liquidity of the U.S. dollar and Peso debt capital and the banking market, social unrest or changes in the GT Capital companies' regulatory environments could increase GT Capital's cost of borrowing or restrict GT Capital's ability to obtain debt financing. GT Capital cannot guarantee that it will be able to arrange financing on acceptable terms, if at all. The inability of GT Capital to obtain debt financing from banks and other financial institutions would adversely affect its ability to execute its growth strategies or refinance maturing debt.

In addition, any future debt incurred by GT Capital may:

- increase GT Capital's vulnerability to adverse economic and industry conditions, limit GT Capital's flexibility to react to changes in the sectors in which its companies operate, and place GT Capital at a competitive disadvantage in relation to competitors that have less debt;
- restrict GT Capital's ability to make additional capital expenditures;
- require GT Capital to dedicate a substantial portion of its cash flow to service debt payments; and/or
- subject GT Capital companies to restrictive financial and other covenants, including restrictions on the ability of GT Capital companies to declare dividends or incur additional indebtedness.

Any of these factors, alone or together, could materially and adversely affect GT Capital's business, financial condition or results of operations.

GT Capital depends on the continued service of its senior management team, and its ability to attract and retain talented personnel.
GT Capital is, and will continue to be, dependent on the continued service of its senior management team, including members of the Ty family, whose details are set out in "Board of Directors and Senior Management". GT Capital's senior management team is critical to GT Capital's success and the loss of the services of any key member of the team could materially impair GT Capital's operations and impede the execution of its strategies. GT Capital does not carry key person insurance and may not be able to replace members of its senior management within a reasonable period of time or with a person of equivalent expertise and experience, which could materially and adversely affect GT Capital's business, financial condition and results of operations.

GT Capital's corporate structure, which consists of a number of companies in multiple business lines, exposes GT Capital to challenges not found in companies with a single business line.
GT Capital consists of portfolio companies operating in multiple industries, including some publicly-traded companies with unrelated businesses. Due to the diverse characteristics of GT Capital's portfolio companies, GT Capital faces challenges not found in companies with a single business line. In particular:

- GT Capital is exposed to business and market risks relating to different industries. GT Capital needs to devote substantial resources to monitor changes in different operating environments so that it can react with appropriate strategies that fit the needs of the portfolio companies affected.

- Some of the GT Capital companies are subject to stringent government regulation, including MBT and the Philippine Savings Bank ("PSBank"), which are regulated by the BSP, AXA, which is regulated by the Philippine Insurance Commission, and GBP, which is regulated by the Philippine Energy Regulatory Commission ("ERC") and the Philippine Department of Energy ("DOE"). Pursuant to existing regulations, such portfolio companies are required to obtain licenses and comply with regulations, obtain permission to engage in certain activities, and maintain certain operating and financial standards. The large number of regulators and regulatory regimes impacting the GT Capital companies' businesses requires a significant amount of GT Capital management's time and effort to understand and oversee the regulatory compliance of its portfolio companies.

- Due to GT Capital's large number of portfolio companies, its success requires an effective management system that emphasizes accountability, imposes financial discipline on portfolio companies, and creates value-focused incentives for management.

- As MBT, PSBank and FMIC are publicly traded, transfers of funds into or out of these companies are subject to various regulatory restrictions. Intra-group transactions may also be subject to applicable disclosure and other regulatory requirements, such as issuing press notices, securing shareholders' approval at general meetings, and disclosing material information in annual reports and accounts.

The failure of GT Capital to meet the challenges mentioned above could materially and adversely affect GT Capital's business, financial condition and results of operations.

GT Capital's reputation may be affected by the operations of some of its portfolio companies.
Actions taken that adversely impact the reputation of one GT Capital company may also have an adverse impact on other GT Capital companies or GT Capital as a whole. Several of the GT Capital companies cross-sell products and coordinate marketing campaigns that associate them with other GT Capital companies. If GT Capital's, or any GT Capital companies', reputation or corporate image were to suffer, GT Capital's business, financial condition and results of operations would be materially and adversely affected.

The interests of the joint venture partners of the GT Capital companies may conflict with the interests of GT Capital and its shareholders.
A significant proportion of GT Capital's operations are held through joint venture or other similar structures between a GT Capital company and third parties. For example, TMP is a joint venture with TMC and Mitsui.

Also, GBP is a member of several joint venture partnerships, such as Cebu Energy Development Corporation ("CEDC"), for the development and operation of power generation facilities.

These relationships and any similar future relationships subject GT Capital and the GT Capital companies to the risk that the interests of their joint venture partners may conflict with the interests of GT Capital and its shareholders. For instance, the GT Capital companies' joint venture partners may:

- have economic or business interests or goals that are inconsistent with those of GT Capital and its shareholders;

- take actions contrary to the instructions or requests of or contrary to the policies and objectives of GT Capital and its shareholders;

- be unable or unwilling to fulfill their obligations under the relevant joint venture or shareholders' agreements;

- experience financial difficulties;

- have disputes with GT Capital or the GT Capital companies; or

- decide against renewal of the relevant joint venture agreement, and partner with a competitor of GT Capital.

A serious dispute with the joint venture partners of GT Capital and the GT Capital companies, the dissolution of the joint venture or the early termination of the respective arrangements or agreements with the joint venture partners could materially and adversely affect GT Capital's business, financial condition and results of operations.

GT Capital's voting interests in some portfolio companies may be diluted.
Some of GT Capital's portfolio companies may from time to time require additional capital to achieve their expansion plans or other business objectives, and may issue additional shares or other equity securities to meet their capital needs. GT Capital may choose not to, or be unable to, subscribe for the securities offered in any such additional issuances by GT Capital's portfolio companies. If GT Capital fails to subscribe for additional securities of a portfolio company on a pro rata basis, GT Capital's equity interest in the company will be diluted. A dilution in GT Capital's equity interest in a portfolio company would reduce its share of the profits earned by such portfolio company, which could materially and adversely affect GT Capital's business, financial condition and results of operations.

Further, if GT Capital's ownership were reduced significantly, this may cause its representation on such company's board of directors to be reduced, or otherwise reduce its ability to direct or influence the operations of that company.

RISKS RELATING TO THE BUSINESS

GT Capital is an investment holding company that conducts its business through its five component companies, which operate in their respective sectors, namely banking, property development, automotive manufacturing, power generation, and insurance. Each of these sectors is exposed to intrinsic risks, as follows:

Banking
The Philippine banking industry remains highly competitive, and increases in competition may result in declining margins. In addition, the industry operates in a very mature, highly regulated market. It also continues to face significant financial and operating challenges. These challenges include, among others, variations of asset and credit quality, low loan growth, and potential or actual under-capitalization.

Fresh disruptions in the country's financial sector, or general economic conditions in the Philippines may cause the banking sector to experience similar challenges that it had to contend with in the past, including substantial increases in NPLs, problems meeting capital adequacy requirements, liquidity problems, and other difficulties.

Property Development

The Philippine property development industry is highly regulated. The development of condominium projects, subdivisions, and other residential projects is subject to a wide range of government regulations, which, while varying from one locality to another, typically include zoning considerations as well as the requirement to procure a variety of environmental and construction-related permits.

Furthermore, developers, owners of, or dealers in real estate projects are required to obtain licenses to sell before making sales or other dispositions of condominium units, subdivision lots, and housing units. Project permits and any license to sell may be suspended, cancelled, or revoked by the HLURB based on its own findings or upon complaint from an interested party and there can be no assurance that developers will in all circumstances, receive the requisite approvals, permits or licenses or that such permits, approvals or licenses will not be cancelled or suspended. Any of the foregoing circumstances or events could affect the developers' ability to complete projects on time and within budget, and could materially and adversely affect their business, financial condition, and results of operations.

In addition, under PFRS, real estate companies are allowed to recognize revenues from construction of real estate based on a percentage of completion method, wherein portions of the sales price is recognized as revenue once a certain percentage of payment has been received from buyers, but before the real estate project's construction has been completed. However, the International Financial Interpretations Committee's ("IFRIC") Interpretation No. 15 on Agreements for the Construction of Real Estate ("IFRIC 15"), which will take effect in 2015 with retroactive effect for one year, will require real estate companies to recognize, subject to certain exceptions, revenue from real estate only when construction of the real estate asset has been completed. Once real estate companies begin to account for revenues from its real estate sales under IFRIC 15, amounts recorded for certain items in their financial statements, such as gross and net income, as well as receivables, may be materially affected.

Automotive Manufacturing

The Philippine automotive market has been subject to considerable volatility in demand and 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 the financial condition and results of operations of participating companies.

The country's automotive market is also highly competitive. 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. 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.

Moreover, the industry is subject to various stringent 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, and vehicle performance. The Government also imposes tariffs, taxes, and levies.

Power Generation

Power generation in the Philippines is a highly regulated industry. The operation of power generation facilities is subject to a broad range of safety, health, and environmental laws and regulations. These laws and regulations impose controls on air and water discharges, on the storage, handling, discharge, and disposal of fuel, and employee exposure to hazardous substances and other aspects of the operations of these facilities and businesses. Companies in the industry have incurred, and expect to continue to incur, operating costs to comply with such laws and regulations. In addition, they have made and expect to continue to make capital expenditures on an ongoing basis to comply with safety, health and environmental laws and regulations. The discharge of hazardous substances or other pollutants into the air, soil, or water may cause companies to be liable to third parties, the Government or the LGUs with jurisdiction over the areas where company facilities are located. Companies may be required to incur costs to remedy the damage caused by such discharges or pay fines or other penalties for non-compliance.

Moreover, power generation facilities may be potential targets of terrorist activities, as well as subject to events occurring in response to or in connection with them, that could result in full or partial disruption of the ability to generate electricity. Strategic targets, such as energy-related facilities, may be at greater risk of future terrorist activities than other domestic targets.

Insurance

The country's life insurance industry could experience catastrophic losses from large-scale losses of life that may have an adverse impact on its business, results of operations and financial condition. Such catastrophes can be caused by various events, including terrorist attacks, earthquakes, typhoons, floods, tsunamis, fires, and epidemics.

The industry is also highly regulated. The Philippine Insurance Commission ("IC"), in exercising its authority, is given wide discretion to administer applicable laws. The IC's regulations provide for, among other matters, assets, liabilities, and solvency margins of insurers; reporting requirements of life insurance providers; licensing of insurance agents; investment restrictions for life insurance providers; and advertising, sale and distribution of insurance products.

The Philippines' insurance regulatory regime is undergoing significant changes toward a more transparent regulatory process and a convergent movement toward international standards. Some of these changes may result in additional costs or restrictions on the activities and initiatives of insurance companies. Among other things, changes to determination of statutory reserves and solvency requirements may affect these companies' income and the amount of capital they are required to maintain. Because the terms of insurance products are subject to insurance as well as tax regulations, changes in regulations – in particular tax regulations and its rulings – may affect underlying costs in the products, thus impacting the profitability of the policies and contracts issued.

Furthermore, the Philippine insurance market may not grow at the rate anticipated by insurance firms. This may be the case even though industry participants expect insurance penetration rates to rise with the growth of the Philippine economy and household wealth, continued social welfare reform, demographic changes, and the continued opening of the Philippine insurance market to foreign participants. The impact on the Philippine insurance industry of certain trends and events, such as the pace of economic growth in the Philippines and the progression of economic reforms is generally prospective and is not clear. Consequently, the growth and development of the Philippine insurance market are subject to a number of uncertainties that are beyond the control of insurance companies. Any reduction of growth in the insurance industry as compared to estimates could materially and adversely affect the business, financial condition, or results of operations of insurance firms.

RISKS RELATING TO THE PHILIPPINES

Substantially all of the GT Capital companies' business activities and assets are based in the Philippines, which exposes GT Capital to risks associated with the country, including the performance of the Philippine economy.

Historically, the GT Capital companies have derived substantially all of their revenues and operating profits from the Philippines and, as such, their businesses are highly dependent on the state of the Philippine economy. Demand for banking services, residential real estate, automotives, electricity and insurance are all directly related to the strength of the Philippine economy (including its overall growth and income levels), the overall levels of business activity in the Philippines as well as the amount of remittances received from OFWs and overseas Filipinos. Factors that may adversely affect the Philippine economy include:

- decreases in business, industrial, manufacturing or financial activities in the Philippines, the Southeast Asian region or globally;
- scarcity of credit or other financing, resulting in lower demand for products and services provided by companies in the Philippines, the Southeast Asian region or globally;
- exchange rate fluctuations;
- inflation or increases in interest rates;
- levels of employment, consumer confidence and income;
- changes in the Government's fiscal and regulatory policies;
- re-emergence of SARS, avian influenza (commonly known as bird flu), or H1N1, or the emergence of another similar disease in the Philippines or in other countries in Southeast Asia;
- natural disasters, including but not limited to tsunamis, typhoons, earthquakes, fires, floods and similar events;
- political instability, terrorism or military conflict in the Philippines, other countries in the region or globally; and
- other social, political or economic developments in or affecting the Philippines.

There can be no assurance that the Philippines will achieve strong economic fundamentals in the future. Changes in the conditions of the Philippine economy could materially and adversely affect GT Capital's business, financial condition and results of operations.

Any political instability in the Philippines may adversely affect GT Capital's business, results of operations and financial condition.

The Philippines has from time to time experienced political and military instability. Under the previous administration, allegations of corruption and other misconduct brought about a series of public protests and failed military uprisings. The May 2010 elections brought in the administration of President Benigno S. Aquino III. Despite high popularity ratings, strong congressional and military support and a persistent anti-corruption campaign, there is no assurance that political stability in the country will be maintained. Leadership change and shifting political alliances could alter national and local political dynamics and result in changes of policies and priorities. In addition, organized armed threats from communist insurgents and Muslim separatists persist in certain parts of the country. Any of these political risks could materially and adversely affect GT Capital's business, financial condition and results of operations.

Acts of terrorism and violent crimes could destabilize the country and could have a material adverse effect on GT Capital's business and financial condition.

The Philippines has been subject to a number of terrorist attacks since 2000. In recent years, the Philippine army has also been in conflict with the Abu Sayyaf organization, which has ties to the al-Qaeda terrorist network, and has been identified as being responsible for certain kidnapping incidents and other terrorist activities, particularly in the southern part of the Philippines. Moreover, isolated bombings have taken place in the Philippines in recent years, mainly in cities in that part of the country. On January 25, 2011, a bomb was detonated on a bus in the northern city of Makati, Metro Manila, killing five persons. Although no one has claimed responsibility for these attacks, it is believed that the attacks were the work of various separatist groups, possibly including the Abu Sayyaf organization. An increase in the frequency, severity or geographic reach of these terrorist acts could destabilize the Philippines, and adversely affect the country's economy.

There have also been a number of violent crimes in the Philippines, including the August 2010 incident involving the hijacking of a tour bus carrying 25 Hong Kong tourists in Manila, which resulted in the deaths of eight tourists. High-profile violent crimes have, in the past, had a material adverse effect on investment and confidence in, and the performance of, the Philippine economy.

The sovereign credit ratings of the Philippines may adversely affect GT Capital's business.

As of November 30, 2012, the Philippines did not have an investment grade rating for its sovereign debt. The Philippines' sovereign debt rating is Ba1 and BB+ by Moody's and Standard & Poor's Rating Services, respectively. The sovereign credit ratings of the Government directly and adversely affect companies resident in the Philippines as international credit rating agencies issue credit ratings by reference to that of the sovereign. No assurance can be given that Moody's, Standard & Poor's Rating Services or any other international credit rating agency will not downgrade the credit ratings of the Government in the future and, therefore, of Philippine companies, including GT Capital. Any of such downgrades could have an adverse impact on the liquidity in the Philippine financial markets, the ability of the Government and Philippine companies, including GT Capital, to raise additional financing and the interest rates and other commercial terms at which such additional financing is available.

The occurrence of natural catastrophes could adversely affect the GT Capital companies' business, financial condition and results of operations.

The Philippines has experienced a number of major natural catastrophes over the years, including typhoons, floods, volcanic eruptions and earthquakes that may materially disrupt and adversely affect the GT Capital companies' business operations. In particular, damage caused by natural catastrophes may materially disrupt the business operations of the GT Capital companies' customers, suppliers and partners, which may, in turn, materially and adversely affect GT Capital's business, financial condition and results of operations. There can be no assurance that the GT Capital companies are fully capable of dealing with these situations as they arise and that the insurance coverage they maintain will fully compensate them for all the damages and economic losses resulting from these catastrophes.

RISKS RELATING TO THE BONDS

Liquidity Risk

The Philippine debt securities markets, particularly the market for corporate debt securities are substantially smaller, less liquid and more concentrated than other securities markets. The Company cannot guarantee whether an active trading market for the Bonds will develop or if the liquidity of Bonds will be sustained throughout its life. Even if the Bonds are listed on the PDEx, trading in securities such as the Bonds may be subject to extreme volatility at times, in response to fluctuating interest rates, developments in local and international capital markets and the overall market for debt securities among other factors. There is no assurance that the Bonds may be easily disposed of at prices and volumes at instances best deemed appropriate by their holders.

Pricing Risk

The market price of the Bonds will be subject to market and interest rate fluctuations, which may result in the investment being appreciated or reduced in value. The Bonds when sold in the secondary market will be worth more if interest rates decrease since the Bonds will have a higher interest rate, relative to similar debt instruments being offered in the market, further increasing demand for Bonds. However, if interest rates increase, the Bond might be worth less when sold in the secondary market. Thus, a Bondholder could face possible losses if he decides to sell in the secondary market.

Retention of Ratings Risk
There is no assurance that the rating of the bonds will be retained throughout the life of the Bonds. The rating is not a recommendation to buy, sell, or hold securities and may be subject to revision, suspension, or withdrawal at any time by the assigning rating organization.

Bonds have no Preference under Article 2244(14) of the Civil Code
No other loan or other debt facility currently or to be entered into by the Issuer shall have preference of priority over the Bonds as accorded to public instruments under Article 2244(14) of the Civil Code of the Philippines, and all banks and lenders under any such loans or facilities that are notarized have waived the right to the benefit of any such preference or priority. However, should any bank or bondholder hereinafter have a preference or priority over the Bonds as a result of notarization, then the Issuer shall at the Issuer's option, either procure a waiver of the preference created by such notarization or equally and ratably extend such preference to the Bonds.

USE OF PROCEEDS

Based on the maximum gross proceeds of Php10,000,000,000, the estimated net proceeds to be raised by GT Capital from this Offer, will be approximately Php 9,903,299,466.40, detailed as follows:

Gross Proceeds	Php10,000,000,000.00
Less: Estimated Expenses	
Documentary Stamp Tax	50,000,000.00
SEC Registration and Legal Research Fee	3,093,125.00
SEC Publication Fee	100,000.00
Underwriting Fees	37,634,408.60
Rating Fees	3,808,000.00
Professional Expenses	1,000,000.00
Listing Application Fee	200,000.00
Trustee Fees	15,000.00
Paying Agency and Registry Fees	150,000.00
Printing, Marketing and other related expenses	700,000.00
Net Proceeds	**Php 9,903,299,466.40**

Aside from the one-time costs enumerated above, the Company will be paying the following estimated annual expenses related to the Bonds:

1. PhilRatings annual monitoring fee of Php560,000.00 (VAT-inclusive);
2. Metropolitan Bank and Trust Company – Trust Banking Group, as trustee to the Bondholders, annual retainer fee of Php100,000.00 net of tax;
3. PDTC registry maintenance annual fee of Php254,000.00;
4. PDTC paying agent annual fee of Php275,000.00; and
5. PDEx annual listing maintenance fee of Php300,000.00.

The net proceeds will be utilized for general corporate requirements which may include, but shall not be limited to, any or all of the following: (1) GBP – to fund various equity calls for the ongoing plant expansion projects, as described in section "The Company under Business - GBP" of this Prospectus amounting up to Php5.8 billion composed of the Toledo plant (Php1.9 billion) which is expected to be completed within the year, and the Panay plant (Php3.9 billion) which is expected to be completed within 2014; and (2) Corporate notes refinancing amounting to Php4.2 billion due on November 25, 2013 carrying interest rates ranging from 4.9638% to 5.225% of the Parent Company amounting up to Php4.2 billion.

Pending the above uses, the Company intends to invest the net proceeds in short term liquid investments including but not limited to short term money market placements, government securities, and bank deposits which are expected to earn prevailing market rates.

In the event of any deviation /adjustment in the use of proceeds, the Company shall inform the SEC and the stockholders within 30 days prior to its implementation.

PLAN OF DISTRIBUTION

GT Capital plans to issue the Bonds on a lump-sum basis through designated Underwriters.

UNDERWRITING OBLIGATIONS OF THE UNDERWRITERS

First Metro Investment Corporation, SB Capital Investment Corporation, BPI Capital Corporation, BDO Capital & Investment Corporation and RCBC Capital Corporation (collectively referred to as the "Lead Underwriters"), and the Development Bank of the Philippines (referred to as the "Participating Underwriter") pursuant to an Underwriting Agreement with GT Capital (the "Underwriting Agreement") executed on February 13, 2013, have agreed to act as the Underwriters for the Offer and as such, distribute and sell the Bonds at the Issue Price, and have also committed to underwrite up to Ten Billion Pesos (Php10,000,000,000.00) on a firm basis, in either case subject to the satisfaction of certain conditions and in consideration for certain fees and expenses.

First Metro Investment Corporation is the sole Issue Manager for this transaction.

The Underwriters will receive a fee of up to 35 basis points (0.35%) on the underwritten principal amount of the Bonds issued. Such fee shall be inclusive of underwriting and participation commissions.

The amounts of the commitments of the Underwriters are as follows:

First Metro Investment Corporation	Php 2,437,500,000.00
SB Capital Investment Corporation	2,242,500,000.00
BDO Capital & Investment Corporation	1,950,000,000.00
BPI Capital Corporation	1,950,000,000.00
RCBC Capital Corporation	1,170,000,000.00
Development Bank of the Philippines	250,000,000.00
Total	Php10,000,000,000.00

There is no arrangement for the Underwriters to put back to GT Capital any unsold Bonds. The Underwriting Agreement may be terminated in certain circumstances prior to payment being made to GT Capital of the net proceeds of the Bonds. The Underwriters are duly licensed by the SEC to engage in underwriting or distribution of the Bonds. The Underwriters may, from time to time, engage in transactions with and perform services in the ordinary course of its business for GT Capital or other members of the GT Capital Group of which GT Capital forms a part.

Except for First Metro, the Underwriters have no direct relations with GT Capital in terms of ownership by either of their respective major stockholder/s. First Metro is a 98.06% owned subsidiary of Metrobank (as of September 30, 2012), an affiliate of GT Capital, which has an effective ownership of 25.1% in Metrobank as of September 30, 2012.

None of the Underwriters has the right to designate or nominate a member of the Board of GT Capital.

SALE AND DISTRIBUTION

(a) The distribution and sale of the Bonds shall be undertaken by the Underwriters who shall sell and distribute the Bonds to third party buyers/ investors. Nothing herein shall limit the rights of the Underwriters from purchasing the Bonds for their own respective accounts.
(b) The obligations of each of the Underwriters will be several, and not joint and solidary and nothing in the Underwriting Agreement shall be deemed to create a partnership or joint venture between and among any of the Underwriters. Unless otherwise expressly provided in the Underwriting Agreement, the failure by any of the Underwriters to carry out its obligations thereunder shall not relieve any other

Underwriter of its obligations thereunder, nor shall any Underwriter be responsible for the obligations of any other Underwriter thereunder.

DESIGNATED SHARES AND ALLOCATIONS

Each Underwriter may take on any portion of the Issue, as determined by GT Capital, but no obligation to do so over the amount set out on the previous page.

TERM OF APPOINTMENT

The engagements of the Underwriters, as well as the Issue Manager shall subsist so long as the SEC Permit remains valid, unless otherwise terminated by GT Capital, the Issue Manager or the Underwriters.

MANNER OF DISTRIBUTION

The Underwriters shall, at their discretion, determine the manner by which proposals for subscriptions to, and issuances of, Bonds shall be solicited, with the primary sale of Bonds to be effected only through the Underwriters.

OFFER PERIOD

The Offer Period shall commence on February 14, 2013 and end on February 20, 2013.

APPLICATION TO PURCHASE

Applicants may purchase the Bonds during the Offer Period by submitting to the Underwriters a properly completed Application to Purchase, together with two (2) signature cards, and the full payment of the purchase price of the Bonds in the manner provided therein. Corporate and institutional applicants must also submit, in addition to the foregoing, a copy of their SEC Certificate of Registration of Articles of Incorporation and By-Laws, Articles of Incorporation, By-Laws, and the appropriate authorization by their respective boards of directors and/or committees or bodies authorizing the purchase of the Bonds and designating the authorized signatory(ies) thereof. Individual applicants must also submit, in addition to the foregoing, a clear signature-bearing and photo-bearing copy of any one of the following government issued identification cards ("ID"): tax identification number (TIN), passport/driver's license/postal ID, SSS/GSIS ID and/or Senior Citizen's ID.

A corporate and institutional investor who is exempt from or is not subject to withholding tax shall be required to submit the following requirements to the Registrar, subject to acceptance by the Issuer as being sufficient in form and substance: (i) a copy of the tax exemption certificate, ruling or opinion issued by the Bureau of Internal Revenue addressed to the applicant confirming the exemption or preferential rate and certified by an authorized officer of the applicant as being a true copy of the original on file with the applicant; (ii) a duly notarized undertaking, in the prescribed form, declaring and warranting the applicant's tax exempt status, undertaking to immediately notify the Issuer and the Registrar of any suspension or revocation of the tax exemption certificates and agreeing to indemnify and hold the Issuer and the Registrar and Paying Agent free and harmless against any claims, actions, suits, and liabilities resulting from the non-withholding of the required tax; and (iii) such other documentary requirements as may be required under the applicable regulations of the relevant taxing or other authorities, *provided further*, that all sums payable by the Issuer to tax exempt entities shall be paid in full without deductions for taxes, duties assessments or government charges subject to the submission by the Bondholder claiming the benefit of any exemption of reasonable evidence of such exemption to the Registrar.

Completed Applications to Purchase and corresponding payments must reach the Underwriters prior to the end of the Offer Period, or such earlier date as may be specified by the Underwriters. Acceptance by the Underwriters of the completed Application to Purchase shall be subject to the availability of the Bonds and the acceptance by GT Capital. In the event that any check payment is returned by the drawee bank for any reason whatsoever, the Application to Purchase shall be automatically canceled and any prior acceptance of the Application to Purchase is deemed revoked.

MINIMUM PURCHASE

A minimum purchase of Fifty Thousand Pesos (Php50,000.00) shall be considered for acceptance. Purchases in excess of the minimum shall be in integral multiples of Ten Thousand Pesos (Php10,000.00).

ALLOTMENT OF THE BONDS

If the Bonds are insufficient to satisfy all Applications to Purchase, the available Bonds shall be allotted in accordance with the chronological order of submission of properly completed Applications to Purchase on a first-come, first-served basis, subject to GT Capital's right of rejection.

REFUNDS

If any application is rejected or accepted in part only, the application money or the appropriate portion thereof will be returned without interest to such applicant through the relevant Underwriter from whom such application to purchase the Bonds was made.

UNCLAIMED PAYMENTS

Any payment of interest on, or the principal of the Bonds which remain unclaimed after the same shall have become due and payable, shall be held in trust by the Paying Agent for the Bondholders at the latter's risk.

PURCHASE AND CANCELLATION

GT Capital may at any time purchase any of the Bonds at any price in the open market or by tender or by contract at any price, without any obligation to purchase Bonds pro-rata from all Bondholders and the Bondholders shall not be obliged to sell. Any Bonds so purchased shall be redeemed and cancelled and may not be re-issued.

REGISTRY OF BONDHOLDERS

The Bonds shall be issued in scripless form. A Master Certificate of Indebtedness representing the Bonds sold in the Offer shall be issued to and registered in the name of the Trustee, on behalf of the Bondholders.

Legal title to the Bonds shall be shown in the Register of Holders to be maintained by the designated registrar for the Bonds. Initial placement of the Bonds and subsequent transfers of interests in the Bonds shall be subject to applicable Philippine selling restrictions prevailing from time to time. GT Capital will cause the Register of Bondholders to be kept at the specified office of the Registrar. The names and addresses of the Bondholders and the particulars of the Bonds held by them and of all transfers of Bonds shall be entered into the Register of Bondholders.

EXPENSES

All out-of-pocket expenses, including but not limited to, registration with the SEC, credit rating, printing, publicity, communication and signing expenses incurred by the Issue Manager and the Underwriters in the negotiation and execution of the transaction will be for GT Capital's account irrespective of whether the transaction contemplated herein is completed. Such expenses are to be reimbursed upon presentation of a composite statement of account.

DETERMINATION OF OFFER PRICE

The Bonds shall be issued on a fully-paid basis at 100% of the principal amount or face value

DESCRIPTION OF THE BONDS

The following does not purport to be a complete listing of all the rights, obligations, or privileges of the Bonds. Some rights, obligations, or privileges may be further limited or restricted by other documents. Prospective investors are enjoined to carefully review the Articles of Incorporation, By-Laws and resolutions of the Board of Directors and Shareholders of GT Capital, the information contained in this Prospectus, the Trust Agreement, Registry and Paying Agency Agreement, and other agreements relevant to the Offer.

The issue of up to Php10,000,000,000.00 aggregate principal amount of 4.8371% per annum Seven-Year Bonds and 5.0937% per annum Ten-Year Bonds was authorized by a resolution of the Board of Directors of GT Capital dated September 12, 2012. The Bonds shall be constituted by a Trust Agreement executed on February 13, 2013 (the "Trust Agreement") entered into between GT Capital and Metropolitan Bank & Trust Company - Trust Banking Group (the "Trustee"), which term shall, wherever the context permits, include all other persons or companies for the time being acting as trustee or trustees under the Trust Agreement. The description of the terms and conditions of the Bonds set out below includes summaries of, and is subject to, the detailed provisions of the Trust Agreement. A registry and paying agency agreement was executed on February 13, 2013 (the "Registry and Paying Agency Agreement") in relation to the Bonds among the Issuer and Philippine Depository & Trust Corp. as registrar (the "Registrar") and paying agent (the "Paying Agent"). The Bonds shall be offered and sold through a general public offering in the Philippines, and issued and transferable in minimum principal amounts of Fifty Thousand Pesos (Php50,000.00) and in multiples of Ten Thousand Pesos (Php10,000.00) thereafter, and traded in denominations of Ten Thousand Pesos (Php10,000.00) in the secondary market. The Bonds will be repaid at 100% of Face Value on the respective Maturity Dates of the Seven-Year Bonds and Ten-Year Bonds, unless the Issuer exercises its early redemption option according to the conditions therefore. See "Description of the Bonds — Redemption and Purchase".

Copies of the Trust Agreement and the Registry and Paying Agency Agreement are available for inspection during normal business hours at the specified offices of the Trustee. The holders of the Bonds (the "Bondholders") are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Agreement and are deemed to have notice of those provisions of the Paying Agency and Registry Agreement applicable to them.

1. Form, Denomination and Title

(a) *Form and Denomination*
The Bonds are in scripless form, and shall be issued in denominations of Fifty Thousand Pesos (Php50,000) each as a minimum and in integral multiples of Ten Thousand Pesos (Php10,000) thereafter and traded in denominations of Ten Thousand Pesos (Php10,000) in the secondary market.

(b) *Title*
Legal title to the Bonds shall be shown in the Register of Bondholders (the "Register of Bondholders") maintained by the Registrar. A notice confirming the principal amount of the Bonds purchased by each applicant in the Offering shall be issued by the Registrar to all Bondholders following the Issue Date. Upon any assignment, title to the Bonds shall pass by recording of the transfer from the transferor to the transferee in the electronic Register of Bondholders maintained by the Registrar. Settlement with respect to such transfer or change of title to the Bonds, including the settlement of any cost arising from such transfers, including, but not limited to, documentary stamps taxes, if any, arising from subsequent transfers, shall be for the account of the relevant Bondholder.

(c) *Bond Rating*
The Philippine Rating Services Corporation (PhilRatings) has assigned a PRS Aaa rating to GT Capital's proposed issuance of up to Php10 Billion in fixed-rate bonds, having considered GT Capital's business plans, growth prospects and cash flow. PRS Aaa is the highest rating available. Obligations rated PRS Aaa are of the highest quality with minimal credit risk. GT Capital's capacity to meet its financial commitment on the obligation is extremely strong.

The rating assigned reflects the following key strengths of GT Capital: the solid market position of its current businesses; its strong partnerships with recognized global players; very good management team; ample funding to cover bond payments; sound capitalization; and its diversified portfolio, which is expected to benefit from the favorable outlook of its industries and the domestic economy. PhilRatings shall continuously monitor developments in relation to GT Capital and can adjust its credit rating at any time should circumstances warrant a rating change.

The rating is subject to regular annual reviews, or more frequently as market developments may dictate, for as long as the Bonds are outstanding. After Issue Date, the Trustee shall likewise monitor compliance by the Issuer with certain covenants in relation to the Bonds through regular annual reviews.

2. Transfer of Bonds

(a) *Register of Bondholders*
GT Capital shall cause the Register of Bondholders to be kept by the Registrar, in electronic form. The names and addresses of the Bondholders and the particulars of the Bonds held by them and all transfers of Bonds shall be entered in the Register of Bondholders. As required by Circular No. 428-04 issued by the Bangko Sentral ng Pilipinas, the Registrar shall send each Bondholder a written statement of registry holdings at least quarterly (at the cost of the Issuer), and a written advice confirming every receipt or transfer of the Bonds that is effected in the Registrar's system. Such statement of registry holdings shall serve as the confirmation of ownership of the relevant Bondholder as of the date thereof. Any and/ or all requests of Bondholders for certifications, reports or other documents from the Registrar, except as provided herein, shall be for the account of the requesting Bondholder. No transfer of Bonds may be made during the period commencing on a Record Date as defined in the section on "Interest Payment Date."

(b) *Transfers; Tax Status*
Bondholders may transfer their Bonds at any time, regardless of tax status of the transferor vis-à-vis the transferee. Should a transfer between Bondholders of different tax status occur on a day which is not an Interest Payment Date, tax-exempt entities trading with nontax exempt entities shall be treated as Non-tax exempt entities for the interest period within which such transfer occurred. Transfers taking place in the Register of Bondholders after the Bonds are listed on PDEx shall be allowed between non tax exempt and tax-exempt entities without restriction and observing the tax exemption of tax exempt entities, if and/or when so allowed under and in accordance with the relevant rules, conventions and guideline of PDEx and PDTC. A Bondholder claiming tax-exempt status is required to submit a written notification of the sale or purchase to the Trustee and the Registrar, including the tax status of the transferor or transferee, as appropriate, together with the supporting documents specified below under *"Payment of Additional Amounts; Taxation"*, before such transfer, and such tax-exempt status shall be accepted and approved by the Issuer, acting through the Trustee.

(c) *Secondary Trading of the Bonds*
GT Capital intends to list the Bonds in PDEx for secondary market trading. Secondary market trading and settlement in PDEx shall follow the applicable PDEx rules, conventions and guidelines, including rules, conventions and guidelines governing trading and settlement between Bondholders of different tax status, and shall be subject to the relevant fees of PDEx and PDTC.

3. Ranking

The Bonds constitute direct, unconditional, unsecured and unsubordinated Peso denominated obligations of the Issuer and shall rank pari passu and ratably without any preference or priority amongst themselves and at least pari passu with all other present and future unsecured and unsubordinated obligations of the Issuer, other than obligations preferred by the law.

4. Interest

(a) *Interest Payment Dates*

<u>Seven-Year Bonds</u>
The Seven-Year Bonds bear interest on its principal amount from and including Issue Date at the rate of 4.8371% p.a., payable quarterly in arrears, commencing on May 27, 2013, for the first Interest Payment Date and August 27, November 27, February 27 and May 27 of each year or the subsequent Business Day without adjustment to the amount of interest to be paid, if such Interest Payment Date is not a Business Day.

For purposes of clarity, the last Interest Payment Date on the Seven-Year Bonds shall fall on the Maturity Date or February 27, 2020 or seven (7) years from the Issue Date.

<u>Ten-Year Bonds</u>
The Ten-Year Bonds bear interest on its principal amount from and including Issue Date at the rate of 5.0937% p.a., payable quarterly in arrears, commencing on May 27, 2013, for the first Interest Payment Date and August 27, November 27, February 27 and May 27 of each year or the subsequent Business Day without adjustment to the amount of interest to be paid, if such Interest Payment Date is not a Business Day.

For purposes of clarity, the last Interest Payment Date on the Ten-Year Bonds shall fall on the Maturity Date or February 27, 2023 or ten (10) years from the Issue Date.

The cut-off date in determining the existing Bondholders entitled to receive the interest or principal amount due shall be the day which is two (2) days Business Days prior to the relevant Interest Payment Date (the "Record Date"), which shall be the reckoning day in determining the Bondholders entitled to receive interest, principal or any other amount due under the Bonds. No transfers of the Bonds may be made during this period intervening between and commencing on the Record Date and the relevant Interest Payment Date.

(b) *Interest Accrual*
Each Bond shall cease to bear interest from and including the Maturity Date, as defined in the discussion on *"Final Redemption",* below, unless, upon due presentation, payment of the principal in respect of the Bond then outstanding is not made, is improperly withheld or refused, in which case the Penalty Interest (see *"Penalty Interest" b*elow) shall apply.

(c) *Determination of Interest Amount*
The interest shall be calculated on the basis of a 30/360-day basis, consisting of 12 months of 30 days each; provided, however in the case of an incomplete month, due to reasons such as, but not limited to trades in the secondary market or early redemption and purchase, the number of days elapsed on the basis of a month of 30 days.

5. Redemption and Purchase

(a) *Optional Redemption*
Prior to relevant Maturity Dates, the Issuer has the right, but not the obligation, to redeem (in whole but not in part) any series of the outstanding Bonds on every anniversary dates, or the immediately succeeding Banking Day if such date is not a Banking Day, starting on the fourth (4th) anniversary for the Seven-Year Bonds and the Seventh (7th) anniversary for the Ten-Year Bonds (the relevant Optional Redemption Dates). The Issuer shall give no less than thirty (30) nor more than sixty (60) days prior written notice of its intention to redeem the Bonds at the relevant Optional Redemption Date stated in such notice.

The amount payable to the Bondholders in respect of the Optional Redemption exercise shall be calculated based on the principal amount of the Bonds being redeemed as the aggregate of the: (i) accrued interest computed up to the relevant Optional Redemption Date, and (ii) the product of the principal amount and the applicable Optional Redemption Price (except in case of Change in Law (see "Change in Law or Circumstance") in accordance with the following schedule:

	Optional Redemption Date	Optional Redemption Price
Seven-Year Bonds	Fourth (4th) Anniversary Date	102.0%
	Fifth (5th) Anniversary Date	101.5%
	Sixth (6th) Anniversary Date	101.0%
Ten-Year Bonds	Seventh (7^{th} Anniversary Date)	102.0%
	Eighth (8^{th} Anniversary Date)	101.5%
	Ninth (9^{th} Anniversary Date)	101.0%

(b) *Final Redemption*
Unless previously purchased and cancelled, the Bonds shall be redeemed at par or 100% of face value on February 27, 2020 or seven (7) years after the Issue Date for the Seven-Year Bonds and on February 27, 2023 or ten (10) years after the Issue Date for the Ten-Year Bonds. However if the Maturity Date is not a Business Day payment of all amounts due on such date will be made by the Issuer through the Paying Agent, without adjustment in computation as to the amount of interest payable, on the succeeding Business Day.

(c) *Redemption for Tax Reasons*
If payments under the Bonds become subject to additional or increased taxes other than the taxes and rates of such taxes prevailing on the Issue Date as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such additional or increased rate of such tax cannot be avoided by use of reasonable measures available to the Issuer, the Issuer may redeem the Bonds in whole, but not in part, on any Interest Payment Date (having given not more than 60 nor less than 30 days' notice to the Trustee and the Registrar and Paying Agent) at par plus accrued interest computed up to the date when the Bonds shall be redeemed earlier than its Maturity date. Any such redemption made shall not be subject to any penalty under this Agreement.

(d) *Change in Law or Circumstance*
If any provision of the Trust Agreement or any of the related documents is or shall become for any reason, invalid, illegal or unenforceable to the extent that it shall become, for any reason, unlawful for the Issuer to give effect to its rights or obligations hereunder, or to enforce any provisions of the Trust Agreement or any of the related documents in whole or in part, or any law shall be introduced to prevent or restrain the performance by the parties hereto of their obligations under the Trust Agreement or any other related documents, the Issuer shall provide the Trustee an opinion of legal counsel confirming the foregoing, such legal counsel being from a law firm reasonably acceptable to the Trustee. Thereupon the Trustee, upon notice to the Issuer, shall declare the principal of the Bonds, including all accrued interest and other chargers thereon, if any, to be immediately due and payable, and upon such declaration, the same shall be immediately due and payable without and pre-payment penalty , notwithstanding anything in the Trust Agreement or in the Bonds to the contrary.

(e) *Purchase and Cancellation*
The Issuer may at any time purchase any of the Bonds at any price in the open market or by tender or by contract at any price, without any obligation to purchase Bonds pro-rata from all Bondholders and the Bondholders shall not be obliged to sell. Any Bonds so purchased shall be redeemed and cancelled and may not be re-issued.

6. Payments

The principal of, interest on and all other amounts payable on the Bonds shall be paid to the Bondholders by crediting of the settlement accounts designated by each of the Bondholders. The principal of, and interest on, the Bonds shall be payable in Philippine Pesos.

GT Capital will ensure that so long as any of the Bonds remains outstanding, there shall at all times be a Paying Agent for the purposes of the Bonds and GT Capital or the Paying Agent may only terminate the appointment of the Paying Agent, as provided in the Registry and Paying Agency Agreement.

7. Payment of Additional Amounts - Taxation

Interest income on the Bonds is subject to a final withholding tax at rates of between twenty percent (20%) and thirty-five percent (35%) depending on the tax status of the relevant Bondholder under relevant law, regulation or tax treaty. Except for such final withholding tax and as otherwise provided, all payments of principal and interest shall be made free and clear of any deductions or withholding for or on account of any present or future taxes or duties imposed by or on behalf of Republic of the Philippines, including, but not limited to, issue, registration or any similar tax or other taxes and duties, including interest and penalties. If such taxes or duties are imposed, the same shall be for the account of GT Capital, provided, however, that GT Capital shall not be liable for:

(a) The applicable final withholding tax applicable on interest earned on the Bonds prescribed under the National Internal Revenue Code of 1997, as amended and its implementing rules and regulations as may be in effect from time to time, (the "Tax Code"). An investor who is exempt from the aforesaid withholding tax, or is subject to a preferential withholding tax rate shall be required to submit the following requirements to the Registrar, subject to acceptance by GT Capital as being sufficient in form and substance: (i) certified true copy of the tax exemption certificate, ruling or opinion issued by the Bureau of Internal Revenue confirming the exemption or preferential rate; (ii) a duly notarized undertaking, in the prescribed form, declaring and warranting its tax exempt status or preferential rate entitlement, undertaking to immediately notify GT Capital of any suspension or revocation of the tax exemption certificates or preferential rate entitlement, and agreeing to indemnify and hold GT Capital and the Registrar free and harmless against any claims, actions, suits, and liabilities resulting from the non-withholding of the required tax; and (iii) such other documentary requirements as may be required under the applicable regulations of the relevant taxing or other authorities which for purposes of claiming tax treaty withholding rate benefits, shall include evidence of the applicability of a tax treaty and consularized proof of the Bondholder's legal domicile in the relevant treaty state, and confirmation acceptable to GT Capital that the Bondholder is not doing business in the Philippines, provided further, that all sums payable by GT Capital to tax exempt entities shall be paid in full without deductions for taxes, duties, assessments or government charges subject to the submission by the Bondholder claiming the benefit of any exemption of reasonable evidence of such exemption to the Registrar;

(b) Gross Receipts Tax under Section 121 of the Tax Code;

(c) Taxes on the overall income of any securities dealer or Bondholder, whether or not subject to withholding; and

(d) Value Added Tax ("VAT") under Sections 106 to 108 of the Tax Code, and as amended by Republic Act No. 9337.

Documentary stamp tax for the primary issue of the Bonds and the execution of the Bond Agreements, if any, shall be for GT Capital's account.

8. Maintenance of Financial Ratios

For as long as any of the Bonds remain outstanding, GT Capital hereby covenants that it shall not permit its Debt-to-Equity Ratio to exceed 2.3:1.

There are no other regulatory ratios that the Issuer is required to comply with.

9. Negative Pledge

For as long as any of the Bonds remain outstanding, GT Capital covenants that it shall not, without the prior written consent of the Majority Bondholders, permit any indebtedness for borrowed money to be secured by or to benefit from Security in favor of any creditor or class of creditors without providing the Bondholders with the same kind or class of Security, the benefit of which is extended equally and ratably among them to secure the Bonds; provided however that, this restriction shall not prohibit the following:

(i) any Security over any asset to secure: (i) payment of the purchase price or cost of leasehold rights of such asset; or (ii) the payment of the cost and expenses for the development of such asset pursuant to any development made or being made by the Issuer in the ordinary course of business; or (iii) the payment of any indebtedness in respect of borrowed money (including extensions and renewals thereof and replacements therefor) incurred for the purpose of financing the purchase, lease or development of such asset;

(ii) any Security created for the purpose of paying for current taxes, assessments, or other governmental charges which are not delinquent or remain payable, without any penalty, or the validity of which is contested in good faith by appropriate proceedings diligently conducted, and adequate reserves have been provided for payment thereof;

(iii) deposits or pledges to secure statutory obligations, surety, or appeal bonds, bonds for release of attachments, stays of execution of injunction, or performance bonds for bids, tenders, contracts (other than for the repayment of borrowed money) or leases in the normal course of business;

(iv) Any Security: (i) imposed by Law, such as carriers' Liens, warehousemen's Liens, mechanics' Liens, unpaid vendors' Liens, and other similar Liens arising in the ordinary course of business; (ii) arising out of pledges or deposits under workmen's compensation Laws, unemployment insurance, old age pensions, or other social security or retirement benefits or similar legislation, or retirement benefit plans of the Issuer; or (iii) arising out of the set-off provision on other agreements of the Issuer relating to Indebtedness;

(v) Any Security in favor of banks, insurance companies, other financial institutions, and Philippine government agencies, departments, authorities, corporations of other juridical entities which secure a preferential financing obtained by the Issuer under a governmental program and the aggregate principal amount of such preferential financing does not exceed Thirty Five percent (35%) of the Issuer's total assets;

(vi) any Security over its cash deposits, short-term cash investments, and marketable investment securities in favor of banks and other financial institutions, which secure (i) any borrowed money in connection with a Treasury Transaction in the ordinary course of business of Issuer, provided that the aggregate amount of security does not at any time exceed United States Dollars: Ten Million (US$10,000,000.00) or its equivalent; and/or (ii) Standby Letters of Credit to be used to guarantee additional equity infusion by the Issuer in its Subsidiaries or Affiliates and/or used in the ordinary course of business of Issuer, its Subsidiaries and/or Affiliates;

(vii) any Security: (i) created solely by operation of law; and (ii) on such other assets as may be disclosed in writing by the Issuer to the Bond Holders prior to the execution of this Agreement; and

(viii) any Security constituted over the investment of the Issuer in any of its Subsidiaries or Affiliates, whether such investment is in the form of shares, deposits or advances, to guarantee or secure the obligations of the said Subsidiaries or Affiliates.

10. Events of Default

GT Capital shall be considered in default under the Bonds and the Trust Agreement in case any of the following events (each an "Event of Default") shall occur and is continuing:

(a) *Payment Default*
The Issuer fails to pay when due and payable any amount which the Issuer is obligated to pay the Bondholders under the Trust Agreement and Bonds, provided that such non-payment shall constitute an Event of Default if it is caused by administrative or technical error not attributable to Issuer's fault or negligence despite timely payment instruction having been given by the Issuer and such payment is made two (2) Banking Days after its due date;

(b) *Representation/Warranty Default*

Except for clerical or typographical error, any representation or warranty made by the Issuer in any of the Bond Agreements or in any certification, financial statement or document issued pursuant thereto or otherwise in connection therewith shall prove to have been untrue, incorrect or misleading in any material respect as of the time it was made or deemed to have been made or is violated or not complied with, and such breach or violation, is not remediable or if remediable, continues unremedied for a period of fourteen (14) days from date after receipt of written notice from the Bondholders to that effect, unless such longer period is approved by the Majority Bondholders;

(c) *Other Default*

The Issuer fails to perform or comply with any term, obligation or covenant contained in any of the Bond Agreements or in any other document/instruments related or otherwise in connection therewith and any such failure, violation, or non-compliance is not remediable or if remediable, continues unremedied for a period of ninety (90) days for financial covenants and sixty (60) days for all other covenants from the date after written notice thereof shall have been given by any of the Bondholders; Provided, however, that no grace period shall apply to the Events of Default specified in (d), (e), (f) and (h) of this Section;

(d) *Cross Default*

Any other material obligation of the Issuer for borrowed money, deferred purchase price or monetary obligation is not paid when due or after giving effect to any applicable grace period and, in general, any default in the performance or observance of any instrument, contract or agreement pursuant to which any other obligation of the Issuer was created, unless contested in good faith, which default shall result in the acceleration or declaration of the whole obligation thereunder to be due and payable prior to the stated normal date of maturity, and which would cause or result in a Material Adverse Effect;

(e) *Insolvency Default*

The Issuer becomes insolvent or unable to pay its debts when due or commits or permits any act of bankruptcy, which act shall include: (i) the filing of a petition in insolvency, suspension of payment, any bankruptcy, reorganization by reason of financial difficulty, winding up or liquidation proceedings by or against the Issuer, or any other proceeding analogous in purpose and effect: Provided, however, that in case the foregoing petition is filed by any party other than the Issuer, such event shall be considered a Event of Default if such petition is not dismissed or decided in favor of the Issuer, within a period of ninety (90) days, from the date of filing thereof; (ii) the making of an assignment by the Issuer, of all or substantially all of its properties for the benefit of its creditors; (iii) the admission in writing by the Issuer of its inability to pay its debts; (iv) the entry of any order or judgment of any court, tribunal or administrative agency or body confirming the bankruptcy or insolvency of the Issuer, or approving any reorganization, winding up or liquidation of the Issuer; or (v) the appointment of a receiver, liquidator, assignee, trustee, or sequestrator of the Issuer, or a substantial part of its property or assets or a substantial part of its capital stock or to assume custody or control of the Issuer, or the ordering of its dissolution, winding-up or liquidation of its affairs;

(f) *Closure Default*

Cessation in the business of the Issuer that will result in a Material Adverse Effect;

(g) *Event or Condition Affecting Loan Documents.*

Any adverse event, condition, or circumstance (including, without limitation, any change in the economic or financial condition of the Issuer) shall occur which, in the reasonable determination of the Majority Bondholders, will have a Material Adverse Effect;

(h) *Expropriation Default*

Any act or deed or judicial or administrative proceedings in the nature of an expropriation, confiscation, nationalization, acquisition, seizure, sequestration or condemnation of, or with respect to the business and operations of the Issuer, all or substantially all of the property or assets of the Issuer, shall be undertaken or instituted by any Governmental Authority, unless such act, deed or proceedings are contested in good faith by the Issuer;

(i) *Cancellation of Licenses, Permits, etc.*
Any of the licenses, permits, rights, options or privileges presently or hereafter enjoyed, utilized, or required or necessary in the conduct of the business or operations of the Issuer shall be revoked, cancelled, or otherwise terminated, or the free and continued use and exercise thereof shall be curtailed or prevented, in each case in such manner as to have a Material Adverse Effect;

(j) *Judgment Default*
Any other final judgment or decree for a sum of money, damages or for a fine or penalty against the Issuer or any attachment against property in excess of Five Hundred Million Pesos (Php500,000,000.00) or its equivalent in any other currency is left undischarged, unbonded or undismissed for a period of ninety (90) days after finality of judgment, which will result in a Material Adverse Effect;

(k) *Writ and Similar Process Default*
Any judgment, writ, warrant of attachment, injunction, stay order, execution or similar process shall be issued or levied against any material part of GT Capital's assets, business or operations and such judgment, writ, warrant or similar process shall not be released, vacated or fully bonded within 30 calendar days after its issue or levy.

(l) *Non-Payment of Taxes*
Non-payment of any Taxes, or any assessments or governmental charges levied upon it or against its properties, revenues and assets by the date on which such Taxes, assessments or charges attached thereto, which are not contested in good faith by GT Capital, or after the lapse of any grace period that may have been granted to GT Capital by the Bureau of Internal Revenue or any other Philippine tax body or authority

(m) *Contest*
The Issuer shall contest in writing the validity or enforceability of the Bond Agreements or shall deny generally in writing the liability of the Issuer under the Bond Agreements;

(n) *Illegality*
Any of the Bond Agreements or any material portion thereof is declared to be illegal or unenforceable, unless such illegality or unenforceability is remedied within sixty (60) days of the occurrence or declaration of the illegality or unenforceability, as the case may be, or when such illegality or unenforceability can be treated independently from the unaffected portion of the Bond Agreements and related documents,

(o) *Analogous Effect*
Any event occurs which under the Law has an analogous effect to any of the events referred to in the foregoing paragraphs of this Section 10 and as provided in the Trust Agreement.

11. Consequences of Default

Subject to the terms of the Trust Agreement, the Trustee shall, within ten (10) Business Days after receiving notice, or having knowledge of, the occurrence of any Event of Default, give to the Bondholders written notice of such default known to it unless the same shall have been cured before the giving of such notice.

The written notice required to be given to the Bondholders hereunder shall be published in a newspaper of general circulation in Metro Manila for two (2) consecutive days, further indicating in the published notice that the Bondholders or their duly authorized representatives may obtain any information relating to such occurrence of an Event of Default at the principal office of the Trustee upon presentation of sufficient and acceptable identification.

If any one or more of the Events of Default shall have occurred and be continuing without the same being cured within the periods provided in the Trust Agreement and in these Terms and Conditions, the Trustee may on its own, or, if upon the written direction of Bondholders holding more than 50% of the aggregate principal amount of the issued Bonds (the *Majority Bondholders*), shall, by notice in writing delivered to GT Capital, with a copy furnished the Paying Agent, Receiving Agent, and Registrar, declare the principal of the Bonds, including all accrued interest and other charges thereon, if any, to be immediately due and payable (the *Accelerated Amounts*), and upon such declaration the same shall be immediately due and payable.

All the unpaid obligations under the Bonds, including accrued Interest, and all other amounts payable thereunder, shall be declared to be forthwith due and payable, whereupon all such amounts shall become and be forthwith due and payable without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by GT Capital.

12. Notice of Default

The Trustee shall, within ten (10) days after the occurrence of any Event of Default, give to the Bondholders written notice of such default known to it, unless the same shall have been cured before the giving of such notice; provided that, in the case of Payment Default under Section 10(a) above and as provided in the Trust Agreement, the Trustee shall immediately notify the Bondholders upon the occurrence of such Payment Default. The existence of a written notice required to be given to the Bondholders hereunder shall be published in a newspaper of general circulation in the Philippines for two (2) consecutive days, further indicating in the published notice that the Bondholders or their duly authorized representatives may obtain an important notice regarding the Bonds at the principal office of the Trustee upon presentment of sufficient and acceptable identification to the Trustee.

13. Penalty Interest

In case any amount payable by GT Capital under the Bonds, whether for principal, interest, fees due to Trustee or Registrar or otherwise, is not paid on due date, GT Capital shall, without prejudice to its obligations to pay the said principal, interest and other amounts, pay penalty interest on the defaulted amount(s) at the rate of 12% p.a. (the "Penalty Interest") from the time the amount falls due until it is fully paid.

14. Payment in the Event of Default

GT Capital covenants that upon the occurrence of any Event of Default, GT Capital shall pay to the Bondholders, through the Paying Agent, the whole amount which shall then have become due and payable on all such outstanding Bonds with interest at the rate borne by the Bonds on the overdue principal and with Penalty Interest as described above, where applicable and in addition thereto, GT Capital shall pay to the Trustee such further amounts as shall be determined by the Trustee to be sufficient to cover the cost and expenses of collection, including reasonable compensation to the Trustee, its agents, attorneys and counsel, and any reasonable expenses or liabilities incurred without negligence or bad faith by the Trustee.

15. Application of Payments

Any money collected or delivered to the Paying Agent, and any other funds held by it, subject to any other provision of the Trust Agreement and the Registry and Paying Agency Agreement relating to the disposition of such money and funds, shall be applied by the Paying Agent in the order of preference as follows: *first*, to the payment to the Trustee, the Paying Agent and the Registrar, of the costs, expenses, fees and other charges of collection, including reasonable compensation to them, their agents, attorneys and counsel, and all reasonable expenses and liabilities incurred or disbursements made by them, without negligence or bad faith; *second*, to the payment of the interest in default, in the order of the maturity of such interest with Penalty Interest; *third*, to the payment of the whole amount then due and unpaid upon the Bonds for principal, and interest, with Penalty Interest; and *fourth*, the remainder, if any shall be paid to GT Capital, its successors or assigns, or to whoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct. Except for any interest and principal payments, all disbursements of the Paying Agent in relation to the Bonds shall require the conformity of the Trustee. The Paying Agent shall render a monthly account of such funds under its control.

16. Prescription

Claims with respect to principal and interest or other sums payable hereunder shall prescribe unless made within ten (10) years (in the case of principal or other sums) or five (5) years (in the case of interest) from the date on which payment becomes due.

17. Remedies

All remedies conferred by the Trust Agreement to the Trustee and the Bondholders shall be cumulative and not exclusive and shall not be so construed as to deprive the Trustee or the Bondholders of any legal remedy by judicial or extra judicial proceedings appropriate to enforce the conditions and covenants of the Trust Agreement, subject to the discussion below on *"Ability to File Suit"*.

No delay or omission by the Trustee or the Bondholders to exercise any right or power arising from or on account of any default hereunder shall impair any such right or power, or shall be construed to be a waiver of any such default or an acquiescence thereto; and every power and remedy given by the Trust Agreement to the Trustee or the Bondholders may be exercised from time to time and as often as may be necessary or expedient.

18. Ability to File Suit

No Bondholder shall have any right by virtue of or by availing of any provision of the Trust Agreement to institute any suit, action or proceeding for the collection of any sum due from GT Capital hereunder on account of principal, interest and other charges, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless all of the following conditions have been fulfilled: (i) such Bondholder previously shall have given to the Trustee written notice of an Event of Default and of the continuance thereof and the related request for the Trustee to convene a meeting of the Bondholders to take up matters related to their rights and interests under the Bonds; (ii) the Majority Bondholders shall have decided and made a written request upon the Trustee to institute such action, suit or proceeding in the latter's name; (iii) the Trustee for sixty (60) days after the receipt of such notice and request shall have neglected or refused to institute any such action, suit or proceeding; and (iv) no directions inconsistent with such written request shall have been given under a waiver of default by the Bondholders, it being understood and intended, and being expressly covenanted by every Bondholder with every other Bondholder and the Trustee, that no one or more Bondholders shall have any right in any manner whatever by virtue of or by availing of any provision of the Trust Agreement to affect, disturb or prejudice the rights of the holders of any other such Bonds or to obtain or seek to obtain priority over or preference to any other such holder or to enforce any right under the Trust Agreement, except in the manner herein provided and for the equal, ratable and common benefit of all the Bondholders.

19. Waiver of Default by the Bondholders

The Majority Bondholders may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee, or the Majority Bondholders may decide for and on behalf of the Bondholders to waive any past default, except the Events of Default specified in Sections 10 (a), (d), (e), (f), and (g) above. In case of any such waiver, written notice of which shall be given to the Issuer by the Trustee, GT Capital, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder; provided however that, no such waiver shall extend to any subsequent or other default or impair any right consequent thereto. Any such waiver by the Majority Bondholders shall be conclusive and binding upon all Bondholders and upon all future holders and owners thereof, irrespective of whether or not any notation of such waiver is made upon the certificate representing the Bonds.

20. Trustee; Notices

(a) *Notice to the Trustee*
All documents required to be submitted to the Trustee pursuant to the Trust Agreement and this Prospectus and all correspondence addressed to the Trustee shall be delivered to:

To the Trustee:	Metropolitan Bank and Trust Company – Trust Banking Group
Attention:	Ms. Dalisay Molas
Subject:	GT Capital Holdings, Inc. Php 10 Billion Bonds
Address:	18/F GT Tower International, 6813 Ayala Avenue cor. H.V. Dela Costa St., Makati City
Facsimile:	(632) 858-8010

All documents and correspondence not sent to the above-mentioned address shall be considered as not sent at all.

(b) *Notice to the Bondholders*
The Trustee shall send all notices to Bondholders to their mailing address as set forth in the Register of Bondholders. Except where a specific mode of notification is provided for herein, notices to Bondholders shall be sufficient when made in writing and transmitted in any one of the following modes: (i) registered mail; (ii) surface mail; (iii) by one-time publication in a newspaper of general circulation in the Philippines; or (iv) personal delivery to the address of record in the Register of Bondholders. The Trustee shall rely on the Register of Bondholders in determining the Bondholders entitled to notice. All notices shall be deemed to have been received (i) ten (10) days from posting if transmitted by registered mail; (ii) fifteen (15) days from mailing, if transmitted by surface mail; (iii) on date of publication or (iv) on date of delivery, for personal delivery.

(c) *Binding and Conclusive Nature*
Except as provided in the Trust Agreement, all notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained by the Trustee for the purposes of the provisions of the Trust Agreement, shall (in the absence of willful default, bad faith or manifest error) be binding on GT Capital and all Bondholders. No liability to the Issuer, the Paying Agent or the Bondholders shall attach to the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions under the Trust Agreement resulting from the Trustee's reliance on the foregoing.

21. Duties and Responsibilities of the Trustee

(a) The Trustee is appointed as trustee for and on behalf of the Bondholders and accordingly shall perform such duties and shall have such responsibilities as provided in the Trust Agreement. The Trustee shall, in accordance with the terms and conditions of the Trust Agreement, monitor the compliance or non-compliance by GT Capital with all its representations and warranties, and the observance by GT Capital of all its covenants and performance of all its obligations, under and pursuant to the Trust Agreement. The Trustee shall observe due diligence in the performance of its duties and obligations under the Trust Agreement. For the avoidance of doubt, notwithstanding any actions that the Trustee may take, the Trustee shall remain to be the party responsible to the Bondholders, and to whom the Bondholders shall communicate with in respect to any matters that must be taken up with GT Capital.

(b) The Trustee shall, prior to the occurrence of an Event of Default or after the curing of all such defaults which may have occurred, perform only such duties as are specifically set forth in the Trust Agreement. In case of default, the Trustee shall exercise such rights and powers vested in it by the Trust Agreement, and use such judgment and care under the circumstances then prevailing that individuals of prudence, discretion and intelligence, and familiar with such matters, exercise in the management of their own affairs.

(c) None of the provisions contained in this Agreement or Prospectus shall require or be interpreted to require the Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers.

22. Resignation and Change of Trustee

(a) The Trustee may at any time resign by giving thirty (30) days' prior written notice to GT Capital and to the Bondholders of such resignation.

(b) Upon receiving such notice of resignation of the Trustee, the Issuer shall immediately appoint a successor trustee by written instrument in duplicate, executed by its authorized officers, one (1) copy of which instrument shall be delivered to the resigning Trustee and one (1) copy to the successor trustee. If no successor shall have been so appointed and have accepted appointment within thirty (30) days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor, or any Bondholder who has been a *bona fide* holder for at least six months (the "*bona fide* Bondholder") may, for and on behalf of the Bondholders, petition any such court for the appointment of a successor. Such court may thereupon after notice, if any, as it may deem proper, appoint a successor trustee.

(c) A successor trustee should possess all the qualifications required under pertinent laws and shall be bound by the terms of the Trust Agreement as stipulated in Section 23(a) hereof; otherwise, the incumbent trustee shall continue to act as such.

(d) In case at any time the Trustee shall become incapable of acting, or has acquired conflicting interest, or shall be adjudged as bankrupt or insolvent, or a receiver for the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its properties or affairs for the purpose of rehabilitation, conservation or liquidation, then GT Capital may within thirty (30) days from such time remove the Trustee concerned, and appoint a successor trustee, by written instrument in duplicate, executed by its authorized officers, one (1) copy of which instrument shall be delivered to the Trustee so removed and one (1) copy to the successor trustee. If GT Capital fails to remove the Trustee concerned and appoint a successor trustee, any Bona Fide Bondholder may petition any court of competent jurisdiction for the removal of the Trustee concerned and the appointment of a successor trustee. Such court may thereupon after such notice, if any, as it may deem proper, remove the Trustee and appoint a successor trustee.

(e) The Majority Bondholders may at any time remove the Trustee for cause, and appoint a successor trustee, by the delivery to the Trustee so removed, to the successor trustee and to GT Capital of the required evidence of the action in that regard taken by the Majority Bondholders.

(f) Any resignation or removal of the Trustee and the appointment of a successor trustee pursuant to any of the provisions the Trust Agreement shall become effective upon the earlier of: (i) acceptance of appointment by the successor trustee as provided in the Trust Agreement; or (ii) the effectivity of the resignation notice sent by the Trustee under the Trust Agreement (a) (the "Resignation Effective Date") provided, however, that after the Resignation Effective Date and, as relevant, until such successor trustee is qualified and appointed (the "Holdover Period"), the resigning Trustee shall discharge duties and responsibilities solely as a custodian of records for turnover to the successor Trustee promptly upon the appointment thereof by GT Capital.

23. Successor Trustee

(a) Any successor trustee appointed shall execute, acknowledge and deliver to GT Capital and to its predecessor Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the predecessor Trustee shall become effective and such successor trustee, without further act, deed or conveyance, shall become vested with all the rights, powers, trusts, duties and obligations of its predecessor in the trusteeship with like effect as if originally named as trustee in the Trust Agreement. The foregoing notwithstanding, on the written request of GT Capital or of the successor trustee, the Trustee ceasing to act as such shall execute and deliver an instrument transferring to the successor trustee, all the rights, powers and duties of the Trustee so ceasing to act as such. Upon request of any such successor trustee, GT Capital shall execute any and all instruments in writing as may be necessary to fully vest in and confer to such successor trustee all such rights, powers and duties.

(b) Upon acceptance of the appointment by a successor trustee, GT Capital shall notify the Bondholders in writing of the succession of such trustee to the trusteeship. If GT Capital fails to notify the Bondholders within 10 days after the acceptance of appointment by the trustee, the latter shall cause the Bondholders to be notified at the expense of GT Capital.

24. Reports to the Bondholders

(a) The Trustee shall submit to the Bondholders on or before February 28 of each year from the relevant Issue Date until full payment of the Bonds a brief report dated as of December 31 of the immediately preceding year with respect to:

(i) The property and funds, if any, physically in the possession of the Paying Agent held in trust for the Bondholders on the date of such report; and

(ii) Any action taken by the Trustee in the performance of its duties under the Trust Agreement which it has not previously reported and which in its opinion materially affects the Bonds, except action in respect of a default, notice of which has been or is to be withheld by it.

(b) The Trustee shall submit to the Bondholders a brief report within ninety (90) days from the making of any advance for the reimbursement of which it claims or may claim a lien or charge which is prior to that of the Bondholders on the property or funds held or collected by the Paying Agent with respect to the character, amount and the circumstances surrounding the making of such advance; provided that, such advance remaining unpaid amounts to at least ten percent (10%) of the aggregate outstanding principal amount of the Bonds at such time.

(c) The following pertinent documents may be inspected during regular business hours on any Business Day at the principal office of the Trustee:
  (i) Trust Agreement
  (ii) Registry and Paying Agency Agreement
  (iii) Articles of Incorporation and By-Laws of GT Capital
  (iv) Registration Statement of GT Capital with respect to the Bonds

25. Meetings of the Bondholders

A meeting of the Bondholders may be called at any time for the purpose of taking any actions authorized to be taken by or on behalf of the Bondholders of any specified aggregate principal amount of Bonds under any other provisions of the Trust Agreement or under the law and such other matters related to the rights and interests of the Bondholders under the Bonds.

(a) *Notice of Meetings*
The Trustee may at any time call a meeting of the Bondholders, or the holders of at least twenty-five percent (25%) of the aggregate outstanding principal amount of Bonds may direct in writing the Trustee to call a meeting of the Bondholders, to take up any allowed action, to be held at such time and at such place as the Trustee shall determine. Notice of every meeting of the Bondholders, setting forth the time and the place of such meeting and the purpose of such meeting in reasonable detail, shall be sent by the Trustee to GT Capital and to each of the registered Bondholders not earlier than forty five (45) days nor later than fifteen (15) days prior to the date fixed for the meeting. Each of such notices shall be published in a newspaper of general circulation as provided in the Trust Agreement. All reasonable costs and expenses incurred by the Trustee for the proper dissemination of the requested meeting shall be reimbursed by GT Capital within ten (10) days from receipt of the duly supported billing statement.

(b) *Failure of the Trustee to Call a Meeting*
In case at any time GT Capital or the holders of at least twenty five percent (25%) of the aggregate outstanding principal amount of the Bonds shall have requested the Trustee to call a meeting of the Bondholders by written request setting forth in reasonable detail the purpose of the meeting, and the Trustee shall not have mailed and published, in accordance with the notice requirements, the notice of such meeting, then GT Capital or the Bondholders in the amount above specified may determine the time and place for such meeting and may call such meeting by mailing and publishing notice thereof.

(c) *Quorum*
The Trustee shall determine and record the presence of the Majority Bondholders, personally or by proxy. The presence of the Majority Bondholders shall be necessary to constitute a quorum to do business at any meeting of the Bondholders.

(d) *Procedure for Meetings*

  (i) The Trustee shall preside at all the meetings of the Bondholders, unless the meeting shall have been called by GT Capital or by the Bondholders, in which case GT Capital or the Bondholders calling the meeting, as the case may be, shall in like manner move for the election of the chairman and secretary of the meeting.

(ii) Any meeting of the Bondholders duly called may be adjourned from time to time for a period or periods not to exceed in the aggregate of one (1) year from the date for which the meeting shall originally have been called and the meeting so adjourned may be held upon written agreement by the Issuer and the Bondholders on another date without further notice. Any such adjournment may be ordered by persons representing a majority of the aggregate principal amount of the Bonds represented at the meeting and entitled to vote, whether or not a quorum shall be present at the meeting.

(e) *Voting Rights*
To be entitled to vote at any meeting of the Bondholders, a person shall be a registered holder of one (1) or more Bonds or a person appointed by an instrument in writing as proxy by any such holder as of the date of the said meeting. Bondholders shall be entitled to one vote for every Ten Thousand Pesos (Php10,000) interest. The only persons who shall be entitled to be present or to speak at any meeting of the Bondholders shall be the Persons entitled to vote at such meeting and any representatives of GT Capital and its legal counsel.

(f) *Voting Requirement*
All matters presented for resolution by the Bondholders in a meeting duly called for the purpose shall be decided or approved by the affirmative vote of the Majority Bondholders present or represented in a meeting at which there is a quorum except as otherwise provided in the Trust Agreement (please refer to the preceding discussion on “Quorum”). Any resolution of the Bondholders which has been duly approved with the required number of votes of the Bondholders as provided in the Trust Agreement shall be binding upon all the Bondholders and GT Capital as if the votes were unanimous.

(g) *Role of the Trustee in Meetings of the Bondholders*
Notwithstanding any other provisions of the Trust Agreement, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of the Bondholders, in regard to proof of ownership of the Bonds, the appointment of proxies by registered holders of the Bonds, the election of the chairman and the secretary, the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidence of the right to vote and such other matters concerning the conduct of the meeting as it shall deem fit. The minutes of each meeting and any resolution made thereat shall be taken by the Trustee.

26. Amendments

GT Capital and the Trustee may, without prior notice to or the consent of the Bondholders or other parties, amend or waive any provisions of the Terms and Conditions of the Bonds and the Bond Agreements if such amendment or waiver is of a formal, minor, or technical nature or to correct a manifest error or inconsistency provided in all cases that such amendment or waiver does not adversely affect the interests of the Bondholders and provided further that all Bondholders are notified of such amendment or waiver thereafter.

GT Capital and the Trustee may amend the Terms and Conditions of the Bonds without notice to every Bondholder but with the written consent of the Majority Bondholders (including consents obtained in connection with a tender offer or exchange offer for the Bonds). However, without the consent of each Bondholder affected thereby, an amendment may not:

(a) reduce the percentage amount of Bonds outstanding that must consent to an amendment or waiver;

(b) reduce the rate of or extend the time for payment of interest on any Bond;

(c) reduce the principal of or extend the Maturity Date of any Bond;

(d) impair the right of any Bondholder to receive payment of principal of and interest on such Bond holdings on or after the due dates therefore or to institute suit for the enforcement of any payment on or with respect to such Bond holdings;

(e) reduce the amount payable upon the redemption or repurchase of any Bond under the Terms and Conditions or change the time at which any Bond may be redeemed;

(f) make any Bond payable in money other than that stated in the Bond;

(g) subordinate the Bonds to any other obligation of GT Capital;

(h) release any security interest that may have been granted in favor of the Bondholders;

(i) amend or modify the Payment of Additional Amounts, Taxation, the Events of Default of the Terms and Conditions or the Waiver of Default by the Bondholders; or

(j) make any change or waiver of this Condition.

It shall not be necessary for the consent of the Bondholders under this Condition to approve the particular form of any proposed amendment, but it shall be sufficient if such consent approves the substance thereof. After an amendment under this Condition becomes effective, GT Capital shall send a notice briefly describing such amendment to the Bondholders in the manner provided in the section entitled "Notices".

With the consent of the Majority Bondholders, the Issuer, when authorized by a resolution of its board of directors, and the Trustee may, from time to time and at any time, enter into an agreement or agreements supplemental hereto for the purpose of adding any provision to or changing in any manner or eliminating any of the provisions of this Agreement; provided, however, that no such supplemental agreement shall -

(a) Without the consent of each Bondholder affected thereby:

    (i) extend the fixed maturity of the Bonds, or

    (ii) reduce the principal amount of the Bonds, or

    (iii) reduce the rate or extend the time of payment of interest and principal thereon;

(b) Affect the rights of some of the Bondholders without similarly affecting the rights of all the Bondholders; or

(c) Reduce the percentage required to be obtained of the Bondholders to consent to or approve any supplemental agreement or any waiver provided for in this Agreement without the consent of all the Bondholders.

It shall not be necessary to obtain the consent of the Bondholders under this Section for the purpose of approving the particular form of any proposed supplemental agreement but such consent shall be necessary for the purpose of approving the substance thereof.

Any consent given pursuant to this Section shall be conclusive and binding upon all Bondholders and upon all future holders and owners thereof or of any Bonds issued in lieu thereof or in exchange therefor, irrespective of whether or not any notation of such consent is made upon the Bonds.

Promptly after the execution by the Issuer and the Trustee of any supplemental agreement pursuant to the provisions of this Section, the Issuer shall send a notice to the Bondholders setting forth in general terms the substance of such supplemental agreement. Any failure of the Issuer to send such notice or any defect therein shall not, however, in any way impair or affect the validity of any supplemental agreement.

27. Evidence Supporting the Action of the Bondholders

Wherever in the Trust Agreement it is provided that the Bondholders of a specified percentage of the aggregate outstanding principal amount of the Bonds may take any action (including the making of any demand or requests and the giving of any notice or consent or the taking of any other action), the fact that at the time of taking any such action the holders of such specified percentage have joined therein may be evidenced by: (i) any instrument executed by the Bondholders in person or by the agent or proxy appointed in writing or (ii) the duly authenticated record of voting in favor thereof at the meeting of the Bondholders duly called and held in accordance herewith or (iii) a combination of such instrument and any such record of meeting of the Bondholders.

28. Non-Reliance

Each Bondholder represents and warrants to the Trustee that it has independently and, without reliance on the Trustee, made its own credit investigation and appraisal of the financial condition and affairs of GT Capital on the basis of such documents and information as it has deemed appropriate and that he has subscribed to the Issue on the basis of such independent appraisal, and each Bondholder represents and warrants that it shall continue to make its own credit appraisal without reliance on the Trustee. The Bondholders agree to indemnify and hold the Trustee harmless from and against any and all liabilities, damages, penalties, judgments, suits, expenses and other costs of any kind or nature with respect to its obligations under the Trust Agreement, except for the Trustee's gross negligence or wilful misconduct.

29. Governing Law

The Bond Agreements are governed by and are construed in accordance with Philippine law.

INTERESTS OF NAMED EXPERTS

LEGAL MATTERS

All legal opinion/matters in connection with the issuance of the Bonds, which are subject of this Offer, shall be passed upon by Picazo Buyco Fider, Tan & Santos Law Offices, for the Issue Manager and the Underwriters and GT Capital's Legal and Compliance Department for the Company. Picazo Buyco Fider Tan & Santos Law Offices has no direct and indirect interest in GT Capital. Picazo Buyco Fider Tan & Santos Law Offices may, from time to time, be engaged by GT Capital to advise in its transactions and perform legal services on the same basis that Picazo Buyco Fider Tan & Santos Law Offices provides such services to its clients.

INDEPENDENT AUDITORS

The consolidated financial statements of the Company and its subsidiaries as of and for the years ended December 31, 2009, 2010 and 2011 have been audited by SGV & Co. (a member firm of Ernst & Young Global Limited), independent auditors, as stated in their reports appearing herein.

The Company has not had any disagreements on accounting and financial disclosures with its current external auditors for the same periods or any subsequent interim period. 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 billed for each of the years ended December 31, 2009, 2010 and 2011 for professional services rendered by SGV & Co. to the Company, excluding fees directly related to the Offer.

	For the year ended December 31		
	2009	**2010**	**2011**
	(in Php thousands)		
Audit and Audit-Related Services	100	110	300
Non-Audit Services	–	–	–
Total	100	110	300

THE COMPANY

OVERVIEW

GT Capital is a major Philippine conglomerate with interests in market-leading businesses across banking, real estate development, power generation, automotive and life insurance. 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 current portfolio of businesses is well-positioned to benefit from broad-based growth in the Philippine economy, and domestic consumption in particular. The current portfolio comprises directly held interests in the following GT Capital companies:

- **Banking** – GT Capital conducts banking services through its 25.1% interest in MBT, a universal bank that offers corporate and commercial banking products and services throughout the Philippines. As of September 30, 2012, the MBT Group was the second largest Philippine bank by asset size and net loans and receivables, with total assets of Php954.0 billion and net loans and receivables of Php481.3 billion. As of the same date, the MBT Group's Tier 1 and total adequacy ratios were 14.3% and 18.3%, respectively. MBT has been listed on the Philippine Stock Exchange since 1981, and as of September 30, 2012 was the third largest Philippine bank by market capitalization (Php195.3 billion).

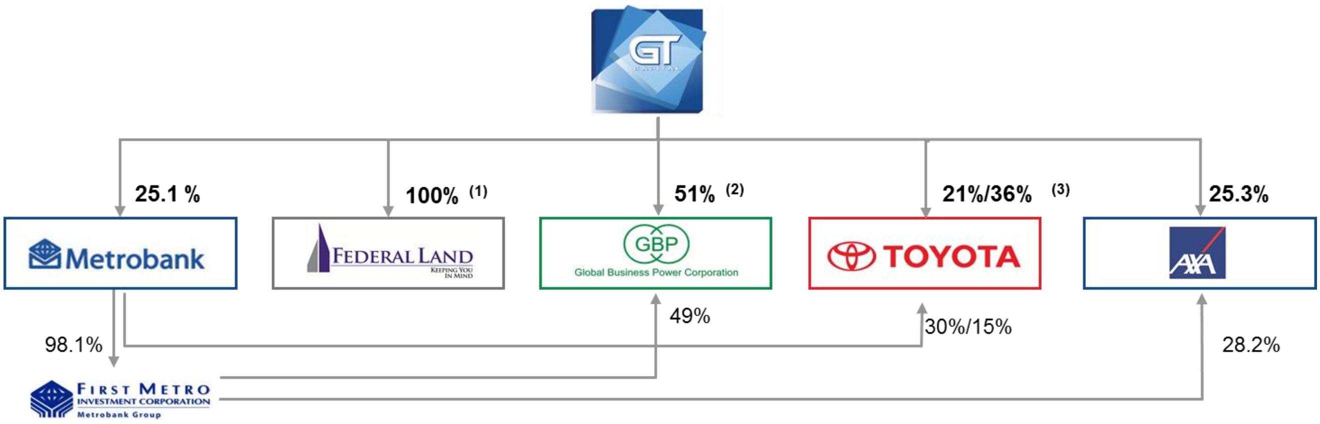
- **Real estate development** – GT Capital conducts its real estate development business through its 80% interest in its fully-consolidated subsidiary Fed Land, which develops residential and commercial projects. On May 3, 2012, the Company executed a Deed of Absolute Sale with various selling shareholders of Fed Land to acquire the remaining 20% equity stake in Fed Land for an aggregate consideration of Php2.7 billion. The acquisition increased the direct equity holdings of GT Capital from 80% to 100%. Following a successful consolidation process, Fed Land is today the sole Philippine real estate development company of the Ty family. Fed Land is currently executing on a comprehensive growth plan that aims to fully capitalize on the Ty family companies' 40-year track record in real estate and Fed Land's high-quality land bank and brand recognition. In 2011, Fed Land made reservation sales of 2,168 residential units with a total sales value of Php9.05 billion (an increase of 114% compared to 2010 in terms of value). As of September 30, 2012, Fed Land had 19 different ongoing residential projects at various stages of completion, with a total number of 9,958 units. Fed Land's land bank as of September 30, 2012 comprised 101.8 hectares of land.

  Power generation – GT Capital conducts its power generation business through its 51% direct ownership interest in GBP, a holding company that, through its subsidiaries, is a leading independent power producer in the Visayas Region, with a combined gross dependable capacity of 627 MW (480 MW attributable to GBP, net of minority interests in its subsidiaries). On May 2, 2012, the Company exercised its option to acquire an additional 4.6% of GBP's outstanding capital stock at a fixed price of Php35.00 per share. On September 12, 2012, GT Capital acquired an additional 12% of GBP at a fixed price of Php35.13 per share thereby further increasing its direct equity stake from 34.4% to 51%. PEDC and CEDC, GBP's two largest power generation subsidiaries which own power plants with a combined installed capacity of 410 MW, only began commercial operations during the first quarter of 2011. The financial year ending December 31, 2012 is expected to be the first year of full contribution by these plants. For 2012, Toledo Power Corporation ("TPC), a wholly-owned subsidiary of GBP, embarked on an expansion program through an 82 MW clean coal-fired power plant, which will be in addition to its existing fuel oil plants. Plant construction is ongoing. On October 9, 2012, a memorandum of understanding between PEDC and FHIC was signed to study and finalize the reconfiguration of its current expansion plans in Panay from two 82 MW plants into one single plant with a 150 MW capacity.

- **Automotive** – GT Capital conducts its automotive business through its 21% interest in TMP. On December 3, 2012, the Company and MBT executed a Sale and Purchase Agreement to acquire an additional 15% direct equity stake in TMP for a total consideration of Php4.5 billion. This effectively increased GT Capital direct equity stake to 36%. TMP is engaged in the manufacture, importation and wholesale distribution of Toyota brand motor vehicles in the Philippines, and is also engaged in the sale of motor vehicle parts and accessories both within the Philippines and through exports. TMP is also engaged in the distribution of Lexus brand motor vehicles in the Philippines. Every year since 2002, Toyota has been the top selling brand for both passenger cars and commercial vehicles in the Philippines, and since 1989, TMP has been number one in total sales in 21 out of 23 years. As of September 30, 2012, TMP had a market share of 35.1% of total vehicle sales in the Philippines, according to data from the Chamber of Automotive Manufacturers of the Philippines ("CAMPI") and the Association of Vehicle Importers and Distributions ("AVID"). As the clear market leader in a key consumption sector and as exclusive manufacturer, importer and wholesale distributor in the Philippines of the No.1 global automotive brand (based on Interbrand 2011 and WPP 2011 studies), TMP is ideally positioned to capitalize on the strong projected growth of the domestic automotive market.

- **Insurance** – GT Capital conducts its insurance business through its 25.3% interest in Philippine AXA Life Insurance Corporation ("AXA"), which offers personal and group insurance products in the Philippines, including life insurance and investment-linked insurance products. AXA was first in first year premium and single premium of variable life insurance in the Philippines as of December 31, 2010. In 2011, the 'AXA' brand was the top insurance brand in the world according to Interbrand.

In addition to the direct ownership stakes set out above, GT Capital owns additional indirect stakes in GBP, TMP and AXA, as set out in the chart below.



Note:

1 *In May 2012, GT Capital acquired 20% of the outstanding share capital of Fed Land for Php2.7 billion thereby increasing its direct equity stake from 80% to 100%.*

2 *After its Initial Public Offering, GT Capital increased its direct equity holdings from 34.4% to 51% by acquiring additional 4.6% and 12% in May and September 2012, respectively.*

3 *In December 2012, GT Capital acquired additional 15% interest in TMP from MBT for Php4.5 billion. This represents the first transaction of GT Capital's planned acquisition of MBT's 30% stake in TMP.*

The following tables present summary information for each of GT Capital's businesses:

Industry/Company Name	Unaudited Nine Months Ended September 30, 2012 Total Assets	Total Revenue	Net Income	Net Income Attributable to Parent Company Shareholders
	(Php millions)	(Php millions)	(Php millions)	(Php millions)
Banking				
Metropolitan Bank & Trust Company	953,709	22,983 (1)	11,389	10,218
Real Estate				
Federal Land, Inc.	29,899	4,582	1,898	1,887
Power Generation				
Global Business Power Corporation	57,521	15,008	3,032	2,097
Automotive				
Toyota Motor Philippines	18,761	52,045	2,464	2,464
Insurance				
Philippine AXA Life Insurance	43,186	9,047(2)	653	653

Industry/Company Name	Year Ended December 31, 2011 Total Assets	Total Revenue	Net Income	Net Income Attributable to Parent Company Shareholders
	(Php millions)	(Php millions)	(Php millions)	(Php millions)
Banking				
Metropolitan Bank & Trust Company	958,384	29,407(1)	12,390	11,031
Real Estate				
Federal Land, Inc.	29,543	4,479	601	590
Power Generation				
Global Business Power Corporation	56,840	16,786	2,229	1,580
Automotive				
Toyota Motor Philippines	18,021	54,099	2,216	2,199
Insurance				
Philippine AXA Life Insurance	38,943	10,007(2)	967	967

Notes
(1) Net interest income
(2) Gross premiums

GT Capital provides the GT Capital companies with corporate services including controllership, corporate finance, corporate and strategic planning, coordination of capital markets activities and human resources. GT Capital also provides the GT Capital companies with valuable market expertise in the Philippines as well as support in operations and financial management. In addition, the GT Capital companies leverage on their broad customer network and the wide array of related products and services which they offer.

GT Capital's revenues were Php4.3 billion, Php6.3 billion and Php8 billion in the years ended December 31, 2009, 2010 and 2011, respectively, with net income of Php2.2 billion, Php3.1 billion and Php3.5 billion, respectively. Of GT Capital's total revenue for the year ended December 31, 2011, Fed Land was the largest contributor with Php4.5 billion, while MBT, TMP and AXA contributed revenues of Php2.8 billion, Php0.5 billion and Php0.2 billion, respectively, during the same period. GT Capital's total assets amounted to Php36.8 billion, Php51.3 billion and Php70.1 billion as of January 1, 2010, December 31, 2010 and 2011, respectively.

GT CAPITAL'S HISTORY

GT Capital was organized and registered with the Philippine SEC on July 26, 2007, with an initial authorized capital stock of Php20.0 million and subscribed and paid-up capital of Php5.0 million. GT Capital was formed as a holding company to consolidate the various business interests of the Ty family in the Philippines. In order to implement the infusion of the component companies into GT Capital, share-for-share swaps were executed.

On July 15, 2008, GT Capital's stockholders approved an increase in authorized capital stock from Php20.0 million divided into 2.0 million shares, with a par value of Php10.00 per share, to Php5.0 billion, divided into 500 million shares with a par value of Php10.00 per share. The following companies subscribed to the increase in the authorized capital stock of GT Capital:

Subscriber	No. of Shares Subscribed
Grand Titan Capital Holdings, Inc ……………………………………………………………….	114,520,452
Titan Resources Corporation…………………………………………………………………..	7,532,333
Ausan Resources Corporation …………………………………………………………………	2,447,215
Total	124,500,000

The payment for the above subscriptions was through the conveyance of the subscribers' respective shareholdings in MBT, Fed Land, TMP and AXA, which had an aggregate value of Php24.3 billion. The MBT shares were valued at the market price prevalent as of the date of the acquisition, while the Fed Land, TMP and AXA shares were valued based on each respective company's net book value as of June 30, 2008.

