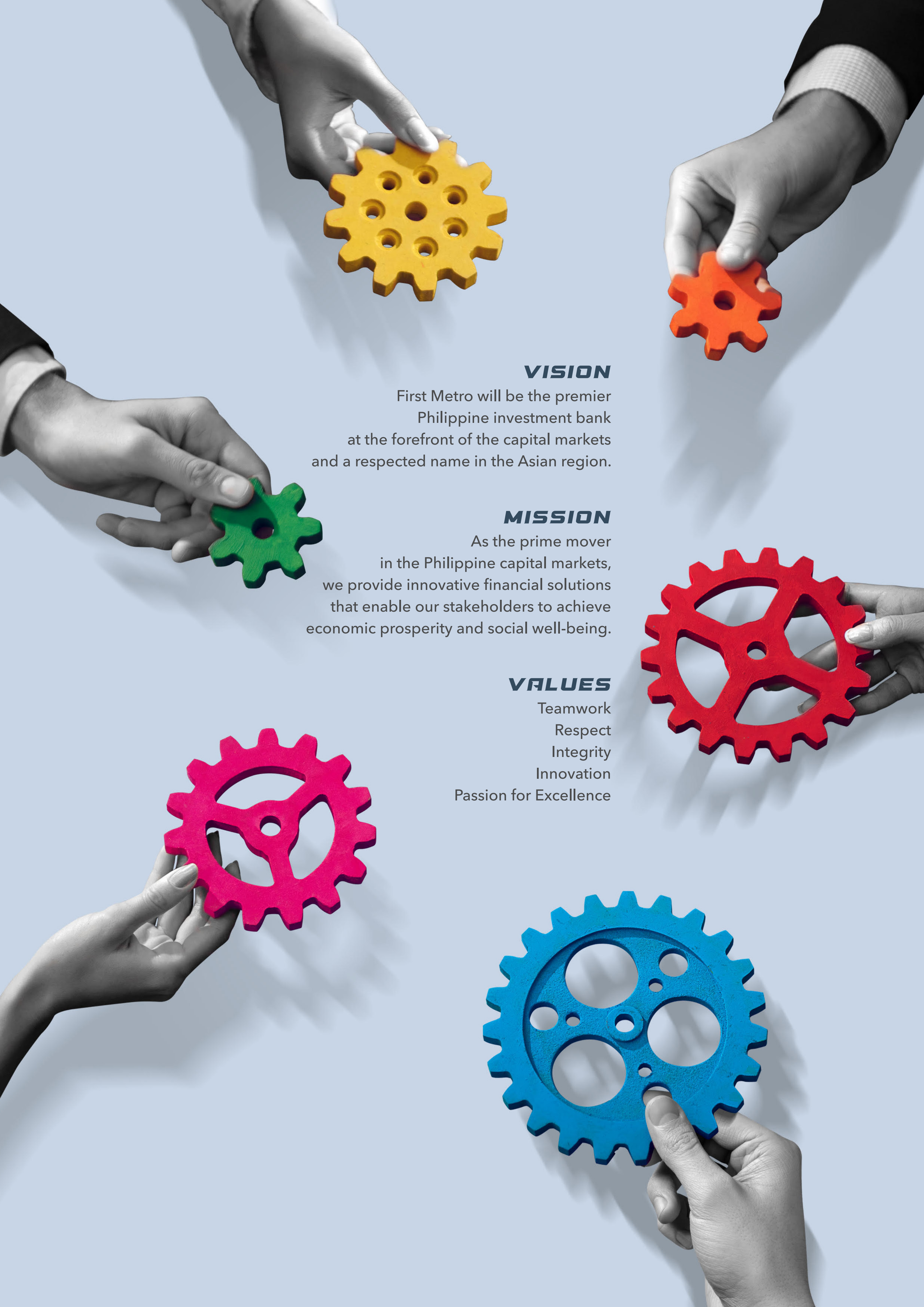

FIRST METRO
INVESTMENT CORPORATION
Metrobank Group
WE
MOVE
AS
ONE
2020 FINANCIAL STATEMENTS



VISION

First Metro will be the premier
Philippine investment bank
at the forefront of the capital markets
and a respected name in the Asian region.

MISSION

As the prime mover
in the Philippine capital markets,
we provide innovative financial solutions
that enable our stakeholders to achieve
economic prosperity and social well-being.

VALUES

Teamwork
Respect
Integrity
Innovation
Passion for Excellence

Summary Group Financial Statements
(In Million Pesos, Except Per Share Amounts)

At Year End	2020	2019
Total Assets	**33,703**	**35,635**
Cash and Other Cash Equivalents	8,580	9,699
Interbank loans receivable and securities purchased under resale agreements	2,593	1,347
Investment Securities at		
Financial Assets at Fair Value Through Profit or Loss	9,633	12,220
Fair Value Through Other Comprehensive Income	1,217	1,888
Amortized Cost	1,465	591
Loans and receivables	2,234	1,686
Investments in Subsidiaries and Associates	6,721	6,869
Property and equipment	95	149
Investment properties	182	189
Deferred tax assets	76	69
Other assets	906	930
Total Liabilities	**18,612**	**20,767**
Bills Payable	3,856	11,307
Accounts Payable	5,872	2,331
Accrued taxes, interest and other expenses	170	142
Other Liabilities	8,714	6,987
Total Equity	**15,091**	**14,868**
Attributable to:		
Equity Holders of the Parent Company	14,995	14,773
Non-controlling Interest	96	95
Book value per share	**40.26**	**39.66**

For the Year	2020	2019	2018
Net Interest Income	**357**	**143**	**354**
Interest Income	500	1,136	1,123
Interest Expense	144	993	769
Non Interest Income	**619**	**1,604**	**798**
Service Charges, Fees and Commissions	444	655	611
Dividend Income	110	143	117
Trading and Securities Gain (Loss)	37	722	-386
Gain (Loss) on Sale of Asset	3	79	367
Miscellaneous	25	5	89
Total Operating Income	**975**	**1,747**	**1,152**
Total Expenses	**1,228**	**2,115**	**1,640**
Operating Expenses	1,128	1,864	1,328
Provision for Income Tax	100	251	312
Share in Net Income of Associates	618	775	991
Net Income	**364**	**407**	**503**
Attributable to			
Equity Holders of the Parent Company	364	402	503
Non-controlling Interest	-	4	-
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company	1.0	1.1	1.4

Key Ratios	2020	2019
Net Interest Margin	2.18%	0.58%
Return on Average Equity	2.45%	2.72%
Return on Average Assets	1.05%	1.02%
Non-performing Loans Ratio	-	-
Cost-to-Income Ratio	122.35%	79.95%

Results of Operations

First Metro reported P364 million consolidated net income attributable to equity holders of the Parent Company, 10% lower than that of the previous year.

Total gross operating income reached P975 million, consisting of investment banking and other fees, net interest income, dividends from our investee companies, net trading gains, share in the net earnings of investee companies and other operating income.

Investment banking and other related fees amounted to P444 million. Net interest income derived from lending, investment and borrowing activities contributed P357 million, higher than that of previous year due to the lower funding cost for the year. Dividends earned from our investment in tradable and non-tradable stocks and share in the net earnings of associate companies likewise contributed P110 million and P618 million, respectively. Net trading gains of P37 million from trading activities reported this year is much lower than last year's P722 million.

Total expenses consisting mainly of compensation and benefits, taxes and licenses, occupancy and equipment-related costs and other miscellaneous expenses registered a 39% decrease to P1.13 billion level.

Provision for income taxes totaled P100 million, 60% or P151 million lower than last year.

First Metro recorded 2.45% return on average equity and 1.05% return on average assets.

Financial Position

The Group closed the year with a total resources of P33.70 billion, lower by 5% or P1.93 billion from P35.64 billion level last year.

Deposits maintained with local banks and Bangko Sentral ng Pilipinas, as reserves for deposit, amounted to P8.58 billion, lower by 12% or P1.12 billion.

Total investment securities consisting of financial assets at fair value through profit or loss, fair value through other comprehensive income and amortized cost totaled P12.32 billion, which was lower by 16% than the previous level.

Loans and Receivables comprising of unquoted private debt securities, loans and discount and other receivables amounted to P2.23 billion, or an increase of P549 million.