THE TY FAMILY

The early 1960s marked the beginning of a new era in the Philippine banking industry. The decade saw the emergence of several commercial and thrift banks to answer the financial needs of a growing economy. It was at this time that Dr. George S.K. Ty saw an opportunity to take an active part in this historic economic development by providing needed funding to entrepreneurs and, together with a group of local businessmen, founded the Metropolitan Bank and Trust Company (MBT). MBT opened its doors to the public on September 5, 1962.

MBT took its first steps toward building a financial conglomerate in 1972 when it established FMIC, which is now the largest local investment house in the Philippines. In 1980, MBT acquired controlling interests in PSBank, currently the Philippines' second largest thrift bank. Through the years, MBT acquired and merged with various smaller banks such as the Philippine Banking Corporation, Asian Bank, Solid Bank and Global Business Bank, making it one of the Philippines' largest universal banks today.

With MBT as its flagship company, the Ty family business diversified into both financial and non-financial industries through several partnerships and joint ventures.

Being a universal bank, MBT was licensed to invest in allied undertakings and, in 1988, formed a joint venture with the Ty family-owned Titan Resources Corporation and Japan's largest automaker, TMC, to form TMP. In 1999, the Ty family's Metro Philippines Life Insurance Corporation (formerly known as Pan-Philippine Life Insurance Corporation) entered into a joint venture with FMIC and the AXA Group of France (then National Mutual Holdings Limited of Australia) to form AXA. Another successful partnership was when MBT formed a joint venture with the Australia New Zealand Banking Corporation in 2003 to form Metrobank Card Corporation ("MCC").

Other joint ventures of the Ty family companies include the Sumisho Motor Finance Corporation between PSBank and the Sumitomo Corporation of Japan; Orix Metro Leasing & Finance Corporation ("ORIX Metro Leasing") with Orix; the Toyota Financial Services (Philippines) Corporation with Toyota Financial Services Corporation of Japan; and the Philippine Charter Insurance Corporation with Sumitomo Insurance Co., Ltd.

In the non-financial sector, one of the core business activities of the Ty family is in property development. The Ty family, through its various real estate business interests, has made its mark as one of the top real estate developers in the country, with more than 50 completed projects in the Philippines. Although its focus is primarily on residential projects in Metro Manila, one of its most recognized developments is the GT International Tower office building along Ayala Avenue in Makati City. Other notable completed projects are the Bay Garden in Macapagal Avenue in Pasay City and Marquinton Residences in Marikina City. Another of the Ty family companies' recognized projects is the Grand Midori in Makati, which is a joint venture between Fed Land and Orix.

The Ty family has also ventured into the power generation industry through its investment in GBP, which runs power plants in the Visayas through its subsidiaries. GBP is now one of the largest independent power producers in the Visayas region.

Over the years, the Ty family has successfully entered into long term joint ventures in various industries with globally-recognized corporate leaders. GT Capital believes that this is a testament to the recognition and acceptance of the Ty family as a reputable local business partner.

The Ty family companies are run by professionals that are experts in their respective fields. At the helm is Dr. George S.K. Ty who is actively and ably assisted by his two sons, Arthur and Alfred Ty.

COMPETITIVE STRENGTHS

GT Capital is the primary vehicle for the holding and management of the various business interests of the Ty family in the Philippines. GT Capital is actively involved in the management of its market-leading businesses and continuously considers and evaluates new business initiatives and growth projects for the future. GT Capital believes that its principal strengths, enumerated below, are firmly rooted in its corporate values of integrity, competence, respect, entrepreneurial spirit and commitment to value creation:

Established market leadership across all current GT Capital businesses

Each of the GT Capital companies is an established franchise and market leader in its respective industry sector:

- As of September 30, 2012, the **MBT Group** was the second largest Philippine bank by asset size and, net loans and receivables with total assets of Php954 billion and net loans and receivables of Php481 billion. MBT enjoys strong brand recognition throughout the Philippines and was named the "Best Bank in the Philippines" by Euromoney for 2010, 2011 and 2012.

- **Fed Land** is a leader in vertical master-planned communities in the Philippines. Fed Land is the dedicated property development company of the Ty family in the Philippines and is currently implementing a comprehensive and sustainable growth program to fully capitalize on its expertise, land bank and brand recognition. In 2011, Fed Land made reservation sales of 2,168 residential units with a total sales value of Php9.05 billion (an increase of 114% compared to 2010 in terms of value). As of September 30, 2012, Fed Land had 19 different ongoing residential projects at various stages of completion, with a total number of 9,958 units. Fed Land's land bank as of September 30, 2012 comprised 101.8 hectares of land.

- **GBP** is one of the largest independent power producers in the Visayas, with a combined gross dependable capacity of 627 MW (480 MW attributable to GBP, net of minority interests in its subsidiaries) comprising 619.5 MW of power supplied to the Visayas grid and 7.5 MW of power supplied to Mindoro Island. In 2012, GBP, through TPC embarked on an 82 MW clean coal-fired power plant expansion project, as an addition to its existing coal plant in Toledo City, Cebu. The project is intended to supply the electric power requirements of Carmen Copper Corporation. Carmen Copper, a subsidiary of Atlas Mining and Development Corporation, will need additional electric supply to power its mining expansion undertakings. The project construction is now ongoing. On October 9, 2012, GBP, through PEDC, signed a memorandum of understanding with FHIC to study and finalize the reconfiguration of its current expansion plans in Panay from two by 82 MW units into one single unit of 150 MW. The memorandum amends the option agreement signed in March, 2012 for the construction of additional units in Panay.

- **TMP** is the Philippines' largest automobile manufacturer and the exclusive importer and wholesale distributor in the Philippines of the No.1 global automotive brand. TMP has been number one in total vehicle sales in 21 out of 23 years since 1989, with a market share of 35.1% as of September 30, 2012 based on data from CAMPI and AVID. TMP received the "Excellent Quality Company" award from

TMC in April 2011 for its outstanding performance in quality vehicle production and the "Outstanding Achievement on Productivity and Quality" award at the 2011 Kapatiran sa Industriya Awards organized by the Employers Confederation of the Philippines.

- **AXA** was first in first year premium and single premium of variable life insurance in the Philippines as of December 31, 2010. AXA provides a diverse range of innovative products under the 'AXA' brand, which has been named as the 2011 top insurance brand in the world for the third consecutive year according to Interbrand.

High levels of ownership in all businesses

GT Capital currently directly owns 100% of its fully consolidated, unlisted subsidiary Fed Land. GT Capital's interest in the power industry is through its fully consolidated subsidiary GBP, in which it directly owns a 51% stake and where a further 49% stake is held by FMIC, a majority-owned subsidiary of MBT. GT Capital conducts its automotive business through TMP, in which it holds a direct 36% stake and where a further 15% stake is held by MBT. GT Capital's involvement in the insurance business is through AXA, in which it directly owns 25.3%, while an additional 28.2% stake is held by FMIC.

Strong partnerships with leading global players

A key element of GT Capital's business model is to combine local talent and expertise with the technology and resources of leading global business partners. To this end, several of the GT Capital businesses have benefited from strong partnerships with leading global players such as AXA, ANZ, FHIC, Mitsui, Orix, Sumitomo and TMC. For example, in addition to its market-leading brand value, TMC has contributed a superior product range as well as excellence in manufacturing, marketing and customer service to TMP. AXA is a leading global insurance brand with recognized leadership in product design and risk management practices. FHIC has contributed state-of-the-art coal technology to GT Capital's power business.

GT Capital believes it is a strong local business partner for global investors in search of opportunities in the Philippines. The Ty family has a well-established reputation and credibility for integrity, sound business practices and strong corporate governance that GT Capital believes has earned it the trust and confidence of clients, suppliers, regulators and business partners, as well as strong support from the capital markets and the general investing public. Furthermore, GT Capital has a large geographic footprint in its coverage of the domestic economy as it deals with many of the key segments of the Philippine economy in Luzon, Visayas and Mindanao. GT Capital also has an established track record of successfully growing its various businesses through both stable and volatile socio-economic and political environments. GT Capital believes that it possesses in-depth knowledge of the local business environment, including the legal, regulatory and political landscapes which are key considerations for any foreign investor looking to do business in the Philippines.

GT Capital believes that strategic partnerships with leading global players leverage the complementary skill sets, expertise and resources of GT Capital and its partners, while GT Capital is able to optimize time to market, market impact, customer recognition and corporate performance based on global best practices.

Experienced management teams that are consistently focused on promoting synergies across the businesses

GT Capital has an experienced management team with a proven ability to efficiently build and operate market-leading businesses, and to identify and exploit profitable growth opportunities. GT Capital's Chairman, Dr. George Ty, founded MBT in 1962, and since then has been the driving force behind the GT Capital companies and many of the successful business ventures of the Ty family.

GT Capital also believes that the GT Capital companies follow global best practices for corporate governance. For example, MBT's board of directors consists of 12 members, seven of which are independent.

GT Capital considers active management to be a key part of its investment policy and has maintained a strict focus on recruiting and retaining strong management teams for each of its businesses. Furthermore, GT Capital's management has consistently and successfully promoted and implemented business plans across the GT Capital companies to crystallize available synergies. GT Capital believes that the market experience and knowledge that key members of its businesses management teams possess and the business relationships they have developed in the various industries in which they are involved has been, and will continue to be, an integral part of GT Capital's ability to retain and further expand its market leadership positions, to promote synergies among the GT Capital companies, and to identify profitable growth opportunities and business initiatives.

Strong financial profile based on track record of sustained and profitable growth

GT Capital and each of the GT Capital companies exhibit a strong and resilient financial profile. As of September 30, 2012, consolidated net income attributable to shareholders reached Php5.3 billion, representing a 107% growth from the Php2.6 billion registered in the same period last year. As of December 31, 2011, total revenue and net income attributable to shareholders amounted to Php8 billion and Php3.3 billion, from Php6.3 billion and Php3 billion in 2010. Over the period 2009 to 2011, growth in net income (CAGR) for each of the GT Capital companies MBT, Fed Land, GBP, TMP and AXA was 35%, 99%, 21%, 12% and 7%, respectively.

Diversified portfolio geared towards growth in domestic consumption and the broader Philippine economy

The Philippine economy has experienced significant growth from 2003 to 2011, with real gross domestic product ("GDP") growing at a compound rate of 5.0% per annum according to Bangko Sentral ng Pilipinas ("BSP"). The economy maintained positive growth throughout the global financial crisis of 2008-09 and according to Economic Intelligence Unit ("EIU"), real GDP growth in the Philippines is expected to continue on a strong upward trajectory, at a compound annual growth rate of 5.0% from 2011 to 2015. The Philippine economy particularly benefits from several key pillars of growth, including sustained increases in remittances from overseas Filipino workers ("OFWs") and domestic consumption, which in 2011 accounted for 71% of GDP according to BSP. Fed Land, for example, stands to benefit from strong growth in the business process outsourcing ("BPO") sector and OFW remittances by tailoring its commercial and residential real estate products to cater to these markets.

The Philippines is one of the most populous country in the world with a total population of 94.2 million as of 2011, according to BSP. According to the United Nations, as of 2010, approximately 55% of the Philippine population is below the age of 24 (the median age of the population being 22.2 years), and strong population growth is expected to continue in the future. The United Nation's medium estimate for the Philippines' population in 2030 is 126.3 million. According to the World Bank, the primary school completion rate in the Philippines in 2009 was 92% and the adult literacy rate in 2008 was 95%, both well above the worldwide 2009 averages of 88% and 84%, respectively. Overall, the Philippines have a large, growing, young and well-educated population, which provides the Philippine economy with very favorable fundamentals for further growth.

.

As one of the leading Philippine conglomerates with a highly diversified business portfolio, GT Capital is broadly exposed to the Philippine economy through its range of businesses spanning financial services, property development, power, automotive and insurance. GT Capital's businesses are well positioned within industries which it believes are resilient and high growth sectors that particularly stand to benefit from the projected strong and sustained growth in Philippine domestic consumption.

STRATEGY, FUTURE PLANS AND PROSPECTS

Further strengthen GT Capital's leadership position across its existing businesses

In each of its existing businesses, GT Capital intends to further strengthen its market position by targeted strategies and investments that leverage its existing expertise, market insights, partnerships, and brand value and customer recognition:

- At MBT, there will be focused expansion on its retail portfolio, high-potential middle market segment, and on regional areas. Superior asset quality shall be maintained through enhanced NPA (non-performing assets) management and by ensuring a superior credit process. MBT will also continue focusing on low cost deposit growth and cross selling of financial products, resulting in funding efficiencies and margin support.

- At Fed Land, diversified products for middle- and high-end markets will continue to be offered. Development of master-planned communities shall likewise continue through the construction of additional residential towers at existing sites. Recurring income is to be increased by launching commercial and retail projects in key locations. Furthermore, business synergies with other GT Capital companies shall be enhanced.

- At GBP, distinct and flexible solutions will be offered for the various power requirements of clients, given the company's unique position of having both diesel- and coal-fired plants. In addition, GBP intends to market base load and peaking power as a blended rate rather than separately. This shall maximize the utilization of both types of plants, resulting in better efficiency. Maintenance schedules for the plants will be restructured thus significantly minimizing downtime.

- At TMP, there will be preparations for the "motorization" phase of the Philippine economy, which the company expects to take place in 2013. As and when the phase occurs, there will be a graduation from two-wheeled to four-wheeled vehicles in the country, which may result in substantially stronger unit sales. TMP also aims to enhance the competitive advantages of the Toyota brand and to sustain its market leadership and business growth.

- At AXA, greater brand awareness will be created, while tailor fitting product propositions to specific segment requirements. The market-leading bancassurance distribution will be further optimized together with building up agency and direct marketing initiatives. There will be continued product innovation and targeting of new customers.

Seek profitable growth opportunities in other key domestic industries via proven partnership model

GT Capital's management is focused on identifying and addressing long-term profitable business opportunities in key sectors of the economy. These include sectors where GT Capital companies are already present, such as property development and power generation. For example, Fed Land intends to capitalize on the significant future growth expected in the BPO sector by providing innovative commercial real estate solutions in key locations to potential BPO customers. In addition, GBP is currently exploring both greenfield and brownfield power generation projects, including those in the renewable energy sector such as hydroelectric. Beyond its existing business interests, GT Capital is also actively considering and evaluating new business initiatives in sectors that complement GT Capital's existing portfolio and where GT Capital will be able to contribute relevant insights, expertise and resources. Where appropriate value-enhancing business initiatives exist, GT Capital will seek to expand on its successful partnership model with recognized global industry leaders.

Consolidate GT Capital's ownership of the GT Capital companies

GT Capital is the primary vehicle for the holding and management of the various business interests of the Ty family in the Philippines. Subject to applicable laws and regulations and the conformity of its joint venture partners, GT Capital intends to acquire, over time, additional interests in current GT Capital companies, or in other companies controlled by the Ty family. Such consolidation would be consistent with GT Capital's active management approach to its portfolio and may allow an even more integrated approach among the GT Capital companies.

Further optimize synergy creation among the GT Capital companies

GT Capital's management intends to continuously seek and realize synergies among the GT Capital companies in areas including strategy, fund deployment, human resources and sharing of common IT and service platforms in order to further enhance cost efficiencies, competitive strengths and market positions across the group. Furthermore, there exist significant revenue synergies as many products and services offered by GT Capital are attractive to a common consumer target group and stand to benefit from cross-selling. For example, MBT's large depositor base represents a significant opportunity for the cross-selling of other GT Capital companies' products through coordinated efforts. In addition, mortgage products can be offered to potential purchasers of Fed Land condominium units, and the same target demographic may also be interested in automotive products (including lease financing) or life insurance-linked investment products. GT Capital aims to maximize such synergies from both existing and future business initiatives

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 greater manufacturing, financial, research and development and market resources than the GT Capital companies.

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
Banking	Banco de Oro and Bank of the Philippine Islands
Real Estate Development	Ayala Land, Inc., Filinvest Land, Inc., Megaworld Corporation and Robinsons Land Corporation
Power	Kepco Salcon Power Corporation, Salcon Island Power Corporation, Green Core, and Unified Leyte Geothermal
Automotive	Hyundai, Honda, Mitsubishi, Isuzu, Nissan and Ford
Insurance	Philippine American Life, Sun Life of Canada, Insular Life, Pru Life of the U.K. and Manufacturers Life

EMPLOYEES

As of September 30, 2012, the GT Capital companies had a combined 16,782 full-time employees (excluding contract and temporary employees), broken down by operating company or division as follows:

Operating Company	Number of Employees
GT Capital	17
MBT	14,042
Fed Land	225
GBP	752
TMP	1,387
AXA	359
Total	**16,782**

GT Capital's management believes that labor relations are generally good between management and employees at each of the GT Capital companies. GT Capital currently has no plans of hiring additional employees, except where necessary to complement its legal and compliance, finance and accounting, investor relations, and corporate planning and business development. For a description of the labor agreements and other employee related matters for each of the GT Capital companies, see the sections titled "– Employees" or "– Employees and Labor Relations" in each component company's Business section.

INSURANCE

For a description of the insurance carried by each of the GT Capital companies, see the section titled "– Insurance" in each component company's Business section.

PROPERTIES

As of September 30, 2012, GT Capital leases its office space at GT Tower International located at 43/F GT Tower International, Ayala Avenue corner H.V. dela Costa St., Makati City, Manila 1227, Philippines. Currently, GT Capital has no plans to acquire properties. For a description of the properties of each of the GT Capital companies, see the section entitled "– Properties" in each of the component company's Business section.

LEGAL PROCEEDINGS

GT Capital is not involved in legal actions which would have a material adverse effect on its operations and financial position, operating results or cash flows.

For a description of the legal proceedings for each of the GT Capital companies, see the section titled "–Legal Proceedings" in each component company's Business section.

MATERIAL CONTRACTS

As of the September 30, 2012 the Company is not a party to any material contracts, except for contracts entered into the ordinary course of business.

BUSINESS – MBT

OVERVIEW

MBT is a universal bank based in the Philippines which 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. As of September 30, 2012, the MBT Group was the second largest Philippine bank by asset size, net loans and receivables and total capital accounts, with total assets of Php954.0 billion, net loans and receivables of Php481.3 billion and total capital accounts of Php115.8 billion. As of the same period, total capitalization amounted to Php195.3 billion.

The MBT Group offers corporate and commercial banking products and services throughout the Philippines. The MBT Group's corporate banking services consists of banking services provided to corporate customers (generally recognized by MBT as the top 1,000 Philippine companies, multinational companies and Government-owned and controlled companies). The MBT Group's commercial banking services consists of banking services provided to small and medium-sized businesses. As of December 31, 2009, 2010 and 2011, corporate and commercial loans represented 75%, 73% and 73% of the MBT Group's total loan portfolio, respectively. As of September 30, 2012, total corporate and commercial loans accounted for 90% of total loan portfolio.

The MBT Group, through MBT and PSBank (a 76% owned subsidiary of MBT), is also a leading provider of consumer banking products and services in the Philippines. Through its network of branches, the MBT Group offers a wide range of deposit, mortgage and vehicle finance products and services, targeted primarily at its existing customers. MBT offers a variety of products to high net worth individuals, which is a growing demographic group in the Philippines.

The MBT Group offers trust banking services, credit card services and investment banking services through subsidiaries of MBT, and is also engaged in other businesses, some of which are unrelated to the financial services sector. See "– Subsidiaries and Associates".

As of September 30, 2012, the MBT Group had a total of 820 branches in the Philippines, of which 607 were operated by MBT and 213 were operated by PSBank. MBT's international operations consist of branches in Taipei, New York, Guam, Tokyo, Seoul, Pusan and Osaka, together with representative offices in Beijing and Hong Kong. MBT also has an extensive network of remittance centers in Asia, Europe and North America which has enabled it to become a leading provider of remittance services to OFWs.

As of December 31, 2009, 2010 and 2011, the MBT Group's total assets amounted to Php854.3 billion, Php887.3 billion and Php958.4 billion, respectively, while equity attributable to equity holders of MBT amounted to Php75.2 billion, Php87.6 billion and Php109.8 billion, respectively. Consolidated net income attributable to equity holders of MBT for the years ended December 31, 2009, 2010 and 2011 amounted to Php6.0 billion, Php8.4 billion and Php11.0 billion, respectively. As of September 30, 2012, equity attributable to equity holders of MBT amounted to Php114.4 billion, while consolidated net income attributable to equity holders of MBT amounted to Php10.2 billion.

MBT has been listed on the PSE since February 1981 after its initial public offering. Its market capitalization as of September 30, 2012 was Php195.3 billion. MBT was founded by Dr. George S.K. Ty. GT Capital is the single largest shareholder of MBT.

As of December 31, 2009, 2010 and 2011, the MBT Group's Tier 1 and total capital adequacy ratios were 10.0% and 14.3%, 12.0% and 16.4%, and 13.7% and 17.4%, respectively. As of September 30, 2012, the MBT Group's Tier 1 and total capital adequacy ratio was 14.3% and 18.3%, respectively.

HISTORY

MBT was established on September 5, 1962 by a group of Filipino businessmen led by MBT Group Chairman, Dr. George S. K. Ty, principally to provide financial services to the Filipino-Chinese community. MBT has continuously sought to diversify its business and now provides a broad range of banking products and services to all sectors of the Philippine economy through an extensive domestic branch network and internationally through a network of foreign branches and representative offices.

MBT was one of the first banks in the Philippines to gain a universal banking license, which was granted by the BSP in August 1981. This license allows MBT to engage in finance-related businesses such as savings and consumer banking, credit card and leasing products and services as well as "non-allied undertakings", which currently include motor vehicle assembly (through TMP), travel and real estate.

Since the establishment of its first office in Manila, MBT's operations in the Philippines, and in particular its domestic branch network, have expanded organically and through a series of acquisitions and mergers, including its acquisition of PSBank in 1983. Increased expansion of MBT's domestic branch network occurred following a change in 1993 to the BSP's policy of restricting the opening of additional bank branches in the Philippines and the liberalization of the Philippine banking industry.

MBT's international network of foreign branches and representative offices has grown since the opening of its first international branch in Taipei in 1975. Such growth was principally in response to the increased volume of remittances by OFWs. As a result of the growth in MBT's international network, MBT has been able to augment its foreign exchange sources during periods of political instability in the Philippines in which access to foreign exchange has been otherwise limited.

COMPETITIVE STRENGTHS

The MBT Group believes that it has certain key strengths that provide competitive advantages over many of its competitors, including, among others:

Strong financial position

As of September 30, 2012, the MBT Group was the second largest Philippine bank by asset size, net loans and receivables and total capital accounts, with total assets of Php954.0 billion, net loans and receivables of Php481.3 billion and total capital accounts of Php115.8 billion. As of December 31, 2010 and 2011, the MBT Group's total assets amounted to Php887.3 billion and Php958.4 billion, respectively, while equity attributable to the equity holders of MBT amounted to Php87.6 billion and Php109.8 billion, respectively. The consolidated net income attributable to equity holders of MBT for the years ended December 31, 2010 and 2011 amounted to Php8.4 billion and Php11.0 billion, respectively. MBT believes its financial strength contributes to its strong market position. As of September 30, 2012, MBT's net income attributable to shareholders reached Php10.2 billion, representing a 15.2% growth from Php8.9 billion in the same period of 2011. MBT's strong financial position gives the MBT Group flexibility to invest in new products and services, information technology and other infrastructure required for the execution of its growth strategy.

Leading market position across diverse product segments

Each of MBT's product segments are among the leaders in the Philippine banking industry. In retail banking, the MBT Group has the largest car financing portfolio and the third largest housing portfolio. In addition, it is the third largest card issuer through MCC according to the CCAP based on its December 2011 report. The MBT Group has the third largest trust business with AUM of Php382.1 billion based on publicly available reports submitted by Philippine banks to the BSP, as of December 31, 2011. MBT has been awarded Best Performing Government Securities Dealer from 2008 – 2010 by the Bureau of Treasury; Best Fund Manager for All Trustee Retirement Funds and Best Fund Management for Average Returns by Towers Watson Survey. In addition, the MBT Group is also a leading provider of trade finance services to large corporates and middle market companies and one of the leading providers of remittance services. With Php78.7 billion in total assets as of December 31, 2011, MBT's subsidiary, FMIC, is the largest domestic investment bank and one of the leading Government securities eligible dealers according to the Investment Houses Association of the Philippines and the Philippine Dealing and Exchange Corporation based on their June 2011 reports. FMIC also believes that it is a leader in the domestic debt capital markets, having participated in a majority of the Peso-denominated debt issuances in 2011. MBT believes that its strong positions across diverse product segments allow it to cross-promote each segment to its customers to increase revenues and the flexibility to invest in new products and services.

Diversified franchise with large scale of operations

The MBT Group, through MBT and PSBank, operates one of the largest branch networks in the Philippines. It also derives significant synergies from the diversified MBT Group and affiliated franchises such as FMIC, the largest, according to IHAP, and only publicly listed Philippine investment bank; MCC, the third largest card issuer with a 13.8% market share in the Philippines according to the December 2011 report of CCAP; TMP, a market leader in the Philippine automobile industry with a 33% market share in the Philippines in 2011 based on data from CAMPI and AVID; and AXA, who was first in first year premium and single premium of variable life insurance as of December 31, 2010. MBT's scale of operations, together with the MBT Group's financial resources, allows the MBT Group to cross-sell a wider range of financial services to existing customers and potentially capture a broader range of new clients.

Strong management team

The MBT Group has assembled a strong management team, led by Dr. George S.K. Ty, the founder of MBT. Dr. Ty and MBT's senior executive officers (consisting of those officers at the executive vice-president level and above) have, on average, 20 years of experience in the banking sector. As of December 31, 2011, MBT had five banking industry leaders on its board of directors, including Antonio S. Abacan, Jr., Remedios L. Macalincag, Jesli A. Lapus, Robin A. King and Vicente P. Valdepeñas, while its other top executives have a broad range of experience in banking and finance. Management's extensive experience and financial acumen provide the MBT Group with a significant competitive advantage.

Well recognized brand

MBT believes that "Metrobank" is one of the most-widely recognized brands for financial services in the Philippines. This belief is supported by recent awards that MBT has received, including "Strongest Bank in the Philippines" and "20th Strongest Bank in Asia Pacific Region" by The Asian Banker for 2010 and 2011, "Best Bank in the Philippines" for 2010, 2011 and 2012 by Euromoney, "Bank of the Year in the Philippines" for 2010 by The Banker and "First in Financial Reputation in the Philippines" for 2008 and 2009 by the Wall Street Journal Asia. MBT believes this brand recognition helps attract low-cost funding as depositors are more willing to place deposits with MBT, especially during economic downturns, than with some of its competitors. PSBank also actively brands itself as a subsidiary of "Metrobank".

STRATEGIES

MBT seeks to build on its recent successes by implementing a medium-term strategy focused on (a) increasing market share and business volumes through improved products and services, (b) increasing operational efficiency, and (c) becoming an employer of choice with continuous enhancements for its employees and organization.

Continue to improve product and service offerings and create new revenue streams across its product segments

MBT continues to focus on low-cost deposit growth and is exploring options to further promote cross-selling of its financial products. MBT's current strategy is to deploy more sales officers at MBT's branches and work on a list of targeted clients. Cash management solutions are being sold aggressively to support this effort.

MBT's corporate banking business was reorganized to encourage MBT's top 250 clients to maximize their existing credit lines and to acquire new clients for its lending activities. MBT also introduced its SME Lending Division for clients with assets below Php10 million to better manage the requirements of SMEs and micro- industries. The "Great Rates" promotion for car financing was conducted for the third straight year, and a similar campaign for home loans was conducted in the third quarter of 2011.

To grow sales from its trust business, MBT has increased its investment desks, the number of account officers and frontline support employees in pursuit of higher AUM targets.

With the establishment of MBCL in Nanjing, the People's Republic of China (the "PRC"), MBT believes it is better equipped to grow its Chinese business by capturing remittance, trade and investment flows to and from the PRC, and has put itself in a position to initiate retail banking, including insurance as well as other business opportunities in the PRC.

For its foreign exchange and derivatives businesses, MBT plans to continue developing its trading, hedging and related financial solutions, principally through distribution through MBT's New York branch.

Rationalize costs and increase operational efficiencies

MBT seeks to remain competitive by rationalizing costs while increasing operational efficiencies that impact positively on the customer experience. MBT is working on maximizing existing investments on frontline systems, including treasury and cash management systems, and a re-tooling of the core banking system, and backroom systems, including risk, accounting and purchasing systems and related operating platforms that facilitate transaction turnaround or improve customer face time. MBT is also exploring outsourcing, particularly third- party service arrangements with subsidiaries or external parties for non-sensitive functions, such as pre-departure briefings for OFW target clients and cash sorting for old bills and coins.

MBT continues to invest in customer service enhancements, such as the one-stop shop for high transaction customers, and interconnection with electronic payment gateways, which complements lending and deposit taking that have traditionally driven business growth. Similar enhancements have helped various MBT units, such as the International Operations and Subsidiaries Group, to increase business volume.

MBT has required its various head office units to publish their respective service standards and uphold corresponding customer service pledges, so that its customers are served with a consistent level of integrity and professionalism throughout MBT.

Invest in human resources and enhanced organizational competencies

MBT's human resource initiatives are aimed at attracting top talent, in order to help transform MBT into an employer of choice. At present, the human resources management group is reviewing its rewards philosophy framework in an effort to strengthen its retention program, specifically by revising current employee scorecards to value more relevant performance metrics. Other enhancements are likewise being contemplated for its 360-degree feedback process, wherein each employee is scored based on inputs from his superiors, peers and subordinates.

MBT has taken further steps to develop a values and culture program, for which a trial run in 2010 yielded significant inputs from key executives. MBT has also improved module-based training, which has contributed to increasing employee accreditations or certifications by the Philippines' regulatory authorities in the fields of foreign exchange, securities trading, trust marketing, financial advisory, accountancy and audit.

A review of organizational competencies is currently under evaluation. This is primarily to prepare for segment and industry expertise and to identify tools that will drive a more efficient sales effort. In the future, MBT intends to promote constant organizational reviews to sustain change-readiness and cope with dynamic market conditions.

Develop the overseas Filipino remittances segment

MBT believes that overseas Filipinos have been one of the fastest growing segments in the Philippine banking sector, with remittance volume reaching U.S.$18.8 billion and U.S.$20.1 billion as of December 31, 2010 and 2011, respectively. MBT believes this is a business it can grow from its approximate 14% market share based on BSP reports for 2011. MBT is continuously looking to grow this segment by expanding its presence in the Middle East, Europe, Australia and Asia. In 2011, profits from its Asian and United States remittance businesses significantly contributed to MBT's revenue. MBT is currently expanding its remittance services in the Middle East, Australia and Asia, particularly the PRC, given the regions' growing economies and increasing number of overseas Filipinos working and residing there. Most recently, MBT strengthened its expansion efforts in the PRC, which remains one of the fastest growing economies in the world. It has been present in the PRC since the 1990s with branches and representative offices in Shanghai and Beijing. In early 2010, MBT inaugurated MBCL in Nanjing, which MBT believes to be the first foreign bank to establish its headquarters in the city. The new bank serves as the base for MBT's operations in the PRC.

In order to attain its goals for the remittance business, MBT has embarked on a strategy to focus on:

- *Enhancing product offerings* – by introducing new products and services and enhancing existing ones;

- *Expanding its presence* – particularly in Australia, the Middle East (Jordan), Asia (the PRC) and in Europe (the Netherlands and Ireland);

- *Extending distribution points* – with a key focus on covering payout channels in the Philippines in addition to its network of branches and ATMs. These include rural banks and pawnshops, which offer longer business hours and presence in rural areas; and

- *Efficient delivery of services* – through the implementation of a new remittance system.

Strengthen corporate governance

MBT recognizes that good risk management goes beyond regulatory compliance and must be part of its growth strategy and day-to-day business. With increasingly strict corporate governance requirements and compliance targets under Basel II, MBT aims to promote credit excellence, focus on market and operational risks, and account for other important risks.

To promote credit excellence, MBT has implemented the Achieving Credit Excellence Project to automate and accelerate credit processing as well as minimize attendant credit-related risks. To meet this goal, MBT has begun re-engineering all aspects of the lending process, from defining the client's credit appetite to loan origination, administration, monitoring, servicing and recovery. Supporting tools such as the Internal Credit Risk Rating System have been developed to rate the overall borrower and facility risk of a particular corporate or commercial counterparty. In terms of credit risk exposure in the consumer segment, a scorecard is utilized. Account risk management, terms of offering and pricing are guided by the credit risk rating of counterparties.

Furthermore, MBT is implementing an electronic credit approval and central liability system from Algorithmics Incorporated, a leading provider of enterprise risk management solutions, to facilitate better credit risk management through electronic data storage for credit modeling and to ensure the integrity of the credit process through system-based controls. This was a substantial investment on the part of MBT and is a concrete manifestation of its commitment to credit risk management. MBT is also developing a complementary Credit Risk Management System which will serve as its platform to develop and maintain automated quantitative and qualitative risk management tools requisite to the diversity and growth of MBT's business, as well as to enhance the portfolio and sub-portfolio analyses. These tools are expected to enable MBT to gain a more robust credit risk-based capital assessment and allocation.

To minimize market and operational risks, MBT has programmed the upgrade of its market risk management and asset-liability management systems, the refinement of all its market risk models, such as value-at-risk, interest rate repricing gap and earnings-at-risk, the implementation of risk documentation and a risk database to track loss events and fraud cases, and the tightening of its business continuity plan. To safeguard asset quality, the management of its NPAs remains a top priority.

Continue to improve the MBT Group's capital position

MBT plans to continue to improve on the group's strong capital position, which has benefited from significant recent capital markets transactions. In 2006, MBT issued U.S.$125 million Hybrid Tier 1 notes in February and 173,618,400 common shares at Php38.00 per common share in October. MBT issued subordinated notes in October 2007 for Php8.5 billion with a coupon of 7%, in October 2008 for Php5.5 billion with a coupon of 7.75% and in May 2009 for Php4.5 billion with a coupon of 7.5%. In May 2010, MBT raised an additional Php5.0 billion in capital through a private placement of common shares. In January 2011 MBT raised approximately U.S.$220 million through a rights offer for 200 million common shares at the offer price of Php50.00 per rights share. On October 22, 2012, MBT exercised its call option in 2017 Peso Notes which was approved by the BSP on September 6, 2012. With a total capital adequacy ratio of 18.3% as of September 30, 2012, the MBT Group is well above the 10% level required by the BSP. In addition, the MBT Group's tier 1 CAR was 14.3% as of September 30, 2012.

Maintain superior asset quality through enhanced NPA management

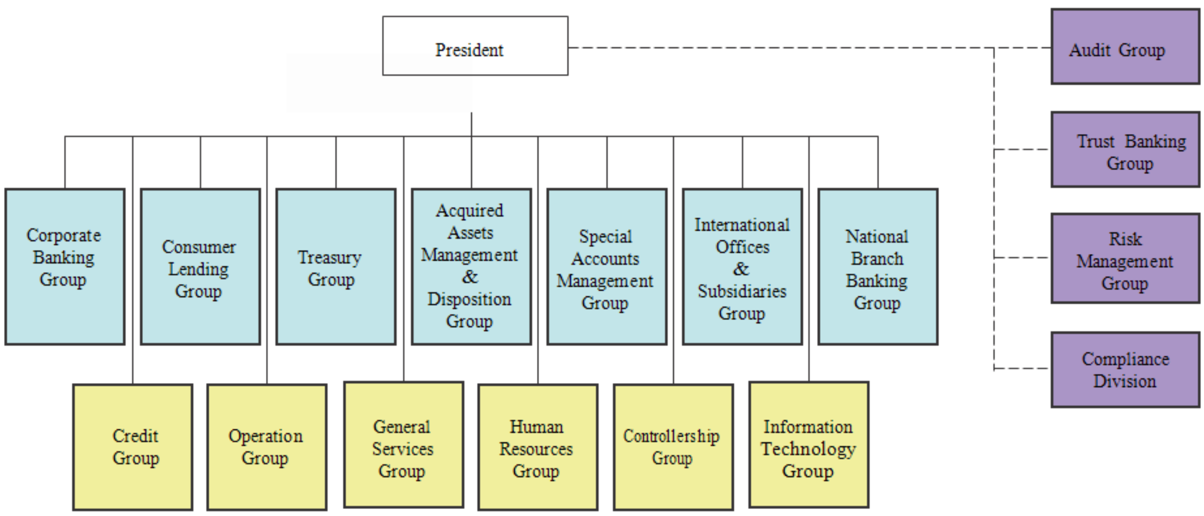
In conjunction with its growth strategy, the MBT Group continues to review opportunities for divestments of NPAs. Over the last five years, the MBT Group embarked on an aggressive campaign to dispose its ROPA. This resulted in a significant drop in the MBT Group's NPA ratio from 11.2% as of December 31, 2005 to 3.2% as of December 31, 2011. As of September 30, 2012, the MBT Group's NPA ratio further dropped to 2.2%. MBT has improved its early-intervention efforts to reduce the number of mortgages that need to be foreclosed. These efforts are supported by the SAMG which is tasked with remedial management including the sale of NPLs and to initiate foreclosures before these are turned over to the AAMDG, which was set up to actively manage and, where appropriate, sell properties acquired in connection with MBT's lending activities. The MBT Group is confident that it has the capability to execute its strategy of growing its loan portfolio, while maintaining a conservative provisioning policy for its NPAs.

The key strategies for continued NPA disposal include:

- direct sales with the help of real estate brokers;
- cross-selling of ROPA through MBT's nationwide branch network;
- volume sales with potential investors; and
- joint venture initiatives with reputable real estate companies, including Fed Land.

ORGANIZATIONAL STRUCTURE

The following chart sets forth an overview of the organizational structure of MBT and its principal activities:



——— functional and administrative

_ _ _ _ _administrative only (directly reports to the respective committees of the BOD)

Each of PSBank, FMIC and MCC has their own separate organizational structure in place.

PRINCIPAL BUSINESS ACTIVITIES

The MBT Group's principal areas of business are corporate and commercial banking, consumer banking, investment banking, treasury, branch banking and others. The following table sets out the amount and percentage of revenue net of interest expense generated by each of these businesses in 2009, 2010 and 2011:

	As of December 31,					
	2011		2010		2009	
	(Php billions, except for percentages)					
Corporate and commercial banking	6,932	16.20%	6,247	13.40%	6,530	13.30%
Consumer banking	7,092	16.60%	7,740	16.70%	8,652	17.70%
Branch banking	13,478	31.50%	13,037	28.00%	12,778	26.10%
Investment banking	460	1.10%	602	1.30%	401	0.80%
Treasury	8,394	19.60%	12,198	26.30%	12,947	26.40%
Others(1)	6,404	15.00%	6,658	14.30%	7,672	15.70%
Total Revenue(2)	**42,760**	**100.00%**	**46,482**	**100.00%**	**48,980**	**100.00%**

Notes:

(1) Others include remittances, leasing, account financing and other support services.

(2) Total revenue consists of net interest income before provision for credit losses, service charges, fees and commissions, leasing and rental income, profit on assets sold or exchanged, recovery on written-off assets and other miscellaneous income.

In 2009, 2010 and 2011, 2.6%, 1.9% and 3.4%, respectively, of the MBT Group's consolidated net income was generated from its operations outside of the Philippines.

The MBT Group's core businesses are its corporate and commercial banking and consumer banking businesses. The following table sets out the gross amount and percentages of loans made by these businesses as of December 31, 2009, 2010 and 2011:

	As of December 31,					
	2011		2010		2009	
	(Php billions, except for percentages)					
Corporate loans(1)	199	56.50%	225	58.90%	272	60.00%
Commercial loans(2)	64	18.20%	53	13.80%	59	12.90%
Consumer loans	89	25.30%	104	27.30%	123	27.10%
Total Loans....................................	**352**	**100.00%**	**382**	**100.00%**	**454**	**100.00%**

Notes:

(1) Loans made to the top 1,000 Philippine corporations, multinational companies and Government-owned and controlled companies.

(2) Loans made to small- and medium-sized businesses.

Corporate and commercial banking

The MBT Group provides corporate and commercial banking products and services to a significant number of large and middle market corporations and their subsidiaries, as well as to small- and medium-sized businesses in the Philippines, through a multi-channel distribution system, including its extensive branch network. MBT believes it is the leading bank in the Philippines for middle-market Filipino-Chinese businesses in terms of deposit-taking and lending.

The MBT Group's corporate and commercial banking business generated net interest income of Php6.7 billion, Php5.8 billion and Php6.3 billion in 2009, 2010 and 2011, respectively. As of December 31, 2009, 2010 and 2011, loans to corporate and commercial customers represented 74.9%, 72.7% and 72.9%, respectively, of the MBT Group's total loan portfolio.

Corporate banking

The MBT Group offers a wide range of products and services to its corporate customers (classified by MBT as customers within the top 1,000 companies in the Philippines, multinational companies and Government-owned and controlled companies), including term loans, revolving credit lines, foreign currency loans, infrastructure loans, trade finance and cash management products and services. MBT also provides omnibus credit lines for its large corporate customers, allowing customers to use such lines for short-term loans, trade financing or other forms of credit.

As of December 31, 2009, 2010 and 2011, accounts of corporate customers of MBT represented 53.8%, 54.3% and 56.6% of the MBT Group's total loan portfolio, respectively. MBT believes that a majority of the top 1,000 Philippine companies are currently customers of MBT. Most of MBT's corporate lending is typically undertaken on a non-syndicated basis, although MBT does syndicate certain large transactions. Substantially all of MBT's corporate clients are based in the Philippines and are engaged in manufacturing, services, wholesale and retail trade, power generation and distribution, leasing and financing, tourism and real estate. Almost all of MBT's corporate lending activities support projects and businesses in the Philippines. Facilities offered to corporate customers include both secured and unsecured loan products, with pricing based on the credit risks associated with the customer and their business. The majority of MBT's current corporate lending consists of short- to medium-term term loans. MBT participates in syndicated loans and provides a limited amount of working capital funding by way of bills purchased and/or trade finance. MBT also offers deposit taking and cash management services for its corporate clients.

For MBT's corporate banking business, MBT has become increasingly market-focused and has established different sub-groups and desks to serve MNCs, conglomerates, Japanese corporations, large corporates, the public sector and entrepreneurial firms.

MBT offers both Peso-denominated and foreign currency (primarily U.S. dollar-denominated) loans. It is MBT's policy to extend foreign currency loans only to those customers who have U.S. dollar revenues or who are otherwise hedged. Most of MBT's corporate loans are made on a floating rate basis.

MBT has also obtained accreditation from various multinational export credit agencies and multilateral agencies to provide corporate clients with additional sources of medium- to long-term funding to finance imports of capital goods and equipment at fixed and floating rates for longer tenors. Accreditation is required for export credit agencies to determine credit-worthiness of the participating bank, as well as lay out the rules of engagement for all parties to a loan transaction. MBT may lend out the cash against an export credit agency guarantee, or the export credit agency may provide the funds for MBT to lend out to the corporate customer. Export credit agency programs provide longer-term funding and address tenor mismatches between long term loans and typical short-term funding.

MBT has a customer-focused strategy and has recruited qualified professionals, including relationship managers and other management personnel, to strengthen its business development and portfolio management capabilities. MBT aims to develop and maintain mutually beneficial relationships with institutional clients within its target market segments by providing wholesale banking services including, but not limited to, corporate finance, investment banking, cash management, trade services and structured finance. MBT's relationship managers are responsible for business generation, new product development, customer satisfaction and maintenance of a high-quality loan portfolio. Relationship managers are also focused on selling the MBT Group's wide range of financial products and services. The expanded line of non-lending services offered by the MBT Group, including investment and trust banking services, are actively promoted by MBT's relationship managers to existing and potential clients of MBT. As of December 31, 2011, the MBT Group's corporate loan portfolio was highly concentrated on manufacturing, wholesale and retail trade, real estate renting and business activities, private households and financial intermediaries. These sectors comprised 18.3%, 16.2%, 16.9%, 14.0% and 8.5% of the MBT Group's total loan portfolio as of December 31, 2011, respectively.

MBT has also directed its efforts toward increasing low-cost deposits, representing demand and regular savings deposits, from its corporate banking clients. Such deposits accounted for a substantial portion of MBT's total deposit business, contributing Php278.7 billion, Php321.5 billion and Php344.0 billion, or 51.3%, 57.0% and 59.1%, of MBT's total deposits as of December 31, 2009, 2010 and 2011, respectively. MBT believes it is a major depository bank for many of its corporate banking customers.

Commercial banking

The MBT Group provides a wide range of banking products and services to its commercial "middle-market" customers. MBT classifies all customers engaged in business, other than corporate customers handled by its head office, as commercial banking customers. The Branch Lending Group was created in September 2006 to centralize efforts in the middle-market segment and is focused primarily on commercial lending for amounts in excess of Php5.0 million. In addition to term loans and revolving credit facilities, the banking products and services offered by MBT to its commercial banking customers include deposit products, bills purchase facilities, trade finance, payment remittances and foreign exchange transactions. In addition, MBT cross-sells the other products and services of the MBT Group, including investment and trust banking services, to its commercial banking customers.

As of December 31, 2009, 2010 and 2011, MBT (not including PSBank) had 8,946, 9,517 and 10,987 commercial accounts, respectively, with a significant portion attributable to the Filipino-Chinese community, and outstanding loans to commercial customers constituted 16.4%, 11.1% and 11.2%, respectively, of the MBT Group's total loan portfolio. As of December 31, 2009, 2010 and 2011, accounts of MBT's small- to medium-sized commercial customers (consisting of all Philippine companies other than large corporate customers) represented 24.3%, 19.8% and 20.0% of the MBT Group's total loan portfolio, respectively. As of December 31, 2009, 2010 and 2011, the contribution of MBT's commercial banking business to the MBT Group's loan portfolio was Php57.7 billion, Php42.5 billion and Php50.7 billion, respectively. Most of MBT's commercial customers are engaged in the manufacturing, wholesale and retail trade industries. The predominant needs of MBT's Filipino-Chinese commercial middle-market customers are trade financing facilities (such as letters of credit ("LCs"), trust receipts, export-financing and the discounting of commercial bills, as well as inventory financing) and term loans.

MBT offers both Peso-denominated and foreign currency (primarily U.S. dollar-denominated) loans. It is MBT's policy to extend foreign currency loans primarily to customers who have foreign currency revenues or who are otherwise hedged. Most of MBT's commercial loans are made on a floating rate basis.

MBT's strategy is to increase its small- and medium-market customer base by continuing to pursue a selective lending program that will ensure the quality of its loan portfolio and maintain a low loan delinquency ratio. MBT believes that there are many under-served customers within this market that have the asset base, cash flows, management and business plan necessary to become quality customers of MBT.

MBT has also directed its efforts towards increasing low-cost demand and savings deposits from commercial clients by increasing its market share of deposits for existing prime accounts and acquisition of new accounts. This is made possible through a program of providing cash management solutions for this client segment. Dedicated teams focused on product development, sales, implementation and customer care ensure the seamless set-up of the client's collections, payment and liquidity solutions. By doing so, MBT is able to capture the operating accounts of its key clients, as well as that of its client's own customers and suppliers.

Consumer banking

The MBT Group provides consumer banking services through MBT and PSBank. The MBT Group's principal consumer banking products and services include bank deposits, home mortgage loans, vehicle finance and consumer finance, including credit cards through MCC. Consumer loan applications are generally reviewed and pre-screened at the branches, as the MBT Group's primary distribution channel. Thereafter, applications are endorsed to the appropriate processing units for evaluation and approval.

The following table sets out consumer loans to individuals for the periods indicated:

	Group	MBT	PSBank	MCC
	(Php billions)			
December 31, 2009	82.6	23.6	40.6	17.3
December 31, 2010	98.2	28.5	48.9	19.0
December 31, 2011	113.9	33.7	53.8	23.9

While the operations of MBT are largely run separately from those of PSBank, the two banks co-operate to ensure wider market coverage for the MBT Group. MBT focuses on its own customer base, while PSBank targets the general borrowing public. Since 1981, when MBT acquired PS Bank, MBT conducted a substantial proportion of its small personal deposit-taking and lending business for home purchases and vehicle finance through PSBank. In order to market consumer banking products and services to its own customer base more effectively, MBT established its own consumer lending group in 1996.

In recent years, both MBT and PSBank have focused on expanding their consumer banking business, principally through a directed marketing strategy, using their extensive domestic branch network, and by direct sales methods. In particular, MBT offers a wide range of consumer banking products to customers that are employees of MBT's corporate customers and to owners of small- and medium-sized businesses by using its branch network. To increase face-to-face contact with consumer banking clients, MBT is currently working to expand its branch network to be more accessible to its clients and to reach clients in areas that have previously been underserved. MBT, to a lesser extent, also utilizes traditional communication channels, such as print and advertising, to offer MBT's consumer loan products to the market. As part of its growth strategy, MBT has been developing a comprehensive database of target customers for its consumer banking products and services.

The MBT Group's consumer banking business generated net interest income of Php4.9 billion, Php5.1 billion and Php5.7 billion in 2009, 2010 and 2011, respectively.

Home mortgage loans

Home mortgage loans issued by MBT and PSBank represented Php33.2 billion, or 38% as of December 31, 2009, Php37.3 billion, or 36% as of December 31, 2010, and Php44.3 billion, or 36% as of December 31, 2011 of the MBT Group's consumer loan portfolio. The MBT Group is currently growing its home mortgage loan business through tie-ups with real estate developers and, to a lesser extent, advertising campaigns. In 2005, MBT spun-off the Wholesale Department of the Home Financing Division into its Wholesale Real Estate Division to focus on developer and corporate tie-ups. MBT offers a range of different home mortgage products under the "MetroHome Financing" brand and PSBank offers its home mortgage products under the "Home Loan" brand. MBT typically relies on existing customers for the majority of its home mortgage sales, while PSBank relies more on direct marketing activities to secure new customers.

The majority of the MBT Group's home mortgage loans are extended to property buyers in the Philippines who intend to occupy the premises, with a small proportion being extended to individuals purchasing residential units for investment purposes. Through tie-ups with housing developers, including Fed Land, the MBT Group also purchases home loans via contracts-to-sell ("CTS") from developers that directly finance sales to their buyers. These loans usually provide full recourse to the developer. These CTS transactions may be converted into regular end-buyer financing by the MBT Group upon loan application approval. All of the MBT Group's home mortgage loans are secured by a first ranking legal charge over the property. In the case of loans to certain corporate borrowers, the MBT Group often requires personal guarantees to be given by appropriate officers of the borrower as additional security. Traditionally, the MBT Group, as well as other lenders, have required home mortgage borrowers to have an equity interest equal to at least 30% of the value of the property. Due to an increase in competition in the mortgage industry, however, many borrowers are now able to secure mortgages for certain types of residential property from lenders, including MBT, with a 20% down payment.

The average maturity of the MBT Group's home mortgage loans is ten years. In accordance with industry practice in the Philippines, interest rates on the MBT Group's home mortgage loan portfolio are generally agreed with the relevant borrower at a fixed rate applicable for an initial period of between one and ten years, depending on the maturity of the loan. Following the expiry of this initial period, the interest rate is reset at a fixed rate applicable for succeeding periods. The MBT Group believes that the repayment term on the average mortgage loan issued by the MBT Group is shorter than the industry average due to the quality of its customers, which helps lower the default rates on its mortgage loans, while also promoting sustainable growth in its mortgage loan portfolio. As of December 31, 2011, 0.8% of MBT's mortgage loans were classified as NPLs, compared to 1.1% as of December 31, 2010.

When a borrower falls in arrears with its mortgage payments, it can either agree to a voluntary disposition of the property to the MBT Group or the MBT Group may commence foreclosure proceedings. It generally takes between six and 12 months to foreclose mortgaged collateral, which is then typically sold by public auction or through brokers on behalf of the MBT Group. However, the individual mortgagor or any of its creditors having a lien over the collateral continues to have the right to repurchase such collateral within one year of completing foreclosure in return for payment of principal and interest owed plus the MBT Group's out-of-pocket expenses.

MBT established the AAMDG to actively manage and, where appropriate, sell properties acquired in connection with its lending activities. In 2009, 2010 and 2011, the MBT Group sold Php4.2 billion, Php4.7 billion and Php4.8 billion, respectively, worth of investment properties, which primarily consist of foreclosed real estate properties. Efforts to diversify methods for the disposal of investment properties have been actively pursued by the MBT Group and include public auctions, sales conducted through brokers and pursuant to employee referrals, as well as entering joint venture projects with property developers. The MBT Group has also increased its early- intervention efforts in order to reduce the number of mortgages that need to be foreclosed.

Vehicle finance

As of December 31, 2009, 2010 and 2011, loans advanced by MBT and PSBank for the purchase of vehicles amounted to Php30.7 billion, Php39.6 billion and Php45.4 billion, respectively, or 35%, 38~~.0~~% and 37% of the MBT Group's consumer loan portfolio, respectively. Vehicle loans advanced by the MBT Group generally have maturities of between 12 and 60 months, and the MBT Group retains the right to repossess the vehicle in the event of payment default. The MBT's non-performing auto loans were 0.3% and 0.2% as of December 31, 2010 and 2011, respectively.

Deposits

MBT offers corporates and consumers a range of deposit products, including current accounts, which are interest and non-interest bearing demand deposits, savings accounts and time deposits in Pesos, U.S. dollars and other foreign currencies. The MBT Group's principal depositors are individuals in the Philippines and customers using MBT's cash management services. As of December 31, 2009, 2010 and 2011, the MBT Group's total deposits were Php615.7 billion, Php651.3 billion and Php681.0 billion, respectively. As of the same dates, 79.7%, 80.9% and 82.8% of the MBT Group's deposits were Peso-denominated, with the remainder denominated in foreign currencies, principally U.S. dollars.

Domestic branch network

As of September 30, 2012, the MBT Group had a total domestic branch network of 820 branches, comprising 6 0 7 branches of MBT and 213 branches of PSBank.

MBT believes its domestic branch network, including PSBank, is the second largest in both Metro Manila and the Philippines as a whole based on internal research. MBT's branches are divided into two principal groups, one covering Metro Manila and the other covering other areas in the Philippines. Each group is responsible for the management and operation of branches in its area. Staff are employed and trained at MBT's head office training center, which provides courses for new branch officers and staff.

The following table illustrates the expansion of MBT and PSBank's network in recent years and sets forth the number of domestic branches as of December 31, 2009, 2010 and 2011:

	As of December 31,		
	2009	2010	2011
Metro Manila branches of MBT	307	311	296
Countryside branches of MBT			
– Luzon	123	126	152
– Visayas	75	77	78
– Mindanao	57	58	59
Total MBT branches	562	572	585
PS Bank	170	180	200
Total MBT Group branches	732	752	785

Treasury

MBT's Treasury Group is focused on servicing customer requirements through the sales and trading of global markets products as well as providing support for the core banking business through asset and liability management. MBT's Treasury Group derives its revenue primarily from fixed income, foreign exchange, derivatives and interest rate differential activities. The customers of MBT's Treasury Group include domestic and offshore banks, insurance companies, financial institutions, corporations, small and medium enterprises, high net worth individuals and retail companies.

MBT's Treasury Group is responsible for its treasury operations, managing its domestic liquidity and funding position in accordance with regulatory reserve requirements and the objective of MBT's management. As part of its liquidity management, the Treasury Group invests in sovereign and corporate debt instruments, commercial paper and other securities. The Treasury Group also manages MBT's foreign currency exposure, engaging in proprietary trading of currencies and offering foreign exchange and risk hedging derivative instruments to MBT's corporate customers such as forward contracts, interest rate swaps, currency swaps and foreign currency options.

Through its treasury operations, MBT manages its required regulatory reserves and investment portfolio with a view to maximizing efficiency and return on capital. MBT also seeks to optimize profits from its trading portfolio by taking advantage of market opportunities.

The Treasury Group engages in domestic and foreign exchange operations. As part of its treasury activities, MBT also maintains proprietary trading portfolios in domestic debt and equity securities and in foreign currency assets. During the fiscal year MBT undertakes foreign exchange sales and purchases on behalf of its corporate customers by engaging in back-to-back derivatives transactions. MBT also sells hedging products to large and medium-sized corporate customers. MBT offers derivative products to its clients including foreign exchange forward contracts, options, and currency and interest rate swaps.

MBT believes it is among the top interbank dealers in foreign exchange, interest rate and foreign currency swaps, government securities and euro bonds in the Philippine financial markets. MBT has received numerous awards and recognitions for its treasury activities: among these are the overall Best Performing Government Securities Dealer for the past three years (2008, 2009 and 2010) awarded by the Bureau of Treasury, the best provider of structured products and a top provider of FX services, innovative FX products, and structured ideas among domestic banks by Asiamoney in 2010.

MBT's Treasury Group generated revenue net of interest expense of Php7.4 billion, Php8.0 billion and Php9.3 billion, respectively, in 2009, 2010 and 2011.

Other banking services

Trust banking

The Trust Banking Group's trust banking business offers a wide range of funds and asset management products and services catering to corporates, high net worth individuals (defined as individuals with liquid assets of over Php20.0 million) and retail investors. As of December 31, 2009, 2010 and 2011, the MBT Group had Php210.3 billion, Php271.0 billion and Php382.1 billion in AUM, respectively. The Trust Banking Group has, according to the Published Statement of Conditions, delivered one of the highest growth rates in the industry market over the past five years.

Revenue from the trust business is generated through trust fees from the management of UITFs and corporate and personal trust products and services, as well as from custody and other agency services. Increased market competition has compressed income from management of UITFs, leading MBT to refocus increasingly on trust banking services offered to private wealth clients.

The Trust Banking Group offers a broad range of trust banking products and services that address the needs of each of the market segments it serves, such as the management of retirement, corporate and pre-need funds, employee benefit trusts, and custody and facility agency services for corporate clients. Corporate clients contributed PhpP75.0 billion, Php99.8 billion and Php140.2 billion in AUM in 2009, 2010 and 2011, respectively, which were principally invested in Government securities. Products and services offered to high net worth individuals include estate planning trusts, personal investment trusts and investment management arrangements. High net worth individuals contributed Php124.9 billion, Php159.9 billion and Php228.3 billion in AUM as at December 31, 2009, 2010 and 2011, respectively.

The Trust Banking Group also offers other fiduciary services, such as escrow agency services, mortgage trust indenture services and transfer agency services for public offerings by Philippine corporations.

MBT's Trust Banking Group generated gross revenues of Php841.4 million, Php841.3 million and Php1.05 billion, respectively, in 2009, 2010 and 2011.

Trade Finance

MBT offers corporate and commercial banking customers a range of trade finance products and services including LCs, standby LCs, export advances and the discounting of commercial bills.

MBT believes that it is a leading provider (by value and by volume) of commercial import LCs and bank guarantees in the Philippines. In addition, MBT provides documentary collections for exports by local and multinational companies in the Philippines. MBT's position as a market leader reflects its strategy to leverage the geographic reach of its international branch network in the provision of its trade finance products and services.

MBT also extends other trade finance-related services to its customers including advice on documentary credits and advances to exporters against export bills. Trade finance loans typically have short maturities and MBT's primary focus is on providing working capital trade finance.

INTERNATIONAL BRANCH NETWORK AND REMITTANCE SERVICES

International Branch Network

MBT has a network of seven strategically located branches outside of the Philippines, which, together with its representative offices, subsidiaries, and a network of correspondent banks, complements the domestic activities of the MBT Group. MBT's network outside the Philippines can be summarized as follows:

Branches	Representative offices	Subsidiaries
Taipei	Hong Kong	Metropolitan Bank (China) Ltd.
New York	Beijing	Metro Remittance (Hongkong) Limited
New York		Metro Remittance Center, Inc. and Subsidiaries:
Seoul		Metro Remittance (Canada), Inc.
Pusan		MB Remittance Center (Hawaii), Ltd.
Tokyo		Metro Remittance (USA), Inc.
Osaka		Metropolitan Bank (Bahamas) Limited
		Metro Remittance (UK) Limited
		Metro Remittance (Italia), S.p.A.
		MBTC Services GmbH
		Metro-Remittance (Spain) S.A.
		Metro Remittance (Singapore) Pte. Ltd.

MBT's foreign branches deliver full banking operations and have been predominantly engaged in lending to local businesses, primarily those involved in trade finance. MBT channels a substantial part of its import LCs through this international network. In addition, MBT's international offices are licensed to handle remittances for OFWs and other nationalities. MBT's current strategy is to position its operations internationally to take advantage of trade flows with, and investment in, the Philippines and the presence of large Filipino populations overseas.

Each of MBT's international branches conducts commercial and trade-related lending operations within each of the jurisdictions in which it operates. The loan portfolio of MBT's overseas branches, including commercial loans and trade finance, amounted to Php4.3 billion, Php1.5 billion and Php1.3 billion as of December 31, 2009, 2010 and 2011, respectively.

In 2009, 2010 and 2011, 2.6%, 1.9% and 3.4%, respectively, of the MBT Group's net income attributable to equity holders of MBT was generated from its operations outside of the Philippines.

Remittances

Reflecting the large market in OFW foreign currency remittances to the Philippines, the activities of the international branches of MBT, together with those of its subsidiaries and its associates which act as remittance centers, are geared towards the handling of remittances to the Philippines, as well as supporting the trade and capital flows of the Philippines. Income from the remittance business is generated from an administration fee and, more significantly, from the foreign exchange margin. In addition, MBT generates foreign currency holdings which can be utilized in meeting its import LC obligations. Remittances are now being distributed in the Philippines not only through the

MBT Group's domestic branches and ATM network, but also through its local remittance payout partners, such as pawnshops, extending its remittance services well beyond banking hours. In 2009, 2010 and 2011, MBT provided remittance services for funds in the amount of U.S.$ 2.0 billion, U.S.$2.3 billion and U.S.$2.8 billion, respectively.

Remittances into the Philippines have consistently risen during recent years, growing from U.S.$10.7 billion in 2005 to U.S.$18.8 billion in 2010, representing a CAGR of 11.9%. The MBT Group believes that it is one of the largest providers in the Philippines of remittance services for OFWs. In addition, the MBT Group believes it is one of the fastest growing providers of remittance services in the Philippines. The MBT Group has achieved this by utilizing its international network of branches, subsidiaries, associates and representative offices and through its relationships with correspondent banks and other overseas providers of remittance services. The systems installed in the foreign branches and offices enable real-time remittances to be processed.

As a result of the liberalization of foreign exchange controls in the Philippines in the 1990s, the MBT Group continues to expand facilities for the handling of foreign currency remittances. The MBT Group intends to (i) expand its existing international presence by establishing partnerships with local and international remittance service providers in Europe, the United States, Australia and the Middle East, (ii) rationalize its correspondent banking relationships (which number more than 900, most of which are involved in trade finance transactions) and (iii) enhance its technology in electronic remittance processing to enable the quickest delivery of remittance services in the industry such as door-to-door delivery of remittance within hours and cash pick-up at MBT Group and local payout partner's branches in seconds.

As of December 31, 2011, the MBT Group had 32 subsidiaries and representative offices and seven branches in 27 countries and territories worldwide.

In addition to its network of branches and subsidiaries, the MBT Group has a number of remittance arrangements with banks and remittance tie-ups and agents in regions with high concentrations of OFWs. The MBT Group currently has a joint remittance agreement with PT Bank Central Asia, the largest private bank in Indonesia, which allows selected international branches of the MBT Group to process remittances for overseas Indonesian workers, as well as an arrangement with the United Overseas Bank (Thai Public Company Limited) in Thailand which caters to overseas Thai workers and with CIMB to cater to Filipinos working in Malaysia. In an effort to establish a stronger remittance business in Saudi Arabia, the MBT Group partnered with the Arab National Bank, one of the largest banks in that country. More recently, the MBT Group has established its presence in countries such as the Netherlands, Ireland, New Zealand and Jordan. As of December 31, 2011, the MBT Group had 97 remittance tie-ups and 161 remittance agents present in the United States, Europe, the Middle East, Asia and the Asia-Pacific as of December 31, 2011. The MBT Group is currently seeking to expand this type of relationship for other countries with large numbers of overseas workers and expects that this line of business will continue to increase the volume of remittances made by the MBT Group's international network.

The following table sets out the total volume and value of remittances made by the MBT Group's overseas operations in the periods indicated:

	For the year ended December 31					
	2009		2010		2011	
	Volume	**Value**	**Volume**	**Value**	**Volume**	**Value**
Remittances	(Number of transactions)	(US $ millions)	(Number of transactions)	(US $ millions)	(Number of transactions)	(US $ millions)
Foreign Branches and Subsidiaries	1,974,752	1,223.7	2,099,584	1,299.3	2,091,140	1,454.0
Joint Remittance Arrangements	1,086,424	772.4	1,320,907	1,017.6	1,694,074	1,351.2
Total	**3,061,176**	**1,996.1**	**3,420,491**	**2,316.8**	**3,785,214**	**2,805.2**

The higher value per transaction of remittances by correspondent banks and other financial institutions, compared to MBT's foreign branches, reflects the practice of large foreign corporations, such as shipping companies, making large lump sum remittances for multiple beneficiaries in the Philippines using their regular banking providers.

INFORMATION TECHNOLOGY

The MBT Group's strategy for providing better customer services, improving operations management and enhancing operating efficiency is dependent upon its IT systems. The MBT Group generally uses off-the-shelf hardware and software to create complex applications and infrastructure for its operations. This modular approach allows the MBT Group to modify its systems to address changing needs and incorporate new technology as necessary. This approach also allows the MBT Group to make modifications and upgrades more cost effectively than if it employed wholly proprietary systems architecture.

The MBT Group continues to undertake initiatives to combine, to the extent permitted by BSP regulations, the operating platforms of entities within the MBT Group, to develop common service systems and otherwise upgrade its centralized computing equipment, which now services all online requirements of MBT's branches, MBT's 24-hour point-of-sale facilities, MBT's ATM operations, PSBank's online system and MBT Card Corporation's credit card processing system. Recent major IT-based initiatives were undertaken as follows:

- In 2009, MBT implemented the ROPA manager, a system for better managing and facilitating the sale of its acquired assets.

- In 2010, MBT completed the upgraded of its wide area network, by increasing line speeds from head office to the branches. This upgrade accommodates the new online application processes at its branches, as well as improves network response times. In parallel, MBT is replacing its branch tellers' desktop computers with more current hardware and operating systems.

- In 2010, MBT replaced its legacy systems with new-generation core banking systems in its PRC and Japan offices.

- In 2011, MBT implemented a desktop computer refresh project to replace aging desktop computers. A new security suite was also implemented bank-wide to protect MBT's information assets.

- In 2011, MBT implemented an automated loans origination system, and an exposures management system to streamline commercial loans applications processing and improve risk management.

- In 2011, MBT implemented document imaging for branches and international trade operations.

MBT utilizes a disaster recovery system as part of its business contingency recovery plan. This system allows MBT to mirror and duplicate all critical operations and resume business during disaster situations. The disaster recovery system is provided through a third party. MBT maintains a backup ATM switch in its disaster recovery center which will enable uninterrupted ATM use even when the primary computer center is inaccessible or rendered inoperable due to a disaster. In addition, MBT uses an online disk replication system between MBT's corporate headquarters and MBT's business recovery data centers, thereby minimizing data loss during disaster scenarios and resulting in the capability to be online within three hours upon declaration of a disaster for all critical applications of MBT. Aside from the online disk replication system, MBT uses a virtual tape system to replace the slower conventional tape-based backup mechanisms.

Electronic banking

In 2001, MBT launched its electronic banking platform with the launch of its mobile banking facility, which allows customers of MBT to carry out banking activities using SMS text messaging via mobile telephones. MBT also offers the following electronic banking services:

- *Metrobank E.T. International Cards.* This refers to ATM cards that provide MBT's clients with access to more than 1,000,000 ATMs in approximately 210 countries.

- *Metrophonebanking.* Telephone banking is an automated transaction processing service available to all deposit holders of MBT and allows for electronic processing of banking transactions through a touch-tone phone.

- *Metrobankdirect-retail.* This internet banking facility allows MBT's consumer customers to conduct banking transactions and access MBT's products and services through the internet using their personal computers. In the third quarter of 2006, Metrobankdirect-retail was enhanced to allow pledging of funds for equities trading through an automated straight-thru-process to the stock trading website of the MBT Group's securities brokerage firm.

- *Metrobankdirect-corporate.* This internet banking facility is similar to Metrobankdirect-retail and is offered to MBT's corporate and commercial customers. In 2007, Metrobankdirect-corporate was enhanced to include the electronic invoice presentment and payment features. In 2008, Metrobankdirect-corporate was enhanced to include the comprehensive disbursement module.

  Metrobankdirect-retail and Metrobankdirect-corporate were launched in 2002. MBT considers these platforms to have significant growth potential. MBT also believes that its internet banking platform offers a strong competitive advantage as it enables a much wider range of banking services to be transacted via the internet compared to the platforms operated by many of MBT's competitors.

- *Tax Direct Facility.* This tax facility, in conjunction with the Bureau of Internal Revenue, allows MBT's corporate customers to file their tax returns and pay their taxes directly through the internet.

- *Mobile Phone.* In 2010, MBT re-launched its mobile banking channel, which was originally launched in 2001. Distinct from the traditional text-based mobile phone human interface, the new interface is more users friendly and graphical. MBT's customers are able to buy airtime credits for mobile phone usage. Common mobile banking functions are also supported, such as balance inquiry, funds transfer, and bills payment.

INTERNAL AUDIT

MBT's Internal Audit Group ("IAG") provides independent objective assurance and consulting services designed to add value and improve MBT's operations. IAG helps in achieving MBT's objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes, including the IT systems and applications. It is independent from the operating units and reports directly to the MBT's board of directors through the Audit Committee, chaired and co-chaired by independent directors. IAG's scope of work ensures that: risks are appropriately identified and managed; interaction with the various governance groups occurs as needed; significant financial managerial and operating information is accurate, reliable, and timely; employees' actions are in compliance with MBT's code of conduct, policies, standards, procedures and applicable laws and regulations; resources are acquired economically, used efficiently and adequately protected; programs, plans, and objectives are achieved; quality and continuous improvement are fostered in MBT's control process; and significant legislative or regulatory issues impacting MBT are recognized and addressed properly. IAG has authorized, unrestricted access to all functions, records/documents, property and personnel.

The internal audit activity is performed in accordance with the International Standards for the Professional Practice of Internal Auditing ("ISPPIA") and the Code of Ethics. An independent Quality Assurance Review ("QAR") of MBT's internal audit activity was conducted in 2011 by a reputable professional firm that confirmed in the QAR report that MBT's internal audit activities generally conform (the highest among three classifications) to the ISPPIA and the Code of Ethics and exceeds the global conformance rating. MBT's Quality Assessment and Improvement Program includes continuous independent quality assurance reviews benchmarked against ISPPIA, continuous implementation of process improvements (e.g. increased use of technology in audit engagements) and successful practices and ensures that IAG activities add value and meet stakeholder's expectations.

IAG's annual audit plan is developed based on MBT's strategic plan which reflects the overall business objectives and MBT's attitude toward risk. IAG employs integrated IT and operational audits and follows a risk-based approach in its internal audit programs and procedures. Using this approach, the nature, timing and scope of audit are based on the preliminary evaluation of the degree of risks and adequacy of risk management, mitigating factors and internal controls within each particular operating unit being audited. Business risks are assessed through discussions with management and review of management-accomplished risk measurement tools such as value at risk, earnings at risk and operational risk self assessment. IAG also advises project teams, internal departments, management and MBT's board of directors on key areas, such as governance, risk management and controls.

The effectiveness of an auditable units' implementation of controls and risk mitigation techniques is measured using a risk-based audit rating system which was developed in-house under the direction of MBT's senior management and approved by the Audit Committee. It is periodically updated to incorporate emerging risks. The audit rating result impacts the performance appraisal of auditable units. Monitoring of unresolved audit findings has been centralized in IAG to ensure the timely resolution of audit findings and to facilitate elevation of common and significant audit findings/observations to the Audit Committee and operating and senior management. Reports produced from the system's findings analyze areas where process enhancements may be instituted or risk tolerance levels in attaining business objectives may be re-evaluated.

IAG staff members are mostly Certified Public Accountants and some auditors hold global certifications such as Certified Internal Auditor, Certified Information Systems Auditor, Certified Internal Control Auditor, Certified Anti-Money Laundering Specialist, Certified Fraud Examiner and Certified Financial Services Auditor. To further strengthen MBT's internal audit capabilities and ensure continuing professional education, the IAG implements a training program to ensure that officers and staff obtain the necessary skills and are kept abreast with current developments to better discharge their responsibilities. In addition, IAG's officers and staff now include auditors from other disciplines, such as mathematics, statistics and information technology, to meet additional internal audit responsibilities as required by the BSP to regularly and independently perform risk model validations. The Special Audit Department assists the Management through fact-finding and investigation of fraud and irregularities, in close coordination with other units of MBT.

Based on the results of IAG's internal audit assurance and consulting services and the work of other control and monitoring functions within MBT, such as the Risk Management Group and the Compliance Division, the IAG renders an opinion on MBT's framework of control as to the adequacy and effectiveness in relation to MBT's business objectives and within limit of internal controls.

INSURANCE

The MBT Group's policy is to adequately insure all of its properties against fire and other usual risks. The MBT Group also maintains insurance for operational risks such as the loss of cash or securities through loss or theft, both through a program of self-insurance and by obtaining insurance from third party providers. The MBT Group does not have business interruption insurance covering loss of revenues in the event that its operations are affected by unexpected events. The MBT Group also has a policy of requiring appropriate insurance coverage for any collateral provided by its customers.

The MBT Group's insurance policies are subject to exclusions which are customary for insurance policies of the type held by MBT, including those exclusions which relate to war and terrorism-related events. The MBT Group believes that its insurance policies are appropriate for its business.

PROPERTIES

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 the Philippine branch network owned by MBT as of December 31, 2011:

Location	**Number of owned branches**
Metro Manila…………………………………………………………………………………………	128
Countryside…………………………………………………………………………………………	153

MBT holds clean titles to these properties except for one branch. MBT also lease premises occupied by the rest of its branches. Generally, lease contracts are for periods ranging from one year to 25 years and are renewable under certain terms and conditions. The following table provides a geographic breakdown of the Philippine branches that occupy leased premises:

Locations	Number of leased branches
Metro Manila	168
Countryside	136

Currently, MBT has no plans for property acquisition, except where feasible, MBT may explore properties to set up branches to improve its network coverage.

INTELLECTUAL PROPERTY

The MBT Group has applied for, and received, intellectual property protection for its brand names with the Intellectual Property Philippines Office in Makati City. Specifically, these cover its new corporate logo, various e-banking channels, home and car loans, a children's savings deposit, cash management and various remittance services. The MBT Group has not been the subject of any disputes relating to its intellectual property rights.

LEGAL PROCEEDINGS

In September 2008, the Bank filed petitions for rehabilitation against two Philippine subsidiaries of Lehman Brothers Holdings, Inc. in connection with a combined P2.4 billion loan exposure. These came as a result of the declaration of bankruptcy filed by Lehman Brothers Holdings, Inc., a surety under the loan agreements. The rehabilitation plans were duly approved by the Rehabilitation Court (RC). A Management Committee was created for each of the two (2) Lehman subsidiaries and these Management Committees oversaw and managed the company assets until their abolition in July 2012. In lieu thereof, the RC appointed a Comptroller who was nominated by the Bank. Earlier, in April 2012, the RC resolved to recognize the new equity holder in Philippine Investment One (PI One) and Philippine Investment Two (PI Two). The Bank appealed the RC resolution recognizing the new equity holder of PI One and PI Two before the CA in June 2012 and the RC resolution dissolving the Management Committees in October 2012.

On October 17, 2011, a consortium of eight (8) banks including the Bank filed a Petition for Certiorari, Prohibition and/or Mandamus (with Urgent Application for a Temporary Restraining Order (TRO) and/or Writ of Preliminary Injunction) with the Supreme Court (SC) against the respondents the Republic of the Philippines, Bureau of Internal Revenue (BIR) and its Commissioner, the Department of Finance and its Secretary, the Bureau of Treasury, and the National Treasurer, asking that the Court annul BIR Ruling No. 370-2011 imposing a 20% final withholding tax on the 10-year Zero Coupon Government Bonds (also known as the PEACe bonds) which matured on October 18, 2011 and command the respondents to pay the full amount of the face value of the PEACe Bonds. On October 18, 2011, the SC issued the TRO enjoining the implementation of the said BIR ruling on the condition that the 20% final withholding tax be withheld by the petitioner banks and placed in escrow pending resolution of the Petition. However, to date, the respondents have not complied with the said TRO, i.e. they have not credited the banks' escrow accounts with the amount corresponding to the questioned 20% final withholding tax. The case is still pending resolution with the SEC.

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.

COMPETITION

The MBT Group faces competition in all its principal areas of business. Philippine and foreign banks are the MBT Group's main competitors, followed by finance companies, mutual funds and investment banks. The MBT Group may also face increased competition from foreign banks if the Philippine retail market is further liberalized or if regulations and restrictions upon branch network growth by foreign banks are simplified or reduced. The MBT Group seeks to gain a competitive advantage by offering innovative products and services, maximizing the functions of its extensive branch network, particularly in provincial areas, investing in technology, leveraging synergies within GT Capital and building on relationships with MBT's key customers.

Mergers, acquisitions and closures reduced the number of players in the industry from a high of 50 to 38 universal and commercial banks in 2011. Industry lending posted a growth of 16.4% in the year ended December 31, 2011 based on publicly available financial statements reported by banks to the BSP. Some corporations also decided to access the debt market instead of seeking funds from the financial institutions. Corporate lending thus remained competitive resulting in even narrower spreads especially under a low interest rate environment. Pockets of growth were, however, seen in the middle corporate market and SMEs.

The soft demand for corporate loans prompted banks to venture more extensively into consumer lending. MBT, being a well-entrenched, long-term player, enjoys the advantage of having experience that includes origination/credit selection, collection and asset recovery activities.

The MBT Group believes its principal competitors are Banco de Oro and Bank of the Philippine Islands.

EMPLOYEES AND LABOR RELATIONS

As of September 30, 2012, the MBT Group had a total of 14,042 employees (excluding MBT's foreign branches), of which 5,551 were engaged in a professional management capacity and classified as bank officers.

All of MBT's regular rank and file employees, other than those expressly excluded under the collective bargaining agreement, are represented by a union affiliated with the Associated Labor Union – Trade Union Congress of the Philippines (the "Union"). MBT successfully concluded a new Collective Bargaining Agreement for the years 2010-2012, where it granted a salary increase for each employee of Php1,500.00 effective January 1, 2010, Php1,300.00 effective January 1, 2011 and Php1,200.00 effective January 1, 2012. These increases have considered industry developments and continue to ensure that its employees are properly compensated.

MBT has not experienced any labor strikes since 1989, and the management of MBT considers relations with its employees and the Union to be good.

The following table provides the total employee headcount for MBT, PSBank, MCC and FMIC, divided by function, as of September 30, 2012:

	Number of Employees
Executives	419
President and CEO	4
Senior Executive Vice President	1
Executive Vice Presidents	12
Senior Vice Presidents	28
First Vice Presidents	67
Vice Presidents	122
Assistant Vice Presidents	185
Managers:	1,809
Senior Managers	383
Managers	650
Senior Assistant Managers:	776
Junior Managers:	3,323
Assistant Managers	1,578
Junior Assistant Managers	1,745
General Staff	8,491
Total Headcount	**14,042**

The mandatory retirement age for an MBT employee is 55 years or on completion of 30 years of service, whichever comes first. Normal retirement benefit consists of a lump sum benefit equivalent to 210% of the basic monthly salary of the employee at the time of his retirement for each year of service if he has rendered at least ten years of service, or 145% of his basic monthly salary, if he has rendered less than 30 years of service.

Consistent with MBT's goal of being one of the Philippines' preferred employers, MBT has adopted a compensation policy that it believes is competitive with industry standards in the Philippines. Salaries and benefits are reviewed periodically and adjusted to retain current employees and attract new talent. Tied to this is a competency-based performance management system that calls for the alignment of individual key results, competencies, and development plans with MBT's overall business targets and strategy. Performance is reviewed annually and employees are rewarded based on the attainment of pre-defined objectives. MBT currently has no plans of hiring additional employees, except where necessary to complement its commercial lending, business intelligence, product development and customer service.

CORPORATE SOCIAL RESPONSIBILITY

On January 8, 1979, the Metrobank Foundation, Inc. (the "Foundation") was established by the MBT Group to contribute to social development efforts of the Government. As of December 31, 2011, the Foundation held 0.7% of the MBT Group's common shares. The Foundation seeks to foster a culture of excellence by funding and implementing programs in education, health services and the visual arts in the Philippines, primarily by honoring outstanding members of key professions, including teachers, artists, police and military personnel and blue-collar workers. The Foundation also provides scholarships for intellectually- gifted and disadvantaged students and provides grants in support of noteworthy programs in education, health care and the arts, among others. The Foundation also manages and helps operate the Manila Doctors Hospital and its educational arm, the Manila Doctors College, as part of its advocacy for excellent health care services.

SUBSIDIARIES AND ASSOCIATES

Subsidiaries

The following table sets out summary information in respect of the MBT Group's significant subsidiaries as of and for the year ended December 31, 2011:

Subsidiaries	MBT Group's effective ownership	Activity	Principal place of business	Issued capital stock(2)	Total assets	Total revenues	Net income (loss)
				(Php millions)			
Philippine Savings Bank	76.00%	Savings Banking	Philippines	2,403	120,252	10,960	2,029
First Metro Investment Corporation and Subsidiaries	98.10%	Investment Banking Holding Company	Philippines	4,209	78,695	6,905	2,192
First Metro Securities Brokerage Corporation[(1)]	100.00%	Stock Brokerage	Philippines	130	603	129	53
PBC Capital Investment Corporation[(1)] ……………….	100.00%	Investment House	Philippines	300	516	43	35
SBC Properties, Inc.[(1)]…………………..........................	100.00%	Real Estate	Philippines	130	140	10	4
Prima Ventures Development Corporation[(1)]	100.00%	Holding Company	Philippines	4	28	–	–
First Metro Save & Learn Money Market Fund, Inc.[(1)]	99.70%	Management of Mutual Funds	Philippines	20	206	7	4
First Metro Global Opportunity Fund, Inc.[(1)] ……...........	100.00%	Management of Mutual Funds	Philippines	1	57	2	1
First Metro Asset Management, Inc.[(1)] ………………...	70.0.%	Management of Mutual Funds	Philippines	24	61	75	19
FMIC Equities, Inc.[(1)]	100.00%	Holding Company	Philippines	13	13	–	–
Resiliency (SPC), Inc.[(1)]	100.00%	Financial Holding Company	Philippines	5	37	2	–
First Metro Save & Learn Fixed Income Fund, Inc.[(1)]	30.80%	Management of Mutual Funds	Philippines	295	1,071	120	91
First Metro Insurance Brokers Corporation	100.00%	Insurance Co.	Philippines	16	2	–	–
Metrobank Card Corporation (A Finance Company)..........	60.00%	Credit Card Services	Philippines	1,000	29,101	7,754	1,392
Metropolitan Bank (China) Ltd.	100.00%	Banking	PRC	8,655	19,663	707	104
ORIX Metro Leasing and Finance Corporation and Subsidiaries	59.60%	Leasing, Finance	Philippines	843	12,576	2,496	504
Circa 2000 Homes, Inc.	100.00%	Real Estate	Philippines	800	1,136	8	(28)
Metropolitan Bank (Bahamas) Limited ………………......	100.00%	Holding Company	Bahamas	46	912	69	40
First Metro International Investment Company Limited and Subsidiary	99.60%	Investments and deposit taking	Hong Kong	231	900	4	(10)
Metro Remittance (Hong Kong) Limited	100.00%	OFW Remittances	Hong Kong	26	155	120	4
Metro Remittance (Singapore) Pte. Ltd................................	100.00%	OFW Remittances	Singapore	16	165	100	48
Metro Remittance Center, Inc.	100.00%	OFW Remittances	United States	64	138	116	(6)
Metro Remittance (USA), Inc...	100.00%	OFW Remittances	United States	117	115	54	10
Metro Remittance (Italia), S.p.A.	100.00%	OFW Remittances	Italy	88	147	103	(15)
Metro-Remittance (Spain), S.A. ………………..................	100.00%	OFW Remittances	Spain	65	23	42	(2)
Metro Remittance (UK) Limited	100.00%	OFW Remittances	United Kingdom	31	40	41	2
MBTC Services GmbH..	100.00%	OFW Remittances	Austria	44	8	12	(5)

MBTC Technology, Inc...	100.00%	Computer Services	Philippines	200	103	132	(82)
Data Serv. Inc...	100.00%	Computer Services	Philippines	63	70	2	2

Notes:

(1) *FMIC, directly or indirectly through its subsidiaries, holds the interests shown above in First Metro Securities Brokerage Corporation, Prima Ventures Development Corporation, FMIC Equities, Inc., PBC Capital Investment Corporation, SBC Properties, Inc., First Metro Asset Management, Inc., Resiliency (SPC), Inc., First Metro Global Opportunity Fund, Inc. and First Metro Save & Learn Money Market Fund, Inc. and First Metro Save & Learn Fixed Income Fund, Inc. The financial information relating to FMIC includes its equity investments in those subsidiaries and its own associates.*

(2) *Foreign currency denominated amounts have been translated into Philippine Pesos using the historical rate as of the transaction date for issued capital stock, Philippine Dealing System closing rate as of December 31, 2011 for total assets and Philippine Dealing System annual average rates for total revenue and net income (loss).*

Each of the MBT Group's subsidiaries listed above have been incorporated in the Philippines, other than Metropolitan Bank (China), Ltd., Metropolitan Bank (Bahamas) Limited, First Metro International Investment Company Limited ("First Metro International"), Metro Remittance (Hong Kong), Limited, Metro Remittance (Singapore) Pte. Ltd., Metro Remittance Center, Inc., Metro Remittance Center (USA), Inc., Metro Remittance (Italia), S.p.A., Metro Remittance (Spain) S.A., Metro Remittance (UK) Limited and MBTC Services GmbH. Set forth below is a brief description of the MBT Group's primary subsidiaries which have not been discussed above.

First Metro Securities Brokerage Corporation

First Metro Securities Brokerage Corporation ("FMSBC") (formerly Multi-Grade Securities Corporation), a wholly owned subsidiary of FMIC, is the stockbrokerage subsidiary of the MBT Group and a licensed Trading Participant of the PSE. It was incorporated in October 1987 and began its commercial operations in June 1994. The company services both retail and institutional investors and is in the business of buying, selling, or otherwise dealing in stocks, bonds, debentures and other securities or commercial papers and rendering financial advisory services. In 2010, FMSBC introduced its enhanced online stock trading platform, www.firstmetrosec.com.ph, which is optimized for PSETrade, the PSE's new trading system. This trading system enables clients to view real-time stock market related information and trade equities online.

PBC Capital Investment Corporation

PBC Capital Investment Corporation ("PCIC"), a wholly owned subsidiary of FMIC, was incorporated on March 1, 1996 and started commercial operations on March 8, 1996. The MBT Group initially acquired PCIC as part of the acquisition of the Philippine Banking Corporation. It was incorporated primarily to perform basic investment banking activities, such as equity and debt underwriting, loan arrangement and syndication, financial advisory services and other corporate finance work.

SBC Properties, Inc.

SBC Properties, Inc. ("SPI") is a wholly owned subsidiary of FMIC incorporated in the Philippines and was registered with the Philippine SEC on June 27, 1997 primarily to engage in the acquisition, development, lease and sale of real properties intended for residential, commercial or industrial use.

Prima Ventures Development Corporation

Prima Ventures Development Corporation (formerly Prima Estate Realty Corporation) is a wholly-owned subsidiary of FMIC and was registered with the Philippine SEC on January 11, 1979. On November 3, 2010, it sold 50% of its 60.0% ownership in First Metro Travel, Inc. (FMTI) (formerly Thomas Cook (Philippines), Inc.), which is engaged in the general business of travel services, both domestic and international, under a Share Purchase Agreement with a third party.