Investments in Subsidiaries and Associates represent the carrying value of investments in shares of stocks in allied/non-allied undertakings.

Investment Properties consists of land and condominium units held for sale or for lease.

Meanwhile, consolidated total liabilities decreased to P18.61 billion from P20.77 billion in previous year. Bills payable consisting of deposit substitute borrowings and other borrowings obtained from local banks, private firms and individuals decreased by 66% or P7.45 billion from P11.31 billion to P3.86 billion.

Equity attributable to equity holders of the Parent Company ended at P15.0 billion, 2% or P222 million higher from last year's P14.77 billion due to the reported net income for the year net of decrease in other equity accounts, which translates to 56.7% capital adequacy ratio (CAR). This is above the 10.0% CAR required by BSP for non-bank financial intermediaries with quasi-banking function.

Supplementary Management's Discussion

The capital-to-risk assets of the Group and the Parent Company as reported to the BSP as of December 31, 2020 and 2019, respectively, follow:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
CET 1 capital	**₱17,710,552,020**	₱18,053,884,868	**₱17,710,552,020**	₱18,053,884,868
Less: Required deductions	**13,911,801,032**	14,793,654,901	**14,450,924,339**	15,160,814,238
Net Tier 1 capital	**3,798,750,988**	3,260,229,967	**3,259,627,681**	2,893,070,630
Tier 2 capital	**45,472,384**	43,119,568	**16,457,993**	32,454,703
Total qualifying capital	**₱3,844,223,372**	₱3,303,349,535	**₱3,276,085,674**	₱2,925,525,333
Risk weighted assets	**₱6,784,856,624**	₱7,244,124,947	**₱3,108,980,470**	₱5,672,383,176
CET 1 ratio*	**56.0%**	45.0%	**104.9%**	51.0%
*Capital conservation buffer	**50.0%**	39.0%	**98.9%**	45.0%
Tier 1 capital ratio	**56.0%**	45.0%	**104.9%**	51.0%
Total capital ratio	**56.7%**	45.6%	**105.4%**	51.6%

CET 1, Tier 1 and Total Capital Ratio are computed by dividing the CET 1 Capital, Tier 1 Capital and Total Qualifying Capital, respectively, by the Total Risk Weighted Assets. Capital Conservation Buffer is computed by deducting the required 6.0% CET 1 ratio from the actual CET 1 ratio.

The breakdown of the CET 1 capital for 2020 and 2019 is presented as follows:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Paid-up common stock	**₱4,208,692,400**	₱4,208,692,400	**₱4,208,692,400**	₱4,208,692,400
Additional paid-in capital	**1,848,345,743**	1,848,345,743	**1,848,345,743**	1,848,345,743
Retained earnings	**12,006,866,432**	11,626,695,459	**12,006,866,432**	11,626,695,459
Undivided profits	**392,294,940**	808,160,559	**392,294,940**	808,160,559
Net unrealized gain (loss) (NUGL) on FVOCI	**(567,869,810)**	(667,484,345)	**(508,136,631)**	(622,971,960)
Remeasurements of Net Defined Benefit Liabilities(Assets) (RNDBLA)	**(73,926,068)**	9,864,682	**(73,926,068)**	9,864,682
Gains (Losses) on Fair Value Adjustments on Hedging Instruments – Cash Flow Hedge	**-**	(9,501,975)	**-**	(9,501,975)
Other comprehensive income	**(103,851,616)**	229,112,345	**(163,584,795)**	184,599,960
Total CET 1 capital	**₱17,710,552,020**	₱18,053,884,868	**₱17,710,552,020**	₱18,053,884,868

As of December 31, 2020 and 2019, the Group has outstanding and issued common shares of 372.5 million, out of the 800.0 million authorized shares at ₱10.0 par value.

Tier 2 capital represents the BSP required general loan loss provisioning of the Group as of December 31, 2020 and 2019.

The reconciliation of the regulatory capital elements back to the statement of financial position as of December 31, 2020 and 2019 is as follows:

	Consolidated					
	2020			2019		
	Balance per CAR Report	**Reconciling Items**	**Audited Financial Statements**	Balance per CAR Report	Reconciling Items	Audited Financial Statements
Paid-up common stock	**₱4,208,692,400**	**₱–**	**₱4,208,692,400**	₱4,208,692,400	₱–	₱4,208,692,400
Additional paid-in capital	**1,848,345,743**	**217,348,299**	**2,065,694,042**	1,848,345,743	217,348,299	2,065,694,042
Retained earnings	**12,006,866,432**	**(267,057,174)**	**11,739,809,258**	11,626,695,459	(245,133,549)	11,381,561,910
Undivided profits	**392,294,940**	**(27,919,001)**	**364,375,939**	808,160,559	(405,713,211)	402,447,348
NUGL on FVOCI	**(567,869,810)**	**(24,083,322)**	**(591,953,132)**	(667,484,345)	(19,522,433)	(687,006,778)
RNDBLA	**(73,926,068)**	**68,672,778**	**(5,253,290)**	9,864,682	(6,856,289)	3,008,393
Cash flow hedge	**–**	**–**	**–**	(9,501,975)	–	(9,501,975)
Other comprehensive income	**(103,851,617)**	**(20,386,302)**	**(124,237,919)**	229,112,345	(158,972,142)	70,140,203
Regulatory deductions	**(13,911,801,032)**	**13,911,801,032**	**–**	(14,793,654,901)	14,793,654,901	–
Total Tier 1 capital/ Total equity	**3,798,750,988**	**13,858,376,310**	**17,657,127,298**	3,260,229,967	14,174,805,576	17,435,035,543
Tier 2 capital	**45,472,384**	**(45,472,384)**	**–**	43,119,568	(43,119,568)	–
Total qualifying capital/ Total equity	**₱3,844,223,372**	**₱13,812,903,926**	**₱17,657,127,298**	₱3,303,349,535	₱14,131,686,008	₱17,435,035,543

	Parent Company					
	2020			2019		
	Balance per CAR Report	**Reconciling Items**	**Audited Financial Statements**	Balance per CAR Report	Reconciling Items	Audited Financial Statements
Paid-up common stock	**₱4,208,692,400**	**₱–**	**₱4,208,692,400**	₱4,208,692,400	₱–	₱4,208,692,400
Additional paid-in capital	**1,848,345,743**	**217,348,299**	**2,065,694,042**	1,848,345,743	217,348,299	2,065,694,042
Retained earnings	**12,006,866,432**	**(267,057,174)**	**11,739,809,258**	11,626,695,459	(245,133,549)	11,381,561,910
Undivided profits	**392,294,940**	**(27,919,001)**	**364,375,939**	808,160,559	(405,713,211)	402,447,348
NUGL on FVOCI	**(508,136,631)**	**(83,816,501)**	**(591,953,132)**	(622,971,960)	(64,034,818)	(687,006,778)
RDBLA	**(73,926,068)**	**68,672,778**	**(5,253,290)**	9,864,682	(6,856,289)	3,008,393
Cash flow hedge	**–**	**–**	**–**	(9,501,975)	–	(9,501,975)
Other comprehensive income	**(163,584,796)**	**39,346,877**	**(124,237,919)**	184,599,960	(114,459,757)	70,140,203
Regulatory deductions	**(14,450,924,339)**	**14,450,924,339**	**–**	(15,160,814,238)	15,160,814,238	–
Total Tier 1 capital/ Total equity	**3,259,627,681**	**14,397,499,617**	**17,657,127,298**	2,893,070,630	14,541,964,913	17,435,035,543
Tier 2 capital	**16,457,993**	**(16,457,993)**	**–**	32,454,703	(32,454,703)	–
Total qualifying capital/ Total equity	**₱3,276,085,674**	**₱14,381,041,624**	**₱17,657,127,298**	₱2,925,525,333	₱14,509,510,210	₱17,435,035,543

The breakdown of the regulatory deductions for 2020 and 2019 is presented as follows:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Treasury shares	**₱2,661,979,203**	₱2,661,979,203	**₱2,661,979,203**	₱2,661,979,203
Total outstanding unsecured credit accommodations, both direct and indirect, to directors, officers, stockholders, their related interests and subsidiaries	**3,455,959**	4,522,499	**103,455,959**	104,522,499
Other intangible assets	**15,419,619**	23,363,953	**15,419,619**	23,363,953
Deferred tax assets (DTA)	**88,386,798**	30,582,377	**37,175,326**	8,489,697
Defined benefit pension fund assets (DBPFA)	**-**	35,920,947	**-**	35,920,947
Investments in equity of unconsolidated subsidiary banks and quasi-banks, and other financial allied undertakings after deducting related goodwill, if any	**2,957,030,103**	3,082,798,686	**3,088,964,242**	3,221,974,223
Investments in equity of unconsolidated subsidiary securities dealers/brokers and insurance companies after deducting related goodwill, if any	**3,286,777**	3,044,737	**509,882,766**	465,840,833
Significant minority investments (10%-50% of voting stock) in banks and quasi-banks, and other financial allied undertakings after deducting related goodwill, if any	**1,925,655,003**	1,966,110,374	**1,925,655,003**	1,966,110,374
Significant minority investments (10%-50% of voting stock) in securities dealers/brokers and insurance companies, after deducting related goodwill, if any	**3,366,542,021**	3,428,915,142	**3,366,542,021**	3,428,915,142
Minority investments (below 10% of voting stock) in subsidiary banks and quasi-banks, and other financial allied undertakings (excluding subsidiary securities dealers/brokers and insurance companies), after deducting related goodwill, if any	**433,249,137**	603,400,676	**334,939,015**	380,887,183
Other equity investments in non-financial allied undertakings and non-allied undertakings	**2,456,796,414**	2,953,016,307	**2,406,911,186**	2,862,810,184
Total regulatory deductions	**₱13,911,801,032**	₱14,793,654,901	**₱14,450,924,339**	₱15,160,814,238

The breakdown of the risk-weighted assets for 2020 and 2019 is presented as follows:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Total credit risk-weighted assets	**₱4,775,146,677**	₱4,301,438,610	**₱1,616,784,938**	₱3,224,287,263
Total market risk-weighted assets	**197,164,170**	872,364,059	**206,837,266**	894,122,747
Total operational risk-weighted assets	**1,812,545,776**	2,070,322,278	**1,285,358,265**	1,553,973,166
Total risk-weighted assets	**₱6,784,856,624**	₱7,244,124,947	**₱3,108,980,470**	₱5,672,383,176

The specific capital requirements of each risk weighted assets for 2020 and 2019 is presented as follows:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Total credit risk-weighted assets	**₱477,514,668**	₱430,143,861	**₱161,678,494**	₱322,428,726
Total market risk-weighted assets	**19,716,417**	87,236,406	**20,683,727**	89,412,275
Total operational risk-weighted assets	**181,254,578**	207,032,228	**128,535,826**	155,397,317
Total capital requirements	**₱678,485,663**	₱724,412,495	**₱310,898,047**	₱567,238,318

Breakdown of the credit and market risk-weighted assets are as follows:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Total risk-weighted on-balance sheet assets	**₱4,775,146,677**	₱3,896,841,832	**₱1,645,799,329**	₱2,830,355,350
Total risk-weighted off-balance sheet assets	**–**	410,000,000	**–**	410,000,000
Total counterparty risk-weighted assets in the trading book – (derivatives and repo-style transactions)	**–**	5,115,000	**–**	5,115,000
Excess general loan loss provision	**–**	(10,518,222)	**(29,014,391)**	(21,183,087)
Total credit risk-weighted assets	**₱4,775,146,677**	₱4,301,438,610	**₱1,616,784,938**	₱3,224,287,263

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Interest rate exposures	**₱167,504,201**	₱848,438,192	**₱167,504,201**	₱848,438,192
Equity exposures	**–**	–	**–**	–
Foreign exposures	**29,659,970**	23,925,867	**39,333,066**	45,684,555
Total market risk-weighted assets	**₱197,164,171**	₱872,364,059	**₱206,837,267**	₱894,122,747

Total credit exposures of the Group and Parent Company broken down by the type of exposures are as follows:

	Consolidated			
	2020		2019	
	Total credit risk exposure after risk mitigation	**Total credit risk weighted assets**	Total credit risk exposure after risk mitigation	Total credit risk weighted assets
Cash and other cash items	**₱4,554,618,393**	**₱1,590,019,395**	₱3,181,739,970	₱1,188,744,751
Due from BSP	**2,507,504,264**	**–**	5,737,477,182	–
AFS investments	**32,472,009**	**6,494,402**	770,242,573	6,402,840
HTM investments	**–**	**–**	488,192,432	488,192,432
Unquoted commercial papers	**–**	**–**	–	–
Loans and receivables	**471,175,881**	**470,242,891**	539,410,482	537,532,549
Loans and receivables arising from repurchase agreements	**2,593,669,285**	**–**	1,347,290,465	–
Sales contract receivable	**–**	**–**	–	–
Investment properties	**167,146,581**	**250,719,872**	172,886,819	259,330,229
Total exposures excluding other assets	**10,326,586,414**	**2,317,476,560**	12,237,239,923	2,480,202,801
Other assets	**2,457,670,117**	**2,457,670,117**	1,416,639,031	1,416,639,031
Total exposures including other assets	**12,784,256,531**	**4,775,146,677**	13,653,878,954	3,896,841,832
Total risk-weighted on-balance sheet assets not covered by credit risk mitigants		**4,775,146,677**		3,896,841,832
Total risk-weighted on-balance sheet assets covered by credit risk mitigants		**–**		–
Total credit risk-weighted on-balance sheet assets		**₱4,775,146,677**		₱3,896,841,832
Total credit risk-weighted off-balance sheet assets		**–**		410,000,000
Counterparty assets in trading book		**–**		5,115,000
Excess general loan loss provision		**–**		(10,518,222)
Total credit risk-weighted assets		**₱4,775,146,677**		₱4,301,438,610

	Parent Company			
	2020		2019	
	Total credit risk exposure after risk mitigation	**Total credit risk weighted assets**	Total credit risk exposure after risk mitigation	Total credit risk weighted assets
Cash and other cash items	**₱306,695,909**	**₱242,409,283**	₱1,376,763,396	₱762,760,606
Due from BSP	**2,507,504,264**	**–**	5,737,477,182	–
AFS investments	**–**	**–**	738,228,374	–
HTM investments	**–**	**–**	488,192,432	488,192,432
Unquoted commercial papers	**–**	**–**	–	–
Loans and receivables	**375,758,354**	**374,825,363**	442,431,194	440,553,262
Loans and receivables arising from repurchase agreements	**2,593,669,285**	**–**	1,347,290,465	–
Sales contract receivable	**–**	**–**	–	–
Investment properties	**167,146,581**	**250,719,872**	172,886,819	259,330,229
Total exposures excluding other assets	**5,950,774,394**	**867,954,518**	10,303,269,862	1,950,836,529
Other assets	**777,844,811**	**777,844,811**	879,518,821	879,518,821
Total exposures including other assets	**6,728,619,204**	**1,645,799,329**	11,182,788,683	2,830,355,350
Total risk-weighted on-balance sheet assets not covered by credit risk mitigants		**1,645,799,329**		2,830,355,350
Total risk-weighted on-balance sheet assets covered by credit risk mitigants		–		–
Total risk-weighted on-balance sheet assets		**₱1,645,799,329**		₱2,830,355,350
Total credit risk-weighted off-balance sheet assets		–		410,000,000
Counterparty assets in trading book		–		5,115,000
Excess general loan loss provision		**(29,014,391)**		(21,183,087)
Total credit risk-weighted assets		**₱1,616,784,938**		₱3,224,287,263

Total credit exposures of the Group and Parent Company broken down by risks buckets are as follows:

	Consolidated					
	2020					
	Risk Weights					
	0%	**20%**	**50%**	**100%**	**150%**	**Total**
Cash and other cash items	**₱–**	**₱2,587,837,393**	**₱1,788,658,638**	**₱178,122,656**	**₱–**	**₱4,554,618,393**
Due from BSP	**2,507,504,264**	**–**	**–**	**–**	**–**	**2,507,504,264**
AFS investments	**–**	**32,472,009**	**–**	**–**	**–**	**32,472,009**
HTM investments	**–**	**–**	**–**	**–**	**–**	**–**
Unquoted commercial papers	**–**	**–**	**–**	**–**	**–**	**–**
Loans and receivables	**–**	**–**	**1,865,980**	**469,309,901**		**471,175,881**
Loans and receivables arising from repurchase agreements	**2,593,669,285**	**–**	**–**	**–**	**–**	**2,593,669,285**
Sales contract receivable	**–**	**–**	**–**	**–**	**–**	**–**
Investment properties	**–**	**–**	**–**		**167,146,581**	**167,146,581**
Other assets	**–**	**–**	**–**	**2,457,670,118**	**–**	**2,457,670,118**
Total on-balance sheet assets*	**5,101,173,549**	**2,620,309,108**	**1,790,524,617**	**3,105,102,675**	**167,146,581**	**12,784,256,531**
Total off-balance sheet assets	**–**	**–**	**–**	**–**	**–**	**–**
Counterparty assets in trading book**	**–**	**–**	**–**	**–**	**–**	**–**
Total credit exposures	**₱5,101,173,549**	**₱2,620,309,108**	**₱1,790,524,617**	**₱3,105,102,675**	**₱167,146,581**	**₱12,784,256,531**

**Net of regulatory adjustments amounting to ₱11.2 billion.*
***Subject to 1.0% potential future credit conversion factor*

	Consolidated					
	2019					
	Risk Weights					
	0%	20%	50%	100%	150%	Total
Cash and other cash items	₱–	₱1,588,347,140	₱1,444,635,013	₱148,757,817	₱–	₱3,181,739,970
Due from BSP	5,737,477,182	–	–	–	–	5,737,477,182
AFS investments	738,228,374	32,014,199	–	–	–	770,242,573
HTM investments	–	–	–	488,192,432	–	488,192,432
Unquoted commercial papers	–	–	–	–	–	–
Loans and receivables	–	–	3,755,865	535,654,617		539,410,482
Loans and receivables arising from repurchase agreements	1,347,290,465	–	–	–	–	1,347,290,465
Sales contract receivable	–	–	–	–	–	–
Investment properties	–	–	–		172,886,819	172,886,819
Other assets	–	–	–	1,416,639,031	–	1,416,639,031
Total on-balance sheet assets*	7,822,996,021	1,620,361,339	1,448,390,878	2,589,243,897	172,886,819	13,653,878,954
Total off-balance sheet assets	–	–	–	410,000,000	–	410,000,000
Counterparty assets in trading book**	–	–	1,023,000,000	–	–	1,023,000,000
Total credit exposures	₱7,822,996,021	₱1,620,361,339	₱2,471,390,878	₱2,999,243,897	₱172,886,819	₱15,086,878,954

**Net of regulatory adjustments amounting to ₱12.1 billion*
***Subject to 1.0% potential future credit conversion factor.*

	Parent Company					
	2020					
	Risk Weights					
	0%	**20%**	**50%**	**100%**	**150%**	**Total**
Cash and other cash items	**₱–**	**₱–**	**₱128,573,253**	**₱178,122,656**	**₱–**	**₱306,695,909**
Due from BSP	**2,507,504,264**	**–**	**–**	**–**	**–**	**2,507,504,264**
AFS investments	**–**	**–**	**–**	**–**	**–**	**–**
HTM investments	**–**	**–**	**–**	**–**	**–**	**–**
Unquoted commercial papers	**–**	**–**	**–**	**–**	**–**	**–**
Loans and receivables	**–**	**–**	**1,865,980**	**373,892,374**	**–**	**375,758,354**
Loans and receivables arising from repurchase agreements	**2,593,669,285**	**–**	**–**	**–**	**–**	**2,593,669,285**
Sales contract receivable	**–**	**–**	**–**	**–**	**–**	**–**
Investment properties	**–**	**–**	**–**	**–**	**167,146,581**	**167,146,581**
Other assets	**–**	**–**	**–**	**777,844,811**	**–**	**777,844,811**
Total on-balance sheet assets*	**5,101,173,549**	**–**	**130,439,233**	**1,329,859,841**	**167,146,581**	**6,728,619,204**
Total off-balance sheet assets	**–**	**–**	**–**	**–**	**–**	**–**
Counterparty assets in trading book**	**–**	**–**	**–**	**–**	**–**	**–**
Total credit exposures	**₱5,101,173,549**	**₱–**	**₱130,439,233**	**₱1,329,859,841**	**₱167,146,581**	**₱6,728,619,204**

**Net of regulatory adjustments amounting to ₱11.8 billion.*
***Subject to 1.0% potential future credit conversion factor*

	Parent Company					
	2019					
	Risk Weights					
	0%	20%	50%	100%	150%	Total
Cash and other cash items	₱–	₱–	₱1,228,005,579	₱148,757,817	₱–	₱1,376,763,396
Due from BSP	5,737,477,182	–	–	–	–	5,737,477,182
AFS investments	738,228,374	–	–	–	–	738,228,374
HTM investments	–	–	–	488,192,432	–	488,192,432
Unquoted commercial papers	–	–	–	–	–	–
Loans and receivables	–	–	3,755,865	438,675,329		442,431,194
Loans and receivables arising from repurchase agreements	1,347,290,465	–	–	–	–	1,347,290,465
Sales contract receivable	–	–	–	–	–	–
Investment properties	–	–	–		172,886,819	172,886,819
Other assets	–	–	–	879,518,821	–	879,518,821
Total on-balance sheet assets*	7,822,996,021	–	1,231,761,444	1,955,144,399	172,886,819	11,182,788,683
Total off-balance sheet assets	–	–	–	410,000,000	–	410,000,000
Counterparty assets in trading book**	–	–	1,023,000,000	–	–	1,023,000,000
Total credit exposures	₱7,822,996,021	₱–	₱2,254,761,444	₱2,365,144,399	₱172,886,819	₱12,615,788,683

**Net of regulatory adjustments amounting to ₱12.5 billion*
***Subject to 1.0% potential future credit conversion factor.*

Total off-balance sheet exposures of the Group and Parent Company as of December 31, 2020 and 2019 are as follows:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Direct credit substitutes (financial stand-by letters of credit)	**₱–**	₱410,000,000	**₱–**	₱410,000,000

Qualifying capital and risk-weighted assets (RWA) are computed based on BSP regulations.

Under Basel III, the regulatory qualifying capital of the Parent Company consists of CET1 capital, which comprise of paid-up common stock, surplus including current year profit, surplus reserves, other comprehensive income (net unrealized gains or losses on AFS securities and cumulative foreign currency translation) and non-controlling interest less required deductions such as unsecured credit accommodations to directors, officers, stockholders and related interests (DOSRI), deferred income tax, other intangible assets, defined benefit pension fund assets and goodwill. The other component of regulatory capital is Tier 2 capital, which consists of general loan loss provision.

The Risk Weighted Assets consist of total assets less due from BSP, loans covered by hold-out on or assignment of deposits, and other non-risk items determined by the Monetary Board of the BSP. Credit risk rating assessments from Moodys, Fitch and PhilRatings are applied for cash on hand, while assessment from Philratings is applied for the investment exposures. The eligible credit risk mitigants are investments with guarantees from the Government.

As of December 31, 2020 and 2019, the Group has no exposures to securitization structures, contracts that provide credit protection through credit derivatives and investments in other types of structured products.
The Group and its individual regulated operations have complied with all externally imposed capital requirements throughout the period.

The issuance of BSP Circular No. 639 covering the Internal Capital Adequacy Assessment Process (ICAAP) in 2009 supplements the BSP's risk-based capital adequacy framework under Circular No. 538. In compliance with this new circular, the Metrobank Group has adopted and developed its ICAAP framework to ensure that the appropriate level and quality of capital is maintained by the Group. Under this framework, the assessment of risks extends beyond the Pillar 1 set of credit, market and operational risks and onto other risks deemed material by the Group. The level and structure of capital are assessed and determined in light of the Group's business environment, plans, performance, risks and budget, as well as regulatory edicts. The Group follows the Metrobank Group's ICAAP framework and submits the result of its assessment to the Ultimate Parent Company. The BSP requires submission of ICAAP documents on a group-wide basis every March 31. The Group, through the Ultimate Parent Company, has complied with the requirement.

The Group has taken into consideration the impact of the foregoing requirements to ensure that the appropriate level and quality of capital are maintained on an ongoing basis.

The computation of surplus available for dividend declaration in accordance with SEC Memorandum Circular No. 11 issued in December 2008 differs to a certain extent from the computation following the BSP guidelines.