First Metro Save & Learn Money Market Fund, Inc.

First Metro Save & Learn Money Market Fund, Inc. ("SALMMF") is a 99.7% owned subsidiary of FMIC and was incorporated on November 4, 2008. SALMMF is an open-end mutual fund engaged in selling its capital to the public and investing the proceeds in selected high grade stocks and fixed-income securities.

First Metro Global Opportunity Fund, Inc.

First Metro Global Opportunity Fund, Inc. ("GOF") is a wholly owned subsidiary of FMIC and was incorporated on December 23, 2009. GOF is an open-end mutual fund engaged in selling its capital to the public and investing the proceeds in government and corporate fixed-income securities and equities denominated in major currencies issued by foreign and Philippine issuers.

First Metro Asset Management, Inc.

First Metro Asset Management, Inc. ("FAMI") was incorporated on April 21, 2005 to manage, provide and render management and technical advice/services for partnerships, corporations and other entities. Currently, FAMI is the investment manager, administrator and principal distributor of First Metro Save & Learn Fixed Income Fund, First Metro Save & Learn Equity Fund, First Metro Save & Learn Balanced Fund, First Metro Save & Learn Money Market Fund and First Metro Global Opportunity Fund, Inc. FAMI is 70% owned by FMIC, while 30% is shared equally by the Catholic Educational Association of the Philippine (CEAP) and by the Marist (Marist Brothers) Development Foundation.

FMIC Equities, Inc.

A wholly owned subsidiary of FMIC, FMIC Equities, Inc. was incorporated on November 9, 2001 to acquire, invest in, own, control, use, lease, sell or otherwise dispose of properties, businesses and enterprises.

Resiliency (SPC), Inc.

Resiliency (SPC), Inc., a wholly owned subsidiary of FMIC, was registered with the Philippine SEC as a financial holding company on June 22, 2009 to engage in the securitization of assets which shall include, but is not limited to, receivables, mortgage loans and other debt instruments.

First Metro Save & Learn Fixed Income Fund, Inc.

First Metro Save & Learn Fixed Income Fund, Inc. ("SALFIF") was incorporated in the Philippines on June 3, 2005 and subsequently registered under the Philippine Investment Company Act on September 6, 2005. SALFIF is an open-end mutual fund company engaged in selling its capital to the public and investing the proceeds in high grade fixed income generating instruments, such as bonds, commercial papers and other money market instruments.

Metropolitan Bank (China) Ltd.

MBCL commenced operations in March 2010. MBCL is wholly owned by the MBT Group and is a foreign enterprise bank established in Jiangsu province and headquartered in the city of Nanjing, PRC. MBCL provides customers with an extensive range of financial products and services to accommodate the unique requirements of different customer segments, focusing primarily on SMEs. MBCL absorbed the PRC operations of MBT's Shanghai branch. In addition to its head office in Nanjing, MBCL also has branches in Nanjing and Shanghai's Puxi and Pudong districts.

Circa 2000 Homes, Inc.

A wholly owned subsidiary of the MBT Group, Circa 2000 Homes, Inc. was incorporated on January 29, 1997 to engage in the business of home building and home development through the acquisitions of land and other assets, as well as the construction, sale and lease of management of houses, apartments, townhouses, apartelles, residential condominiums and other dwelling places.

Metropolitan Bank (Bahamas) Limited

Metrobank (Bahamas) Limited, which is a wholly owned subsidiary of the MBT Group, was incorporated as a private limited company in the Commonwealth of the Bahamas. It is licensed under the MBT Groups and Trust Companies Regulation Act (as amended) to conduct international banking.

First Metro International Investment Company Limited

First Metro International Investment Company Limited ("FMIIC") is an investment company established in Hong Kong in 1972 which also provides loans to local businessmen. FMIIC is 99.6% effectively owned by the MBT Group. As of December 31, 2011, the MBT Group directly owned 53.3%, with the balance being owned by Metropolitan Bank (Bahamas) Limited and FMIC, both wholly owned subsidiaries of the MBT Group.

Metro Remittance (Hong Kong) Limited

Metro Remittance (Hong Kong) Limited is a wholly owned subsidiary of the MBT Group and was incorporated in Hong Kong in October 1994. The company provides remittance services to OFWs in Hong Kong in conjunction with the MBT Group's own representative office and subsidiary in Hong Kong.

Metro Remittance (Singapore) Pte. Ltd.
Established in April 2004, Metro Remittance Singapore Pte. Ltd. is a wholly owned subsidiary of the MBT Group and started commercial operations on November 12, 2004. It is a remittance center conducting money-changing businesses and providing remittance services in Singapore.

Metro Remittance Center, Inc.
Metro Remittance Center, Inc. ("MRCI"), a wholly owned subsidiary of the MBT Group, was set up to facilitate the MBT Group's remittance services for Filipino communities in the United States. MRCI has branches in New York and Chicago.

Metro Remittance (USA), Inc.
Metro Remittance (USA), Inc., formerly Metro Remittance Center (California), Inc., was established August 8, 2007 to pursue the MBT Group's plan for expanding its remittance operations in California, U.S.A. Its Head Office is located at Artesia City (Southern California) and it has a branch in Union City (Northern California).

Metro Remittance (Italia), S.p.A.
Metro Remittance (Italia), S.p.A. was incorporated in November 28, 2002 and licensed by "Ufficio Italiano Dei Cambi" (Italian Office of Exchange) to perform payment and currency exchange brokerage services. The MBT Group acquired Metro Remittance (Italia), S.p.A. on March 3, 2005. The company's two offices in Rome and Milan cater to remittances by OFWs and Chinese clients.

Metro-Remittance (Spain), S.A.
Established on March 1, 2003 and licensed to operate in Madrid and Barcelona, Metro Remittance (Spain), S.A. was acquired by the MBT Group on March 31, 2005 to serve the remittance requirements of Filipinos and Chinese communities in Spain.

Metro Remittance (UK) Limited
Metro Remittance (UK) Limited, a wholly owned subsidiary of the MBT Group, was set up to facilitate the MBT Group's remittance services for Filipino communities in the UK and Ireland. This subsidiary has its office in London.

MBTC Services GmbH
MBTC Services GmbH (formerly MBTC Exchange Service GmbH, and MBTC Remittance GmbH) was established on March 28, 2003 and acquired by the MBT Group on March 3, 2005. It caters to the remittance requirements of Filipinos composed mostly of medical professionals in Vienna and neighboring cities and from Austrian residents.

Associates
The following table sets out summary information in respect of the MBT Group's significant associates as of and for the period ending December 31, 2011:

Associates	**Effective ownership**	**Activity**	**Principal place of business**	**Issued capital stock**	**Total assets**	**Total revenues**	**Net income (loss)**
					(audited) (Php millions)		
Philippine AXA Life Insurance Corporation	27.6%	Life Insurance	Philippines	350	38,943	9,975	941
Toyota Financial Services Philippines Corporation	34.0%	Motor Vehicle Financing	Philippines	1,000	21,211	1,869	257
Toyota Motor Philippines Corporation	30.0%	Motor Vehicle Manufacture	Philippines	1,549	15,920	5,567	2,178
Lepanto Consolidated Mining Company …..…..	16.6%	Mining	Philippines	4,332	11,753	1,731	215
Philippine Charter Insurance Corporation ……..	32.7%	Non-life Insurance	Philippines	250	4,821	2,257	150
Global Business Power Corporation	29.4%	Power Generation	Philippines	240	57,025	16,986	1,648
Cathay International Resources Corporation	34.3%	Holding Company	Philippines	500	2,954	50	18
Northpine Land, Inc...	20.0%	Real Estate Developer	Philippines	1,225	1,948	122	28
Sumisho Motor Finance Corporation …….........	30.4%	Financing of Motor	Philippines	400	1,880	153	(140)
SMBC Metro Investment Corporation................	30.0%	Investment House	Philippines	600	836	79	63
Taal Land, Inc.	35.0%	Real Estate	Philippines	510	44	2	1
First Metro Save & Learn Equity Fund	25.4%	Management of Mutual	Philippines	802	3,098	177	105
First Metro Save & Learn Balanced Fund ……..	25.8%	Management of Mutual	Philippines	93	786	34	12
Aurora Towers, Inc.	49.0%	Real Estate	Philippines	37	12	(2)	(2)

Note:

FMIC holds interests in Global Business Power Corporation, Philippine AXA Life Insurance Corporation, Lepanto Consolidated Mining Company, Philippine Charter Insurance Corporation, Cathay International Resources Corporation, First Metro Save & Learn Equity Fund, First Metro Save & Learn Balanced Fund and Aurora Towers, Inc. The MBT Group holds interests in Toyota Financial Services (Philippines) Corporation, Toyota Motor Philippines Corporation, Northpine Land, Inc., SMBC Metro Investment Corporation and Taal Land, Inc. while PSBank holds interests in Toyota Financial Services (Philippines) Corporation and Sumisho Motor Finance Corporation.

Set forth below is a brief description of the MBT Group's significant associates.

Philippine AXA Life Insurance Corporation

AXA is 28.2% owned by FMIC. AXA was first in first year premium income and single premium of variable life insurance as of December 31, 2010. AXA is a joint venture between GT Capital, the MBT Group and the AXA Group, one of the world's largest insurance companies.

Toyota Financial Services (Philippines) Corporation

In October 2002, the MBT Group and Toyota Financial Services Corporation of Japan established a joint venture financing business for Toyota vehicles, in which the MBT Group has a 34.0% effective interest as of December 31, 2011. Toyota Financial Services (Philippines) Corporation ("TFSPH") extends credit facilities to customers of Toyota vehicle dealers in the Philippines and to commercial or industrial enterprises, including distributors and dealers, who are engaged in the distribution of Toyota vehicles in the Philippines. In June 2008, TFSPH secured regulatory approval for its venture into quasi-banking, allowing the company to raise funds from the public for re-lending.

Toyota Motor Philippines Corporation

TMP is primarily engaged in the manufacture of Toyota passenger cars and commercial vehicles and the wholesale of Toyota parts and accessories. TMP is 30.0% owned by the MBT Group and 34.0% owned by TMC, with the balance owned by GT Capital (21.0%), Maximus (9.0%) and Mitsui (6.0%).

Lepanto Consolidated Mining Company

Lepanto Consolidated Mining Company was incorporated and registered with the Philippine SEC on September 8, 1936 primarily to engage in the exploration and mining of gold, silver, copper, lead, zinc and various types of ores, metals, minerals, oil, gas and coal and their related by-products. On January 29, 1985, the Philippine SEC approved the extension of its corporate term for another 50 years after the expiration of its original term on September 8, 1986. As of December 31, 2011, the MBT Group had an effective voting interest of 16.6% through FMIC.

Philippine Charter Insurance Corporation

Philippine Charter Insurance Corporation ("PhilCharter") is 33.3% owned by FMIC. It was incorporated in December 1987 and has been a major player in the non-life insurance industry for over 50 years. PhilCharter offers a wide array of non-life insurance services, including packaged products for home security, automotive security, business security and condominium security. It currently ranks 8th in terms of gross premiums written and 5th in net premiums written among 87 Philippine non-life insurance companies according to to the Philippine Insurance Commission in its latest December 2010 report.

Cathay International Resources Corporation

Cathay International Resources Corporation ("CIR"), 35.0% owned by FMIC, was incorporated on April 26, 2005 primarily to acquire by purchase or exchange and use for investment or otherwise sell or transfer properties. It owns the Marco Polo Plaza Cebu Hotel. As of December 31, 2011, the MBT Group has an effective voting interest of 34.3% in CIR through FMIC's 35.0% ownership.

Northpine Land Inc.

The MBT Group holds a 20.0% interest in Northpine Land Inc. ("NLI"), formerly Jardine Land, Inc., which was established in April 1996 to acquire real estate and develop middle-income housing in the Philippines. The MBT Group's partners in NLI include Hong Kong Land (PPI) BV, San Miguel Properties Philippines, Inc. and Banco de Oro Unibank, Inc. The Philippine SEC approved the change in corporate name on August 29, 2006.

Sumisho Motor Finance Corporation

Sumisho Motor Finance Corporation ("SMFC") was incorporated on November 26, 2009 as a joint venture among PSBank, Philippine Savings Bank Retirement Fund, Sumitomo Corporation of the Philippines and Sumitomo Corporation to provide lending and leasing services for the purchase of motorcycles in the Philippines. As of December 31, 2011, the MBT Group had an effective voting interest of 30.4% through PSBank, which held 7,999,996 shares of SMFC.

SMBC Metro Investment Corporation

SMBC Metro Investment Corporation ("SMBC Metro") is a joint venture undertaking of the MBT Group (30% ownership), Sumitomo Mitsui Banking Corporation of Japan (40% ownership) and a third party investment vehicle, Gemland International Holdings, Inc. (30% ownership). Established in January 1995 as an investment house, SMBC Metro engages in investment and underwriting of securities without quasi-banking authority. Other services include lending, arranging U.S. dollar-denominated syndicated loans for various multinational companies and referral of Japanese clients to the MBT Group. SMBC Metro's clientele includes Philippine-based top-tier Japanese corporations.

Taal Land, Inc.

Taal Land, Inc. ("TLI") was incorporated and registered with the SEC on March 16, 1998. The principal activities of TLI are to purchase, subscribe to or otherwise acquire and own, hold, use, invest in, sell, assign, transfer, mortgage, pledge, exchange, and in all ways deal with real property, and personal properties of every kind and description, or interest therein, including shares of the capital stock of corporations engaged in the business of real estate, real estate construction, development, homebuilding and home development within the general vicinity of Tagaytay, Taal and Laurel, Batangas or in activities permitted by regulations of the BSP. As of December 31, 2011, the MBT Group owned 35.0% of TLI's shares.

Aurora Towers, Inc.

Aurora Towers, Inc., 50% owned by FMIC, was incorporated on May 12, 1982. It is a joint venture company with Progressive Development Corporation. ATI owns condominium and real estate properties in Cubao.

RECENT FINANCIAL PERFORMANCE

MBT registered 15% growth in consolidated net income attributable to shareholders of Php10.2 billion for the first nine months of this year from Php8.9 billion realized in the same period last year due to the 12% improvement in non-interest income to Php18 billion from Php16 billion and 7% increase in net interest income to Php22 billion.

BUSINESS – Fed Land

OVERVIEW

With 40 years of industry experience, Ty family companies have become established leaders in the Philippine real estate sector having completed more than 50 residential and commercial projects throughout their combined operating history. Having established Federal Homes in 1972 in Binondo, the Ty family's real estate business grew rapidly and as its pace of growth accelerated, additional entities were established to undertake the family's expanding property operations. In an effort to rationalize this growing exposure to the segment, the Ty family elected to consolidate its real estate development interests within GT Capital under its subsidiary, Fed Land. Fed Land today is the dedicated Philippine real estate development company of the Ty family. This consolidation exercise, which brought together the human resources and best practices of all the Ty family real estate companies, was intended to initiate the next phase of growth for the real estate business and further facilitate leveraging on synergies with other operating divisions within GT Capital.

Leveraging on the strong track record of the Ty family companies established over the years in the residential segment, Fed Land's principal focus remains in the residential space, particularly in condominium developments in key urban and suburban communities. In addition, Fed Land also benefits from the Ty family's experience as a retail and commercial project developer, having developed distinctive properties in Metro Manila's Makati central business, district including GT Tower International and Philippine AXA Life Center.

In line with its strategic plan, Fed Land has exhibited very strong growth across key operating and financial metrics. The table below summarizes the growth achieved in reservation sales, developed area and net profit for the period 2009 to 2011.

	2009	**2010**	**2011**	**% growth (CAGR) (2009-11)**
Reservation sales (Php billions)	2	4	9	98%
Reservation sales (no. of units)	479	941	2,168	113%
Developed residential area (sq. m.)	21,203	35,750	114,105	132%
Net income (Php millions)	152	530	601	99%

As of September 30, 2012, Fed Land's land bank comprised 101.8 hectares of land (including 3.4 hectares held through joint ventures), primarily in prime locations such as Manila, Makati, Fort Bonifacio, Marikina, Biñan Laguna and Cavite. Fed Land also has access to additional substantial land that is owned by other entities of the Ty family and their locations are adjacent to Fed Land's properties.

Currently, Fed Land has 31 ongoing projects in various stages of completion. Fed Land's high quality residential projects include Metrobank/Grand Hyatt Hotel and Grand Hyatt Residences, Bay Garden Residences, Oriental Garden Makati, The Grand Midori Makati, Marco Polo Residences and The Capital Towers, among others, and are largely focused on the middle/high income segment. In addition to standalone residential and commercial developments, Fed Land's key integrated township projects include Bonifacio North CBD (including the landmark Metrobank/Grand Hyatt Project), projects in Metropolitan Park and Tropicana Garden City.

Going forward, Fed Land plans to continue to acquire, and develop prime land from independent third party sources as well as from affiliated entities. In line with its development focus, Fed Land, through the cumulative efforts of its subsidiaries, expects to drive its development income by focusing on developing high quality residential properties in prime locations, while organically increasing the proportion of its recurring revenue through the continued development of integrated townships and leasing out of commercial facilities within these developments.

HISTORY

The Ty family began its real estate development business in 1972 through Federal Homes and continued to develop real estate projects through other companies. Fed Land was incorporated in the Philippines in 1997 as Tal

Holdings Corporation. Tal Holdings Corporation changed its name in 2002 when the Ty family reorganized its real estate businesses and consolidated its real estate interests in Fed Land. As part of its consolidation in Fed Land, the Ty family brought the top business, technical and operations personnel from the various Ty family real estate companies together within one entity. Federal Homes' real estate operations are now limited to landholdings as development activities have been transferred to Fed Land. Through Fed Land and other companies, the Ty family has completed more than 50 residential buildings and commercial properties. The following are some of the key residential and commercial projects completed by the Ty family real estate companies, including Fed Land:

Property	Developer	Completion Date
Residential Condominiums		
Bayview International Towers	Granview Realty	1989
Skyland Plaza	Skyland Realty	1991
Escolta Twin Tower	City Tower Realty	1992
Valencia Hills	Topsphere Realty	2002
Bayview Garden Homes	Granview Realty	2002
Ocean Tower	Ocean Park Realty	2003
Oriental Garden Makati (2 Towers)	Fed Land	2005
Marquinton Residences Barcelona	Fed Land	2006
Marquinton Residences Alicante	Fed Land	2007
Bay Garden Residences (5 Towers)	Fed Land/Baywatch Realty	2009
The Capital Towers	Fed Land	2010
Florida Sun Estate – Oriental Garden Residences and Commercial Area	Fed Land	2010
The Oriental Place	Fed Land	2011
Marquinton Residences Cordova	Fed Land	2011
Office Buildings/Retail Centers		
PSBank Tower	Matsuda Property Devt. Corp	1980
Philippine AXA Life Centre	Heritage Consolidated Assets Inc.	1996
GT Tower International	Philippine Securities Corporation	2000
Blue Wave – Marquinton	Federal Brent Retail Inc.	2003
Blue Wave – Macapagal Blvd.	Federal Brent Retail Inc.	2005
BPO at Metropark	Fed Land	2010

COMPETITIVE STRENGTHS

Fed Land believes that its principal strengths are the following:

Dedicated real estate developer of the Ty family with a 40-year operational track record
Fed Land is the dedicated vehicle of the Ty family for real estate development in the Philippines. Fed Land benefits from the Ty family's strong track record of real estate development spanning 40 years. During this time, Fed Land and other Ty family companies have completed more than 50 projects in various sectors, including residential, office, retail and hotel properties. By ensuring rigorous quality control processes across its projects, Fed Land has developed a reputation for high quality developments. The Ty family's extensive track record has also enabled Fed Land to develop a strong network of reliable construction companies, architects, designers and both domestic and international sales and leasing agents to contribute to the optimal execution of its development cycle, from raw land acquisition to sales and leasing. Fed Land believes that having an established track record as a reliable developer is a key driver in its ability to attract buyers for its development projects as well as to procure the best personnel and third party contractors.

Strong and diversified project portfolio to support sustained and profitable growth
Fed Land in recent years has shown very strong growth across key operational and financial metrics. Over the period 2009 to 2011, reservation sales values have increased at a CAGR of 98%, developed residential area has increased at a CAGR of 132%, and net income has increased at a CAGR of 99%. Furthermore, Fed Land has a strong and diversified portfolio of current projects, as well as a high-quality pipeline of projects which it believes will support sustained growth going forward.

For example, in the Fort Bonifacio, Taguig area, Fed Land is developing a ten-hectare master-planned project known as Bonifacio North CBD that features high-rise condominiums, retail establishments, offices and hotel amenities. This project will contain, as its centerpiece, a luxury hotel-office-residential building which will house the Metrobank/Grand Hyatt Hotel and Grand Hyatt Residences. In General Trias, Cavite, Fed Land is developing 12 mid-rise condominiums, as well as houses, lots and apartments that will be complemented by retail and commercial establishments. In Cebu, Fed Land is developing the high-end Marco Polo Residences, comprising a five tower development project, which is complemented by the Marco Polo Plaza, Cebu, the only five-star hotel in the city.

Large, quality land bank in strategic locations throughout the Philippines
Fed Land has an extensive land bank in attractive and high-quality locations, including major cities and central business districts. For example, Fed Land's Bonifacio North CBD project is located in Fort Bonifacio, which is commonly referred to as the new central business district in Metro Manila. In addition, Fed Land's land bank in the Manila Bay area should stand to benefit from the increased investment in that area due to large scale development projects such as casinos and integrated resorts. As of September 30, 2012, Fed Land had an available land bank for development of approximately 101.8 hectares, of which 98.4 hectares was owned while 3.4 hectares was its attributable interest under joint venture partnerships. In addition to its own land bank, Fed Land continues to have access, through Federal Homes and other Ty family companies, to prime land that often is located adjacent to Fed Land properties (e.g. in Metropolitan Park or Bonifacio North).

Although Fed Land continues to consider strategic land banking either through additional joint venture partnerships or property purchases, it expects that its existing land bank will be sufficient for development projects for approximately 20 years. Fed Land's land bank consists of land located primarily within Metro Manila, including in the prime areas of Fort Bonifacio, Makati City, Pasay City, Marikina and Manila. Fed Land also has substantial land holdings in Biñan, Laguna, Sta. Rosa, Laguna, General Trias, Cavite and Cebu. Fed Land believes that it has one of the highest-quality land banks among Philippine real estate developers, and that its current projects and strategic land bank consisting of lots in prime locations will allow it to benefit from continued strong demand for residential projects and retail amenities. For details relating to Fed Land's land bank, see "– Land Bank".

Synergies with affiliates under the GT Capital group
In addition to real estate development, the Ty family has several other business interests with their most significant and recognized business being MBT. As a member of GT Capital, Fed Land continues to benefit from this affiliation in several ways. In terms of marketing, Fed Land is marketed as part of the GT Capital group of companies, which increases Fed Land's profile and exposure to potential customers as well as with potential development partners. In terms of financing, Fed Land is able to leverage on the MBT Group as a key retail banking channel to provide financing solutions for its customers. Both MBT and PSBank offer preferential rates to Fed Land's residential real estate customers. In addition, MBT Group customers are exposed to Fed Land's product portfolio through a variety of channels. Fed Land also benefits from its affiliation with GT Capital and the Ty family in terms of land for development. A significant portion of Fed Land's current land bank is comprised of properties that once belonged to Ty family companies, including MBT. Ty family companies, including MBT, have partnered with Fed Land on several projects by contributing land for development.

In terms of management, Fed Land is able to draw upon the breadth of resources across GT Capital to enhance its management's resources.

STRATEGIES

Fed Land's strategy is to capitalize on its expertise, track record and large high-quality land bank to significantly accelerate development of its residential and commercial properties, supported by the strong underlying economic growth and favorable social trends in the Philippines. Fed Land considers its key strategies to be the following:

Deliver on strong project pipeline with a diversified product offering to middle and high-end markets
Having consolidated the other Philippines real estate development business of the Ty family into Fed Land, Fed Land is currently executing a comprehensive growth plan to fully capitalize on the company's land bank, expertise

and market recognition. As part of this growth plan, Fed Land intends to increase its coverage of the growing middle market while retaining its strong position in the high-end market. Historically, a majority of Fed Land's revenue was derived from sales of upper middle and high-end residential projects. While Fed Land intends to continue strengthening its leadership in these markets, it plans to expand sales to the broader middle market. Fed Land believes this is a significant market that includes groups such as OFWs, BPO workers and small business owners, all of which are groups that stand to benefit from the strong growth in the Philippine economy. In order to achieve this revenue diversification, Fed Land plans to offer stand-alone residential high rise condominiums in key central business districts such as Makati, Fort Bonifacio and Ortigas that are attractive to young professionals and OFWs. Fed Land's "Horizon Land" brand, which targets the broader middle-market, will play a key role in increasing sales of units under Php3.2 million, which qualify for VAT elimination.

Increasing focus on master-planned communities and recurring income base

Fed Land and its affiliates own substantial parcels of land in prime areas of Metro Manila and its periphery. Fed Land develops these properties into master-planned communities consisting of residential condominium towers, supporting amenities, and complementing commercial and retail establishments. Fed Land intends to increasingly focus on its master-planned communities because it believes that self-sustaining communities with a full suite of amenities are attractive to buyers due to their ease, comfort and safety. Fed Land believes that by building such self-sustaining communities, they are able to broaden their revenue stream from recurring retail and office income as well as increase sales prices for residential properties as the community becomes increasingly vibrant.

Fed Land plans to accelerate development of its current portfolio of master-planned communities. These developments include the Metropolitan Park in the Bay Area, Bonifacio North CBD in Bonifacio Global City, Tropicana Gardens in Marikina, Peninsula Garden Midtown Homes in Manila and Florida Sun Estates in Cavite. As Fed Land accelerates construction, it is able to increase residential sales to complement its office and retail projects within the same township, which helps build critical mass of residents and workers in the master-planned developments. As the community offers more retail, office and transportation amenities, real estate values are expected to increase and Fed Land expects to command higher sales prices for its residential products.

In addition, Fed Land intends to focus on developing BPO office facilities within its master-planned communities. The BPO sector in the Philippines has experienced significant growth in recent years, due to the country's young, educated and English speaking work force. Fed Land believes that the BPO sector will continue to grow in the near future. In response, Fed Land intends to cater to this growing market and have it play a key role in creating dynamic master-planned communities where people come to work, live and enjoy recreational activities.

Leverage off synergies of the GT Capital companies

Fed Land plans to continue to leverage its reputation as a Ty family company and a subsidiary within the GT Capital group of companies to enable it to expand its market reach and land bank. In particular, Fed Land intends to consider land bank opportunities presented by the MBT Group as it considers site development plans and engages in market studies for future development projects. In addition, Fed Land intends to strengthen its ties with MBT and PSBank for developing financing solutions for its real estate customers. Fed Land believes that it will be able to enhance its competitive strengths by continuing to leverage off of its synergies with the MBT Group, in particular through pro-active land bank management, asset enhancement and expansion, and by capitalizing on MBT's extensive real estate lending experience, brand and access to financial resources.

PROPERTY DEVELOPMENT PROJECTS

Fed Land has a diverse portfolio of property development projects that focus on master-planned communities and residential developments. Many of Fed Land's residential development projects are components of Fed Land's master-planned communities. However, Fed 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 real estate companies were historically focused on developing stand alone residential condominiums and commercial properties. The table below shows how many square meters of development have been completed by Fed Land in each year since 2005.

	Area developed
	(sq. m.)
2005	32,803
2006	52,006
2007	19,203
2008	21,203
2009	21,203
2010	35,730
2011	114,105
Total	**296,253**

Planned future projects include stand-alone residential condominiums and office buildings as well as projects located within master planned townships. Planned projects also include subdivision communities consisting of lots only and house and lot projects.

The following table sets out the contribution of residential and commercial developments as a percentage of Fed Land's total revenue.

	Year ended December 31,		
Category	**2009**	**2010**	**2011**
Real Estate Sales	59%	69%	60%
Commercial Operations			
Retail	26%	19%	17%
Rental	8%	6%	5%
Services and others	7%	6%	18%

Master-planned Community Developments

Fed Land and its affiliates own substantial tracts of land in prime areas in Metro Manila and its periphery. Fed Land develops these properties into fully master-planned communities consisting of residential condominium towers, supporting amenities and complementing commercial, retail and institutional establishments. Fed 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.

Metropolitan Park

Metropolitan Park is a 38-hectare, mixed use township project located in Pasay City, Metro Manila. Fed Land owns 6.98 hectares while the remainder is held by various other companies also owned by the Ty family. Metropolitan Park is adjacent to Manila Bay and two major highways, Roxas Boulevard and EDSA, as well as The Mall of Asia, the largest shopping mall in the Philippines in terms of area. Manila Bay has recently experienced significant investment due to the development of casinos and integrated resorts in the area. Fed Land's first residential development in the area is the five-tower Bay Garden Residences, which has been fully sold out, built and turned over to buyers. This project was followed by Bay Garden Club and Residences, a cluster of three residential condominium towers with commercial establishments at the podium ground level and amenities at the podium roof deck. The first tower has been completed and is in the process of being turned over to buyers while the remaining two towers are currently under construction. For more information, see "– High-End Market Projects – Bay Garden Residences" and "– High-End Market Projects – Bay Garden Club and Residences". In addition, Metropolitan Park includes the Blue Wave Mall, a retail project developed by Fed Land in 2003. See "– Commercial Real Estate – Retail Buildings".

Of the 38 hectares within Metropolitan Park, approximately 9% is built-up, approximately 2% is currently under construction and 90% is earmarked for future development.

Bonifacio North CBD

The Bonifacio North CBD project is a 10-hectare community development project on the northern boundary of Fort Bonifacio in Metro Manila. Under a joint venture land development agreement executed between Fed Land and MBT, Fed Land owns 20% of the saleable land while MBT owns the remaining 80%. Fed Land believes that Fort Bonifacio is quickly becoming a second central business district in Metro Manila as companies and residents look for an alternative to the current Makati central business district. Bonifacio North CBD's prime location is directly linked to the cities of Makati, Mandaluyong, Pasig and Taguig. The two developments currently being undertaken are the upscale Metrobank/Grand Hyatt Hotel and Grand Hyatt Residences, which is a mixed-use development, and the Parkwest Tower, a residential condominium. The Metrobank/Grand Hyatt Hotel and Grand Hyatt Residences will include two towers that will share a common high-end retail podium. The first tower will be a prime 66-storey building and will comprise a luxury Grand Hyatt Hotel and premium office floors, with MBT expected to be the primary occupant. The second tower will comprise of a 45-storey premium residential condominium known as The Grand Hyatt Manila Residences. The Metrobank/Grand Hyatt Project is being developed by a subsidiary of Fed Land under a joint venture with ORIX Risingsun Properties II, Inc. ("Orix Risingsun II") where Fed Land owns 70% and Orix Risingsun II owns 30% of the joint venture subsidiary. Orix Risingsun II is controlled by Orix.

Parkwest Tower is the first of a planned cluster of condominiums designed for the middle to upper-mid market. The first tower, which was launched in mid-2011, will comprise of a 41-storey residential condominium tower with 716 units. For more information, see "– Residential Developments – Middle-Market Projects – Parkwest Tower" and "– Commercial Developments – Metrobank/Grand Hyatt Hotel and Grand Hyatt Residences Project".

Of the 10-hectare community development project in Bonifacio North CBD, approximately 11% is currently under construction and approximately 89% is earmarked for future development.

Marikina

Fed Land's Marikina master-planned community development is situated on a 17-hectare property owned by Fed Land and located on the eastern boundary of Marikina City, Metro Manila. Fed Land's master plan is to develop three clusters of medium-to-high rise residential condominiums. The first cluster developed was the Marquinton Residences. This development consists of a three-tower medium rise mixed use project targeting middle income families, and includes the Alicante, Barcelona and Cordova towers. Fed Land is also developing the nine-tower residential complex called Tropicana Garden City Residences in the area. For more information, see "– Middle-Market Projects – Tropicana Garden City". A third development, the eight-tower Savana, is also envisioned for development. In addition, the 17-hectare Marikina property includes the Blue Wave Mall, a retail project developed by Fed Land in 2003, a Toyota automobile dealership and a MBT bank branch. See "– Commercial Real Estate – Retail Buildings".

Of the 17 hectares within Marikina, approximately 25% is built-up, approximately 2% is currently under construction and approximately 73% is earmarked for future development.

Florida Sun Estate

Florida Sun Estate is an 18-hectare property owned by Fed Land and located in the General Trias, Cavite area. Florida Sun Estate was designed and developed as a Florida, USA-themed residential community. It is conveniently located along Governor's Drive, the main thoroughfare in General Trias, Cavite. The master plan for the development contemplates offering 580 lots and house and lot packages, and 800 apartment units in 12 mid-rise condominium buildings. The first phase of development will involve four residential buildings developed under the project name Oriental Garden Residences. Two buildings, Bellflower and Cypress, were completed in 2010 and 2011, respectively. The remaining two towers are scheduled for completion in 2012 and 2013. The second phase of development will involve eight residential buildings and a retail plaza. The project is targeted at the mid-market segment.

Of the 18 hectares within Florida Sun Estate, approximately 6% is built-up, approximately 3% is currently under construction and approximately 91% is earmarked for future development.

Residential Developments

Fed 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, Fed 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.

Set out below are details of Fed Land's recently completed and ongoing residential projects as of December 31, 2011.

Construction Recently Completed Projects

PROJECTS	Target Market	GFA (in sqm)	GFA Attributable to Fed Land (in sqm)	Location	Mater Planned Community	Total no. of units
Bay Garden Club and Residences 1 (Banyan)	High-End	20,927	20,927	Pasay City	Metropolitan Park	130
The Capital 1 (Athens)	Mid-Market	33,033	29,234	Quezon City		445
The Oriental Place	Mid-Market	30,077	27,069	Makti City		662
Marquinton (Cordova)	Mid-Market	27,284	27,284	Marikina		536
Tropicana Garden City (Toledo)	Mid-Market	11,532	11,532	Marikina	Tropicana Garden City	264
Peninsula Garden Midtown Homes (Molave)	Mid-Market	15,762	15,762	Manila	Peninsula Garden Midtown Homes	236
Oriental Garden Residences 1 (Bellflower)	Mid-Market	2,697	2,697	Cavite	Florida Sun Estate	64
Oriental Garden Residences 2 (Cypress)	Mid-Market	2,979	2,979	Cavite	Florida Sun Estate	84

Ongoing Developments

PROJECTS	Target Market	GFA (in sqm)	GFA Attributable to Fed Land (in sqm)	Location	Mater Planned Community	Total no. of units
Bay Garden Club and Residences 2 (Royal Palm)[#]	High-End	23,485	23,485	Pasay City	Metropolitan Park	171
Bay Garden Club and Residences 3 (Mandarin)[#]	High-End	17,139	17,139	Pasay City	Metropolitan Park	188
Parkwest	High-End	71,140	71,140	Fort Boni, Taguig	Bonifacio North CBD	713
Riverview Mansion	High-End	32,212	32,212	Binondo, Manila		253
Four Season – Riviera 1 (Plum Blossom)	High-End	30,590	27,164	Binondo, Manila		179
The Grand Midori Makati 1	High-End	39,180	19,441	Makati		369
The Grand Midori Makati 2	High-End	38,621	19,164	Makati		445
Marco Polo Residences 1[#]	High-End	23,936	16,755	Cebu	Marco Polo Residences	171
Marco Polo Residences 2[#]	High-End	32,559	22,791	Cebu	Marco Polo Residences	282
Oriental Garden Makati 3 (Lilac)	Mid-Market	27,817	27,817	Makati		576
Paseo de Roces 1 (Legazpi)	Mid-Market	28,285	25,457	Makati		512
Peninsula Garden Midtown Homes 2 (Maple)	Mid-Market	11,333	11,333	Manila	Peninsula Garden Midtown Homes	253
Peninsula Garden Midtown Homes 3 (Narra)	Mid-Market	13,547	13,547	Manila	Peninsula Garden Midtown Homes	320
Tropicana Garden City 2 (Valderamma)	Mid-Market	12,719	12,719	Marikina	Tropicana Garden City	372
Tropicana Garden City 3 (Ibiza)	Mid-Market	5,314	5,314	Marikina	Tropicana Garden City	154

The Capital Towers 2 (Beijing)	Mid-Market	37,680	33,347	Quezon City		623
Oriental Garden Residences 3 (Acacia)	Mid-Market	1,790	1,790	Cavite	Florida Sun Estate	33
Florida Sun Estate (Jacksonville) *H - Lot Only	Mid-Market			Cavite	Florida Sun Estate	180
Florida Sun Estate- Jacksonville *H - House Component Only	Mid-Market	1,841	1,841	Cavite	Florida Sun Estate	36

Launched in 2012

PROJECTS	Target Market	GFA (sq.m)	GFA Attributable to Fed Land (sq.m)	Location	Master Planned Community	Total no of Units
Six Senses Resort 1	High-End	21,160	21,160	Pasay City	Metropolitan Park	152
The Big Apple (Central Parkwest) 1	High-End	46,650	37,530	Fort Boni, Taguig	Bonifacio North CBD	496
Marco Polo Parkview 3	High-End	34,162	23,913	Cebu	Marco Polo Residences	415
Peninsula Garden Midtown Homes (Magnolia)	Mid-Market	7,848	7,848	Manila	Peninsula Garden Midtown Homes	153
Florida Sun Estate (Miami) *H - Lot Only	Mid-Market		-	Cavite	Florida Sun Estate	160
Florida Sun Estate (Miami) *H - House Component Only	Mid-Market	2,098	2,098	Cavite	Florida Sun Estate	40
The Capital Towers (Rio)	Mid-Market	37,232	32,950	Quezon City		1,010
Four Season Riviera (Lotus)	High-End	29,809	26,828	Binondo, Manila		167
Florida Sun Estate (Tampa) *H - Lot Only	Mid-Market			Cavite	Florida Sun Estate	163
Florida Sun Estate (Tampa) *H - House Component Only	Mid-Market	1,674	1,674	Cavite	Florida Sun Estate	33
Madison Parkwest	High-End	64,704	52,055	Fort Boni, Taguig	Bonifacio North CBD	1,080
Peninsula Garden Midtown Homes (Mandarin)	Mid-Market	11,430	11,430	Manila	Peninsula Garden Midtown Homes	259

*Note: * Horizontal development lots only.*
 # Offer proceeds targeted for use on this project.

High-End Market Projects

Bay Garden Residences

Bay Garden Residences is one of the two residential developments in Metropolitan Park. The Bay Garden Residences are composed of five towers, with a total of 582 residential units. The towers are called Anchor, Boardwalk, Crystal, Mactan and Palawan Towers. The first three towers, Anchor, Boardwalk and Crystal, were developed under a joint venture partnership with Mitsui Japan and Baywatch Realty, while the other two towers, Mactan and Palawan, were 100% owned by Fed Land. Baywatch Realty was acquired by Fed Land in 2006 and was merged into Fed Land in 2010. The residential project includes amenities such as a pool facility, barbeque area, community function rooms and 24-hour security. The Bay Garden Residences is also conveniently located near the shops of Fed Land's Blue Wave Mall. For more information, see "– Commercial Real Estate – Retail Buildings".

Bay Garden Club and Residences
Bay Garden Club and Residences is the second residential development project in Metropolitan Park, the construction of which is currently ongoing. The Bay Garden Club and Residences is comprised of three new towers, the Banyan, Royal Palm and Mandarin Towers, with a total of 489 residential units. Construction of the Banyan Tower was completed in 2011 while construction of the other two towers is currently on-going. The project is expected to be fully completed by 2015. The residential project includes amenities such as a pool facility, barbeque area, community function rooms and 24-hour security. This project will also feature indoor and outdoor leisure facilities to be made available through club memberships. The clubhouse, daycare center and other common areas were designed by the Gettys Group of Chicago, a leading design firm with expertise in hotel and resorts design. The Bay Garden Club and Residences is also conveniently located near Fed Land's Blue Wave Mall. For more information, see "– Commercial Real Estate – Retail Buildings".

Four Season Riviera
The Four Season Riviera is a four-tower residential condominium project situated in the country's China Town, in Binondo, Manila. It is located near commercial institutions, famous landmarks and transportation hubs. The project targets the affluent Filipino-Chinese community as well as Chinese nationals from the mainland who do business in the Philippines. The four towers will share a common podium that will accommodate commercial establishments, parking and amenities. The first tower, Plum Blossom, began selling in 2010 and is scheduled for completion by 2013. The project is adjacent to the Pasig River and features a view of the river. Project amenities on the podium floor include a swimming pool, children's pool, gym and fitness center, jogging path, and multi-purpose hall surrounded by a landscaped garden area. This four-tower project will include approximately 700 residential units. Four Seasons Riviera is a joint venture between Fed Land and Central Realty, the land owner, with ownership interests of 89% and 11%, respectively.

Riverview Mansion
Riverview Mansion is a stand-alone 253-unit residential condominium building located in Binondo, Manila. Fed Land believes that its close proximity to the Binondo central business district makes it an ideal home for second and third generation China Town residents seeking to live close to their families and businesses. The project is conveniently located next to Escolta Street, a major business thoroughfare in Metro Manila. The 32-storey building project overlooks the Pasig River offering residents unobstructed views of the river. This project began construction in 2010 and is scheduled for completion by 2013.

Marco Polo Residences
The Marco Polo Residences will consist of a high-end, five-tower residential complex in Cebu City situated beside the Marco Polo Plaza Hotel, Cebu's only five-star hotel, which is owned and operated by a company belonging to the Ty family. Together with the hotel, this residential complex sits atop a hill, 800 feet above sea level, overlooking Cebu City. It will enjoy a view of the sea, mountains and cityscape. The Marco Polo Residences is the first Marco Polo branded residential development in the Philippines and is designed with five-star hotel-like amenities. Plans for the project include the residents of the development being able to avail themselves of certain hotel services such as food and beverage signing privileges, concierge, laundry services and apartment cleaning services. Excavation for the first two towers began in 2011, with a total of 448 residential units available for sale. This project is a joint venture between Fed Land and Cathay International Resources Corp. with ownership interests of 70% and 30%, respectively. The first two towers are scheduled for completion by 2013 and 2014.

The Grand Midori Makati
The Grand Midori Makati project is a two-tower residential project in Legaspi Village, Makati City, the hub of business, commerce and leisure in Metro Manila. Positioned as a luxury condominium development, The Grand Midori Makati is a Zen-inspired residential enclave with common areas designed by the distinguished Japanese architectural firm Tange Associates. The two towers will have a combined total of 814 high-end residential condominium units. The building will have state-of-the-art amenities and facilities including a Zen garden on every floor and a liquified petroleum gas supply system. This project is a joint venture among Fed Land, ORIX Risingsun Properties, Inc. ("Orix Risingsun") through FLOC and MBT. FLOC has an ownership interest of 83% (effectively, 50% for Fed Land and 33% for Orix Risingsun) and MBT has a 17% interest. The first tower began construction in 2009 and is scheduled for completion by 2012. The second tower began construction in 2010 and is scheduled for completion by 2013.

Parkwest Tower
Parkwest Tower is one of two current developments in Bonifacio North CBD (the other being the Metrobank/Grand Hyatt Project). It is a 41-storey residential tower that had its pre-selling launch in 2011. Parkwest Tower's theme is based on the

contemporary elegance of a New York lifestyle. Its location in the fast-growing and progressive Bonifacio Global City, and proximity to the future Grand Hyatt Hotel, have made Parkwest Tower the most successful residential project of Fed Land in terms of sales velocity. This building comprises 716 residential units with commercial and retail facilities at the lower levels. Amenities include a library, game room and swimming pool, among others. The project is situated on a 4,538 sq. m. property owned by Fed Land. The project is scheduled for completion by 2015.

Middle-Market Projects

Tropicana Garden City

Tropicana Garden City is a nine-tower condominium development occupying 27,378 sq. m. of land along Sumulong highway in Marikina City, Metro Manila. This is the second residential cluster in the Marikina master-planned development, the other being the Marquinton Residences. These two residential projects are complemented by a Blue Wave Mall, a supermarket and a BPO office. The Tropicana Garden City development is influenced by Spanish architectural styles. The first three towers, Toledo, Valderamma and Ibiza, began construction in 2009, 2011 and 2012, respectively. Toledo tower finished construction in 2011 and the other two towers are scheduled to be completed by 2013 and 2014, respectively. These three towers will offer 790 of the planned total of 3,095 residential units. Tropicana Garden City will be a mixed-use community that targets middle-market families with features designed to appeal to both children and adults, such as a clubhouse, gym, jogging path, swimming pools, daycare, game room, picnic area, social hall and garden.

The Capital Towers

The Capital Towers is a three tower mixed-use development located on an 8,809 sq. m. property in Quezon City, Metro Manila. Each residential tower comprises a commercial arcade of retail outlets and offices on the lower floors, with residential units on the upper floors. The residences feature amenities such as a swimming pool, jogging path and community function room. The community is located near a major medical center and other commercial and retail outlets in Quezon City. The first tower, the 35-story Athens tower, began construction in 2008 and was completed in 2010. The second tower, Beijing, began selling in 2010 and is scheduled for completion by 2013. The first two towers have a total of 1,114 residential units. This project is a joint venture between Fed Land and MBT with ownership interests of 89% and 12%, respectively.

Peninsula Garden Midtown Homes

The Peninsula Garden Midtown Homes is a nine-tower, garden-inspired, gated, residential condominium development located in Paco, Manila. The project targets families with children. Its main selling points are safety and security, large open spaces and proximity to schools and places of work. The amenities being offered include swimming pools, garden, day care, library, indoor fitness and game room, multipurpose court, multipurpose hall and clubhouse. The first three towers, Molave, Maple and Narra, began selling in 2009 and 2011, respectively and comprise 792 residential units for sale. Molave was completed in 2011 while Maple and Narra are scheduled for completion by 2013 and 2014, respectively. This project is a joint venture between Fed Land and Fed Land’s wholly owned subsidiary, Horizon Land, with ownership interests of 93% and 7%, respectively.

Marquinton Residences

Marquinton Residences is the first residential cluster developed by Fed Land in Marikina. It comprises three mid-rise residential towers, namely Alicante, Barcelona and Cordova, having a total of 1,136 units. Barcelona and Alicante were completed in 2006 and 2007, respectively, while Cordova was turned over to customers in 2011. The project is a joint venture between Fed Land and Heritage Consolidated Assets, Inc., a company owned by the Ty family, with ownership interests of 90% and 10%, respectively.

The Oriental Place

The Oriental Place is a 35-storey high-rise condominium project located in Makati City, one of Metro Manila’s central business districts. The tower comprises 662 units and targets office workers and young families. The project began construction in 2009 and was completed in 2011. This project is a joint venture between Fed Land and MBT with ownership interests of 90% and 10%, respectively.

Oriental Garden Makati

The Oriental Garden Makati is a three-tower residential condominium project located in Makati City, one of Metro Manila’s central business districts. The first two towers, Lotus and Orchid, were completed in 2005 and comprise 767 residential units. Fed Land believes that its proximity to the offices and leisure facilities of Makati has made the project popular with young families and expatriates. Sales for the third tower, Lilac, began in 2009. The Lilac tower comprises 576 residential units and is scheduled for completion by 2013.

Oriental Garden Residences

The Oriental Garden Residences is part of Fed Land's first, master-planned, mixed-use development project in General Trias, Cavite, known as the Florida Sun Estates. Florida Sun Estates community is designed to include commercial establishments, condominiums, townhouses and house and lot packages. The Oriental Garden Residences comprises four low-rise residential condominium buildings with a total of 214 residential units. Bellflower Building was launched in 2008 and was completed in 2010. The second building, Cypress, began selling in 2010 and was completed in 2011. Acacia was launched in 2011 and is expected to be completed by 2012.

Jacksonville

Jacksonville is in the horizontal zone of Florida Sun Estates, the community development project of Fed Land in General Trias, Cavite. It offers 580 lots and house and lot packages targeting the middle income market in Cavite. A typical cut of a lot is 120 square meters. Jacksonville was launched in 2011 and is the first of three phases of the horizontal subdivision segment of the project. The entire subdivision area covers 11.7 hectares of the 18- hectare General Trias development.

Paseo de Roces

Paseo de Roces is a twin-tower development, with approximately 1,044 residential units. It is situated along Chino Roces Avenue in Makati City, Metro Manila. Each residential tower sits on a common podium designed to provide future residents amenities suitable for rest and recreation such as a meditation garden, theater and entertainment room, garden, outdoor fitness station, reflexology walk, swimming pool, gym and day care center. The project is being marketed as a residential development that provides buyers with the option to convert units into small offices such as health clinics or law firm offices. Its proximity to the Makati central business district is another key feature of the project. The project is a joint venture between Fed Land and MBT, with 90% and 10% ownership interests, respectively.

The first tower, Legaspi Tower, began pre-sales in 2011 and is expected to be completed by 2015.

Axis Residences

The Axis Residences project is located in Mandaluyong, along Edsa, the main road artery of Metro Manila. The total lot area for the project is 21,600 sq. m. with plans for six towers to be developed in two phases. Phase I will include two 42-storey towers occupying an estimated lot area of 12,600 sq. m. The two towers will have 1,832 units combined. Phase II will comprise four towers. The project is located at Pioneer St. Mandaluyong City, near Robinson's Cybergate Complex and Robinson's Forum. Axis Residences is based on a contemporary architectural design and targets office workers and young families. Its key features are its proximity to the business districts of Makati and Ortigas and easy access to transportation hubs. Both residential towers of Phase I will sit on a common podium designed to provide future residents with amenities such as adult and kids' pools with pool deck, function rooms, fitness center and gym, playground, basketball and multipurpose covered court, pavilion, landscaped garden and game room. The first tower of Phase I was launched for pre-selling in 2011. The project is a tri-partite joint venture among Fed Land, Harbour Land Realty & Development Corp. ("HLRDC") and Robinson's Land Corporation, based on a ratio of 25%, 25% and 50%, respectively. HLRDC is a fully-owned subsidiary of Fed Land.

Commercial Developments

Fed Land's commercial developments tend to complement Fed Land's residential offerings by providing a commercial element to its master-planned communities.

Metrobank/Grand Hyatt Hotel and Grand Hyatt Residences Project

Fed Land's current commercial development project is the Metrobank/Grand Hyatt Project. The project will occupy 12,984 sq. m. of land located at the 10-hectare property jointly owned by Fed Land and MBT in the fast-growing and progressive Bonifacio Global City. See "– Master-planned Community Developments − Bonifacio North CBD". The Metrobank/Grand Hyatt Hotel and Grand Hyatt Residences Project is a mixed-use development which is expected to consist of premium office floors, a luxury Grand Hyatt Hotel, and first-class branded residential apartments sharing a common podium that will be occupied by high-end retail establishments. The project will have two towers. The first tower will be a 66-storey structure and is envisioned to be the country's tallest mixed-use building. The building's lower half will be dedicated to office floors for sale or long-term lease. A significant number of floors are currently being offered for sale to MBT. The upper half of the building is expected to be occupied by the Grand Hyatt Hotel. The hotel will have 441 rooms, a coffee shop and specialty restaurants, a large ballroom and function rooms and fitness facilities including a pool, gym and spa. Fed Land has entered into a management services agreement with Grand Hyatt Hotel to manage the hotel for a period of 20 years.

The second tower is expected to comprise a 45-storey first class residential building that will offer 248 apartment units, with a total saleable area of 39,271 sq. m. Fed Land is currently in discussions with a leading international hotel group to use its brand name for the residential building. The Metrobank/Grand Hyatt Project is being developed by Fed Land in a joint venture with Orix Risingsun II, a company controlled by Orix. The joint venture development is being undertaken by Bonifacio Landmark Realty and Dev. Corp. (formerly Morano Holdings Corporation) which is the joint venture entity that is owned by Fed Land and Orix Risingsun II, based on an ownership interest of 70% and 30%, respectively. Fed Land has assigned to Bonifacio Landmark Realty and Development Corporation the management services agreement executed with Grand Hyatt Hotel.

Commercial Real Estate

Fed Land has a portfolio of commercial buildings and properties that include office properties and retail outlets that Fed Land leases to tenants. Fed Land is also the property manager for these projects. The leases and management fees provide Fed Land with recurring income that enhances its revenues and strengthens its cash flows. Fed Land intends to increase its recurring income with the leasing and management of its ongoing commercial developments once they are completed.

Retail Buildings

Fed Land has developed, owns and operates retail properties in Pasay City and Marikina City under the “Blue Wave” brand name. These malls were developed by Federal Brent Retail, Inc., a joint venture between Fed Land and Mr. Edward William Tan, a businessman involved in petroleum distribution, with ownership interests of 52% and 48%, respectively.

Details for these retail properties are set out in the table below.

	Leasable area	**Revenue for the year ended December 31, 2011**	**No. of tenants in 2011**
	(sq. m.)	**(Php millions)**	
Blue Wave – Metropolitan Park	6,272	59.6	48
Blue Wave – Marikina City	12,956	60.6	71

Blue Wave – Metropolitan Park started operations in September 2003. It is a complex of one and two storey buildings that house retail and dining facilities and a major Petron Corporation (“Petron”) gasoline station. The complex occupies 27,000 sq. m. of land that is leased from a company owned by the Ty family. It houses 48 retail and dining establishments catering to the mid-market. The complex was, as of December 31, 2011, 99% occupied. Its tenants include Starbucks, Kentucky Fried Chicken, Jollibee, Pizza Hut, Pancake House and Gerry’s Grill. The retail and dining establishments are built around a center courtyard that offers music and entertainment in the evenings.

Blue Wave – Marikina City started operations in May 2005. It comprises two buildings. The first building is a three-storey mall that houses 77 retail and dining establishments, an events venue and four cinemas with a capacity of 300 persons each and was, as of December 31, 2011, 93% occupied. Its current tenants include Starbucks, Kentucky Fried Chicken, Shakey’s Pizza Parlor, Mang Inasal, Yellow Cab, Max’s Chicken, Jollibee and Watson’s department store. The complex has a Petron gasoline station. The second building is a two-storey structure located across the road from the first building. The ground floor is being leased to Robinsons’ Supermarket while the second floor is being leased to a BPO Office. In addition, it has seven retail stalls at street level.

Leases at the Blue Wave Malls are typically for periods ranging from two to five years, covered by lease agreements that generally require tenants to supply a three-month security deposit. Rent is based on a percentage of sales in addition to a fixed minimum base. As of December 31, 2011, 30% of Blue Wave Malls’ retail leases were scheduled to expire within one year and most of these leases are currently being reviewed. The following table sets out the lease expiration profile for the Blue Wave retail spaces.

	% of total number of leases		% of total leasable area	
Expiration term (from December 31, 2011)	**Blue Wave – Metropolitan Park**	**Blue Wave – Marikina City**	**Blue Wave – Metropolitan Park**	**Blue Wave – Marikina City**
0-12 months	52%	67%	14%	52%
13-24 months	13%	23%	3%	44%
25-36 months	4%	6%	32%	3%
Over 36 months	31%	4%	50%	1%

As of December 31, 2011, the vacancy rates for Blue Wave – Metropolitan Park and Blue Wave – Marikina City were 1% and 7%, respectively.

Office buildings

The major office properties that generate lease income for Fed Land are the GT Tower International and the Philippine AXA Life Centre, in which Fed Land owns two floors and eight floors, respectively. Both are high rise office buildings located in Metro Manila's Makati central business district.

Fed Land owns two floors at the GT Tower International, with a total floor area of 2,415 sq. m. One floor is used as Fed Land's principal headquarters, measuring 1,168 sq. m. The other floor is rented to FMIC, a 98.1% subsidiary of MBT, on an arm's length basis, based on a floor area of 1,247 sq. m. The total annual revenue from the GT Tower International in 2011 amounted to Php17 million.

The office property at Philippine AXA Life Centre measures 7,479 sq. m. of floor area, comprising of 26 units. The units are owned by Horizon Land, a wholly owned subsidiary of Fed Land. As of December 31, 2011, there are 21 tenants generating annual lease revenue of Php27 million.

Leases at the Philippine AXA Life Centre are typically for periods ranging from three to five years and generally require tenants to supply a three-month security deposit. Rent is paid on a fixed per sq. m. basis. Lease contracts also provide for a pre-agreed annual increase over the term of the lease. As of December 31, 2011, approximately 60% of Fed Land's office leases at the Philippine AXA Life Centre were scheduled to expire within one year and most are currently being reviewed for contract renewal. Fed Land believes there is a high demand in the market for office space in the Makati central business district. The following table sets out the lease expiration profile for office spaces at the Philippine AXA Life Centre.

Expiration term (from December 31, 2011)	% of total number of leases	% of total leasable area
0-12months..	60%	32%
13-24months	15%	8%
25-36months	10%	4%
Over 36 months..	15%	56%

As of December 31, 2011, the vacancy rate for the Philippine AXA Life Centre was 2%.

Future Developments

Bonifacio Global City, Taguig

Fed Land believes the Parkwest Tower in Bonifacio North CBD was a success, so Fed Land intends to proceed with a follow-up tower, the One Bloomberg Place in 2012. This will be followed by the third tower of the series to be called One Liberty Place. Both towers are currently envisioned to be 50-storey buildings offering 896 residential condominium units each. The planned saleable area of each building is 37,665 sq. m.

Cebu

Fed Land believes the first two towers under the Marco Polo Residences brand were a success, so Fed Land has scheduled to launch the third tower in the first half of 2012. The tower, to be named Marco Polo Parkview, is expected to have 28 floors and offer 290 units with a total saleable area of 20,940 sq. m. The fourth and fifth towers will be named Marco Polo Seaview and Marco Polo Parkplace, respectively, and are expected to be launched when the preceding towers have achieved a certain pre-determined sales level. Marco Polo Seaview is expected to be a 28-story building and offer 276 units with a total saleable area of 17,550 sq. m. Marco Polo Parkplace, the fifth and last tower, is expected to be a 25-storey building and offer 270 residential units with a total saleable area of 18,800 sq. m. As in the case of the first two towers, the last three towers are expected to enjoy views of metropolitan Cebu and Cebu Harbor.

Biñan, Laguna

Ty family companies own a 108-hectare parcel of undeveloped land in Biñan, Laguna, of which 43.5 hectares is owned by Fed Land and its subsidiaries. The property is located across the fully operational Laguna Technopark in a fast-growing area that is being developed as an integrated community comprising residential, commercial and institutional establishments. The more prominent projects in the area are Nuvali and Ayala Westgrove Heights developed by Ayala Land, Inc., South Forbes developed by Cathay Land, Inc. and Greenfield City developed by the Greenfield Development Corp. These developments offer residential lots and house and lot packages to the high and mid-markets. Fed Land is preparing a master plan to develop the 108-hectare parcel into an integrated community that will complement the surrounding developments. Fed Land envisions a community that comprises high and middle income subdivisions, complemented by commercial and institutional establishments such as schools and health care facilities. The residential subdivisions are expected to offer lots only as well as house and lot packages, and provide vast open spaces and extensive recreational amenities for residents. The project is currently targeted to be launched in 2013.

Multinational, Parañaque

Ty family companies own 19 hectares of land in Multinational Subdivision, Parañaque City. The Multinational subdivision is a sprawling, gated residential subdivision located ten minutes from the Ninoy Aquino International Airport Terminal One. Its residents are typically middle-income and are organized in the form of a residents' association that oversees the maintenance, security and upkeep of the subdivision. The 19-hectare undeveloped property of the Ty family is situated inside this subdivision. Fed Land is currently preparing a master plan to develop the property into residential lots, house and lots and mid-rise condominiums that will complement the existing residential structures in the subdivision. The timetable for launch has been tentatively scheduled for 2014.

Quezon City/San Juan City/Marikina City

The third and last tower of the Capital Towers in Quezon City is expected to be launched in 2012. This tower, named Rio, is expected to offer 538 condominium units with a total saleable area of 19,854 sq. m.

Fed Land is expected to launch a residential condominium tower in N. Domingo Street, San Juan City. The land is currently owned by Topsphere Realty Dev't. Company, Inc., one of the property holding companies of the Ty family. The building, to be named One Xavier Mansion, is expected to have 34 floors and offer 250 residential condominium units with a saleable area of 15,800 sq. m. The project is expected to target the upper middle market and is expected to be launched in 2013.

Tropicana Garden City in Marikina is designed to offer nine residential condominium towers, of which three have already been launched, namely Toledo, Valderama and Ibiza. The next six towers are expected to be named Zaragosa, Madrid, Andalucia, Segovia, Catalonia and Seville and are expected to be launched when the preceding towers have attained a certain pre-determined level of pre-sales. These last six towers are expected to offer a total of 1,947 residential condominium units with total saleable area of 54,994 sq. m.

Manila Area

Peninsula Garden Midtown Homes, located in Paco, Manila, is envisioned to be a nine-tower residential community. The first tower, Molave, has already been completed and is in the process of being turned over to buyers. The second tower, Maple, is currently under construction while the third tower, Narra, is currently in the pre-selling stage. The fourth tower, to be named Mandarin, is expected to be launched in the first half of 2012 while the last four towers, to be named Tamarind, Magnolia, Mimosa and Mahogany, are expected to be launched when the preceding towers have attained a certain pre-determined level of pre-sales. The last five towers are expected to offer a total of 1,239 condominium units with a total saleable area of 45,883 sq. m.

The Four Season Riviera in Binondo, Manila is designed to be a four-tower residential development sitting on a common retail podium. The first tower, Plum Blossom, is currently under construction. The succeeding three towers are expected to be named Lil, Cher and Moi, and have a total of 179 residential units per tower for a total of 537 units with total saleable area of 61,053 sq. m. The second tower, Lil, is expected to be launched in 2012.

Cavite

Florida Sun Estate, Fed Land's 18-hectare community development in General Trias, Cavite is planning to launch the second phase of its three-phase residential lot and house and lot subdivision within 2012. Continuing on the success of Jacksonville, Fed Land plans to launch Miami in 2012. Miami is designed to offer 163 residential lots with a total saleable area of 22,141 sq. m. The third and final phase of the subdivision project is expected to be named Tampa and is expected to be launched when Miami has attained a certain pre-determined sales level. Tampa is designed to offer 227 residential lots and house and lot packages with a total saleable area of 30,828 sq. m.

Fed Land believes Oriental Garden Residences was a success, so it expects to launch another condominium project in the Florida Sun Estates community to be named Sarasota Garden Villas. This cluster of condominiums is designed to comprise eight low-rise buildings – two 2-storeys, two 3-storeys and four 4-storeys, with a total of 502 residential condominium units. This project is expected to be launched in 2013.

Bay Area, Pasay City

Six Senses Resort ("SSR") is expected to be Fed Land's next landmark undertaking in Metropolitan Park in Pasay City, following what Fed Land believes to be the success of its Bay Garden project. SSR is expected to comprise of six 18-storey buildings with a total of 864 residential condominium units. Surrounding the SSR project will be a plaza with cafes, restaurants and al fresco dining, offering a relaxing natural environment.

SSR residents are expected to be given the privilege to enjoy the facilities of Club Le Pav, an exclusive membership club to be located on the amenity deck of SSR. Club Le Pav is expected to offer a wide array of both indoor and outdoor amenities.

Fed Land also expects to construct the Blue Wave Stripmall along Edsa in Metropolitan Park. The mall is expected to have two floors with a saleable area of 3,000 sq. m. that is expected to house a supermarket, restaurants, cafes and retail shops. This will complement the residential components of Metropolitan Park.

LAND BANK

Fed Land's land bank consists of vacant or undeveloped land owned by Fed Land, most of which is in Metro Manila and Biñan, Laguna. As of September 30, 2012, Fed Land directly owned a land bank of approximately 98.4 hectares. In addition to directly acquiring land for future projects, Fed Land has also adopted a strategy of entering into joint venture arrangements with land owners for the development of raw land into future project sites for property development projects. Fed Land has access to additional land owned by the Ty family that frequently is located adjacent to Fed Land properties and that it may acquire directly or develop by future joint venture arrangements.

	Area in hectares		
Location	**Total Lot Area**	**Fed Land Owned**	**Attributable to Fed Land under Joint Venture**
Metro Manila			
Macapagal, Pasay City	8.0	8.0	–
Fort Bonifacio..	1.8	1.8	–
Marikina...	15.4	15.4	–

Mandaluyong	2.1	2.1	–
Paco, Manila	2.2	2.2	–
Ermita, Manila	0.6	0.6	–
Binondo, Manila	0.9	0.9	–
Makati City	0.4	0.1	0.3
Quezon City	0.5	0.2	0.3
Biñan Laguna	43.5	43.5	–
Sta Rosa Laguna	5.3	5.3	–
Cavite	18.3	18.3	–
Cebu	2.8	0.0	2.8
Total	**101.8**	**98.4**	**3.4**

LAND ACQUISITION

Fed Land sources land for its projects either through direct purchase or through joint venture arrangements primarily with land owners that belong to the Ty family group of companies, most notably, the MBT Group. Fed Land believes that its land bank is sufficient to meet its medium term development plan, but it is constantly looking for opportunities to make strategic land purchases.

PROJECT DEVELOPMENT AND CONSTRUCTION

After Fed Land does a site evaluation and decides to develop a piece of property, Fed Land begins the project development process. The first step in the process is for Fed Land to obtain regulatory approvals and clearances from various Government departments, including the DENR and the DAR, as well as the LGU having jurisdiction over the area where the project will be located. For more information, see "Regulation – Fed Land".

The site development process involves planning the potential project, determining the suitable market segment, master planning and design. Development timetables vary by project, depending on scale and design. Detailed plans require Government approvals and permits. Once a project has received a development permit from the HLURB or the relevant local government unit, Fed Land obtains a certificate of registration and a permit to sell from the HLURB and then pre-sales of residential units as well as initial development work on the project site can begin. Expansion of the project will depend on the sales level. Typically, as one phase is sold, a new phase will begin construction and the process is repeated until project completion.

Fed Land finances project development through a combination of pre-sales, internally-generated funds and borrowings. Fed Land maintains some degree of flexibility in timing the progress of its development projects to match the progress of pre-sales. As a result, the progress of a development is greatly influenced by the level of pre-sales.

To supplement its in-house architects and designers, Fed Land contracts with third-party architects and design experts, including international designers, to help plan its developments.

Site development and construction work for Fed Land's projects is contracted out to various independent contractors. Fed Land retains relationships with approximately 15 to 20 independent contractors. Fed Land is not and does not expect to be dependent on any single or a limited number of suppliers or contractors. Typically, Fed Land enters into fixed price contracts with its contractors, with the cost of materials typically included as part of the contract price. Site development work typically takes three to 12 months depending on the scale and size of the project, while building construction takes 12 to 48 months.

Construction material is usually provided by the contractors in accordance with their contracts and supplier's credit is normally for 60 to 90 day terms.

SALES AND CUSTOMER FINANCING

Buyers of Fed Land's residential projects pay for their purchases in cash or through bank financing or in-house financing.

Cash acquisitions are typically discounted by negotiation to allow for accelerated payment schedules and other bulk payments. This is to encourage buyers to pay upfront for their property acquisition.

Bank financing through mortgage loans is a more typical means of payment than cash purchases. Bank financing is available to buyers who qualify under a particular commercial bank's credit risk criteria. Fed Land has arrangements with several banks for the provision of financing for their purchases. Banks usually take security over the property and sometimes seek repayment guarantees from the Home Guaranty Corporation ("HGC"), a government-owned and controlled corporation that operates as a credit guaranty program in support of the Government's efforts to promote home ownership.

In-house financing refers to Fed Land's internal financing procedures. This is available to select buyers of middle market projects who do not qualify for bank financing because of limited documentation, such as low income workers, OFWs and entrepreneurs. Under its in-house financing program, Fed Land typically finances 70%-80% of the total purchase price of the residential unit being sold. The loans are then repaid through equal monthly installments over periods ranging from five to ten years. The interest rates charged by Fed Land for in-house financing are typically set at approximately 18% per annum, depending on the term of the loan entered into, with the financing agreement providing for an escalation of the interest rate in the event of a general rise in interest rates charged by banks and other financial institutions. Fed Land retains the title to the property until full payment of the loan. If the buyer defaults on payment of its monthly installments, Fed Land has the right to cancel the sale and retain payments made by the buyers, subject to grace periods and refunds, as required by Philippine law. Fed Land plans to further develop its in-house financing capabilities in order to increase its customer base and sales volumes in the low-income, OFW and entrepreneur market.

Fed Land considers a buyer's credit quality by taking reference from the buyer's payment history during the period prior to enrollment in the in-house facility. Delinquencies are controlled by current and existing collection policies and activities implemented to all accounts incurring defaults on their scheduled payments. Delinquency rates, or accounts that are more than 90 days past due, are limited to a maximum of only 15% of the total accounts that availed Fed Land's in-house financing facility.

MARKETING AND SALES

Residential sales

Fed Land's projects are marketed domestically through two subsidiaries, Omni-Orient Marketing Network, Inc. and Fedsales Marketing, Inc. These companies are staffed by a trained group of property consultants and sales specialists that exclusively market Fed Land's projects. There were approximately 473 active property sellers and specialists, with 295 from Fedsales and 178 from Omni, as of December 31, 2011.

Fed Land also engages accredited independent brokers for the Florida Sun Estates project.

International sales and marketing, which primarily target overseas Filipinos, are handled by Fed Land's in-house international sales division based in Manila. Sales in overseas markets are likewise assisted by representative offices in Rome, Italy and Guam, USA. In addition, Fed Land maintains marketing agreements with accredited brokers based in Japan, Korea, Canada, USA, Italy, Spain, U.K. and France to sell Fed Land projects in these areas.

Fed Land has recently instituted a strategy of selling to overseas Chinese, most notably in the cities of Nanjing and Shanghai. Fed Land believes that rising real estate prices in China over the last several years has caused Chinese investors to seek real estate investment opportunities in other Asia-Pacific countries. Given the Philippines' close proximity to China, favorable visa programs and large Filipino-Chinese population, Fed Land believes the Philippines is uniquely positioned to take advantage of this growing demand.

Fed Land conducts advertising and promotional campaigns through the internet and print media, including billboards, flyers, and brochures designed specifically for the target market. Fed Land also maintains a website at www.federalland.com.ph that provides descriptions of, and updates on, current projects. Advertising and promotional campaigns are conceptualized and conducted by Fed Land's marketing personnel and by third party advertising companies.

Local sales account for approximately 90%-95% of Fed Land's total sales, while international sales account for the remaining 5%-10%.

The age range of Fed Land's customers is generally between 31 to 60 years old. Up to 72% of total buyers are professionals or executives who hold middle to upper-middle management positions according to internally generated statistics. The remaining buyers are non-executive employees, OFWs or entrepreneurs.

Commercial leasing

Fed Land relies primarily on professional, multinational commercial real estate leasing agents (including, but not limited to Jones Lang LaSalle, CB Richard Ellis and Colliers) to find tenants for its retail and office space.

PROPERTY MANAGEMENT AND AFTER SALES SERVICES

Fed Land attends to its clients' and unit owners' needs through its property management department. The department handles the timely turnover of units to buyers and maintains a customer care hotline for receiving queries and addressing concerns regarding the purchased units. Fed Land's goal is to provide "value for investment" by providing high levels of customer satisfaction and quality service within 24-hours of receipt of customer calls.

In the past, Fed Land has typically appointed professional property management companies to manage individual buildings and handle its maintenance and upgrades, if any. This applies to condominium buildings that Fed Land has completed and are in the process of turning over to the buyers as well as buildings owned by Ty family companies that are for lease. In 2011, Fed Land established its own property management company called Top Leader Property Management Corp. ("TLC") as a fully-owned subsidiary. The intention is to gradually transfer the property management contracts of all Fed Land projects to TLC. This is expected to allow Fed Land to have better control in managing its buildings and ensure that high standards are maintained with respect to service to residents and building maintenance and upgrades. A team of experienced and well-trained building managers, engineers and technicians are deployed in every project from the beginning of the turnover process. Their functional task is to manage day-to-day operations, ensure proper maintenance of the common areas, supervise improvements and provide assistance to the building-related needs of the residents.

In addition to providing property management services, Fed Land also assists condominium buyers by assigning members of its management team to the initial board of directors of the newly set-up condominium association. As soon as the association is prepared to set-up its own board of directors, a general membership meeting is called to conduct an election for the new set of directors to be elected among qualified homeowners. TLC will then report to the newly elected board of directors.

COMPETITION

The Philippine real estate development industry is highly competitive. With respect to township developments in Metro Manila and high rise condominiums, Fed Land's major competitors are Ayala Land, Inc., Megaworld Corporation, Century Properties Group, Inc., SM Development Corporation and DMCI. Fed Land believes that it is a strong competitor in the mid-high end market due to the quality of its products and the materials used in construction and finishing. Fed Land also believes that its association with the MBT Group allows it to reach a wide network of potential customers, including the lucrative overseas-based investor market. For more information, see "– Competitive Strengths – Synergies with affiliates under the GT Capital group".

RESEARCH AND DEVELOPMENT

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

INSURANCE

During construction and development, each project is insured under the policies of the primary contractor. When Fed Land assumes control of the development following the completion of the project, it will insure the project until it is transferred to the control of the managing condominium corporation. Fed Land insurance covers both real and personal property, as required under Philippine law. Its policies are subject to customary deductibles and exclusions and include coverage for, among other things, buildings and improvements, machinery and equipment, furniture, fixtures and fittings against damage from fire and natural perils, machinery breakdown, third-party liability to the public and construction works. Fed Land does not carry business interruption insurance.

PROPERTIES

Land Bank

Fed Land Owned Land	(in hectares)	Location	Condition	Lien/Encumbrance/Restrictions
Macapagal	6.0	Pasay City	Real Estate	6.0 has Clean Title; with ATO height restrictions
Macapagal	1.0	Pasay City	Real Estate	1.0 has with encumbrance; with ATO height restrictions; under MTI mortgaged to secure the loan with MBTC
Macapagal	1.0	Pasay City	Real Estate	Clean Title
Fort Boni Taguig..................	1.8	Taguig	Real Estate	Clean Title; with Floor Area Ratio of 10
Marikina..............................	15.4	Marikina	Real Estate	Clean Title
Mandaluyong	2.1	Mandaluyong	Real Estate	Clean Title
Paco Manila.........................	2.2	Paco Manila	Real Estate	Clean Title
Ermita, Manila	0.6	Ermita, Manila	Real Estate	Clean Title
Binondo, Manila..................	0.9	Binondo, Manila	Real Estate	Clean Title
Makati City	0.1	Makati City	Real Estate	Clean Title
Quezon City	0.2	Quezon City	Real Estate	0.2 has with encumbrance; under MTI mortgaged to secure the loan with Chinabank
Biñan Laguna.......................	43.5	Biñan Laguna	Real Estate	Clean Title
General Trias Cavite	18.3	General Trias Cavite	Real Estate	Clean Title
Sta Rosa Laguna	5.3	Sta Rosa Laguna	Real Estate	Clean Title
Total (in hectares) – Owned	98.4			
With Option Purchase Agreement				
Pasay City	6.8	Pasay City	Real Estate	
Biñan, Laguna......................	63.6	Biñan, Laguna	Real Estate	
Mandaluyong City...............	3.4	Mandaluyong City	Real Estate	
Lease Option Purchase	73.8			

Office Properties

The major office properties that generate lease income for Fed Land are the GT Tower International and the Philippine AXA Life Centre, in which Fed Land owns two floors and eight floors, respectively. Both are high-rise office buildings located in Metro Manila's Makati central business district.

Fed Land owns two floors at the GT Tower International, with a total floor area of 2,415 sq. m. One floor is used as Fed Land's principal headquarters, measuring 1,168 sq. m. The other floor is rented to FMIC, a 98.1% subsidiary of MBT, on an arm's length basis, based on a floor area of 1,247 sq. m.

The office property at Philippine AXA Life Centre measures 7,479 sq. m. of floor area, comprising 26 units. The units are owned by Horizon Land, a wholly owned subsidiary of Fed Land. Leases at the Philippine AXA Life Centre are typically for periods ranging from three to five years and generally require tenants to supply a three-month security deposit. Rent is paid on a fixed per sq. m. basis. Lease contracts also provide for a pre-agreed annual increase over the term of the lease. As of December 31, 2011, approximately 60% of Fed Land's office leases at the Philippine AXA Life Centre were scheduled to expire within one year and most are currently being reviewed for contract renewal.

The office property at Philippine AXA Life Centre is included in the Mortgage Trust Indenture ("MTI") agreement with MBTC Trust Banking Group and is used to secure a Horizon Land loan with China Bank.

Currently, there is no plan to acquire new property outside of the current landbank. Any additional land which may be added to the inventory will be the result of joint ventures with other members of the GT Capital group or through the execution of existing option agreements.

INTELLECTUAL PROPERTY

Fed Land has intellectual property rights on the use of the various trademark and names for its development projects, including Oriental Garden Residences, Oriental Gardens Makati, Marquinton Residences, Bay Gardens, Blue Wave at Metropolitan Park and Blue Wave at Marikina City. Most of Fed Land's projects have been issued a Certificate of Registration by the Intellectual Property Office. Fed 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.

Fed Land has applications pending 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. Among the project names currently submitted for certification include: FEDS City, Four Season Riviera, Shanghai Gardens, The MET, Embarcadero, my HOBS, Six Senses Resort, The Big Apple, One Xavier Mansion, Marco Polo Parkview and Very Town Fort, among others.

EMPLOYEES

As of September 30, 2012, the full-time employees of Fed Land totaled 225. The following table provides a breakdown of Fed Land's employees for the periods indicated. Operational employees include project managers and designers. Technical employees include engineers and architects. Administrative employees include human resources, accounting and information technology staff.

	As of December 31,			**As of September 30, 2012**
	2009	**2010**	**2011**	
Operations	65	71	76	78
Technical	15	27	32	42
Administrative	75	83	94	105
Total	**155**	**181**	**202**	**225**

Fed Land does not expect a significant increase in the number of its employees in 2012, despite the increasing number of projects being undertaken.

Fed Land has no collective bargaining agreements with its employees and none of its employees belong to a labor union. Fed Land does not have employee stock option plans.

Fed Land recruits its employees through on-campus recruitment, job-fairs, and job-posting through newspaper ads and internet postings. Staff and office managers receive skills development through in-house development training programs, as well as professional training. The training programs are designed to increase their effectiveness at their current assignments and prepare them for future roles. Fed Land also identifies candidates with leadership potential for executive and leadership training programs, for the enhancement of functional, behavioral, and technical expertise. Annual employee performance and appraisal reports are conducted at the end of every year. Fed Land currently has no plans of hiring additional employees, except where necessary to complement its commercial lending, business intelligence, product development, customer service, sales, administration, business development, and for expansion and diversification.

LEGAL PROCEEDINGS

Fed Land is not involved in legal actions which would have a material adverse effect on its operations and financial position, operating results or cash flows.

RECENT FINANCIAL PERFORMANCE: AS OF SEPTEMBER 30, 2012

Fed Land recorded total revenue of Php4.6 billion in the first nine months of this year, up by 76% in the first nine months of last year. The revenue improvement came from real estate sales which increased by Php520 million and the Php1.4 billion non-recurring income which was realized in the second quarter. The non-recurring income is a revaluation gain from the conversion of a wholly-owned subsidiary of Fed Land into a joint venture corporation. The improvement in real estate sales was driven by increased booked sales from ongoing high-end and middle market development projects. Excluding other income, core revenues increased by 20% to Php3.1 billion. As a result of the increase in total revenue, net income attributable to equity holders increased 474% from Php329 million to Php1.89 billion.

BUSINESS – GBP

OVERVIEW

GBP is a holding company that, through its subsidiaries, is a leading power producer in the Visayas Region and Mindoro Island, with a combined gross dependable capacity of 627 MW (480 MW attributable to GBP, net of minority interests in its subsidiary) comprising 619.5 MW of power supplied to the Visayas grid and 7.5 MW of power supplied to Mindoro Island. GBP is a joint venture between FMIC, a subsidiary of MBT, and GT. GT Capital holds a 51% direct share of GBP~~,~~

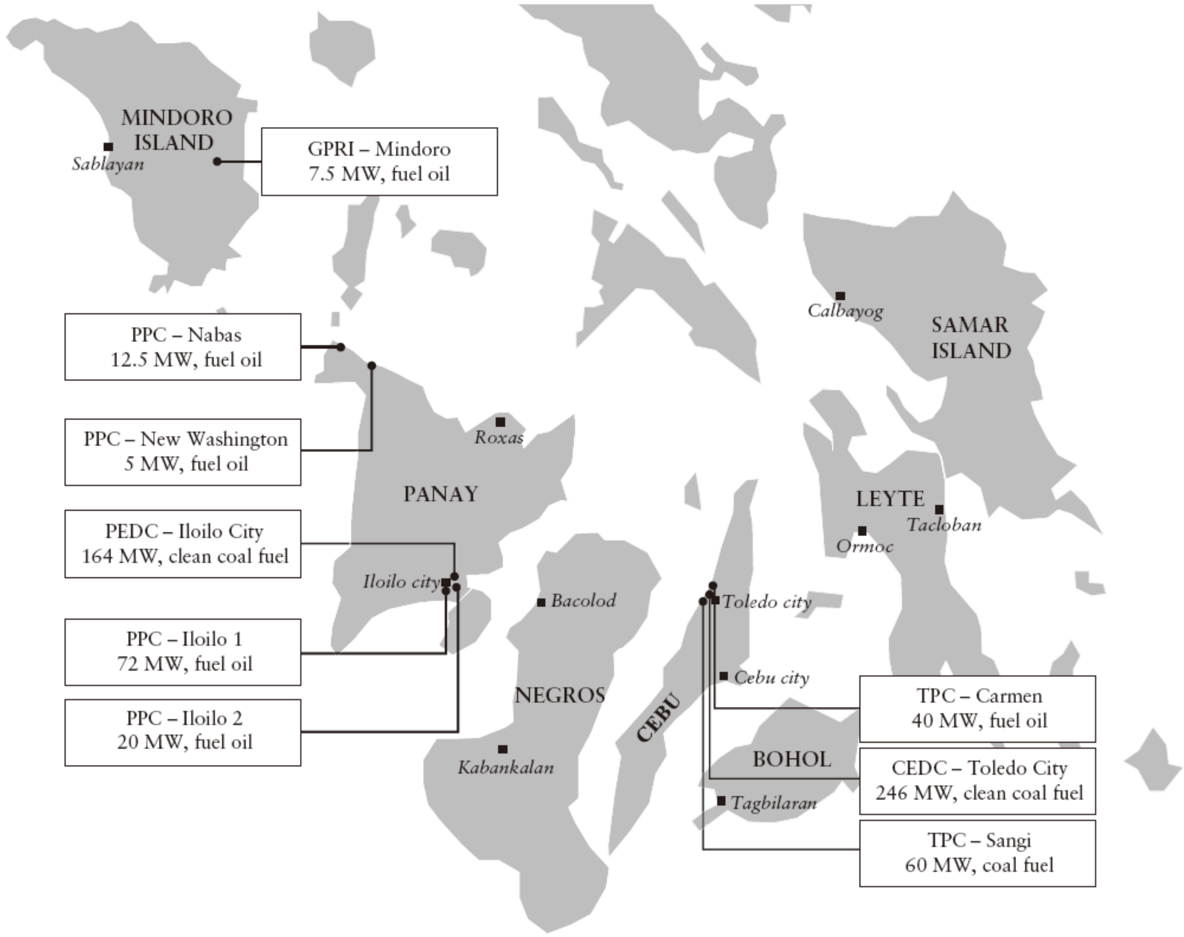
GBP owns nine power generation facilities in the Visayas and Mindoro Island. The largest is the 246 MW-rated clean coal-fired power plant in Toledo City, Cebu, which is operated by CEDC. CEDC is a joint venture between GBP and the Aboitiz Vivant Group, in which GBP holds a 52.1% beneficial interest. This facility is the first commercial clean coal power plant in the Philippines. The second largest power generation facility is the 164 MW-rated, clean coal-fired power plant in Iloilo City, Panay, which is operated by PEDC, in which GBP holds a 89.3% beneficial interest. The CEDC and PEDC projects began commercial operations on February 26 and March 26, 2011, respectively. Both the CEDC and PEDC plants utilize circulating fluidized bed boiler technology that produces very low levels of sulfur dioxide and nitrogen oxide and captures most solid emissions. As of September 30, 2012, CEDC and PEDC contributed 46% and 33%, respectively, of GBP's total revenues.

GBP's other power generation facilities consist of a 60 MW coal facility and a 40 MW fuel oil facility operated by TPC, a 72 MW fuel oil facility, a 20 MW fuel oil facility, a 12.5 MW fuel oil facility and a 5 MW fuel oil facility operated by PPC, and a 7.5 MW fuel oil facility operated by GPRI. TPC is an indirectly wholly owned subsidiary of GBP.

To capitalize on the projected power demand growth in the Visayas and across the Philippines, GBP is considering several new projects, including projects in Luzon and renewable energy projects. In the Visayas, GBP, through TPC embarked on an 82 MW clean coal-fired power plant expansion project, as an addition to its existing coal plant in Toledo City, Cebu. The project is intended to supply the electric power requirements of Carmen Copper Corporation. Carmen Copper, a subsidiary of Atlas Mining and Development Corporation, will need additional electric supply to power its mining expansion undertakings. The project construction is now ongoing. On October 9, 2012, GBP, through PEDC, signed a memorandum of understanding with FHIC to study and finalize the reconfiguration of its current expansion plans in Panay from two by 82 MW units into one single unit of 150 MW. The memorandum amends the option agreement signed in March, 2012 for the construction of additional units in Panay.

GBP is one of the largest independent power producers in the Visayas region. According to the DOE, the Visayas region has been the fastest growing power grid in the Philippines and annual demand growth is expected to be 4.5% from 2011 to 2030. Due to the increasing demand and the long lead-time of building new facilities, the region is expected to require 350 MW of additional power supply by 2018 according to the DOE's projections.

The map below shows the location of the Generation Subsidiaries' current power plant operations in the Visayas and Mindoro Island:



Company/Plants	Effective GBP Ownership (%)	Gross/Net Capacity(1) (MW)	Effective GBP Gross/Net capacity (MW)	Contracted Net Capacity (%)
CEDC	52.1	246/216	128/113	83.3
PEDC	89.3	164/144	146/129	77.4
TPC – Sangi	100.0	60/50	60/50	100.0
TPC – Carmen	100.0	40/36	40/36	0.0
PPC – Iloilo 1	89.3	72/69	64/62	21.7
PPC – Iloilo 2	89.3	20/18	18/16	44.4
PPC – Nabas	89.3	13/11	11/10	100.0
PPC – New Washington	89.3	5/4.5	4.5/4	100.0
GPRI	100.0	8/7	8/7	88.2
Total		**627/556**	**480/426**	

Note:

(1) Based on 100% of plants.

GBP's revenues (net fees) were Php3.8 billion, Php4.7 billion and Php16.8 billion in 2009, 2010 and 2011, respectively, with net income of Php0.2 billion, Php0.5 billion and Php2.2 billion, respectively. Its total assets amounted to Php35.5 billion, Php55.7 billion and Php56.8 billion as of December 31, 2009, 2010 and 2011, respectively. GBP's principal source of revenue are fees from power. As of September 30, 2012, net fees and net income amounted to Php14.7 billion and Php3.0 billion, respectively; while total assets amounted to Php57.5 billion.

HISTORY

GBP originated in 2002 as Mirant Toledo Holdings Corporation, which subsequently changed its name to Mirant Global Corporation in September 2003, a joint venture among Mirant (Philippines) Corporation, GBH and FMIC. Mirant Global Corporation owned TPC, PPC and GPRI, which collectively had 179.5 MW of generation capacity. In 2004 and 2005, Mirant Global Corporation expanded its facilities in Iloilo City and Aklan in Panay Island. In 2006, Mirant (Philippines) Corporation's entire share in the company was acquired by FMIC and GBH, and the company was renamed Global Business Power Corporation.

CEDC was incorporated in 2008 as a joint venture with Global Formosa Power Holdings, Inc. and Abovant Holdings, Inc for the development and operation of the 246 MW coal-fired facility in Toledo City, Cebu. CEDC broke ground on its facility in 2008. PEDC was incorporated in 2008 to develop the 164 MW coal-fired facility in Iloilo City, which has an identical design to the CEDC facility. PEDC also broke ground on its facility in 2008. Commercial operations for CEDC and PEDC began on February 26 and March 26, 2011, respectively.