In the consolidated financial statements, a portion of the Group's retained earnings corresponding to the net earnings of the subsidiaries and accumulated equity in net earnings of the associates amounting to ₱ 5.2 billion and ₱5.3 billion as of December 31, 2020 and 2019, respectively, is not available for dividend declaration. The accumulated equity in net earnings becomes available for dividends upon receipt of cash dividends from the investees.

Leverage Ratio

The Basel III Leverage ratios of the Group and the Parent Company as reported to the BSP as of December 31, 2020 and 2019, respectively, follow:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Exposure measures				
On-balance sheet items	**₱22,418,032,618**	₱28,146,308,652	**₱16,901,518,598**	₱26,042,377,718
Less deductions from Basel III Tier 1 Capital	**11,249,821,829**	12,131,675,699	**11,788,945,136**	12,498,835,035
Total On-balance sheet exposures	**11,168,210,789**	16,014,632,953	**5,112,573,462**	13,543,542,683
Replacement Cost associated with all derivatives transactions	**–**	–	**–**	–
Add-on amounts for potential future exposure associated with all derivative transactions	**–**	10,230,000	**–**	10,230,000
Adjusted effective notional amount of written credit derivatives	**–**	–	**–**	–
Adjusted effective offsets and add-on deductions for written credit derivatives	**–**	–	**–**	–
Total Derivatives exposures	**–**	10,230,000	**–**	10,230,000
Gross Securities Financing Transactions (SFT) assets (with no recognition of netting)	**2,593,323,509**	1,346,691,935	**2,593,323,509**	1,346,691,935
Counterparty Credit Risk exposures for SFT assets	**–**	–	**–**	–
Agent transaction exposures	**–**	–	**–**	–
Total SFT exposures	**2,593,323,509**	1,346,691,935	**2,593,323,509**	1,346,691,935
Off-balance sheet exposures	**–**	410,000,000	**–**	410,000,000
Adjustments for conversion to credit equivalent amounts	**–**	–	**–**	–
Total Off-balance sheet exposures	**–**	410,000,000	**–**	410,000,000
Total Exposures Measures	**₱13,761,534,298**	₱17,781,554,888	**₱7,705,896,971**	₱15,310,464,618
Tier 1 Capital	**₱3,798,750,988**	₱3,260,229,967	**₱3,259,627,681**	₱2,893,070,630
Basel III Leverage Ratio*	**27.6%**	18.3%	**42.3%**	18.9%

** Basel III leverage ratio is computed by dividing Tier 1 capital over total exposure measures.*

The Basel III Leverage ratio is designed to act as supplementary measure to the risk-based capital requirements and shall not be less than 5.0%. It is defined as the capital measure divided by the exposure measure. Capital measure for the leverage ratio is Tier 1 capital (net of regulatory deductions). Exposure measure is the sum of on-balance sheet exposures, derivative exposures, SFT exposures and off-balance sheet items. Items that are deducted completely from capital (regulatory deductions) which do not contribute to leverage are also deducted from the exposure measure.

SFTs are transactions such as repurchase agreements, reverse repurchase agreements, security lending and borrowing and margin lending transactions, where the value of the transactions depends on market valuation and the transactions are often subject to margin agreements. As of December 31, 2020 and 2019, SFT assets of the Group are repurchase agreements amounting to ₱2,593,323,509 and ₱ 1,346,691,935, respectively.

Comparison of accounting assets vs. leverage ratio exposure measure of the Group and the Parent Company as reported to the BSP as of December 31, 2020 and 2019, respectively, follow:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Total consolidated assets as per published financial statements	**₱24,965,883,743**	₱29,439,362,796	**₱19,449,369,724**	₱27,335,431,862
Adjustments for derivative financial instruments	**–**	10,230,000	**–**	10,230,000
Adjustments for securities financial transactions	**–**	–	**–**	–
Adjustments for off-balance sheet items	**–**	410,000,000	**–**	410,000,000
Other adjustments	**(11,204,349,445)**	(12,078,037,908)	**(11,743,472,752)**	(12,445,197,244)
Leverage Ratio Exposure Measure	**₱13,761,534,298**	₱17,781,554,888	**₱7,705,896,972**	₱15,310,464,618

Below are the reconciliation of the Group and Parent Company's total consolidated assets per published financial statements as against the on-balance sheet exposures per common disclosure template as of December 31, 2020 and 2019:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Total consolidated assets as per published financial statements	**₱24,965,883,743**	₱29,439,362,796	**₱19,449,369,724**	₱27,335,431,862
General loan loss provision	**45,472,384**	53,637,791	**45,472,384**	53,637,791
Adjustments for securities financial transactions	**(2,593,323,509)**	(1,346,691,935)	**(2,593,323,509)**	(1,346,691,935)
On-balance sheet items	**₱22,418,032,618**	₱28,146,308,652	**₱16,901,518,599**	₱26,042,377,718

Liquidity Coverage Ratio (LCR)
The issuance of BSP Circular No. 905 and 995 in 2016 and 2018, respectively, provides the implementing guidelines on LCR and disclosure standards that are consistent with the Basel III framework. The LCR is the ratio of high-quality liquid assets to total net cash outflows which should not be lower than 100.00%. During the observation period which started from January 1, 2018 to December 31, 2018, the Group is required to comply with the minimum LCR requirement of 90.0%. Issuance of BSP Circular No. 1035 in 2019 moved the observation period until December 31, 2019 with the prescribed minimum ratio of 70.0%. Effective, January 1, 2020, the Group is required to comply with the prescribed minimum ratio of 100%. As of December 31, 2020 and 2019, the LCR in single currency as reported to the BSP, was at 293.8% and 153.8%, respectively for the Group, and 312.2% and 192.0%, respectively for the Parent Company.

Net Stable Funding Ratio (NSFR)
On June 6, 2018, the BSP issued BSP Circular No.1007 covering the implementing guidelines on the adoption of the Basel III Framework on Liquidity Standards – NSFR. The NSFR is aimed to promote long-term resilience against liquidity risk by requiring the Group to maintain a stable funding profile in relation to the composition of its assets and off-balance sheet activities. It complements the LCR, which promotes short term resilience of the Group's liquidity profile. The Group shall maintain an NSFR of at least 100.0 percent (100%) at all times. The implementation of the minimum NSFR shall be phased in to help ensure that the Group can meet the standard through reasonable measures without disrupting credit extension and financial market activities. An observation period was set initially from July 1 to December 31, 2018 which was later on moved to December 31, 2019 based on BSP Circular No. 1034 series of 2019 with minimum NSFR requirement of 70.0%. Effective, January 1, 2020, the Group shall comply with the prescribed minimum ratio of 100%. As of December 31, 2020 and 2019, the NSFR as reported to the BSP, was at 122.7% and 122.5%, respectively for the Group, and 127.6% and 128.2%, respectively for the Parent Company.

Statement of Management's Responsibility for Financial Statements

The management of First Metro Investment Corporation (the Company) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

SyCip Gorres Velayo and Co., the independent auditor appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

FRANCISCO C. SEBASTIAN
Chairman

JOSE PATRICIO A. DUMLAO
President

MARICEL L. MADRID
FVP/Controller

Signed this 19th day of February 2021

SUBSCRIBED AND SWORN to before me this 04 day of March, 2021 affiants exhibiting to me their identification, as follows:

Name	Identification	Place of Issue	Date of Expiry
Francisco C. Sebastian	Passport No. P6088950A	DFA Manila	02/19/2028
Jose Patricio A. Dumlao	Passport No. P3214283B	DFA NCR South	09/14/2029
Maricel L. Madrid	Passport No. P3957238B	West, Metro Manila	11/24/2029

Notary Public

ATTY. HENRY D. ADASA
NOTARY PUBLIC CITY OF MANILA
UNTIL DECEMBER 31, 2021
NOTARIAL COMMISSION 2020-097 MLA
IBP NO. 141253 - 01/04/2021, PASIG
PTR NO. 9826148 - 01/05/2021 MLA
ROLL NO. 29679, TIN: 172-528-620
MCLE COMPL. NO. VII-0000165
URBAN DECA HOMES MANILA, B-2, UNIT 355

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Series of 2021

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
First Metro Investment Corporation

Report on the Consolidated and Parent Company Financial Statements

Opinion

We have audited the consolidated financial statements of First Metro Investment Corporation and its subsidiaries (the Group) and the parent company financial statements of First Metro Investment Corporation (the Parent Company), which comprise the consolidated and parent company statements of financial position as at December 31, 2020 and 2019, and the consolidated and parent company statements of income, consolidated and parent company statements of comprehensive income, consolidated and parent company statements of changes in equity and consolidated and parent company statements of cash flows for each of the three years ended December 31, 2020, and notes to the consolidated and parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and parent company financial statements present fairly, in all material respects, the financial position of the Group and the Parent Company as at December 31, 2020 and 2019, and their financial performance and their cash flows for each of the three years ended December 31, 2020 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Parent Company Financial Statements* section of our report. We are independent of the Group and the Parent Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated and parent company financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020, but does not include the consolidated and parent company financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated and parent company financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and parent company financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated and parent company financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated and Parent Company Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated and parent company financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated and parent company financial statements that are free from material misstatement, whether due to fraud or error.In preparing the consolidated and parent company financial statements, management is responsible for assessing the Group's and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group and the Parent Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's and Parent Company financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated and Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and parent company financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Parent Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and parent company financial statements, including the disclosures, and whether the consolidated and parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on the Supplementary Information Required Under Bangko Sentral ng Pilipinas (BSP) Circular No. 1075 and Revenue Regulations 15-2010

Our audit was conducted for the purpose of forming an opinion on the basic parent company financial statements taken as a whole. The supplementary information required under BSP Circular No. 1075 in Note 31 to the financial statement and Revenue Regulations 15-2010 in Note 32 to the parent company financial statements is presented for purposes of filing with the Bangko Sentral ng Pilipinas and Bureau of Internal Revenue, respectively, and is not a required part of the basic financial statements. Such information is the responsibility of the management of Union Company of the Philippines. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic parent company financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Janet A. Paraiso.

SYCIP GORRES VELAYO & CO.

Janet A. Paraiso
Partner
CPA Certificate No. 92305
SEC Accreditation No. 0778-AR-3 (Group A),
June 19, 2018, valid until June 18, 2021
Tax Identification No. 193-975-241
BIR Accreditation No. 08-001998-062-2020,
December 3, 2020, valid until December 2, 2023
PTR No. 8534211, January 4, 2021, Makati City

February 19, 2021

FIRST METRO INVESTMENT CORPORATION AND SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION

	Consolidated		Parent Company	
	December 31, 2020	December 31, 2019	**December 31, 2020**	December 31, 2019
ASSETS				
Cash and other cash items (Note 25)	**₱6,073,003,807**	₱3,965,262,171	**₱305,670,015**	₱1,376,543,552
Due from Bangko Sentral ng Pilipinas (BSP) (Note 13)	**2,507,296,864**	5,733,306,404	**2,507,296,864**	5,733,306,404
Securities purchased under resale agreements (SPURA) (Note 28)	**2,593,323,509**	1,346,691,935	**2,593,323,509**	1,346,691,935
Investment securities at				
Fair value through profit or loss (FVTPL) (Notes 6 and 25)	**9,633,287,756**	12,220,450,739	**975,431,269**	3,699,261,156
Fair value through other comprehensive income (FVOCI) (Note 6)	**1,217,167,966**	1,888,082,706	**1,065,333,485**	1,730,642,177
Amortized cost (Notes 6, 13 and 25)	**1,465,148,158**	590,784,592	**–**	–
Loans and receivables (Notes 7, 12 and 25)	**2,234,394,710**	1,685,581,594	**503,787,849**	1,066,453,472
Property and equipment (Note 8)	**94,526,186**	148,541,382	**61,098,868**	98,473,372
Investments in subsidiaries and associates (Notes 9 and 25)	**6,721,356,317**	6,868,612,892	**10,563,985,252**	10,794,174,013
Investment properties (Note 10)	**181,920,273**	189,156,987	**181,920,273**	189,156,987
Deferred tax assets (Note 24)	**76,030,804**	68,913,952	**20,194,776**	21,537,023
Other assets (Notes 11 and 25)	**905,682,399**	929,913,086	**700,805,549**	741,885,001
	₱33,703,138,749	₱35,635,298,440	**₱19,478,847,709**	₱26,798,125,092
LIABILITIES AND EQUITY				
LIABILITIES				
Bills payable (Notes 13 and 25)	**₱3,856,294,035**	₱11,307,448,092	**₱3,856,294,035**	₱11,307,448,092
Accounts payable (Note 14 and 25)	**5,872,032,197**	2,330,848,240	**248,981,321**	257,899,461
Accrued taxes, interest and other expenses (Notes 14 and 25)	**169,739,237**	141,606,625	**84,250,293**	82,817,557
Income taxes payable	**13,132,281**	12,372,102	**4,095,971**	5,839,705
Deferred tax liabilities (Note 24)	**–**	4,007,210	**–**	–
Puttable instruments of mutual fund subsidiaries classified as liability (Note 15)	**8,314,673,287**	6,553,071,770	**–**	–
Other liabilities (Notes 15 and 25)	**386,206,745**	417,655,917	**290,077,993**	371,063,937
	18,612,077,782	20,767,009,956	**4,483,699,613**	12,025,068,752
EQUITY				
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY				
Common stock (Note 17)	**4,208,692,400**	4,208,692,400	**4,208,692,400**	4,208,692,400
Capital paid in excess of par value	**2,065,694,042**	2,065,694,042	**2,065,694,042**	2,065,694,042
Retained earnings (Note 17)	**12,104,185,197**	11,784,009,258	**12,104,185,197**	11,784,009,258
Treasury stock (Note 17)	**(2,661,979,203)**	(2,661,979,203)	**(2,661,979,203)**	(2,661,979,203)
Net unrealized loss on FVOCI investments (Notes 6 and 25)	**(591,953,132)**	(687,006,778)	**(591,953,132)**	(687,006,778)
Cash flow hedge reserve (Note 15)	**–**	(9,501,975)	**–**	(9,501,975)
Remeasurements of retirement liability (Note 20)	**(5,253,290)**	3,008,393	**(5,253,290)**	3,008,393
Cumulative translation adjustment	**10,946,854**	23,667,780	**10,946,854**	23,667,780
Equity in other comprehensive income (loss) of associates (Note 9)	**(135,184,772)**	46,472,423	**(135,184,772)**	46,472,423
	14,995,148,096	14,773,056,340	**14,995,148,096**	14,773,056,340
Equity attributable to non-controlling interests	**95,912,871**	95,232,144	**–**	–
	15,091,060,967	14,868,288,484	**14,995,148,096**	14,773,056,340
	₱33,703,138,749	₱35,635,298,440	**₱19,478,847,709**	₱26,798,125,092

See accompanying Notes to Financial Statements.