COMPETITIVE STRENGTHS

GBP believes that its principal strengths are the following:

Leading power producer in the Visayas with strategically located generation facilities
GBP is one of the leading independent power producers in the Visayas. GBP believes it significantly benefits from the strategic location of its generation facilities across the Visayan Islands, which allows GBP to address the structural limitations of the regional electricity grid and to maintain a competitive advantage based on cost efficiency and an established presence in the region. The Visayas regional grid, which includes the main islands of Leyte, Cebu, Negros and Panay, is heavily reliant on, and constrained by, the submarine cables (interconnectors) that transmit power from island to island. Due to technical transmission constraints, supply-demand imbalances exist between the islands. The Leyte Geothermal Power Plant, an independent third party, represents the largest single source of power in the region, which supplies electricity to both the Luzon and Visayas grids. This creates a de facto "one-way" flow of electricity through the Visayas grid, which causes issues of voltage regulation, frequency stabilization and transmission constraints. GBP has power generation facilities spread throughout the grid and located near areas where high growth in demand is expected, most notably Cebu and Panay islands. This local supply reduces the distance that power needs to travel through the grid and also the amount of power that travels across undersea cables. GBP believes that because its power generation facilities are located near key off-takers, there is a reduced chance of supply disruptions, allowing GBP to deliver a reliable power supply with lower transmission-related costs as compared to its competitors. GBP also believes that its ability to supply reliable power at competitive rates is a key consideration to its current and potential bilateral off-takers.

High quality, new and competitive generation assets
GBP believes that the CEDC and PEDC facilities are among the newest and most technologically advanced in the Philippines. The two facilities, which began commercial operations in the first quarter of 2011, are state of the art clean coal-fired power plants. They use circulating fluidized bed boiler technology, which is 95% efficient in removing sulfur dioxide from the plants' emissions, produces very low nitrogen oxide and captures most solid particulate emissions. In addition, both the CEDC and PEDC facilities have surpassed internationally recognized environmental standards set by the World Bank. The technology and age of the facilities also allows GBP to maintain low operating costs, since newer facilities are more efficient in the use of fuel and require comparatively little operational maintenance at this point of their lifecycles.

Strong partnerships with key industry leaders
GBP believes it enjoys strong partnerships with leading companies in the energy sector. For example, FHIC, a leading Taiwanese manufacturer of heavy industrial products including oil and refinery and petrochemical

processing equipment and turnkey cogeneration plant projects, has been a key strategic partner for both the CEDC and PEDC facilities. FHIC designed, provided equipment for and oversaw the construction of both the CEDC and PEDC facilities. In addition, FHIC oversees the operations and maintenance of the CEDC and PEDC facilities.

GBP also enjoys a strong relationship with the Aboitiz Group, one of the Philippines' leading energy companies, which is a key strategic shareholder of CEDC. GBP believes that its strong partnerships with key industry leaders will support its future success.

Diversified power generation facilities

GBP's nine power generation facilities provide a diverse range of power load capabilities. The CEDC, PEDC, and TPC Sangi power plant facilities are well suited for base load generation, while the fuel oil facilities can provide intermediate, peak load and ancillary support and cover any power deficiencies caused by routine maintenance shutdowns of other GBP facilities. This diversity allows GBP greater flexibility when providing customers with power across a variety of situations, and provides customers with the reassurance that one provider can manage their requirements on an integrated portfolio basis. GBP also conducts extensive research into its customer's current and future power needs in order to use its portfolio of power generation facilities to adjust effectively to the changes in the requirements of the electricity network. GBP believes it is one of the few power producers in the Visayas with the flexibility to supply base, intermediate, peak load and ancillary support to the grid.

Long-term power purchase agreements providing stable and predictable earnings

GBP typically enters into long-term, predominantly Peso-based EPPAs with its customers. GBP also focuses on bilateral power agreements in an attempt to sell its full power generation capacity at set rates while also participating on the WESM spot market for its non-contracted capacity. Most of GBP's contracts carry terms of 15 to 25 years, with certain key industrial customers under 10-year contracts, and are approved by the ERC. These contracts are predominantly Peso-based, with some U.S. dollar-based expenses, which allows GBP to provide relatively stable rates to its customers. Changes in the tariffs charged by GBP are governed by stable formulas and fuel is charged on a full pass-through basis. Further, when negotiating these contracts, GBP provides a menu of service options allowing GBP to tailor its contracts to the demand and growth forecasts of its customers. GBP believes that these factors will allow it to produce stable and predictable long-term earnings which form the basis for sustainable growth.

Synergies with other GT Capital businesses

The Ty family has been involved in the Philippine power industry since FMIC and GBH entered into a joint venture agreement with Mirant (Philippines) Inc. in 2003, and further when it later acquired Mirant Global Corporation in 2006. GBP continues to benefit from its affiliation with GT Capital in several ways. For example, many of GBP's customers and partners, such as VECO and the Aboitiz-Vivant Group, also conduct business with other GT Capital companies, such as MBT and FMIC. GBP believes that MBT is one of the leading banks in providing financing to electrical co-operatives. GT Capital believes that the common management between GBP, GT Capital and MBT helps assure GBP's customers and partners that GBP is a trusted and well-managed business partner. This relationship also allows GBP to draw upon the extensive business network and in-depth local business knowledge, relationships and expertise of GT Capital, as well as rely on its pool of experienced managers and technical personnel.

STRATEGIES

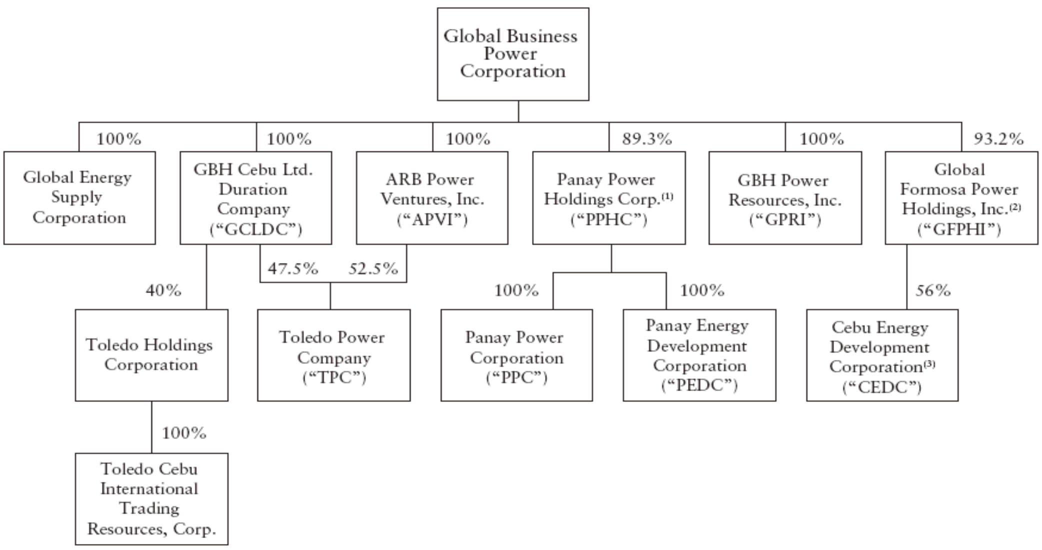
Continue sustainable growth in capacity through plant expansion, greenfield development and acquisitions

GBP intends to take advantage of the significant supply and demand imbalances that are expected in the Philippines by growing organically through plant expansion, the greenfield development of additional power facilities as well as inorganically through strategic acquisitions in the Visayas, Luzon and Mindanao. In the Visayas, GBP, through TPC embarked on an 82 MW clean coal-fired power plant expansion project, as an addition to its existing coal plant in Toledo City, Cebu. The project is intended to supply the electric power requirements of Carmen Copper Corporation. Carmen Copper, a subsidiary of Atlas Mining and Development Corporation, will need additional electric supply to power its mining expansion undertakings. The project construction is now ongoing. On October 9, 2012, GBP, through PEDC, signed a memorandum of understanding with FHIC to study and finalize the reconfiguration of its current expansion plans in Panay from two by 82 MW units into one single unit of 150 MW. The memorandum amends the option agreement signed in March, 2012 for the construction of additional units in Panay. GBP is reviewing opportunities for projects that include renewable energy facilities, such as hydroelectric and geothermal facilities, as well as coal plants that may be modeled after the CEDC and PEDC facilities. To evaluate organic growth opportunities, GBP uses feasibility analysis and site evaluations, and conducts research into the local communities and the socio-economic context of its potential sites. In evaluating potential sites, GBP focuses on areas with significant demand growth; on advantageous locations, such as those in proximity to water transportation facilities for fuel shipments or favorable river conditions for hydroelectric facilities; and those in proximity to a particular market, as long transmission distances deteriorates the quality of service GBP can provide and increases transmission costs. GBP will also consider actively pursuing opportunities to acquire power generation assets that add value to its existing business, including certain power generation assets that are expected to be privatized by the Philippine government. GBP will only consider such acquisitions if the opportunities fit within GBP's strategic framework. While GBP intends to maintain its primary focus on traditional forms of power generation, such as coal and oil-based facilities, it will also consider renewable energy projects to complement its existing portfolio and bring down its average cost of generation.

Optimize existing generation assets
GBP plans on maximizing the efficiency and productivity of its existing generation assets. For example, in 2011 GBP has expanded the CEDC facility's coal yard and, in November 2011, began a project to increase the size of its jetty to accommodate larger ships. Similar projects are scheduled to begin at PEDC in 2012. These projects will expand CEDC's and PEDC's ability to process larger coal shipments, thereby allowing GBP to significantly reduce associated coal transportation costs. GBP is also evaluating plans to expand or upgrade its existing facilities, including those at TPC, in order to increase the efficiency of their facilities. GBP will also strive to continue to optimize the efficiency of its existing power plants through proper maintenance, facility upgrades, enhanced work processes and energy loss monitoring and mitigation. GBP seeks to remain a cost-efficient power producer by managing costs through strict cost-control initiatives that help reduce unit operating costs, while continuing to achieve operating standards above international benchmarks.

Participate in retail open access
In September 2011, GBP received a license to engage in retail electricity supply. This will allow GBP to participate in the retail open access initiative ("Open Access") when it is expected to go into effect in the third quarter of 2012 and directly supply power to end users, including major industrial customers. Under EPIRA, open access is designed to create a competitive market for electricity generation in the Philippines by allowing businesses and consumers to choose their electricity supplier based on price and generation source. When implemented, companies that consume more than 1 MW per year may purchase power directly from GBP and other power producers. GBP intends to take advantage of Open Access by focusing on supplying direct power to power- intensive industries, such as cement and semiconductor producers. Open Access will allow GBP to charge its retail customers competitive rates, while customers would pay less than they would pay power distributors since intermediary distributors would be circumvented.

CORPORATE STRUCTURE



Notes:

(1) *Panay Power Holding, formerly known as Claredon Tower, is a joint venture among GBP, the La Filipina Uygongco Group and Delta Pi.*

(2) *Global Formosa Power Holdings, Inc. is a joint venture between GBP and Flat World Ltd.*

(3) *CEDC is a joint venture between GFPHI and Abovant Holdings, Inc.*

POWER GENERATION FACILITIES

A summary of the Generation Subsidiaries' power stations follows:

Name of Company	Power Stations	Location of Facility	GBP effective ownership
CEDC...........................	246 MW(1) clean coal fuel	Toledo City, Cebu	52.1%
PEDC	164 MW(1) clean coal fuel	Iloilo City, Panay	89.3%
TPC	Sangi Plant – 60 MW(2) coal fuel	Toledo City, Cebu	100.0%
	Carmen Plant – 40 MW(2) fuel oil		
PPC	Iloilo 1 Plant – 72 MW(1) fuel oil	Iloilo City, Panay	89.3%
	Iloilo 2 Plant – 20 MW(1) fuel oil		
	Nabas Plant – 12.5 MW(1) fuel oil	Aklan, Panay	
	New Washington Plant – 5 MW(1) fuel oil		
GPRI	7.5 MW(1) fuel oil	Mindoro	100.0%

Notes:

(1) *This figure represents gross capacity, which is the plant's name-plate rated capacity. GBP rates CEDC and PEDC at their total gross capacity because they have only recently begun commercial operations.*

(2) *This figure represents dependable capacity, which is capacity that can be relied upon to carry system load to meet firm power obligations. GBP rates the dependable capacity of these facilities as they believe that this best reflects GBP's operations and total capacity.*

Electric Power Purchase Agreements

GBP enters into bi-lateral off-take arrangements through EPPAs between its Generation Subsidiaries and the power-off-takers. The EPPAs provide 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. The contracts are generally between 10 and 25 years in length, where 10 year contracts are standard for industrial off-takers and 15 to 25-year contracts are standard for power utilities and distributors.

GBP's EPPAs are take or pay contracts where the off-taker agrees to pay the higher of the actual energy off-take or the minimum contracted energy as specified in the EPPA. In the event that the off-taker does not take the minimum contracted energy, the off-taker must still pay the corresponding energy fees for such minimum contracted energy.

The electricity fees paid under the EPPAs are set by formulas. These formulas take into account capital recovery costs, operation and management costs and fuel costs. Where costs are denominated in U.S. dollars, a foreign exchange adjustment is also applied. GBP passes all fuel costs to the off-takers. However, fuel costs are generally indexed to the Mean of Platt's Singapore, in the case of oil fuel, and Newcastle Coal, for coal fuel. Fees are paid in Pesos.

EPPAs also contain provisions that allow certain amounts of specified and unspecified downtime for the Generation Subsidiary. The EPPAs also provide for penalties for late payment of fees as well as liquidated damages for termination of the contracts.

Where an off-taker is a power utility, EPPAs generally have "no-poaching" provisions that prevent GBP from marketing its power supplies directly to the utilities' customers. However, under Open Access, in the event that a customer switches from the utility to the Generation Subsidiary, the EPPA specifies that the amount of power to be supplied to the utility will be reduced accordingly, to prevent any overhang under the EPPA.

GBP typically only enters into bilateral off-take agreements with off-takers that are rated A or better according to the National Electrification Administration ("NEA"), the Government agency tasked with overseeing electric cooperatives. EPPAs are generally tailored to the needs of the off-taker, whether baseload, intermediate or peaking power. With the operation of CEDC and PEDC, which specialize in baseload power, GBP has been using its other power facilities to specialize in intermediate and peak power, as the case may be. Thus, GBP has focused its efforts on transitioning many of its existing customers from EPPAs with the smaller generation facilities to EPPAs with CEDC and PEDC. Recently transitioned agreements include those with VECO, PECO and AKELCO.

As of December 31, 2011, GBP had uncontracted capacity of 167.5 MW, which it intends to market to bilateral, industrial off-takers as well as to the WESM.

A summary of EPPAs of the Generation Subsidiaries as of December 31, 2011 follows:

Generation Subsidiary/Plant	Customer	Contracted Amount (MW/year)	Expiration Date
CEDC (246 MW)	Visayan Electric Company, Inc. (VECO)	105	2036
	Philippine Economic Zone Authority – MACTAN Economic Zone (PEZA-MEZ I)	25	2021
	Mactan Electric Company (MEC)	15	2026
	Bohol I Electric Cooperative, Inc. (BOHECO)	10	2026
	CEBU III Electric Cooperative, Inc. (CEBECO 3)	10	2026
	CEBU II Electric Cooperative, Inc. (CEBECO 2)	8	2026
	Balamban Enerzone Corporation (BEZ)	4	2026
	CEBU I Electric Cooperative, Inc. (CEBECO 1)	3	2026
		180 MW	
Contracted Capacity (% of net capacity)		**83.3%**	
PEDC (164 MW)	Panay Electric Company, Inc. (PECO)	65	2036
	Aklan Electric Cooperative, Inc. (AKELCO)	12	2036
	Iloilo II Electric Cooperative, Inc. (ILECO 2)	10	2036
	Capiz Electric Cooperative, Inc. (CAPELCO)	8	2036
	Antique Electric Cooperative, Inc. (ANTECO)	7	2036
	Iloilo I Electric Cooperative, Inc. (ILECO 1)	3.5	2036
	Iloilo III Electric Cooperative, Inc. (ILECO 3)	2	2036
	Philippine Phosphate Fertilizer Corporation	4	2016
		111.5 MW	
Contracted Capacity (% of net capacity)		**77.4%**	
TPC			
Sangi Plant (60 MW)	Carmen Copper Corporation (Carmen Copper)	35	2014
	CEBECO 3	15	2015
Carmen Plant (40 MW)	No contract	–	
		50 MW	
Contracted Capacity (% of net capacity)		**58.1%**	
PPC			
Iloilo 1 Plant (72 MW)	PECO[1]	15	2026
Iloilo 2 Plant (20 MW)	ILECO 1[1]	8	2025
Nabas Plant (12.5)	National Grid Corporation of the Philippines	12.5	2012
New Washington Plant (5 MW)	AKELCO	5	2025
		40.5 MW	
Contracted Capacity (% of net capacity)		**39.4%**	

GPRI – Mindoro (7.5 MW)	Oriental Mindoro Electric Cooperative, Inc.	6	2020
		6 MW	
Contracted Capacity (% of net capacity)		**88.2%**	

Note:

(1) EPPA is for peak power only

Cebu Energy Development Corporation

Overview

CEDC developed and owns and operates a 246 MW clean coal-fired power plant located in Toledo City, Cebu. CEDC is a joint venture composed of GBP and Abovant Holdings, Inc., a joint venture between the Aboitiz Power Corporation and the Vivant Energy Corporation. FHIC is the engineering, procurement and construction ("EPC") provider and supervises the operations and maintenance of the plant.

The CEDC plant provides affordable energy while simultaneously improving the power system reliability of Cebu Island. CEDC utilizes the latest in circulating fluidized bed ("CFB") boiler technology and was the first commercial clean-coal facility in the Philippines.

The CEDC facility is a three-unit facility with a gross capacity of 246 MW and net capacity of 216 MW. GBP believes the CEDC facility is one of the largest power industry investment in the Visayas region. As of December 31, 2011, the contracted capacity of the facility was 180 MW across eight customers organized for terms of either 10, 15 or 25 years in length. The CEDC facility covers 28.1 hectares of land. Coal is stored on a 2.5 hectare, covered yard and serviced by a 200 meter (shoreline to pier) jetty. The facility utilizes three 82 MW Kawasaki turbines and is powered by three 300T/H boilers manufactured by FHIC. Power is transmitted to the CNP Grid via a 5.1 km 138 kV dedicated point-to-point transmission line from the plant switchyard to the Calung Calung substation of the NGCP in Talavera, Cebu.

CEDC broke ground on the facility in January 2008 and formal construction began in July of that year. The first unit of CEDC was synchronized with the grid in February 2010, with the second and third units becoming synchronized in June 2010 and December 2010, respectively. CEDC declared commercial operations on February 26, 2011.

The facility's key customers are VECO, PEZA-MEZ1, MECO and BOHECO, which off-take 42.7%, 10.2%, 6.1% and 5.7% of the CEDC plant's gross capacity, respectively. CEDC and VECO have entered into a 25-year EPPA, which expires in 2036. The EPPAs for PEZA-MEZ1, MECO and BOHECO expire in 2021, 2026 and 2026, respectively. VECO is a distribution utility associated with the Aboitiz and Garcia Group, which distributes power in Cebu City and other nearby areas. PEZA-MEZ1 is an industrial ecozone located in Mactan, Cebu. MECO is a distribution utility distributing power in Mactan, Cebu. BOHECO is a franchised electric utility.

Shareholders

CEDC is a joint venture between GFPHI and Abovant Holdings, Inc., which represents the interest of GBP and the Aboitiz Power Corporation and the Vivant Energy Corporation, respectively. On April 27, 2007, GBP and Flat World Ltd., a corporation organized under the laws of British Virgin Islands, entered into an agreement to form a strategic partnership which was incorporated on May 5, 2008 as Global Formosa Power Holdings, Inc. GBP has a 93.2% interest in GFPHI.

On August 11, 2007, GFPHI and Abovant Holdings, Inc. entered into a Memorandum of Agreement whereby both parties agreed to form a joint venture company for the purpose of constructing a new coal-fired power plant in Toledo City, Cebu. This joint venture company was incorporated on December 5, 2008 as CEDC. The Memorandum of Agreement allows a third-party investor to participate on a minority basis in the equity contribution of GBP to CEDC. GFPHI has a 56% interest in CEDC. GBP's indirect interest in CEDC is therefore 52.1%. Under the joint-venture agreement, Abovant Holdings, Inc. appoints five of the 11 members of CEDC's board of directors and the quorum for board meetings and minimum votes to pass a motion or resolution requires at least one of the board members it selected to be present and vote for the motion or resolution.

On November 12, 2007, GBP entered into EPC contracts with FHIC, under which FHIC designed the CEDC facility, provided the machinery, equipment and supplies for the CEDC facility, and served as project manager and technical supervisor for the implementation and installation of such equipment. These contracts were later amended so that CEDC assumed GBP's rights and responsibilities. See "– Engineering, Procurement and Construction". FHIC is a leading manufacturer of heavy industrial products, including oil and refinery and petrochemical processing equipment, plastics and fiber processing and turnkey cogeneration plant projects and power plant equipment products.

Operations

The table below is a summary of certain operating statistics of the CEDC facility since it commenced commercial operations on February 26, 2011.

	Year ended December 31, 2011[(1)]
Actual Energy Generated (GWh)[(2)]	1,510.8
Electricity Sold (GWh)	1,353.1
of which: bilateral off-take agreements	1,285.7
of which: WESM sales	67.4
Average Realized Electricity Prices (P/MWh)	
for electricity sold under bilateral off-take agreements	5.8
for electricity sold on WESM	12.2
Net Capacity Factor (%)[(3)]	71.4
Availability Factor (%)[(4)]	92.0
Reliability factor (%)[(5)]	97.3
Average Net Dependable Capacity (MW)[(6)]	216.0
Net Heat Rate (Btu/kWh) (LHV)	12,515.1

Notes:

(1) The figures for 2011 include power produced beginning on February 26, 2011 and continuing through the end of 2011.

(2) Actual Energy Generated equals actual gross electrical output from the plant.

(3) Net capacity factor is a measure of the actual delivered energy from the CEDC plant within the year divided by the maximum generation possible during that period.

(4) Availability factor is the percentage of time of the year in which a power plant is available for dispatch regardless of actual plant capacity.

(5) Reliability factor is a measure of the ability of the electric system to supply the aggregate electrical demand and energy requirements of the customers at all times, taking into account scheduled and unscheduled outages of system facilities.

(6) Average net dependable capacity is the average capacity a unit can sustain over a specified period modified for seasonal limitation and units actual performance condition, less the capacity required for station service or auxiliaries.

In 2011, CEDC generated 1,286.2 GWh, equivalent to a net capacity factor of 71.4%. CEDC's first, second and third units began producing power in February 2010, June 2010 and December 2010, respectively, on a test basis. Prior to the ERC's approval of CEDC's bilateral rates, the rates charged by CEDC for its contracted capacity were significantly lower.

The plant's availability was 92% during 2011 and met CEDC's internal target of 92%, while the plant's reliability factor of 97.3% was higher than its internal target of 92%. The Net Heat Rate of 12,515.1 Btu/kWh was 2.5% better than the expected heat rate considering degradation for the same accumulated operating hours.

Fuel Supply

CEDC receives coal from PT Adaro and Coal Orbis, which provide coal from Indonesia, and Semirara, which provides coal from the Philippines. Under the agreement with PT Adaro, CEDC will receive coal from 2011 to 2019, with an option to extend until October 1, 2022. PT Adaro is required to supply approximately 250,000 metric tons of coal per year in accordance with specified quality standards. Under the agreement with Coal Orbis, CEDC will receive coal from 2010 to 2016, with an option to renew for an additional five years. Coal Orbis is required to supply approximately 150,000 metric tons of coal per year in accordance with specified quality standards. Under the agreement with Semirara, CEDC will receive coal from 2010 to 2019. Semirara is required to supply approximately 400,000 metric tons of coal per year, with an option for additional volume, subject to availability, in accordance with specified quality standards. Semirara assumes any additional costs related to the failure to meet these specifications. Coal prices under the agreements are indexed to Newcastle Coal prices and are modified if they do not meet certain moisture, sulfur, ash and coal particulate standards. Coal procurement is handled through GBP's fuel management group.

Engineering, Procurement and Construction

The CEDC plant was constructed by FHIC pursuant to a Supply Contract dated November 12, 2007 between GBP and FHIC. The contract was amended on November 5, 2009 so that CEDC could assume GBP's obligations. This was also supplemented by a Supervisory Agreement dated November 12, 2007 between GBP and FHIC and amended on November 5, 2009, so that CEDC could assume GBP's obligations. Under the supply agreement, FHIC agreed to design and provide or procure the material and equipment necessary for the construction of the facility. Under the supervision agreement, FHIC agreed to provide advisory, project management and supervisory services for the construction of the facility and installation and implementation of the power generation equipment. GBP and True North Manufacturing Services Corporation entered into an agreement dated November 12, 2007 and amended on October 5, 2009, for the construction of the facility.

Financing and Capital Expenditures

CEDC obtained funding for the construction of the CEDC plant using a mix of project finance debt and equity at a 70/30 ratio. Total long-term debt incurred was Php16.0 billion with a final maturity in 2021, of which Php15.2 billion remains outstanding as of December 31, 2011. The project finance facilities were provided mostly by local Philippine commercial banks.

Operations and Maintenance

Operations and maintenance services for the CEDC plant are provided by FHIC under an Operation and Maintenance Agreement with CEDC dated January 26, 2011 (the "CEDC Contract of Services"). The CEDC Contract of Services is for a two-year term beginning January 1, 2011 and renewable for six month periods for up to three years. The agreement provides a schedule of fees to be paid to FHIC based on the personnel assigned to CEDC. All amounts payable under the CEDC Contract of Services, as amended, are exclusive of any applicable taxes imposed on CEDC in connection with services performed under the agreement, which are to be paid for on CEDC's own account.

Certificate of Compliance

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. CEDC was issued its COC on February 22, 2010.

Panay Energy Development Corporation

Overview

PEDC developed and owns and operates a 164 MW clean coal-fired power plant located in Iloilo City, Panay. GBP believes that the PEDC facility is the largest power plant investment on Panay Island. PEDC was incorporated on February 27, 2009. PEDC utilizes the latest in CFB boiler technology, and has a design identical to the CEDC plant. PEDC is owned by a group of investors consisting of GBP and local investors.

PEDC, like CEDC, entered into EPC contracts with FHIC, where FHIC designed the facility, provided the machinery, equipment and supplies for the facility, and served as project manager and technical supervisor for the implementation and installation of such equipment.

The PEDC facility is a two-unit facility with a gross capacity of 164 MW and net capacity of 144 MW. As of December 31, 2011, the contracted capacity of the facility was 111.5 MW spread among eight customers under terms of either 15 or 25 years in length. The PEDC facility covers 27.8 hectares of land. Coal is stored on a 1.8 hectare, covered yard and serviced by a 200 meter (from shoreline to pier) jetty. The facility utilizes two 82 MW Kawasaki turbines and is powered by two 300T/H boilers manufactured by FHIC. Power is transmitted to the Cebu Negros Panay Grid via a 17 km 138kV transmission line from the plant switchyard to the Sta. Barbara substation of NGCP located in Sta. Barbara, Iloilo.

PEDC broke ground on the facility in September 2008. The first unit of PEDC was synchronized with the Visayas grid in November 2010 and the second in March 2011. PEDC commenced commercial operations on March 26, 2011. The construction and operations at the PEDC facility occurred at a faster rate than that of CEDC because of the lessons learned from construction of the CEDC facility which were applied to PEDC.

The facility's key customers are PECO, AKELCO and ILECO 2, which off-take 39.6%, 7.3% and 6.1% of the PEDC plant's gross capacity, respectively. PEDC has entered into a 25-year EPPA with PECO, AKELCO and ILECO 2, which all expire in 2036. PECO is one of the largest power distribution utilities in the Philippines and is located in Iloilo City. AKELCO and ILECO 2 are electric cooperatives.

Shareholders

GBP indirectly owns PEDC through its 89.3% share of Panay Power Holdings Corporation ("PPHC"), which in turn is the 100% owner of PEDC. The other investors in PPHC are the La Filipina Uygongco Group, a corporation with businesses in Iloilo City, with an 8.0% interest and Delta Pi, which has a 2.7% interest.

Operations

The table below is a summary of certain operating statistics of the PEDC facility since it commenced commercial operations on March 26, 2011.

	Year ended December 31, 2011[(1)]
Actual Energy Generated (GWh)[(2)]	858.5
Electricity Sold (GWh)	657.7
of which: bilateral off-take agreements	564.5
of which: WESM sales	93.2
Average Realized Electricity Prices (P/MWh)	
for electricity sold under bilateral off-take agreements	5.4
for electricity sold on WESM	7.8
Net Capacity Factor (%)[(3)]	72.0
Availability Factor (%)[(4)]	82.0
Reliability factor (%)[(5)]	93.0
Average Net Dependable Capacity (MW)[(6)]	138.2
Net Heat Rate (Btu/kWh) (LHV)	12,159.0

Notes:

(1) *The figures for 2011 include power produced beginning on March 26, 2011 and continuing through the end of 2011.*

(2) *Actual Energy Generated equals actual gross electrical output from the plant.*

(3) *Net capacity factor is a measure of the actual delivered energy from the PEDC plant within the year divided by the maximum generation possible during that period.*

(4) *Availability factor is the percentage of time of the year in which a power plant is available for dispatch regardless of actual plant capacity.*

(5) *Reliability factor is a measure of the ability of the electric system to supply the aggregate electrical demand and energy requirements of the customers at all times, taking into account scheduled and unscheduled outages of system facilities.*

(6) *Average net dependable capacity is the average capacity a unit can sustain over a specified period modified for seasonal limitation and units actual performance condition, less the capacity required for station service or auxiliaries.*

PEDC's first and second units began producing power in November 2010 and March 2011, respectively. For 2011, PEDC generated 858.5 GWh, equivalent to a net capacity factor of 72%. Prior to the ERC's approval of PEDC's bilateral rates, the rates charged by PEDC for its contracted capacity were significantly lower.

The plant's availability factor of 82% during 2011 as against PEDC's internal target of 84%, while the plant's reliability factor of 93% was higher than its internal target of 85.7%. The Net Heat Rate of 12,159 Btu/kWh was better than the expected heat rate of 13,365 Btu/kWh, considering degradation for the same accumulated operating hours.

Fuel Supply

PEDC receives coal from Samtan and PT Sion supplying coal from Indonesia, and Semirara supplying coal from the Philippines. Under the agreement with Samtan, PEDC will receive coal from 2011 to 2020, with an option to renew for an additional three years. Samtan is required to supply approximately 150,000 metric tons of coal per year in accordance with specified quality standards. Under the agreement with PT Sion, PEDC will receive coal until 2015, with an option to renew for an additional five years. PT Sion is required to supply approximately 150,000 metric tons of coal per year in accordance with specified quality standards. Under the agreement with Semirara, PEDC will receive coal from 2010 to 2019. Semirara is required to supply approximately 300,000 metric tons of coal per year or 15,000 to 18,000 metric tons of coal per month in accordance with specified quality standards and assumes any additional costs related to the failure to meet these specifications. The price of the coal under these agreements is indexed to Newcastle Coal prices and is modified if it does not meet certain moisture, sulfur, ash and coal particulate standards. Coal procurement is handled through GBP's fuel management group.

Engineering, Procurement and Construction

The PEDC plant was constructed by FHIC pursuant to a Supply Agreement dated January 31, 2008 between GBP and FHIC, which was amended on October 7, 2009 so that PEDC could assume GBP's obligations. This was also supplemented by a Supervisory Agreement also dated January 31, 2008 between GBP and FHIC, and amended on October 7, 2009, so that PEDC could assume GBP's obligations. Under the supply agreement, FHIC agreed to design and provide or procure the material and equipment necessary for the construction of the facility. Under the supervision agreement, FHIC agreed to provide advisory, project management and supervisory services for the construction of the facility and installation and implementation of the power generation equipment. GBP and True North Manufacturing Services Corporation entered into an agreement dated January 31, 2008 and likewise amended on October 7, 2009, for the construction of the facility.

Financing and Capital Expenditures

PEDC obtained funding for the construction of the PEDC plant using a mix of project finance debt and equity at a 70/30 ratio. Total long-term debt incurred was Php14.0 billion with a final maturity in 2021, of which Php13.1 billion remains outstanding as of December 31, 2011. The project finance facilities were provided mostly by local Philippine commercial banks

Operations and Maintenance

Operations and maintenance services for the PEDC plant are provided by FHIC under an Operation and Maintenance Agreement with PEDC dated January 26, 2011 (the "PEDC Contract of Services"). The PEDC Contract of Services is for a two-year term beginning January 1, 2011 and renewable for six month periods for up to three years. The agreement provides a schedule of fees to be paid to FHIC based on the personnel assigned to PEDC. All amounts payable under the PEDC Contract of Services, as amended, are exclusive of any applicable taxes imposed on PEDC in connection with services performed under the agreement, which are for PEDC's own account.

Certificate of Compliance

All of the major required permits for PEDC have been obtained. PEDC received the COC from the ERC to operate facilities used in the generation of electricity on January 24, 2011.

Toledo Power Co.

Background

GBP, through its wholly owned subsidiaries ARB Power Ventures, Inc. ("APVI") and GCLDC, own 100% of TPC through a partnership. TPC owns and operates a 60 MW coal fuel power station, the Sangi plant, and a 40 MW fuel oil power station, the Carmen plant. Both facilities are in Toledo City, Cebu. GBP, formerly Mirant Toledo Holdings Corporation, acquired TPC in 2002 before it became a joint venture between Mirant (Philippines), GBH and FMIC. GBP signed a letter agreement for the expansion of the TPC plants in November 2011.

The Sangi plant has a rated capacity of 60 MW and net capacity of 50 MW. As of December 31, 2011, the contracted capacity of the facility was 50 MW across two customers organized for terms between three and 12 years in length. The Sangi plant covers 6.2 hectares of land. Coal is stored on a 0.6 hectare yard and serviced by a 200 (shoreline to pier) meter jetty. The facility utilizes one Hitachi and one Mitsubishi turbine and is powered by Vereinigte Kesselwerke AG boilers.

The Carmen plant is primarily used for back-up power only. It is a 4x10 MW-unit facility with a rated capacity of

40 MW and net capacity of 36 MW. As of December 31, 2011, it has no contracted capacity. The Carmen plant is primarily run for sales to the WESM and for back-up capacity. The Carmen plant covers 4.9 hectares of land. Fuel is stored in tanks. The facility utilizes four 10 MW generators.

TPC's key customers are CEBECO 3 and its main industrial customer, Carmen Copper, which, combined, off-take all of TPC's total capacity. TPC and CEBECO 3 have entered into a 12-year EPPA expiring in 2015. CEBECO 3 is an electric cooperative based in Toledo City. TPC and Carmen Copper have also entered into a three-year EPPA for power generated from its Sangi plant beginning 2011. This agreement expires in 2014. Carmen Copper is a subsidiary of Atlas Consolidated Mining & Development Corporation.

Shareholders
TPC is a general partnership between APVI and GCLDC. APVI has an assigned capital of 52.5% and a 95.0% share in the profits of TPC. GCLDC has an assigned capital of 47.5% and a 5% share in the profits of TPC and a 40% equity interest in the shares of stock of Toledo Holdings Corporation ("THC"), a company that leases land to TPC. See "– Properties". APVI and GCLDC are both wholly-owned subsidiaries of GBP. Yorktown Properties, Inc. owns the remaining interest in THC.

Sangi Plant Operations
The Sangi plant was built in 1964 to serve the electric power requirements of the mine owned and operated by Atlas Consolidated Mining and Development Corporation. The table below is a summary of certain operating statistics for the Sangi plant for the periods indicated.

	Year ended December 31,				
	2007	**2008**	**2009**	**2010**	**2011**
Actual Energy Generated (GWh)[(1)]	411.5	349.8	380.8	441.1	420.6
Electricity Sold (GWh)..................................	341.3	286.3	317.4	373.4	355.0
Net Capacity Factor (%)[(2)]	72.2	43.3	52.8	85.3	88.8
Availability Factor (%)[(3)]	89.2	76.1	80.3	91.6	89.2
Reliability factor (%)[(4)]	90.5	86.7	75.2	98.1	97.2
Average Net Dependable Capacity (MW)[(5)]…	50	50	50	50	50
Net Heat Rate (Btu/kWh) (LHV)	16,780	17,793	17,191	16,301	17,296

Notes:

(1) Actual Energy Generated equals actual gross electrical output from the plant.

(2) Net capacity factor is a measure of the actual delivered energy from the plant within the year divided by the maximum generation possible during that period.

(3) Availability factor is the percentage of time of the year in which a power plant is available for dispatch regardless of actual plant capacity.

(4) Reliability factor is a measure of the ability of the electric system to supply the aggregate electrical demand and energy requirements of the customers at all times, taking into account scheduled and unscheduled outages of system facilities.

(5) Average net dependable capacity is the average capacity a unit can sustain over a specified period modified for seasonal limitation and units actual performance condition, less the capacity required for station service or auxiliaries.

In 2011, the Sangi plant generated 420.6 GWh, equivalent to a net capacity factor of 88.8% as compared to an 85.3% net capacity factor for all of 2010. This increase in dispatch was primarily due to the increase in demand by Carmen Copper Corporation. The Sangi plant generated 441.3 GWh and 383.4 GWh of power in each of 2010 and 2009, respectively.

The plant's availability factor of 89.2% during 2011 was below TPC's internal target of 90%, while the plant's reliability factor of 97.2% was higher than TPC's internal target of 90%. The Net Heat Rate of 17,296 Btu/kWh was 1.2% better than the expected heat rate considering degradation for the same accumulated operating hours. The plant's availability factor of 91.6% during 2010 exceeded TPC's internal target of 90.0%. The plant's reliability factor of was 98.1% during 2010. The actual Net Heat Rate measured during the NDC was 16,301 Btu/kWh, which was 6.9% more efficient than the guaranteed heat rate for the same amount of accumulated operating hours.

Carmen Plant Operations

The Carmen plant was built in 1979. The Carmen plant has been used chiefly as a back-up plant since 2006. The table below is a summary of certain operating statistics of the Carmen plant since 2007.

	Year ended December 31,				
	2007	**2008**	**2009**	**2010**	**2011**
Actual Energy Generated (GWh)[(1)]	4.7	68.0	143.2	113.0	10.0
Electricity Sold (GWh)..................................	4.5	62.9	132.3	106.6	8.7
Net Capacity Factor (%)[(2)]............................	1.4%	19.5%	40.9%	33.8%	2.8%
Availability Factor (%)[(3)]..............................	95.5%	97.7%	96.9%	97.0%	98.0%
Reliability factor (%)[(4)]	92.0%	92.0%	89.9%	95.0%	97.0%
Average Net Dependable Capacity (MW)[(5)]…	37	37	37	36	36
Net Heat Rate (Btu/kWh) (LHV)	10,844	9,876	9,340	9,521	10,585

Notes:

(1) Actual Energy Generated equals actual gross electrical output from the plant.

(2) Net capacity factor is a measure of the actual delivered energy from the plant within the year divided by the maximum generation possible during that period.

(3) Availability factor is the percentage of time of the year in which a power plant is available for dispatch regardless of actual plant capacity.

(4) Reliability factor is a measure of the ability of the electric system to supply the aggregate electrical demand and energy requirements of the customers at all times, taking into account scheduled and unscheduled outages of system facilities.

(5) Average net dependable capacity is the average capacity a unit can sustain over a specified period modified for seasonal limitation and units actual performance condition, less the capacity required for station service or auxiliaries.

In 2011, the Carmen plant generated 10.0 GWh, equivalent to a net capacity factor of 2.8% as compared to a 33.8% net capacity factor for all of 2010. This decrease in dispatch was primarily due to the Carmen plant being a back-up plant. The Carmen plant generated 113.2 GWh and 140.6 GWh of power in each of 2010 and 2009, respectively.

The plant's availability factor of 98.0% during 2011 exceeded TPC's internal target of 90.0%, while the plant's reliability factor of 97.0% was also higher than TPC's internal target of 90%. The Net Heat Rate of 10,585 Btu/kWh was 5.9% worse than the expected heat rate considering degradation for the same accumulated operating hours. The plant's availability factor of 97.0% during 2010 exceeded TPC's internal target of 90.0%. The plant's reliability factor was 95.0%. The actual Net Heat Rate measured during the NDC was 9,521 Btu/kWh, which was 4.8% more efficient than the guaranteed heat rate for the same amount of accumulated operating hours.

Fuel Supply

The Sangi plant receives coal from Semirara, as well as certain Indonesian suppliers on a spot basis. Under the agreement with Semirara, the plant will receive coal through December 31, 2013, with a one year renewal. Semirara is required to supply approximately 15,000-18,000 metric tons of coal per month in accordance with specified quality standards and assumes any additional costs related to the failure to meet these specifications. The price of the coal under the agreement is indexed to Newcastle Coal prices and is modified if it does not meet certain moisture, sulfur, ash and coal particulate standards.

The fuel oil supplied for the Carmen plant is provided by the Pilipinas Shell Petroleum Corporation ("Shell Oil"), under which Shell Oil agreed to provide fuel oil to TPC for a period of one year. Fuel suppliers for the Carmen plant can vary from year to year. The price of the fuel oil is indexed to the Mean of Platt's Singapore with additional charges for premium, duties, taxes and delivery. Diesel and other oils are also provided under this agreement.

Operations and Maintenance

Operations and maintenance services for the TPC plants are done in-house by TPC staff. When maintenance requires specific expertise, TPC hires independent consultants to conduct the maintenance activities.

Certificate of Compliance

All of the major required permits for the TPC plants have been obtained. The Sangi plant renewed its COC in 2009 with a validity period of five years. The Carmen plant also renewed its COC in 2009 with a validity period of five years. The TPC plants gained ISO 14001 certification in 2009, with a validity period of three years. As a part of maintaining this certification, the TPC plant undergoes inspections by a third party every year. The last inspection was conducted in December 2011. The TPC plant's next inspection is scheduled for June 2012.

Panay Power Corporation

Background

PPC owns and operates four fuel oil power plants. In Iloilo City, it has a 72 MW plant, Iloilo 1, and a 20 MW plant, Iloilo 2. In Aklan, it has a 12.5 MW plant, PPC Nabas, and a 5 MW plant, PPC New Washington. GBP, formerly Mirant Global Corporation, acquired PPC and the Iloilo 1 plant in 2003 when it was formed as a joint venture between Mirant (Philippines) and GBH. Under Mirant Global Corporation, the Iloilo Plant 2, Nabas and New Washington Plants were built in 2004.

The Iloilo 1 plant is a six-unit facility with a rated capacity of 72 MW and net capacity of 69 MW. As of December 31, 2011, the contracted capacity of the facility was 15 MW with one customer, PECO, for a term of 15 years expiring on 2026. The Iloilo 1 plant covers 9.4 hectares of land. Bunker fuel is stored in fuel tanks. The facility utilizes Wartsila-Sultzer turbines.

The Iloilo 2 plant is a four-unit facility with a rated capacity of 20 MW and net capacity of 18 MW. As of December 31, 2011, the contracted capacity of the facility was 8 MW which has been contracted to one customer, ILECO 1, for a term of 20 years expiring in 2025. The Iloilo 2 plant covers 2.1 hectares of land. The facility utilizes four 5 MW generatos.

The Nabas plant is a three-unit facility with a rated capacity of 12.5 MW and net capacity of 11.3 MW. As of December 31, 2011, the contracted capacity of the facility was 12.5 MW and dedicated fully to NGCP for a term of three years expiring on 2012. The Nabas plant covers 3.4 hectares of land. Fuel is stored in two vertical and two horizontal tanks and delivered by lorry. The facility utilizes Mitsubishi generators. Power is transmitted to the Cebu Negros Panay grid via a 69kV transmission line from the plant switchyard to the Caticlan substation.

The New Washington plant is a single-unit facility with a rated capacity of 5 MW and net capacity of 4.5 MW. As of December 31, 2011, the contracted capacity of the facility was 5 MW and dedicated fully to AKELCO for a term of twenty years expiring on 2025. The New Washington plant covers 2.6 hectares of land. Fuel is stored in two 500 kiloliter tanks. The facility utilizes a Mitsubishi generator. The New Washington plant is an embedded generator of AKELCO and therefore does not pass through the transmission grid.

The PPC's key customers are PECO, NGCP, AKELCO and ILECO 1. PPC primarily generates peaking power to supply these customers with additional energy during maximum usage periods. PECO, NGCP, AKELCO and ILECO 1 off-take a total of 40.5 MW per year, or 39.5% of PPC's net capacity.

Shareholders

GBP indirectly owns PPC through its 89.3% share of PPHC, which in turn is the 100% owner of PPC.

Iloilo 1 Plant Operations

The Iloilo 1 plant completed its 13th year of operations in 2011. Originally used to provide baseload, intermediate and peak power requirements of PECO, currently it is primarily used to provide peak power and has reduced its power generation accordingly. The table below is a summary of certain operating statistics of the Iloilo 1 plant for the periods indicated.

	Year ended December 31,				
	2007	2008	2009	2010	2011
Actual Energy Generated (GWh)(1)	345	304	322	388	110.6
Electricity Sold (GWh)..................................	328.4	289.8	291.9	362.7	101.1
Net Capacity Factor (%)(2)............................	54%	48%	51%	62%	18%
Availability Factor (%)(3)..............................	82%	82%	82%	95%	100%
Reliability factor (%)(4)	87%	87%	87%	92%	100%
Average Net Dependable Capacity (MW)(5)…	69	69	69	69	69
Net Heat Rate (Btu/kWh) (LHV)	8,503	8,566	8,390	8,530	8,620

Notes:

(1) *Actual Energy Generated equals actual gross electrical output from the plant.*

(2) *Net capacity factor is a measure of the actual delivered energy from the plant within the year divided by the maximum generation possible during that period.*

(3) *Availability factor is the percentage of time of the year in which a power plant is available for dispatch regardless of actual plant capacity.*

(4) *Reliability factor is a measure of the ability of the electric system to supply the aggregate electrical demand and energy requirements of the customers at all times, taking into account scheduled and unscheduled outages of system facilities.*

(5) *Average net dependable capacity is the average capacity a unit can sustain over a specified period modified for seasonal limitation and units actual performance condition, less the capacity required for station service or auxiliaries.*

In 2011, the Iloilo 1 plant generated 110 GWh of power, equivalent to a net capacity factor of 18% as compared to a 62% net capacity factor for all of 2010. This decrease in dispatch was primarily due to the plant shifting from a load-following plant to a peaking plant. The Iloilo 1 plant generated 388 GWh and 322 GWh of power in each of 2010 and 2009, respectively.

The plant's availability factor of 100% during 2011 met PPC's internal target, while the plant's reliability factor of 100% matched PPC's internal target. The Net Heat Rate of 8,620 Btu/kWh was 1.9% better than the expected heat rate considering degradation for the same accumulated operating hours. The plant's availability factor of 95% during 2010 was below PPC's internal target of 100%. The plant's reliability factor of 98% during 2010 was higher than PPC's internal target of 97%.

Iloilo 2 Plant Operations

The Iloilo 2 plant completed its eighth year of operations in 2011. The table below is a summary of certain operating statistics of Iloilo 2 for the periods indicated.

	Year ended December 31,				
	2007	2008	2009	2010	2011
Actual Energy Generated (GWh)(1)	28.6	22.5	28.1	22.2	2.0
Electricity Sold (GWh)...................................	38.6	20.3	24.1	19.4	1.6
Net Capacity Factor (%)(2)..............................	16.3%	12.8%	16.1%	12.6%	1.1%
Availability Factor (%)(3)...............................	93%	93%	95%	85%	100%
Reliability factor (%)(4)	95%	95%	96%	88%	100%
Average Net Dependable Capacity (MW)(5)…	18	18	18	18	18
Net Heat Rate (Btu/kWh) (LHV)	9,609	9,551	9,660	10,085	10,699

Notes:

(1) *Actual Energy Generated equals actual gross electrical output from the plant.*

(2) *Net capacity factor is a measure of the actual delivered energy from the plant within the year divided by the maximum generation possible during that period.*

(3) *Availability factor is the percentage of time of the year in which a power plant is available for dispatch regardless of actual plant capacity.*

(4) *Reliability factor is a measure of the ability of the electric system to supply the aggregate electrical demand and energy requirements of the customers at all times, taking into account scheduled and unscheduled outages of system facilities.*

(5) *Average net dependable capacity is the average capacity a unit can sustain over a specified period modified for seasonal limitation and units actual performance condition, less the capacity required for station service or auxiliaries.*

In 2011, the Iloilo 2 plant generated 2.0 GWh, equivalent to a net capacity factor of 1.1% as compared to a 12.6% net capacity factor for all of 2010. This decrease in dispatch was primarily due to the plant shifting from a base load plant to a peaking plant. The Iloilo 2 plant generated 22.2 GWh and 28.1 GWh of power in each of 2010 and 2009, respectively.

The plant's availability factor of 100% during 2011 met PPC's internal target, while the plant's reliability factor of 100% matched PPC's internal target. The Net Heat Rate of 10,699 Btu/kWh was better than the expected heat rate considering degradation for the same accumulated operating hours. The plant's availability factor of 85% during 2010 was lower than PPC's internal target of 100%. The plant's reliability factor of 88% during 2010 matched PPC's internal target.

Nabas Plant Operations

The Nabas plant completed its fifth year of commercial operations in 2011. The table below is a summary of certain operating statistics of the Nabas plant for the periods indicated.

	Year ended December 31,				
	2007	**2008**	**2009**	**2010**	**2011**
Actual Energy Generated (GWh)[(1)]	12.3	6.8	12.2	38.6	15.2
Electricity Sold (GWh)..................................	0.7	6.2	11.6	36.7	14.4
Net Capacity Factor (%)[(2)]	11.6%	6.3%	11.1%	35.2%	14.0%
Availability Factor (%)[(3)]..............................	93.0%	100.0%	91.7%	90.9%	99.0%
Reliability factor (%)[(4)]	97.0%	100.0%	95.7%	93.2%	99.0%
Average Net Dependable Capacity (MW)[(5)]…	11.3	11.3	11.3	11.3	11.3
Net Heat Rate (Btu/kWh) (LHV)	9,310	9,338	9,323	9,345	9,046

Notes:

(1) Actual Energy Generated equals actual gross electrical output from the plant.

(2) Net capacity factor is a measure of the actual delivered energy from the plant within the year divided by the maximum generation possible during that period.

(3) Availability factor is the percentage of time of the year in which a power plant is available for dispatch regardless of actual plant capacity.

(4) Reliability factor is a measure of the ability of the electric system to supply the aggregate electrical demand and energy requirements of the customers at all times, taking into account scheduled and unscheduled outages of system facilities.

(5) Average net dependable capacity is the average capacity a unit can sustain over a specified period modified for seasonal limitation and units actual performance condition, less the capacity required for station service or auxiliaries.

In 2011, the Nabas plant generated 15.2 GWh, equivalent to a net capacity factor of 14.0% as compared to a 35.2% net capacity factor for all of 2010. This decrease in dispatch was primarily due to a more stabilized grid thus resulting in lower demand from NGCP. The Nabas plant generated 38.56 GWh and 12.19 GWh of power in each of 2010 and 2009, respectively.

The plant's availability factor of 99.0% during 2011 met PPC's internal target, while the plant's reliability factor of 100.0% matched PPC's internal target. The Net Heat Rate of 9,046 Btu/kWh was 4.8% better than the expected heat rate considering degradation for the same accumulated operating hours. The plant's availability factor of 90.9% during 2010 was below PPC's internal target of 99.0%. The plant's reliability factor of 93.2% during 2010 matched PPC's internal target.

New Washington Plant Operations

The New Washington plant completed its fifth year of commercial operations in 2011. The table below is a summary of certain operating statistics of the New Washington plant for the periods indicated.

	Year ended December 31,				
	2007	2008	2009	2010	2011
Actual Energy Generated (GWh)(1)	3.4	0.5	4.2	9.0	4.0
Electricity Sold (GWh).................................	0.07	0.48	3.89	9.03	3.69
Net Capacity Factor (%)(2)...........................	7.8%	1.2%	9.7%	22.8%	9.1%
Availability Factor (%)(3)..............................	100.0%	100.0%	100.0%	96.3%	100.0%
Reliability factor (%)(4)	100.0%	100.0%	100.0%	100.0%	100.0%
Average Net Dependable Capacity (MW)(5)..	4.5	4.5	4.5	4.5	4.5
Net Heat Rate (Btu/kWh) (LHV)	9,295	9,725	9,224	9,391	9,344

Notes:

(1) Actual Energy Generated equals actual gross electrical output from the plant.

(2) Net capacity factor is a measure of the actual delivered energy from the plant within the year divided by the maximum generation possible during that period.

(3) Availability factor is the percentage of time of the year in which a power plant is available for dispatch regardless of actual plant capacity.

(4) Reliability factor is a measure of the ability of the electric system to supply the aggregate electrical demand and energy requirements of the customers at all times, taking into account scheduled and unscheduled outages of system facilities.

(5) Average net dependable capacity is the average capacity a unit can sustain over a specified period modified for seasonal limitation and units actual performance condition, less the capacity required for station service or auxiliaries.

In 2011, the New Washington plant generated 4.0 GWh of power, equivalent to a net capacity factor of 9.1% as compared to a 22.8% net capacity factor for all of 2010. This decrease in dispatch was primarily due to lower demand as a result of PEDC's supply of baseload requirement to AKELCO. The New Washington plant generated 9.0 GWh and 4.2 GWh of power in each of 2010 and 2009, respectively.

The plant's availability factor of 100.0% during 2011 met PPC's internal target, while the plant's reliability factor of 100.0% matched PPC's internal target. The Net Heat Rate of 9,344 Btu/kWh was 1.6% better than the expected heat rate considering degradation for the same accumulated operating hours. The plant's availability factor of 96.0% during 2010 was below PPC's internal target of 100.0%. The plant's reliability factor of 100.0% during 2010 matched PPC's internal target.

Fuel Supply

The fuel oil supplied for the Iloilo 1 plant is provided by Shell Oil, under which Shell Oil agreed to provide fuel oil for a period of 15 years beginning in 1998 and shall continue indefinitely subject to 60 days prior written notice of termination by either party. Additionally, Shell Oil also provided certain fuel handling equipment for use at the Iloilo 1 plant. The price of the fuel oil is indexed to the Mean of Platt's Singapore with additional charges for premium, duties, taxes and delivery. Diesel and other oils are also provided under this agreement.

The fuel oil supplied for the Iloilo 2, Nabas and New Washington plants are bided out on an annual basis. Currently the bunker fuel requirements of these plants are provided by Petron. The price of the fuel oil is indexed to the Mean of Platt's Singapore with additional charges for premium, duties, taxes and delivery. Start-up diesel and other oils are also bided out on an annual basis.

Operations and Maintenance

Operations and maintenance services for the PPC plants are done in house by PPC staff. When maintenance requires specific expertise, PPC hires independent consultants to conduct the maintenance activities.

Certificate of Compliance

PPC was issued its original COC for the Iloilo 1 plant was renewed on September 4, 2008 with a validity period of five years. PPC was issued its original COC for the Iloilo 2 plant in 2005, which was amended on August 31, 2007 with a validity period of five years. PPC was issued its original COC for the Nabas plant in 2005, which was renewed on September 27, 2010 with a validity period of five years. PPC was issued its original COC for the New Washington plant in 2005, which was renewed on September 27, 2010 with a validity period of five years.

GBH Power Resources, Inc.

Background

GPRI owns and operates the 7.5 MW power generation facility in Pinalamayan, Oriental Mindoro which is not presently connected to either the Luzon Grid, Mindanao Grid or the Visayas Grid operated by NPC. GBP, formerly Mirant Global Corporation, acquired GPRI in 2003 when it was formed as a joint venture between Mirant (Philippines) and GBH.

The GPRI plant is a two-unit facility with a rated capacity of 7.5 MW and net capacity of 6.8 MW. As of December 31, 2011, the contracted capacity of the facility was 6 MW and dedicated fully to ORMECO for a term of 20 years expiring in 2020. The GPRI plant covers 2 hectares of land. Fuel is stored in tanks and delivered by lorry. The facility utilizes Mitsubishi generators. The GPRI plant is an embedded generator of ORMECO and is connected directly to ORMECO.

Shareholders

GPRI is a wholly owned subsidiary of GBP.

Operations

The GPRI plant completed its eleventh year of commercial operations in 2011. The table below is a summary of certain operating statistics of GPRI for the periods indicated.

	Year ended December 31,				
	2007	**2008**	**2009**	**2010**	**2011**
Actual Energy Generated (GWh)[1]	43.5	40.7	46.1	47.3	46.2
Electricity Sold (GWh).................................	46.7	38.0	42.9	44.6	43.23
of which: bilateral off-take agreements	46.7	38.0	42.9	44.6	43.23
of which: WESM sales	–	–	–	–	–
Average Realized Electricity Prices (P/MWh)					
for electricity sold under bilateral off-take agreements	7.3	9.5	8.7	8.9	11.5
for electricity sold on WESM	–	–	–	–	–
Net Capacity Factor (%)[2]............................	66.2%	61.9%	70.1%	72.0%	70.5%
Availability Factor (%)[3]..............................	86.0%	94.0%	93.0%	94.0%	91.0%
Reliability factor (%)[4]	91.0%	99.0%	98.0%	99.0%	97.0%
Average Net Dependable Capacity (MW)[5]…	6.4	6.4	6.4	6.4	6.4
Net Heat Rate (Btu/kWh) (LHV)	8,792	8,647	8,731	8,442	8,753

Notes:

(1) *Actual Energy Generated equals actual gross electrical output from the plant.*

(2) *Net capacity factor is a measure of the actual delivered energy from the plant within the year divided by the maximum generation possible during that period.*

(3) *Availability factor is the percentage of time of the year in which a power plant is available for dispatch regardless of actual plant capacity.*

(4) *Reliability factor is a measure of the ability of the electric system to supply the aggregate electrical demand and energy requirements of the customers at all times, taking into account scheduled and unscheduled outages of system facilities.*

(5) *Average net dependable capacity is the average capacity a unit can sustain over a specified period modified for seasonal limitation and units actual performance condition, less the capacity required for station service or auxiliaries.*

In 2011, GPRI generated 46.2 GWh of power, equivalent to a net capacity factor of 70.5% as compared to a 72.0% net capacity factor for all of 2010. This decrease in dispatch was primarily due to slightly lower kWh sales due to plant outages. GPRI generated 47.3 GWh and 46.1 GWh of power in each of 2010 and 2009, respectively.

The plant's availability factor of 91.0% during 2011 exceeded GPRI's internal target of 90.0%, while the plant's reliability factor of 97.0% was also higher than GPRI's internal target of 90%. The Net Heat Rate of 8,753 Btu/kWh was 0.5% better than the expected heat rate considering degradation for the same accumulated operating hours. The plant's availability factor of 94.0% during 2010 exceeded GPRI's internal target of 90.0%. The plant's reliability factor of 99.0% during 2010 was also higher than GPRI's internal target of 97%.

Fuel Supply

The fuel oil supplied to the GPRI plant is bidded out on an annual basis and is currently being provided by Petron pursuant to a fuel oil supply agreement. The price of the fuel oil is indexed to the Mean of Platt's Singapore with additional charges for premium, duties, taxes and delivery. Start- up diesel and other oils are also bidded out annually.

Operations and Maintenance

Operations and maintenance services for the GPRI plant are done in-house by GPRI staff. When maintenance requires specific expertise, GPRI hires independent consultants to conduct the maintenance activities.

Certificate of Compliance

GPRI was issued its original COC for the GPRI plant on March 17, 2003, which was renewed on March 9, 2009 with a validity period of 5 years.

FUTURE POWER GENERATION PROJECTS

GBP is actively considering and reviewing options for further growth, including greenfield power plants, expansion of existing power plants and inorganic growth through acquisitions.

Project identification and approval

GBP identifies potential investments, both in relation to greenfield projects and existing power generation facilities by analyzing the demand for electricity. Factors such as GDP and population growth, customer mix, profiles of the major users, and industrial expansion are considered. GBP also looks at commercial viability, potential costs (whether for development or acquisition) and competitive costs, as well as land acquisition and environmental protection issues and the impact of environmental protection requirements on overall profitability of the project, and the availability of government incentives for a particular project. GBP is reviewing opportunities for projects that include renewable energy facilities, such as hydroelectric and geothermal facilities, as well as coal plants that may be modeled after the CEDC and PEDC facilities.

GBP evaluates and assesses each potential project based on, among other things, the following criteria:

- GBP's equity internal rate of return standards;
- the ability to obtain majority ownership and management control over the project;
- the participation of world-class partners and suppliers; and
- the project's potential for future expansion.

For power generation projects, an initial assessment of a proposed facility is formalized in a preliminary feasibility study. In evaluating potential sites, GBP focuses on areas with significant demand growth; on advantageous locations, such as those in proximity to water transportation facilities for fuel shipments or favorable river conditions for hydroelectric facilities; and those in proximity to a particular market, as long transmission distances deteriorates the quality of service GBP can provide and increases transmission costs. GBP also considers fuel supply arrangements, local requirements for permits and licenses, the ability of the plant to generate electricity at a competitive cost and the ability of potential off-takers to purchase the electricity generated, among other issues.

After preliminary evaluations are conducted, selected projects, acquisitions and business opportunities are submitted for preliminary internal approval. Once such approval has been obtained, GBP conducts additional due diligence and performs financial and budgetary analysis, including the necessity for procuring joint venture partners for the project. Based on such analysis, the project, acquisition or business is submitted to GBP's senior management and board for review and approval.

For the development of a new power plant, GBP, its partners and suppliers are required to obtain the necessary permits required before commencement of commercial operations, including permits related to siting, construction, the environment and planning, operation licenses and similar approvals. It is also GBP's policy to have off-take and fuel supply arrangements in place early in the development of a power plant project.

Although GBP continues to focus on enhancing its position as a leading power provider in the Visayas region, from time to time it evaluates business opportunities in the Luzon and Mindanao grids, with a view to acquiring or developing competitive or complementary power generation facilities on commercially reasonable terms.

Notwithstanding the review and evaluation process that GBP's management conducts in relation to any proposed project, acquisition or business, there can be no assurance that GBP will eventually develop a particular project, acquire a particular generating facility or undertake a new line of business or that projects will be implemented or acquisitions made or businesses conducted in the manner planned or at or below the cost estimated by GBP.

Future power opportunities of GBP may include renewable energy projects. GBP is assessing opportunities for the acquisition of geothermal power projects as well as the development of greenfield renewable energy projects, including hydroelectric power projects. GBP believes that by adding renewable energy projects to its power generation portfolio, it may be able to lower its total energy production costs while strengthening its commitment to the environment.

Acquisition of generation assets
As part of its growth strategy, GBP evaluates the feasibility of acquiring existing generation facilities. In particular, GBP intends to participate in the bidding for selected NPC-owned power generation plants that are scheduled for privatization. To the extent that GBP chooses to bid for such assets and is successful, it expects that these acquisitions may be partly funded using a portion of the proceeds of the Offer. However, the disposition by PSALM of NPC's power generation assets as mandated under the EPIRA has been delayed several times and there is no assurance the privatization program will proceed in accordance with PSALM's timetable.

COMPETITION

GBP's power generation facilities face competition from existing and future power generation plants that supply electricity to the Visayas grid. Several of these competitors may have greater financial resources than GBP, giving them the ability to respond to operational, financial and other challenges more quickly than GBP. GBP 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.

A key competitor in the region is the Leyte Geothermal Power Plant, which is operated by the Government through NAPOCOR. However, this project is undergoing a process of privatization that GBP believes will be completed in 2012. The Leyte plant services 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.

GBP will face competition in both the development of new power generation facilities and the acquisition of existing power plants, as well as competition for financing for these activities. Factors such as the performance of the Philippine economy and the potential for 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 power projects may increase in line with the expected long-term economic growth of the Philippines.

INSURANCE

It is GBP's policy to obtain insurance coverage for its operating assets and employees that is in line with industry standards and good business practices. As of December 31, 2011, GBP maintains all-risks insurance coverage, including property damage, machinery breakdown, business interruption, sabotage and terrorism, and directors and officers liability, among others. GBP does not anticipate having any difficulties in renewing any of its insurance policies and believes that its insurance coverage is consistent with industry standards in the Philippines.

PROPERTIES

As of December 31, 2011, GBP Generation Subsidiaries owned power generation facilities, buildings, other land improvements and property and equipment for the operation of its power generation business. The power plant complexes of CEDC, PEDC, TPC and PPC have been mortgaged and/or pledged as security for their long-term debt in the amount of Php30.1 billion as of December 31, 2011. As of September 30, 2012, these long-term debt amounted to Php28.4 billion.

The Generation Subsidiaries lease the parcels of land where their power generation facilities are located from THC. Each of TPC, PPC and GPRI leases land from THC for a period of one year, renewable every year and under such terms and conditions as may be agreed upon by the respective parties. Each of the lease agreements of TPC, PPC and GPRI with THC are in the process of being renewed. CEDC and PEDC each have lease agreements with THC for a period of five years, renewable every end of the lease term and under such terms and conditions as may be agreed upon by the respective parties. CEDC's lease agreement with THC will expire on May 31, 2014, while PEDC's lease agreement with THC will expire on August 1, 2013. Currently, GBP has no plans of purchasing real estate.

INTELLECTUAL PROPERTY

Although GBP and its subsidiaries own exclusive rights to their respective corporate logos, none of them own any trademarks and service marks. GBP does not have any other intellectual property rights or registered trademarks or applications for its name or project names.

EMPLOYEES

As of September 30, 2012, GBP and its consolidated subsidiaries had 752 employees. For 2012, GBP has no plans for additional hiring except in the ordinary course of business expansion. The following table provides a breakdown of GBP's employees by subsidiary and function as of September 30, 2012.

	Executive Officers	Operations	Administrative	Total
GBP Headquarters...	12	–	84	96
CEDC	1	97	47	145
PEDC..	1	90	44	135
TPC	2	189	33	224
PPC...	1	96	35	132
GPRI...	–	17	3	20

LEGAL PROCEEDINGS

GBP is involved in various legal actions arising in the ordinary course of business. GBP believes that these legal actions or any losses from these matters, if any, would not have a material adverse effect on GBP's financial position, operating results and cash flows.

PPC is a party to a proceeding before the ERC. On October 2, 2002, consumer protection groups from Iloilo City filed a petition against PPC, NPC and PECO for the refund of Php12.1 million representing a Php0.30/kWh discount due to PECO customers. The petitioners alleged that the power purchased by PPC from NPC, which it sold to PECO (and eventually charged to Iloilo consumers) from June 2001 to July 2002 was subject to the discount. GBP acquired PPC as part of its acquisition of Mirant's holdings in 2003. The management team at PPC during the period subject of the petition no longer works for GBP. GBP maintains policies which ensure that it consistently and accurately bills its customers and supplies power at the agreed-upon price.

RECENT FINANCIAL PERFORMANCE: AS OF SEPTEMBER 30, 2012

GBP’s net income almost doubled from Php1.1 billion in the first nine months of 2011 to Php2.1 billion in the first nine months of 2012 as net fees grew by 25% from Php12 billion to Php15 billion chiefly due to the full year commercial operations of GBP’s Cebu and Panay coal-fired plants and participation in the WESM.

BUSINESS – TMP

OVERVIEW

GT Capital has interests in the automotive industry primarily through its 36% direct ownership in TMP as on December 3, 2012, the Company and MBT executed a Sales and Purchase Agreement to acquire an additional 15% of TMP thereby increasing its direct equity stake from 21%. TMP is engaged in the manufacture, importation and wholesale distribution of Toyota brand motor vehicles in the Philippines. It is also engaged in the sale of motor vehicle parts and accessories, both locally and via export. TMP also has direct interests in three dealerships, Toyota Makati (100%), Toyota San Fernando (55%) and Lexus Manila, Inc. (75%). GT Capital also has interests in Toyota-related businesses through its 25.1% share ownership in MBT. MBT owns 30% of TMP and 34% of TFSPH. MBT, through its subsidiary FMIC, also has a 9% interest in Toyota Cubao, Inc. and 19.25% in Toyota Manila Bay Corporation, which are Toyota dealerships.

TMP is a joint venture company among GT Capital, MBT, TMC, Mitsui and Maximus Management Holdings which each owns 36%, 15%, 34%, 6% and 9% of TMP's shares, respectively.

TMP has entered into Toyota Distributor Agreement and the Lexus Distributor Agreement with TMC and TMAP for the right to sell Toyota and Lexus brand products in the Philippines. The Toyota Distributor Agreement is typically renewed every three years, with the last such renewal occurring on December 3, 2009. TMC was incorporated in Japan on August 28, 1937 and its primary business is in the automotive industry. TMC's operations are conducted through subsidiaries and affiliate companies in more than 170 countries. TMC's subsidiaries and affiliate companies, including TMP, are required to implement certain standardized guidelines in their manufacture and distribution of Toyota products in order to maintain the Toyota brand image worldwide. TMAP is a Singapore-based company established in 1990 to oversee the distribution of Toyota vehicles in Asia Oceania. In 2007, TMAP-EM regional office was also established in Thailand to enhance the production and service parts sourcing network and support manufacturing and engineering programs to subsidiaries and affiliates in Asia Oceania.

According to combined industry statistics from CAMPI and the Association of Vehicle Importers and Distributors ("AVID"), TMP has had the highest number of new vehicle unit sales in the Philippines for both passenger cars and commercial vehicles every year since 2002. In the Philippine auto industry, achieving the highest sales of passenger cars, commercial vehicles and overall sales is known as the "Triple Crown". Since 2002, TMP has achieved ten consecutive Triple Crowns and since 1989, TMP has been number one in total sales in 21 out of 23 years. In 2011, TMP's annual sales were 54,593 units, and TMP's market share in the Philippines was 33%, according to data from CAMPI and AVID. TMP's year-to-date sales as of September 30, 2012 reached 46,169 units equivalent to a 35.1% overall market share.

HISTORY

TMP was incorporated in the Philippines on August 3, 1988 as a joint venture between MBT, TMC, Titan Resources, and Mitsui. The joint venture agreement was revised in 1999 to revise the parties' shareholdings and include Maximus Management Holdings as a joint venture partner. TMP has been the exclusive manufacturer and distributor of Toyota brand products in the Philippines since 1989, when it began manufacturing the Corolla model at its Bicutan, Parañaque City production plant. In 1990, TMP began domestic production of the Crown and Liteace models while domestic production of the Corona and Tamaraw FX models began in 1991.

In 1990, TMP commenced two shift operations and in 1993, TMP started press plant operations. In response to increasing demand, TMP opened a second plant located at Santa Rosa, Laguna in 1997. See "– Production and Production Processes". In 2005, the plants were consolidated into a single location at TMP's present site in Santa Rosa, Laguna, which was given special economic zone status through Presidential Proclamation No. 381. The zone is known as the Toyota Special Economic Zone ("TSEZ") and affords certain tax benefits to companies located inside the zone which are registered with the Philippine Economic Zone Authority ("PEZA").

In 1998, TMP became the first automotive company in the Philippines to be awarded ISO14001 certification for environmental management. In February 2005, TMP began domestic production of the Innova commercial vehicle model, while production of the VIOS passenger car commenced in August 2007. In January 2009, TMP reached a key milestone by opening the Philippines' first Lexus dealership. TMP sold its 500,000th, 600,000th and 700,000th unit in October 2007, December 2009 and September 2011, respectively.

COMPETITIVE STRENGTHS

TMP believes that it has certain key strengths that provide competitive advantages over many of its competitors, including, among others:

Market leadership in the Philippines with the top-ranked global automotive brand

Toyota is a leading and universally recognized global brand with a presence in more than 170 countries worldwide. According to the "BrandZ Top 100 Most Valuable Global Brands" study published in May 2011 by Millward Brown (WPP), a marketing agency, Toyota is the No.1-ranked automotive brand globally. It is also within the Top 30 most valuable global brands across all industries and is the fourth most valuable brand based in Asia according to the same study. In the Philippines, Toyota has been the top-selling brand for both passenger and commercial vehicles in every year since 2002 according to CAMPI and AVID. In 2011, TMP had a market share of 33% of total vehicle sales in the country. TMP believes that the Toyota brand name and its leading market position are important to TMP's ability to continue to grow and attract customers in the Philippines. As of September 30, 2012, TMP's market share reached 35.1%.

High quality products across an extensive product range

As TMC's exclusive wholesale distributor in the Philippines, TMP has access to a wide range of TMC's vehicle offerings. In the Philippines, TMP manufactures the Vios and the Innova, which are well tailored to the Philippine domestic market. TMP also imports 15 other Toyota models from across TMC's product range. In addition, TMP introduced a range of high-end Lexus models to cater to the growing wealth in the Philippines. The design, quality, reliability and safety of these vehicles have been widely recognized around the world by a number of independent organizations, including J.D. Power & Associates, Consumers Digest and the European Car of the Year Organizing Committee. The vehicles manufactured and sold in the Philippines are subject to the same international quality standards as all Toyota vehicles. As a testament to their high quality, TMP's products generally maintain strong resale value in the secondary market, which enhances their appeal as new car purchases. The availability of Toyota parts and services across most areas of the Philippines contributes to the convenience value of Toyota vehicles.

Efficient and streamlined operation with support from a leading global manufacturer

TMP is the beneficiary of support from TMC's leading global platforms. TMP imports and manufactures automobiles and parts designed by TMC's award winning design team and implements its state-of-the-art TPS, which is based on just-in-time production and quality control processes and feedback mechanisms. The just-in-time production allows TMP to keep inventories and overheads low, thereby reducing costs. Additionally, TMAP's engineering and manufacturing office provides technical assistance in the implementation of TPS in several functional areas. The quality control process allows TMP to achieve mass-production efficiencies over small and large production volumes and minimize waste. The parts and components requirements of TMP are sourced from Japan and ASEAN countries through TMAP, free from tariffs, and from local suppliers. TMP purchases raw materials, parts, components, equipment and other supplies from TMC, foreign TMC subsidiaries and affiliates and other foreign and local suppliers authorized by TMC. This ensures that TMP uses high-quality, well designed parts for the vehicles it manufactures in the Philippines. Overall, this support system provides flexibility to respond to changing consumer demands without significantly increasing production costs.

Extensive dealer network for retail sales and service

As of September 30, 2012, the Toyota and Lexus dealer network in the Philippines consisted of 31 dealership facilities, of which 17 are in Metro Manila, seven are in Luzon, four are in the Visayas and three are in Mindanao. Out of the 31 dealerships, TMP directly owns three dealerships, including Lexus Manila, Inc. TMP plans to expand the dealership network by facilitating the opening of new showrooms and service outlets across the Philippines. TMP provides continuing support to the network of Toyota dealers, including financing for dealer stock through TFSPH. TMP believes it can rely on the extensive Toyota dealer network that provides channels for customers to purchase Toyota vehicles as well as readily available after-sales service and maintenance that enhances the post-purchase customer experience and the Toyota brand.

Strong business synergies with other members of GT Capital

As a member of GT Capital, TMP continues to benefit from this affiliation in several ways. MBT has a 34% effective interest in TFSPH, which is a joint venture between MBT 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.

STRATEGIES

Continue to leverage Toyota's strong brand recognition and customer loyalty

TMP plans to maintain the strength of the Toyota brand and to leverage its brand recognition to continue introducing new products to the Philippine market. TMP believes that "Toyota" is one of the most widely recognized brands in the world and also enjoys strong brand recognition in the Philippines. In addition, TMP believes the Toyota brand enjoys significant loyalty among many customers who have purchased TMP's products in the past. TMP intends to leverage this customer loyalty both in sales and after sales by expanding the business through various customer retention programs.

Respond to higher market demand

TMP intends to capitalize on the growth of the Philippine automotive sector by expanding its manufacturing capacity. In 2010, TMP expanded its annual production capacity from approximately 25,000 cars to approximately 30,000 cars through process improvements at its manufacturing plant. TMP is evaluating plans to further increase its capacity in the medium term to accommodate the continued growth in local demand. TMP believes that economies of scale in local production would allow TMP to capture a higher margin in the Philippines, and that increased demand would therefore result in greater and more profitable local production. TMP is also working to expand as a wholesale distributor of imported Toyota vehicles. For example, in 2009, TMP began to sell the Lexus luxury brand in the Philippines. TMP plans to maintain the strength of the Toyota brand and to leverage its brand recognition to continue introducing new products to the Philippine market. TMC has a vast range of Toyota brand vehicles which it sells throughout the world. In consultation with TMC, TMP is able to draw upon this range as it suits the Philippine market to continually offer new automotive products in the Philippines. TMP is also working on expanding the Toyota dealer network in the Philippines. Toyota's network of 30 dealership outlets is geographically diverse, covering both Metro Manila and the wider Philippines. TMP believes that there is an opportunity for further market penetration by meeting the growing demand that is currently underserved by existing distribution channels.

Reduce costs and strengthen competitiveness of local production

TMP places an emphasis on reducing production and overhead costs through value engineering and cycle time reductions as well as stringent working capital controls. TMP will continue to work with its operations team, TMC and TMAP to continue achieving cost reductions and management efficiencies. TMP also plans to expand its local supply network, which can reduce supply chain risks, import logistics and packing costs, as well as foreign exchange risk, inventory costs and ultimately production costs. TMP has strict operational targets in key functional areas such as safety, quality, cost, logistics and maintenance. These targets help ensure that TMP sustains high levels of operational efficiency. TMP believes that productivity improvements and operational efficiencies will improve its results of operations.

Strengthen dealer network through training and improved facilities

TMP believes that the dealer network is the leading contributor to its sales success in the Philippines. A key differentiator for the Toyota brand in the Philippines is the availability of quality sales and after-sales services, which relies upon the dealer network to provide timely, courteous, knowledgeable and affordable support to purchasers of Toyota products. To ensure the quality of the dealers, TMP provides dealer training to improve the dealer's sales and services. Training programs include vehicle maintenance, vehicle education and sales training. Dealer incentive programs also exist to motivate dealers and their sales and after-sales workforce.

PRODUCTS

TMP is authorized to distribute Toyota products that are approved for distribution in the Philippines by TMC and TMAP according to their Toyota Distributor Agreement. TMP's products are divided into three categories: vehicle sales, local sales of service parts and export sales of original equipment manufacturer ("OEM") parts and service parts. Vehicle sales are divided into locally manufactured vehicles using both imported CKD components and locally manufactured parts and components, as well as CBU vehicles, which are wholly imported. All imported parts and components for locally manufactured vehicles as well as imported CBU vehicles from ASEAN countries are not subject to tariffs in the Philippines, while imported CBU vehicles from Japan are subject to prevailing tariff rates. Local sales of service parts include parts primarily imported by TMP and parts manufactured by its local suppliers. TMP also produces certain body parts for local manufacture of vehicles and service parts requirements. Export sales are made of parts manufactured by local suppliers and TMP for regional importers.

The table below shows the sales breakdown by vehicle sales, local sales of service parts and export sales for each of the last three years.

	Year ended December 31,						**Period ended September 30,**	
	(Php billions, except percentages)							
Category	**2009**		**2010**		**2011**		**2012**	
Vehicle sales								
Locally manufactured vehicles	14	31%	19	32%	17	31%	15	29%
Imported CBU vehicles	22	47%	28	47%	26	47%	27	52%
Local sales of service parts	2	4%	2	4%	2	4%	2	4%
Export sales of OEM parts and service parts	8	17%	10	17%	10	18%	8	15%
Total[(1)]	46	100%	59	100%	55	100%	52.00	100%

Note:

(1) Sales attributable only to TMP parent company activities.

Vehicle Sales

The vehicles TMP sells in the Philippines can be sorted by two types of classifications. First, vehicles can be classified as either locally manufactured vehicles or imported CBU vehicles. Second, vehicles can be classified as either passenger cars or commercial vehicles. TMP sells two models of locally manufactured vehicles, the passenger car VIOS and the commercial vehicle Innova. Both the VIOS and Innova vehicles are produced in the 82-hectare TSEZ. All other vehicle models sold by TMP are imported CBU vehicles.

The table below shows the breakdown by passenger and commercial vehicle sold for each of the last three years.

	Year ended December 31,						**Period ended September 30,**	
	(Php billions, except percentages)							
	2009		**2010**		**2011**		**2012**	
Category								
Passenger	11	30%	13	29%	11	27%	10	24%
Commercial	25	70%	33	71%	32	73%	32	76%
Total	36	100%	46	100%	43	100%	42	100%

Passenger cars

In addition to the compact-sized VIOS, the other Toyota passenger car models sold in the Philippines are the sub-compact Yaris, compact-sized Corolla and the mid-sized Camry. These passenger cars are marketed as providing value for money. Set out below are the main specifications for TMP's passenger car models:

Model	Seating	Engine(1)	Transmission(2)
Camry	5-passenger	3.5L V6, 24-valve, DOHC, Dual VVT-I; 2.4L 4-Cylinder In-Line DOHC, 16-valve, VVT-I	6-Speed/5-Speed Automatic with Super ECT
Corolla Altis	5-passenger	2.0L 4-Cylinder In-Line DOHC, 16-valve, Dual VVT-I; 1.6L 4-Cylinder In-Line DOHC, 16-valve, Dual VVT-I	CVT/4-Speed Automatic with Super ECT/6-Speed Manual
VIOS	5-passenger	1.5L 4-Cylinder In-Line DOHC, 16-valve, VVT-I; 1.3L 4-Cylinder In-Line DOHC, 16-valve, VVT-I	4-Speed Automatic with Super ECT/5-Speed Manual
Yaris	5-passenger	1.5L 4-Cylinder In-Line DOHC, 16-valve, VVT-I;	4-Speed Automatic/5-Speed Manual
Prius	5-passenger	1.8 4-Cylinder In-Line DOHC VVT-I/Electric Motor	CVT
Lexus LS	5-passenger/ 4-passenger	4.6 V8 32-Valve DOHC Dual VVT-IE 5.0L V8 32-Valve DOHC Dual VVT-IE/Electric Motor	8-Speed Sequential Shift Automatic with ECT 8-Speed Hybrid Sequential Shift Automatic
Lexus GS	5-passenger	4.6 V8 32-Valve DOHC Dual VVT-I	8-Speed Sequential Shift Automatic
Lexus ES	5-passenger	3.5 V6, 24-Valve DOHC Dual VVT-I	6-Speed Sequential-Shift Automatic with ECT
Lexus IS-C	5-passenger	3.0L V6, 24-Valve DOHC Dual VVT-I	6-Speed Sequential-Shift Automatic with ECT and Paddle Shift
Lexus IS	5-passenger	3.0L V6, 24-Valve DOHC Dual VVT-I	6-Speed Sequential-Shift Automatic with ECT and Paddle Shift
Lexus CT	5-passenger	1.8 4-Cylinder In-Line DOHC VVT-I/Electric Motor	CVT
86	2+2 jump seat	2.5L 16-valve, 4-cylinder, DOHC	6-speed Automatic w/ paddle shift, 6-speed manual

Notes:

(1) Engine terms: DOHC, Dual Overhead Cam; VVT-I, Variable Valve Timing – Intelligent; EFI, Electronic Fuel Injection.

(2) Transmission terms: ECT, Electronic Control Transmission.

Commercial vehicles

TMP's commercial vehicles include pick-ups, SUVs, multi-purpose vehicles, vans and minibuses that are designed for durability and the transport of people and goods. Pick-up and SUVs include 4x4 vehicles equipped with advanced four-wheel drive capabilities that provide superior traction geared for rugged conditions.

Set out below are the main specifications for TMP's commercial vehicles:

Model	Seating	Engine[(1)]	Transmission[(2)]
Avanza	7-passenger	1.5L 4-Cylinder In-Line DOHC, VVT-I, EFI; 1.3L 4-Cylinder In-Line DOHC, VVT-I, EFI	4-Speed Automatic/5-Speed Manual
Fortuner	7-passenger	3.0L Diesel 4-Cylinder In-Line, DOHC 16 Valve; Direct Injection/D-4D; Variable Nozzle Turbo with Intercooler; 2.5L Diesel 4-Cylinder In-Line, DOHC 16 Valve; Direct Injection/D-4D Turbo; 2.7L Gas 4-Cylinder In-Line, DOHC 16-Valve VVT-I	4-Speed Automatic with ECT/ 5-Speed Manual
Hiace	11-passenger GL Grandia, Super Grandia/ 15-passenger Commuter	2.5 Liter Diesel, 4-Cylinder In-Line DOHC, 16-valve, Direct Injection, Turbo Charged D-4D	4-Speed Automatic/5-Speed Manual
Hilux	5-passenger	3.0 Liter Diesel, 4-Cylinder, In-Line DOHC, 16-valve, Direct Injection/d-4d; Variable Nozzle Turbo with Intercooler; 2.5 L Diesel, 4-Cylinder In-Line, DOHC 16-Valve; Direct Injection/D-4D Turbo	4-Speed Automatic Gate Type with ECT/5-Speed Manual
Innova	7-passenger V; 8-passenger	2.5 L Diesel, 4-Cylinder, In-line, DOHC 16-valve, Direct Injection/D-4D Turbo; 2.0 L Gas, 4-Cylinder, In-line, DOHC 16-Valve, VVT-I, EFI	4-Speed Automatic Gate Type with ECT/5-Speed Manual
Land Cruiser Prado	7-passenger;	3.0 Liter Diesel, 4-Cylinder, In-Line DOHC, 16-valve, Direct Injection/D-4D; Variable Nozzle Turbo with Intercooler; 4.0L Gas V6 24-Valve Dual VVT-I	5-Speed Automatic/6-Speed Manual 5-Speed Automatic
Previa	7-passenger; 8-passenger standard	2.4L 4-Cylinder In-Line DOHC, 16-valve, VVT-I, EFI	4-Speed Automatic with ECT
RAV4	5 passenger	2.4L 4-Cylinder In-Line DOHC, 16-valve, VVT-I, EFI	4-Speed Automatic with Super ECT
LC200	8-passenger	4.5L V8 Direct Injection, Common Rail System Twin Turbo-Intercooler Diesel	6-Speed Automatic with Sequential Shift
Hilux C&C/ HSPU	3-passenger/ 15-passenger	2.5L 4-Cylinder In-Line DOHC 16-Valve, D-4D Turbo	5-Speed Manual
Alphard	7-passenger	3.5 V6, 24-Valve DOHC Dual VVT-I	6-Speed Sequential-Shift Automatic with ECT
Coaster	30-passenger	4.1L 4-Cylinder In-Line, 16-Valve OHV, Gear Drive	5-Speed Manual
Lexus LX	8-passenger	5.7L V8 32-Valve DOHC Dual VVT-iE	6-Speed Sequential-Shift Automatic with ECT
Lexus RX	5-passenger	3.5 V6, 24-Valve DOHC Dual VVT-I; 3.5 V6, 24-Valve DOHC VVT-I/ Electric Motor	6-Speed Sequential-Shift Automatic with ECT E-CVT

Notes:

(1) Engine terms: DOHC, Dual Overhead Cam; VVT-I, Variable Valve Timing – Intelligent; EFI, Electronic Fuel Injection.

(2) Transmission terms: ECT, Electronic Control Transmission.

Vehicle sales and distribution

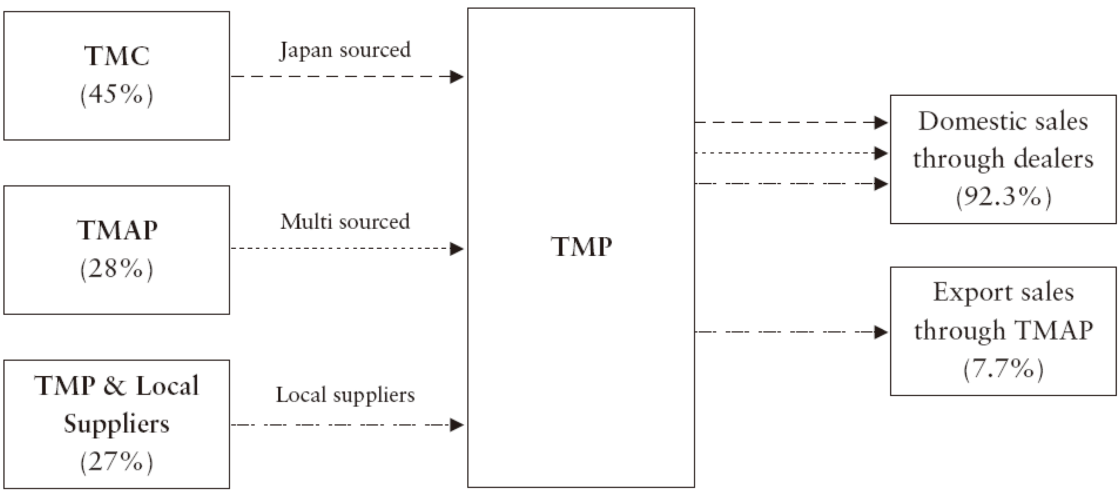
The table below sets out the geographic breakdown of TMP's sales for the periods indicated.

	As of December 31,						As of September 30,	
	2009		**2010**		**2011**		**2012**	
	units	%	units	%	units	%	units	%
Metro Manila	31,776	69%	38,553	68%	36,812	67%	11,356	76%
Outside Metro Manila	14,417	31%	18,302	32%	17,781	33%	3,494	24%
Total	46,193	100%	56,855	100%	54,593	100%	14,850	100%

As of September 30, 2012, the Toyota and Lexus dealer network in the Philippines consisted of 31 dealers, of which 17 dealers were in Metro Manila. TMP owns direct interests in three dealerships: 100% of Toyota Makati, Inc., 55% of Toyota San Fernando Pampanga, Inc. and 75% of Lexus Manila, Inc. Approximately 67% of TMP's sales in 2011 were in Metro Manila while 33% of total sales in 2011 were made outside of Metro Manila. GT Capital has a 2.3% and 4.8% effective interest (through MBT) in the Toyota Cubao, Inc. and Toyota Manila Bay Corporation dealerships, respectively, 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.

Service Parts Sales

There are three sources of Toyota Genuine Service Parts: (i) TMC (Japan-sourced parts), (ii) TMAP (multi- sourced parts, and (iii) TMP and local suppliers. The chart below shows the process for TMP's service parts procurement and sales for the year ended December 31, 2011:



TMP offers a wide range of after-sales parts consisting of service parts, oils and chemicals and accessories. Service parts, which are sold through Toyota dealers, include periodic maintenance items such as oil filters, air filters and spark plugs; general parts such as brake pads, engine parts, and under-chassis parts; collision parts such as panels and bumpers; and other items such as radios and air conditioning units. Oils and chemicals include mineral, semi, and fully synthetic motor oils as well as brake fluids and engine coolants. Accessories include side visors, roof racks and similar products. A substantial portion of the service parts that TMP sells locally are sourced from TMC and TMAP, with the remaining portion manufactured by both TMP and local suppliers. TMP provides service parts for all models it introduces in the market and accepts special orders for Toyota vehicles that were not bought from TMP.

TMP exports service parts manufactured by TMP and its local suppliers through TMAP for distribution primarily to Toyota subsidiaries and affiliates within the Asia Pacific region.

AUTO FINANCING

TFSPH, an associate of MBT, provides leasing, financing and inventory stock financing to Toyota customers and dealers. These services support the marketing of Toyota's products throughout the Philippines. TFSPH's competitors for retail leasing and retail financing include commercial banks, savings and loan associations, credit unions, finance companies and other captive automotive finance companies. Commercial banks and other captive automotive finance companies also provide competition for TFSPH's wholesale financing activities.

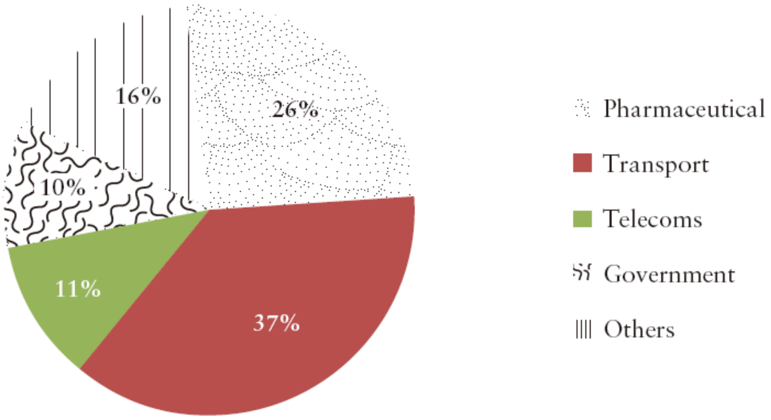
TFSPH offers auto loans to individuals and corporations, primarily for the acquisition of new Toyota vehicles. Interest rates are generally fixed with monthly repayment schedules amortized over the term of the loan. The vehicle is mortgaged to TFSPH while its corresponding loan is outstanding. TFSPH also offers Toyota vehicles for lease to corporations, with TFSPH retaining ownership of the vehicles. Lease periods typically range from 24 to 60 months. Lease rates are generally fixed with monthly payment schedules. Inventory financing is provided for Toyota dealers for the purchase of Toyota vehicles from TMP. Inventory loans have a maximum maturity of 90 days. The purchased vehicles serve as collateral to secure the loan.

CUSTOMERS AND MARKETING

TMP engages in a wide array of marketing activities, including television advertising, brochures and trade shows. TMP is provided full access to the wide range of marketing materials produced by TMC and TMAP. The resources provided by TMC are especially critical during the initial phase of a new product launch. TMP is able to leverage TMC's significant experience in other markets to tailor a targeted marketing campaign for the Philippines.

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 2011, 23% 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, 2011:



PRODUCTION AND PRODUCTION PROCESSES

In April 1997, TMP began operations at its current automotive manufacturing plant located at the 82-hectare TSEZ in Santa Rosa City, Laguna. The plant building comprises 55,000 sq. m. for operations and manufacturing and 1,200 sq. m. for the storage of OEM parts. TMP also owns and operates an 11,200 sq. m. central parts depot to store and process after-sales parts.

TMP has two production lines consisting of the Innova line and the Vios line. The Innova and the Vios also share a common line for production processes applicable to both models. TMP's total vehicle production capacity as of December 31, 2011, determined on the basis of two eight-hour production shifts per day, is 30,480 units annually without overtime. This is a 22% increase from 2010's capacity of 25,000 vehicles. The increase was the result of operational improvements made in 2010. For the full years 2010 and 2011, TMP produced 28,412 units and 26,132 units, respectively. The 2011 figure was below the target of 28,761 units due to supply disruptions caused by the March 2011 earthquake and tsunami in Japan as well the severe flooding experienced in Thailand in the second half of 2011. These incidents reduced the availability of many key components, resulting in lower production and sales figures for the year.

The chart below shows TMP's key production data for 2009, 2010 and 2011:

	Year ended December 31,		
	2009	**2010**	**2011**
	Number of units, except percentages		
Production capacity	25,000	30,480	30,480
Vehicles produced			
Vios	11,880	15,792	14,580
Innova	9,371	12,620	11,552
Capacity utilization	85%	93%	86%

Notes:

(1) Production capacity is determined by TMP using internal models.

(2) Capacity utilization is calculated as number of vehicles produced divided by production capacity.

The production process involves pressing, welding, painting and assembling the vehicles. TMP uses TPS, which is based on two principal elements: just-in-time production and "jidoka", a Japanese term for automated quality control. Under the just-in-time method, materials, parts and components are delivered just before they are needed in the manufacturing process. This allows TMP to maintain low levels of inventory while maintaining operational efficiency. Jidoka involves the ability to stop work immediately when problems arise in the production process to prevent the production of defective items. To achieve this, TMP equips its machine operators with the ability to stop production should the operators suspect abnormalities. This permits TMP to build quality into the production process by avoiding defects and preventing waste that would result from producing a series of defective items. TMP's TPS allows it to achieve mass-production efficiencies over small and large production volumes. This flexibility allows TMP to respond to changing consumer demand without significantly increasing production costs. While TPS remains the cornerstone of Toyota brand automotive production, the system has been expanded for use in the production, distribution and customer service activities relating to Toyota-branded parts.

Components and Raw Materials

The parts and components requirement of TMP are sourced from Japan and ASEAN countries through TMAP 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 top five suppliers accounted for 80%, 79% and 75%, respectively, of total material purchases in 2009, 2010 and 2011. The table below depicts the source of parts for each of the last three years:

Source	2009	2010	2011
TMC/TMAP			
– Japan sourced	18%	18%	19%
– Multi sourced	53%	53%	52%
Local suppliers	29%	29%	29%
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.

IMPORTED VEHICLES

TMP imports CBU units from Japan, Thailand and Indonesia through TMAP. The table below shows the source of TMP's CBU units.

Country	Vehicle Model
Japan	86, Alphard, RAV4, Prius, Hiace, Land Cruiser Prado, LC200, Previa, Coaster and Lexus models
Thailand	Corolla Altis, Yaris, Camry, Hilux and Hilux C&C/HSPU
Indonesia	Avanza and Fortuner

Vehicles imported from ASEAN countries Thailand and Indonesia are tariff free while vehicles imported from Japan are subject to 0% or 20% tariffs depending on the vehicle's engine size.

COMPETITION

TMP's major competitors in the Philippines are Mitsubishi, Hyundai, Honda, Isuzu, Nissan, and Ford. According to CAMPI and AVID, Toyota has been the top selling brand measured by units sold in the Philippines for passenger and commercial vehicles since 2002 and its current market share is 33% of all new vehicle sales in 2011. Mitsubishi is the second leading brand by units sold and has grown its market share from 14% in 2008 to 19.7% in 2011. Due to aggressive expansion by Hyundai, it exceeded Honda as the third largest brand by units sold in 2010, and has increased its market share from 8% of new car sales in 2009 to 12.3% in 2011. Honda's market share fell from 13% in 2009 to 7% 2011, after it peaked in 2007 at 15%. TMP expects competition from Korean car companies, such as Hyundai and Kia, to increase due to the gradual reduction of trade tariffs between Korea and the Philippines.

The following table sets out TMP's vehicle unit sales and market share in the Philippines for the periods indicated.

	Year ended December 31,						Period ended September 30,	
	2009		2010		2011		2012	
Category	Units	%	Units	%	Units	%	Units	%
Passenger cars	17,237	37%	21,031	36%	19,043	33%	14,850	32.30%
Commercial vehicles	28,956	34%	35,824	33%	35,550	33%	31,319	36.50%
Total vehicles	46,193	35%	56,855	34%	54,593	33%	46,169	35.10%

Source: CAMPI and AVID.

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.

INSURANCE

TMP's property, plant and equipment are covered by industrial all risk and electronic equipment insurance policies up to Php6.8 billion with Malayan Insurance Co., Inc. This covers risks on sudden and accidental physical destruction subject to certain exclusions.

Locally manufactured parts and components are covered by a Marine Open Policy with BPI MS Insurance Corp. from the time the merchandise is loaded on board the ocean vessel at port anywhere in the world, to delivery at the TMP plant and third party logistics provider's warehouse for assembly and storage, until physical delivery to dealers. The Marine Open Policy for locally manufactured parts and components covers all risks including war, strikes and riots, subject to certain exclusions. TMP also maintains a Marine Open Policy for non-locally manufactured parts (such as equipment, maintenance parts and after-sales parts) under a BPI MS Insurance policy.

Imported CBU vehicles are covered by Marine Open Policy under Malayan Insurance Co., Inc. against all risks subject to exclusions provided in the policy (such as willful misconduct, ordinary leakage and unsuitability of packing). The insurance attaches from the time the units are discharged from Manila or Batangas port (for imported CBU vehicles from Japan) or from the time the units are loaded to the overseas vessel (for CBU vehicles from Thailand and Indonesia) up to the time the units are turned over to Metro Manila and Luzon dealers or shipped to port for Visayas and Mindanao dealers. The units are covered for the amount of the declared wholesale invoice price.

As of December 31, 2011, TMP had comprehensive general liability insurance to cover potential liability arising from product liability and premises operation claims to the extent not exceeding Php112 million and Php48 million, respectively.

PROPERTIES

TMP owns the land and buildings occupied by its manufacturing facility located in the TSEZ at Santa Rosa-Tagaytay Highway, Santa Rosa City, Laguna 4026, Philippines. TMP leases its marketing office at 31/F GT Tower International, Ayala Avenue corner H.V. dela Costa St., Makati City, Manila 1226, Philippines. TMP also owns the former manufacturing facility along the South Luzon Expressway in Bicutan, Parañaque City, Philippines. The

Parañaque City property is currently used by the Toyota Bicutan and Toyota Makati dealerships as stockyard for inventory of new vehicles. TMP intends to sell a portion of this property and has received approval from management to seek potential buyers. For 2012, TMP has no plans for expansion except in the ordinary course of business.

INTELLECTUAL PROPERTY

On December 3, 2009, TMP renewed its exclusive distributorship of Toyota products and at the same time, entered into an agreement for the exclusive distribution of Lexus products in the Philippines under the Toyota Distributor Agreement and the Lexus Distributor Agreement. These agreements are set to expire on November 30, 2012, but are expected to be renewed for an additional three years in accordance with past practice. TMC is the registered owner of certain Toyota and Lexus related brand names in the Philippines and has granted the right to use such names to TMP under the terms of the Toyota Distributor Agreement and Lexus Distributor Agreements.

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, 2014 unless renewed. Under this agreement, TMP pays TMC royalties on all licensed products. Under the current Technical Assistance Agreement, TMP possesses licenses for the manufacture of the Innova, Vios, Camry, Corolla and Tamaraw models.

EMPLOYEES

The following table provides a breakdown of TMP's employees for the periods indicated.

	As of December 31,			As of September 30, 2012
	2009	2010	2011	
Regular				
President's Office	1	1	1	3
Management Services Office	24	24	26	28
General Administration	74	70	71	76
Treasury	7	7	7	7
Manufacturing	914	900	953	944
Comptrollership	64	63	63	60
Marketing	171	171	178	200
Production Control & Logistics	64	66	69	69
Outside Contractors				
Production (on-the job trainees)(1)	304	318	282	251
Production Contractual(2)	102	112	138	174
Office Contractual(3)	–	–	–	–
Total	1,725	1,732	1,788	1,812

Notes:
(1) Students, typically on a 5-10 month training agreement.
(2) Contracted from a workers co-operative and hired on a seasonal basis.
(3) Contracted from manpower agencies on a seasonal basis.

TMP's training focuses on developing a fundamental skills set for production workers, office workers, managers and leaders, which is aligned with the global Toyota training scheme. Further training and development is primarily based on on-the-job learning and periodic rotation, which allow individual employees to expand their knowledge and skills. Certain key positions, including manufacturing positions, are held by secondees from TMC and TMAP.

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"). TMPCLO was certified as the sole and exclusive bargaining agent of TMP's rank and file employees in June 2006. It negotiated a five-year collective bargaining agreement effective from July 1, 2006 to June 30, 2011. TMPCSU was established in 2001 and has a five-year collective bargaining agreement with TMP effective from July 1, 2006 to June 30, 2011. Collective bargaining negotiations should have commenced in July 2011 but were postponed due to internal union matters. A union officer election was held within TMPCSU in June and resulted in a new leadership team. In July, TMPCLO conducted a certification vote, which resulted in TMPCLO remaining the bargaining agent for rank and file employees. It was followed by an officer election in August that resulted in a new leadership team. These leadership changes in both unions caused the postponement of collective bargaining negotiations to November 2011. The new 5-year Collective Bargaining Agreement (CBA) with TMPCLO was signed on December 16, 2011, while CBA with TMPCSU was signed on January 26, 2012..

In addition, there is an unrecognized labor union responsible for a work stoppage in 2001. All subsequent issues related to the work stoppage in 2001 by the unrecognized labor union have been resolved by the Supreme Court in favor of TMP on October 18, 2010.

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 a package of benefits that are appropriate to their individual circumstances, subject to their entitlement.

TMP has funded a non-contributory defined benefit retirement plan covering all of its regular and permanent 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.

TMP believes that relations with its employees are generally good. This is further evidenced by TMP being recognized as the "2011 Employer of the Year" by the People Management Association of the Philippines.

In September 2012, TMP was conferred a Special Commendation by the Asian Human Capital Awards for its Team Relations Program. Through this award, TMP was recognized as one of the top companies across Asia which create innovative and impactful people practices to address human resource and business challenges unique to Asia.

In November 2012, at the local front, TMP was bestowed the Secretary's Award of Distinction during the 8th Gawad Kaligtasan at Kalusugan by the Department of Labor and Employment. This award affirms TMP's commitment to promote a strong safety and health culture in TMP.

For 2012, TMP has no plans for additional hiring except in the ordinary course of business expansion.

LEGAL PROCEEDINGS

In the normal course of business, TMP is subject to labor and customer claims. TMP believes that there are no outstanding claims against it that would have a material adverse effect on TMP's financial position, operating results or cash flows if adversely adjudicated.

REGULATORY AND ENVIRONMENTAL MATTERS

The automotive industry in the Philippines is subject to various laws and 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 and vehicle performance. TMP has in the past and expects that in the future it will continue to incur significant costs related to compliance with these regulations.

TMP takes its commitment to the environment very seriously. This commitment is evidenced when TMP became the first automotive manufacturer in the Philippines to obtain ISO 14001 certification for its environmental management systems. TMP continuously strives to improve its internal environmental performance through several initiatives, as follows:

- Efficient Production Processes: (1) using robotic painting systems to minimize volatile organic compound emissions and (2) treating waste water to a multi-stage cleaning process at the site's state-of-the art waste water treatment plant.

- Toyota Manufacturing Eco Center: (1) covering the building with the "Greenroof", planted vegetation over a waterproof membrane, that reduces heat absorption from the sun and lowers cooling costs; (2) implementing solar power at certain facilities; and (3) rapid composting waste organic materials in the TSEZ.

- Toyota Forest: maintaining a tree nursery in the TSEZ to support greening projects, tree-planting activities, and seedlings donations to various organizations.

- Clean & Green Project: teaching students the importance of tree-planting, waste segregation, and recycling.

The vehicles produced and sold by TMP are also designed for better fuel economy and with what TMP believes to be high levels of safety features for sustainable mobility. For example, the Vios 1.3 has a registered fuel efficiency of 17.54 to 21.43 km/liter and the Innova 2.5 D-4D has a registered fuel efficiency of 13.16 to 14.29 km/liter (based on standard fuel tests carried out by TMP at constant 80 km controlled conditions). Specific technology systems also improve economic performance. The Variable Valve Timing-Intelligent and Direct Injection Common Rail engines offer improved engine performance, lower emissions and better fuel efficiency. The Hybrid Synergy Drive is a new type of power train that combines gasoline and electric power sources. Individual programs also reduce the amount of harmful chemicals used in the manufacturing process. TMC's "SoC-free Project" ensures all parts and materials installed, attached, or applied to the vehicles do not contain Substance of Concern elements ("SoC"), such as hexavalent chromium, mercury, cadmium and lead. In 2007, Toyota became the first automotive company in the Philippines to be SoC-free.

CORPORATE AND SOCIAL RESPONSIBILITY

TMP engages in corporate social responsibility activities to uplift Philippine society through effective coordination with stakeholders and institutional partners.

TMP donated Php100 million to the University of the Philippines ("UP") Asian Center for the construction of the GT-Toyota Asian Cultural Center ("GT-TACC") at UP Diliman. Inaugurated in 2009, the GT-TACC is a one-hectare complex that is home to the GT-Toyota Hall of Wisdom and the GT-Toyota Asian Center Auditorium.

TMP also supports the Philippine Peñablanca Sustainable Reforestation Project ("PPSRP") in Cagayan province. The PPSRP is envisioned to reforest a total of 2,500 hectares until 2013, as well as provide a sustainable source of livelihood for local people. TMP donated a vehicle and regularly sends volunteer team members to the annual tree-planting.

TMP's other initiatives include road safety programs in partnership with Automobile Association Philippines and the UP-National Center for Transportation Studies, most noteworthy of which is the establishment of the UP Traffic Safety Model Zone in UP Diliman.

TMP's social humanitarian arm, Toyota Motor Philippines Foundation, Inc. carries out programs in the areas of education, healthcare, environment and community service that improve the lives of Filipinos. TMP has implemented holistic learning programs in Pulong Sta. Cruz Elementary School ("PSCES"), its host community in Santa Rosa, Laguna. Toyota's efforts in supporting PSCES have helped the school top the National Achievement Test rankings in 2010. It ranked first in 2010 among all public schools in Santa Rosa, Laguna. In addition, the Toyota Automotive Education Program, in partnership with the country's leading technical schools and Toyota dealers nationwide, continues to produce skilled, highly-trained workers for the automotive industry both here and abroad through scholarships for vocational students and learning tools.

Toyota also provides quality healthcare services to constituents of its host communities – Santa Rosa, Laguna and Parañaque – through the bi-annual Medical and Dental Outreach Program. TMP, the Makati Medical Center, Makati Dental Society, Manila Doctor's College and Drugmakers Laboratories provide free consultations, laboratory services, and medicines to thousands of local constituents. In other community service endeavors, TMP extends assistance to various charities nationwide.

AWARDS AND RECOGNITION

In 2011, TMP received the following awards and recognition, which it believes are testament to TMP's strong fundamentals as implemented in its business operations.

Toyota Asia Pacific Regional Awards
Excellent Quality Company Award. TMP received the "Excellent Quality Company Award" in the Team Toyota Asia Pacific Meeting held in Singapore for its outstanding performance in producing quality vehicles.

Asia Pacific Skill Contest. TMP won awards in the Toyota Asia Pacific Skill regional contest in Thailand with two TMP team members winning gold and bronze medals. TMP believes that these achievements are testament to its culture of excellence as well as the global competitiveness of the Filipino worker.

Recognition from the Government and Various Organizations
Safety Milestone Recognition. TMP received the Safety Milestone ("SMile") Recognition from the Bureau of Working Conditions of the Department of Labor and Employment, for having achieved more than two million safe man-hours without a lost-time accident and for having complied with all reporting requirements for labor standards. TMP is the first automotive manufacturing company to receive the SMile Award.

ECOSWITCH Award. TMP received the ECOSWITCH Award from the Green Philippine Islands of Sustainability ("GPIoS"). GPIoS recognizes companies who have successfully implemented environmentally friendly measures within their organization.

Outstanding Achievement on Productivity and Quality Award. TMP was also conferred the "Outstanding Achievement on Productivity and Quality" Award at the 2011 Kapatiran sa Industriya Awards, a biennial activity of the Employers Confederation of the Philippines. The award was given to TMP for its successful implementation of programs which consistently enhance its competence, promote safety and champion efficient production.

RECENT FINANCIAL PERFORMANCE: AS OF SEPTEMBER 30, 2012

TMP's net income increased by 41% from Php1.7 billion in the first nine months of 2011 to Php2.5 billion in the first nine months of 2012 as revenues from manufacturing and trading activities surged by 28% from Php41 billion to Php52 billion due to sales volume increases, normalization of vehicles and parts supply, favorable model mix and aggressive sales and promotion. For the period in review, TMP's unit sales rose by 17% which exceeded the 7.2% increase in industry sales. In July alone, TMP sold 6,258 units, its highest monthly sales since 1989.

BUSINESS – AXA

OVERVIEW

GT Capital has interests in the life insurance business through its 25.3% ownership of shares in AXA, the Philippines' third largest insurance company in terms of total net premium income of Php10 billion in 2011. AXA 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. AXA is a provider of personal and group insurance in the Philippines, including life insurance and investment-linked insurance products. AXA distributes its products in the Philippines through a multi-channel distribution network comprised of agents, bancassurance, corporate solutions and DMTM.

In 2011, AXA's gross premiums were Php10.01 billion and net insurance premiums were Php9.98 billion compared to gross premiums of Php8.4 billion and net insurance premiums of Php8.3 billion in 2010, respectively. AXA recorded a net income of Php1.0 billion in 2011 compared to Php0.8 billion in 2010. As of September 30, 2012, gross premiums amounted to Php8.7 billion. Net income for the period reached Php653 million.

AXA 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% interest in AXA. AXA'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 has developed into a multi-line, multi distribution channel company offering traditional and unit-linked products for individual and group clients through 450 salaried financial executives in the branch network of Metrobank, 1,500 exclusive financial advisors and a small direct sales team (50-80 employees) for group insurance, worksite marketing and telemarketing.

HISTORY

AXA's predecessor company, The Cardinal Life Insurance Corporation was incorporated in the Philippines in 1962 to engage in selling personal and group insurance, including life insurance, accident and other insurance products. In 1977, The Cardinal Life Insurance Corporation was renamed Pan-Philippines Life Insurance Corporation. In 1997, Pan-Philippines Life Insurance Corporation was renamed Metro Philippines Life Insurance Corporation.

The AXA Group, through its Asia Pacific subsidiary, AXA Asia Pacific Holdings Limited ("AXA APH") (then known as National Mutual Holdings Limited), an Australian company, signed the AXA Shareholders Agreement on January 27, 1999 to form a joint venture with FMIC and Ausan Resources Corporation ("Ausan"), through the acquisition of 45% of the capital stock of the Metro Philippines Life Insurance Corporation with the purchase of a portion of shares held by Ausan and all of the shares held by Topsphere Realty Development Company Inc., as well as a subscription of new shares. As a result, the company's name was changed from Metro Philippines Life Insurance Corporation to Philippine AXA Life Insurance Corporation ("AXA") in 1999.

In 2003, AXA received a license to sell variable or investment-linked life insurance products by the Philippine Insurance Commission. In 2004, AXA received BSP approval to conduct bancassurance activities in the Philippines. AXA then became the pioneer bancassurance provider in the Philippines through its relationship with MBT.

In 2009, Ausan's shareholdings in AXA were transferred to GT Capital. In 2011, AXA SA acceded to AXA APH and assumed all rights and obligations of AXA APH under the AXA Shareholders Agreement.

COMPETITIVE STRENGTHS

AXA believes that its principal strengths are the following:

A leading insurance provider in the Philippines
According to the annual statements furnished by Philippine insurance providers to the Philippine Insurance Commission for 2011, AXA was the third largest insurance company in terms of insurance premiums in the Philippines with a market share of 12% and a year-on-year growth in net insurance premiums, of 20%. In terms of first-year premiums and single premiums, AXA ranked number one in the Philippines, with a 17% market share in 2011, demonstrating AXA as the fastest growing life insurance provider in the Philippines. AXA believes its distribution channels, strategic relationships, introduction of investment-linked insurance products and leading bancassurance model are contributing factors to its strong market position. Given its strong market position, AXA is uniquely placed to capitalize on growth in the Philippine insurance market. The industry has experienced high historical life insurance premium growth rates. According to the Philippine Insurance Commission, life insurance premiums grew from Php47.0 billion in 2005 to Php86.3 billion in 2011, representing 11% CAGR. Yet, the Philippine life insurance market is still characterized by a relatively low penetration rate. According to the Swiss Reinsurance Company Sigma Report, the Philippine life insurance penetration rate as a percentage of GDP in 2011 is 0.8% and life insurance premium per capita is USD20 – among the lowest levels in Asia.

Pioneer and market leader for bancassurance in the Philippines
AXA pioneered the bancassurance concept in the Philippines in 2004 through its tie up with the MBT Group. As of December 31, 2011, AXA distributes 57% of its insurance products through its bancassurance relationship with MBT. The MBT Group, which is the second largest Philippine bank in terms of asset size, net loans and receivables and total capital accounts as of September 30, 2012, has a large and diverse customer base, both in major cities and provincial areas of the Philippines. AXA reaches out to the MBT Group's large and diverse customer base by placing AXA financial executives in key MBT Group branches. AXA believes that its relationship with the MBT Group is among the strongest and most productive bancassurance relationships in the Philippines. AXA also believes its first mover advantage and extensive experience in bancassurance distribution will continue to provide it with a distinct competitive advantage in the Philippine life insurance market.

Value-enhancing strategic partnerships with MBT and HSBC
Apart from the area of bancassurance, AXA has also benefited from its affiliation with MBT in several other ways. AXA's relationship with MBT is a key element of AXA's marketing strategy. AXA's relationship with the MBT Group enhances AXA's profile with customers in the Philippines and provides local credibility to an internationally known brand. AXA directly markets to Metrobank credit card holders, who are able to pay insurance premiums directly through their credit cards. Operationally, MBT manages AXA's investment-linked product funds. MBT Group employees are also AXA customers, as AXA is the primary individual insurance provider to the MBT Group. In terms of management, AXA is also able to draw upon the resources of the MBT Group to enhance its management's resources and leverage MBT's knowledge of financial products and local consumer preferences. AXA's partnership with MBT provides benefits across its marketing, operations and management policies and practices; it believes that this will help drive its future premium growth.

In 2011, AXA entered into a marketing partnership with HSBC, whereby AXA's life insurance products are sold to HSBC customers through telemarketing channels. AXA believes that its tie-up with HSBC will provide a platform to expand its customer base while strengthening its reputation through association with a globally recognized financial institution such as HSBC.

Strong, well-recognized global brand and reputation
AXA's affiliation with the AXA Group provides it with strong brand recognition and financial credibility, both of which contribute to AXA's ability to attract new customers to its insurance products and introduce new products to existing customers. The 'AXA' brand was the top insurance brand in the world as well as the 53rd best brand across all categories according to Interbrand in 2011. The AXA Group's leading market position in the global insurance industry is also important for attracting and retaining talented and skilled agents, employees, brokers and managers who in turn work to build AXA's client base and overall growth of its operations. In addition, AXA's relationship with the wider AXA Group allows it to benefit from their product introductions and resources,

particularly those which have been successful in other markets.

STRATEGIES

AXA intends to leverage its strengths to build upon the following strategies:

Continue to leverage off AXA's existing relationship with MBT to maximize bancassurance distribution
AXA plans to continue to leverage its reputation as an affiliate of the MBT Group to enable it to cross-sell its products and expand its market reach. In addition, AXA plans to continue to train and streamline customer outreach at bancassurance based workstations. As a result, AXA expects to achieve 50% of its new business income from bancassurance distribution by 2015. AXA believes that it will be able to enhance its competitive strengths by continuing to leverage off of its synergies with MBT, in particular though proactive customer marketing opportunities, and by capitalizing on the quality and quantity of MBT's existing customer base, including overseas Filipinos who return to the Philippines.

Leverage AXA's agency force as an effective and productive distribution channel
AXA believes that its agency is one of the most effective and productive distribution channels for insurance. AXA plans to double the size of its agency force by 2015 to increase its total new business margin. AXA will focus on the recruitment and development of new agents and branch expansion projects to achieve its size targets in 2015. AXA expects to achieve significant agency contribution to its new business as a result.

Expand into the young mass affluent and high net worth segments
AXA's products have traditionally focused on personalized solutions for the mature mass affluent population. Going forward, AXA intends to expand its product offerings by reaching out to new segments which it believes present significant room for growth, including the young mass affluent and high net worth segments. These segments of the population have both experienced significant growth as the Philippine economy continues to perform well. AXA plans to increase its product offerings for the young mass affluent segment by offering "easy and affordable" products. AXA's new product offerings for high net worth individuals will be focused on providing wealth management and solutions for the increasing population of high net worth Filipinos. AXA has devised a "second generation of investment-linked products" for high net worth individuals that AXA believes will provide higher investment potential for the medium and long term.

Increased focus on family breadwinners
AXA believes that family breadwinners have the highest need for insurance and will continue to be a key market for AXA's life insurance products. In order to meet the changing needs of this growing market, AXA has continued to develop life insurance products that offer financial protection, education, health and retirement. For example, AXA recently launched the only regularly offered principal guaranteed life insurance product in the Philippines which it believes is a popular product among its family breadwinner clients due to its financial protection features. This product made up 16% of AXA's new business income in the year ended December 31, 2011. AXA intends to increase its marketing efforts for this and other wealth protection products in order to serve this important customer segment.

PRODUCTS

Overview
AXA offers a range of life insurance and investment-linked insurance products in the Philippines. The following table sets forth AXA's net premium income by product type for the periods indicated:

	As of December 31,					
	2009		2010		2011	
	Amount	% of total	Amount	% of total	Amount	% of total
	(Php in millions, except for %)					
Participating	714	16%	963	12%	1,142.20	11%
Non-participating	124.8	3%	179	2%	296.4	3%
Investment-Linked Policies	3,265.10	74%	6,771.30	81%	8,083.60	81%
Group	334	8%	417.6	5%	453.1	5%
Total	**4,437.90**	**100%**	**8.330.9**	**100%**	**9,975.30**	**100%**

The following table sets forth AXA's annual new premiums, value of new business and new business margin by product type for the periods indicated:

	As of December 31,								
	2009[1]			2010			2011		
	Annual New Premiums[2]	Value of New Business[3]	New Business Margin[4]	Annual New Premiums[2]	Value of New Business[3]	New Business Margin[4]	Annual New Premiums[2]	Value of New Business[3]	New Business Margin[4]
	(Php in millions, except for %)								
Participating	311.7	90.7	29%	516.5	160.3	31%	433.4	106.4	25%
Non-participating	34.8	42.3	122%	202.8	87.7	43%	305.4	181.3	59%
Investment-Linked Policies – RP...	268.8	162.5	60%	347.4	289.1	83%	572.2	416	73%
Investment-Linked Policies – SP	226.2	108.3	48%	566.8	315.2	56%	675.5	362.9	54%
Group	193.4	41.3	21%	200.7	66.4	33%	195.9	107	55%
Total	**1,034.90**	**445.1**	**43%**	**1,834.20**	**918.7**	**50%**	**2,182.90**	**1,173.60**	**54%**

Notes:

(1) The value of new business is net of acquisition expense overrun. Expense overrun is the amount of expense which exceeds what is in the pricing loadings.

(2) Annual new premiums is calculated as 100% of annualized regular premium plus 10% of single premium.

(3) Value of new business is calculated as the present value of future profits.

(4) New business margin is calculated as the value of new business divided by annual new premium.

The following table sets forth AXA's regular premium/single premium breakdown of its total premium income for the periods indicated:

	As of December 31,					
	2009		2010		2011	
	Amount	% of total	Amount	% of total	Amount	% of total
	(Php in millions, except for %)					
Regular Premium	2,217	49%	2,700	32%	3,275	33%
Single Premium	2,263	51%	5,655	68%	6,732	67%
Total	**4,480**	**100%**	**8,354**	**100%**	**10,007**	**100%**

The following table sets forth AXA's regular premium/single premium breakdown of its Annual Premium Equivalent for the periods indicated:

	As of December 31,					
	2009		2010		2011	
	Amount	% of total	Amount	% of total	Amount	% of total
	(Php in millions, except for %)					
Regular Premium	809	78%	1,268	69%	1,507	69%
Single Premium	226	22%	566	31%	676	31%
Total	**1,035**	**100%**	**1,834**	**100%**	**2,183**	**100%**

Products

Life insurance contracts offered by AXA primarily include: (i) traditional whole life participating policies (with and without anticipated endowments) and a wide range of non-participating riders (i.e. accidental death and dismemberment, critical illness, hospital income and term life); (ii) investment-linked products, both regular premium and single premium with non-participating riders, including the only regularly offered principal guaranteed product in the Philippines; (iii) various non-participating products mostly catering to start-up life protection and savings needs; and (iv) U.S. dollar denominated single-premium products. In addition, AXA offers group yearly renewable term, credit life and personal accident insurance.

DISTRIBUTION CHANNELS

The distribution network is the starting point of AXA's relationship with its customers. AXA's 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 believes the diversification of its distribution channels can help develop new relationships with potential AXA customers.

AXA distributes its products through four main channels: agents, bancassurance, corporate solutions and DMTM that include brokers and in-house distribution channels for corporate accounts. The table below sets out AXA's annual new premiums, value of new business and new business margin by distribution channel for the periods indicated:

	As of December 31,								
	2009(1)			2010			2011		
	Annual New Premiums(2)	Value of New Business(3)	New Business Margin(4)	Annual New Premiums(2)	Value of New Business(3)	New Business Margin(4)	Annual New Premiums(2)	Value of New Business(3)	New Business Margin(4)
	(Php in millions, except for %)								
Agents........................	186.2	71.6	38%	355.0	208.0	59%	494.7	268.5	54%
Bancassurance	654.8	332.1	51%	1117.5	617.5	55%	1254.0	726.7	58%
Alternative	92.0	19.7	21%	106.6	45.2	42%	182.9	104.6	57%
DMTM..........................	101.5	21.7	21%	255.1	48.0	19%	251.3	73.8	29%
Total	**1034.9**	**445.1**	**43%**	**1834.2**	**918.7**	**50%**	**2182.9**	**1173.6**	**54%**

Notes:

(1) The value of new business is net of acquisition expense overrun.

(2) Annual new premiums is calculated as 100% of annualized regular premium plus 10% of single premium.

(3) Value of new business is calculated as the present value of future profits.

(4) New business margin is calculated as the value of new business divided by annual new premium.

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 19% and 23% of AXA's total new business in 2010 and 2011, respectively. AXA uses agents throughout its 24 branches located in strategic locations in Metro Manila, Cebu and Davao, as well as elsewhere throughout the Philippines. In addition to the 24 branches owned or leased by AXA, there are also several franchise branches that are owned and operated by exclusive agents and co-branded under the AXA name. AXA believes that its agency distribution channel is important to its future success and intends to double its current total number of 1,489 agents by 2015.

All of AXA's agents are required to enter into agency agreements before distributing AXA products. Agents are not considered to be AXA employees. These agreements set out the terms under which agents act for AXA, the activities they are authorized to carry out on AXA's 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 utilizes financial executives, who are AXA employees placed within key MBT branches throughout the Philippines, to provide insurance advisory services to bank-sourced clients. AXA's 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 also cross-market their products through joint advertising campaigns and promotional offers, such as tie-ups with MCC. MBT-based financial executives accounted for 67% and 61% of AXA's total new business premiums in 2010 and 2011, respectively. The cross-marketing of AXA products at MBT branches is the main component of AXA's marketing efforts.

Corporate Solutions

Corporate solutions refers to employee benefits and corporate investment opportunities sold through group policies for corporate clients. New business leads are primarily solicited from accredited brokers, AXA's agency force and MBT's corporate client base. The main driver of selling activities is AXA's sales team, which is composed of three units: Traditional, Bankassure and Worksite. Traditional focuses on obtaining leads from brokers and agents, and through self-generated efforts. Bankassure sources prospects through bank-referred leads from MBT branches and the MBT's Corporate Banking Group. Worksite offers individual products to employees of closed corporate accounts as a supplement to their employee insurance benefits and these can be purchased on a voluntary basis. Corporate solutions accounted for 5% and 9% of AXA's total new business premiums in 2010 and 2011, respectively.

Direct Marketing and Telemarketing

AXA distributes insurance through alternative, direct-to-customer methods such as direct mail, telemarketing or internet, commonly referred to as DMTM. AXA benefits from its relationship with the MBT Group, and currently has a strong and productive partnership with MCC to cross-market insurance products to MCC customers. AXA also pursues direct marketing initiatives with other captive markets or affinity groups, offering its suite of "easy and affordable" products targeted at the young affluent segment, with the objective of sourcing new clients and increasing AXA's customer base. DMTM accounted for approximately 5% and 8% of AXA's total new business premiums in 2010 and 2011, respectively.

MARKETING

AXA aims to be the preferred life insurance company in the Philippines by 2015. To achieve this goal, AXA believes significant efforts and investments are necessary for increasing AXA's brand awareness. AXA's in-house marketing team utilizes both AXA and AXA SA marketing campaigns to increase its brand awareness and to promote product launches. AXA pays AXA SA a service fee for access to AXA SA's global brand campaigns as well as assistance in formulating and executing its marketing and branding strategy within the global AXA Group guidelines. AXA utilizes several forms of advertising, including television, newspapers, magazines and billboard advertisements. In 2010 and 2011, AXA spent Php52.6 million and Php123.7 million, respectively, on advertising and promotional activities; while Php98.3 million was spent as of September 30, 2012.

In an effort to become the preferred life insurance company in the Philippines by 2015, AXA began a company-wide movement in 2010. This call to action, dubbed “Cross the Line” by AXA’s management, called for distribution channels to forego product-pushing and focus on needs-based selling; as well as for AXA to engage customers and encourage them to plan for the future. AXA has spent much of 2011 improving its structure, enhancing its selling tools, developing expertise and launching products that are based on each customer’s needs.

UNDERWRITING

AXA’s underwriting process for both individual and group businesses is handled by the Underwriting Department under the umbrella of the Customer Experience Division. The processes through which AXA underwrites insurance policies are documented and standardized.

An underwriting manual, which documents AXA’s underwriting process and guidelines, is maintained by AXA. This document serves as useful reference for underwriters on the necessary steps and consideration on risk evaluation.

CLAIMS MANAGEMENT

The evaluation and adjudication of all claims (namely death, disability, medical and personal accident claims) is handled by the Medical and Claims Unit of the Customer Experience Division.

Upon receipt of the complete claim requirements, a claim will be processed by the Medical and Claims Unit which later issues a recommendation and/or routes the file to the rest of the Claims Committee for further evaluation and endorsement to approver for processing benefit proceeds.

Approval of a claim requires concurrence of an approver bearing the limits of authority for the subject amount after which a claims processor will proceed to the settlement process and effect a recommendation in the system and await pay advice.

Denied claims are routed to the head of the Customer Experience Division regardless of the amount for final disposition. Claims denied beyond the Customer Experience Division head’s authority are further referred to a higher office which bears the proper authority for the amount, opinion, concurrence and final disposition.

Release of proceeds, both for approved and denied claims (such as a return of premiums or account value) for valid claimants are then carried out by the Medical and Claims Unit where the appropriate documentation is completed.

INVESTMENTS

AXA’s investment portfolio is an integral part of its business. AXA’s financial strength, underwriting capacity and results of operations depend, in significant part, on the quality and performance of its investment portfolio. To maintain an adequate yield to support future policy liabilities, AXA’s management is required to reinvest the proceeds of maturing securities and to invest premium receipts while continuing to maintain satisfactory investment quality. AXA adopts an investment strategy of investing primarily in what it believes to be high quality securities while maintaining diversification to avoid significant exposure to any particular issuer, industry and/or country. AXA’s investment strategy includes producing cash flows required to meet maturing insurance liabilities. AXA invests in equities for various reasons, including diversifying its overall exposure to interest rate risk. Generally, insurance regulations restrict the type of assets in which an insurance company may invest. No derivative instruments, including those used in hedging transactions, are allowed under Philippine insurance regulations.

AXA’s investment policy and strategic asset allocation is managed by an investment management department. MBT provides fund management services for AXA’s investment-linked products under an arm’s-length agreement.

Set out below is the value of AXA's investment portfolio (excluding investment in unit-linked funds) by investment category for the periods indicated. This investment portfolio does not include AXA's assets held to cover investment-linked liabilities.

	As of December 31,					
	2009		2010		2011	
	Amount	**% of total**	**Amount**	**% of total**	**Amount**	**% of total**
	(Php in millions, except for %)					
Equity Securities						
Listed	646.2	7%	896	8%	685.6	6%
Unlisted	7.7	–	9.1	–	9.4	–
Debt Securities						
Government	8,325.70	84%	8,950.60	77%	8,194.40	70%
Private	42.7	–	41.9	–	231.1	2%
Bank deposits.......................	872.7	9%	1,712.40	15%	2,602.50	22%
Other	14.1	–	19.5	–	15.6	–
Total	**9,909.10**	**100%**	**11,629.50**	**100%**	**11,738.60**	**100%**

The following table sets out AXA's investment return and average annual yields for the periods indicated:

	As of December 31,					
	2009		2010		2011	
	Amount	**% of total**	**Amount**	**% of total**	**Amount**	**% of total**
	(Php in millions, except for %)					
Dividend income from trading and non-trading securities	21.2	3%	26.4	3%	26.4	3%
Interest income from trading and non-trading securities	717.9	97%	758.5	97%	745.3	97%
Other	0.8	–	1.1	–	1.0	–
Total	**739.9**	**100%**	**786**	**100%**	**772.7**	**100%**

Equity securities

The equity portfolio is denominated in Philippine Pesos. All investments must be Philippine peso-denominated to remove any currency risk exposure. The equity portfolio will invest in equities listed in the PSE. It may also invest in an equity fund subject to the governing investment committees and regulator's approval (e.g. AXA Wealth Equity Fund and Unit Trust Fund). Investments in equities may be managed in-house or by a third party manager and shall be subject to the approved investments parameters.

As of December 31, 2011, AXA's investments in equity securities consist of 99% listed and 1% non-listed equity securities which pertains mostly to club shares. A significant portion of AXA's equity investments consist mainly of shares in MBT which make up 4% of AXA's equity investment portfolio. All of AXA's equity investments in securities consist of shares in Philippine companies.

Debt securities

The bond portfolio is invested in Peso and US dollar denominated Government bonds. AXA may also invest in the following:

Peso denominated bonds:

- The Government's Peso bonds;
- Quasi-sovereign ("ROP") bonds; and

- Supra-national bonds. USD denominated bonds:

- The Government's US dollar denominated bonds; and

- Supra-nationals at least two notches above the Government's credit rating.

Investment in corporate bonds may be undertaken subject to risk and sensitivity analysis as required on a case by case basis. Approval of governing investment committees (LMIC/RIALC/BIC) and the local regulator will be sought prior to investment.

As of December 31, 2011, AXA's debt securities that consisted of investments in Government or Government guaranteed bonds amounted to Php8.2 billion, or 98% of AXA's total bond portfolio.

Bank deposits
AXA maintains primarily Peso and U.S. dollar cash deposits in the Philippines. To ensure the availability of adequate cash for day-to-day operations and to meet claim payments which may be required from time-to-time, AXA maintains call deposits and term deposits, the majority of which are for terms between three days and 90 days. As of December 31, 2010 and 2011, AXA had bank deposits valued at Php1.7 billion and Php2.6 billion, respectively, representing 5% and 7%, respectively, of its investment assets and having an investment return of 1.6% and 2.1%, respectively. AXA's bank deposits are placed with MBT, PS Bank, Citibank, Land Bank, HSBC, Banco de Oro, China Bank, Union Bank and Philippine National Bank.

COMPETITION

AXA faces competition in the Philippines for its products. Competition in the life insurance industry is based on many factors. AXA 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's 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 and in some cases, use similar marketing techniques and banking partnership support. AXA's principal competitors are Philippine American Life, Sun Life of Canada, Pru Life of the UK and Manufacturers Life.

The table below shows the new business premium income plus single premium income and percentage of total market share for AXA and its principal competitors for 2009 to 2011.

	As of December 31,								
	2009			2010			2011		
	Amount	% of total	Ranking	Amount	% of total	Ranking	Amount	% of total	Ranking
	(Php in billions, except for %)								
1. AXA(1)	2.9	14%	1	6.6	19%	1	7.966	17%	1
2. Generali Pilipinas	2.7	13%	2	.6	2%	11	0.769	2%	12
3. BPI Philam Life	2.5	12%	3	4.6	13%	3	5.233	11%	3
4. Insular Life......................	2.1	10%	4	3.3	10%	4	3.615	8%	6
5. Sunlife	1.7	8%	5	2.4	7%	6	5.217	11%	5
6. Philam Life & Gen.	1.6	8%	6	2.7	8%	5	5.218	11%	4
7. Pru Life	1.5	7%	7	5.2	15%	2	7.619	16%	2
8. Grepalife Financial..........	1.4	7%	8	2.4	7%	7	1.787	4%	8
9. Manulife (Phils)	.7	3%	9	1.4	4%	8	1.959	4%	7
10. Philam Equitable	.7	3%	10	.1	3%	20	0.115	0%	22

Source: Philippine Insurance Commission

(1) *Data obtained from information contained in and derived from the Philippine Insurance Commission under its own calculation methodology, which may not reconcile with the information in AXA's audited financial statements contained herein.*

The table below shows the net premium income and percentage of total market share for AXA and its principal competitors for 2009 and 2010.

	As of December 31,					
	2009		**2010**		**2011**	
	Amount	**% of total**	**Amount**	**% of total**	**Amount**	**% of total**
	(Php in billions, except for %)					
1. Philam Life & Gen..................................	10.9	19%	11.3	16%	13.5	16%
2. Sunlife...	9.6	17%	10.6	15%	13.9	16%
3.AXA(1)..	4.4	8%	8.4	12%	10.0	12%
4. Pru Life...	3.5	6%	7.4	10%	9.9	11%
5. Insular Life	6.1	11%	7.1	10%	7.5	9%
6. BPI Philam Life...................................	3.6	6%	5.7	8%	6.4	7%
7. Manulife (Phils)....................................	3.2	6%	4.0	6%	5.0	6%
8. Grepalife Financial	2.3	4%	3.5	5%	3.0	4%
9. United Cocolife....................................	1.8	3%	2.3	3%	2.9	3%
10. Generali Pilipinas	3.2	6%	1.4	2%	2.1	2%

Source: Philippine Insurance Commission

(1) *Data obtained from information contained in and derived from the Philippine Insurance Commission under its own calculation methodology, which may not reconcile with the information in AXA's audited financial statements contained herein.*

PRODUCT RESEARCH AND DEVELOPMENT

The development of new products is organized, managed and coordinated primarily within AXA in the Philippines.

Product Development and Pricing

Through its relationship with the AXA Group, AXA draws upon the experience of AXA Group companies in other markets. In particular, AXA adopts the successful or innovative products that have been launched in other markets for introduction into the Philippine market. The investment-linked insurance products, for example, are based on the AXA Group's earlier introduction of this product in Hong Kong.

AXA follows the AXA Group's Asian businesses' product management and development guidelines which are set forth in the Regional Product Blueprint (the "RPB") as published by the AXA Group's regional office in Hong Kong. Products are either developed locally in the Philippines and approved by the regional office in Hong Kong, or sent to AXA from the Hong Kong regional office or the AXA Group headquarters in Paris for local approval and implementation. All new products are subject to approval by the Philippine Insurance Commission. The RPB prescribes every new product or product modification from the concept stage using market research, customer and distributor insights and competitor movements. If local management approves a concept, the next stages are the feasibility, design and planning stages. In these stages, key product features, volume projections, profit metrics, marketing and risk measures are evaluated locally and regionally before any product is approved and moved to the next stages of implementation and launch. Once a product is launched, its actual performance is regularly reviewed against volumes committed in the design and planning stages. Products that do not perform as anticipated may be redesigned or may be pulled out from AXA's portfolio.

The pricing of AXA's products is determined using the various assumptions, profit requirements, risk appetite, competitiveness and pricing strategy as developed by AXA and approved by the regional office in Hong Kong. All new products, including price changes to existing products, must be approved by the Philippine Insurance Commission.

REINSURANCE

AXA reinsures a portion of the risks it underwrites in an attempt to limit volatility in surpluses due to catastrophic events and other concentration risks. Philippine regulations require insurance companies to cede up to 10% of their cessions to unauthorized reinsurers to the National Reinsurance Company. AXA also uses reinsurance to leverage its underwriting capacity. Total gross premiums covered by third party reinsurers in 2011 was Php31.3 million.

ASSET AND LIABILITY MANAGEMENT AND RISK MANAGEMENT

AXA manages its capital through its compliance with Philippine statutory requirements on solvency margins for insurance companies, minimum paid-up capital and minimum net worth. AXA also complies with Philippine statutory regulations on Risk-based Capital ("RBC") to measure the adequacy of its statutory surplus in relation to the risks inherent in its business.

AXA has established a risk management function with clear terms of reference and with the responsibility for developing policies on market, credit, liquidity, insurance and operational risk. It also supports the effective implementation of policies at the overall company and individual business unit levels. These policies define AXA's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, alignment of underwriting and reinsurance strategies to the corporate goals and specific reporting requirements.

PROPERTIES

AXA owns the premises occupied by its corporate office at the ground floor of the Philippine AXA Life Centre in Makati. AXA leases additional space in the Philippine AXA Life Centre from PSBank and Unionseal Plastic, Inc.

AXA owns certain investment properties including office space, seven condominium units and 16 parking slots at the Skyland Plaza in Makati. AXA also owns 24 adjacent lots in Don Enrique Heights Subdivision, Antipolo Rizal and a house and lot at Royale Tagaytay Estates, Buck Estate, Alfonso, Cavite.

AXA's total investment properties accounted for 0.1% of its total assets (net of assets held to cover investment-linked liabilities) as of December 31, 2011, and 0.5% as of September 30, 2012. Currently, AXA has no plans for expansion except in the ordinary course of business.

INTELLECTUAL PROPERTY

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

EMPLOYEES

As of September 30, 2012, AXA had 359 full-time employees, 456 bancassurance employees and 24 corporate solution employees. AXA has no collective bargaining agreements with its employees and none of its employees belong to a labor union. AXA believes its relationships with its employees are generally good. Currently, AXA has no plans for additional hiring except in the ordinary course of business expansion.

Employee Pension Plan

AXA maintains a non-contributory defined benefit pension plan that covers any regular and permanent employee of AXA who has completed six months of continuous employment. The plan requires contributions to be made to a fund, which is funded solely by contributions from AXA and administered by MBT as the trustee. AXA's pension plan consists of a financial package that provides retirement, disability, death and separation benefits based on a pre-determined schedule.

RESERVES

Insurance companies are required to maintain reserves to ensure that it will be able to meet its obligations to its policyholders. A life insurance company is required to annually make, on a net premium basis, a valuation of all policies, additions thereto, unpaid dividends and all other obligations outstanding on December 31 of the preceding year. The aggregate net reserves on the company's policies shall be deemed its reserve liability for policy holders to provide, for which it shall hold funds in secure investments equal to such net reserves.

or ordinary plans, the legal policy reserve is the sum of the interpolated terminal reserves plus the unearned net premium. AXA maintains legal policy reserves to meet its future benefit obligations under its long-term life and health insurance policies. The legal policy reserves are calculated on the basis of actuarial assumptions, including those regarding mortality and morbidity rates, interest rates and administrative expenses.

Future dividend reserves are set as the earned portion of the dividends due at the end of the policy year. For disability riders and group policies, reserves are equal to unearned premium reserves.

Incurred but not reported ("IBNR") claims for AXA's group business is calculated based on competition ratios derived from the analysis conducted on the pattern of reported of deaths occurring within the five-year historical period of 2003-2007. IBNR for individual business is based on the product of the actual death claims paid for the year and five-year experience ratio of IBNR to the death claims paid. IBNR for medical claims is computed as the one-month average disability and hospitalization benefits paid for the year.

Figures for accumulated dividends are generated by AXA's accounting systems. However, reasonableness checks are routinely conducted to ensure that the figures are in accordance with AXA's dividend policy.

The establishment of reserves is an inherently uncertain process, and therefore, there is no assurance AXA's ultimate losses will not differ from its initial estimates.

LEGAL PROCEEDINGS

AXA is involved in various legal proceedings. AXA believes that these proceedings will not have a material adverse effect on AXA's financial position, operating results or cash flows.

RECENT FINANCIAL PERFORMANCE

AXA realized a 31% increase in total sales comprising traditional, regular and single premium insurance products of Php2 billion from January to September 2012 as compared to Php1.5 billion during the same period in 2011. This translated to a 22% increase in premium revenues of Php9 billion from Php7 billion. AXA's net income amounted to Php653 million for the period which is at par with the Php658 million realized a year ago as the 230% surge in regular premium linked sales resulting in the corresponding front loading of legal policy reserves and commissions and bonus expenses. These expenses, however, were offset by realized gains of financial assets.

MARKET PRICE OF AND DIVIDENDS ON GT CAPITAL'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information

The Company's common shares are listed and traded at the PSE since April 20, 2012. The high and low sales prices for each period since the listing of the common shares are as follows:

	2012	
(In Php)	High	Low
2nd Quarter (April 20 to June 30)	516.50	455.40
3rd Quarter (July 1 to Sept 30)	565.00	499.00
4TH Quarter (Oct 1 to Dec 31)	677.50	522.00

**Source: Bloomberg*

As of September 28, 2012, the closing price of the Company's shares of stock is Php545.00/share.

The top 20 Stockholders (common shares) as of December 31, 2012:

Common Shares:

NAME	NO. OF SHARES	% OF TOTAL
1. Grand Titan Capital Holdings, Inc.	110,095,110	69.680
2. PCD Nominee (Non-Filipino)	35,225,246	22.294
3. PCD Nominee (Filipino)	12,073,726	7,642
4. Ty, George Siao Kian	200,000	0.127
5. Ty, Alfred	100,000	0.063
Ty, Arthur	100,000	0.063
6. Ty, Mary Vy	99,000	0.063
7. De Castro, Salud D.	30,000	0.019
8. Gotianse, Vincent Lee	10,000	0.006
9. Century Savings Bank Corp	8,000	0.005
Ting, Arvin Vy	8,000	0.005
10. Chua Co Kiong, William N.	6,500	0.004
11. Co Chien, Susan Y.	6,000	0.004
12. Gotianse, Paul Lee	5,000	0.003
Ting, Elizabeth H.	5,000	0.003
13. Choi, Anita C.	4,000	0.003
14. Chua, Josephine Ty	3,000	0.002
Mar, Peter or Annabelle C.	3,000	0.002
15. Puno, Regis Villanueva	2,200	0.001
16. Baguyo, Dennis G.	2,000	0.001
Choi, Davis C.	2,000	0.001
Choi, Dennis C.	2,000	0.001

	Choi, Diana C.	2,000	0.001
17.	Paterno, Roberto L.	1,100	0.001
18.	Ang, Gerry G.	1,000	0.001
	Bautista, Ma. Carmelo Luza	1,000	0.001
	Belmonte, Miguel	1,000	0.001
	Bengson, Manuel Quintos	1,000	0.001
	Cua, Solomon	1,000	0.001
	Puno. Roderico	1,000	0.001
	Valencia, Renato C.	1,000	0.001
19.	Kapweng, Christopher C.	500	0.000
	Kapweng, Daniel C.	500	0.000
	Kapweng, David C.	500	0.000
	Kapweng, Edwin C.	500	0.000
	Kapweng, Tomas C.	500	0.000
20.	Limoanco, Alejandro C.	300	0.000

Dividends

It shall be the policy of the Company to declare dividend whenever there are unrestricted retained earnings available. 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.

The Company paid cash dividends to its shareholders in 2009, 2010 and 2011 in the amounts of Php1.04 billion, Php500 million, and Php500 million, respectively. On September 12, 2012, the Company declared cash dividends amounting to Php500.9 million (equivalent to Php3.17 per share), with record date set on September 28, 2012, and payment date on October 22, 2012.

Recent Sale of Unregistered or Exempt Securities

On November 23, 2010, GT Capital signed a notes facility agreement for the issuance of three and five year fixed rate Php5,000,000,000.00 corporate notes to a consortium composed of less than 20 lenders.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Prospective investors should read the following discussion and analysis of the Issuer's consolidated financial position and financial performance together with (i) the report of independent auditors, (ii) the audited consolidated financial statements for the years December 31, 2011, 2010 and 2009 and the notes thereto, and (iii) the latest September 30, 2012 SEC 17-Q.

This discussion contains forward-looking statements and reflects the current views of GT Capital with respect to future events and financial performance. Actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors such as those set forth in the section entitled "Risk Factors and Other Considerations" and elsewhere in this Prospectus.

FACTORS AFFECTING RESULTS OF OPERATIONS

GT Capital is a holding company which conducts all of its operations through its subsidiaries and associates. As a holding company, GT Capital derives virtually all of its consolidated revenues from the revenues of its consolidated subsidiaries, namely Fed Land and GBP, and as equity in net earnings of its associates, namely MBT, AXA and TMP. For a discussion of the factors affecting the results of operations of GT Capital's subsidiaries and associates, please refer to the sections titled "Management's Discussion and Analysis of Financial Condition and Results of Operations – Factors Affecting Results of Operations" for each of the GT Capital companies contained elsewhere in this Prospectus.

CRITICAL ACCOUNTING POLICIES

Critical accounting policies are those that are both (i) relevant to the presentation of GT Capital's financial condition and results of operations and (ii) require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. As the number of variables and assumptions affecting the possible future resolution of the uncertainties increase, those judgments become even more subjective and complex. In order to provide an understanding of how GT Capital's management forms its judgments about future events, including the variables and assumptions underlying its estimates, and the sensitivity of those judgments to different circumstances, GT Capital has identified certain critical accounting policies. For a complete discussion of GT Capital's critical accounting policies and significant accounting judgments and estimates, see Note 2 and Note 3 to GT Capital's financial statements included in this Prospectus.

DESCRIPTION OF KEY LINE ITEMS

Revenue

Equity in Net Income of Associates
Equity in net income of associates represents GT Capital's share in the results of operations of its associates and joint ventures based on its effective ownership in those associates and joint ventures. Only companies in which GT Capital's ownership exceeds 20% are equitized. Equity-accounted associates consist of MBT, TMP and AXA.

Real estate sales
Real estate sales in a given accounting period reflect the amount for which down payments have been paid based on the percentage of completion method. Required down payments range from 10% to 50% of the total contract price, depending on the type of property being purchased, and buyers are given anywhere from one to 50 months to complete the down payment, depending on the project involved. Revenue recognition begins once

10% of the down payment is collected from a buyer and 15% of the project is completed. 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.

Net Fees

Net fees consist of energy fees for the energy and services supplied by the Generation Subsidiaries as provided for their respective Electric Power Purchase Agreements with respective customers. Energy fees are recognized based on the actual delivery of energy generated and made available to customers multiplied by the applicable tariff rate, net of adjustments, as agreed upon between the parties. Power sold through the Wholesale Electricity Spot Market are also included in net fees. Net fees are net of discounts provided by the Generation Subsidiaries and their customers.

Sale of goods and services

Sale of goods and services consist of sales of petroleum and non-fuel products on a wholesale or retail basis and other allied services.

Commission income

Commission income consists of commission from selling of units pertaining to Federal Land Orix Corporation ("FLOC") and joint venture partners.

Interest income on real estate sales

Interest income on real estate sales is derived partly from interest paid by customers who have obtained in-house financing from Fed Land. Interest rates on these customer loans currently range from 15.0% to 18.0% per annum, depending on the term of the loan. This line item also reflects accretion of interest on deferred sales using the effective interest rate method.

Rent Income

Rent income consists of income from various properties rented out by Fed Land, including the Blue Wave Malls, several units at the Phil AXA Life Centre and one floor of the GT Tower International.

Interest income from banks

Interest income earned from banks represents interest earned from short-term placements, deposits and savings accounts maintained with banks.

Other Income

For Fed Land, other income consists primarily of real estate forfeitures, charges and penalties, management fees, dividend income and others.

For GBP, other income includes recovery from insurance gain on foreign exchange derivative contracts, accretion of discount on accounts receivable, interest income, dividends, sale of coal, equity in net earnings of an associate and other miscellaneous items.

Costs and Expenses

Cost of real estate sales

Cost of real estate sales reflects the cost of residential units sold and the sales of which have been recorded as real estate sales. The cost of residential units sold before project completion is determined based on, among other factors, the cost of land, expenses for regulatory approvals, project personnel costs, site development costs, construction costs and other project cost estimates. Cost of real estate sales are recognized in line with sales.

Power plant operations and maintenance costs

Power plant operations and maintenance costs reflects power plant operations, purchased power and repairs and maintenance and others. Power plant operations mainly represent cost of coal and start-up fuel costs and purchased power from the National Power Corporation. Repairs and maintenance and others mainly represent cost of materials and supplies consumed and the cost of restoration and maintenance of the power plants.

Cost of goods and services

The cost of goods and services consists of costs associated with oil and petroleum products as well as ancillary goods and services sold at the Blue Wave Malls.

General and administrative expenses

General and administrative expenses consist of salaries, wages and employee benefits, commissions, advertising and promotions, light, water and other utilities, depreciation and amortization, taxes and licenses, outside services, rent, professional fees, office supplies, transportation and travel, royalty and service fees, entertainment, amusement and recreation, retirement expenses, repairs and maintenance and miscellaneous expenses.

Interest expense

Interest expense relates to interest incurred on the interest-bearing debt obligations of GT Capital.

NINE MONTHS ENDED SEPTEMBER 30, 2012 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 2011

For a discussion of the results of operations, financial and liquidity condition of GT Capital for the nine months ended September 30, 2012 compared to nine months ended September 30, 2011, please refer to the Issuer's SEC Form 17-Q submitted to the SEC under the Financial Information found elsewhere in this Prospectus.

CALENDAR YEAR ENDED DECEMBER 31, 2011 COMPARED TO YEAR ENDED DECEMBER 31, 2010

Results of Operations

GT Capital Consolidated Income Statement	Audited Year-End December 31		Increase (Decrease)	
(In Million Php, except for percentages)	2011	2010	Amount	Percentage
REVENUE				
Equity in net income of associates – net	3,568	2,949	619	21.0%
Real estate sales	2,512	2,161	351	16.3%
Sale of goods and services	764	645	119	18.6%
Commission income	96	47	49	104.3%
Rent income	238	198	40	20.2%
Interest and other income	787	307	480	156.4%
	7,965	**6,307**	**1,658**	**26.3%**
COST AND EXPENSES				
Cost of real estate sales	1,554	1,365	189	13.8%
Cost of goods and services	709	585	124	21.4%
General and administrative expenses	1,110	893	217	24.2%
Interest expense	990	282	708	251.1%
	4,363	**3,125**	**1,238**	**39.6%**
INCOME BEFORE INCOME TAX	**3,602**	**3,182**	**420**	**13.2%**
PROVISION FOR INCOME TAX	**148**	**70**	**78**	**112.0%**
NET INCOME	**3,454**	**3,112**	**342**	**11.0%**
Attributable to:				
Equity holders of GT Capital Holdings, Inc.	3,325	3,002	323	10.8%
Non-controlling interest	129	110	19	17.3%
	3,454	**3,112**	**342**	**11.0%**

As an investment holdings company, GT Capital generates its revenues from equity in net income of associates from the following component companies, namely: Metropolitan Bank and Trust Company ("MBT"), Global Business Power Corporation ("GBP"), Toyota Motor Philippines Corporation ("TMP") and Philippine AXA Life Insurance Corporation ("AXA"). The other revenue components including real estate sales, sales of goods and services, commission income, interest income on real estate sales, and rent income are generated from Federal Land, Inc. ("Fed Land"). As of December 31, 2011, Fed Land is the only component company that is consolidated in the financial statements of the Company.

The Company reported a net income attributable to shareholders of Php3.3 billion for the year ended December 31, 2011, representing a 10.8% growth over the Php3.0 billion recorded in the same period last year. The net income improvement was principally due to the increase in consolidated revenues by 26.3% to Php8 billion from Php6.3 billion a year ago. The major contributors to revenue growth came from equity in net income from associates, real estate sales, sale of goods and services, rent income, commission income and interest and other income.

GT Capital registered an equity in net income of associates of Php3.6 billion in 2011, an increase of 21.0% from Php2.9 billion in 2010. This increase was primarily attributable to the growth in equity in net earnings from MBT amounting to Php795.1 million due to the higher net income registered for the year.

Real estate sales rose by 16.3% to Php2.5 billion in 2011 from Php2.2 billion in 2010 mainly due to a higher percentage of completion from ongoing Fed Land high end and middle market development projects.

Sale of goods and services increased by 18.6% to Php764 million in 2011 from Php645 million in 2010 primarily due to the increase in the sale of petroleum and petroleum products at the Blue Wave Malls arising from higher volumes and increased prices. The higher volumes were primarily the result of the increased vehicle traffic in and around the Mall of Asia.

Commission income more than doubled and increased by 104.3% to Php96 million in 2011 from Php47 million in 2010. The increase was primarily due to sales commissions earned from units owned by Federal Land Orix Corporation at the Grand Midori project.

Rent income rose by 20.2% to Php238 million in 2011 from Php198 million in 2010. The increase was primarily due to higher occupancy and increased rental rates at both of the Blue Wave Malls resulting from the full year recognition of rent from a call center anchor tenant that began its tenancy in May 2010 as well as the acquisition of one (1) floor in the GT Tower International building in November 2010 which Fed Land leased out.

Interest and other income, comprising interest income on real estate sales, interest income and other income more than doubled and increased by 156.4% to Php787 million in 2011 from Php307 million in 2010. The improvement was due to the following: (1) reimbursement of interest expense from option money granted to affiliates for land purchases of Fed Land amounting to Php337.1 million; (2) substantial increase in money market placements due to the corporate notes proceeds by GT Capital in the last quarter of 2010 and by Fed Land in the first quarter of 2011; and (3) higher accumulation of interest income arising from various buyers of Fed Land projects.

Cost of real estate sales increased by 13.8% to Php1.6 billion in 2011 from Php1.4 billion in 2010 chiefly due to an increase in real estate sales.

Cost of goods and services increased by 21.4% to Php709 million in 2011 from Php585 million in 2010 due to the increase in the volume of petroleum and petroleum products sold at the Blue Wave Malls as well as higher costs incurred for the purchase of petroleum products.

General and administrative expenses increased by 24.2% to Php1.1 billion in 2011 from Php893 million in 2010. A significant portion of the increase was the rise in commission expense due to higher sales, administrative and management fees, salaries and wages (as a result of an overall increase in head count and general wage increases due to higher sales), professional fees, and advertising and promotions for the greater number of new projects launched by Fed Land in 2011, amounting to Php54.2 million, Php49.4 million, Php44.7 million, Php37.4 million and Php32.9 million, respectively.

Interest expense rose by 251.1% to Php990 million in 2011 from Php282 million in 2010 primarily due to the increase in loans availed in 2011 by Fed Land for land bank acquisition and by the Company to fund its equity investments in GBP.

Provision for income tax more doubled and increased by 112% to Php148 million in 2011 from Php70 million in 2010 due to the substantial increase in taxable income during the year.

As a result of the foregoing, GT Capital's net income increased by 11% to Php3.4 billion in 2011 from Php3.1 billion in 2010.

Financial Position

GT Capital Consolidated Balance Sheet	Audited Year-End December 31		Increase (Decrease)	
(In Million Php, except for percentages)	**2011**	**2010**	**Amount**	**Percentage**
ASSETS				
Current Assets				
Cash and cash equivalents	**455**	3,065	(2,610)	-85.2%
Receivables	**4,864**	1,176	3,688	313.6%
Inventories	**11,338**	7,889	3,449	43.7%
Due from related parties	**939**	558	381	68.3%
Prepayments and other current assets	**975**	752	223	29.7%
Total Current Assets	**18,571**	13,440	5,131	38.2%
Noncurrent Assets				
Noncurrent receivables	**1,115**	909	206	22.7%
Long-term cash investment	**2,440**	-	2,440	100.0%
Deposits	**4,085**	-	4,085	100.0%
Investments and advances	**38,113**	31,123	6,990	22.5%
Investment properties	**5,227**	5,299	(72)	-1.4%
Property and equipment	**396**	431	(35)	-8.1%
Deferred tax assets	**4**	7	(3)	-42.9%
Other noncurrent assets	**112**	94	18	19.1%
Total Noncurrent Assets	**51,492**	**37,863**	**13,629**	**36.0%**
	70,063	**51,303**	**18,760**	**36.6%**
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts and other payables	**4,573**	1,936	2,637	136.2%
Current portion on purchased land	**-**	119	(119)	-100.0%
Short term loans payable	**7,649**	7,182	467	6.5%
Customers' deposits	**458**	417	41	9.8%
Due to related parties	**403**	321	82	25.5%
Income tax payable	**-**	2	(2)	-100.0%
Other current liabilities	**58**	24	34	141.7%
Total Current Liabilities	**13,141**	**10,001**	**3,140**	**31.4%**
Noncurrent Liabilities				
Pension liabilities	**28**	24	4	16.7%
Loans payable - non-current portion	**19,600**	9,000	10,600	117.8%
Non-current portion on purchased land	**-**	398	(398)	-100.0%
Deferred tax liabilities	**81**	7	74	1,057.1%
Other noncurrent liabilities	**63**	53	10	18.9%
Total Noncurrent Liabilities	**19,772**	**9,482**	**10,290**	**108.5%**
	32,913	**19,483**	**13,430**	**68.9%**
Equity				
Equity attributable to equity holders of GT Capital Holdings, Inc.				
Capital Stock	**1,250**	1,250	-	0.0%
Additional paid-in capital	**23,072**	23,072	-	0.0%
Retained earnings	**7,802**	5,377	2,425	45.1%

Other comprehensive income	**2,805**	(90)	2,895	3,216.7%
	34,929	**29,609**	**5,320**	**18.0%**
Non-controlling interest	**2,221**	**2,211**	**10**	**0.5%**
Total Equity	**37,150**	**31,820**	**5,330**	**16.8%**
	70,063	**51,303**	**18,760**	**36.6%**

The major changes in the balance sheet items from December 31, 2010 to December 31, 2011 are as follows:

Total assets of GT Capital increased by 36.6% or Php18.8 billion; from Php51.3 billion as of December 31, 2010 to Php70.1 billion as of December 31, 2011. Total liabilities also increased by 68.9% or Php13.4 billion; from Php19.5 billion to Php32.9 billion. Total equities also increased by 16.8% or Php5.3 billion; from Php31.8 billion to Php37.1 billion.

Cash and cash equivalents decreased by 85.2% or Php2.6 billion due a loan provided to a third party.

Receivables increased substantially by 313.6% or Php3.7 billion. This was mostly attributed to increases in loans receivable (Php2.6 billion); installment contracts receivable, (Php536.0 million); and advances to contractors and suppliers (Php410.6 million) of Fed Land.

Inventories consisting of condominium units held for sale, land for development, materials and supplies and gasoline retail and petroleum products increased by 43.7% or Php3.4 billion mainly due to an increase in real estate properties for development.

Due from related parties increased by 68.3% or Php380.7 million due to advances provided to various subsidiaries of Fed Land.

Prepayment and other current assets increased by 29.7% or Php222.5 million due to the increase in creditable withholding taxes of Php144.3 million, input value-added tax of Php69.4 million arising from real estate sales.

Noncurrent installment contract receivables increased by 22.7% or Php206 million as unit buyers availed of long term payment packages for equity build up offered by Fed Land.

Long-term cash investment from Fed Land amounted to Php2.4 billion in 2011 representing cash investment with a local bank in exchange for a loan obtained by an affiliate.

Deposits from Fed Land amounted to Php4.1 billion in 2011. This deposits pertains to option money granted by a third party for the exclusive rights for three (3) years to either (1) to purchase the property; (2) to purchase shares of stock of the third party which own the property; (3) to develop the property as developer in joint venture with the third party; or (4) to undertake a combination of any of the foregoing, as may be agreed upon by the parties.

Investment and advances increased by 22.5% or Php7 billion due to: (1) the exercise of stock rights and additional subscription of shares amounting to Php2.6 billion in MBT; (2) entered into a Subscription Agreement with GBP for a total consideration of Php3.4 billion; and (3) increased subscription in AXA amounting to Php14.6 million.

Property and equipment decreased by 8.1% or Php34.5 million due to an increase in accumulated depreciation and amortization.

Deferred tax assets decreased by 42.9% or Php3.1 million due to a decrease in accrued expenses and unearned income, principally.
Other noncurrent assets increased by 19.1% or Php18 million due to the increase in rental and other deposits for leased offices and deposits for set-up of services required by utility companies of Php44 million, which was offset by a decrease in AFS financial assets of Php17.6 million and a decrease in deferred charges and

guaranteed deposits of Php8.9 million.

Accounts and other payables increased by 136.2% or Php2.6 billion mainly due to the increase in trade payables pertaining to billings received from contractors and construction costs incurred by Fed Land.

Short-term loans payable increased by 6.5% or Php466.5 million due to an increase in working capital requirements by Fed Land and GT Capital.

Customer deposits increased by 9.8% or Php41 million due to an increase in cash payments arising from reservation sales generated by Fed Land.

Due to related parties increased by 25.5% or Php82 million arising from Fed Land intercompany advances.

Other current liabilities increased by 141.7% or Php34.1 million mainly due to the increase in withholding taxes payable from Php11.2 million to Php39.3 million.

Pension liabilities increased by 16.7% or Php3.7 million chiefly due to an increase in unfunded obligations.

Long-term loans payable increased by 117.8% or Php10.6 billion, arising from loan availments of GT Capital and Fed Land.

Deferred tax liabilities increased by 1,057.1% or Php74 million due to an increase in deferred tax liabilities principally capitalized borrowing cost and excess of book basis over tax basis of deferred gross profit.

Other noncurrent liabilities increased by 18.9% or Php10 million due to increase in finance lease obligation amounting to Php11.9 million and in unearned rental income amounting to Php13.9 million; which were offset by a decrease in refundable and other deposits amounting to Php15.5 million.

Retained earnings increased by 45.1% or Php2.4 billion due to an increase in total comprehensive income of Php3.3 billion which was offset by the dividends declaration of Php564.0 million and acquisition of subsidiary under common control of Php336.0 million.

Other comprehensive income increased by Php2.9 billion due to net unrealized gain on AFS securities of associates amounting to Php2.8 billion and translation adjustment of Php133.1 million.

Key Performance Indicators

The following are the key performance indicators of the Company for the years ended December 31, 2011 and 2010:

In Million Php, except for percentages

Income Statement	**December 31, 2011**	**December 31, 2010**
Total Revenues	7,965	6,307
Net Income attributable to GT Capital Holdings, Inc.	3,325	3,002
Balance Sheet		
Total Assets	70,063	51,303
Total Liabilities	32,913	19,483
Equity attributable to GT Capital Holdings, Inc.	34,929	29,609
Return on Equity*	10.3%	10.6%

** Annualized net income attributable to GT Capital divided by the average equity; where average equity is the sum of equity attributable to GT Capital at the beginning and end of the period/year divided by 2*

Financial Soundness Indicators

The following are the financial soundness indicators of the Company for the years ended December 31, 2011 and 2010:

	2011	2010
1. Liquidity Ratio		
Current Ratio	1.41	1.34
2. Solvency Ratio		
Debt to Equity Ratio	0.89	0.61
3. Asset-to-Equity Ratio		
Assets to Equity Ratio	2.01	1.73
4. Interest Rate Coverage Ratio*		
Interest Rate Coverage Ratio	4.64	12.29
5. Profitability Ratios		
Return on Assets	5.5%	6.8%
Return on Equity	10.3%	10.6%

**computed as EBIT/Interest Expense*

YEAR ENDED DECEMBER 31, 2010 COMPARED TO YEAR ENDED DECEMBER 31, 2009

Results of Operation

GT Capital Consolidated Income Statement	Audited Year-End December 31		Increase (Decrease)	
(In Million Php, except for percentages)	2010	2009	Amount	Percentage
REVENUE				
Equity in net income of associates – net	2,949	2,090	859	41.1%
Real estate sales	2,161	1,148	1,013	88.2%
Sale of goods and services	645	584	61	10.4%
Commission income	47	-	47	100.0%
Rent income	198	177	21	11.9%
Interest and other income	307	331	(24)	-7.2%
	6,307	**4,330**	**1,977**	**45.7%**
COST AND EXPENSES				
Cost of real estate sales	1,365	637	728	114.4%
Cost of goods and services	585	498	87	17.5%
General and administrative expenses	893	755	138	18.3%
Interest expense	282	170	112	65.9%
	3,125	**2,060**	**1,066**	**51.7%**
INCOME BEFORE INCOME TAX	**3,182**	**2,270**	**912**	**40.2%**
PROVISION FOR INCOME TAX	**70**	**59**	**11**	**18.0%**
NET INCOME	**3,112**	**2,211**	**901**	**40.8%**
Attributable to:				
Equity holders of GT Capital Holdings, Inc.	3,002	2,184	818	37.5%
Non-controlling interest	110	27	83	307.4%
	3,112	**2,211**	**901**	**40.8%**

The Company reported a net income attributable to shareholders of Php3.0 billion for the year ended December 31, 2010, representing a 37.5% growth over the Php2.2 billion recorded in the same period last year. The increase was principally due to the upsurge in consolidated revenues by 46% to Php6.3 billion from Php4.3 billion a year ago. The improvement in revenues came from equity in net income from associates, real estate sales, sale of goods and services, rent income, and commission income.

GT Capital registered an equity in net income of associates of Php2.9 billion in 2010, an increase of 41.1% from Php2.1 billion in 2009. This increase was primarily attributable to the increase in equity earnings from MBT and TMP amounting to Php470.7 million and Php360.0 million, respectively.

Real estate sales rose by 88.2% to Php2.2 billion in 2010 from Php1.1 billion in 2009. The increase was mainly due to an increase in the percentage of completion from ongoing Fed Land high and middle market development projects.

Sale of goods and services increased by 10.4% to Php644.7 million in 2010 from Php584.2 million in 2009. The increase was primarily due to an increase in the sale of petroleum and petroleum products at the Blue Wave Malls caused by higher volumes and increased prices.

Commission income arising from commissions earned in selling units of Federal Land Orix Corporation amounted to Php47.1 million in 2010.

Rent income increased by 11.9% to Php198.0 million in 2010, from Php176.9 million in 2009. The increase was primarily due to the net effect of: (1) higher occupancy and increased rental rates at the Blue Wave Malls; (2) the acquisition of two (2) floors in GT Tower International for lease; and (3) office and commercial space rented out at the Blue Wave Mall to a call center in 2009, with 2010 being the first full year of revenue recognition from the call center tenant.

Interest and other income, comprising interest income on real estate sales, interest income and other income decreased by 7% to Php307.4 million in 2010 from Php330.7 million in 2009 arising from lower accumulation of interest income from certain Fed Land projects and lower management fees.

Cost of real estate sales increased by 114.4% to Php1.4 billion in 2010 from Php636.7 million in 2009 due to the increase in real estate sales.

Cost of goods and services increased by 17.5% to Php584.6 million in 2010 from Php497.6 million in 2009. The increase was primarily a result of an increase in the volume of petroleum sold at the Blue Wave Malls as well as higher prices paid for petroleum purchases due to increased traffic in the areas around the malls.

General and administrative expenses increased by 18.3% to Php893.3 million in 2010 from Php755.3 million in 2009. A significant portion of the increase was due to an increase in professional fees, commission expense, advertising and publicity and taxes and licenses , primarily as a result of the upsurge in business activities in 2010, amounting to Php44.3 million, Php31.1 million, Php21.5 million and Php21.1 million respectively.

Interest expense increased by 65.9% to Php281.9 million in 2010 from Php169.9 million in 2009. The significant increase was primarily due to the increase in loans availed by GT Capital.

Provision for income tax increased by 18.0% to Php70.2 million in 2010 from Php59.3 million in 2009 due to an increase in taxable income for the year.

As a result of the foregoing, GT Capital’s net income increased by 40.8% to Php3.1 billion in 2010 from Php2.2 billion in 2009.

Financial Position

GT Capital Consolidated Balance Sheet	Audited Year 2010		Increase (Decrease)	
(In Million Php, except for percentages)	31-Dec	1-Jan	Amount	Percentage
ASSETS				
Current Assets				
Cash and cash equivalents	**3,065**	199	2,867	1,441.0%
Receivables	**1,176**	755	421	55.8%
Inventories	**7,889**	6,928	961	13.9%
Due from related parties	**558**	872	(314)	-36.0%
Prepayments and other current assets	**752**	564	188	33.3%
Total Current Assets	**13,440**	9,317	4,123	44.3%
Noncurrent Assets				
Noncurrent receivables	**909**	285	625	219.5%
Investments and advances	**31,123**	22,761	8,362	36.7%
Investment properties	**5,299**	3,906	1,393	35.7%
Property and equipment	**431**	373	58	15.5%
Deferred tax assets	**7**	1	6	600.0%
Other noncurrent assets	**94**	96	(2)	-2.1%
Total Noncurrent Assets	**37,863**	**27,422**	**10,442**	**38.1%**
	51,303	**36,738**	**14,565**	**39.6%**
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts and other payables	**1,936**	571	1,365	239.2%
Current portion of liabilities on purchased land	**119**	112	7	6.0%
Short term loans payable	**7,182**	4,257	2,925	68.7%
Customers' deposits	**417**	615	(198)	-32.2%
Due to related parties	**321**	501	(180)	-35.9%
Dividends payable	-	2	(2)	-100.0%
Income tax payable	**2**	-	2	100.0%
Other current liabilities	**24**	30	(6)	-19.7%
Total Current Liabilities	**10,001**	**6,088**	**3,913**	**64.3%**
Noncurrent Liabilities				
Pension liabilities	**24**	25	(1)	-3.6%
Loans payable - non-current portion	**9,000**	1,639	7,361	449.1%
Non-current portion on purchased land	**398**	517	(119)	-23.0%
Deferred tax liabilities	**7**	35	(28)	-80.1%
Other noncurrent liabilities	**53**	38	15	38.0%
Total Noncurrent Liabilities	**9,482**	**2,254**	**7,228**	**320.6%**
	19,483	**8,342**	**11,141**	**133.5%**
Equity				
Equity attributable to equity holders of GT Capital Holdings, Inc.				
Capital Stock	**1,250**	1,250	-	0.0%
Additional paid-in capital	**23,072**	23,072	-	0.0%
Retained earnings	**5,377**	2,876	2,501	87.0%
Other comprehensive income	**(90)**	(323)	233	72.1%
	29,609	**26,875**	**2,734**	**10.2%**
Non-controlling interest	**2,211**	**1,521**	**690**	**45.3%**
Total Equity	**31,820**	**28,396**	**3,424**	**12.1%**
	51,303	**36,739**	**14,564**	**39.6%**

The major changes in the balance sheet items from January 1, 2010 as re-stated as compared to December 31, 2010 are as follows:

Total assets of GT Capital increased by 39.6% or Php14.6 billion; from Php36.7 billion as of January 1, 2010 to Php51.3 billion as of December 31, 2010. Total liabilities also increased by 133.5% or Php11.1 billion from Php8.3 billion to P19.5 billion. Total equity also increased by 12.1% or Php3.4 billion from Php28.4 billion to Php31.8 billion.

Cash and cash equivalents increased by Php2.9 billion due to drawdown of a corporate notes issue by GT

Capital in November of said year.

Receivables increased by 55.8% or Php421 million. This was attributed to increases in installment contracts receivable, trade receivables, advances to officers and employees, accrued commission income, rent income, interest receivable, claims on late payments and other non-trade receivables.

Inventories consisting of condominium units held for sale, land for development, materials and supplies and gasoline retail and petroleum products increased by 13.9% or Php961.4 million mainly due to an increase in real estate properties for development.

Due from related parties decreased by 36% or Php314.1 million due to collections received from various subsidiaries of Fed Land.

Prepayment and other current assets increased by 33.4% or Php188.9 million as the increases in input value added tax of Php217.8 million, prepaid expense of Php25.9 million and other current assets of Php47.7 million was offset by the decrease in creditable withholding tax of Php102.5 million arising from real estate sales.

Noncurrent installment contract receivables more than doubled and increased by 219.5% or Php625 million as unit buyers availed of long term payment packages for equity build up offered by Fed Land.

Investment and advances increased by 36.7% or Php8.4 billion due to the advances made to GBP (Php4.0 billion); and purchase of additional shares in MBT and AXA, (Php4.4 billion).

Investment properties increased by 35.7% or Php1.4 billion due to additional land purchases by Fed Land.

Property and equipment increased by 15.5% or Php57.9 million due to an increase in fixed assets.

Deferred tax assets increased by 755.0% or Php5.9 million due to an increase in deferred tax assets principally excess of tax basis over book basis of deferred gross profit and accrued expenses.

Accounts and other payables increased by 239.2% or Php1.4 billion mainly due to the increase in trade payables pertaining to billings received from contractors and construction costs incurred by Fed Land.

Short-term loans payable increased by 68.7% or Php2.9 billion due to an increase in loans availed by GT Capital and Fed Land to fund its working capital requirements.

Customer deposits decreased by 32.2% or Php198.4 million due to a decrease in cash payments from reservation sales generated by Fed Land.

Due to related parties decreased by 35.9% or Php180 million due to payments made by various Fed Land subsidiaries.

Other current liabilities decreased by 19.7% or Php6 million mainly due to a decrease in withholding taxes payable, which was offset by an increase in other payables.

The increase in long-term loans payable by Php7.3 billion originated from a corporate notes issue and secured term loan availed by GT Capital to fund equity infusion for GBP.

Liabilities on purchased land are payables to various real estate property sellers. Under the terms of the agreement executed by Fed Land covering the purchase of certain real asset properties, the titles of the subject properties shall be transferred to Fed Land only upon full payment of the real estate loans. As of December 31, 2010, the current and non-current portion of the liabilities on this purchased land amounted to Php119 million and Php398 million, respectively. In 2010, Fed Land has capitalized interest expense on liabilities on purchase land to “Inventories” account amounting to Php32.7 million. During the year, the Group paid in full the remaining balance to property sellers.