FIRST METRO INVESTMENT CORPORATION AND SUBSIDIARIES
STATEMENTS OF INCOME

	Consolidated			Parent Company		
	Years Ended December 31					
	2020	**2019**	2018	**2020**	**2019**	2018
INTEREST INCOME (Notes 6, 7, 18 and 25)						
Investment securities at FVOCI and at amortized cost	**₱71,796,040**	₱610,680,728	₱825,662,611	**₱17,895,031**	₱566,708,775	₱799,419,819
Investment securities at FVTPL	**157,279,706**	237,758,624	138,768,940	**73,660,923**	147,339,302	55,817,656
Other financial assets	**271,352,189**	287,647,873	158,087,204	**215,719,569**	194,355,348	89,290,639
	500,427,935	1,136,087,225	1,122,518,755	**307,275,523**	908,403,425	944,528,114
INTEREST EXPENSE (Notes 13, 15, 19 and 25)	**143,890,199**	993,056,830	768,679,461	**142,255,560**	993,634,132	773,214,917
NET INTEREST INCOME (EXPENSE)	**356,537,736**	143,030,395	353,839,294	**165,019,963**	(85,230,707)	171,313,197
Service charges, fees and commissions (Notes 21 and 25)	**443,579,197**	655,075,179	610,668,176	**207,908,196**	515,780,736	415,328,362
Dividends (Notes 6, 9 and 25)	**110,289,662**	143,392,677	117,388,219	**19,305,984**	23,370,515	22,546,628
Trading and securities gains (losses) (Notes 6 and 25)	**36,891,211**	721,718,398	(386,594,520)	**136,577,566**	575,654,292	(178,008,002)
Foreign exchange gain (loss)	**7,374,132**	(10,784,083)	8,237,237	**6,769,156**	(6,878,992)	283,315
Gain on sale of assets (Notes 8 and 10)	**3,208,999**	52,208,361	367,038,211	**3,220,087**	52,208,361	374,627,710
Gain on sale of investment securities at amortized cost (Note 6)	–	26,414,495	–		26,414,495	–
Miscellaneous (Note 21)	**17,210,957**	15,444,681	81,216,877	**5,394,478**	6,339,570	58,471,760
TOTAL OPERATING INCOME	**975,091,894**	1,746,500,103	1,151,793,494	**544,195,430**	1,107,658,270	864,562,970
OTHER EXPENSES						
Provision for (recovery from) impairment, credit and other probable losses (Note 12)	**(63,164,656)**	469,983,758	(47,624,794)	**(63,212,836)**	469,938,258	(23,083,496)
Compensation and fringe benefits (Notes 20 and 25)	**565,043,726**	538,955,348	520,837,059	**401,976,129**	405,849,078	383,380,348
Taxes and licenses	**129,242,943**	256,369,449	248,673,928	**110,085,100**	248,945,916	235,759,591
Online trading, transfer and exchange fees	**81,052,992**	54,337,273	58,623,286	**12,044,683**	10,050,388	4,438,610
Depreciation of property and equipment and investment properties (Notes 8 and 10)	**62,741,254**	81,885,544	38,073,843	**45,387,240**	47,981,166	21,555,991
Professional fees	**60,759,349**	88,098,486	70,333,074	**30,994,534**	57,861,439	45,509,655
Advertising and communication expenses	**43,276,439**	61,399,731	93,927,676	**21,896,174**	27,329,079	30,292,942
Information technology and related expenses (Notes 11 and 22)	**38,613,169**	51,789,245	51,719,908	**29,671,072**	39,996,789	39,072,664
Broker's commissions	**31,470,362**	35,485,036	43,773,245	**4,501,715**	11,752,457	24,473,376
Rent, light and water (Notes 22 and 25)	**18,245,654**	16,409,142	59,516,816	**5,119,170**	10,844,158	36,546,708
Representation and entertainment (Note 24)	**17,136,952**	17,895,978	21,639,266	**12,388,489**	11,251,466	13,560,246
Miscellaneous (Notes 10 and 23)	**143,780,235**	191,514,773	168,517,060	**72,722,769**	94,126,724	93,492,366
	1,128,198,419	1,864,123,763	1,328,010,367	**683,574,239**	1,435,926,918	904,999,001
LOSS BEFORE SHARE IN NET INCOME OF SUBSIDIARIES AND ASSOCIATES	**(153,106,525)**	(117,623,660)	(176,216,873)	**(139,378,809)**	(328,268,648)	(40,436,031)
SHARE IN NET INCOME (LOSS) OF SUBSIDIARIES (Note 9)	–	–	–	**(56,315,480)**	131,484,122	(208,830,773)
SHARE IN NET INCOME OF ASSOCIATES (Note 9)	**617,715,097**	775,153,705	991,057,818	**618,132,237**	777,351,401	977,713,401
INCOME BEFORE INCOME TAX	**464,608,572**	657,530,045	814,840,945	**422,437,948**	580,566,875	728,446,597
PROVISION FOR INCOME TAX (Note 24)	**100,286,724**	251,034,819	311,929,934	**58,062,009**	178,119,527	225,413,332
NET INCOME	**₱364,321,848**	₱406,495,226	₱502,911,011	**₱364,375,939**	₱402,447,348	₱503,033,265
Attributable to:						
Equity holders of the Parent Company	**₱364,375,939**	₱402,447,348	₱503,033,265			
Non-controlling interests	**(54,091)**	4,047,878	(122,254)			
	₱364,321,848	₱406,495,226	₱502,911,011			
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 27)	**₱1.0**	₱1.1	₱1.4			

See accompanying Notes to Financial Statements.

FIRST METRO INVESTMENT CORPORATION AND SUBSIDIARIES
STATEMENTS OF COMPREHENSIVE INCOME

	Consolidated			Parent Company		
	Years Ended December 31					
	2020	**2019**	2018	**2020**	**2019**	2018
NET INCOME	**₱364,321,848**	₱406,495,226	₱502,911,011	**₱364,375,939**	₱402,447,348	₱503,033,265
OTHER COMPREHENSIVE INCOME (LOSS)						
Items that recycle to profit or loss in subsequent periods:						
Changes in net unrealized gain (loss) on FVOCI debt investments (Note 6)	**(48,513,163)**	40,203,752	(49,115,871)	**(37,518,008)**	37,518,008	–
Income tax effect (Notes 6 and 24)	**11,416,139**	–	(2,049,559)	**–**	–	–
	(37,097,024)	40,203,752	(51,165,430)	**(37,518,008)**	37,518,008	–
Cumulative translation adjustment	**(12,720,926)**	(9,078,133)	11,924,633	**(12,720,926)**	–	–
Changes in cash flow hedge reserve	**9,501,975**	(9,501,975)	–	**9,501,975**	(9,501,975)	–
Share in other comprehensive income (loss) of subsidiaries (Note 9)	**–**	–	–	**420,984**	(10,329,123)	(38,483,203)
Share in other comprehensive income (loss) of associates (Note 9)	**233,191,566**	368,979,454	(220,892,625)	**233,191,566**	368,979,454	(220,892,625)
Other comprehensive loss attributable to puttable instruments	**–**	–	(469,427)	**–**	–	–
	192,875,591	390,603,098	(260,602,849)	**192,875,591**	386,666,364	(259,375,828)
Items that do not recycle to profit or loss in subsequent periods:						
Remeasurements of retirement liability (Note 20)	**(11,671,971)**	(63,969,365)	(10,079,550)	**(14,199,084)**	(42,506,779)	(16,881,442)
Income tax effect (Notes 20 and 24)	**3,410,288**	19,667,863	3,383,643	**4,259,725**	12,752,035	5,064,433
	(8,261,683)	(44,301,502)	(6,695,907)	**(9,939,359)**	(29,754,744)	(11,817,009)
Changes in net unrealized gain (loss) on FVOCI equity investments (Note 6)	**88,685,488**	(477,215,187)	(254,241,575)	**104,373,337**	(473,278,453)	(254,241,575)
Share in other comprehensive income (loss) of subsidiaries (Note 9)	–	–	–	**(14,744,991)**	(14,546,757)	5,121,102
Share in other comprehensive income (loss) of associates (Note 9)	(414,848,761)	(298,733,011)	417,569,211	**(414,848,761)**	(298,733,012)	417,569,211
	(334,424,956)	(820,249,700)	156,631,729	**(335,159,774)**	(816,312,966)	156,631,729
TOTAL OTHER COMPREHENSIVE LOSS	**(141,549,365)**	(429,646,602)	(103,971,120)	**(142,284,183)**	(429,646,602)	(102,744,099)
TOTAL COMPREHENSIVE INCOME (LOSS), NET OF TAX	**₱222,772,483**	(₱23,151,376)	₱398,939,891	**₱222,091,756**	(₱27,199,254)	₱400,289,166
ATTRIBUTABLE TO:						
Equity holders of the Parent Company	**₱222,091,756**	(₱27,199,254)	₱400,289,166			
Non-controlling interests	**680,727**	4,047,878	(1,349,275)			
	₱222,772,483	(₱23,151,376)	₱398,939,891			

See accompanying Notes to Financial Statements.