Deferred tax liabilities decreased by 80.1% or Php28.0 million arising from deferred tax liabilities principally capitalized borrowing cost and excess of book basis over tax basis of deferred gross profit.

Other noncurrent liabilities increased by 38.0% or Php14.4 million mainly because of the increase in refundable and other deposits, unearned rental income and other noncurrent liabilities.

Retained earnings increased by 87.0% or Php2.5 billion due to an increase in total comprehensive income of Php3.0 billion which was offset by the cash dividends of Php500.0 million.

Other comprehensive income increased by 72.1% or Php233 million due to an increase in net income, offset by a decrease in net unrealized gain on AFS securities of associates and decrease in translation adjustment.

Key Performance Indicators

The following are the key performance indicators of the Company for the years ended December 31, 2010 and 2009:

In Million Php, except for percentages

Income Statement	**December 31, 2010**	**December 31, 2009**
Total Revenues	6,307	4,330
Net Income attributable to GT Capital Holdings, Inc.	3,002	2,184
Balance Sheet		
Total Assets	51,303	36,738
Total Liabilities	19,483	8,342
Equity attributable to GT Capital Holdings, Inc.	29,609	26,875
Return on Equity*	10.6%	8.4%

** Annualized net income attributable to GT Capital divided by the average equity; where average equity is the sum of equity attributable to GT Capital at the beginning and end of the period/year divided by 2*

Liquidity and Capital Resources

In 2009, 2010, and 2011, GT Capital’s principal source of liquidity was cash dividends received from investee companies and proceeds from loan availments. As of December 31, 2011, GT Capital had cash and cash equivalents totaling Php454.4 million.

The following table sets forth selected information from GT Capital’s statements of cash flows for the periods indicated:

	As of December 31,		
	2009	**2010**	**2011**
	(In Million Pesos)		
Net cash provided by operating activities	481.6	109.1	(3,586.3)
Net cash provided by (used in) investing activities	(464.5)	(7,323.8)	(9,067.0)
Net cash provided by (used in) financing activities	57.0	10,081.8	10,043.0
Net increase in cash and cash equivalents	73.9	2,866.4	(2,610.5)
Cash and cash equivalents at beginning of period	124.6	198.5	3,064.9
Cash and cash equivalents at end of period	198.5	3,065.0	454.4

Cash flows from operating activities

Cash flows from (used in) operating activities was Php481.6 million in 2009, Php109.1 million in 2010, and (Php3.6 billion) in 2011. In 2009, the primary source of cash was Php233.9 million from operations while cash from operations was used for an increase in inventories of Php820.6 million. In 2010, the primary source of cash was Php408.7 million from operations while cash from operations was used for an increase in amounts of receivables of Php1.1 billion and an increase in inventories of Php820.9 million. In 2011, the primary source of cash was Php514.0 million from operations while cash from operations was used for an increase in receivables and inventories amounting to Php4.2 billion and Php3.2 billion, respectively.

Cash flows used in investing activities

Cash flows used in investing activities was (Php464.5 million) in 2009, (Php7.3 billion) in 2010, and (Php9.1 billion) in 2011. In 2009, cash flows used in investing activities were primarily due to the increase in investment and advances of Php240.0 million. In 2010, cash flows used in investing activities were primarily due to the additions to investments and advances and investment properties of Php5.9 billion and Php1.4 billion, respectively. In 2011, cash flows used in investing activities were primarily due to additions to deposit, long term investment and investments and advances amounting to Php4.1 billion, Php2.4 billion and Php2.6 billion, respectively.

Cash flows from financing activities

Cash flows from financing activities were Php57.0 million in 2009, Php10.1 billion in 2010, and Php10.0 billion in 2011. In 2009, cash flow from financing activities were primarily from the proceeds from loan availments of Php3.2 billion while partially offset by payments of cash dividends of Php1.1 billion. In 2010, cash flows from financing activities were primarily from the proceeds from loan availments of Php14.2 billion while partially offset by payment of loans payable of Php3.9 billion. In 2011, cash flows from financing activities were primarily from the proceeds of loan availments of Php19.3 billion while partially offset by payment of loans payable and dividends amounting to Php8.2 billion and Php600.0 million, respectively.

KEY PERFORMANCE INDICATORS OF SIGNIFICANT SUBSIDIARIES

MBT

Financial Ratios

The following table sets out certain key performance indicators of the MBT Group as of and for the years ended December 31, 2009, 2010 and 2011.

	As of and for the year ended December 31,			**As of September**
	2009	**2010**	**2011**	**30, 2012**
Dividend payout ratio(1)	30.00%	13.00%	19.10%	–
Cost to average assets(2)...	6.20%	5.50%	5.20%	–
Tier I capital adequacy ratio..................................	10.00%	12.00%	13.70%	14.30%
Tier II capital adequacy ratio	4.30%	4.40%	3.70%	–
Total capital adequacy ratio..................................	14.30%	16.40%	17.40%	18.30%
Net non-performing assets ratio(3)..........................	3.70%	2.80%	2.10%	2.20%
Allowance as percentage of gross non-performing assets(4)	30.30%	37.30%	41.50%	–

Notes:

(1) *Dividend payout ratio is the ratio of dividend to net income after tax (excluding non-controlling interest).*

(2) *Cost to average assets is the ratio of the operating expenses (including interest expense but excluding depreciation and amortization)*
to the average total assets.

(3) *Net non-performing assets ratio is the ratio of net non-performing assets divided by total assets.*

(4) *Allowance as a percentage of gross non-performing assets is the ratio of NPA provisions made to the gross NPAs.*

Return on Equity and Assets

The following table presents selected financial ratios for the periods indicated.

	As of and for the year ended December 31,			As of September
	2009	2010	2011	30, 2012
	(Php in millions, except percentages)			
Net income[1]	6,029	8,366	11,031	10,218
Average total assets	809,558	870,815	922,854	956,047
Average shareholders' equity[1]	70,159	81,430	98,716	112,079
Net profit as a percentage of average total assets …..	0.7%	1.0%	1.2%	1.4%
Net profit as a percentage of average shareholders' equity............................	8.6%	10.3%	11.2%	12.2%
Average shareholders' equity as a percentage of average total assets	8.7%	9.4%	10.7%	11.7%

Note

(1) Attributable to the equity holders of MBT.

FED LAND

The following are the major performance measures used by Fed Land for 2009, 2010 and 2011.

	As of and for the year ended December 31,			As of September
	2009	2010	2011	30, 2012
	(Php in millions, except ratios)			
Revenues...	2,237.8	3,393.3	4,478.6	4,581.9
Net income after tax	152.2	530.3	601.1	1,897.9
Net income attributable to equity holders	156.8	524.9	589.7	1,887.4
Total assets	14,437.2	17,862.8	29,543.5	29,899.2
Total liabilities	7,071.5	7,067.0	18,746.6	13,409.7
Total equity	7,365.7	10,795.8	10,796.9	16,489.5
Current ratio[1]	1.9	1.6	1.6	3.0
Debt-to-equity ratio[2]	1.0	0.7	1.7	0.8

Note

(1) Current assets over current liabilities.

(2) Total liabilities over total equity.

GBP

The following are the major performance measures used by GBP for 2009, 2010 and 2011.

	As of and for the year ended December 31,			As of September
	2009	2010	2011	30, 2012
	(Php in millions, except ratios)			
Net Income	229.6	487.2	2,229.5	3,032.3
Total Assets	35,517.7	55,709.8	56,840.8	57,521.4
Total Debt	18,937.9	32,404.9	34,993.6	28,445.5
Stockholder's Equity	16,579.8	23,304.9	21,847.2	24,017.4
Current Ratio[1]	1.9	2.6	3.4	4.5
Debt to Equity Ratio[2]	1.1	1.4	1.6	1.4

Note

(1) Current Assets/Current Liabilities
(2) Total Debt/Stockholder's Equity

TMP

The following are the major performance measures used by TMP for 2009, 2010 and 2011.

	As of and for the year ended December 31,			As of September 30, 2012
	2009	**2010**	**2011**	
	(Php in millions)			
Gross profit..	4,130	7,431	6,035	5,472
Operating profit (1)...	1,943	3,946	2,769	3,149
Net income before tax..	2,271	4,341	3,042	3,485

Note:
(1) Gross Profit – OperatingExpenses

AXA

The following are the major performance measures used by AXA for 2009, 2010 and 2011.

	As of and for the year ended December 31,			As of September 30, 2012
	2009	**2010**	**2011**	
	(Php in millions)			
Gross premiums...	4,480	8,354	10,007	8,718
Net benefits and claims	926	1,021	1,338	937
Total expenses	2,223	2,567	3,198	1,558
Net income after tax	849	796	967	653
Total assets	32,809	35,554	38,943	43,186

MATERIAL EVENTS OR UNCERTAINTIES

The Company has nothing to report on the following for the period ended September 30, 2012:

(i) Any known trends or any known demands, commitments, events, uncertainties that will result or that are reasonably likely in the Company's liquidity increasing or decreasing in any material way, except for the following;

On September 12, 2012, the Board of Directors of the Company approved the declaration of cash dividends amounting to Php500.9 million or Php3.17 per share in favor of the Company's common stockholders as of September 28, 2012. The cash dividends were paid on October 22, 2012.

On September 12, 2012, the Company acquired 66,145,700 common shares of GBP at a fixed price of Php35.13 per share from Global Business Holdings, Inc. The acquisition represents 12% of GBP's outstanding capital stock. The acquisition increased the Company's direct equity holdings in GBP to 51%.

On October 15, 2012, the Parent Company disbursed Php156 million as its additional pro-rata share in an equity call from GBP. This additional pro-rata share was to partially fund the Toledo plant expansion.

On October 19, 2012, the Board of Directors of the Company and on October 22, 2012 the Board of Directors of MBT upon the endorsement of their respective Related Party Transaction committees approved in principle the sale of MBT's 30% ownership in TMP to the Company at a consideration of

Php9 billion. The amount was arrived at after an independent valuation exercise and subjected to third party fairness opinions. Pursuant to the approval, a Memorandum of Understanding was signed by both parties. The acquisition of more shares in TMP is part of the Company's long term program of increasing its holdings in its core businesses. Upon completion of the transaction, the Company's direct equity ownership in TMP shall increase from the current 21% to 51%.

(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;

(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, except as disclosed in Annex A under Note 9 – Commitments and Contingent Liabilities of the General Notes to the Interim Condensed Consolidated Financial Statements in the Company September 30, 2012 SEC 17-Q found elsewhere in the Prospectus;

(iv) Any material commitments for capital expenditures, their purpose, and sources of funds for such expenditures.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Set forth below are the directors and officers of the Company and their business experience for the past five (5) years as of September 30, 2012.

Board of Directors of GT Capital

The Board is entrusted with the responsibility for the Company's overall management and direction. As provided for in the Company's Articles of Incorporation and By-laws, it shall be composed of nine directors, at least two of whom shall be independent directors. The roles of the Chairman and President and Chief Executive Officer ("CEO") are separate and clearly defined while the independent directors are expected to provide a source of independent advice and judgment and considerable knowledge and experience to the Board's deliberations. Directors are elected by the shareholders for a period of one year. There are no restrictions on re-election, except with respect to independent directors. See "– Term of office". The chairman has a casting vote in resolutions of the Board, which must be passed by a majority vote of those present at a meeting. The senior executive officers carry out the Company's day-to-day operations under the direction of the Board.

The current directors of GT Capital are as follows:

Name	Age	Citizenship	Position	Date Elected
Dr. George S.K. Ty	80	Filipino	Chairman Emeritus	July 11, 2012
Arthur V. Ty.......................................	46	Filipino	Chairman	July 11, 2012
Alfred V. Ty.......................................	45	Filipino	Vice Chairman	July 11, 2012
Carmelo Maria Luza Bautista.............	55	Filipino	President/Director	July 11, 2012
Roderico V. Puno	49	Filipino	Director	July 11, 2012
Solomon S. Cua	56	Filipino	Director	July 11, 2012
Manuel Q. Bengson	68	American	Director	July 11, 2012
Jaime Miguel G. Belmonte..................	48	Filipino	Independent Director	July 11, 2012
Renato C. Valencia	70	Filipino	Independent Director	July 11, 2012

The following is a brief description of the business experience of each of the Directors:

Dr. George S.K. Ty served as GT Capital's Chairman since its inception in 2007 until July 11, 2012, when he became its Chairman Emeritus. Dr. Ty is also the founder of MBT and served as its Chairman from 1975 until 2006 when he became group Chairman of the Metrobank group of companies. Dr. Ty graduated from the University of Santo Tomas. He is concurrently Chairman of the Board of Trustees of the Metrobank Foundation, Inc. and of the Board of Directors of TMP and Toyota Autoparts Philippines Corporation.

Arthur V. Ty was the Company's Vice Chairman since 2007 until he became its Chairman on July 11, 2012. He served as President of MBT from 2006 until he was elected as the Bank's Chairman in 2012. He headed the Bank's Consumer Lending Group from 2000 to 2004 and served as Vice Chairman of the Bank from 2004 to 2006. He also serves as the Chairman of Metrobank Technology, Inc., Vice Chairman of PSBank and Metrobank Foundation, Inc. and director of MCC. He earned his Bachelor of Science degree in Economics at the University of California, Los Angeles and obtained his Masters in Business Administration degree from Columbia University, New York in 1991.

Alfred V. Ty has been a Vice Chairman of the Company since February 14, 2012 and has served as a Director of the Company since 2007. He is also the current President of Federal Land Inc. and the Chairman of Lexus Manila, Inc. He graduated from the University of Southern California with a degree major in Business Administration in 1989. Some of his other current roles and positions include: Corporate Secretary, MBT; Vice Chairman, TMP; Chairman, Lexus Manila; Director, Philippine Long Distance Telephone Company; Chairman, Asia Pacific Top Management; Director, Vivant Corporation; Corporate Secretary, Metrobank Foundation, Inc.; Director, GBP; Honorary Consul, Consulate of Uruguay; and Former Special Envoy of the President to China, Republic of the Philippines Department of Foreign Affairs.

Carmelo Maria Luza Bautista assumed the role of Director and President of GT Capital in 2011. Prior to his election, Mr. Bautista joined First Metro Investment Corporation in April of 2008 as Executive Director and was appointed as the head of its Investment Banking Group in 2009. Mr. Bautista has been in the Banking and Financial Services sector for over 30 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; and Country Manager ABN AMRO Offshore Bank Philippines. Mr. Bautista has a Masters in Business Management degree from the Asian Institute of Management where he graduated in the Dean's Citation List. He also has a Bachelors degree major in Economics from the Ateneo de Manila University.

Roderico V. Puno has been a director of the Company since July 11, 2012 and is a Senior Partner of Puno & Puno Law Offices. He earned his Bachelor of Laws degree from Ateneo de Manila University in 1989 and currently specializes in general corporate law, banking, corporate and project finance, real estate, utilities regulation, securities and infrastructure. He is currently a Director of GBP; and Corporate Secretary of Atlas Consolidated and Mining and Development Corporation, Banco De Oro Private Bank, Banco De Oro Securities Corporation and First Philippine Industrial Park. He served as the Vice-President- Legal for First Philippine Holdings Corporation.

Solomon S. Cua has been a director of the Company since July 11, 2012 and currently serves as Vice Chairman of the board of directors of FMIC where he has been a director since 2001. He has over 20 years' experience in general management, banking, and finance. Prior to joining FMIC, he served as Undersecretary of the Department of Finance (1998-2000). Mr. Cua graduated from the University of Melbourne and the University of Queensland where he earned Bachelor of Arts in Mathematical Sciences and Economics and Bachelor of Laws, respectively. He obtained his Masters of Law from the London School of Economics and Political Sciences. Mr. Cua currently holds the following positions: Chairman of Philippine AXA Life Insurance Corporation (since April, 2010), Director of Omico Corp (since 2006), Vice Chairman and Chief Executive Officer for Arlec Incorporated (since 2002), as well as President/Director of the Philippine Racing Club (since 2001), Venasque Club (since 2002) and Trustee for GT Metro Foundation Incorporated (since May 2010).

Manuel Q. Bengson was elected as independent director of GT Capital on July11, 2012 and is the Chairman of the Corporate Governance Committee. At present, he concurrently serves as an independent director of MBT (since 2011) and Energy Opt, Inc. (since 2010); and as a member of the Board of Governance of the Philippine Dealing and Exchange Corporation (since 2011). At MBT, he is the Chairman of the Legal and Tax Committee and a member of both the Trust and Overseas Banking Committees. From 1969 to 2003, he assumed executive functions in several entities such as Ayala Corporation, Ayala Life-FGU, Ayala Life Fixed Income Fund, Bank of the Philippine Island Group and Citibank. He finished his BBA major in Accounting at the University of the East.

Jaime Miguel G. Belmonte was elected as independent director of GT Capital on July 11, 2012. He has been the President and Chief Executive Officer of The Philippine Star since 1998. He also currently holds the following positions: President, Pilipino Star Printing, Co., Inc.; President/Publisher, Pilipino Star Ngayon; President, The Freeman, Inc. (Cebu); Director, Stargate Media Corporation (People Asia Magazine); and Member – Board of Advisers, Manila Tytana College. Mr. Belmonte earned his undergraduate degree from the University of the Philippines-Diliman.

Renato C. Valencia was elected as an independent director of GT Capital on July 11, 2012 and is the Chairman of the Audit Committee. At present, he concurrently holds the following positions: director of MBT (since 1998), President and CEO of Roxas Holdings, Inc. (since 2011), Chairman of i-People (since 2007) and Board Adviser of Philippine Veterans Bank (since 2005). At MBT, he serves as the chairman of the Audit Committee, Related Party Transaction Committee and Nominations Committee; and a member of the Risk Management Committee. From 1963 to 2011, he assumed different executive and non-executive roles in various entities including the Armed Forces of the Philippines, Ayala Investment and Development Corporation, Far East Bank and Trust Company, Manila Electric Company, Philex Mining Corporation, PSBank, Philippine Long Distance Telecommunications, San Miguel Corporation, Philippine Coca-Cola System, Union Bank of the Philippines and the Social Security System. He finished his master's degree in Business Management at the Asian Institute of Management.

The Board meets regularly to ensure a high standard of business practice for GT Capital and its stakeholders and to ensure soundness, effectiveness, and adequacy of its internal control environment. As of September 30, the Board has had six board meetings inclusive of one organizational, two regular and three special meetings.

Term of office

The Directors are elected during each regular meeting of the Company's stockholders and hold office for one year and until their successors are elected and qualified. Philippine SEC Memorandum Circular No. 9 Series of 2011 which provides Term Limits for Independent Directors sets the term of an independent director for listed, public and mutual fund companies at five consecutive years. After this period, an independent director shall be eligible for re-election as such in the same company after a two-year period. In case of re-election, such person may serve as an independent director for another consecutive five years, after which he is perpetually barred from serving as an independent director for such company. The Company's regular meetings of stockholders are held on the second Monday of May of each year, or on the day following, if the second Monday of May is a legal holiday.

Involvement in certain legal proceedings of directors and executive officers

None of the members of the Board, nor any of the Company's executive officers, has been or is involved in any criminal, bankruptcy or insolvency investigations or proceedings for the past five years and up to the date of this Prospectus. None of the members of the Board, nor any of the executive officers, has been convicted by final judgment of any offense punishable by the laws of the Republic of the Philippines or of any other nation or country. None of the members of the Board nor any of the Company's executive officers have been or are 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. None of the members of the Board nor any of the Company's executive officers have been found by a domestic or foreign court of competent jurisdiction (in a civil action), commission 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.

Corporate Governance

The Company adopted its Manual on Corporate Governance (the "Governance Manual") on December 2, 2011. The policy of corporate governance is based on the Governance Manual. The Governance Manual lays down the principles of good corporate governance to be followed by the entire organization. The Governance Manual provides that it is the Board's responsibility to initiate compliance with the principles of good corporate governance, to foster long-term success and to secure the Company's sustained competitiveness in a manner consistent with its fiduciary responsibility.

The Company's By-laws and Governance Manual provide that the Board shall have at least two independent directors. The Company espouses the definition of independence pursuant to the Securities Regulation Code. The Company considers an independent director as one who, except for his director's fees and shareholdings, is independent of management and free from any business or other relationship which, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a Director of GT Capital.

The Governance Manual embodies the Company's policies on disclosure and transparency, and mandates the conduct of communication and training programs on corporate governance. The Governance Manual further provides for the rights of all shareholders and the protection of the interests of minority stockholders. Violation of the Governance Manual may result in the imposition of a penalty ranging from areprimand to dismissal, depending on the frequency and gravity of the violation.

The Board has constituted four committees to effectively oversee the Company's operations: (i) the Audit Committee; (ii) the Nominations Committee; (iii) the Compensation Committee; and (iv) the Corporate Governance Committee.

Audit Committee

The Audit Committee is responsible for assisting the Board in its fiduciary responsibilities by providing an independent and objective assurance to the management and shareholders of the continuous improvement of the Company's risk management systems and business operations; and the proper safeguarding and use of the Company's resources and assets. The Audit Committee provides a general evaluation of and assistance in the overall improvement of the Company's risk management, control and governance processes.

The Audit Committee must be comprised of at least three Directors, preferably with accounting and financial background. Two of the members must be independent directors, including the chairman of the Committee. The Audit Committee reports to the Board and is required to meet at least once every quarter. The members of the Audit Committee includes Renato C. Valencia (Chairman), Manuel Q. Bengson and Solomon S. Cua.

Nominations Committee

The Nominations Committee is responsible for providing shareholders with an independent and objective evaluation of and assurance that the members of the Board are competent and will foster the Company's long-term success and secure its competitiveness. The Nominations Committee must be comprised of at least three Ddirectors, including one independent director. The Nominations Committee reports directly to the Board and is required to meet at least once a year or as often as necessary when a key vacancy occurs. The Nominations Committee members are Roderico V. Puno (Chairman), Carmelo Maria Luza Bautista and Jaime Miguel G. Belmonte.

Compensation Committee

The Compensation Committee is responsible for assisting the Board in establishing a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the Company's organizational culture, corporate strategy and business environment. The Compensation Committee must be comprised of at least three Directors, including one independent director. The Compensation Committee reports directly to the Board and is required to meet at least once a year. The Compensation Committee members are Alfred V. Ty (Chairman), Carmelo Maria Luza Bautista and Renato C. Valencia.

Corporate Governance Committee

The Corporate Governance Committee is responsible for ensuring the Board's and the Board committees' effectiveness and compliance with corporate governance principles and guidelines. The Corporate Governance Committee must be comprised of at least three Directors, including two independent directors; and is required to meet at least once every quarter. The Corporate Governance Committee members include Manuel Q. Bengson (Chairman), Roderico V. Puno and Jaime Miguel G. Belmonte.

Executive officers of GT Capital

GT Capital's executive officers are responsible for the day-to-day management and operations of the Company. The following table sets forth information regarding its executive officers.

Name	Age	Citizenship	Position	Title
Carmelo Maria Luza Bautista	55	Filipino	President	President
Francisco H. Suarez, Jr.	53	Filipino	Chief Financial Officer	Senior Vice President
Mary Vy Ty	72	Filipino	Treasurer	
Antonio V. Viray	73	Filipino	Corporate Secretary	
Jocelyn Y. Kho	58	Filipino	Assistant Corporate Secretary	
Anjanette T. Dy Buncio	43	Filipino	Assistant Treasurer	
Alesandra T. Ty	32	Filipino	Assistant Treasurer	
Joselito V. Banaag	41	Filipino	Head, Legal and Compliance Division	Vice President
Susan E. Cornelio	41	Filipino	Head, Human Resources Division	Vice President
Jose B. Crisol, Jr.	46	Filipino	Head, Investor Relations Division	Vice President
Reyna Rose P. Manon-og	30	Filipino	Head, Accounting and Financial Control	Assistant Vice President

The following is a brief description of the business experience of each of the executive officers:

Carmelo Maria Luza Bautista. See "– Board of Directors of GT Capital".

Francisco H. Suarez, Jr. has served as GT Capital's Chief Financial Officer since February 16, 2012. He will bring to the Company over 30 years of experience in the fields of investment banking and corporate finance. He served as Chief Financial Officer of ATR KimEng Group, PSi Technologies, Inc. and SPi Technologies; and assumed various positions in Asian Alliance Investment Corporation, Metrobank, International Corporate Bank, Far East Bank and Trust Company and National Economic Development Authority. He earned his Bachelor of Arts in Applied Economics from De La Salle University in 1981; and is a candidate for a Masters in Business Administration degree at the Ateneo Graduate School of Business.

Mary Vy Ty has served as the Company's Treasurer since its incorporation in 2007. Mrs. Ty has more than 30 years of experience in banking and general business. Concurrently, she holds the following positions: Assistant to the Group Chairman, Metrobank; Adviser, Metrobank (Bahamas); Board of Trustee/Treasurer, Metrobank Foundation, Inc; Director, First Metro Investment Corporation; Vice Chairman, Manila Medical Services Inc.; Board of Trustee, Manila Doctors College, Inc.; Treasurer, GBP; Director, Fed Land; Director, Global Treasure Holdings, Inc.; and Director, Grand Titan Capital Holdings, Inc. Previously, she held the position of Vice Chairman for Federal Homes, Inc. as well as Adviser for MCC. She earned her collegiate degree from the University of Santo Tomas.

Antonio V. Viray first served as the Company's Assistant Corporate Secretary prior to assuming the position of Corporate Secretary in June 2009. He concurrently holds the following positions: Of Counsel, Feria Tantoco Robeniol Law Office; Corporate Secretary, Golden Treasure Holdings Corporation and Grand Titan Capital Holdings, Inc.; Senior Vice President, GBH; and Chairman and President, AVIR Development Corporation. His previous employments include serving as Director, Assistant Corporate Secretary and General Counsel of Metrobank; and as Corporate Secretary of PS Bank. He obtained his associate degree from Letran College; Bachelor of Laws from University of Santo Tomas; and Master of Laws from Northwestern University.

Jocelyn Y. Kho has served as the Company's Assistant Corporate Secretary since June 2011. She concurrently serves as the Corporate Secretary of Federal Homes, Inc.; Controller and Assistant Corporate Secretary of Global Treasure Holdings, Inc. and Grand Titan Capital Holdings, Inc.; Director and Treasurer of Global Business Holdings, Inc.; Chairman and President of MBT-Management Consultancy, Inc.; and Director of Cathay International Resources, Inc. She served as Vice President under the Office of the Assistant to the Group Chairman of MBT from 1978 to 2009. She earned her Bachelor of Science degree in Commerce with a major in Accounting from the University of Santo Tomas in 1975.

Anjanette T. Dy Buncio has served as GT Capital's Assistant Treasurer since 2007. She also is a Senior Vice President and the Treasurer of Fed Land. She graduated from the International Christian University in Tokyo, Japan with a Bachelor of Sciences degree in Economics. Other roles that she occupies include: Director and Vice Chairman of MCC (2003 to present); Corporate Secretary, GBP (2010 to present); Executive Vice President, Proline Sports Center (1994 to present); Corporate Secretary, Pro Oil Corporation (2002 to present).

Alesandra T. Ty was appointed Assistant Treasurer of GT Capital on February 14, 2012. She finished her Bachelor of Legal Management degree at Ateneo De Manila University and earned her Master in Business Administration at the China Europe International Business School in China. She is currently a director and Treasurer of AXA, and director of Federal Homes, Inc. and Sumisho Motorcycle Finance Corp., Corporate Secretary of FMIC and Treasurer of MCC.

Joselito V. Banaag joined the Company on January 2, 2012 as head of its Legal and Compliance Division. Prior to this, he served as General Counsel of the Philippine Stock Exchange and Chief Legal Counsel of the Securities Clearing Corporation of the Philippines. Previous employments include assuming various positions in SGV & Co., Cayetano Sebastian Ata Dado and Cruz Law Offices, PNOC Exploration Corporation and Padilla Jimenez Kintanar & Asuncion Law Offices. He earned his Bachelor of Arts in Political Science from Ateneo de Manila University and Bachelor of

Laws from the University of the Philippines.

Jose B. Crisol, Jr. joined the Company on July 26, 2012 as the head of its Investor Relations Division. Prior to joining the Company, he was Assistant Vice President for Investor Relations of SM Investments Corporation. He was also Director IV and Head of the Trade and Industry Information Center of the Department of Trade and Industry. He graduated in 1988 from the University of the Philippines- Diliman with a Bachelor of Science degree in Economics.

Susan E. Cornelio joined the Company on July 4, 2012 as the head of the Human Resources Division. Prior to this, she served as the head of the Compensation and Benefits Department of Sterling Bank of Asia. Before this she was Head of the Compensation and Benefits Department of United Coconut Planters Bank. She holds a degree of Bachelor of Science major in Accounting from the Sta. Isabel College and a Master Certificate in Human Resources from Cornell University's School of Industrial and Labor Relations.

Reyna Rose P. Manon-og was appointed the Company's Controller in October 2011. Prior to joining the Company, she spent seven years at SGV & Co. as an external auditor; and another two years in United Coconut Planters Bank as head of its Financial Accounting Department. She is a Certified Public Accountant and an honors graduate of Bicol University.

Aside from Mary Vy Ty, Anjanette T. Dy and Alesandra T. Ty, none of GT Capital's executive officers are related to each other or to its Directors and substantial shareholders. Only three of its executive officers owns shares of stock of the Company

Significant Employees
The Company does not believe that its business is dependent on the services of any particular employee.

Chief Information Officer and Investor Relations Officer
The Company's CFO, Mr. Francisco H. Suarez, Jr. is also its Chief Information Officer. His contact details are as follows:

Telephone Number: +632 836 4500
Email Address: francis.suarez@gtcapital.com.ph
Office Address: 43rd Floor GT Tower International, 6813 Ayala Avenue corner HV dela Costa St., 1227 Makati City

See "– Board of Directors and Senior Management of GT Capital – Executive Officers of GT Capital" for a brief profile of Mr. Suarez.

Mr. Jose B. Crisol, Jr. is the Company's Investor Relations Officer, His contact details are as follows:

Telephone Number: +632 836 4500
Email Address: jose.crisol@gtcapital.com.ph
Office Address: 43rd Floor GT Tower International, 6813 Ayala Avenue corner HV dela Costa St., 1227 Makati City

See "– Board of Directors and Senior Management of GT Capital – Executive Officers of GT Capital" for a brief profile of Mr. Crisol.

Executive Compensation of GT Capital

Summary compensation table
The following table identifies the Company's President and four most highly-compensated executive officers (the "named executive officers") and summarizes their aggregate compensation in 2010, 2011 and 2012 estimate. The amounts (in Php millions) set forth in the table below have been prepared based on what the Company paid its executive officers for the periods abovementioned.

Name and Principal Position	Year	Salary	Bonus	Other Annual Compensation
Named Executive Officers*	2010	-	-	-
	2011	1.9	0.59	-
	2012E	20.032	5.008	-
All other Officers as a Group	2010	-	-	-
	2011	0.26	0.04	-
	2012E	5.424	1.356	-

** Named executive officers include: Carmelo Maria Luza Bautista (President), Francisco H. Suarez, Jr. (Chief Financial Officer), Joselito V. Banaag (Head, Legal and Compliance), Jose B. Crisol, Jr. (Head, Investor Relations, Susan E. Cornelio (Head, Human Resources), Alesandra T. Ty (Assistant Treasurer) and Reyna Rose P. Manon-og (Controller).*

Compensation of key management personnel for the year ended December 31, 2011 was Php2.5 million, which represents short-term employee benefits.

Employment contracts between the Company and named executive officers

The Company has no special employment contracts with the named executive officers.

Warrants and options outstanding

There are no outstanding warrants or options held by the CEO, the named executive officers, and all officers and directors as a group.

Stock option plan

The Company has no employee stock option plan.

Family Relationships

Mary Vy Ty is the wife of Dr. George S.K. Ty. Arthur V. Ty, Alfred V. Ty, Anjanette T. Dy Buncio and Alesandra T. Ty are the children of Mary Vy Ty and Dr. George S.K. Ty.

SECURITY OWNERSHIP OF MANAGEMENT AND CERTAIN RECORD AND BENEFICIAL OWNERS

Security Ownership of Certain Record and Beneficial Owners as of December 31, 2012:

As of December 31, 2012, the following are the owners of the Company's common stock in excess of 5% of total outstanding shares:

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. 4th Floor Metrobank Plaza, Sen. Gil Puyat Ave., Makati City	Same as the Record Owner **Arthur Vy Ty** is authorized to vote the shares held by Grand Titan Capital Holdings, Inc.	Filipino	110,095,110	69.680%
Common	PCD Nominee Corp. (Non-Filipino)	Various Clients[1]	Foreign	35,225,246	22.294%
Common	PCD Nominee Corp. (Filipino)	Various Clients[1]	Filipino	12,073,723	7.642%

(1) The Company has no information as to the beneficial owners of the shares of stocks held by PCD Nominee Corp. The clients of PCD Nominee Corp. have the power to decide how their shares are to be voted.

Security Ownership of Management as of December 31, 2012

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	Dr. George S. K. Ty	200,000 (D)	Filipino	0.1266%
Common	Arthur V. Ty	100,000 (D)	Filipino	0.0633%
Common	Alfred V. Ty	100,000 (D)	Filipino	0.0633%
Common	Mary Vy Ty	99,000 (D)	Filipino	0.0627%

Common	Anjanette T. Dy Buncio	40,000 (D)	Filipino	0.0252%
Common	Solomon S. Cua	1,000 (I) 20,000 (D)	Filipino	0.0006% 0.0126%
Common	Carmelo Maria Luza Bautista	1,000 (I) 10,000 (D)	Filipino	0.0006% 0.0063%
Common	Francisco H. Suarez, Jr.	5,000 (D)	Filipino	0.0032%
Common	Jocelyn Y. Kho	2,200 (I)	Filipino	0.0014%
Common	Roderico V. Puno	1,000 (I)	Filipino	0.0006%
Common	Jaime Miguel G. Belmonte	1,000 (I)	Filipino	0.0006%
Common	Manuel Q. Bengson	1,000(I)	American	0.0006%
Common	Renato C. Valencia	1,000 (I)	Filipino	0.0006%
Common	Joselito V. Banaag	900 (D)	Filipino	0.0005%
Common	Alesandra T. Ty	0	Filipino	0.0000%
Common	Antonio V. Viray	0	Filipino	0.0000%
Common	Susan E. Cornelio	0	Filipino	0.0000%
Common	Jose B. Crisol	0	Filipino	0.0000%
Common	Reyna Rose P. Manon-Og	0	Filipino	0.000%
Total		**574,900 (D)** **8,200(I)** **583,100 (D) and (I)**		**0.3687%**

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 balance sheet date.

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.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

RELATED PARTY TRANSACTIONS

GT Capital, in its regular conduct of business, has entered into transactions with its associate and other related parties principally consisting of cash advances for reimbursement of expenses, merger and acquisitions and capital infusion, leasing agreements and management agreements. Transactions with related parties are made at normal market prices. For a description of the related party transactions of GT Capital and each of the GT Capital companies, see also the respective note on Related Party Transactions in GT Capital and each component company's financial statements.

MBT'S 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. Transactions between related parties are based on terms similar to those offered to non-related parties.

In the ordinary course of business, MBT Group has loan transactions with investees and with certain directors, officers, stockholders and related interests ("DOSRI"). Existing banking regulations limit the amount of individual loans to DOSRI, 70.00% of which must be secured, to the total of their respective deposits and book value of their respective investments in the lending company within the MBT Group. In the aggregate, loans to DOSRI generally should not exceed the respective total equity or 15.0% of total loan portfolio, whichever is lower, of MBT, PSBank, FMIC and Orix Metro Leasing.

BSP Circular No. 423 dated March 15, 2004 amended the definition of DOSRI accounts. The following table shows the information relating to the loans, other credit accommodations and guarantees of the MBT Group classified as DOSRI accounts under regulations existing prior to said Circular, and new DOSRI loans, other credit accommodations granted under said circular:

	2009	2010	2011
Total outstanding DOSRI accounts (in millions)	Php12,375	Php16,141	Php17,211
Percent of DOSRI accounts granted prior to effectivity of BSP Circular No. 423 to total loans	0.02%	0.00%	0.00%
Percent of DOSRI accounts granted after effectivity of BSP Circular No. 423 to total loans	3.50%	4.22%	3.79%
Percent of DOSRI accounts to total loans	3.52%	4.22%	3.79%
Percent of unsecured DOSRI accounts to total DOSRI accounts	16.26%	13.58%	15.85%
Percent of past due DOSRI accounts to total DOSRI accounts	4.88%	3.69%	3.18%
Percent of nonaccruing DOSRI accounts to total DOSRI accounts	4.88%	3.69%	3.18%

BSP Circular No. 560 provides the rules and regulations that govern loans, other credit accommodations and guarantees granted to subsidiaries and affiliates of banks and quasi-banks. Under the said Circular, the total outstanding loans, other credit accommodation and guarantees to each of the bank's/quasi-bank's subsidiaries and affiliates shall not exceed 10.0% of the net worth of the lending bank/quasi-bank, provided that the unsecured portion of which shall not exceed 5.0% of such net worth. Further, the total outstanding loans, credit accommodations and guarantees to all subsidiaries and affiliates shall not exceed 20.0% of the net worth of the lending bank/quasi-bank; and the subsidiaries and affiliates of the lending bank/quasi-bank are not related interest of any director, officer and/or stockholder of the lending institution, except where such director, officer or stockholder sits in the board of directors or is appointed officer of such corporation as representative of the bank/quasi-bank. As of December 31, 2011 and 2010, the total outstanding loans, other credit accommodations and guarantees to each of the MBT's subsidiaries and affiliates did not exceed 10.0% of MBT's net worth, as reported to the BSP, and the unsecured portion did not exceed 5.0% of such net worth and the total outstanding loans, other credit accommodations and guarantees to all such subsidiaries and affiliates represent 8.6% and 9.46%, respectively, of MBT's net worth.

On May 12, 2009, BSP issued Circular No. 654 allowing a separate individual limit to loans of banks/quasi-banks to their subsidiaries and affiliates engaged in energy and power generation, i.e., a separate individual limit of 25.0% of the net worth of the lending bank/quasi-bank: provided, that the unsecured portion thereof shall not exceed 12.50% of such net worth: provided further, that these subsidiaries and affiliates are not related interests of any of the director, officer and/or stockholder of the lending bank/quasi-bank; except where such director, officer or stockholder sits in the BOD or is appointed officer of such corporation as representative of the bank/quasi-bank. As of December 31, 2011 and 2010, the total outstanding loans, other credit accommodations and guarantees to each of MBT's subsidiaries and affiliates engaged in energy and power generation did not exceed 25.0% of MBT's net worth, as reported to the BSP, and the unsecured portion did not exceed 12.5% of such net worth.

Total interest income on the DOSRI loans in 2011, 2010 and 2009 amounted to Php593.5 million, Php 652.7 million and Php738.6 million, respectively, for the MBT Group and Php 528.8 million, Php511.1 million and Php546.7 million, respectively, for MBT.

Other significant related party transactions of the MBT are discussed in Note 27 to the MBT Group's audited financial statements as of December 31, 2010 and 2011 and for the years ended December 31, 2009, 2010 and 2011. Transactions with subsidiaries have been eliminated in the consolidated financial statements.

Bancassurance

MBT and AXA engage in bancassurance activities whereby AXA personnel market life insurance products to MBT's clients. This bancassurance relationship was memorialized in a Service Level Agreement dated January 25, 2012. This agreement sets out the scope of the relationship between the parties as well as the various responsibilities of both MBT and AXA. The agreement terminates on the date when MBT ceases to be a shareholder of AXA, unless otherwise rendered illegal, preterminated or extended by the parties in writing. AXA pays referral fees for bank and bank staff referrals determined at various rates based on the collected premiums. Referral fees recognized as commission expense amounted to P128.3 million in 2011. The outstanding balance included in commissions payable amounted to Php19.5 million in 2011.

FED LAND'S RELATED PARTY TRANSACTIONS

Joint Development Agreements with MBT

Fed Land entered into joint development agreements with MBT for the construction and development of The Capital Tower in Quezon City, The Oriental Place in Makati City and a multi-phased project in Taguig City. MBT contributed the land for the projects and Fed Land shall provide the necessary expertise and resources for the construction and development of the projects.

Sale and Purchase Agreement with AXA

Fed Land entered into a Contract to Sell with AXA for the purchase of two office units in the Skyland Plaza Building, Makati City. Of the total selling price of Php15.1 million, exclusive of interest, Fed Land has paid Php4.5 million representing 30% downpayment. Php6.0 million representing 40% of the selling price shall be payable over sixty equal and successive monthly installments, starting from the date of the contract to sell, and the remaining 30% in the amount of Php4.5 million shall be paid in lump sum at the end of sixty months. The installments constituting 70% of the selling price shall be charged interest at the rate of 8% per annum, payable at the same time as the principal.

Acquisition of Property

On December 14, 2010, certain condominium units in GT Tower International were purchased from Philippine Securities Corporation, a related party for a consideration amounting to Php101.6 million.

Lease Agreements

Fed Land is leasing its office spaces located at the 2nd Floor of GT Tower International and its showroom at the 3rd Floor of Tytana Plaza in Binondo, Manila from MBT. Fed Land is leasing two commercial units from MBT located at the Oriental Garden Makati.

Fed Land is leasing out a portion of the 15th Floor of Philippine AXA Life Centre, including four parking slots, to AXA while Fed Land is leasing out the 45th Floor of GT Tower International to FMIC.

Financing Agreements

Fed Land entered into various financing agreements with FMIC and MBT.

In 2011, Fed Land also obtained both partially secured and fully secured peso-denominated loans with an aggregate amount of Php2,000.00 million from MBT with interest at the prevailing market rate ranging from 7.0981% with spread of 85-100 basis points payable in a lump sum after five years. As of December 31, 2011, the outstanding balance amounted to Php2,000.0 million.

Interest expense recognized in 2011 amounted to Php443.5 million.

On April 13, 2011, Fed Land invested long-term cash investments with a local bank to collateralize a loan obtained by an affiliate amounting to Php2,440.0 million. Fed Land recognized interest income from assigned long term cash investment amounting to Php40.1 million.

Other Related Party Transactions

As of December 31, 2011, Fed Land entered into contracts with its related parties consisting mainly of joint venture agreements for the development of property, cash advances and reimbursement of expenses and management agreements, among others.

The amount due from related parties stood at Php938.9 million in 2011 and the amount due to related parties stood at Php403.6 million. These consist mostly of operational advances, which are non-interest bearing and due and demandable. Fed Land also derived income from management fees in 2011 amounting to Php36.8 million from the joint venture with FLOC, a jointly controlled entity by Fed Land with Orix Risingsun.

GBP’S RELATED PARTY TRANSACTIONS

Lease Agreements

GBP has existing lease contracts with FMIC involving the staff housing located at 502B Skyland Plaza, Sen. Gil Puyat Avenue, Makati City and parking spaces. The lease is renewed annually. The monthly lease is Php25,000.

Other Related Party Transactions

The following are the other transactions of GBP with its affiliates and related parties as of December 31, 2011:

- GBP has cash and cash equivalent deposits with MBT amounting to Php4.9 billion. Interest earned from these deposits amounted to Php103.9 million.

- GBP made net advances to THC amounting to Php386.1 million. Interest earned amounted to Php9.4 million.

TMP'S RELATED PARTY TRANSACTIONS

Distributor Agreement with TMAP/Mitsui

TMP entered into a Distributor Agreement with TMC and Mitsui for the distribution of Toyota vehicles, and parts & components on December 1, 1988 in accordance with which purchases of raw materials, spare parts and vehicles for sale are made by TMP. Total purchases of raw materials, spare parts and vehicles amounted to Php21,587.9 million in 2011. Amounts payable arising from these purchases amounted to Php3,681.4 million in 2011.

Technical Assistance Agreement with TMC

TMP has an existing Technical Assistance Agreement with TMC for the manufacture of Toyota vehicles, and parts and components. In 2011, royalty and technical assistance fees incurred by TMP amounted to Php323.0 million, while the outstanding royalties payable to TMC amounted to Php245.8 million.

Export Agreement with TMAP

In 2011, TMP's exports of vehicle parts to TMAP amounted to P9.6 billion. The trade receivables from TMAP amounted to Php552.4 million as of December 31, 2011.

Loan Agreement with Toyota Autoparts, Inc.

On February 26, 1991, TMP obtained a five-year interest-bearing loan from Toyota Autoparts, Inc. with an outstanding balance of the amount Php78.6 million in 2011 with a fixed interest rate of 4.2% per annum. The loan agreement was renewed for three consecutive five-year terms or until February 26, 2016. Total interest paid on the loan amounted to Php3.3 million in 2011.

Other Related Party Transactions

The following are the other transactions with TMP's affiliates and related parties as of December 31, 2011:

- **Credit lines with MBT**
  TMP maintains several credit lines with MBT. No availments were made in 2011.

- **Savings and Current Accounts in MBT**
  In 2011, TMP's savings and current accounts and time deposits with MBT and PS Bank stood at Php181.5 million.

AXA'S RELATED PARTY TRANSACTIONS

Unit-Linked Fund Agreements

From 2003 to 2011, AXA entered into various agreements with MBT-Trust and Banking Group ("MBT-TBG") for the management and investment of separate variable account assets for its peso-denominated variable life insurance contracts (the "Funds"), namely 3GX-B20, Chinese Tycoon Fund, Spanish American Legacy Fund, 3GX-B17 Series 2, 3GX-B18, 3GX-B19, Opportunity Fund, 3GX-B16, 3GX-B19, Philippine Locked and Loaded Fund, Philippine Peso Liquidity Fund, Premium Bond Fund, Wealth Balanced Fund, Wealth Bond Fund, 3GX-B16 Series 2, Wealth Equity Fund, 3GX-B17, Capital Investment Fund and Philippine Armor Fund. Separate investment management accounts were opened in the name of MBT-TBG as agent on behalf of AXA as principal. All investments of the Funds, however, are in the name of AXA.

Service Level Agreements

In relation to the investment management and trust agreements above, AXA entered into various service level agreements with MBT-TBG.The parties entered into a Service Level Agreement for the management of variable life funds 3GX$-B19 in 2010, and for the management of 3GX-B16, 3GX-B19, and Opportunity Fund in 2009. These services include communications with Citibank Manila (the fund custodian), trade summary, monthly reporting quarterly fund review and marketing and promotion.

For the management of 3GX$-B19, 3GX-B19, 3GX-B16, 3GX-B16 Series 2, 3GX-B17, 3GX-B17 Series 2, 3GX-B18 and 3GX-B20, MBT-TBG shall be entitled to a Fund Management Fee of 0.10% of its Net Asset Value. For the management of Philippine Peso Liquidity Fund and Philippine Locked and Loaded Fund, MBT-TBG shall be entitled to a Fund Management Fee of 0.20% of its Net Asset Value. For the management of Premium Bond Fund, Capital Investment Fund, Wealth Bond Fund, Wealth Balanced Fund, Wealth Equity Fund, Opportunity Fund, Chinese Tycoon Fund and Spanish American Legacy Fund, MBT-TBG shall be entitled to a Fund Management Fee of 0.30% of its Net Asset Value.

In 2008, a Service Level Agreement was also entered into with MBT-TBG as a supplement to the Investment Management Agreement and Fund Administration Agreement for Philippine Peso Liquidity Fund (see above). MBT-TBG shall assist in the marketing and training functions of AXA and submit to AXA monthly reports and quarterly fund performance reports.

Derivative Transaction

In July 2009, AXA entered into a derivative transaction with MBT through the AXA Philippine Armor Fund. AXA exchanged Php223.6 million to buy U.S.$4.7 million at the conversion rate of Php48.07 to U.S.$1 and used the U.S. dollars to purchase U.S.$4.1 million par value Republic of the Philippines (ROP) bonds maturing on January 14, 2014. Upon maturity, the ROP bonds plus the last coupon payment, both in U.S. Dollars, shall be exchanged for Philippine peso using the pre agreed forward rate of Php51.62. As of December 31, 2011, the market value of the bonds and the unrealized gain on the derivative asset amounted to Php136.2 million and Php20.6 million, respectively.

Corporate Guaranteed Credit Cards

On August 30, 2007, AXA entered into a Memorandum of Agreement with MCC. MCC shall issue corporate guaranteed credit cards to certain authorized employees of AXA. AXA shall bear complete liability for all the obligations incurred by its employee-cardholders arising from the use of the said credit cards and shall pay in full all purchases, fees and charges as shall be indicated in the statement of account to be sent by MCC.

Bills Collection Agreements

On May 26, 2005, AXA entered into three Bills Payment and Collection Agreements (BPCA) with MBT for bill payments from AXA’s clients who are depositors of MBT through delivery channels, online bills payment and auto-debit arrangements.

AXA is required to maintain a savings and/or current account at the MBT Skyland Plaza Branch for each of the agreements with an average daily balance of Php500,000.00. MBTC shall debit the main accounts for the total amount of fees due from AXA’s clients at the end of every reference month.

AXA also entered into a Memorandum of Agreement with MBT concerning the use of the internet-based electronic delivery channel MBTC direct to enable customers to perform online banking transactions.

Since 2005, AXA has maintained Bills Payment and Collection Agreements (BPCA) with MBT with MBT for bill payments from AXA’s clients who are depositors of MBT through delivery channels, online bills payment and auto-debit arrangements. In 2011, AXA amended its BPCA with MBT. Under the amended agreement, MBT will accept bill payments from AXA's clients through the extensive branch banking system and the use of various delivery channels such as the over-the-counter payment, Metrobank ET, Metrophone, Mobile and Metrobankdirect Banking Facilities.

In consideration of the foregoing, AXA shall maintain an aggregate Average Daily Balance of at least Php100 million per month for both Peso and Dollar BPCA MOA. MBT may cancel agreement if AXA fails to comply with this requirement for at least three consecutive months.

Retirement Plan Trust Agreement

In 2008, AXA amended its trust agreement with MBT for its retirement plan. AXA's assets constituting the retirement fund amounted to Php59.7 million as of December 31, 2011.

Lease Agreements

AXA leases commercial floor spaces in the Philippine AXA Life Centre from PSBank, a subsidiary of MBT, for the use of AXA's Head Office. The lease has a term of five years commencing from April 2, 2008. Monthly rental fee escalates yearly, from Php1.4 million in the first year to Php1.9 million in the fifth year.

AXA also entered into lease agreements with MBT for its Cebu Regional Office, Cebu Business Park Office and Davao Branch. These agreements had an initial term of three years. In 2011, MBT renewed its lease agreement with AXA for another three years effective January 1, 2011 to December 31, 2013. The monthly rent for the leased premises shall be Php58,685, exclusive of applicable taxes, for 2011. The monthly rent for the succeeding years shall be increased yearly to the prevailing rate for similar leased premises based on an independent study made by a reputable appraiser exclusively chosen by AXA, but in no case shall the increase be lower than 5% and higher than 10% of the previous year's rental.

On the other hand, AXA also leases out its own property. In January 2011, AXA leased to MBT Unit GF-106 of Skyland Plaza located at Sen. Gil Puyat Ave., Makati. The lease shall end in December 2012.

Other Related Party Transactions

As of December 31, 2011, AXA also has other transactions with its affiliates:

- AXA maintains savings and current accounts and short-term deposits with MBT amounting to Php377.2 million.

- AXA also maintains savings and current accounts and short-term deposits with PSBank in the total amount of Php1,198.1 million.

- AXA transacted with affiliates such as MBT, PSBank, Metrohome Financing Program, Toyota Motor AP, MBTC Provident Plan, MCC, MBT-Security Guards, ORIX Metro Leasing, First Metro Investment Corporation, Philippine Charter Insurance Corporation, Fed Land and Metro Invest Plus concerning availments of group policies.

DESCRIPTION OF DEBT

As of September 30, 2012, GT Capital and its subsidiaries have a total of Php43.9 billion in long-term debt outstanding (net of the current portion of long-term debt). GT Capital and subsidiaries' current portion of long-term debt was approximately Php2.7 billion as at September 30, 2012.

GT Capital and its subsidiaries' outstanding bank loans aggregated to Php46.6 billion as of September 30, 2012.

The Company and its subsidiaries are subject to covenants under agreements evidencing or governing its outstanding indebtedness, including but not limited to those set forth in loan agreements with local banks and financial institutions. Under these loans, the Company shall not permit its Debt-to-equity ratio to exceed 2.3:1at all times. As of September 30, 2012, Debt-to-equity ratio was 0.86x.

The Company does not believe that these covenants will impose constraints on its ability to finance capital expenditure program or, more generally, to develop its business and enhance its financial performance. The Company is in full compliance with the covenants required by its creditors.

PHILIPPINE TAXATION

The following is a discussion of the material Philippine tax consequences of the acquisition, ownership and disposition of the Bonds. This general description does not purport to be a comprehensive description of the Philippine tax aspects of the Bonds and no information is provided regarding the tax aspects of acquiring, owning, holding or disposing of the Bonds under applicable tax laws of other applicable jurisdictions and the specific Philippine tax consequence in light of particular situations of acquiring, owning, holding and disposing of the Bonds in such other jurisdictions. This discussion is based upon laws, regulations, rulings, and income tax conventions (treaties) in effect at the date of this Prospectus.

The tax treatment of a holder of Bonds may vary depending upon such holder's particular situation, and certain holders may be subject to special rules not discussed below. This summary does not purport to address all tax aspects that may be important to a Bondholder.

PROSPECTIVE PURCHASERS OF THE BONDS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES OF THE OWNERSHIP AND DISPOSITION OF A BOND, INCLUDING THE APPLICABILITY AND EFFECT OF ANY LOCAL OR FOREIGN TAX LAWS.

As used in this section, the term "resident alien" refers to an individual whose residence is within the Philippines and who is not a citizen thereof; a "non-resident alien" is an individual whose residence is not within the Philippines and who is not a citizen of the Philippines. A non-resident alien who is actually within the Philippines for an aggregate period of more than 180 days during any calendar year is considered a "non-resident alien doing business in the Philippines," otherwise, such non-resident alien who is actually within the Philippines for an aggregate period of 180 days or less during any calendar year is considered a "non-resident alien not doing business in the Philippines." A "resident foreign corporation" is a non-Philippine corporation engaged in trade or business within the Philippines; and a "non-resident foreign corporation" is a non-Philippine corporation not engaged in trade or business within the Philippines.

TAXATION OF INTEREST

The Tax Code provides that interest-bearing obligations of Philippine residents are Philippine-sourced income subject to Philippine income tax. Interest income derived by Philippine resident individuals from the Bonds is thus subject to income tax, which is withheld at source, at the rate of 20%. Generally, interest on the Bonds received by non-resident foreign individuals engaged in trade or business in the Philippines is subject to a 20% withholding tax while that received by non-resident foreign individuals not engaged in trade or business is taxed at the rate of 25%. Interest income received by domestic corporations and resident foreign corporations is taxed at the rate of 20%. Interest income received by non-resident foreign corporations is subject to a 30% final withholding tax. The tax withheld constitutes a final settlement of Philippine income tax liability with respect to such interest.

The foregoing rates are subject to further reduction by any applicable tax treaties in force between the Philippines and the country of residence of the non-resident owner. Most tax treaties to which the Philippines is a party generally provide for a reduced tax rate of 15% in cases where the interest arises in the Philippines and is paid to a resident of the other contracting state. However, most tax treaties also provide that reduced withholding tax rates shall not apply if the recipient of the interest, who is a resident of the other contracting state, carries on business in the Philippines through a permanent establishment and the holding of the relevant interest-bearing instrument is effectively connected with such permanent establishment.

TAX-EXEMPT STATUS

Bondholders who are exempt from or are not subject to final withholding tax on interest income may claim such exemption by submitting the necessary documents. Said Bondholder shall submit the following requirements to the Registrar, or to the Issue Manager and Underwriter (together with their completed Application to Purchase) who shall then forward the same to the Registrar: (i) certified true copy of the tax exemption certificate issued by the Bureau of Internal Revenue; (ii) a duly notarized undertaking, in prescribed form, declaring and warranting its tax-exempt status, undertaking to immediately notify GT Capital of any suspension or revocation of the tax exemption certificate and agreeing to indemnify and hold GT Capital free and harmless against any claims, actions, suits, and liabilities resulting from the non-withholding of the required tax; and (iii) such other documentary requirements as may be required under the applicable regulations of the relevant taxing or other authorities; provided further that, all sums payable by GT Capital to tax-exempt entities shall be paid in full without deductions for Taxes, duties, assessments, or government charges, subject to the submission by the Bondholder claiming the benefit of any exemption or reasonable evidence of such exemption to the Registrar.

Bondholders may transfer their Bonds at anytime, regardless of tax status of the transferor vis-à-vis the transferee. Should a transfer between Bondholders of different tax status occur on a day which is not an Interest Payment Date, tax exempt entities trading with non-tax exempt entities shall be treated as non-tax exempt entities for the interest period within which such transfer occurred. Transfers taking place in the Register of Bondholders after the Bonds are listed on PDEx shall be allowed between non tax exempt and tax-exempt entities without restriction and observing the tax exemption of tax exempt entities, if and/or when so allowed under and in accordance with the relevant rules, conventions and guidelines of PDEx and PDTC.

A Bondholder claiming tax-exempt status is required to submit a written notification of the sale or purchase to the Trustee and the Registrar, including the tax status of the transferor or transferee, as appropriate, together with the supporting documents specified under the Section entitled *"Payment of Additional Amounts; Taxation,"* within three days of such transfer.

VALUE-ADDED TAX

Gross receipts arising from the sale of the Bonds in the Philippines by Philippine-registered dealers in securities and lending investors shall be subject to a 12% value-added tax. The term "gross receipt" means gross selling price less cost of the securities sold.

GROSS RECEIPTS TAX

Bank and non-bank financial intermediaries are subject to gross receipts tax on gross receipts derived from sources within the Philippines in accordance with the following schedule:
On interest, commissions and discounts from lending activities as well as income from financial leasing, on the basis of remaining maturities of instruments from which such receipts are derived:

Maturity period is five years or less	5%
Maturity period is more than five years	1%

In case the maturity period referred above is shortened through pre-termination, then the maturity period shall be reckoned to end as of the date of pre-termination for purposes of classifying the transaction and the correct rate shall be applied accordingly.

Net trading gains realized within the taxable year on the sale or disposition of the Bonds shall be taxed at 7%.

DOCUMENTARY STAMP TAX

A documentary stamp tax is imposed upon the issuance of debentures and certificates of indebtedness issued by Philippine companies, such as the Bonds, at the rate of Php1.00 for each Php200, or fractional part thereof, of the offer price of such debt instruments; provided that, for debt instruments with terms of less than one year, the documentary stamp tax to be collected shall be of a proportional amount in accordance with the ratio of its term in number of days to 365 days.

The documentary stamp tax is collectible wherever the document is made, signed, issued, accepted, or transferred, when the obligation or right arises from Philippine sources, or the property is situated in the Philippines. Any applicable documentary stamp taxes on the original issue shall be paid by GT Capital for its own account.

No documentary stamp tax is imposed on the subsequent sale or disposition of the Bonds.

TAXATION ON SALE OR OTHER DISPOSITION OF THE BONDS

Income Tax

The holder of the Bonds will recognize gain or loss upon the sale or other disposition (including a redemption at maturity) of the Bonds in an amount equal to the difference between the amount realized from such disposition and such holder's basis in the Bonds. Such gain or loss is likely to be deemed a capital gain or loss assuming that the holder has held Bonds as capital assets.

Under the Tax Code, any gain realized from the sale, exchange or retirement of securities, debentures and other certificates of indebtedness with an original maturity date of more than five years (as measured from the date of issuance of such securities, debentures or other certificates of indebtedness) shall not be subject to income tax. Therefore, any gains realized by a holder on the trading of Bonds shall be exempt from income tax.
In case of an individual taxpayer, only 50% of the capital gain or loss is recognized upon the sale or exchange of a capital asset if it has been held for more than 12 months.

Any gains realized by non-residents on the sale of the Bonds may be exempt from Philippine income tax under an applicable tax treaty or if they are sold outside the Philippines.

Estate and Donor's Tax

The transfer by a deceased person, whether a Philippine resident or non-Philippine resident, to his heirs of the Bonds shall be subject to an estate tax which is levied on the net estate of the deceased at progressive rates ranging from 5% to 20%, if the net estate is over Php200,000. A Bondholder shall be subject to donor's tax on the transfer of the Bonds by gift at either (i) 30%, where the donee or beneficiary is a stranger, or (ii) at progressive rates ranging from 2% to 15% if the net gifts made during the calendar year exceed Php100,000 and where the donee or beneficiary is other than a stranger. For this purpose, a "stranger" is a person who is not a: (a) brother, sister (whether by whole or half-blood), spouse, ancestor and lineal descendant; or (b) relative by consanguinity in the collateral line within the fourth degree of relationship.

The estate tax and the donor's tax, in respect of the Bonds, shall not be collected (a) if the deceased, at the time of death, or the donor, at the time of the donation, was a citizen and resident of a foreign country which, at the time of his death or donation, did not impose a transfer tax of any character in respect of intangible personal property of citizens of the Philippines not residing in that foreign country; or (b) if the laws of the foreign country of which the deceased or donor was a citizen and resident, at the time of his death or donation, allows a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in the foreign country.

FINANCIAL INFORMATION

The following pages set forth GT Capital's audited consolidated financial statements as of 31 December 2011 and 2010 and for the years ended 31 December 2011, 2010 & 2009. The following pages also contain the SEC 17-Q that include the unaudited interim consolidated financial statements as of September 30, 2012 and for the nine-month period ending September 30, 2012 and 2011 submitted to the Securities and Exchange Commission.

COVER SHEET

C S 2 0 0 7 1 1 7 9 2

S.E.C. Registration Number

G T C A P I T A L H O L D I N G S , I N C .

(Company's Full Name)

G T T O W E R I N T E R N A T I O N A L , A Y A L A

A V E N U E C O R N E R H . V . D E L A C O S T A

S T R E E T , M A K A T I C I T Y

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

FH Suarez, Jr. / RP Manon-og

Contact Person

836-4500

Company Telephone Number

1 2	3 1	**Third Quarter Report**	Second Monday of May of each year
Month	Day	FORM/TYPE	Month Day
Fiscal Year			Annual Meeting

N A

Secondary License Type, If Applicable

SEC General Accountant &

C F D

Dept. Requiring this Doc.

N A

Amended Articles Number/Section

As of 9.30.12
37

Total No. of Stockholders

Total Amount of Borrowings)

Domestic

Foreign

To be accomplished by SEC Personnel concerned.

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. Use black ink for scanning

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)

836-4500

(Telephone Number)

December 31

(Fiscal year ending)

17-Q

(Form Type)

(Amendment Designation, if applicable)

September 30, 2012

(Period Ended Date)

None

(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended: **September 30, 2012**

2. Commission identification number: **CS200711792**

3. BIR Tax Identification No.: **006-806-867**

4. Exact name of issuer 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 issuer's principal office: **43/F GT Tower International, Ayala Avenue corner H.V. de la Costa Street, Makati City Postal Code: 1227**

8. Issuer's telephone number, including area code: **632 836-4500; Fax No: 632 836-4159**

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

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

Title of Each Class	Number of Shares of Outstanding Common Stock	Amount of Debt (Unpaid Subscriptions)
Common Stock -Php10.00 par value	**158,000,000 shares**	**None**

11. Are any or all of the securities listed on a Stock Exchange? Yes [x] No [ ]

Note: The Company was listed on the Philippine Stock Exchange on April 20, 2012.

12. Indicate by check mark whether the registrant:

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

Yes [**X**] No [ ]

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

Yes [x] No [ ]

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

Please see attached the Interim Condensed Consolidated Financial Statements and General Notes to Interim Condensed Consolidated Financial Statements (Refer to Annex "A"), Financial Soundness Indicators (Refer to Annex "B"), and the Quarterly Progress Report on the Application of Proceeds from the Initial Public Offering (Annex "C").

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

Consolidated Results of Operations-For the Nine Months Ending September 30, 2012 and For the Nine Months Ending September 30, 2011

	Unaudited Nine Months Ended September		Increase (Decrease)	
(In millions, except for percentage)	**2012**	**2011**	**Amount**	**Percentage**
REVENUE				
Equity in net income of associates - net	3,595	2,840	755	27%
Net fees	8,378	–	8,378	100%
Real estate sales	1,624	1,171	453	39%
Interest income on real estate sales	212	145	67	46%
Sale of goods and services	541	562	(21)	(4%)
Commission income	103	86	17	20%
Rent income	165	179	(14)	(8%)
Finance and other income	2,086	387	1,699	439%
	16,704	**5,370**	**11,334**	**211%**
COSTS AND EXPENSES				
Cost of real estate sales	1,023	790	233	30%
Cost of goods and services	475	495	(20)	(4%)
Power plant operation and maintenance	4,729	–	4,729	100%
General and administrative expenses	1,495	694	801	115%
Interest expense	1,987	684	1,303	190%
	9,709	**2,663**	**7,046**	**265%**
INCOME BEFORE INCOME TAX	6,995	2,707	4,288	158%
PROVISION FOR INCOME TAX	132	64	68	106%
NET INCOME	**6,863**	**2,643**	**4,220**	**160%**
Attributable to:				
Equity holders of the GT Capital Holdings, Inc.	5,330	2,569	2,761	107%
Non-controlling interest	1,533	74	1,459	1,972%
	6,863	2,643	4,220	160%

GT Capital Holdings, Inc. (“GT Capital” or the “Company”) reported a consolidated net income attributable to shareholders of Php5.3 billion for the first nine months ending September 30, 2012, representing a 107% growth from the Php2.6 billion registered in the same period last year. The increase in net income was principally due to the 211% improvement in total revenue to Php16.7 billion from Php5.4 billion.

The revenue growth largely came from the following sources: (1) consolidation of Global Business Power Corporation (“GBP”) as net fees amounted to Php8.4 billion accounting for 50% of total revenue; (2) higher equity in net income of associates; and (3) non-recurring income realized from Federal Land, Inc. (“FLI”) in the second quarter. As of September 30, 2012 , GT Capital’s direct equity holdings in GBP further increased from 39% to 51%.

Excluding FLI’s non-recurring income, core net income attributable to shareholders amounted to Php3.9 billion, representing a 51% increase from the same period of the previous year.

FLI and GBP are consolidated in the financial statements of the Company. The other component companies namely: Metropolitan Bank and Trust Company (“Metrobank”), Toyota Motor Philippines Corporation (“TMP”) and Philippine AXA Life Insurance Corporation (“AXA Philippines”) are reflected through equity accounting.

Of the five (5) component companies, only AXA Philippines exhibited stable net income growth in the first nine months of this year as the 230% surge in regular premium linked sales resulted in the corresponding front loading of legal policy reserves and commissions and bonuses expenses. These expenses, however, were offset with realized gains on sale of financial assets. The other component companies, on the other hand, exhibited double digit growth in net income.

Equity in net income of associates from GT Capital’s other component companies amounted to Php3.6 billion in the first nine months of 2012, 27% higher than the Php2.8 billion recorded in the first nine months of 2011.

Net fees from GBP comprising energy fees for the energy supplied by the generation companies contributed Php8.4 billion in revenues.

Real estate sales and interest income from real estate sales rose by 40% year-on-year to Php1.8 billion from Php1.3 billion primarily driven by sales contributions from ongoing high-end and middle market development projects situated in Pasay City, Escolta, Binondo, Makati and Marikina and the accumulation of interest income from unit buyers who availed of long term payment packages.

Commission income reached Php103 million up by 20% year-on-year from Php86 million chiefly due to commissions earned from the sale of residential condominium units by FLI’s marketing subsidiaries.

Rent income declined by 8% to Php165 million from Php179 million as the increase in occupancy levels and rental rates in the Blue Wave malls was offset by the conversion of rent generating properties into property development projects.

Finance and other income grew 5x to Php2.1 billion from Php387 million as FLI realized a Php1.4 billion non-recurring revaluation gain in the second quarter arising from the conversion of a wholly-owned subsidiary into a joint venture corporation. Excluding this, FLI’s finance and other income grew by 65% to Php638 million from Php387 million coming from reimbursement of interest expenses from option money granted to affiliates arising from land purchases and interest income from money market placements.

Consolidated costs and expenses grew by 265% to Php9.7 billion as of the first nine months of 2012 from Php2.7 billion in the same period of the previous year. GBP contributed Php6.5 billion of costs and expenses comprising power plant operations and maintenance, general and administrative expenses, and interest expenses. FLI contributed Php2.6 billion consisting of cost of real estate sales, cost of goods sold, general and administrative expenses, and interest expenses. GT Capital Parent Company accounted for the balance of Php635 million, a major portion of which were interest expenses.

Cost of real estate sales increased by 30% to Php1 billion from Php790 million due to the increase in real estate sales.

Power plant operations and maintenance expenses from GBP reached Php4.7 billion for the period in review.

General and administrative expenses rose by 115% to Php1.5 billion from Php694 million largely from FLI and GBP amounting to Php812 million and Php499 million, respectively. The balance of Php183 million came from GT Capital Parent Company of which Php109 million were IPO-related expenses.

Interest expenses grew by190% to Php2.0 billion from Php684 million with GBP and GT Capital contributing Php1.2 billion and Php452 million. The balance of Php305 million originated from FLI.

Provision for income tax rose by 106% to Php132 million from Php64 million in the same period last year with FLI, GBP and GT Capital contributing Php69 million, Php48 million and Php15 million, respectively.

Consolidated net income attributable to shareholders rose by 107% to Php5.3 billion for the first nine months of 2012 as compared to Php2.6 billion in the same period last year.

Equity in net unrealized losses on available-for-sale financial assets of associates amounted to Php553 million. This loss arose principally from mark-to-market losses incurred on available-for-sale financial assets. Equity in translation adjustments of associates, likewise, recorded a loss of Php195 million. As a result, other comprehensive income resulted into an aggregate net loss of Php746 million.

GT Capital Consolidated Results of Operations
Third Quarter ended September 30, 2012 versus Third Quarter ended September 30, 2011

	Unaudited			
	July to September		**Increase (Decrease)**	
(In millions, except for percentage)	**2012**	**2011**	**Amount**	**Percentage**
REVENUE				
Equity in net income of associates - net	1,039	936	103	11%
Net fees	4,600	–	4,600	100%
Real estate sales	518	423	95	22%
Interest income on real estate sales	95	63	32	51%
Sale of goods and services	165	191	(26)	(14%)
Commission income	42	28	14	50%
Rent income	53	74	(21)	(28%)
Finance and other income	226	192	34	18%
	6,738	**1,907**	**4,831**	**253%**
COSTS AND EXPENSES				
Cost of real estate sales	347	299	48	16%
Cost of goods and services	144	169	(25)	(15%)
Power plant operation and maintenance	2,602	–	2,602	100%
General and administrative expenses	600	222	378	170%
Interest expense	932	278	654	235%
	4,625	**968**	**3,657**	**378%**
INCOME BEFORE INCOME TAX	**2,113**	**939**	**1,174**	**125%**
PROVISION FOR INCOME TAX	45	43	2	4%
NET INCOME	**2,068**	**896**	**1,172**	**131%**
Attributable to:				
Equity holders of the GT Capital Holdings, Inc.	**1,313**	**868**	**445**	**51%**
Non-controlling interest	755	28	727	2,596%
	2,068	**896**	**1,172**	**131%**

Consolidated net income attributable to equity holders of GT Capital grew by 51% to Php1.3 billion for the third quarter ended September 30, 2012 from Php868 million in the same period of the previous year. The net income improvement came from the 253% increase in total revenue to Php6.7 billion from Php1.9 billion.

Equity in net income of associates from GT Capital's other component companies recorded a 11% increase to Php1.0 billion from Php936 million due to the improvement in the net income of the Company's associates namely Metrobank, TMP and AXA Philippines.

Net fees representing energy fees for the energy and services supplied by the generation subsidiaries contributed Php4.6 billion in revenues accounting for 68% of total revenues. As of end-September, GT Capital's direct equity holdings in GBP further increased from 39% to 51%.

Real estate sales and interest income on real estate sales rose by 26% quarter-on-quarter to Php613 million from Php486 million primarily driven by revenue contributions from ongoing high-end and middle market developments and the accumulation of interest income from unit buyers who availed of long term payment packages.

Sales of goods and services consisting of the sale of petroleum products, on a wholesale and retail basis, dropped by 14% to Php165 million from Php191 million due to lower fuel sales arising from successive price rollbacks implemented in the quarter.

Commission income rose by 50% to Php42 million from Php28 million due to higher commissions earned from the selling of residential condominium units from the 29 ongoing real estate development projects of FLI.

Rent income from the Blue Wave malls and the commercial portion of the Florida Sun Estate in General Trias, Cavite and other FLI projects decreased by 28% to Php53 million from Php74 million due to the conversion of rent-generating properties into property development projects.

Finance and other income increased by 18% to Php226 million from Php192 million due to the increase in interest income on short-term placements.

Consolidated costs and expenses grew more than 4.8x to Php4.6 billion from Php968 million in the same period of the previous year. GBP accounted for Php3.6 billion comprising power plant operations, maintenance and general and administrative expenses and interest expenses. FLI contributed Php846 million coming from cost of real estate sales, cost of goods and services, general and administrative expenses and interest expenses. GT Capital accounted for the balance of Php144 million a bulk of which were interest expenses.

Cost of real estate sales increased by 16% to Php347 million from Php299 million due to an increase in real estate sales.

Power plant operations and maintenance expenses from GBP reached Php2.6 billion for the period in review.

Cost of goods and services decreased by 15% to Php144 million from Php169 million chiefly due to a reduction in fuel costs coming from a series of fuel price rollbacks implemented for the period.

General and administrative expenses increased by 170% to Php600 million from Php222 million with GBP and FLI contributing Php301 million and Php280 million, respectively.

Interest expenses grew by 235% to Php932 million from Php278 million with GBP, GT Capital and FLI contributing Php731 million, Php125 million and Php76 million, respectively.

Provision for income tax reached Php45 million subdivided among GBP, (Php18 million); FLI, (Php24 million); and GT Capital, (Php3 million).

Equity in net unrealized gains on available-for-sale of associates amounted to Php204 million. This gain arose principally from unrealized mark-to-market gains on fair values of available-for-sale financial assets. Equity in translation adjustments of associates, however, recorded a loss of Php30 million. As a result, other comprehensive income registered an aggregate net gain of Php174 million.

Consolidated Balance Sheet (In Millions, except for Percentage)	Unaudited September 2012	Audited December 2011	Increase (Decrease) Amount	Increase (Decrease) Percentage
ASSETS				
Current Assets				
Cash and cash equivalents	**11,761**	454	11,307	2,490%
Receivables	**6,895**	4,864	2,031	42%
Inventories	**9,747**	11,338	(1,591)	(14%)
Due from related parties	**1,063**	939	124	13%
Prepayments and other current assets	**3,405**	975	2,430	249%
Total Current Assets	**32,871**	**18,570**	**14,301**	77%
Noncurrent Assets				
Noncurrent receivables	**3,978**	1,115	2,863	257%
Long term investment	–	2,440	(2,440)	(100%)
Deposits	**3,085**	4,085	(1,000)	(24%)
Investments and advances	**39,721**	38,113	1,608	4%
Investment properties	**5,086**	5,228	(142)	(3%)
Property and equipment	**36,850**	396	36,454	9,206%
Deferred tax assets	**163**	4	159	3,975%
Other noncurrent assets	**1,214**	112	1,102	984%
Total Noncurrent Assets	**90,097**	**51,493**	**38,604**	75%
	122,968	**70,063**	**52,905**	76%
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts and other payables	**5,740**	4,573	1,167	26%
Short term loans payable	**2,707**	7,649	(4,942)	(65%)
Customers' deposits	**417**	458	(41)	(9%)
Due to related parties	**380**	403	(23)	(6%)
Income tax payable	**38**	–	38	100%
Other current liabilities	**2,420**	58	2,362	4,072%
Total Current Liabilities	**11,702**	13,141	(1,439)	(11%)
Noncurrent Liabilities				
Pension liabilities	**151**	28	123	439%
Loans payable - non-current portion	**43,931**	19,600	24,331	124%
Deferred tax liabilities	**353**	81	272	336%
Other noncurrent liabilities	**704**	63	641	1,017%
Total Noncurrent Liabilities	**45,139**	19,772	25,367	128%
	56,841	32,913	23,928	73%
Equity				
Equity attributable to equity holders of GT Capital				
Capital Stock	**1,580**	1,250	330	26%
Additional paid-in capital	**36,694**	23,072	13,622	59%
Retained earnings	**12,631**	7,802	4,829	62%
Other equity adjustments	**(607)**	–	(607)	(100%)
Other Comprehensive income	**2,059**	2,805	(746)	(27%)
	52,357	34,929	17,428	50%
Non-controlling interest	**13,770**	2,221	11,549	520%
Total equity	**66,127**	37,150	28,977	78%
	122,968	70,063	52,905	76%

The major changes in the balance sheet items of the Company from December 31, 2011 to September 30, 2012 are as follows:

Total assets of the Group significantly increased by 76% or Php53 billion from Php70.1 billion as of December 31, 2011 to Php123 billion as of September 30, 2012 as GBP was consolidated. Total liabilities increased by 73% or Php23.9 billion from Php32.9 billion to Php58.8 billion while total equity rose by 78% or Php28.9 billion from Php37.2 billion to Php66.1 billion.

Cash and cash equivalents increased by Php11.3 billion reaching Php11.8 billion with GBP, FLI and the Company accounting for Php10.3 billion, Php1.4 billion and Php38 million, respectively. The reduction in the Company's cash level was chiefly due to the full utilization of the IPO proceeds for its intended application.

Receivables increased by 42% to Php6.9 billion from Php4.9 billion with GBP accounting for Php4.6 billion representing outstanding billings for energy fees and passed through fuel costs arising from the delivery of electricity while the balance of Php2.3 billion came from FLI a majority of which were installment contract receivables, advances to contractors and suppliers and trade receivables.

Inventories declined by 14% or Php1.6 billion to Php9.7 billion from Php11.3 billion. The decrease came from the change in accounting treatment of FLI's investment in a subsidiary to investment in a joint venture.

Due from related parties increased by 13% or Php124 million to Php1.1 billion as the reclassification of input VAT from non-current assets in GBP offset collections received from various FLI subsidiaries.

Prepayments and other current assets increased 3.5x to Php3.4 billion mainly from GBP with Php2.4 billion and from FLI with Php1.0 billion.

Noncurrent receivables from various electric cooperatives of GBP (Php1.1 billion) and FLI unit buyers who opted for long term payment packages for equity build up (Php2.9 billion) rose by 257% or from Php1.1 billion to Php4.0 billion.

The long term cash investment of FLI amounting to Php2.4 billion was terminated and used to fully settle FLI's short term loans.

Deposit for purchase of land representing option money declined by 24% or Php1.0 billion to Php3.1 billion as FLI opted to purchase the property from a third party.

Property and Equipment grew 93x to Php36.9 billion from Php396 million with the inclusion of the power generation assets of GBP.

Deferred tax assets coming from GBP reached Php163 million representing provision for retirement benefits and unrealized foreign exchange losses.

Other noncurrent assets from GBP amounted to Php1.2 billion representing accumulated deferred input tax on capitalized assets.

Accounts payable increased by 26% or Php1.2 billion to Php5.7 billion with FLI, GBP and the Company accounting for Php3.5 billion, Php1.6 billion and Php556 million, respectively.

Short term loans payable decreased by 65% or Php4.9 billion to Php2.7 billion as FLI and GT Capital partially paid its short term loans.

Customer deposits from FLI clients declined by 9% or Php41 million to Php417 million as the increase in reservation payments from unit buyers was offset by higher booked sales.

Income tax payable from FLI and GBP increased by 100% to Php38 million.

Other current liabilities amounted to Php2.4 billion representing uncollected output VAT from energy sales generated from the bilateral customers of GBP.

Pension liabilities increased by Php123 million to Php151 million with the inclusion of GBP.

Long term debt grew by 124% or Php24.3 billion to Php43.9 billion as the Php28.5 billion outstanding project loans of GBP were included which offset the Php4 billion loan prepayment of GT Capital.

Deferred tax liabilities reached Php353 million with GBP and FLI accounting for Php254 million and Php99 million, respectively.

Other noncurrent liabilities reached Php704 million largely from due to holders of non-controlling interest and decommissioning liability accounts aggregating to Php639 million from GBP.

Capital stock increased by 26% or Php330 million to Php1.6 billion representing the new primary shares issued from the IPO of the Company.

Additional paid in capital increased by 59% or Php13.6 billion representing the IPO proceeds received, net of direct offer expenses.

Retained earnings increased by 62% or Php4.8 billion principally due to the consolidated net income realized by the Company in the first nine months of the year, net of Php501 million cash dividends declared by GT Capital Parent Company.

Equity adjustment reached Php606 million representing the excess of the consideration paid by GT Capital to: (1) acquire the 20% non-controlling interests of FLI (Php513 million); and (2) acquire the 12% non-controlling interest of GBP (Php93 million).

Other comprehensive income declined by 27% or Php746 million to Php2.1 billion due to mark-to-market losses incurred on available-for-sale financial assets.

Equity before non-controlling interests grew by 50% or Php17.4 billion to Php52.4 billion with GT Capital accounting for Php14 billion of the increase coming from the increase in capital stock, additional paid in capital and the net income realized for the period.

Non-controlling interests increased by Php11.5 billion to Php13.8 billion representing the setup of the non-controlling interests in GBP offset by the reversal of the non-controlling interests in FLI.

Key Performance Indicators (In Million Pesos, except %)

Income Statement	**September 30, 2012**	**September 30, 2011**
Total Revenues	16,704	5,370
Net Income attributable to GT Capital Holdings	5,330	2,569
Balance Sheet	**September 30, 2012**	**December 31, 2011**
Total Assets	122,968	70,063
Total Liabilities	58,841	32,913
Equity attributable to GT Capital Holdings	52,357	34,929
Return on Equity (%) *	15.2	10.3

- Annualized net income attributable to GT Capital Holdings divided by the average equity; where average equity is the sum of equity attributable to GT Capital Holdings at the beginning and end of the period/year divided by 2.

Component Companies Financial Performance

Metrobank

Metrobank registered 15% growth in consolidated net income attributable to shareholders of Php10.2 billion for the first nine months of this year from Php8.9 billion realized in the same period last year due to the 12% improvement in non-interest income to Php18 billion from Php16 billion and 7% increase in net interest income to Php22 billion from Php23 billion. The growth in non-interest income was driven by fee based income, higher net income contributions from associates and strong treasury and investment activities, and income from trust operations.

FLI

FLI recorded total revenue of Php4.6 billion in the first nine months of this year, up by 76% from Php2.6 billion in the first nine months of last year. The revenue improvement came from real estate sales which increased by Php520 million and the Php1.4 billon non-recurring income which was realized in the second quarter. The non-recurring income is a revaluation gain from the conversion of a wholly-owned subsidiary of FLI into a joint venture corporation. The improvement in real estate sales was driven by increased booked sales from ongoing high-end and middle market development projects. Excluding other income, core revenues increased by 20% to Php3.1 billion. As a result of the increase in total revenue, net income attributable to equity holders increased by 474% from Php329 million to Php1.9 billion. Meanwhile, core net income grew by 34% from Php329 million to Php439 million.

GBPC

GBP's net income almost doubled from Php1.1 billion in the first nine months of 2011 to Php2.1 billion in the first nine months of 2012 as net fees grew by 25% from Php12 billion to Php15 billion chiefly due to the full year commercial operations of GBP's Cebu and Panay coal-fired plants and participation in the Wholesale Electricity Spot Market.

TMP

TMP's net income increased by 42% from Php1.7 billion in the first nine months of 2011 to Php2.5 billion in the first nine months of 2012 as revenue from manufacturing and trading activities surged by 28% from Php41 billion to Php52 billion due to sales volume increases, normalization of vehicles and parts supply, favorable model mix and aggressive sales and promotion. For the period in review, TMP's unit sales rose by 17% which exceeded the 7.2% increase in industry sales. In July alone, TMP sold 6,258 units, its highest monthly sales since 1989.

AXA Philippines

AXA Philippines realized a 31% increase in total sales comprising traditional, regular and single premium insurance products of Php2.0 billion from January to September 2012, as compared to Php1.5 billion during the same period in 2011. This translated to a 22% increase in premium revenues of Php9 billion from Php7 billion. The Company's net income amounted to Php653 million for the period, which is at par with the Php658 million realized a year ago as the 230% surge in regular premium linked sales resulted in the corresponding front loading of legal policy reserves and commissions and bonus expenses. These expenses, however, were offset by realized gains on sale of financial assets.

Material Events or Uncertainties

The Company has nothing to report on the following for the period ended September 30, 2012:

(i) Any known trends or any known demands, commitments, events, uncertainties that will result or that are reasonably likely in the Company's liquidity increasing or decreasing in any material way, except for the following;

On September 12, 2012, the Board of Directors of the Company approved the declaration of cash dividends amounting to Php500.9 million or Php3.17 per share in favor of the Company's common stockholders as of September 28, 2012. The cash dividends were paid on October 22, 2012.

On September 12, 2012, the Company acquired 66,145,700 common shares of GBP at a fixed price of Php35.13 per share from Global Business Holdings, Inc. The acquisition represents 12% of GBP's outstanding capital stock. The acquisition increased the Company's direct equity holdings in GBP to 51%.

On October 15, 2012, the Parent Company disbursed ₱156 million as its additional pro-rata share in an equity call from GBP. This additional pro-rata share was to partially fund the Toledo plant expansion.

On October 19, 2012, the Board of Directors of the Company and on October 22, 2012 the Board of Directors of Metrobank upon the endorsement of their respective Related Party Transaction committees approved in principle the sale of Metrobank's 30% ownership in TMP to the Company at a consideration of Php9 billion. The amount was arrived at after an independent valuation exercise and subjected to third party fairness opinions. Pursuant to the approval, a Memorandum of Understanding was signed by both parties. The acquisition of more shares in TMP is part of the Company's long term program of increasing its holdings in its core businesses. Upon completion of the transaction, the Company's direct equity ownership in TMP shall increase from the current 21% to 51%.

(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;

(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, except as disclosed in Annex A under Note 9 – Commitments and Contingent Liabilities of the General Notes to the Interim Condensed Consolidated Financial Statements;

(iv) Any material commitments for capital expenditures, their purpose, and sources of funds for such expenditures.

PART II - OTHER INFORMATION

On September 7, 2012 and October 26, 2012, respectively, the Company's Board of Directors and stockholders approved the amendment of Article VII of the Articles of Incorporation denying its stockholders the pre-emptive right to issue or dispose of any share of any class of common stock of the Company. On October 31, 2012, the SEC approved the amendment to the Articles of Incorporation.

GT CAPITAL HOLDINGS, INC.
AGING OF RECEIVABLES
IN MILLION PESOS
AS OF SEPTEMBER 30, 2012

Number of Days	Amount
Less than 30 days	Php 1,164
30 days to 60 days	423
61 days to 90 days	196
91 days to 120 days	31
Over 120 days	2,644
Current (not yet due)	3,108
Noncurrent installment contract receivable	2,896
Total	Php 10,462

GT CAPITAL HOLDINGS, INC.
LIST OF STOCKHOLDERS AND PERCENTAGE OF HOLDINGS
AS OF SEPTEMBER 30, 2012

The following stockholders own more than 5% of the total issued and outstanding shares of the Company as of September 30, 2012:

Name Of Stockholder	Total Number Of Shares Held	Percent To Total Number Of Shares Issued
Grand Titan Capital Holdings, Inc.	110,095,110	69.68%
PCD Nominee (Non-Filipino)	35,225,246	22.29%
PCD Nominee (Filipino)	12,096,973	7.66%
Others	582,671	0.37%
Total	158,000,000	100.00%

SIGNATURES

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

Issuer: **GT Capital Holdings, Inc.**

Signature and Title:

Reyna Rose P. Manon-og Head, Accounting and Financial Control	**Francisco H. Suarez, Jr.** Chief Finance Officer

Date: November 7, 2012

Annex A

GT Capital Holdings, Inc. and Subsidiaries

Interim Condensed Consolidated Financial Statements

As of September 30, 2012 (Unaudited) and
December 31, 2011 (Audited)
and for the period ended September 30, 2012 and 2011 (Unaudited)

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

	Unaudited	Audited
	September 30, 2012	**December 31, 2011**
ASSETS		
Current Assets		
Cash and cash equivalents	**₱11,761**	₱454
Receivables	**6,895**	4,864
Inventories	**9,747**	11,338
Due from related parties	**1,063**	939
Prepayments and other current assets	**3,405**	975
Total Current Assets	**32,871**	18,570
Noncurrent Assets		
Noncurrent receivables	**3,978**	1,115
Long - term cash investments	**-**	2,440
Deposits	**3,085**	4,085
Investments and advances	**39,721**	38,113
Investment properties	**5,086**	5,228
Property and equipment	**36,850**	396
Deferred tax assets	**163**	4
Other noncurrent assets	**1,214**	112
Total Noncurrent Assets	**90,097**	51,493
	₱122,968	₱70,063
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables	**₱5,740**	₱4,573
Short term loans payable	**2,707**	7,649
Customers' deposits	**417**	458
Due to related parties	**380**	403
Income tax payable	**38**	–
Other current liabilities	**2,420**	58
Total Current Liabilities	**11,702**	13,141
Noncurrent Liabilities		
Pension liabilities	**₱151**	₱28
Long- term loans payable	**43,931**	19,600
Deferred tax liabilities	**353**	81
Other noncurrent liabilities	**704**	63
Total Noncurrent Liabilities	**45,139**	19,772
	56,841	32,913
Equity		
Equity attributable to equity holders of GT Capital Holdings, Inc.		
Capital Stock	**1,580**	1,250
Additional paid-in capital	**36,694**	23,072
Retained earnings	**12,631**	7,802
Other equity adjustments	**(607)**	-
Other comprehensive income	**2,059**	2,805
	52,357	34,929
Non-controlling interests	**13,770**	2,221
Total equity	**66,127**	37,150
	₱122,968	₱70,063

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In Millions, Except Earnings Per Share)

	Unaudited			
	January to September		July to September	
	2012	2011	**2012**	2011
REVENUE				
Equity in net income of associates	**₱3,595**	₱2,840	**₱1,039**	₱936
Net fees	**8,378**	–	**4,600**	–
Real Estate sales	**1,624**	1,171	**518**	423
Interest income on real estate sales	**212**	145	**95**	63
Sale of goods and services	**541**	562	**165**	191
Commission income	**103**	86	**42**	28
Rent income	**165**	179	**53**	74
Interest and other income	**2,086**	387	**226**	192
	16,704	5,370	**6,738**	1,907
COSTS AND EXPENSES				
Cost of real estate sales	**1,023**	790	**347**	299
Cost of goods and services	**475**	495	**144**	169
Power plant operation and maintenance	**4,729**	–	**2,602**	–
General and administrative expenses	**1,495**	694	**600**	222
Interest expense	**1,987**	684	**932**	278
	9,709	2,663	**4,625**	968
INCOME BEFORE INCOME TAX	**6,995**	2,707	**2,113**	939
PROVISION FOR INCOME TAX	**132**	64	**45**	43
NET INCOME	**6,863**	2,643	**2,068**	896
Attributable to:				
Equity holders of the GT Capital Holdings, Inc.	**₱5,330**	₱2,569	**₱1,313**	₱868
Non-controlling interest	**1,533**	74	**755**	28
	₱6,863	₱2,643	**₱2,068**	₱896
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company	**₱36.8**	₱20.6		

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Millions)

	Unaudited			
	January to September		July to September	
	2012	2011	**2012**	2011
NET INCOME	**₱6,863**	₱2,643	₱2,068	₱896
OTHER COMPREHENSIVE INCOME				
Equity in net unrealized gain (loss) on available for sale financial assets of associates	**(553)**	52	204	171
Equity in revaluation reserve on investment property of associates	**1**	–	–	–
Equity in revaluation increment on property and equipment of associates	**1**	–	–	–
Equity in translation adjustment of associates	**(195)**	89	(30)	50
	(746)	141	174	221
TOTAL COMPREHENSIVE INCOME	**₱6,117**	₱2,784	₱2,242	₱1,117
Attributable to:				
Equity holders of the GT Capital Holdings, Inc.	**₱4,584**	₱2,710	**₱1,487**	₱1,089
Non-controlling interest	**1,533**	74	**755**	28
	₱6,117	₱2,784	**₱2,242**	₱1,117

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
AS OF SEPTEMBER 30, 2012 AND 2011 (UNAUDITED)

(In Millions)

	Attributable to Equity Holders of GT Capital Holdings, Inc										
	Capital stock	Additional paid-in capital	Retained earnings	Other equity adjustment	Equity in net unrealized gain (loss) on available-for-sale financial assets of associates	Equity in revaluation reserve on investment property of associates	Equity in revaluation increment on property and equipment of associates	Equity in translation adjustment of associates	Total	Non-controlling interest	Total Equity
At January 1, 2012	**₱1,250**	**₱23,072**	**₱7,802**	**₱–**	**₱2,546**	**(₱1)**	**(₱1)**	**₱261**	**₱34,929**	**₱2,221**	**₱37,150**
Issuance of capital stock	**330**	**13,622**	**–**	**–**	**–**	**–**	**–**	**–**	**13,952**	**–**	**13,952**
Net income	**–**	**–**	**5,330**	**–**	**–**	**–**	**–**	**–**	**5,330**	**1,533**	**6,863**
Other comprehensive income	**–**	**–**	**–**	**–**	**(553)**	**1**	**1**	**(195)**	**(746)**	**–**	**(746)**
Effect of acquisition of GBP Group	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**14,433**	**14,433**
Declaration of dividends	**–**	**–**	**(501)**	**–**	**–**	**–**	**–**	**–**	**(501)**	**–**	**(501)**
Acquisition of non-controlling interest	**–**	**–**	**–**	**(607)**	**–**	**–**	**–**	**–**	**(607)**	**(4,417)**	**(5,024)**
At September 30, 2012	**₱1,580**	**₱36,694**	**₱12,631**	**(₱607)**	**₱1,993**	**₱–**	**₱–**	**₱66**	**₱52,357**	**₱13,770**	**₱66,127**
At January 1, 2011	₱1,250	₱23,072	₱5,377	₱–	(₱216)	(₱1)	(₱1)	₱128	29,609	₱2,211	₱31,820
Net income	–	–	2,569	–	–	–	–	–	2,569	74	2,643
Other comprehensive income	–	–	–	–	52	–	–	89	141	–	141
Effect of business combination	–	–	(336)	–	–	–	–	–	(336)	(84)	(420)
Declaration of dividends	–	–	(500)	–	–	–	–	–	(500)	–	(500)
At September 30, 2011	₱1,250	₱23,072	₱7,110	₱–	(₱164)	(₱1)	(₱1)	₱217	31,483	₱2,201	₱33,684

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Millions)

	Unaudited	
	Period Ended September 30	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱6,995**	₱2,707
Adjustments for:		
Interest expense	**1,987**	684
Depreciation and amortization	**840**	49
Equity in net income of associates and a joint venture	**(3,595)**	(2,840)
Unrealized foreign exchange losses	**11**	-
Interest income	**(446)**	(249)
Operating income before changes in working capital	**5,792**	351
Decrease (increase) in:		
Receivables	**(3,877)**	(708)
Due from related parties	**876**	(1,892)
Inventories	**1,596**	1,350
Prepayments and other current assets	**(2,622)**	(270)
Increase (decrease) in:		
Accounts and other payables	**1,182**	445
Customers' deposits	**(41)**	(167)
Other current liabilities	**2,011**	12
Pension liabilities	**122**	-
Cash provided by (used in) operations	**5,039**	(879)
Interest received	**287**	252
Interest paid	**(1,629)**	(625)
Dividends received	**1,397**	1,339
Income taxes paid	**(42)**	-
Net cash provided by (used in) operating activities	**5,052**	87
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of:		
Long term investment	**2,440**	**-**
Property and equipment	**1**	**-**
Additions to:		
Investment properties	**(49)**	(1,366)
Property and equipment	**(36,647)**	(18)
Increase in investments and advances	**(587)**	(2,765)
Decrease in other noncurrent assets	**(2,633)**	(4,509)
Net cash used in investing activities	**(37,475)**	(8,658)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan availments	**24,324**	11,423
Payment of loans payable	**(4,941)**	(3,607)
Issuance of capital stock	**13,952**	-
Increase (decrease) in:		
Due to related parties	**(24)**	(10)
Other noncurrent liabilities	**(1,105)**	397
Non-controlling interest	**11,549**	(110)
Net cash provided by financing activities	**43,755**	8,093
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(25)**	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**11,307**	(478)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**454**	3,065
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**₱11,761**	₱2,587

1. Corporate Information

GT Capital Holdings, Inc. (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 ultimate parent is Grand Titan Capital Holdings, Inc.

The common shares of the Parent Company were listed beginning April 20, 2012 and have since been traded in the Philippine Stock Exchange, Inc.

In 2012, the Parent Company acquired an additional 20% equity interest in Federal Land Inc. (Fed Land). The acquisition increased the Parent Company's interest in Fed Land to 100%. Likewise, the Parent Company's direct interest in Global Business Power Corporation (GBP) increased to 51% with effective ownership of 63% as of September 30, 2012.

The Parent Company also has significant shareholdings in Metropolitan Bank & Trust Co. (MBT), Toyota Motor Philippines, Inc. (Toyota) and Philippine AXA Life Insurance Corp. (AXA Philippines).

<u>Group Activities</u>

The Parent Company, Fed Land and Subsidiaries (Fed Land Group) and GBP and subsidiaries (GBP Group) are collectively referred herein as the "Group". The Parent Company, the holding company of the Fed Land Group, is engaged in investing, purchasing and holding shares of stock, notes and other securities and obligations. The principal business interests of the Fed Land Group are real estate development and leasing and sell properties and act as a marketing agent for and in behalf of any real estate development company or companies. The Fed 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.

On the other hand, GBP was registered with the Philippine Securities and Exchange Commission (SEC) on March 13, 2002 primarily to invest in, hold, purchase, import, acquire (except land), lease, contract or otherwise, with the limits allowed for by law, any and all real and personal properties of every kind and description, whatsoever, and to do acts of being a holding company except to act as brokers dealers in securities.

The registered office address of the Parent Company is at the 43rd Floor, GT Tower International, Ayala Avenue corner H.V. de la Costa Street,1227 Makati City.

2. **Summary of Significant Accounting Policies**

Basis of Preparation
The accompanying interim condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standards (PAS) 34 Interim Financial Reporting. Accordingly, the interim condensed consolidated financial statements do not include all of the information and disclosures required in the annual audited financial statements and should be read in conjunction with the Group's annual audited financial statements as at December 31, 2011.

The interim condensed financial statements of the Group have been prepared using the historical cost basis and are presented in Philippine Pesos (₱), the Group's functional currency. Values are rounded to the nearest Million Pesos (₱000,000) unless otherwise indicated.

Statement of Compliance
The interim consolidated financial statements of the Group 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 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 liabilities simultaneously. 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
Basis of consolidation
The interim condensed consolidated financial statements include the financial statements of the Parent Company, consolidated financial statements of Fed Land Group and GBP Group and the Group's share in the net assets of the associates plus cost of investment.

The interim condensed consolidated financial statements include the financial statements of the Parent Company and the following domestic subsidiaries of Fed Land and GBP:

	Effective Percentages of Ownership	
	Sept 30, 2012	December 31, 2011
Fed Land[1]	**100.00%**	80.00%
Subsidiaries of Fed Land:		
Southern Horizon Development Corp.	**100.00**	80.00
Federal Land - Management and Consultancy, Inc.	**100.00**	80.00
Fedsales Marketing, Inc.	**100.00**	80.00
Baywatch Project Management Corporation	**100.00**	80.00
Horizon Land Property and Development Corporation	**100.00**	80.00
Omni-Orient Marketing Network, Inc.	**87.80**	70.24
Federal Brent Retail, Inc. (FBRI)[2]	**51.66**	41.33
Top Leader Property Management Corp.	**100.00**	80.00
Central Realty and Development Corp. (CRDC)	**75.80**	60.64
Harbour Land Realty Corporation (HLRC)	**100.00**	80.00

1 Subsidiary

2 Engaged in trading of petroleum and non-fuel products and food and restaurant services

(Forward)

	Effective Percentages of Ownership	
	Sept 30, 2012	December 31, 2011
GBP	**63.00%**	-
Subsidiaries of GBP:		
ARB Power Ventures, Inc.	**63.00**	-
GBH Cebu Limited Duration Company	**63.00**	-
GBH Power Resources, Inc.	**63.00**	-
Global Energy Supply Corporation	**63.00**	-
Panay Power Holdings Corporation (PPHC)	**56.26**	-
Global Formosa Power Holdings, Inc. (GFPHI)	**58.59**	-

As of September 30, 2012, the Parent Company has effective ownership of 63% over GBP (see note 3).

Also, on May 3, 2012, the Parent Company acquired an additional 20% of Fed Land from the holders of non-controlling interest, thereby increasing the Parent Company's ownership in Fed Land from 80% to 100% (see Note 3).

FBRI
FBRI is 51.66% owned by Fed Land and was consolidated to the Fed Land Group. Effective ownership of the Parent Company over FBRI through Fed Land is 51.66% and 41.33% as of September 30, 2012 and December 31, 2011, respectively.

Bonifacio Landmark Realty and Development Corporation (BLRDC)
In 2011, Fed Land and Morano Holdings Corporation (MHC) entered into a Deed of Assignment and Subscription Agreement under a joint venture arrangement with ORIX Risingsun Properties II, Inc. (Orix).

On January 25, 2012, the SEC approved the change in corporate name of MHC from Morano Holdings Corporation to Bonifacio Landmark Realty and Development Corporation (BLRDC).

Effective June 2012, BLRDC was converted from a wholly-owned subsidiary to a joint venture corporation (see note 3).

PPHC and GFPHI
PPHC and GFPHI are 89.3% and 93% owned by GBP and were consolidated to the GBP Group. Effective ownership of the Parent Company over PPHC and GFPHI through GBP is 56.26% and 58.59%, respectively, as of September 30, 2012.

Combinations of Entities Under Common Control
Business combination of entities under common control is accounted for using the uniting of interest method. The combined entities accounted for by the uniting of interests method reports 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 current assets, current liabilities, revenues, and cost of sales 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 PRFS;
- 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 acquiree's equity are included in the opening balances of the equity as a restatement and are presented as "Effect of uniting of interest" in the consolidated statement of changes in equity. Cash consideration transferred on acquisition of a subsidiary under common control is deducted in the "Retained Earnings" at the time of business combination.

The subsidiary is fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continues to be consolidated until the date when such control ceases. The financial statements of the subsidiary are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Non-controlling interests (NCI) represent the portion of profit or loss and net assets in a subsidiary not wholly owned and are presented separately in the interim condensed consolidated statement of income, interim condensed consolidated statements of comprehensive income, interim condensed consolidated statements of changes in equity and within equity in the interim condensed consolidated statements of financial position, separately from the Parent Company's equity. Any losses attributable to the NCI are allocated even if it results in a deficit balance. Acquisitions of non-controlling interests are accounted for as equity transactions.

<u>Changes in Accounting Policies</u>

The accounting policies adopted in preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the audited annual consolidated financial statements as of and for the year ended December 31, 2011 except for the adoption of the following amended PAS and PFRS effective as of January 1, 2012. Adoption of these changes did not have any significant impact on the Group's interim condensed consolidated financial statements.

- PAS 12, *Income Taxes - Recovery of Underlying Assets*
  The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in PAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in PAS 16 will be measured on a sale basis of the asset.

- PFRS 7, *Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements*
  The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets.

<u>Future Changes in Accounting Policies</u>
The Group will adopt the following standards and interpretations and assess their impact when these become effective.

- PAS 1, *Financial Statement Presentation - Presentation of Items of Other Comprehensive Income*
  The amendments to PAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has therefore no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after July 1, 2012.

- PAS 19, *Employee Benefits* (Amendment)
  Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The Group is currently assessing the impact of the amendment to PAS 19. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

- PAS 27, *Separate Financial Statements* (as revised in 2011)
  As a consequence of the new PFRS 10, *Consolidated Financial Statement* and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Group does not present separate financial statements. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

- PAS 28, *Investments in Associates* and *Joint Ventures* (as revised in 2011)
  As a consequence of the new PFRS 11, Joint Arrangements and PFRS 12, PAS 28 has been renamed PAS 28, Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

- PFRS 7, *Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*
  These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

  a) The gross amounts of those recognized financial assets and recognized financial liabilities;
  b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
  c) The net amounts presented in the statement of financial position;
  d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
     i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
     ii. Amounts related to financial collateral (including cash collateral); and
  e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

  The amendments to PFRS 7 are to be retrospectively applied for annual periods beginning on or after January 1, 2013.

- PFRS 10, *Consolidated Financial Statements*
  PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. This standard becomes effective for annual periods beginning on or after January 1, 2013.

- PFRS 11, *Joint Arrangements*
  PFRS 11 replaces PAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly-controlled Entities* - Non-monetary Contributions by Venturers. PFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The application of this new standard will not have significant impact to the financial position of the Group since the Group accounts its jointly controlled under equity method of accounting. This standard becomes effective for annual periods beginning on or after January 1, 2013.

- PFRS 12, *Disclosure of Involvement with Other Entities*
  PFRS 12 includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after January 1, 2013.

- PFRS 13, *Fair Value Measurement*
  PFRS 13 establishes a single source of guidance under PFRS for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after January 1, 2013.

- PFRS 9, *Financial Instruments: Classification and Measurement*
  PFRS 9 as issued reflects the first phase on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. The standard is effective for annual periods beginning on or after January 1, 2015. In subsequent phases, hedge accounting and impairment of financial assets will be addressed.

  The Group conducted an evaluation of the financial impact of the adoption of PFRS 9 based on the audited financial statements as of December 31, 2011 and decided not to early adopt PFRS 9 for its 2012 financial reporting. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on classification and measurements of financial liabilities.

- PAS 32*, Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities*
  These amendments to PAS 32 clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. While the amendment is expected not to have any impact on the net assets of the Group, any changes in offsetting is expected to impact leverage ratios and regulatory capital requirements. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014. The Group is currently assessing impact of the amendments to PAS 32.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
  The interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The Interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis

will also be accounted for based on stage of completion. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue Standard is issued by International Accounting Standards Board (IASB) and an evaluation of the requirements and guidance of the final Revenue Standard in relation to the practices of the Philippine real estate industry is completed

The adoption of this Philippine Interpretation may significantly affect the determination of the revenue from real estate sales and the corresponding costs, and the related trade receivables, deferred tax liabilities and retained earnings accounts. The Group is in the process of quantifying the impact of adoption of this Interpretation.

Financial Instruments

Date of recognition

The Group recognizes a financial asset or a financial liability in the interim condensed 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 (FVPL), the initial measurement of financial assets and financial liabilities includes transaction costs. The Group classifies its financial assets in the following categories: securities at FVPL, held-to-maturity (HTM) investments, AFS financial assets, and loans and receivables. The Group classifies its financial liabilities as financial liabilities at fair value through profit or loss 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.

As of September 30, 2012 and December 31, 2011, the Group's financial assets are of the nature of loans and receivables and AFS financial assets while financial liabilities are of the nature of other financial liabilities. The Group made no reclassifications in its financial assets in 2012 and 2011.

Determination of fair value

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and ask prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. These valuation techniques include the net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models, and other relevant valuation models.

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 or financial assets at FVPL. This accounting policy relates to the interim condensed consolidated statement of financial position captions “Cash and cash equivalents”, “Receivables”(except for advances to contractors and suppliers), “Due from related parties” and “Long term cash investment”.

Receivables are recognized initially at fair value which normally pertains to the billable amount. After initial measurement, the loans and receivables are subsequently measured at amortized cost using the effective interest rate 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. The amortization is included 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 financial assets
AFS financial assets are non-derivative financial assets which are designated as such or do not qualify to be classified as designated as securities of FVPL, 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 financial assets pertain to unquoted equity securities included under the interim condensed consolidated statement of financial position caption “Other noncurrent assets”.

These are carried at cost less impairment and approximate fair value 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
Other financial liabilities are financial liabilities not designated at FVPL 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. After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest rate 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 effective interest rate.

This accounting policy applies primarily to the Group’s accounts and other payables, loans payable, liabilities for purchased land, 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).

3. **Investments and Advances**

Investment in Fed Land

On May 3, 2012, the Parent Company acquired the remaining 20,000,000 common shares of Fed Land representing 20% of Fed Land's outstanding capital stock from the holders of the non-controlling interest for a total cost of ₱2.7 billion, thereby increasing the direct holdings of the Parent Company in Fed Land from 80% to 100%. The acquisition of 20% of Fed Land also resulted in the recognition of other equity adjustment amounting to ₱513.4 million representing the excess of cost consideration over the carrying amount of the non-controlling interest.

On June 28, 2012, the Parent Company subscribed to 37,947,000 common shares of Fed Land for a total subscription price amounting to ₱3.8 billion to fund the increase in Fed Land's authorized capital stock from ₱10.0 billion to ₱15.0 billion. The funds were used to partially finance Fed Land's ongoing projects in Metro Manila and Cebu.

Acquisition of GBP

On December 20, 2011, GBP filed an application for the increase in its authorized capital stock and reduction in the par value of its common shares to ₱1.00 per share. Upon application of increase in authorized capital stock, the Parent Company intends to convert the deposit for future stocks subscription (DFS) through issuance of new common shares by GBP. As a result, Parent Company's direct interest will be 21.04% with equivalent subscription of 117,067,800 new common shares (see Note 8). These advances are carried at cost and did not apply equity method of accounting due to pending regulatory approval as of December 31, 2011.

On January 16, 2012, the SEC approved the application of the increase in authorized capital stock of GBPC.

On February 15 and 16, 2012, the Parent Company entered into a Deed of Absolute Sale with Global Business Holdings, Inc. (GBHI) for the sale and transfer of 35,504,900 and 38,863,000 common shares of GBP, respectively, with GBHI as the seller and the Parent Company as the buyer for a consideration amounting to ₱1.2 billion and ₱1.4 billion, respectively. Such shares aggregating to 74,367,900 common shares represent 13.37 % direct interest of the Parent Company over GBPC.

On May 2, 2012, the Parent Company exercised its option to acquire 25,520,700 common shares of GBPC representing 4.59% of GBPC's outstanding capital stock, at a fixed price of ₱35.00 per share for a total cost of ₱893.2 million.

On September 12, 2012, the Parent Company acquired a total of 66,145,700 common shares of GBPC, representing 12% of GBPC's outstanding capital stock from the holders of the non-controlling interest, at a fixed price of ₱35.13 per share for a total cost of ₱2.32 billion. The acquisition of 12% of GBPC resulted in the recognition of other equity adjustment amounting to ₱93.2 million representing the excess of cost consideration over the carrying amount of the non-controlling interest.

With the result of foregoing transactions, the Parent Company obtained an effective interest of 63.0% over GBP Group, computed as follows:

Nature	Effective interest
Direct interest	
Conversion of deposit for future stock subscriptions	21.0%
Acquisition of secondary shares from GBHI	13.4%
Exercised option to purchase additional shares from GBHI	4.6%
Acquisition of secondary shares	11.9%
Indirect interest through an associate	12.1%
	63.0%

As of September 30, 2012, the purchase price allocation, relating to the Parent Company's effective acquisition of control over GBP on May 2, 2012, has been prepared on a preliminary basis. The provisional fair values of the assets acquired and liabilities assumed as of date of acquisition is based on net book values of identifiable assets and liabilities plus certain adjustments since the Parent Company currently has limited information. The difference between the total consideration and the net assets amounting to ₱280.0 million was initially allocated to goodwill. Given the size and complexity of the transaction, the preliminary allocation is subject to revision to reflect the final determination of fair values. The preliminary accounting will be completed based on further valuations and studies carried out within twelve months from acquisition date.

Toledo Expansion Project
On May 24, 2012, the Parent Company disbursed ₱507.0 million as its pro-rata share in an equity call from GBP upon its stockholders. The equity call will partially fund GBP's down payment in the Engineering, Procurement and Construction (EPC) contract and initial expenses of the Toledo Expansion Project situated in Toledo City, Cebu.

Fed Land and MHC Omnibus Agreement
Fed Land, together with ORIX, executed a memorandum of agreement (MOA) dated December 8, 2011 and an Omnibus Subscription Agreement (OSA) dated December 21, 2011. Under the MOA, Fed Land shall make additional capital contributions in the form of cash and property and ORIX shall make capital contributions in the form of cash in exchange for shares of stock of MHC pursuant to the terms and conditions set forth in the Omnibus Subscription Agreement; Orix contributions shall be placed in an escrow account until an increase in subscription has been finally made. On January 31, 2012, the Escrow has been released resulting to the increase in deposit for future subscription and APIC of MHC by ₱307.2 million and ₱44.8 million.

Fed Land and Orix intends to (i) develop a residential condominium and a hotel/retail/ office building on two (2) parcels of land located in Bonifacio Global City, Fort Bonifacio, Taguig City, Metro Manila, Philippines , with an aggregate area of 12,984 square meters, and (ii) engage in the operations of the hotel.

In June 2012, FLI and ORIX Risingsun Properties, Inc. II (Orix) entered into a contractual arrangement to establish joint control over Bonifacio Landmark Realty Dev't. Corp. (BLRDC), with FLI owning 70% of BLRDC's capital stock and the remaining 30% owned by Orix. Prior to June 2012, BLRDC was a wholly-owned subsidiary of FLI. As a result of the joint venture between FLI and Orix, FLI derecognized the assets and liabilities of BLRDC at their carrying amounts. Thus, the investment retained in BLRDC was carried at its fair value. The difference, between the fair value of the investment retained and the derecognized previously consolidated net assets and the land and cash contributions made to the joint venture was treated as gain amounting ₱1.4 billion. Such gain was recognized as income in the Statement of Income under the line item “Other income”.

Common control business combination
On October 03, 2011, East West Investment Ltd. (EIL), Great Co. Limited (GCL) and Titan Resources Corporation (TRC) (collectively referred herein as “Seller”) and Fed Land entered into a deed of sale agreement to transfer its respective shares of stock held over HLRDC for a total consideration of ₱420.0 million.

On June 23, 2011, Fed Land subscribed to additional common shares issued by CRDC of 400,000 common shares obtaining an effective interest of 75.8% over CRDC after issuance. Before the acquisition, CRDC was majority owned by City Tower Realty Corporation (CTRC) which resulted to a dilution of its shares to Fed Land.

The two acquisitions were accounted for using the uniting of interest method.

4. Property and Equipment

Property and Equipment increased by Php36.65 billion in 2012 with the consolidation of the power generation assets of GBP effective 2012.

5. Equity

As of September 30, 2012 and December 31, 2011, this account consists of (amounts in millions except for par value and number of shares:

	September 30, 2012	December 31, 2011
Common stock - ₱10 par value		
Authorized - 500,000,000 shares		
Issued and outstanding – 158,000,000 shares as of September 30, 2012 and 125,000,000 shares as of December 31, 2011	**₱1,580**	₱1,250
Additional Paid-In Capital	**36,694**	23,072
	₱38,274	₱24,322

On April 20, 2012, the Parent Company's common shares were listed on the Philippine Stock Exchange, Inc. raising gross proceeds amounting to ₱15.0 billion based on the primary offering of 33,000,000 new common shares at an offer price of ₱455.00 per share. Total proceeds raised by the Parent Company amounted to ₱14.0 billion, net of direct transaction costs.

On September 21, 2012, the Board of Directors of the Parent Company approved the declaration of cash dividends in the amount of ₱500.86 million or ₱3.17 per share in favor of the Parent Company’s common stockholders of record as of September 28, 2012, payable on October 22, 2012.

6. Related Party Transactions

Parties are considered to be related if one party has the ability, directly, or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions and the parties are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

The Group, in its regular conduct of its business, has entered into transactions with its associate 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.

The long term cash investment of FLI amounting to Php2.4 billion as of December 31, 2011 was terminated in 2012 and used to fully settle FLI's short term loans.

As of September 30, 2012 and December 31, 2011, the Group has not made any provision for probable losses relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

7. Basic/Diluted Earnings Per Share

The basic/diluted earnings per share amounts for the periods indicated were computed as follows:

	September 30		December 31,
	2012	2011	2011
	Unaudited		Audited
Net income attributable to Parent Company	**₱5,330**	₱2,569	₱3,324
Weighted average number of shares	**145**	125	125
	₱36.8	₱20.6	₱26.6

Basic and diluted earnings per share are the same due to the absence of dilutive potential common shares.

8. Operating Segments

Segment Information

For management purposes, the Group is organized into business units based on their products and activities and has four reportable segments as follows:

- Real estate segment is engaged in real estate and leasing, development and selling of properties of every kind and description
- Financial institutions are engaged in the banking and insurance industry
- Motor segment is engaged in the assembly, manufacture, importation, sale and distribution of all kinds of automobiles including automobile parts, accessories, and instruments.

- Other segments which have been aggregated to form a reportable segment are engaged in the following business:
  a) trading of goods such as petroleum, non-fuel products on wholesale or retail basis, maintains a petroleum service station and
  b) engaged in the food and restaurant service
  c) to act as a marketing agent for and in behalf of any real estate development company or companies.

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, operating profit and pretax income which are measured similarly in the financial statements.

Transfer prices between operating segments are on arm's length basis in a manner similar to third parties.

The following tables present revenue and income information of operating segments presented in accordance with PFRS and segment assets and liabilities as of and for the period ended September 30, 2012 and as of and for the year ended December 31, 2011.

	Real Estate	Financial Institution	Motor	Power	Others	Total
Nine Months Ended September 30, 2012 (Unaudited)						
Results of Operations						
Revenue	**₱1,836**	**₱–**	**₱–**	**₱8,378**	**₱541**	**₱10,755**
Rentals	**72**	**–**	**–**	**–**	**93**	**165**
Equity in net income of associates	**122**	**2,731**	**517**	**225**	**–**	**3,595**
	2,030	**2,731**	**517**	**8,603**	**634**	**14,515**
Cost of sales and services	**1,023**	**–**	**–**	**–**	**475**	**1,498**
Power plant operation and maintenance (before depreciation and amortization)	**–**	**–**	**–**	**3,955**	**–**	**3,955**
General and administrative expense (before depreciation and amortization)	**559**	**–**	**–**	**486**	**384**	**1,429**
	1,582	**–**	**–**	**4,441**	**859**	**6,882**
EBITDA	**448**	**2,731**	**517**	**4,162**	**(225)**	**7,633**
Other income (expenses)						
Finance income and other income	**1,764**	**–**	**–**	**194**	**231**	**2,189**
Finance cost	**(300)**	**–**	**–**	**(1,230)**	**(457)**	**(1,987)**
Depreciation and amortization	**(21)**	**–**	**–**	**(787)**	**(32)**	**(840)**
Pretax income	**1,891**	**2,731**	**517**	**2,339**	**(483)**	**6,995**
Provision for income tax	**61**	**–**	**–**	**48**	**23**	**132**
Net Income (Loss)	**1,830**	**2,731**	**517**	**2,291**	**(506)**	**6,863**
Statement of Financial Position						
Total Assets	**29,282**	**33,652**	**2,132**	**57,217**	**685**	**122,968**
Total Liabilities	**13,011**	**–**	**–**	**33,504**	**10,326**	**56,841**

	Real Estate	Financial Institution	Motor	Power	Others	Total
Year Ended December 31, 2011 (Audited)						
Results of Operations						
Revenue	₱3,176	₱–	₱–	₱–	₱920	₱4,096
Rentals	118	–	–	–	120	238
Equity in net income of associates	87	3,018	462	–	–	3,567
	3,381	3,018	462	–	1040	7,901
Cost of sales and services	1,554	–	–	–	710	2,264
General and administrative expense (before depreciation and amortization)	545	–	–	–	493	1,038
	2,099	–	–	–	1,203	3,302
EBITDA	1,282	3,018	462	–	(163)	4,599
Other income (expenses)		–	–	–		
Finance income	58	–	–	–	7	65
Finance cost	(433)				(557)	(990)
Depreciation and amortization	(29)	–	–	–	(42)	(71)
Pretax income	878	3,018	462	–	(755)	3,603
Provision for income tax	138	–	–	–	11	149
Net Income (Loss)	₱740	₱3,018	₱462	₱–	(₱766)	₱3,454
Statement of Financial Position						
Total Assets	₱28,954	₱32,197	₱2,071	₱3,397	₱3,444	₱70,063
Total Liabilities	₱18,299	₱–	₱–	₱–	₱14,614	₱32,913

9. Financial Risk Management and Objectives

The Group's principal financial instruments comprise of cash and cash equivalents, receivables, long-term cash investments, due from related parties, AFS financial assets, accounts and other payables, loans payable and due to related parties. The main purpose of the Group's financial instruments is to provide funding for its business operations and capital expenditures. The Group does not enter into hedging transactions or engage in speculation with respect to financial instruments.

Exposure to credit, liquidity, foreign currency and interest rate 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:

a) to identify and monitor such risks on an ongoing basis;
b) to minimize and mitigate such risks; and
c) to provide a degree of certainty about costs.

The Group's financing and treasury function operates as a centralized service for 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, receivables, due from related parties and AFS financial assets. 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 post-dated 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.

The table below shows the maximum exposure to credit risk for the components of the Group's statement of financial position.

	Unaudited September 30, 2012	Audited December 31 2011
	(in millions)	
Cash and cash equivalents		
(excluding cash on hand)	**₱11,758**	₱452
Receivables (Note 5)		
Installment contracts receivable	**3,317**	1,924
Dividend receivable	**–**	157
Trade receivable	**4,806**	179
Accrued commission income	**33**	21
Accrued rent income	**4**	5
Accrued interest receivable	**9**	2
Others	**758**	161
Due from related parties	**1,063**	939
Long term cash investment	**–**	2,440
Long term notes receivable	**147**	–
AFS financial assets	**453**	10
Other noncurrent assets	**19**	–
Total credit risk exposure	**₱22,367**	₱6,290

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 table summarizes the maturity profile of the Group's financial assets and liabilities based on contractual undiscounted payments:

Unaudited September 30, 2012

(Amounts in millions)	**< 1 year**	**> 1 to < 5 years**	**> 5 years**	**Total**
Financial assets				
Cash and cash equivalents	**₱11,758**	**₱–**	**₱–**	**₱11,758**
Receivables				
Installment contracts receivable	**1,673**	**2,912**	**–**	**4,585**
Trade receivable	**2,720**	**2,086**	**–**	**4,806**
Accrued commission income	**33**	**–**	**–**	**33**
Accrued rent income	**4**	**–**	**–**	**4**
Accrued interest receivable	**9**	**–**	**–**	**9**
Others	**727**	**31**	**–**	**758**
Due from related parties	**1,063**	**–**	**–**	**1,063**
Long term notes receivable	**14**	**128**	**5**	**147**
AFS financial assets - unquoted	**–**	**9**	**444**	**453**
Other noncurrent assets	**–**	**–**	**19**	**19**
Total undiscounted financial assets	**18,001**	**5,166**	**468**	**23,635**
Other financial liabilities				
Accounts and other payables				
Trade	**₱4,068**	**₱–**	**₱–**	**₱4,068**
Retentions payable	**249**	**–**	**–**	**249**
Accrued expenses	**731**	**–**	**–**	**731**
Accrued interest	**35**	**–**	**–**	**35**
Others	**707**	**–**	**–**	**707**
Loans payable	**7,747**	**41,383**	**15,633**	**64,763**
Due to related parties	**380**	**–**	**–**	**380**
Other noncurrent liabilities	**–**	**–**	**578**	**578**
Total undiscounted financial liabilities	**13,917**	**41,383**	**16,211**	**71,511**
Liquidity Gap	**₱4,084**	**(₱36,217)**	**(₱15,743)**	**(₱47,876)**

Audited
December 31, 2011

(Amounts in millions)	**< 1 year**	**> 1 to < 5 years**	**> 5 years**	**Total**
Financial assets				
Cash and cash equivalents	₱452	₱–	₱–	₱452
Receivables				
Installment contracts receivable	820	1,105	–	1,925
Dividend receivable	157	–	–	157
Trade receivable	168	10	–	178
Accrued commission income	21	–	–	21
Accrued rent income	5	–	–	5
Accrued interest receivable	2	–	–	2
Others	157	–	4	161
Due from related parties	939	–	–	939
Long term cash investment	–	2,440	–	2,440
AFS financial assets - unquoted	–	10	–	10
Total undiscounted financial assets	₱2,721	₱3,565	₱4	₱6,290
Other financial liabilities				
Accounts and other payables				
Trade	3,794	–	–	3,794
Retentions payable	214	–	–	214
Accrued expenses	109	–	–	109
Accrued interest	65	–	–	65
Others	75	–	–	75
Loans payable	7,649	19,600	–	27,249
Due to related parties	404	–	–	404
Total undiscounted financial liabilities	₱12,310	₱19,600	₱–	₱31,910
Liquidity Gap	(₱9,589)	(₱16,035)	₱4	(₱25,620)

Foreign currency risk
Financial assets and financing facilities extended to the Group were mainly denominated in Philippine Pesos. As such, the Group's foreign currency risk is very minimal.

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.

10. Commitments and Contingent Liabilities

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

As of September 30, 2012, the Parent Company issued Letters of Guarantee (LG) in favor of HLURB for a total guarantee amount of ₱607.65 million. LGs were issued to partially guarantee the completion of FLI's ongoing projects.

11. Subsequent Events

On October 15, 2012, the Parent Company disbursed ₱156.0 million as its additional pro-rata share in an equity call from GBP upon its stockholders. This additional pro-rata share was to partially fund the Toledo plant expansion.

On October 19, 2012, the Board of Directors of the Parent Company, upon the endorsement of the Related Party Transaction committee, approved in principle the acquisition of Metrobank's 30% ownership in TMP. Said acquisition is part of the Parent Company's long-term program of increasing its holdings in its core businesses and will result to an increase in direct equity ownership in TMP from 21% to 51%.

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

FINANCIAL SOUNDNESS INDICATORS

AS OF AND FOR THE PERIOD ENDED SEPTEMBER 30, 2012 AND 2011

	2012	2011
1. Liquidity Ratio		
Current Ratio	2.81	1.53
2. Solvency Ratio		
Debt to Equity Ratio	0.86	0.84
3. Asset-to-Equity Ratio		
Assets to Equity Ratio	2.35	1.97
4. Interest Rate Coverage Ratio*		
Interest Rate Coverage Ratio	4.52	4.96
5. Profitability Ratios		
Return on Assets	6.7%	6.0%
Return on Equity	15.2%	11.2%

*computed as Earnings before Interest Expense and Taxes/Interest Expense

Annex C

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING AS OF SEPTEMBER 30, 2012

The details of disbursement of Initial Public Offering (IPO) proceeds from listing date of April 20, 2012 up to September 30, 2012 are presented below.

As disclosed in the Company's prospectus, gross and net proceeds were estimated at Php15 billion and Php14.2 billion, respectively.

The Company received gross proceeds amounting to ₱15.02 billion from the primary offering of 33,000,000 million shares on April 20, 2012, and incurred ₱1.16 billion IPO-related expenses.

As of September 30, 2012, the net proceeds amounting to ₱13.86 billion have been disbursed as follows: (1) ₱893 million for the acquisition of 4.6% of Global Business Power (GBP) from Global Business Holdings; (2) ₱2.7 billion for the acquisition of an additional 20% stake in Federal Land, Inc.; (3) ₱2.8 billion originally earmarked for the pre-payment of the ₱2.00 billion Union Bank term loan and ₱800.00 million partial payment of the Company's ₱5.00 billion notes facility maturing in 2013, was re-allocated and used to fully settle the ₱4.0 billion 5-year term loan with Metrobank, as approved by the Board of Directors on May 30, 2012, in order to save on the annual guarantee fee amounting to ₱31.5 million due on June 25, 2012; (4) ₱507 million for GBP's first equity call to fund the Toledo plant expansion; (5) ₱3.8 billion for capital expenditures to finance the acceleration of key growth projects of Federal Land, Inc.; and (6) ₱2.32 billion was used to finance the acquisition of additional 66,145,700 GBP shares representing 12% of GBP. The Company still have to fund an estimated ₱1.15 billion in equity contribution to GBP representing future equity calls on the Toledo Expansion Project. The Company is planning to fund this through a combination of internally generated funds and bank loans.

COVER SHEET

C S 2 0 0 7 7 1 1 7 9 2

SEC Registration Number

G T C A P I T A L H O L D I N G S , I N C . A N D S U B S I D I A R I E S

(Company's Full Name)

4 3 r d F l o o r , G T T o w e r I n t e r n a t i o n a l , A y a l a A v e n u e c o r n e r H . V . d e l a C o s t a S t . , M a k a t i C i t y

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

Francisco H Suarez Jr.

(Contact Person)

836-4500

(Company Telephone Number)

1 2	3 1
Month	*Day*

(Fiscal Year)

A A C F S

(Form Type)

Month *Day*

(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

11

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.

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Phone: (632) 891 0307
Fax: (632) 819 0872
www.sgv.com.ph

BOA/PRC Reg. No. 0001,
January 25, 2010, valid until December 31, 2012
SEC Accreditation No. 0012-FR-2 (Group A),
February 4, 2010, valid until February 3, 2013

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
GT Capital Holdings, Inc.
43rd Floor, GT Tower International
Ayala Ave. cor. H.V. dela Costa Street
Makati City

We have audited the accompanying consolidated financial statements of GT Capital Holdings, Inc. and its Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2011 and 2010 and January 1, 2010, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended December 31, 2011, 2010 and 2009, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of GT Capital Holdings, Inc. and its Subsidiaries as at December 31, 2011 and 2010 and January 1, 2010, and their financial performance and their cash flows for the years ended December 31, 2011, 2010 and 2009 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Jessie D. Cabaluna

Jessie D. Cabaluna
Partner
CPA Certificate No. 36317
SEC Accreditation No. 0069-AR-2 (Group A),
February 11, 2010, valid until February 10, 2013
Tax Identification No. 102-082-365
BIR Accreditation No. 08-001998-10-2009,
June 1, 2009, valid until May 31, 2012
PTR No. 3174583, January 2, 2012, Makati City

February 17, 2012

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31		January 1, 2010
	2011	2010	(see Note 2)
ASSETS			
Current Assets			
Cash and cash equivalents (Notes 4, 23 and 26)	**₱454,421,565**	₱3,064,941,846	₱198,498,584
Receivables (Notes 5 and 26)	**4,864,096,896**	1,175,627,247	754,968,420
Inventories (Note 6)	**11,338,367,323**	7,889,219,200	6,927,608,992
Due from related parties (Notes 23 and 26)	**938,859,224**	558,144,260	872,062,998
Prepayments and other current assets (Note 7)	**974,997,209**	752,475,791	563,638,483
Total Current Assets	**18,570,742,217**	13,440,408,344	9,316,777,477
Noncurrent Assets			
Noncurrent receivables (Notes 5 and 26)	**1,114,943,862**	908,865,891	284,535,117
Long - term cash investments (Note 23)	**2,440,084,378**	–	–
Deposits (Note 11)	**4,085,000,000**	–	–
Investments and advances (Note 8)	**38,112,517,612**	31,123,061,558	22,761,246,838
Investment properties (Note 9)	**5,227,423,530**	5,299,217,182	3,906,242,718
Property and equipment (Note 10)	**396,367,203**	430,887,963	373,046,962
Deferred tax assets (Note 25)	**3,791,675**	6,746,662	759,255
Other noncurrent assets (Notes 12 and 26)	**111,893,447**	94,509,242	95,714,605
Total Noncurrent Assets	**51,492,021,707**	37,863,288,498	27,421,545,495
	₱70,062,763,924	₱51,303,696,842	₱36,738,322,972
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts and other payables (Notes 13 and 26)	**₱4,573,419,840**	₱1,935,865,840	₱570,745,974
Current portion of liabilities on purchased land (Notes 16 and 26)	**–**	118,989,240	112,254,000
Short term loans payable (Notes 14 and 26)	**7,648,700,000**	7,182,191,076	4,257,000,000
Customers' deposits (Note 15)	**457,625,624**	417,461,273	615,365,978
Due to related parties (Notes 23 and 26)	**403,598,150**	320,571,614	500,992,878
Dividends payable	**244,000**	244,000	1,956,766
Income tax payable	**–**	1,982,814	–
Other current liabilities (Note 17)	**57,884,393**	23,808,095	29,652,205
Total Current Liabilities	**13,141,472,007**	10,001,113,952	6,087,967,801
Noncurrent Liabilities			
Pension liabilities (Note 24)	**₱28,111,610**	₱24,448,701	₱24,894,733
Long- term loans payable (Notes 14 and 26)	**19,600,000,000**	9,000,000,000	1,638,891,076
Non-current portion of liabilities on purchased land (Notes 16 and 26)	**–**	397,856,760	516,846,000
Deferred tax liabilities (Note 25)	**80,613,144**	7,294,339	35,241,965
Other noncurrent liabilities (Note 18)	**62,932,335**	52,663,113	38,338,257
Total Noncurrent Liabilities	**19,771,657,089**	9,482,262,913	2,254,212,031
	32,913,129,096	19,483,376,865	8,342,179,832

(Forward)

	December 31		January 1, 2010
	2011	2010	(see Note 2)
Equity (Note 19)			
Equity attributable to equity holders of GT Capital Holdings, Inc.			
Capital Stock	**1,250,000,000**	1,250,000,000	1,250,000,000
Additional paid-in capital	**23,071,664,419**	23,071,664,419	23,071,664,419
Retained earnings	**7,801,755,408**	5,377,356,029	2,875,735,063
Other comprehensive income	**2,805,451,828**	(90,153,139)	(322,556,599)
	34,928,871,655	29,608,867,309	26,874,842,883
Non-controlling interests	**2,220,763,173**	2,211,452,668	1,521,300,257
Total equity	**37,149,634,828**	31,820,319,977	28,396,143,140
	₱70,062,763,924	₱51,303,696,842	₱36,738,322,972

See accompanying Notes to Consolidated Financial Statements.

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2011	2010	2009
REVENUE			
Equity in net income of associates (Note 8)	**₱3,567,873,099**	₱2,948,879,125	₱2,089,845,209
Real estate sales	**2,512,196,616**	2,160,695,953	1,148,005,785
Sale of goods and services	**764,665,350**	644,692,097	584,192,149
Commission income	**95,970,876**	47,054,822	–
Rent income (Notes 9 and 27)	**238,001,688**	197,991,209	176,853,527
Interest and other income (Note 20)	**786,772,891**	307,496,714	330,679,234
	7,965,480,520	6,306,809,920	4,329,575,904
COSTS AND EXPENSES			
Cost of real estate sales (Note 6)	**1,553,768,313**	1,364,808,171	636,731,568
Cost of goods and services (Notes 6 and 21)	**709,726,583**	584,566,497	497,583,999
General and administrative expenses (Note 22)	**1,109,747,048**	893,294,486	755,346,193
Interest expense (Note 14)	**989,749,556**	281,920,080	169,849,306
	4,362,991,500	3,124,589,234	2,059,511,066
INCOME BEFORE INCOME TAX	**3,602,489,020**	3,182,220,686	2,270,064,838
PROVISION FOR INCOME TAX (Note 25)	**148,779,135**	70,203,309	59,302,159
NET INCOME	**₱3,453,709,885**	₱3,112,017,377	₱2,210,762,679
Attributable to:			
Equity holders of the GT Capital Holdings, Inc.	**₱3,324,399,379**	₱3,001,620,966	₱2,183,991,521
Non-controlling interest	**129,310,506**	110,396,411	26,771,158
	₱3,453,709,885	₱3,112,017,377	₱2,210,762,679

See accompanying Notes to Consolidated Financial Statements.

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2011	2010	2009
NET INCOME	**₱3,453,709,885**	₱3,112,017,377	₱2,210,762,679
Equity in other comprehensive income of associates (Note 8):			
Net unrealized gain (loss) on available for sale of associates	**2,762,533,470**	345,327,351	1,733,349,175
Revaluation reserve on investment property of associates	**–**	(113,611)	(927,022)
Revaluation increment on property and equipment of associates	**–**	(238,918)	(133,680)
Translation adjustment of associates	**133,071,497**	(112,571,362)	(53,064,619)
TOTAL OTHER COMPREHENSIVE INCOME	**2,895,604,967**	232,403,460	1,679,223,854
TOTAL COMPREHENSIVE INCOME	**₱6,349,314,852**	₱3,344,420,837	₱3,889,986,533
Attributable to:			
Equity holders of the GT Capital Holdings, Inc.	**₱6,220,004,346**	₱3,234,024,426	₱3,863,215,375
Non-controlling interest	**129,310,506**	110,396,411	26,771,158
	₱6,349,314,852	₱3,344,420,837	₱3,889,986,533

See accompanying Notes to Consolidated Financial Statements.

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to Equity Holders of GT Capital Holdings, Inc								
	Capital Stock (Note 19)	Additional Paid-in Capital (Note 19)	Retained Earnings (Note 19)	Net Unrealized gain (loss) on available for sale of associates (Note 8)	Revaluation reserve on investment property of associates (Note 8)	Revaluation increment on property and equipment of associates (Note 8)	Translation adjustment of associates (Note 8)	Attributable to Non-controlling interest of subsidiary	Total
At January 1, 2011	**₱1,250,000,000**	**₱23,071,664,419**	**₱4,937,094,253**	**(₱216,343,953)**	**(₱1,302,061)**	**(₱594,450)**	**₱128,087,325**	**₱2,090,485,609**	**₱31,259,091,142**
Effect of uniting of interest	–	–	**440,261,776**	–	–	–	–	**120,967,058**	**561,228,834**
As restated	**1,250,000,000**	**23,071,664,419**	**5,377,356,029**	**(216,343,953)**	**(1,302,061)**	**(594,450)**	**128,087,325**	**2,211,452,667**	**31,820,319,976**
Consideration transferred on acquisition of a subsidiary under common control (Note 28)	–	–	**(336,000,000)**	–	–	–	–	**(84,000,000)**	**(420,000,000)**
Dividends declared	–	–	**(564,000,000)**	–	–	–	–	**(36,000,000)**	**(600,000,000)**
Total comprehensive income	–	–	**3,324,399,379**	**2,762,533,470**	–	–	**133,071,497**	**129,310,506**	**6,349,314,852**
At December 31, 2011	**₱1,250,000,000**	**₱23,071,664,419**	**₱7,801,755,408**	**₱2,546,189,517**	**(1,302,061)**	**(₱594,450)**	**₱261,158,822**	**₱2,220,763,173**	**₱37,149,634,828**
At January 1, 2010	₱1,250,000,000	₱23,071,664,419	₱2,518,654,607	(₱561,671,304)	(₱1,188,450)	(₱355,532)	₱240,658,687	₱1,421,333,054	₱27,939,095,481
Effect of uniting of interest	–	–	357,080,456	–	–	–	–	99,967,203	457,047,659
As previously restated	1,250,000,000	23,071,664,419	2,875,735,063	(561,671,304)	(1,188,450)	(355,532)	240,658,687	1,521,300,257	28,396,143,140
Increase in non-controlling interest	–	–	–	–	–	–	–	600,000,000	600,000,000
Dividends declared	–	–	(500,000,000)	–	–	–	–	(20,244,000)	(520,244,000)
Total comprehensive income	–	–	3,001,620,966	345,327,351	(113,611)	(238,918)	(112,571,362)	110,396,411	3,344,420,837
At December 31, 2010	₱1,250,000,000	₱23,071,664,419	₱5,377,356,029	(₱216,343,953)	(₱1,302,061)	(₱594,450)	₱128,087,325	₱2,211,452,668	₱31,820,319,977
At January 1, 2009	₱1,250,000,000	₱23,071,664,419	₱1,466,428,530	(₱2,295,020,479)	(₱261,428)	(₱221,852)	₱293,723,306	₱1,022,457,862	₱24,808,770,358
Effect of uniting of interest	–	–	359,252,060	–	–	–	–	100,298,105	459,550,165
Consideration transferred on acquisition of a subsidiary under common control (Note 28)	–	–	(81,600,000)	–	–	–	–	(20,400,000)	(102,000,000)
Increase in non-controlling interest	–	–	–	–	–	–	–	400,000,000	400,000,000
Acquisition of non-controlling interest	–	–	(337,048)	–	–	–	–	(4,826,868)	(5,163,916)
Dividends declared	–	–	(1,052,000,000)	–	–	–	–	(3,000,000)	(1,055,000,000)
Total Comprehensive income	–	–	2,183,991,521	1,733,349,175	(927,022)	(133,680)	(53,064,619)	26,771,158	3,889,986,533
At December 31, 2009/ January 1, 2010	₱1,250,000,000	₱23,071,664,419	₱2,875,735,063	(₱561,671,304)	(₱1,188,450)	(₱355,532)	₱240,658,687	₱1,521,300,257	₱28,396,143,140

See accompanying Notes to Consolidated Financial Statements.

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2011	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱3,602,489,020**	₱3,182,220,686	₱2,270,064,838
Adjustments for:			
Interest expense	**989,749,556**	281,920,080	169,849,306
Depreciation and amortization (Notes 9, 10, 12 and 22)	**71,352,576**	72,251,958	72,346,926
Unrealized foreign exchange losses	**193,784**	604,708	219,715
Gain on disposal of property and equipment	**(302,584)**	(4,844,081)	(2,087,833)
Equity in net income of associates and a joint venture (Note 8)	**(3,567,873,099)**	(2,948,879,125)	(2,089,845,209)
Interest income	**(598,227,699)**	(184,374,971)	(192,342,838)
Pension expense	**16,621,998**	9,368,388	5,695,785
Loss on disposal of assets	**–**	448,931	–
Operating income (loss) before changes in working capital	**514,003,552**	408,716,574	233,900,690
Decrease (increase) in:			
Receivables	**(4,203,893,169)**	(1,068,313,992)	(147,540,574)
Due from related parties	**(380,714,964)**	313,918,738	155,807,882
Inventories	**(3,228,592,505)**	(820,933,594)	(820,561,067)
Prepayments and other current assets	**(282,455,718)**	(188,837,310)	(111,192,288)
Increase (decrease) in:			
Accounts and other payables	**2,632,476,447**	1,302,037,270	(55,279,275)
Customers' deposits	**40,164,351**	(197,904,705)	134,758,727
Other current liabilities	**34,076,298**	34,542,139	7,083,408
Cash used in operations	**(4,874,935,708)**	(216,774,880)	(603,022,497)
Contributions to pension plan assets (Note 24)	**(12,959,089)**	(9,814,420)	(3,000,000)
Interest received	**353,463,140**	207,699,362	341,926,054
Interest paid	**(1,087,246,900)**	(374,660,184)	(292,854,026)
Dividends received	**1,495,803,180**	604,780,787	1,107,468,133
Income taxes paid	**(14,553,856)**	(102,155,530)	(68,872,057)
Net cash provided by (used in) operating activities	**(3,586,319,126)**	109,075,135	481,645,607
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales of:			
Investment in an associate	**–**	142,218,325	–
Property and equipment	**475,003**	112,714	1,807,406
Refund of advances	**602,879,241**	–	–
Additions to:			
Investment properties (Note 9)	**(57,705,511)**	(1,411,585,709)	(57,550,246)
Property and equipment (Note 10)	**(18,540,327)**	(117,646,488)	(34,769,861)
Investment and advances	**(2,624,660,409)**	(5,927,980,178)	(240,000,000)
Long term investment	**(2,440,084,378)**	–	–
Deposit	**(4,085,000,000)**	–	–
Decreased in other noncurrent asset	**(24,329,670)**	(8,901,393)	(26,795,483)
Acquisition of subsidiary through business combinations - net of cash acquired	**(420,000,000)**	–	(107,163,916)
Net cash used in investing activities	**(9,066,966,051)**	(7,323,782,729)	(464,472,100)

(Forward)

	Years Ended December 31		
	2011	2010	2009
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loan availments	**₱19,305,000,000**	₱14,189,000,000	₱3,235,257,743
Payment of:			
Cash dividends (Note 19)	**(600,000,000)**	(521,956,766)	(1,113,043,234)
Loans payable	**(8,238,491,076)**	(3,902,700,000)	(514,000,000)
Increase (decrease) in:			
Noncontrolling interests	–	600,000,000	400,000,000
Liabilities on purchased land	**(516,846,000)**	(112,254,000)	(230,868,600)
Due to related parties	**83,026,536**	(174,741,264)	96,569,215
Other noncurrent liabilities	**10,269,219**	4,407,592	(1,816,940,536)
Net cash provided by financing activities	**10,042,958,679**	10,081,755,562	56,974,588
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(193,784)**	(604,708)	(219,715)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(2,610,520,282)**	2,866,443,262	73,928,380
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**3,064,941,846**	198,498,584	124,570,204
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱454,421,565**	₱3,064,941,846	₱198,498,584

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. (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 ultimate parent is Grand Titan Capital Holdings, Inc.

The Parent Company owns 80% of Federal Land, Inc. (Fed Land) and has significant shareholdings in Metropolitan Bank & Trust Co. (MBTC), Toyota Motor Philippines, Inc. (Toyota) and Philippine AXA Life Insurance Corp. (Phil AXA) (see Note 8).

Group Activities

The Parent Company and Fed Land Group are collectively referred herein as the “Group”. The Parent Company, holding company of Fed Land Group, is engaged in investing, purchasing and holding shares of stock, notes and other securities and obligations. The principal business interests of Fed Land Group are real estate development and leasing and sell properties and act as a marketing agent for and in behalf of any real estate development company or companies.

The Fed Land Group is also engaged in:

a) the business of trading of goods such as petroleum, non-fuel products on wholesale or retail basis;
b) maintaining a petroleum service station and;
c) food and restaurant service.

The registered office address of the Parent Company is at 43rd Floor, GT Tower International, Ayala Avenue corner H.V. de la Costa St., Makati City.

The accompanying consolidated financial statements were authorized for issue by the Board of Directors (BOD) on February 17, 2012.

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. The Group’s consolidated financial statements are presented in Philippine Peso (₱), the Group’s functional currency. Values are rounded to the nearest peso unless otherwise indicated.

Statement of Compliance

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

Basis of Consolidation

Basis of consolidation from January 1, 2010

The consolidated financial statements comprise the financial statements of the Group as at December 31, 2011, 2010 and January 1, 2010, and for the years then ended December 31, 2011, 2010 and 2009.

The consolidated financial statements comprise the financial statements of the Parent Company, consolidated financial statements of Fed Land Group and Group's share in the net assets of the associates plus cost of investment. The consolidated statement of financial position as of January 1, 2010, as presented herein, represents the retrospective restatement of items in the consolidated financial statements of Fed Land Group and was consequently consolidated to the Group's financial statements (see Notes 19 and 28). The Group provides full set of notes for the consolidated statement financial position as of January 1, 2010, including the related notes that were affected by the restatement.

The subsidiary is 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. The financial statements of the subsidiary are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Non-controlling interests (NCI) represent the portion of profit or loss and net assets in a subsidiary not wholly owned and are presented separately in the consolidated statement of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and within equity in the consolidated statements of financial position, separately from the Parent Company's equity.

Losses within a subsidiary are attributed to the NCI even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. 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.
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

Basis of consolidation prior to January 1, 2010

Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisitions of non-controlling interests, prior to January 1, 2010, were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognized in goodwill.
- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributed to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to January 1, 2010 were not reallocated between NCI and the parent shareholders.

- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying values of such investments at January 1, 2010 have not been restated.

The consolidated financial statements include the financial statements of the Parent Company and the following domestic subsidiaries of Fed Land:

	Effective Percentages of Ownership		
	December 31		January 1,
	2011	2010	2010
Federal Land Inc. (Fed Land)[1]	**80.00%**	80.00%	80.00%
Subsidiaries of Fed Land:			
Southern Horizon Development Corp. (SHDC)	**80.00**	80.00	80.00
Federal Land - Management and Consultancy, Inc. (FMCI)	**80.00**	80.00	80.00
Fedsales Marketing, Inc. (FMI)	**80.00**	80.00	80.00
Baywatch Realty Corporation (BRC)[a]	–	–	80.00
Baywatch Project Management Corporation (BPMC)	**80.00**	80.00	80.00
Paco Realty Development, Inc. (PRDI) [b]	–	–	80.00
Horizon Land Property and Development Corporation previously known as Heritage Consolidated Assets, Inc.(HCAI) [b]	**80.00**	80.00	80.00
Morano Holdings Corporation (MHC)	**80.00**	80.00	80.00
Promenade Construction and Realty Development Corp. (PCRDC) [b]	–	–	80.00
Omni-Orient Marketing Network, Inc. (OOMNI)	**70.24**	70.24	70.24
Federal Brent Retail, Inc. (FBRI) [2]	**41.33**	41.33	41.33
Top Leader Property Management Corp. (TLPMC)	**80.00**	–	–
Central Realty and Development Corp. (CRDC) [c]	**60.64**	60.64	60.64
Harbour Land Realty Corporation (HLRC) [c]	**80.00**	80.00	80.00

[1] *Subsidiary*
[2] *Engaged in trading of petroleum and non-fuel products and food and restaurant services*
a - BRC was merged to Fed Land in 2010
b - Merged witn HCAI in 2010 and SEC approved the change of name in December 23, 2010
c - Effective ownership in 2010 and 2009 was the effect of uniting of interest method

TLPMC
On April 27, 2011, the SEC approved the Articles of Incorporation and by Laws of TLPMC, a wholly owned subsidiary of Fed Land for a total subscription of ₱0.50 million. TLPMC started its operations in May 2011.

CRDC
On June 23, 2011, CRDC issued its remaining unissued capital stock to Fed Land consisting of 375,000 common shares with ₱100 par value share for ₱37.50 million. As a result, the Group obtained a 60.64% interest through Fed Land's 75.8% direct interest of CRDC after the issuance. The Group accounted the business combination under common control using uniting of interest method (see Note 28).

HLRC
In 2011, the Group acquired effective interest holdings of 80% in HLRC, a wholly owned subsidiary of Fed Land, from affiliated companies for a total consideration of ₱420.00 million. Such transaction involving business combination under common control was accounted for using uniting of interest method (see Note 28).

FBRI
FBRI is 51.66% owned by Fed Land and was consolidated to Fed Land Group. Effective ownership of the Parent Company over FBRI through Fed Land is 41.33%.

BLRDC
In 2011, Fed Land and MHC entered into a Deed of Assignment and Subscription Agreement under a joint venture arrangement with ORIX Risingsun Properties II, Inc. (Orix) (see Note 31).

On January 25, 2012, the SEC approved the change in corporate name of MHC from Morano Holdings Corporation to Bonifacio Landmark Realty and Development Corporation (BLRDC).

<u>Combinations of Entities Under Common Control</u>
Business combination of entities under common control is accounted for using the uniting of interest method. The combined entities accounted for by the uniting of interests method reports 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 current assets, current liabilities, revenues, and cost of sales 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 acquire 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 acquire in accordance with applicable PRFS;
- 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 acquiree's equity are included in the opening balances of the equity as a restatement and are presented as "Effect of uniting of interest" in the consolidated statement of changes in equity. Cash consideration transferred on acquisition of a subsidiary under common control are deducted in the "Retained earnings" at the time of business combination.

<u>Changes in Accounting Policies</u>
The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended PFRSs and Philippine Interpretations which were adopted as of January 1, 2011. Adoption of these changes in PFRS did not have any significant effect on the Group's consolidated financial statements.

- PAS 24, *Related Party Transactions* (Amendment)
  PAS 24 clarifies the definitions of a related party. The new definitions emphasize a symmetrical view of related party relationships and clarify the circumstances in which persons

and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Group.

- PAS 32, *Financial Instruments: Presentation* (Amendment)
  The amendment alters the definition of a financial liability in PAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has had no effect on the financial position or performance of the Group because the Group does not have these type of instruments.

- Philippine Interpretation IFRIC 14, *Prepayments of a Minimum Funding Requirement* (Amendment)
  The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognized as a pension asset. The Group is not subject to minimum funding requirements in the Philippines, therefore the amendment of the interpretation has no effect on the financial position nor performance of the Group.

Improvements to PFRSs
Improvements to PFRSs, an omnibus of amendments to standards, deal primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments did not have any impact on the consolidated financial position or performance of the Group.

Improvements to PFRS 2010
- PFRS 3, *Business Combinations*: The measurement options available for non-controlling interest (NCI) were amended. Only components of NCI that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation should be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components are to be measured at their acquisition date fair value.

  The amendments to PFRS 3 are effective for annual periods beginning on or after July 1, 2011. The Group, however, adopted these as of January 1, 2011 and changed its accounting policy accordingly as the amendment was issued to eliminate unintended consequences that may arise from the adoption of PFRS 3.

- PFRS 7, *Financial Instruments- Disclosures*: The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context.

- PAS 1, Presentation of Financial Statements: The amendment clarifies that an entity may present an analysis of each component of other comprehensive income maybe either in the statement of changes in equity or in the notes to the financial statements.

Other amendments resulting from the 2010 Improvements to PFRSs to the following standards did not have any impact on the accounting policies, consolidated financial position or performance of the Group.

- PFRS 3, *Business Combinations* (Contingent consideration arising from business combination prior to adoption of PFRS 3 (as revised in 2008))
- PFRS 3, *Business Combinations* (Un-replaced and voluntarily replaced share-based payment awards)
- PAS 27, *Consolidated and Separate Financial Statements*
- PAS 34, *Interim Financial Statements*

The following interpretation and amendments to interpretations did not have any impact on the accounting policies, financial position or performance of the Group:

- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes* (determining the fair value of award credits)
- Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments*

<u>New Accounting Standards, Interpretations and Amendments to Existing Standards Effective Subsequent to December 31, 2011</u>
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.

- PAS 1, *Financial Statement Presentation* - *Presentation of Items of Other Comprehensive Income*
  The amendments to PAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or ”recycled”) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has therefore no impact on the Group’s financial position or performance. The amendment becomes effective for annual periods beginning on or after July 1, 2012.

- PAS 12, *Income Taxes - Recovery of Underlying Assets*
  The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in PAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in PAS 16 always be measured on a sale basis of the asset. The amendment becomes effective for annual periods beginning on or after January 1, 2012.

- PAS 19, *Employee Benefits* (Amendment)
  Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The Group is currently assessing the impact of the amendment to PAS 19. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

- PAS 27, *Separate Financial Statements* (as revised in 2011)
  As a consequence of the new PFRS 10, *Consolidated Financial Statement* and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Group does not present separate financial statements. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

- PAS 28, *Investments in Associates* and *Joint Ventures* (as revised in 2011)
  As a consequence of the new PFRS 11, Joint Arrangements and PFRS 12, PAS 28 has been renamed PAS 28, Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

- PFRS 7, *Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements*
  The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendment becomes effective for annual periods beginning on or after July 1, 2011. The amendment affects disclosures only and has no impact on the Group's financial position or performance.

- PFRS 7, *Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*
  These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

  a) The gross amounts of those recognized financial assets and recognized financial liabilities;
  b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
  c) The net amounts presented in the statement of financial position;
  d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
     i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
     ii. Amounts related to financial collateral (including cash collateral); and
  e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

The amendments to PFRS 7 are to be retrospectively applied for annual periods beginning on or after January 1, 2013. The amendment affects disclosures only and has no impact on the Group's financial position or performance.

- PFRS 10, *Consolidated Financial Statements*
PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. This standard becomes effective for annual periods beginning on or after January 1, 2013.

- PFRS 11, *Joint Arrangements*
PFRS 11 replaces PAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly-controlled Entities* - Non-monetary Contributions by Venturers. PFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The application of this new standard will not have significant impact to the financial position of the Group since the Group accounts its jointly controlled under equity method of accounting. This standard becomes effective for annual periods beginning on or after January 1, 2013.

- PFRS 12, *Disclosure of Involvement with Other Entities*
PFRS 12 includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after January 1, 2013.

- PFRS 13, *Fair Value Measurement*
PFRS 13 establishes a single source of guidance under PFRS for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after January 1, 2013.

- PFRS 9, *Financial Instruments: Classification and Measurement*
PFRS 9 as issued reflects the first phase on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. The standard is effective for annual periods beginning on or after January 1, 2015. In subsequent phases, hedge accounting and impairment of financial assets will be addressed with the completion of this project expected on the first half of 2012. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

- PAS 32*, Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities*
  These amendments to PAS 32 clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. While the amendment is expected not to have any impact on the net assets of the Group, any changes in offsetting is expected to impact leverage ratios and regulatory capital requirements. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014. The Group is currently assessing impact of the amendments to PAS 32.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
  The interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The Interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue Standard is issued by International Accounting Standards Board (IASB) and an evaluation of the requirements and guidance of the final Revenue Standard in relation to the practices of the Philippine real estate industry is completed

  The adoption of this Philippine Interpretation may significantly affect the determination of the revenue from real estate sales and the corresponding costs, and the related trade receivables, deferred tax liabilities and retained earnings accounts. The Group is in the process of quantifying the impact of adoption of this Interpretation.

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.

Long Term Cash Investments
Long term cash investments are highly liquid investment that are subject to explicit time restriction under the provisions on the contracts.

Financial Instruments
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 (FVPL), the initial measurement of financial assets and financial liabilities includes transaction costs. The Group classifies its financial assets in the following categories: securities at FVPL, held-to-maturity (HTM) investments, AFS financial assets, and loans and receivables. The Group classifies its financial liabilities as financial liabilities at fair value through profit or loss 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.

As of December 31, 2011, 2010 and January 1, 2010, the Group's financial assets are of the nature of loans and receivables and AFS financial assets while financial liabilities are of the nature of other financial liabilities.

Determination of fair value
The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and ask prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models, and other relevant valuation models.

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 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 use is made of data which is not observable, the difference between the transaction price and model value is only recognized in 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 or financial assets at FVPL. This accounting policy relates to the consolidated statement of financial position captions "Cash and cash equivalents", "Receivables except for advances to contractors and suppliers", "Due from related parties" and "Long term cash investment" which in included in receivables account.

Receivables are recognized initially at fair value which normally pertains to the billable amount. After initial measurement, the loans and receivables are subsequently measured at amortized cost using the effective interest rate 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. The amortization is included 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 financial assets
AFS financial assets are non-derivative financial assets those which are designated as such or do not qualify to be classified as designated as securities of FVPL, 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 financial assets pertain to unquoted equity securities included under the consolidated statement of financial position caption "Other noncurrent assets".

These are carried at cost less impairment and approximate fair value 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
Other financial liabilities are financial liabilities not designated at FVPL 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. After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest rate 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 effective interest rate.

This accounting policy applies primarily to the Group's accounts and other payables, loans payable, liabilities for purchased land, 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).

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 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 a collective assessment for impairment.

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 carrying amount of the asset is reduced through 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 effective interest rate of the asset. Receivable, 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 at the reversal date.

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.

AFS financial assets
In case of equity investments classified as AFS financial assets, 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 statement of changes in equity and recognized in consolidated comprehensive income. Impairment losses on equity investments are not reversed through profit or loss. Increases in fair value after impairment are recognized directly in other comprehensive 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 as 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 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. 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. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

Inventories
Inventories consist of condominium units held for sale, gasoline retail and petroleum products, food and nonfood products that are available for sale in the Group's ordinary course of business and land and improvements and will be part of the Group's future real estate projects. These are carried at the lower of cost or net realizable value (NRV). NRV is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs to make the sale. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Real Estate Inventories
Property acquired 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 consists of land and improvements and condominium held for sale.

Land and improvements consists of properties that is held for future real estate projects and are carried at the lower of cost or NRV. Cost includes the acquisition cost of the land and those costs incurred for development and improvement of the properties. Upon commencement of real estate project, the subject land is transferred under "Condominium units held for sale".

Costs of condominium 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.

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.

Investments and Advances
This account includes advances for future stocks acquisition on investee companies. Investments in associates and jointly controlled entity 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 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 jointly controlled entity. 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 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 instead included as income in the determination of the share in the earnings of the investees.

Under the equity method, the investments and advances to in associate and jointly controlled entity 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 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 are recognized directly in other comprehensive income in the consolidated financial statements. The Group's share on total comprehensive income of an associate is shown in the statement of income and statement of comprehensive income. This is the profit attributable to equity holders of the associate and, therefore, is profit after tax and non-controlling interests in subsidiaries of the associate.

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 are treated as a reduction of the accumulated earnings under "Investment in associate" account.

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 jointly controlled entity. When the investees subsequently report net income, the Group will resume applying the equity method but only after its share in the net income equals the share of net losses not recognized during the period the equity method was suspended.

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 of the properties which is 25 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 profit or loss 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.

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.

Construction-in-progress (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 estimated useful lives (EUL) of the property and equipment as follows:

	Years
Transportation equipment	5
Furniture, fixtures and equipment	5
Leasehold improvements	2 to 10 or lease term (whichever is shorter)
Machineries, tools and equipment	3 to 5
Building	20 to 40

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.

Franchise
Franchise fee is amortized over the franchise period which ranges from three (3) to five (5) years. 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.

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 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.

Deposits
Deposits are stated at cost. Cost is the fair value of the asset given up at the date transfer to the affiliates. This account is treated as a real option money to purchase and develop a property that is held by a related party or an equity instrument to be issued upon exercise of option. The deposit granted to affiliates charges an interest and other related expenses in lieu of the time value in use of option money granted to the affiliates.

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 and advances to in associates and jointly controlled entity, investment properties, property and equipment, software costs and franchise and deposits), 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 cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. 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 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 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. 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 profit or loss 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.

The following criteria are also applied in assessing impairment of specific assets:

Investments and advances
After application of the equity method, the Group determines whether it is necessary to recognize any additional impairment loss with respect to the Group's net investment in its associates and jointly controlled entity. The Group determines at each financial reporting date whether there is any objective evidence that the investments and advances to associates and jointly controlled entity is 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 jointly controlled entity and the carrying cost and recognizes the amount in the consolidated statement of income.

Intangible assets
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 accumulated impairment, if any. Otherwise, such costs are recognized as expense as incurred.

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. The Group's intangible assets consist of software costs and franchise. Intangible assets have an estimated useful life of 2 to 5 years. Where an indication of impairment exists, the carrying amount of computer system development costs is assessed and written down immediately to its recoverable amount.

Impairment of AFS financial assets
The Group treats AFS financial assets as impaired when there has been a 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 'prolonged' requires judgment. The Group treats 'significant' generally as 20% or more of the original cost of investment and 'prolonged' as greater than 6 months for quoted equity securities. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

<u>Customers' Deposits</u>
The Group requires buyers of condominium units to pay a minimum percentage of the total selling price before the two parties enter into a sale transaction. 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.

In relation to this, the customer's deposits consists of payment from buyers which have not reached the minimum required percentage and any excess of collections over the recognized receivables.

Equity
The Group records common stocks 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.

Retained earnings represent(s) accumulated earnings (losses) of the Group less dividends declared, if any.

Acquisition of Non-controlling Interest in a Subsidiary
Acquisition of non-controlling interest is accounted for using the parent entity extension method, 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. When the consideration is less than the net assets acquired, the difference is recognized as a gain in the consolidated statement of income. 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.

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:

Real estate sales
For real estate sales, the Group assesses whether it is probable that the economic benefits will flow to the Group when the sales prices are collectible. Collectibility of the sales price is demonstrated by the buyer's commitment to pay, which in turn is supported by substantial initial and continuing investments that give the buyer a stake in the property sufficient that the risk of loss through default motivates the buyer to honor its obligation to the seller. Collectibility is also assessed by considering factors such as the credit standing of the buyer, age and location of the property.

Real estate revenue and cost from completed projects is accounted for using the full accrual method. In accordance with Philippine Interpretations Committee (PIC) Q&A No. 2006-01, 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, 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.

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.

Management fees
Management fees from administrative, property management and other fees are recognized when services are rendered.

Commission income
Commission income is recognized by reference to the percentage of collection of the agreed sales price or depending on the term of the sale as provided under the marketing agreement.

Rental income
Rental 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.

Interest income
Interest is recognized as it accrues using the effective interest method.

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

Other income
Other customer related fees such as penalties and surcharges are recognized as they accrue, taking into account the provisions of the related contract.

<u>Expense Recognition</u>
Commission expenses
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 percentage of completion 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.

<u>Pension Costs</u>
The Group has a funded, noncontributory defined benefit retirement plan, 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. Pension cost includes current service cost, interest cost, expected return on any plan assets, actuarial gains and losses and the effect of any curtailment or settlement.

The liability recognized in the consolidated statement of financial position in respect of the defined benefit pension plans is the present value of the defined benefit obligation at the financial reporting date less the fair value of the plan assets and less any actuarial gains or losses not recognized. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using risk-free interest rates that have terms to maturity approximating the terms of the related pension liability.

Actuarial gains and losses is recognized as income or expense if the cumulative unrecognized actuarial gains and losses at the end of the previous reporting period exceeded the greater of 10% of the present value of defined benefit obligation or 10% of the fair value of plan assets. These gains and losses are recognized over the expected average remaining working lives of the employees participating in the plans.

<u>Income Tax</u>
Current tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the financial reporting dates.

Deferred tax
Deferred tax is provided using the 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 liabilities are recognized for all taxable temporary differences. Deferred tax assets are 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 assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax assets 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 functional and presentation currency of the Group is Philippine Peso. 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 restated using the closing exchange rates prevailing at reporting date. Exchange gains or losses resulting from rate fluctuations upon actual settlement and from restatement at year-end are credited to or charged against current operations.

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 30.

Leases
Leases where the lessor retains substantially all the risks and benefits of the ownership of the asset are classified as operating leases. Fixed lease payments are recognized on a straight-line basis over the lease term. Variable rent is recognized as an income based on the terms of the lease contract.

Borrowing Costs
Borrowing costs are generally expensed as incurred. Interest and other financing costs incurred during the construction period on borrowings used to finance property development are capitalized as part of development costs. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Capitalized borrowing cost is based on applicable weighted average borrowing rate.

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.

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 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.

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 the date of the financial statements. Actual results could differ from such estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including 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:

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.

Collectibility of the sales price
In determining whether the sales prices are collectible, the Group considers that initial and continuing investments by the buyer of about 10% would demonstrate the buyer's commitment to pay.

Operating lease commitments - the Group as lessee
The Group has entered into a lease contract with its related parties with respect to the parcels of land where its retail malls are located. The Group has determined that all significant risks and rewards of ownership of the leased property remains to the lessor since the leased property, together with the buildings thereon, and all permanent fixtures, will be returned to the lessor upon termination of the lease.

Operating lease commitment - 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 it retains all significant risks and rewards of ownership on the properties as the Group considered risks and rewards of ownership on the properties as the Group considered among others the length of the lease as compared with the estimated life of the assets.

A number of the Group's operating lease contracts are accounted for as noncancellable operating leases. In determining whether a lease contract is cancellable or not, the Group considered among others, the significance of the penalty, including the economic consequences to the lessee (see Note 27).

Finance lease commitments - Group as Lessee
The Group has entered into finance leases on certain parcel of land. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that the lessor transfers substantially all the risks and benefits incidental to ownership of the leased equipment to the Group thus, it recognized these leases as finance leases.

Impairment of AFS financial assets
The Group treats AFS financial assets as impaired when there has been a significant or prolonged decline or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment. The Group treats 'significant' generally as 20% or more and 'prolonged' as greater than six months for quoted equity securities. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

Financial assets not quoted in an active market
The Group classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

Distinction between real estate inventories and investment properties
The Group determines whether a property will be classified as real estate inventories or investment properties. In making this judgment, the Group considers whether the property is held for sale in the ordinary course of business (real estate inventories) or which are held primarily to earn rental and capital appreciation and are not occupied substantially for use by, or in the operations of the Group (investment properties).

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 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.

<u>Management's Use of Estimates</u>
The key assumptions concerning the future and other key sources of estimation and uncertainty at the financial reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Revenue recognition
The Group's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenues and costs. The Group's revenue from real estate sales recognized based on the percentage of completion are measured principally on the basis of the estimated completion of a physical proportion of the contract work, and by reference to the actual costs incurred to date over the estimated total costs of the project. The carrying amount of installment contract receivable amounted to ₱1,924.21 million in December 31, 2011, ₱1,361.19 million in December 31, 2010, and ₱750.93 million in January 1, 2010 (see Note 5). The Group recognized real estate sales in 31, 2011, 2010, and 2009 amounting to ₱2,512.20 million, ₱2,160.70 million, and ₱1,148.00 million, respectively.

Estimating allowance for impairment losses
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 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 effective interest rate. 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 group 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.

Therefore, the amount and timing of recorded expense for any period would differ depending on the judgments and estimates made for the year. As of December 31, 2011, 2010 and January 1, 2010, the carrying values of these assets are as follows:

	December 31		January 1,
	2011	2010	2010
Receivables (Note 6)	**₱4,864,096,896**	₱1,175,627,247	₱754,968,420
Due from related parties	**938,859,224**	558,144,260	872,062,998

Evaluating net realizable value of 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. The carrying value of the Group's inventories amounted to ₱11,338.37 million, ₱7,889.22 million, and ₱6,927.61 million as of December 31, 2011, 2010 and January 1, 2010, respectively (see Note 6).

Estimating useful lives of property and equipment, investment properties and intangibles assets
The Group estimated useful lives (EUL) of its property and equipment, investment properties, and 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 property and equipment, investment properties and intangible assets would increase the recorded depreciation and amortization expense.

As of December 31, 2011, 2010 and January 1, 2010, the carrying values of property and equipment, investment property, software costs and franchise are as follow:

	December 31		January 1, 2010
	2011	2010	(See Note 2)
Investment properties (Note 9)	**₱5,227,423,530**	₱5,299,217,182	₱3,906,242,718
Property and equipment (Note 10)	**396,367,203**	430,887,963	373,046,962
Software costs (Note 12)	**8,425,386**	8,386,285	13,840,392
Franchise (Note 12)	**72,697**	145,424	2,063,057

Evaluating asset impairment
The Group reviews investment properties, investments in and advances to associates and a jointly controlled entity, property and equipment, software costs and franchise. 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 and advances to in associates and jointly controlled entity, property and equipment, software cost and franchise. The following table sets forth the carrying values of investment properties, investments and advances to in associates and jointly controlled entity, property and equipment, software costs and franchise as of December 31, 2011, 2010 and January 1, 2010:

	December 31		January 1, 2010
	2011	2010	(See Note 2)
Investments and advances to in associates and a joint venture (Note 8)	**₱38,112,517,612**	₱31,123,061,558	₱22,761,246,838
Investment properties (Note 9)	**5,227,423,530**	5,299,217,182	3,906,242,718
Property and equipment (Note 10)	**396,367,203**	430,887,963	373,046,962
Software (Note 12)	**8,425,386**	8,386,285	13,840,392
Franchise (Note 12)	**72,697**	145,424	2,063,057

Deferred tax assets
The Group reviews the carrying amounts of deferred taxes at each reporting date and reduces deferred tax assets 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 assets 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 deferred tax assets and unrecognized temporary differences of the Group are disclosed in Note 25.

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 include are described in Note 24 to the consolidated statement of financial position and include among others, discount rates, expected returns on plan assets 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.

As of December 31, 2011, 2010 and January 1, 2010, the present value of defined benefit obligations and unrecognized actuarial losses are as follows (see Note 24):

	December 31		January 1, 2010
	2011	2010	(See Note2)
Present value of funded defined benefit obligations	**₱94,019,346**	₱78,287,581	₱51,699,062
Unrecognized actuarial losses	**(42,949,696)**	(42,807,415)	(6,311,230)

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 (see Note 26).

4. Cash and Cash Equivalents

This account consists of:

	December 31		January 1,
	2011	2010	2010
Cash on hand and in banks	**₱383,635,340**	₱2,731,763,350	₱164,857,911
Cash equivalents	**70,786,225**	333,178,496	33,640,673
	₱454,421,565	₱3,064,941,846	₱198,498,584

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 short-term investment rates ranging from 2.3% to 4.0% interest per annum.

Interest income from deposits and savings accounts of the Group amounted to ₱24.52 million, ₱9.81 million and ₱3.28 million in 2011, 2010 and 2009, respectively.

5. Receivables

This account consists of:

	December 31		January 1,
	2011	2010	2010
Installment contracts receivable	**₱1,924,210,550**	₱1,361,188,994	₱750,928,270
Loans receivable (Note 31)	**2,602,879,241**	–	–
Advances to contractors and suppliers	**890,524,121**	479,942,744	151,154,261
Dividend receivable (Note 31)	**157,156,316**	–	–
Trade receivables	**178,816,574**	93,286,102	75,151,800
Advances to officers, employees and agents	**39,780,012**	12,010,584	7,141,616
Accrued commission income	**21,252,081**	26,256,933	4,519,931
Accrued rent income	**5,300,029**	14,703,308	8,378,764
Accrued interest receivable	**2,269,418**	34,559,913	24,984,384
Others	**160,620,804**	65,475,121	18,939,085
Total	**5,982,809,146**	2,087,423,699	1,041,198,111
Less noncurrent portion	**1,114,943,862**	908,865,891	284,535,117
Total current	**4,867,865,284**	1,178,557,808	756,662,994
Less allowance for impairment losses	**3,768,388**	2,930,561	1,694,574
	₱4,864,096,896	₱1,175,627,247	₱754,968,420

The details of installment contracts receivable follow:

	December 31		January 1,
	2011	2010	2010
Installment contracts receivable	**₱2,348,347,412**	₱1,508,270,802	₱865,110,158
Less unearned interest income	**424,136,862**	147,081,808	114,181,888
Net installment contracts receivable	**1,924,210,550**	1,361,188,994	750,928,270
Less noncurrent portion	**1,104,578,763**	908,865,891	284,535,117
Current portion	**₱819,631,787**	₱452,323,103	₱466,393,153

Noninterest-bearing installment contracts receivables are collected over a period of one to ten years. The fair value upon initial recognition is derived using discounted cash model using the discount rate ranging from 8% to 18% in December 31, 2011, 2010 and January 1, 2010. Interest income recognized from these receivables amounted to ₱195.92 million, ₱174.57 million, and ₱180.64 million in 2011, 2010 and 2009, respectively. Unamortized discount amounted to ₱424.14 million, ₱147.08 million, and ₱114.18 million as of December 31, 2011, 2010 and January 1, 2010, respectively.

Movements in the unamortized discount as of December 31, 2011, 2010 and January 1, 2010 follow:

	December 31		January 1,
	2011	2010	2010
Balance at beginning of year	**₱147,081,808**	₱114,181,888	₱187,551,788
Additions	**472,979,186**	207,467,520	107,273,723
Accretion	**(195,924,132)**	(174,567,600)	(180,643,623)
Balance at end of year	**₱424,136,862**	₱147,081,808	₱114,181,888

Advances to contractors and suppliers pertain to advances and initial payment for the purchase of construction materials and supplies and contractor services. These are recouped upon every progress billing payments and will be due and demandable upon breach of contract.

Trade receivables pertain to tenants' rentals already billed but not yet collected and their share in utilities (electricity, water and liquefied petroleum gas).

Accrued rent income and accrued commission pertain to commission and rent earned but not yet collected, with a 15- to 30- day term.

Advances to officers and employees pertain to cash advances for representation and entertainment and employee cash loans. Advances for representation and entertainment are liquidated within 30 days after incurrence of expense while employee cash loans are collected through salary deduction. Cash advances to agents pertain to mobilization funds granted to agents to finance their sales-related needs. These advances are subjected to liquidation within 30 days after the release of cash advance.

Other receivables pertain to the claims on late payments and other non trade receivables.

Loan receivable represents a short term loan granted by the Parent Company to a third party on December 27, 2011 amounting to ₱2.6 billion with fixed interest rate of 4.00% per annum.

As of December 31, 2011, 2010 and January 1, 2010, the Group's other receivables which are past due were provided with full allowance amounting to ₱3.77 million, ₱2.93 million, and ₱1.69 million, respectively. The impairment loss pertains to individually impaired accounts. These are presented as gross amounts before directly deducting impairment allowance. No impairment losses resulted from performing collective impairment test.

The movement in the Group's allowance for impairment losses follows:

	December 31		January 1,
	2011	2010	2010
Balance at beginning of year	**₱2,930,561**	₱1,694,574	₱1,374,510
Provision for the year	**879,708**	1,235,987	320,064
Write off	**(41,881)**	–	–
Balance at end of year	**₱3,768,388**	₱2,930,561	₱1,694,574

6. **Inventories**

This account consists of:

	December 31		January 1,
		2010	2010
	2011	(As restated)	(As restated)
Condominium units held for sale	**₱5,931,704,263**	₱3,154,520,645	₱1,882,373,019
Land and improvements at cost	**4,653,076,618**	4,279,214,214	4,492,170,030
Materials, supplies and others	**743,058,180**	443,479,143	544,370,758
Crude oil and petroleum products (Note 21)	**8,367,927**	10,014,263	5,620,580
Food (Note 21)	**2,160,335**	1,990,935	3,074,605
	₱11,338,367,323	₱7,889,219,200	₱6,927,608,992

The Group started the development of its parcels of land previously accounted for as property and equipment amounting to ₱4.22 million and investment properties amounting to ₱2.41 million both in 2009. The transfers of properties into "Inventories" account are in line with the Group's intention of constructing condominium units for sale and as evidenced by its commencement of development with the view to sale (see Notes 9 and 10).

The rollforward of land for development is as follows:

	December 31		January 1,
	2011	2010	2010
Balance at beginning of year	**₱4,279,214,214**	₱4,492,170,030	₱4,233,598,038
Acquisitions	**7,165,853**	1,281,774,720	446,537,537
Transfers from materials, supplies and others	**475,473,513**	–	–
Transfers to condominium units held for sale	**(108,776,962)**	(1,494,730,536)	(187,965,545)
Balance at end of year	**₱4,653,076,618**	₱4,279,214,214	₱4,492,170,030

As of December 31, 2011, 2010 and 2009, inventories recognized as "Cost of real estate sales" amounted to ₱1,553.77 million, ₱1,364.81 million and ₱636.73 million, respectively, while other inventory items recognized as "Cost of goods and services sold" amounted to ₱709.73 million, ₱584.57 million, and ₱497.58 million, respectively.

Certain parcels of land were transferred to the inventories account with carrying amount of ₱117.98 million ₱9.12 million and ₱2.41 million in 2011, 2010 and 2009, respectively (see Note 9).

The Group capitalized borrowing cost on real estate inventories amounting to ₱171.54 million, ₱174.54 million and ₱155.86 million in 2011, 2010 and 2009, respectively for loans with interest rates ranging from 2.89% to 8.00% used to finance the Group's project construction. Also, the Group capitalized borrowing with regards to its general borrowing amounting to ₱79.28 in 2011. The average capitalization rate used to determine the amount of borrowing costs eligible for capitalization is 7.29% in 2011. Said capitalized interest is added to "Condominium units held for sale" account and recognized as expense upon the sale of condominium units. The Group expensed out capitalized interest amounted to ₱59.81 million in 2011 and ₱36.06 million in 2010 (see Note 14).

7. Prepayments and Other Current Assets

This account consists of:

	December 31		January 1,
	2011	2010	2010
Input value-added tax (VAT)	**₱695,928,291**	₱626,513,862	₱408,690,591
Creditable withholding taxes	**186,685,573**	42,401,104	144,949,966
Prepaid expenses	**90,924,676**	31,505,623	5,644,923
Others	**1,458,669**	52,055,202	4,353,003
	₱974,997,209	₱752,475,791	₱563,638,483

Input VAT will be applied against output VAT in the succeeding periods.

Creditable withholding taxes (CWT) are attributable to taxes withheld by third parties arising from real estate revenue, rental income and service fees.

Input VAT and CWT are fully realizable and will be applied against future taxes payable.

Prepaid expenses mainly include unrecognized commission expense for incomplete real estate units and prepayments for supplies, taxes and licenses, rentals and insurance.

8. Investments and Advances

This account consists of:

	December 31		January 1,
	2011	2010	2010
Investments in associates	**₱34,268,458,613**	₱26,763,676,334	₱22,442,662,461
Investment in a joint venture	**446,938,240**	359,385,224	318,584,377
Advances to GBPC	**3,397,120,759**	4,000,000,000	–
	₱38,112,517,612	₱31,123,061,558	₱22,761,246,838

The movements in the Group's investment and advances follow:

	December 31		January 1,
	2011	2010	2010
Associates:			
Balance at beginning of year	**₱21,923,397,617**	₱20,145,417,439	₱20,145,417,439
Additions during the year			
Additional investments	**2,624,660,409**	1,927,980,178	–
Disposal	**–**	(150,000,000)	–
	24,548,058,026	21,923,397,617	20,145,417,439
Accumulated equity in total comprehensive income (loss)			
Balance at beginning of year	**4,840,278,717**	2,297,245,022	(366,445,264)
Equity in net income	**3,480,320,083**	2,908,078,278	2,091,934,566
Equity in other comprehensive income (loss)	**2,895,604,967**	232,403,460	1,679,223,854
Dividends received	**(1,495,803,180)**	(604,780,787)	(1,107,468,134)
Disposal	**–**	7,332,744	–
	9,720,400,587	4,840,278,717	2,297,245,022
	34,268,458,613	30,763,676,334	22,442,662,461
Joint venture:			
Cost			
Balance at beginning of year	**330,000,000**	330,000,000	90,000,000
Additions	–	–	240,000,000
	330,000,000	330,000,000	330,000,000
Accumulated equity in net income (loss)			
Balance at beginning of year	**29,385,224**	(11,415,623)	(9,326,266)
Equity in net income (loss)	**87,553,016**	40,800,847	(2,089,357)
	116,938,240	29,385,224	(11,415,623)
	446,938,240	359,385,224	318,584,377
Advances: (Notes 23 and 31)			
Balance at the beginning of year	**4,000,000,000**	–	–
Deposit for future stocks subscriptions	**–**	4,000,000,000	–
Refund	**(602,879,241)**	–	–
	3,397,120,759	4,000,000,000	–
	₱38,112,517,612	₱31,123,061,558	₱22,761,246,838

The following tables summarize cash dividends declared and paid by the Group's associates:

Associate	**Declaration date**	**Per share**	**Total (in millions)**	**Record Date**	**Payment Date**
2011					
Phil AXA	December 14, 2011	₱177.43	₱621	December 14, 2011	February 9, 2012
Phil AXA	April 28, 2011	143.13	501	April 28, 2011	June 6, 2011
TMPC	April 12, 2011	209.51	3,246	December 31, 2010	April 13, 2011
MBTC	March 25, 2011	1.00	2,111	May 16, 2011	May 23, 2011
2010					
TMPC	May 20, 2010	102.52	1,588	December 31, 2009	May 21, 2010
MBTC	February 17, 2010	0.60	1,084	March 25, 2010	April 15, 2010
2009					
Phil AXA	December 15, 2009	184.00	399	December 15, 2009	December 23, 2009
MBTC	August 19, 2009	0.40	723	October 7, 2009	November 10, 2009
TMP	May 21, 2009	170.37	2,644	May 21, 2009	May 22, 2009
MBTC	March 11, 2009	0.60	1,084	April 30, 2009	May 18, 2009

Advances to GBPC
As of December 31, 2011, investments and advances include deposits for future subscription (DFS) amounting to ₱3,397.12 million advanced by the Parent Company to GBPC in August 2010, net of ₱602.88 million refund of DFS in December 2011.

On December 9, 2011, the Parent Company and GBPC entered into a Subscription Agreement which provides that of the planned increase of ₱760.00 million in GBPC's authorized capital stock, the Parent Company shall subscribe to and purchase, and GBPC agrees to issue and sell, 117,067,800 shares with par value of ₱1.00 per share, for a total consideration of ₱3,397.12 million (see Note 31).

Investment in MBTC
In 2011, FMIC, a majority owned subsidiary of MBTC participated in a bond exchange transaction under the liability management exercise of the Philippine government. The SEC granted an exemptive relief from the existing tainting rule on held-to-maturity (HTM) investment under Philippine Accounting Standard (PAS) 39, Financial Instruments: Recognition and Measurement while the Bangko Sentral ng Pilipinas (BSP) also provided the same exemption for prudential reporting to the participants. Following the exemption granted, the 2011 consolidated financial statements of MBTC have been prepared in compliance with Philippine GAAP. For the purpose of computing the Group's share in 2011 net income and other comprehensive income of MBTC, certain adjustments were made in MBTC's 2011 consolidated financial statements to comply with PFRS.

In January 2011, the Parent Company exercised its stock rights and subscribed for additional shares which aggregated to 52,201,070 million shares with a cost of ₱2.61 billion.

In October 2010, the Board of Directors of MBTC approved the entitlement to subscribe to one (1) share for every 9.557 common shares held by eligible shareholders as of December 20, 2010, which is the Record Date. The offer price is ₱50.00 per share and the offer period is from January 5 to 15, 2011. At the Record Date, the Parent Company held 478,000,000 shares, and had been entitled to 50,015,695 stock rights valued at ₱722.30 million. The fair value of stock rights was estimated at the date of entitlement using the Black-Scholes model. The inputs on the model included price history time period, and exercise price. With an assumption on the volatility of 40.96%, valuation resulted to an intrinsic value of ₱720.23 million and time value of ₱2.07 million for the stock rights.

In December 2010, the Parent Company purchased 26.00 million shares of MBTC with a par value of ₱20.00 per share for a total consideration of ₱1,822.00 million.

Investment in Phil AXA
In 2011 and 2010, the Parent Company agreed to increase its subscription in Phil AXA amounting to ₱14.61 million and ₱105.98 million, respectively.

On December 15, 2009, the BOD of Phil AXA authorized the declaration of 16% stock dividends or a total of ₱34.30 million (see Note 23).

On October 6, 2009, to comply with the capitalization requirement, the Insurance Commission granted the request of Phil AXA for the conversion of its contingency surplus into paid-up capital.

Disposal of an associate
In December 2010, Fed Land sold its interest in Cathay International Resources Corporation (CIRC) to a third party for a consideration of ₱142.22 million. The disposal of the investment resulted to a loss amounting to ₱0.45 million (see Note 23).

The details of the net assets of the Group's associates and equity in the net assets of jointly controlled entity and the corresponding percentages of ownership follow:

	Associates				Joint Venture
	Cathay Int'l. Resources Corp	MBTC	Phil AXA	Toyota	Federal Land Orix Corp.
Nature of Business	Real estate	Banks	Insurance	Motor	Real estate
	In thousands (except for percentage)				
2011					
Percentage of ownership.	–%	25.11%	25.31%	21.00%	60.00%
Net assets	₱–	₱116,504,000	₱3,667,751	₱7,340,419	₱446,938
Comprehensive income (loss)	–	22,322,534*	2,199,222	1,218,872	87,553
2010					
Percentage of ownership.	–%	25,0123.65%	25.00%	21.00%	60.00%
Net assets	475,557,518	93,017,000	3,565,937	8,666,458	359,385
Comprehensive income (loss)	1,180,185	9,079,000	1,043,720	3,485,782	40,801
2009					
Percentage of ownership.	30.00%	25.01%	25.00%	21.00%	60.00%
Net assets	474,377,333	80,318,000	2,519,403	6,756,361	318,584
Comprehensive income (loss)	6,406,074	12,423,716	1,167,051	1,763,346	(2,089)

**Total comprehensive income under PFRS*

9. Investment Properties

The composition and rollforward analysis of this account follow:

	December 31, 2011		
	Land	**Buildings**	**Total**
Cost			
At January 1,	**₱5,091,340,619**	**₱305,138,230**	**₱5,396,478,849**
Additions	**57,180,342**	**525,169**	**57,705,511**
Transfer	**(117,980,723)**	**–**	**(117,980,723)**
At December 31	**5,030,540,238**	**305,663,399**	**5,336,203,637**
Accumulated Depreciation			
At January 1,	**–**	**97,261,667**	**97,261,667**
Depreciation (Note 21)	**–**	**11,518,440**	**11,518,440**
At December 31	**–**	**108,780,107**	**108,780,107**
Net Book Value at December 31	**₱5,030,540,238**	**₱196,883,292**	**₱5,227,423,530**

	December 31, 2010 (As restated)		
	Land	Buildings	Total
Cost			
At January 1,	₱3,786,488,826	₱207,878,788	₱3,994,367,614
Additions	1,305,590,709	105,995,000	1,411,585,709
Transfer (Note 6)	(738,916)	(8,735,558)	(9,474,474)
At December 31	5,091,340,619	305,138,230	5,396,478,849

(Forward)

	December 31, 2010 (As restated)		
	Land	Buildings	Total
Accumulated Depreciation			
At January 1,	₱–	₱88,124,896	₱88,124,896
Depreciation (Note 21)	–	9,136,771	9,136,771
At December 31	–	97,261,667	97,261,667
Net Book Value at December 31	₱5,091,340,619	₱207,876,563	₱5,299,217,182

	January 1, 2010 (As restated)		
	Land	Buildings	Total
Cost			
At January 1,	₱3,788,161,462	₱151,067,457	₱3,939,228,919
Additions	738,915	56,811,331	57,550,246
Transfer (Note 6)	(2,411,551)	–	(2,411,551)
At December 31	3,786,488,826	207,878,788	3,994,367,614
Accumulated Depreciation			
At January 1,	–	81,300,957	81,300,957
Depreciation (Note 21)	–	6,823,939	6,823,939
At December 31	–	88,124,896	88,124,896
Net Book Value at December 31	₱3,786,488,826	₱119,753,892	₱3,906,242,718

Certain parcels of land were transferred to the “Inventories” account with a carrying amount of ₱117.98 million, ₱9.12 million and ₱2.41 million as of December 31, 2011 and 2010 and January 1, 2010, respectively (see Note 6). The transferred properties are already intended for the construction of condominium units for sale.

In December 2010, Fed Land acquired additional office space in GT Tower which is currently being leased out to third parties.

Various parcels of land are leased to several individuals and corporations. 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 or 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. Rental income recognized from these properties amounted to ₱238.00 million, ₱197.99 million and ₱176.85 million in 2011, 2010 and 2009, respectively (see Note 27).

The depreciation of the investment properties amounting to ₱11.52 million, ₱9.14 million and ₱6.82 million in 2011, 2010 and 2009, respectively, is included in the “General and administrative expenses” account in the consolidated statements of income (see Note 22).

The aggregate fair value of the Group’s investment properties amounted to ₱8.01 billion and ₱3.26 billion as of December 31, 2011 and 2010, respectively and ₱1.87 billion as of January 1, 2010. The fair value of the Group’s investment properties has been determined based on valuations performed by Philippine Appraisal Company, Inc., an accredited independent appraiser. Philippine Appraisal Company, Inc. is an industry specialist in valuing these types of investment properties. The value of the land was estimated by using the Market Data Approach, a valuation approach that considers the sales, listings and other related market data within the vicinity of the subject properties and establishes a value estimate by processes involving comparison. Valuation of the Group’s investment properties are done every three years with the latest valuation report issued in February 2012.

10. **Property and Equipment**

The composition and rollforward analysis of this account follow:

	December 31, 2011						
	Transportation Equipment	**Furniture, Fixtures and Equipment**	**Leasehold Improvements**	**Machinery, Tools and Equipment**	**Construction-in-Progress**	**Building**	**Total**
Cost							
At January 1,	**₱21,596,996**	**₱86,919,287**	**₱476,541,640**	**₱13,700,765**	**₱1,660,746**	**₱116,712,824**	**₱717,132,258**
Additions	**2,938,513**	**8,880,581**	**5,241,206**	**444,218**	**203,500**	**832,309**	**18,540,327**
Transfer	**–**	**283,085**	**101,831**	**–**	**(384,916)**	**–**	**–**
Disposals	**(1,354,630)**	**–**	**–**	**–**	**–**	**–**	**(1,354,630)**
At December 31	**23,180,879**	**96,082,953**	**481,884,677**	**14,144,983**	**1,479,330**	**117,545,133**	**734,317,955**
Accumulated Depreciation and Amortization							
At January 1,	**13,142,437**	**76,158,106**	**186,229,157**	**9,063,060**	**–**	**1,651,535**	**286,244,295**
Depreciation and amortization (Note 21)	**3,325,198**	**8,338,910**	**36,700,081**	**1,233,172**	**–**	**3,291,307**	**52,888,668**
Disposals/Reclassification	**(1,182,211)**	**–**	**–**	**–**	**–**	**–**	**(1,182,211)**
Reclassification	**326,392**	**–**	**(326,392)**	**–**	**–**	**–**	**–**
Adjustment	**–**	**–**	**–**	**–**	**–**	**–**	**–**
At December 31	**15,611,816**	**84,497,016**	**222,602,846**	**10,296,232**	**–**	**4,942,842**	**337,950,752**
Net Book Value at December 31	**₱7,569,063**	**₱11,585,937**	**₱259,281,831**	**₱3,848,751**	**₱1,479,330**	**₱117,545,133**	**₱396,367,203**

	December 31, 2010						
	Transportation Equipment	**Furniture, Fixtures and Equipments**	**Leasehold Improvements**	**Machinery, Tools and Equipment**	**Construction-in-Progress**	**Building**	**Total**
Cost							
At January 1	₱20,193,247	₱93,884,649	₱484,681,051	₱13,700,765	₱182,233	₱15,077,824	₱627,719,769
Additions	4,237,845	4,563,062	5,549,836	–	1,660,746	101,635,000	117,646,489
Transfer	–	(11,528,424)	182,233	–	(182,233)	–	(11,528,424)
Disposals	(2,834,096)	–	(13,871,480)	–	–	–	(16,705,576)
At December 31	21,596,996	86,919,287	476,541,640	13,700,765	1,660,746	116,712,824	717,132,258
Accumulated Depreciation and Amortization							
At January 1	12,784,281	77,593,713	155,782,031	7,821,715	–	691,067	254,672,807
Depreciation and amortization	2,883,574	9,806,046	38,116,998	1,241,345	–	960,468	53,008,431
Disposals	(2,525,418)	(11,241,653)	(7,669,872)	–	–	–	(21,436,943)
At December 31	13,142,437	76,158,106	186,229,157	9,063,060	–	1,651,535	286,244,295
Net Book Value at December 31	₱8,454,559	10,761,181	₱290,312,482	₱4,637,706	₱1,660,746	₱115,061,289	₱430,887,963

	January 1, 2010						
	Transportation Equipment	**Furniture, Fixtures and Equipments**	**Leasehold Improvements**	**Machinery, Tools and Equipment**	**Construction-in-Progress**	**Building**	**Total**
Cost							
At January 1	₱ 18,019,937	₱89,238,340	₱389,913,128	₱13,700,765	₱88,147,743	₱–	₱599,019,913
Additions	3,980,716	4,685,755	10,843,333	–	182,233	15,077,824	34,769,861
Transfer	–	(39,446)	83,924,590	–	(88,147,743)	–	(4,262,599)
Disposals	(1,807,406)	–	–	–	–	–	(1,807,406)
At December 31	20,193,247	93,884,649	484,681,051	13,700,765	182,233	15,077,824	627,719,769
Accumulated Depreciation and Amortization							
At January 1	10,956,518	62,750,887	120,331,300	6,346,111	–	–	200,384,816
Depreciation and amortization	2,910,170	14,842,826	35,450,731	1,289,993	–	691,067	55,184,787
Disposals	(1,082,407)	–	–	–	–	–	(1,082,407)
Adjustments	–	–	–	185,611	–	–	185,611
At December 31	12,784,281	77,593,713	155,782,031	7,821,715	–	691,067	254,672,807
Net Book Value at December 31	₱7,408,966	₱16,290,936	₱3 328,899,020	₱5,879,050	₱182,233	₱14,386,757	₱373,046,962

The additional office space pertain to the 20th floor of GT Tower International, which were acquired by the Group on December 14, 2010.

Construction-in-progress (CIP) amounting to ₱0.38 million, ₱0.18 million and ₱88.15 million was reclassified to leasehold improvements as of December 31, 2011, 2010 and January 1, 2010 and inventories amounting to ₱83.92 million and ₱4.22 million, respectively (see Note 6). There were no capitalized borrowing cost on CIP as of December 31, 2011 and 2010. These assets were not pledged as collateral for securing bank loans (see Note 14).

11. Deposits

Deposit represents option money to a related party for the exclusive rights for three years either (a) to purchase the property, (b) to purchase shares of stock of the third party which own the property, (c) to develop the property as developer in joint venture with third party or (d) to undertake a combination of any of the foregoing, as may be agreed upon by the parties.

Interest income on deposit represents reimbursement of interest expense from option money granted to affiliates amounting to ₱337.71 million (see Note 23).

12. Other Noncurrent Assets

This account consists of:

	December 31		January 1,
	2011	2010	2010
Rental and other deposits	**₱88,146,272**	₱44,160,132	₱42,137,873
AFS financial assets (Note 25)	**9,921,760**	27,632,005	29,642,215
Software costs - net	**8,425,386**	8,386,285	13,840,392
Franchise - net	**72,697**	145,424	2,063,057
Others	**5,327,332**	14,185,396	8,031,068
	₱111,893,447	₱94,509,242	₱95,714,605

Rental and other deposits include 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.

Others include deferred charges and guarantee deposits on obtaining security collateral for loan obtained from an affiliated bank.

The rollforward analysis of the Group's software cost and franchise fee is as follows:

<u>Software Cost</u>

	December 31		January 1,
	2011	2010	2010
Cost			
Balance at beginning of year	**₱30,408,860**	₱26,253,970	₱18,646,311
Additions	**6,911,842**	4,154,890	7,607,659
	37,320,702	30,408,860	26,253,970
Accumulated Amortization			
Balance at beginning of year	**22,022,575**	12,413,578	4,222,821
Amortization (Note 22)	**6,872,741**	9,608,997	8,190,757
	28,895,316	22,022,575	12,413,578
Net Book Value	**₱8,425,386**	₱8,386,285	₱13,840,392

Fed Land maintains a Systems, Applications and Products in Data Processing (SAP) system rights which was fully implemented on July 1, 2008. Additions in 2011, 2010 and 2009 pertain to acquisitions of software licenses, programs and upgrade of SAP. The said system has an estimated useful life of three (3) years.

Franchise

	December 31		January 1,
	2011	2010	2010
Cost			
Balance at beginning of year	**₱800,000**	₱4,671,713	₱4,671,713
Terminations	**–**	(3,871,713)	–
	800,000	800,000	4,671,713
Accumulated Amortization			
Balance at beginning of year	**654,576**	2,608,656	1,912,032
Amortization (Note 22)	**72,727**	497,760	696,624
Terminations	**–**	(2,451,840)	–
	727,303	654,576	2,608,656
Net Book Value	**₱72,697**	₱145,424	₱2,063,057

Franchise fee pertains to the Group's operating rights for its fast food stores with estimated useful lives of three (3) to five (5) years.

The amortization of the franchise fee amounting to ₱0.07 million, ₱0.50 million and ₱0.70 million in 2011, 2010 and 2009, respectively, is included in the "General and administrative expenses" account in the consolidated statements of income (see Note 22).

AFS financial assets are carried at cost due to the unpredictable nature of future cash flows and the lack of suitable valuation of arriving at a reliable fair value. The AFS financial assets are preferred shares of utility company issued to the Group as a consequence of its subscription to the electricity services of said utility company needed for the Group's real estate projects. The said preferred shares have no active market and the Group does not intend to dispose of these because these are directly related to the continuity of its business.

13. Accounts and Other Payables

This account consists of:

	December 31		January 1,
	2011	2010	2010
Trade	**₱3,794,271,504**	₱1,386,602,710	₱254,148,832
Deferred output tax	**269,881,627**	133,831,105	55,133,950
Retentions payable	**213,576,285**	176,605,322	80,572,092
Accrued expenses	**108,948,627**	137,862,666	64,828,714
Accrued interest	**64,866,452**	69,957,743	32,855,285
Accrued commission	**46,428,903**	30,824,294	12,087,650
Others	**75,446,442**	182,000	71,119,451
	₱4,573,419,840	₱1,935,865,840	₱570,745,974

Trade payables pertain to billings received from contractors for construction costs incurred on a per project basis and commissaries for food products ordered.

Retentions payable represent a portion of construction cost withheld by the Group and paid to the contractors upon completion of the project.

Accrued expenses are noninterest-bearing and are normally settled within a fifteen (15) to sixty (60) day term.

Deferred output tax mostly pertains to VAT on the uncollected portion of the contract price of sold units.

Accrued interest are normally settled within a fifteen (15) to sixty (60) day term.

Accrued commissions are settled within one year.

Other payables are noninterest-bearing and are normally settled within one year.

14. Loans Payable

This account consists of:

	December 31		January 1,
	2011	2010	2010
Loans payable			
Affiliated loans:			
Loans from local banks	**₱9,091,700,000**	₱7,335,000,000	₱1,263,700,000
Non-affiliated loans:			
Loans from local banks	**6,557,000,000**	3,847,191,076	4,632,191,076
Corporate Notes	**11,600,000,000**	5,000,000,000	–
	27,248,700,000	16,182,191,076	5,895,891,076
Less: Short term loans from local banks			
Affiliated	**3,091,700,000**	3,335,000,000	1,263,700,000
Non-affiliated loans	**4,557,000,000**	3,847,191,076	2,993,300,000
	7,648,700,000	7,182,191,076	4,257,000,000
	₱19,600,000,000	₱9,000,000,000	₱1,638,891,076

The details of the obligation follow:

Loan from local banks has interest rates ranging from 3.09% to 9.50% lump sum with maturity within one year and interest payable quarterly in arrears.

Corporate Notes - Fed Land
On March 18, 2011, Fed Land entered into a Notes Facility Agreement with First Metro Corporation, Metropolitan Bank & Trust Company - Trust Banking Group and various Institutions whereby Fed Land will issue ₱6,600.00 million of fixed rate notes to finance projects, working capital and for general corporate purposes. The Notes is payable in five years with interest rate based on the latest PDST-F plus a spread of 85 basis points per annum. The Notes constitute direct, unconditional, unsubordinated and unsecured obligations, ranking pari passu with all other present and future direct, unconditional, unsubordinated and unsecured obligations.

Corporate Notes - Parent Company
On October 12, 2010, the BOD authorized the Parent Company to issue, offer, and sell peso-denominated fixed rate notes at a principal amount up to ₱5.00 billion. In connection with this, a

Notes Facility Agreement was entered by Parent Company with First Metro Investment Corporation (FMIC). Per indicative terms and conditions of the agreement, the notes were offered through a private placement and were issued at face value on November 10, 2010 with maturities of up to five (5) years with interest based on latest PDST-F rate plus a spread of 75 basis points per annum.

The agreements covering the above mentioned Corporate Notes provide for restrictions and requirements with respect to, among others, declaration or 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, 2011, the Group is in compliance with the covenants as aforementioned.

Affiliated Bank Loan
This account consists of unsecured, partially secured and secured peso-denominated short-term borrowings (see Note 22) by the Group from a local bank with floating interest rates at 1.5% spread over benchmark 90-day PDST-R2 plus gross receipts tax. The interest rates ranges from 5.77% to 9.50% in 2010 and 5.77% to 7.00% in 2009.

In 2011, Fed Land also obtained both partially secured and fully secured peso-denominated loans with an aggregate amount of ₱2,000.00 million from an affiliated local bank with interest at prevailing market rate of 3.75%, payable in lump sum after 5 years (see Note 23).

As of December 31, 2011, the Parent Company has outstanding both partially secured and fully secured peso-denominated loans with an aggregate amount of ₱7.091 billion from an affiliated local bank with interest at prevailing market rate ranging from 3.53% to 5.40%. This included a ₱4.00 billion fully secured loan to fund equity infusion for power-related projects, specifically in support of the construction of the 246 MW coal-fired plant (see note 23).

These loans were obtained primarily to fund the Parent Company's investing activities.

In 2009, the Parent Company also obtained from an affiliated local bank unsecured peso-denominated loans with interest at prevailing market rate of 5.36% with maturities of three (3) months.

Interest expense recognized in 2011, 2010 and 2009 amounted to ₱989.75 million, ₱281.92 million and ₱169.85 million, respectively.

In 2011, 2010 and 2009, the Group has capitalized interest expense amounting to ₱171.54 million, ₱174.54 million and ₱155.86 million for loans specifically used to finance the Group's project construction. Said capitalized interest is added to "Condominium units held for sale" account and recognized as expense upon the sale of condominium units (see Note 6).

15. **Customers' Deposits**

The Group requires buyers of condominium units to pay a minimum percentage of the total selling price before the two parties enter into a sale transaction. In relation to this, the customers' deposits represent payment from buyers which have not reached the minimum required percentage. When the revenue recognition criteria are met, sales are recognized and these deposits and down payments 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 repossessed value of deposit less charges and penalties incurred will be refunded to the buyer.

This account also includes excess of collections over the recognized receivables based on percentage of completion.

16. Liabilities on Purchased Land

Liabilities on purchased land are payables to various real estate property sellers. Under the terms of the agreements executed by the Group covering the purchase of certain real estate properties, the titles of the subject properties shall be transferred to the Group only upon full payment of the real estate loans. As of December 31, 2010, the current and non-current portion of the liabilities on this purchased land amounted to ₱118.99 million and ₱397.86 million, respectively. In 2010, the Group has capitalized interest expense on liabilities on purchase land to "Inventories" account amounting to ₱32.70 million, respectively.

During the year, the Group paid in full the remaining balance to property sellers.

17. Other Current Liabilities

This account consists of:

	December 31		January 1,
	2011	2010	2010
Withholding taxes payable	**₱39,280,476**	₱11,189,434	₱26,945,685
Unearned rent income	**4,895,613**	1,959,842	–
VAT payable	**1,946,421**	–	886,585
Others	**11,761,883**	10,658,819	1,819,935
	₱57,884,393	₱23,808,095	₱29,652,205

Other payables pertain to payable on utilities, contracted maintenance and security agencies and regulatory premium or contribution payable of the Group. These are normally payable within one year.

18. Other Noncurrent Liabilities

This account consists of:

	December 31		January 1,
	2011	2010	2010
Refundable and other deposits	**₱35,748,452**	₱45,584,635	₱32,730,720
Unearned rental income	**15,275,028**	1,398,478	997,356
Finance Lease - obligation - net of discount on finance lease amounting to ₱127.70	**11,908,855**	–	–
Others	**–**	5,680,000	4,610,181
	₱62,932,335	₱52,663,113	₱38,338,257

Refundable and other deposits consist mainly of tenants' rental deposit from operating lease contracts with terms ranging from 5 to 10 years (see Note 26). 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 for the unpaid rentals upon termination of the lease contract.

19. Equity

As of December 31, 2011, 2010 and January 1, 2010, this account consists of:

Common stock - ₱10 par value	
Authorized - 500,000,000 shares	
Issued and outstanding - 125,000,000 shares	₱1,250,000,000
APIC	23,071,664,419
	₱24,321,664,419

Retained earnings
Retained earnings amounting to ₱7,169.82 million, ₱4,937.09 million and ₱2,518.65 million as of December 31, 2011, 2010 and January 1, 2010, respectively include the accumulated equity in undistributed net earnings of consolidated subsidiaries , associates and jointly controlled entities accounted for under equity method. The amounts are not available for dividends until declared by the subsidiaries, associates and the jointly controlled entities.

Retained earnings are further restricted for the payment of dividends to the extent of the cost of the common shares held in treasury.

Effect of uniting on HLRDC and CRDC
The net effect of uniting of interest on the acquisition of HLRDC and CRDC amounted to ₱104.26 million as of December 31. 2011. This represents the difference between the Fed Land's aggregate consideration transferred on the acquisition and the respective HLRDC and CRDC's equity as of December 31, 2010 attributable to parent and to non controlling interest as at the time of the combination (see Note 27):

Net asset (deficiency) of HLRDC and CRDC attributable to parent at the time of business combination:

	December 31	
	2010	2009
HLRDC	**₱442,944,672**	₱360,275,850
CRDC	**(2,682,896)**	(3,195,394)
	₱440,261,776	₱357,080,456

Net asset of HLRDC and CRDC attributable to non-controlling interest at the time of business combination:

	December 31	
	2010	2009
HLRDC	**₱110,736,168**	₱90,068,962
CRDC	**10,230,890**	9,898,241
	₱120,967,058	₱99,967,203

The aggregate cost of investment of ₱420.00 million is presented as a reduction to the net assets pooled to the Group's financial statements at the time of combination for year ended December 31, 2011.

Consideration transferred on acquisition of subsidiary
The effect of uniting of interest on the acquisition of PCRDC, representing the difference between Fed Land's cost of investment amounted to ₱102.00 million.

Acquisition of Minority interest
In 2009, the Group's acquisition of an additional 4.47% interest in FBRI resulted to a difference between the acquisition cost and equivalent net asset acquired amounting to ₱4.83 million. This difference was treated as a transaction between equity owners.

Increase in Non-controlling interests of Subsidiary
Increase in non-controlling interest represents additional capital infusion to Fed Land from its non-controlling interests for the subscription of issued shares amounted to ₱600.00 million and 2010, respectively, and a deposit for future stocks subscription of ₱400.00 million in 2009.

Dividend declaration
On August 5, 2011, the BOD of the Parent Company approved the declaration of cash dividends of ₱4.00 per share on the outstanding 125,000,000 shares of stock or a total of ₱500.00 million out of the retained earnings of the Parent Company to all stockholders of record as of August 31, 2011.

On April 8, 2010, the BOD of the Parent Company approved the declaration of cash dividends of ₱2.00 per share on its 125,000,000 outstanding shares or a total of ₱250.00 million, from the unappropriated retained earnings of the Parent Company to all stockholders of record as of March 25, 2010, payable not later than April 15, 2010.

On October 12, 2010, the BOD of the Parent Company approved the declaration of cash dividends of ₱2.00 per share on its 125,000,000 outstanding shares or a total of ₱250.00 million, out of the retained earnings of the Parent Company to all stockholders of record as of October 31, 2010, payable not later than November 22, 2010.

On April 30, 2009, the BOD of the Parent Company approved the declaration of cash dividends amounting to ₱8.32 per share or a total of ₱1,040.00 million payable to all stockholders of record as of the same date. The cash dividends were paid on May 9, 2009.

On September 15, 2009, PCRDC paid cash dividends to its prior stockholders amounting ₱15.00 million or ₱15.00 cash dividends per its outstanding share.

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 during 2011, 2010 and 2009.

20. Interest and Other Income

This account consists of:

	2011	2010	2009
Interest income:			
Interest on deposit	**₱337,707,830**	₱–	₱–
Interest income on real estate sales (Note 5)	**195,924,132**	174,567,600	180,643,623
Interest income from banks (Note 4)	**64,595,737**	9,807,371	3,283,102
	598,227,699	184,374,971	183,926,725
Other income:			
Real estate forfeitures, charges and penalties	**₱92,926,119**	72,115,558	65,801,313
Management fee	**36,834,278**	20,807,368	42,924,978
Gain on sale of shares	**2,304,422**	–	–
Dividend income	**25,200**	408,600	95,131
Others	**56,455,173**	29,790,217	37,883,637
	188,545,192	123,121,743	146,705,059
	₱786,772,891	₱307,496,714	₱330,679,234

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 pertains to services rendered by Fed Land in the administration of the different projects related to the joint venture.

Others consist of gain on sale of assets and miscellaneous income.

21. Cost of Goods and Services

This account consists of:

	2011	2010	2009
Beginning inventory			
Gasoline retail and petroleum products	**₱10,014,263**	₱5,620,580	₱5,117,142
Food, materials, supplies and others	**1,990,935**	3,074,605	2,778,165
	12,005,198	8,695,185	7,895,307
Add net purchases	**665,201,705**	545,247,436	450,936,768
Total inventories available for sale	**677,206,903**	553,942,621	458,832,075
Less ending inventory (Note 6)			
Gasoline retail and petroleum products	**8,367,927**	10,014,263	5,620,580
Food, materials, supplies and others	**2,160,335**	1,990,935	3,074,605
	666,678,641	541,937,423	450,136,890
Direct labor	**15,196150**	16,669,340	18,237,037
Overhead (Note 26)	**27,851,792**	25,959,734	29,210,072
	₱709,726,583	₱584,566,497	₱497,583,999

22. General and Administrative Expenses

This account consists of:

	2011	2010	2009
Salaries, wages and employee benefits (Note 23)	**₱231,469,966**	₱186,755,996	₱174,598,371
Commissions	**168,976,570**	114,758,144	83,624,516
Taxes and licenses	**137,666,355**	165,006,087	143,879,997
Advertising and promotions	**102,547,029**	69,679,634	48,152,427
Professional fees	**102,053,104**	64,648,305	20,288,275
Light, water and other utilities	**77,958,384**	49,303,905	46,969,505
Depreciation and amortization (Notes 9, 10 and 11)	**71,352,576**	72,251,958	72,346,926
Outside services	**54,291,761**	51,405,519	41,873,844
Administrative and management fees	**54,236,786**	4,847,937	21,573,268
Rent	**18,338,131**	10,556,281	22,587,694
Entertainment, amusement and recreation	**18,014,503**	11,525,022	10,076,555
Repairs and maintenance	**13,080,654**	18,476,567	12,906,098
Office supplies	**12,197,808**	13,504,274	12,582,465
Transportation and travel	**7,678,012**	5,239,710	5,033,678
Royalty and service fees	**5,600,385**	6,667,898	7,786,000
Foreign exchange loss	**193,784**	604,708	219,715
Others	**34,091,240**	48,062,541	30,846,859
	₱1,109,747,048	₱893,294,486	₱755,346,193

Other expenses include allowance for impairment losses on receivables (see Note 5), communication expenses, insurance, representation and directors' fees.

23. **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.

The Group, in its regular conduct of its business, has entered into transactions with its associate 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.

As of December 31, 2011, 2010 and January 1, 2010, the Group has not made any provision for probable losses relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

The consolidated financial statements include the following amounts resulting from the above transactions with related parties:

	December 31		January 1,
	2011	2010	2010
Cash and cash equivalents (Note 4)	**₱363,478,335**	₱2,733,341,599	₱120,638,215
Land for development (Note 6)	**7,165,853**	9,048,551	–
Due from related parties	**938,859,224**	558,144,260	872,062,998
Long-term cash investments	**2,440,084,378**	–	–
Deposits	**4,085,000,000**	–	–
Investment properties	**–**	105,995,000	–
Property and equipment	**–**	101,640,000	–
Investments and advances	**602,879,241**	4,000,000,000	–
Loans payable (Note 14)	**9,091,700,000**	7,335,000,000	1,263,700,000
Due to related parties	**403,598,150**	320,571,614	500,992,878
Interest income	**32,337,080**	9,807,371	3,283,102
Management fee (Note 20)	**36,834,278**	20,807,368	42,924,978

Details of the transactions with affiliates are as follows:

Land for development
Certain parcels of land were acquired on February 2011 and March 2010 from an affiliated company and an affiliated local bank, respectively. These parcels of land were acquired at their fair market value at time of acquisition.

Operating advances
Due from and to related parties consist mostly of operating advances which are noninterest-bearing and due and demandable.

Long term cash investment
On April 13, 2011, Fed Land invested long-term cash investments with a local bank to secure a loan obtained by an affiliate amounting to ₱2,440.08 million. Fed Land recognized interest income from the assigned long term cash investment amounting to ₱40.08 million.

Deposit
Deposit pertains to option money granted by Fed Land to a related party for the exclusive rights over three years to either (a) to purchase the property, (b) to purchase shares of stock of the third party which own the property, (c) to develop the property as developer in joint venture with the third party or (d) to undertake a combination of any of the foregoing, as may be agreed upon by the parties (see Note 11). Fed Land recognized interest income amounting to ₱337.71 million representing reimbursement of interest expense incurred.

Investment property and property and equipment
On December 2010, certain condominium units in GT Tower International were purchased from a related party for a consideration amounting to ₱101.64 million (See Note 10).

In December 2010, certain condominium units in GT Tower International were purchased from a related party for a consideration amounting to ₱106.00 million and ₱101.64 million which were classified as "Investment Properties" and "Property and Equipment", respectively.

Investments and advances
The Parent Company advanced ₱4.0 billion to GBPC in August 2010 as deposit for future stock subscription with equivalent interest of 21.04% (see Note 30). Out of the total advances, GBPC returned ₱602.88 million to the Parent Company in 2011.

Affiliated bank loans
The Group's loans payable to an affiliated commercial bank bears interest rates ranging from 3.75% to 4.5% per annum in 2011 and 6.52% to 6.78% per annum in 2010 and 2009, respectively.

Management fee
Management fee amounting to ₱36.83 million, ₱20.81 million and ₱42.92 for 2011, 2010 and 2009, pertains to the income received from a joint venture of Fed Land with Fed Land Orix Corporation (FLOC) and MBTC (see Note 20).

Lease Agreements
In 2011, the Fed Land also leased its mall to some of its associates and affiliates. The lease term ranged from 5 to 10 years. The rental income on these leases amounted to ₱10.03 million and ₱8.57 million for 2011 and 2010, respectively.(See Note 27).

The details of the Group's due from related parties as of December 31, 2011 and 2010 and January 1, 2010 follow:

	December 31		January 1,
	2011	2010	2010
Due from:			
Affiliates	**₱907,105,814**	₱542,927,773	₱401,170,145
Jointly controlled entity	**31,753,410**	15,216,487	5,896,056
Associate	**–**	–	464,996,797
	938,859,224	₱558,144,260	₱872,062,998

The details of the Group's due to related parties as of 2011 and 2010 follow:

	December 31		January 1,
	2011	2010	2010
Due to:			
Affiliates	**₱403,306,150**	₱318,940,868	₱500,992,878
Jointly controlled entity	**292,000**	1,630,746	–
	₱403,598,150	₱320,571,614	₱500,992,878

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 or associate of the Group

Compensation of key management benefits for the years ended December 31, 2011 and 2010 follow:

	December 31		January 1,
	2011	2010	2010
Short-term employee benefits	**₱58,406,499**	₱55,917,574	₱47,037,826
Post employment benefits	**3,469,682**	3,469,682	2,392,276
	₱61,876,181	₱59,387,256	₱49,430,102

24. 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 at least every one to three years.

The components of pension expense (included in "Salaries, wages and employee benefits" under "General and administrative expenses" in the consolidated statements of comprehensive income) follow:

	2011	2010	2009
Current service cost	**₱9,137,003**	₱6,027,767	₱3,367,280
Interest expense on obligations	**6,899,167**	5,333,901	4,241,596
Net actuarial gains (losses) recognized	**1,688,974**	56,030	(521,189)
Expected return on plan assets	**(1,103,146)**	(2,049,310)	(1,391,902)
Total pension expense	**₱16,621,998**	₱9,368,388	₱5,695,785

The following table reconciles the funded status of defined benefit plans to the amounts recognized in the consolidated statement of financial position as of December 31, 2011, 2010 and January 1, 2010:

	December 31		January 1,
	2011	2010	2010
Present value of funded defined benefit obligations	**₱94,019,346**	₱78,287,581	₱51,699,062
Fair value of plan assets	**22,958,040**	11,031,465	20,493,099
Unfunded obligations	**71,061,306**	67,256,116	31,205,963
Unrecognized actuarial losses	**(42,949,696)**	(42,807,415)	(6,311,230)
Liability recognized in the consolidated statement of financial position	**₱28,111,610**	₱24,448,701	₱24,894,733

Changes in the present value of the defined benefit obligation follow:

	2011	2010	2009
Balance at beginning of year	**₱78,287,581**	₱51,699,062	₱27,549,257
Current service cost	**9,137,003**	6,027,767	3,367,280
Interest cost on benefit obligation	**6,899,167**	5,333,901	4,241,596
Actuarial (gains) losses	**835,456**	22,730,279	16,540,929
Benefits paid	**(1,139,861)**	(7,503,428)	–
Balance at end of year	**₱94,019,346**	₱78,287,581	₱51,699,062

The Group does not expect to contribute into the pension fund in 2012.

Changes in the fair value of plan assets follow:

	December 31		January 1,
	2011	2010	2009
Balance at beginning of year	**₱11,031,465**	₱20,493,099	₱13,919,017
Expected return on plan assets	**1,103,146**	2,049,310	1,391,902
Actuarial gains (losses)	**(995,799)**	(13,821,936)	2,182,180
Contributions paid	**12,959,089**	9,814,420	3,000,000
Benefits paid	**(1,139,861)**	(7,503,428)	–
Balance at December 31	**₱22,958,040**	₱11,031,465	₱20,493,099

Actual return on plan assets is computed as follows:

	2011	2010	2009	2008	2007
Expected return on plan assets	**₱1,103,146**	₱2,049,310	₱1,391,902	₱614,090	₱2,293,275
Actuarial gains (losses)	**1,688,974**	(13,821,936)	2,182,180	9,223,153	(16,476,837)
	₱2,792,120	(₱11,772,626)	₱3,574,082	₱9,837,243	(₱14,183,562)
Experience adjustments on plan liabilities	**₱–**	₱22,730,279	₱16,540,929	(₱26,192,959)	(₱5,202,750)
Experience adjustments on plan assets	–	(13,821,936)	2,182,180	9,223,153	(16,476,837)

There are no reimbursement rights recognized as a separate asset as of December 31, 2011, 2010 and January 1, 2010. The Group's plan assets consist of investments in government bonds and time deposits.

Principal actuarial assumptions used to determine pension obligations follow:

	2011	**2010**	2009
Discount rate	**8.81%**	**8.81%**	15.40%
Expected return on plan assets	**10.00**	**10.00**	10.00
Salary increase rate	**10.00**	**10.00**	10.00

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.

Amounts for the current and the previous periods follow:

	2011	2010	2009
Defined benefit obligation	**₱94,019,346**	₱78,287,581	₱51,699,062
Plan assets	**22,058,040**	11,031,465	20,493,099
Deficit	**₱71,961,306**	₱67,256,116	₱31,205,963

25. **Income Taxes**

Provision for income tax account consists of:

	2011	2010	2009
Current	**₱59,934,300**	₱102,609,138	₱58,973,949
Final	**12,571,044**	1,529,204	582,045
Deferred	**76,273,791**	(33,935,033)	(253,835)
	₱148,779,135	₱70,203,309	₱59,302,159

The components of the Group's deferred taxes as of December 31, 2011, 2010 and January 1, 2010 are as follows:

Net deferred tax assets:

	December 31		January 1
	2011	2010	2010
Deferred tax assets on:			
Excess of tax basis over book basis of deferred gross profit	**₱–**	₱33,080,050	₱–
Accrued expenses	**2,777,036**	10,897,944	112,737
Provision for impairment losses on receivables	**568,380**	799,722	428,926
Unearned income	**2,462,937**	369,510	217,592
Customers' deposits	**–**	(79,599)	–
	5,808,353	45,067,627	759,255
Deferred tax liabilities on:			
Excess of book basis over tax basis of deferred gross profit	**426,669**	1,271,917	–
Capitalized borrowing cost	**–**	28,736,626	–
Unamortized discount on receivables	**–**	6,017,855	–
Accrued income	**1,590,009**	2,048,397	–
Lease differential	**–**	246,170	–
	2,016,678	38,320,965	–
Net deferred tax assets	**₱3,791,675**	₱6,746,662	₱759,255

Net deferred liabilities:

	December 31		January 1
	2011	2010	2010
Deferred tax assets on:			
Accrued expenses	**₱3,736,604**	₱3,157,026	₱11,993,896
Accrued retirement	**10,487,842**	–	–
Earned interest income	**7,849,950**	–	–
NOLCO	**–**	725,096	725,096
Provision for impairment losses on receivables	**495,254**	–	79,446
Unearned income	**1,014,184**	–	
MCIT	**432,073**	432,073	432,073
	24,015,907	4,314,195	13,230,511
Deferred tax liabilities on:			
Accrued income	**3,838,931**	11,608,534	15,263,135
Excess of book basis over tax basis of deferred gross profit	**31,234,526**	–	10,622,619
Unrealized foreign exchange gain	–	–	–
Capitalized borrowing cost	**53,386,194**	–	15,463,536
Lease differential	**3,427,862**	–	–
Excess of book basis over tax basis of deferred gross profit	**4,971,935**	–	7,123,186
Others	**7,769,603**	–	–
	104,629,051	11,608,534	48,472,476
Net deferred tax liabilities	**₱80,613,144**	₱7,294,339	₱35,241,965

The Group has deductible temporary differences for which deferred tax assets have not been recognized since management believes that it is not probable that sufficient taxable income will be available against which the said deductible temporary differences can be utilized. As of December 31, 2011, 2010 and 2009, the Group's unrecognized deductible temporary differences pertain to its NOLCO and MCIT with details as follows:

NOLCO

Year Incurred	Amount	Expired	Balance	Expiry Date
2011	₱190,311,525	₱–	₱190,311,525	2014
2010	331,942,224	–	331,942,224	2013
2009	48,181,897	–	48,181,897	2012
2008	115,419,806	115,419,806	–	2011
	₱685,855,452	₱115,419,806	₱570,435,646	

MCIT

Year Incurred	Amount	Expired/Applied	Balance	Expiry Date
2011	₱17,559	₱–	₱17,559	2014
2010	1,587,387	–	1,587,387	2013
2009	1,707,384	–	1,707,384	2012
2008	540,080	540,080	–	2011
	₱3,852,410	₱540,080	₱3,312,330	

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:

	2011	2010	2009
Provision for income tax computed at statutory rate	**30.00%**	30.00%	30.00%
Tax effects of:			
Interest income subjected to final tax	**(0.17)**	(0.08)	(0.08)
Nondeductible interest and other expenses	**0.23**	(0.23)	1.99
Change in unrecognized deferred tax assets	**5.16**	8.50	0.29
Income subject to tax holiday	**(31.09)**	(36.36)	(30.81)
	4.13%	1.83%	1.39%

<u>Board of Investments (BOI) Incentives of Fed Land</u>
On various dates in 2009 and 2008, the BOI issued a Certificate of Registrations as a New Developer of Mass Housing Project for its 2 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: Marquinton-Cordova Tower and The Oriental Place are entitled to ITH in years 2008 to 2012. The projects namely: The Capital Towers-Beijing, Marquinton Gardens Terraces-Toledo, Oriental Gardens-Lilac and Peninsula Garden Midtown Homes-Tower A are entitled to ITH in years 2009 to 2013. Oriental Garden Heights – A, B and C in 2010 to 2014 and Marquinton Garden Terraces – Valderrama Tower in 2010 to 2013.

26. Financial Instruments

The following table summarizes the carrying amounts and fair values of those financial assets and liabilities in the Group's consolidated statements of financial position as of December 31, 2011, 2010 and 2009:

	December 31				January 1,	
	2011		2010		2010	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets:						
Loans and Receivables						
Cash and cash equivalents	**₱451,514,915**	**₱451,514,915**	₱3,063,140,196	₱3,063,140,196	₱197,873,584	₱197,873,584
Receivables						
Installment contracts receivable	**1,924,210,550**	**3,815,196,771**	1,361,188,994	2,686,665,556	750,928,270	754,073,163
Dividend receivable	**157,156,316**	**157,156,316**	–	–	–	–
Trade receivables	**178,816,574**	**178,816,574**	93,286,102	93,286,102	75,151,800	75,151,800
Accrued commission income	**21,252,081**	**21,252,081**	26,256,933	26,256,933	4,519,931	4,519,931
Accrued rent income	**5,300,029**	**5,300,029**	14,703,308	14,703,308	8,378,764	8,378,764
Accrued interest receivable	**2,269,418**	**2,269,418**	34,559,913	34,559,913	24,984,384	24,984,384
Others*(net of allowance)	**156,852,416**	**156,852,416**	62,544,560	62,544,560	17,244,511	17,244,511
Long term cash investment	**2,440,084,378**	**2,440,084,378**	–	–	–	–
Due from related parties	**938,859,224**	**938,859,224**	558,144,260	558,144,260	872,062,998	872,062,998
	6,276,315,901	**8,167,302,122**	5,213,824,266	6,539,300,828	1,951,144,242	1,954,289,135
AFS financial assets - unquoted	**9,921,760**	**9,921,760**	27,632,005	27,632,005	29,642,215	29,642,215
	₱6,286,237,661	**₱8,177,223,882**	₱5,241,456,271	₱6,566,932,833	₱1,980,786,457	₱1,983,931,350
Financial Liabilities						
Other financial liabilities						
Accounts and other payables						
Trade payables	**₱3,794,271,504**	**₱3,794,271,504**	₱1,386,602,710	₱1,386,602,710	₱254,148,832	₱254,148,832
Retentions payable	**213,576,285**	**213,576,285**	176,605,322	176,605,322	80,572,092	80,572,092
Accrued expenses	**108,948,627**	**108,948,627**	137,862,666	137,862,666	64,828,714	64,828,714
Accrued interest	**64,866,452**	**64,866,452**	69,957,743	69,957,743	32,855,285	32,855,285
Others	**75,446,441**	**75,446,441**	182,000	182,000	71,119,451	71,119,451
Loans payable	**27,248,700,000**	**27,248,700,000**	16,182,191,076	16,182,191,076	5,895,891,076	5,895,891,076
Liabilities on purchased land	–	–	516,846,000	516,846,000	629,100,000	629,100,000
Due to related parties	**403,598,150**	**403,598,150**	320,571,614	320,571,614	500,992,878	500,992,878
	₱31,909,407,459	**₱31,909,407,459**	₱18,790,819,131	₱18,790,819,131	₱7,529,508,328	₱7,529,508,328

** Excluding VAT remitted in advance amounting to ₱21.80 million as of December 31, 2010*

The carrying amounts for cash and cash equivalents, due from related parties, accounts and other payables, loans payable and due to related parties approximate their fair values due to their short-term maturity.

Installment contracts receivable - 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 8.00 to 12.00%, 3.91% to 8.27% and 5.38% to 7.40% as of December 31, 2011, 2010 and January 1, 2010, respectively.

AFS unquoted financial assets - These are carried at cost less allowance for impairment losses because fair value cannot be measured reliably due to lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value. The AFS financial assets at the cost are preferred shares of utility company issued to the Group as a consequence of its subscription to the electricity services of said utility company needed for the Group's real estate projects. The said preferred shares have no active market and the Group does not intend to dispose these because these are directly related to the continuity of its business.

Financial Risk Management and Objectives

The Group's principal financial instruments comprise cash and cash equivalents, receivables, due from related parties, AFS financial assets, accounts and other payable, due to/from related parties, and loans payable.

Exposure to credit, liquidity and foreign currency risks, interest rate 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 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 financing and treasury function operates as a centralized service for 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 comprised cash and cash equivalents, receivables, due from related parties and AFS financial assets. 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 post dated 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.

The table below shows the maximum exposure to credit risk for the components of the Group's statement of financial position.

	December 31		January 1,
	2011	2010	2010
Cash and cash equivalents			
(excluding cash on hand)	**₱451,514,915**	₱3,063,140,196	₱197,873,584
Receivables (Note 5)			
Installment contracts receivable	**1,924,210,550**	1,361,188,994	750,928,270
Dividend receivable	**157,156,316**	–	–
Trade receivable	**178,816,574**	93,286,102	75,151,800
Accrued commission income	**21,252,081**	26,256,933	4,519,931
Accrued rent income	**5,300,029**	14,703,308	8,378,764
Accrued interest receivable	**2,269,418**	34,559,913	24,984,384
Others	**160,620,804**	65,475,121	18,939,085
Due from related parties	**938,859,224**	558,144,260	872,062,998
Long term cash investment	**2,440,084,378**	–	–
AFS financial assets	**9,921,760**	27,632,005	29,642,215
Total credit risk exposure	**₱6,290,006,049**	₱5,246,386,832	₱1,982,481,031

The table below shows the credit quality of the Group's financial assets:

December 31, 2011

	Neither past due nor impaired				Past Due but		
	High Grade	**Medium Grade**	**Low Grade**	**Total**	**not Impaired**	**Impaired**	**Total**
Receivables (Note 5)							
Installment contracts receivable	**₱1,063,555,960**	**₱212,810,388**	**₱428,063,313**	**₱1,704,429,661**	**₱219,780,889**	**₱–**	**₱1,924,210,550**
Dividend receivable	**157,156,316**	**–**	**–**	**157,156,316**	**–**	**–**	**157,156,316**
Trade receivables	**141,093,905**	**333,121**	**4,218,877**	**145,646,903**	**33,170,671**	**–**	**178,817,574**
Accrued commission income	**21,252,081**	**–**	**–**	**21,252,081**	**–**	**–**	**21,252,081**
Accrued rent income	**5,300,029**	**–**	**–**	**5,300,029**	**–**	**–**	**5,300,029**
Accrued interest receivable	**2,269,418**	**–**	**–**	**2,269,418**	**–**	**–**	**2,269,418**
Others	**156,852,416**		**–**	**156,852,416**	**–**	**3,768,389**	**160,620,805**
Due from related parties (Note 22)	**938,859,224**	**–**	**–**	**938,859,224**	**–**	**–**	**938,859,224**
AFS financial assets (Note 11)	**9,921,760**	**–**	**–**	**9,921,760**	**–**	**–**	**9,921,760**
	₱2,496,261,109	**₱213,143,509**	**₱432,282,190**	**₱3,141,686,808**	**₱252,951,560**	**₱3,768,389**	**₱3,398,406,757**

December 31, 2010

	Neither past due nor impaired				Past Due but		
	High Grade	Medium Grade	Low Grade	Total	not Impaired	Impaired	Total
Receivables (Note 5)							
Installment contracts receivable	₱779,267,067	₱209,642,508	₱65,838,517	₱1,054,748,092	₱306,440,902	₱–	₱1,361,188,994
Trade	63,998,598	2,032,551	3,500,632	69,531,781	23,754,321	–	93,286,102
Accrued commission income	26,256,933	–	–	26,256,933	–	–	26,256,933
Accrued rent income	14,703,308	–	–	14,703,308	–	–	14,703,308
Accrued interest receivable	34,559,913	–	–	34,559,913	–	–	34,559,913
Others	62,544,560	–	–	62,544,560		2,930,561	65,475,121
Due from related parties (Note 22)	558,144,260	–	–	558,144,260	–	–	558,144,260
AFS financial assets (Note 11)	27,632,005	–	–	27,632,005	–	–	27,632,005
	₱12,261,803,632	₱216,041,849	₱69,339,149	₱11,261,092,194	₱330,195,223	₱2,930,561	₱14,105,659,837

January 1, 2010

	Neither past due nor impaired				Past Due but		
	High Grade	Medium Grade	Low Grade	Total	not Impaired	Impaired	Total
Receivables (Note 5)							
Installment contracts receivable	₱315,256,437	₱128,163,977	₱74,613,611	₱518,034,025	₱232,894,245	₱–	₱750,928,270
Trade	41,691,447	–	–	41,691,447	33,460,353	–	75,151,800
Accrued commission income	4,519,931	–	–	4,519,931	–	–	4,519,931
Accrued rent income	8,378,764	–	–	8,378,764	–	–	8,378,764
Accrued interest receivable	24,984,384	–	–	24,984,384	–	–	24,984,384
Others	17,244,511	–	–	17,244,511	–	1,694,574	18,939,085
Due from related parties (Note 22)	872,062,998	–	–	872,062,998	–	–	872,062,998
AFS financial assets (Note 11)	29,642,215		–	29,642,215	–	–	29,642,215
	₱1,313,780,687	₱128,163,977	₱74,613,611	₱1,516,558,275	₱266,354,598	₱1,694,574	₱1,784,607,447

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 120 days past due.

AFS financial assets - the unquoted financial assets are unrated.

As of December 31, 2011, 2010 and January 1, 2010, the aging analysis of past due but not impaired financial assets presented per class, is as follows:

December 31, 2011

	Neither Past Due nor Impaired	**Past Due but not Impaired**						**Impaired**	**Total**
		<30 days	**30-60 days**	**61-90 days**	**91-120 days**	**>120 days**	**Total**		
Receivables (Note 5)									
Installment contracts receivable	**₱1,704,429,661**	**₱31,947,598**	**₱5,376,647**	**₱10,583,380**	**₱16,398,117**	**₱155,475,147**	**₱219,780,889**	**₱–**	**₱1,924,210,550**
Dividend receivable	**157,156,316**	–	–	–	–	–	**157,156,316**	–	**157,156,316**
Trade	**103,803,601**	**10,194,950**	**5,146,173**	**4,002,196**	**4,257,716**	**9,569,636**	**33,170,671**	–	**136,974,272**
Accrued commission income	**145,645,903**	–	–	–	–	–	**75,012,973**	–	**178,816,574**
Accrued rent income	**5,300,029**	–	–	–	–	–	–	–	**5,300,029**
Accrued interest receivable	**2,269,418**	–	–	–	–	–	–	–	**2,269,418**
Others	**156,852,416**	–	–	–	–	–	–	**3,768,389**	**160,620,805**
Due from related parties (Note 22)	**938,859,224**	–	–	–	–	–	–	–	**938,859,224**
AFS Financial assets (Note 11)	**9,921,760**	–	–	–	–	–	–	–	**9,921,760**
	₱2,942,688,190	**₱42,142,548**	**₱10,522,820**	**₱14,585,576**	**₱20,655,833**	**₱165,044,783**	**₱252,951,560**	**₱1,394,600**	**₱3,199,408,139**

December 31, 2010

	Neither Past Due nor Impaired	Past Due but not Impaired						Impaired	Total
		<30 days	30-60 days	61-90 days	91-120 days	>120 days	Total		
Receivables (Note 5)									
Installment contracts receivable	₱1,054,748,092	₱68,654,115	₱20,913,921	₱17,666,086	₱13,051,124	₱186,155,656	₱306,440,902	₱–	₱1,361,188,994
Trade	71,426,817	1,217,150	3,344,084	2,428,464	3,737,285	13,027,338	25,649,357	–	95,181,138
Accrued commission income	26,256,933	–	–	–	–	–	–	–	26,256,933
Accrued rent income	14,703,308	–	–	–	–	–	–	–	14,703,308
Accrued interest receivable	34,559,913	–	–	–	–	–	–	–	34,559,913
Others	62,544,560	–	–	–	–	–	–	2,930,561	65,475,121
Due from related parties (Note 22)	558,144,260	–	–	–	–	–	–	–	558,144,260
AFS Financial assets (Note 11)	27,632,005	–	–	–	–	–	–	–	27,632,005
	₱1,850,015,888	₱69,871,265	₱24,258,005	₱20,094,550	₱16,788,409	₱199,182,994	₱330,195,223	₱2,930,561	₱2,183,141,672

January 1, 2010

	Neither Past Due nor Impaired	Past Due but not Impaired <30 days	30-60 days	61-90 days	91-120 days	>120 days	Total	Impaired	Total
Receivables (Note 5)									
Installment contracts receivable	₱285,139,780	₱41,726,684	₱16,168,769	₱10,706,887	₱9,147,169	₱155,144,736	₱232,894,245	₱–	₱750,928,270
Trade	8,231,094	10,227,100	10,706,887	3,854,949	8,671,417	–	38,172,967	–	75,151,800
Accrued commission income	4,519,931	–	–	–	–	–	–	–	4,519,931
Accrued rent income	8,378,764	–	–	–	–	–	–	–	8,378,764
Accrued interest receivable	24,984,384	–	–	–	–	–	–	–	24,984,384
Others	17,244,511	–	–	–	–	–	–	1,694,574	18,939,085
Due from related parties (Note 22)	872,062,998	–	–	–	–	–	–	–	872,062,998
AFS Financial assets	29,642,215	–	–	–	–	–	–	–	29,642,215
	₱1,278,951,414	₱51,953,784	₱26,875,656	₱14,561,836	₱17,818,586	₱155,144,736	₱266,354,598	₱1,694,574	₱1,742,916,000

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 table summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

December 31, 2011

	< 1 year	> 1 to < 5 years	> 5 years	Total
Financial assets				
Cash and cash equivalents (Note 4)	**₱451,514,915**	**₱–**	**₱–**	**₱451,514,915**
Receivables (Note 5)				
Installment contracts receivable	**819,631,787**	**1,104,578,763**	–	**1,924,210,550**
Dividend receivable	**157,156,316**	–	–	**157,156,316**
Trade receivable	**168,451,475**	**10,365,099**	–	**178,816,574**
Accrued commission income	**21,252,081**	–	–	**21,252,081**
Accrued rent income	**5,300,029**	–	–	**5,300,029**
Accrued interest receivable	**2,269,418**	–	–	**2,269,418**
Others	**156,852,416**	–	**3,768,388**	**160,620,804**
Due from related parties (Note 22)	**938,859,224**	–	–	**938,859,224**
Long term cash investment	–	**2,440,084,378**	–	**2,440,084,378**
AFS financial assets - unquoted (Note 22)	–	**9,921,760**	–	**9,921,760**
Total undiscounted financial assets	**₱2,721,287,661**	**₱3,564,950,000**	**₱3,768,388**	**₱6,290,006,049**
Other financial liabilities				
Accounts and other payables (Note 12)				
Trade	**3,794,271,504**	–	–	**3,794,271,504**
Retentions payable	**213,576,285**	–	–	**213,576,285**
Accrued expenses	**108,948,627**	–	–	**108,948,627**
Accrued interest	**64,866,452**	–	–	**64,866,452**
Others	**75,446,441**	–	–	**75,446,441**
Loans payable (Note 13)	**7,648,700,000**	**19,600,000,000**	–	**27,248,700,000**
Due to related parties (Note 22)	**403,598,150**	–	–	**403,598,150**
Total undiscounted financial liabilities	**₱12,234,205,018**	**₱20,003,598,150**	**₱–**	**₱31,833,961,018**
Liquidity Gap	**(₱9,512,917,357)**	**(₱16,438,648,150)**	**₱3,768,388**	**(₱25,543,954,969)**

December 31, 2010

	< 1 year	> 1 to < 5 years	> 5 years	Total
Financial assets				
Cash and cash equivalents (Note 4)	₱3,063,140,196	₱–	₱–	₱3,063,140,196
Receivables (Note 5)				
Installment contracts receivable	452,323,103	908,865,891	–	1,361,188,994
Trade	93,286,102	–	–	93,286,102
Accrued commission income	26,256,933	–	–	26,256,933
Accrued rent income	14,703,308	–	–	14,703,308
Accrued interest receivable	34,559,913	–	–	34,559,913
Others	62,544,560	–	2,930,561	65,475,121
Due from related parties (Note 23)	558,144,260	–	–	558,144,260
AFS financial assets - unquoted (Note 23)	–	27,632,005	–	27,632,005
Total undiscounted financial assets	₱4,304,958,375	₱936,497,896	₱2,930,561	₱5,244,386,832
Other financial liabilities				
Accounts and other payables (Note 13)				
Trade	1,386,602,710	–	–	1,386,602,710
Retentions payable	176,605,322	–	–	176,605,322
Accrued expenses	137,862,666	–	–	137,862,666
Accrued interest	69,957,743	–	–	69,957,743
Others	182,000	–	–	182,000
Loans payable (Note 14)	7,182,191,076	9,000,000,000	–	16,182,191,076
Liabilities on purchased land (Note 16)	118,989,240	397,856,760	–	516,846,000
Due to related parties (Note 23)	320,571,614	–	–	320,571,614
Total undiscounted financial liabilities	₱9,392,962,371	₱9,397,856,760	₱–	₱18,790,819,131
Liquidity Gap	(₱5,088,003,996)	(₱8,461,358,864)	₱–	(₱13,546,432,299)

January 1, 2010

	< 1 year	> 1 to < 5 years	> 5 years	Total
Financial assets				
Cash and cash equivalents (Note 4)	₱197,873,584	₱–	₱–	₱197,873,584
Receivables (Note 5)				
Installment contracts receivable	469,538,046	219,056,900	62,333,324	750,928,270
Trade	75,151,800	–	–	75,151,800
Accrued commission income	4,519,931	–	–	4,519,931
Accrued rent income	8,378,764	–	–	8,378,764
Accrued interest receivable	24,984,384	–	–	24,984,384
Others	17,244,511	–	1,694,574	18,939,085
Due from related parties (Note 23)	872,062,998	–	–	872,062,998
AFS financial assets - unquoted (Note 23)	–	29,642,215	–	29,642,215
Total undiscounted financial assets	₱1,669,754,018	₱248,699,115	₱64,027,898	₱1,982,481,031
Other financial liabilities				
Accounts and other payables (Note 13)				
Trade	₱254,148,832	₱–	₱–	₱254,148,832
Retentions payable	80,572,092	–	–	80,572,092
Accrued expenses	64,828,714	–	–	64,828,714
Accrued interest	32,855,285	–	–	32,855,285
Others	71,119,451	–	–	71,119,451
Loans payable (Note 14)	2,479,300,000	3,416,591,076	–	5,895,891,076
Liabilities on purchased land (Note 16)	112,254,000	516,846,000	–	629,100,000
Due to related parties (Note 23)	500,992,878	–	–	240,158,903
Total undiscounted financial liabilities	₱1,794,784,386	₱3,933,437,076	₱–	₱7,166,656,383
Liquidity Gap	(₱125,030,368)	(₱3,684,737,961)	₱64,027,898	(₱5,184,175,352)

Foreign currency risk
Financial assets and financing facilities extended to the Group were mainly denominated in Philippine Pesos. As such, the Group's foreign currency risk is very minimal.

The Group's foreign currency-denominated financial instruments are included in cash and cash equivalents amounting to US$0.23 million, US$0.26 million and US$0.23 million in December 31, 2011, 2010 and January 1, 2010, respectively. The Philippine peso value of these instruments amounted to ₱10.08 million and ₱11.92 million as at December 31 2011 and 2010 and January 1, 2010, respectively.

In translating the foreign currency-denominated monetary assets and liabilities into peso amounts, the exchange rates used were ₱43.84 to US$1.00, ₱43.84 to US$1.00 and ₱46.20 to US$1.00, the Philippine peso-U.S. dollar exchange rates as at December 31, 2011, 2010 and January 1, 2010, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the Philippine peso-US dollar exchange rate, with all variables held constant, of the Group's income before tax (due to changes in the fair value of monetary assets and liabilities) on December 31, 2010, and 2008. There is no other impact on the Group's equity other than those already affecting the consolidated statements of comprehensive income.

	Increase (decrease) in income before tax		
	December 31		January 1,
US$ appreciates (depreciates)	**2011**	2010	2010
₱1.00	**₱7,207**	₱232,662	₱258,051
(1.00)	**(7,207)**	(232,662)	(258,051)

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.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all variables held constant, of the Group's income before tax (through the impact on floating rate borrowings).

	Increase (decrease) in income before tax		
	December 31		January 1,
Change in basis points	**2011**	2010	2010
₱1.00	**(₱817,461,000)**	(₱485,465,732)	(₱176,876,732)
(1.00)	**817,461,000**	485,465,732	176,876,732

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.

27. **Lease Commitment**

The Group as a lessee
The Group started leasing land for its mall and gasoline station in 2005. The operating lease agreement is for a period of 10 years. The Group also leases its office space under an operating lease agreement for 2 years renewable under certain terms and conditions. The Group's rentals incurred on this lease, presented as "Overhead" and included in the cost of goods sold account, amounted to ₱27.85 million, ₱25.96 million and ₱29.21 million in December 31, 2011 and 2010 and January 1, 2010, respectively (see Note 21).

As of December 31, 2011 and 2010 and January 1, 2010, the future minimum rental payments are as follows:

	December 31		January 1,
	2011	2010	2010
Within one year	**₱13,967,515**	₱48,939,003	₱43,789,694
After one year but not more than five years	**29,677,138**	122,536,962	135,105,717
More than five years	–	137,382,645	153,522,667
	₱43,646,664	₱308,858,610	₱332,418,078

The Group as a lessor
The Group also leases its mall to different parties. The lease term ranges from 5 to 10 years. The Group's rental income on these leases amounted to ₱238.00 million, ₱173.61 million and ₱153.41 million in 2011, 2010 and 2009, respectively (see Note 9).

As of December 31, 2011, 2010 and 2009, the future minimum receipts from these lease commitments are as follows:

	December 31		January 1,
	2011	2010	2010
Within one year	**₱133,483,943**	₱114,298,064	₱89,321,336
After one year but not more than five years	**259,667,873**	343,987,463	240,689,477
More than five years	**42,734086**	26,320,697	203,346,080
	₱435,885,902	₱484,606,224	₱533,356,893

28. **Business Combinations**

2011
<u>Common control business combination</u>
On October 03, 2011, East West Investment Ltd. (EIL), Great Co. Limited (GCL) and Titan Resources Corporation (TRC) (collectively referred herein as "Seller") and Fed Land entered into a deed of sale agreement to transfer its respective shares of stock held over HLRDC for a total consideration of ₱420.00 million.

Equivalent number of shares transferred is detailed below:

	Number of Shares Transferred
East West (EIL)	200,000
Great Co. (GCL)	200,000
Titan Resources (TRC)	3,600,000

On June 23, 2011, Fed Land subscribed additional common shares issued by CRDC of 400,000 common shares obtaining an effective interest of 75.8% over CRDC after issuance. Before the acquisition, CRDC was majority owned by City Tower Realty Corporation (CTRC) which resulted to a dilution of its shares to Fed Land.

The two acquisitions were accounted for using the uniting of interest method and accordingly, the December 31, 2010 and December 31, 2009 comparatives were restated to reflect the following changes in consolidated balances as of December 31, 2010 and January 1, 2010:

	Increase due to uniting of:	
	HLRC	CRDC
Total assets	2,362,397,880	530,083,728
Total liabilities	1,808,717,040	522,535,734
Total revenue	135,503,171	4,475,619
Total costs and expenses	25,539,444	2,981,516
Net income	103,336,030	974,367

The net assets of HLRC and CRDC as of December 31, 2010 and 2009 were pooled to the Group's financial statements as at January 1, 2011 and 2010 presented in the statement of changes in equity at the earliest period presented of January 1, 2010 as "Effect of uniting of interest" (see Note 19).

2009 Acquisitions

<u>PCRDC</u>

In September 2009, the Fed Land acquired 100% interest of PCRDC from an affiliated company for a consideration of ₱102.00 million. Said acquisition was accounted for using the of interest method and accordingly, the 2008 comparatives were restated to reflect the following changes in consolidated balances as of December 31, 2008:

	Increase in:
Total assets	₱1,339,584,611
Total liabilities	1,223,653,727
Total revenue	34,547,359
Total costs and expenses	30,907,933
Net income	2,365,751

PCRDC's equity at the time of the combination, amounted to ₱115.93million as of December 31, 2008 and ₱113.56 million for the year ended January 1, 2008, are already pooled and effected in 2009.

FBRI
In 2009, the Fed Land acquired 4.47% equity interest of FBRI from Toyota Manila Bay for a total consideration of ₱5.16 million. Consequently, Fed Land's equity interest in FBRI has increased from 47.19% to 51.66%. The entire difference between the acquisition cost and non-controlling interest in net assets acquired amounting to ₱0.42 million is treated as an equity transaction and presented separately in the consolidated statement of changes in equity.

29. Basic/Diluted Earnings Per Share

The basic/diluted earnings per share amounts for the years ended December 31, 2011, 2010 and January 1, 2010 were computed as follows:

	December 31		January 1,
	2011	2010	2010
Net income attributable to Parent Company	**₱3,324,399,379**	₱3,001,620,966	₱2,183,991,521
Weighted average number of shares	**125,000,000**	125,000,000	125,000,000
	₱26.60	₱24.01	₱17.47

Basic and diluted earnings per share are the same due to the absence of dilutive potential common shares.

30. Operating Segments

Segment Information
For management purposes, the Group is organized into business units based on their products and activities and has four reportable segments as follows:

- Real estate segment is engaged in real estate and leasing, development and selling of properties of every kind and description
- Financial institutions are engaged in the banking and insurance industry
- Motor segment is engaged in the assembly, manufacture, importation, sale and distribution of all kinds of automobiles including automobile parts, accessories, and instruments.
- Other segments have been aggregated to form a reportable segment are engaged in the following business:
  a) trading of goods such as petroleum, non-fuel products on wholesale or retail basis, maintains a petroleum service station and
  b) engaged in the food and restaurant service
  c) to act as a marketing agent for and in behalf of any real estate development company or companies.

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, operating profit and pretax income which are measured similarly in the consolidated financial statements.

Transfer prices between operating segments are on arm's length basis in a manner similar to third parties.

Year ended December 31, 2011 (Amounts in Thousands)

	Real Estate	Financial Institution	Motor	Power	Others	Total
Revenue	**₱ 3,175,103**	**₱–**	**₱–**	**₱–**	**₱860,636**	**₱4,035,739**
Rentals	**117,712**	–	–	–	**120,289**	**238,001**
Equity in net income of associates	**87,552**	**3,018,484**	**461,837**	–	–	**3,567,873**
	3,380,368	**3,018,484**	**461,837**	–	**980,925**	**7,841,613**
Cost of sales and services	**1,553,768**	–	–	–	**709,726**	**2,263,494**
General and administrative expense (before depreciation and amortization)	**545,152**	–	–	–	**493,243**	**1,038,395**
	2,098,919	–	–	–	**1,202,969**	**3,301,889**
EBITDA	**1,281,449**	**3,018,484**	**461,837**	–	**(162,774)**	**4,598,994**
Other income (expenses)		–	–	–		
Finance income	**57,682**	–	–	–	**6,914**	**64,596**
Finance cost	**(432,809)**				**(556,940)**	**(989,749)**
Depreciation and amortization	**(29,346)**	–	–	–	**(42,006)**	**(71,352)**
Pretax income	**876,976**	**3,018,484**	**461,837**	–	**(754,806)**	**3,602,489**
Provision for income tax	**138,339**	–	–	–	**10,440**	**148,779**
Income before income from discontinued operations	**738,637**	**3,018,484**	**461,837**	–	**(765,246)**	**3,453,710**
Post-tax income from discontinued operations	–	–	–	–	–	–
	₱738,637	**₱3,018,484**	**₱461,837**	**₱–**	**(₱765,246)**	**₱3,453,710**
Net income attributable to non-controlling interest	**₱117,663**	**₱–**	**₱–**	**₱–**	**₱11,648**	**₱129,311**
Net income attributable to equity holders	**₱620,994**	**₱3,018,484**	**₱461,837**	**₱–**	**(₱753,598)**	**₱3,324,399**
Segment Assets						
Receivables	**₱3,087,870**	**₱–**	**₱–**	**₱–**	**₱2,891,170**	**₱5,979,040**
Inventories	**11,327,839**	–	–	–	**10,528**	**11,338,367**
Investment and advances	**446,938**	**32,196,747**	**2,071,712**	**3,397,121**	–	**38,112,518**
Property, plant and equipment	**126,208**	–	–	–	**270,159**	**396,367**
Deposits	**4,085,000**	–	–	–	–	**4,085,000**
Others	**15,327,075**	–	–	–	**271,645**	**15,598,720**
	₱34,400,930	**₱32,196,747**	**₱2,071,712**	**₱3,397,121**	**₱3,443,502**	**₱75,510,012**
Eliminating/Consolidating Entries	**(5,447,249)**	–	–	–	–	**(5,447,249)**
	28,953,681	**32,196,747**	**2,071,712**	**3,397,121**	**3,443,502**	**70,062,763**
Segment Liabilities						
Accounts and other payables	**₱4,390,283**	**₱–**	**₱–**	**₱–**	**₱183,136**	**₱4,573,419**
Customers' advances and deposits	**457,626**	–	–	–	–	**457,626**
Loans payable	**13,032,000**	–	–	–	**14,216,700**	**27,248,700**
Others	**5,866,356**	–	–	–	**214,277**	**6,080,633**
	₱23,746,265	**₱–**	**₱–**	**₱–**	**₱14,614,113**	**₱38,360,378**
Eliminating/Consolidating Entries	**(5,447,249)**	–	–	–	–	**(5,447,249)**
	18,299,016	**₱–**	**₱–**	**₱–**	**₱14,614,113**	**₱32,913,129**

Year ended December 31, 2010 (Amounts in Thousands)

	Real Estate	Financial Institution	Motor	Others	Total
Revenue	₱2,335,264	₱–	₱–	₱843,685	₱3,178,949
Equity in net income of associates and joint controlled entity	41,155	2,173,023	734,701	–	2,948,879
	2,376,419	2,173,023	734,701	843,685	6,127,828
Cost of sales and services	1,364,808	–	–	584,566	1,949,374
General and administrative expense (before depreciation and amortization)	421,434	–	–	399,609	821,043
	1,786,242	–	–	984,175	2,770,417
EBITDA	590,177	2,173,023	734,701	(140,490)	3,357,411
Other income (expenses)					
Finance cost – net	(13,384)	–	–	(84,161)	(97,545)
Depreciation and amortization	(28,244)	–	–	(44,008)	(72,252)
Pretax income	548,549	2,173,023	734,701	(268,659)	3,187,614
Provision for income tax	70,198	–	–	5,399	75,597
Income before income from discontinued operations	478,351	2,173,023	734,701	(274,058)	3,112,017
Post-tax income from discontinued operations	–	–	–	–	–
	₱478,351	₱2,173,023	₱734,701	(₱274,058)	₱3,112,017
Net income attributable to non-controlling interest	₱80,486	₱–	₱–	₱29,910	₱110,396
Net income attributable to equity holders	₱397,865	₱2,173,023	₱734,701	(₱303,968)	₱3,001,621
Segment Assets					
Receivables	₱1,976,469	₱–	₱–	₱ 109,780	₱2,086,249
Inventories	7,877,214	–	–	12,005	7,889,219
Investment and advances	359,385	24,472,093	2,291,583	4,000,000	31,123,061
Property, plant and equipment	127,329	–	–	303,559	430,888
Others	10,265,942	–	–	3,189,643	13,455,585
	₱20,606,339	₱24,472,093	₱2,291,583	₱7,614,987	₱54,985,002
Eliminating/Consolidating entries	(3,681,305)	–	–	–	(3,681,305)
	₱16,925,034	–	–	7,614,987	51,303,697
Segment Liabilities					
Accounts and other payables	₱1,775,390	₱–	₱–	₱160,476	₱1,935,866
Customers' advances and deposits	417,461	–	–	–	417,461
Loans payable	16,182,191	–	–	–	16,182,191
Others	4,311,680	–	–	317,485	4,629,165
	₱22,686,722	₱–	₱–	₱183,080	₱23,164,683
Eliminating/Consolidating entries	(3,681,305)	–	–	454,389	(3,226,916)
	₱9,798,515	₱–	₱–	₱637,469	₱19,937,767

Year ended December 31, 2009 (Amounts in thousands)

	Real Estate	Financial Institution	Motor	Others	Total
Revenue	₱1,355,289	₱–	₱–	₱700,514	₱2,055,804
Equity in net income of associates	(167)	1,719,948	370,064	–	2,089,845
	1,355,122	1,719,948	370,064	700,514	4,145,649
Cost of sales and services	636,732	–	–	497,584	1,134,316
General and administrative expense (before depreciation and amortization)	402,708	–	–	287,909	690,617
	1,039,440	–	–	785,493	1,824,933
EBITDA	315,682	1,719,948	370,064	(84,979)	2,320,716
Other income (expenses)					
Finance income (cost)	46,341	–	–	(32,264)	14,077
Depreciation and amortization	(20,975)	–	–	(43,754)	(64,729)
Pretax income	341,048	1,719,948	370,064	(160,997)	2,270,064
Provision for income tax	55,036	–	–	4,266	59,302
Income before income from discontinued operations	286,012	1,719,948	370,064	(165,263)	2,210,762
Post-tax income from discontinued operations	–	–	–	–	–
	₱(210,313)	₱1,719,948	₱370,064	₱(165,263)	₱2,210,762
Net income attributable to non-controlling interest	₱32,861	₱–	₱–	(₱6,090)	₱26,771
Net income attributable to equity holders	₱253,152	₱1,719,948	₱370,064	(₱159,173)	₱2,183,991
Segment Assets					
Receivables	₱964,522	₱–	₱–	₱74,981	₱1,039,503
Inventories	6,918,914	–	–	8,695	6,927,609
Investment and advances	460,898	20,407,199	1,893,150	–	22,761,247
Property, plant and equipment	30,385	–	–	342,662	373,047
Others	9,313,727	–	–	147,453	9,461,180
	₱17,688,446	₱20,407,199	₱1,893,150	₱573,791	₱40,562,586
Eliminating/Consolidating Entries	(3,824,263)	–	–	–	(3,824,263)
	₱13,864,183	₱20,407,199	₱1,893,150	₱573,791	₱36,738,323
Segment Liabilities					
Accounts and other payables	₱485,943	₱–	₱–	₱84,803	₱570,746
Customers’ advances and deposits	615,366	–	–	–	615,366
Loans payable	4,449,191	–	–	1,446,700	5,895,891
Others	4,881,744	–	–	202,696	5,084,440
	₱10,432,244	₱–	₱–	₱1,554,493	₱12,166,443
Eliminating/Consolidating Entries	(3,824,263)	–	–	–	(3,824,263)
	₱6,607,981	₱–	₱–	₱573,791	₱8,342,180

31. **Events after Financial Reporting Date**

Acquisition of GBPC
On December 20, 2011, GBPC filed an application for the increase in its authorized capital stock and reduction in the par value of its common shares to ₱1 per share. Upon application of increase in authorized capital stock, the Parent Company intends to convert the deposit for future stocks subscription (DFS) through issuance of new common shares by GBPC. As a result, Parent Company's direct interest will be 21.04% with equivalent subscription of 117,067,800 new common shares (see Note 8). These advances are carried at cost and did not apply equity method of accounting due to pending regulatory approval as of December 31, 2011.

On January 16, 2012, the SEC approved the application of the increase in authorized capital stock of GBPC.

On February 15 and 16, 2012, the Parent Company entered into a Deed of Absolute Sale with GBHI for the sale and transfer of 35,504,900 and 38,863,000 common shares of GBPC, respectively, with GBHI as the seller and the Parent Company as the buyer for a consideration amounting to ₱1.24 billion and ₱1.36 billion, respectively. Such shares aggregating to 74,367,900 common shares represent 13.37 % direct interest of the Parent Company over GBPC.

With the result of foregoing transaction, the Parent Company has an effective interest of 46.41% which accounted from the direct interest obtained of 34.41% plus indirect interest through FMIC, majority owned subsidiary by MBTC of 12.00%. The Group will account the transaction under purchase accounting method.

As of February 16, 2012, loans receivable amounting to ₱2.6 billion was fully paid.

On February 9, 2012, cash dividends from Phil AXA amounting to ₱157.56 million were received.

Fed Land and MHC Omnibus Agreement
Fed Land, together with ORIX, executed a memorandum of agreement (MOA) dated December 8, 2011 and an Omnibus Subscription Agreement (OSA) dated December 21, 2011.

Under the MOA, Fed Land shall make additional capital contributions in the form of cash and property and ORIX shall make capital contributions in the form of cash in exchange for shares of stock of MHC pursuant to the terms and conditions set forth in the Omnibus Subscription Agreement; Orix contributions shall be placed in an escrow account until increase in subscription has been finally made.

Fed Land and Orix intends to (i) develop a residential condominium and a hotel/retail/ office building on two (2) parcels of land located in Bonifacio Global City, Fort Bonifacio, Taguig City, Metro Manila, Philippines , with an aggregate area of 12,984 square meters, and (ii) engage in the operations of the hotel.

Fed Land intends to transfer a certain parcel of land as full payment for its subscription of 12,074,800 MHC's common shares. As of December 31, 2011, title to land was not yet been transferred to MHC, thus, the transaction was not yet consummated and therefore, there is no dilution of interest of the Group as of December 31, 2011.

On January 31, 2012, the Escrow has been released resulting to the increase in deposit for future subscription and APIC of MHC by ₱307.15 million and ₱44.76 million.

32. Notes to Cash Flows Statements

Below are the noncash operating, investing and financing transactions of the Company:

	December 31		
	2011	2010	2009
Transfers from investment property to inventories	**₱117,980,714**	₱9,474,472	₱2,411,551
Transfers from property and equipment to inventories	–	11,528,424	4,262,599
Borrowing cost capitalized to inventories	**141,978,879**	119,673,718	155,860,005

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Phone: (632) 891 0307
Fax: (632) 819 0872
www.sgv.com.ph

BOA/PRC Reg. No. 0001,
January 25, 2010, valid until December 31, 2012
SEC Accreditation No. 0012-FR-2 (Group A),
February 4, 2010, valid until February 3, 2013

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
GT Capital Holdings, Inc.
43rd Floor, GT Tower International
Ayala Ave. cor. H.V. dela Costa Street
Makati City

We have audited the consolidated financial statements of GT Capital Holdings, Inc. and its Subsidiaries (the Group) as of and for the year ended December 31, 2011, on which we have rendered the attached report dated February 17, 2012.

In compliance with Securities Regulation Code Rule 68, we are stating that the Group has eleven (11) stockholders owning one hundred (100) or more shares each.

SYCIP GORRES VELAYO & CO.

Jessie D. Cabaluna

Jessie D. Cabaluna
Partner
CPA Certificate No. 36317
SEC Accreditation No. 0069-AR-2 (Group A),
February 11, 2010, valid until February 10, 2013
Tax Identification No. 102-082-365
BIR Accreditation No. 08-001998-10-2009,
June 1, 2009, valid until May 31, 2012
PTR No. 3174583, January 2, 2012, Makati City

February 17, 2012