FIRST METRO INVESTMENT CORPORATION AND SUBSIDIARIES
STATEMENTS OF CHANGES IN EQUITY

	Consolidated											
	Equity Attributable to Equity Holders of the Parent Company											
	Common Stock (Note 17)	**Capital Paid in Excess of Par Value** (Note 17)	**Retained Earnings** (Note 17)	**Treasury Stock** (Note 17)	**Net Unrealized Gain (Loss) on FVOCI Investments** (Notes 6 and 25)	**Cash flow hedge reserve** (Note 15)	**Remeasurements of Retirement Liability** (Note 20)	**Cumulative Translation Adjustment**	**Equity in Other Comprehensive Income (Loss) of Associates** (Note 9)	**Total**	**Non-Controlling Interest**	**Total Equity**
Balance at January 1, 2020	**₱4,208,692,400**	**₱2,065,694,042**	**₱11,784,009,258**	**(₱2,661,979,203)**	**(₱687,006,778)**	**(₱9,501,975)**	**₱3,008,393**	**₱23,667,780**	**₱46,472,423**	**₱14,773,056,340**	**₱95,232,144**	**₱14,868,288,484**
Total comprehensive income	**–**	**–**	**364,375,939**	**–**	**50,853,646**	**9,501,975**	**(8,261,683)**	**(12,720,926)**	**(181,657,195)**	**222,091,756**	**680,727**	**222,772,483**
Realized loss on sale of FVOCI equity securities (Note 6)	**–**	**–**	**(44,200,000)**	**–**	**44,200,000**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Balance at December 31, 2020	**₱4,208,692,400**	**₱2,065,694,042**	**₱12,104,185,197**	**(₱2,661,979,203)**	**(₱591,953,132)**	**₱–**	**(₱5,253,290)**	**₱10,946,854**	**(₱135,184,772)**	**₱14,995,148,096**	**₱95,912,871**	**₱15,091,060,967**
Balance at January 1, 2019	₱4,208,692,400	₱2,065,694,042	₱11,381,561,910	(₱2,659,550,871)	(₱249,995,343)	₱–	₱47,309,895	₱32,745,913	(₱23,774,020)	₱14,802,683,926	₱91,184,266	₱14,893,868,192
Total comprehensive income	–	–	402,447,348	–	(437,011,435)	(9,501,975)	(44,301,502)	(9,078,133)	70,246,443	(27,199,254)	4,047,878	(23,151,376)
Acquisition of treasury shares (Note 17)	–	–	–	(2,428,332)	–	–	–	–	–	(2,428,332)	–	(2,428,332)
Balance at December 31, 2019	₱4,208,692,400	₱2,065,694,042	₱11,784,009,258	(₱2,661,979,203)	(₱687,006,778)	(₱9,501,975)	₱3,008,393	₱23,667,780	₱46,472,423	₱14,773,056,340	₱95,232,144	₱14,868,288,484
Balance at January 1, 2018	₱4,208,692,400	₱2,065,694,042	₱11,001,271,083	(₱2,659,374,435)	(₱68,088,370)	₱–	₱54,005,802	₱20,821,280	(₱220,450,606)	₱14,402,571,196	₱100,633,541	₱14,503,204,737
Total comprehensive income	–	–	503,033,265	–	(304,649,411)	–	(6,695,907)	11,924,633	196,676,586	400,289,166	(1,349,275)	398,939,891
Realized loss on sale of FVOCI equity securities (Note 6)	–	–	(122,742,438)	–	122,742,438	–	–	–	–	–	–	–
Dividends declared (Note 17)	–	–	–	–	–	–	–	–	–	–	(8,100,000)	(8,100,000)
Acquisition of treasury shares (Note 17)	–	–	–	(176,436)	–	–	–	–	–	(176,436)	–	(176,436)
Balance at December 31, 2018	₱4,208,692,400	₱2,065,694,042	₱11,381,561,910	(₱2,659,550,871)	(₱249,995,343)	₱–	₱47,309,895	₱32,745,913	(₱23,774,020)	₱14,802,683,926	₱91,184,266	₱14,893,868,192

Parent Company

	Common Stock (Note 17)	Capital Paid in Excess of Par Value (Note 17)	Retained Earnings (Note 17)	Treasury Stock (Note 17)	Net Unrealized Gain (Loss) on FVOCI Investments (Notes 6 and 25)	Unrealized Gain (Loss) on Fair Value Adjustment of Cash Flow Hedge (Note 15)	Remeasurements of Retirement Liability (Note 20)	Cumulative Translation Adjustment (Note 9)	Equity in Other Comprehensive Income (Loss) of Associates (Note 9)	Total Equity
Balance at January 1, 2020	**₱4,208,692,400**	**₱2,065,694,042**	**₱11,784,009,258**	**(₱2,661,979,203)**	**(₱687,006,778)**	**(₱9,501,975)**	**₱3,008,393**	**₱23,667,780**	**₱46,472,423**	**₱14,773,056,340**
Total comprehensive income	**–**	**–**	**364,375,939**	**–**	**50,853,646**	**9,501,975**	**(8,261,683)**	**(12,720,926)**	**(181,657,195)**	**222,091,756**
Realized loss on sale of FVOCI equity securities (Note 6)	**–**	**–**	**(44,200,000)**	**–**	**44,200,000**	**–**	**–**	**–**	**–**	**–**
Balance at December 31, 2020	**₱4,208,692,400**	**₱2,065,694,042**	**₱12,104,185,197**	**(₱2,661,979,203)**	**(₱591,953,132)**	**₱–**	**(₱5,253,290)**	**₱10,946,854**	**(₱135,184,772)**	**₱14,995,148,096**
Balance at January 1, 2019	₱4,208,692,400	₱2,065,694,042	₱11,381,561,910	(₱2,659,550,871)	(₱249,995,343)	₱–	₱47,309,895	₱32,745,913	(₱23,774,020)	₱14,802,683,926
Total comprehensive income	–	–	402,447,348	–	(437,011,435)	(9,501,975)	(44,301,502)	(9,078,133)	70,246,443	(27,199,254)
Acquisition of treasury shares (Note 17)	–	–	–	(2,428,332)	–	–	–	–	–	(2,428,332)
Balance at December 31, 2019	₱4,208,692,400	₱2,065,694,042	₱11,784,009,258	(₱2,661,979,203)	(₱687,006,778)	(₱9,501,975)	₱3,008,393	₱23,667,780	₱46,472,423	₱14,773,056,340
Balance at January 1, 2018	₱4,208,692,400	₱2,065,694,042	₱11,001,271,083	(₱2,659,374,435)	(₱68,088,370)	₱–	₱54,005,802	₱20,821,280	(₱220,450,606)	₱14,402,571,196
Total comprehensive income	–	–	503,033,265	–	(304,649,411)	–	(6,695,907)	11,924,633	196,676,586	400,289,166
Realized loss on sale of FVOCI equity securities	–	–	(122,742,438)		122,742,438	–	–	–	–	–
Acquisition of treasury shares (Note 17)	–	–	–	(176,436)	–	–	–	–	–	(176,436)
Balance at December 31, 2018	₱4,208,692,400	₱2,065,694,042	₱11,381,561,910	(₱2,659,550,871)	(₱249,995,343)	₱–	₱47,309,895	₱32,745,913	(₱23,774,020)	₱14,802,683,926

See accompanying Notes to Financial Statements.

FIRST METRO INVESTMENT CORPORATION AND SUBSIDIARIES
STATEMENTS OF CASH FLOWS

	Consolidated			Parent Company		
	Years Ended December 31					
	2020	**2019**	2018	**2020**	**2019**	2018
CASH FLOWS FROM OPERATING ACTIVITIES						
Income before income tax	**₱464,608,572**	₱657,530,045	₱814,840,945	**₱422,437,948**	₱580,566,875	₱728,446,597
Adjustments for:						
Gain on sale of FVOCI debt investments (Note 6)	**(31,666,457)**	(364,468,614)	(2,429,901)	**(31,666,457)**	(364,468,614)	(2,594)
Gain on sale of investment securities at Amortized cost (Note 6)	–	(26,414,495)	–	–	(26,414,495)	–
Share in net income of associates (Note 9)	**(617,715,097)**	(775,153,705)	(991,057,818)	**(618,132,237)**	(777,351,401)	(977,713,401)
Share in net (income) loss of subsidiaries (Note 9)	–	–	–	**56,315,480**	(131,484,122)	208,830,770
Dividend income (Notes 6 and 9)	**(110,289,662)**	(143,392,677)	(117,388,219)	**(19,305,984)**	(23,370,515)	(22,546,628)
Depreciation and amortization (Notes 8, 10 and 11)	**75,913,940**	103,284,736	62,550,888	**56,479,126**	66,962,351	41,432,253
Interest expense on lease liability (Notes 19 and 22)	**3,458,230**	6,327,128	–	**1,851,715**	4,119,128	–
Provision for (recovery from) impairment, credit, and other probable losses (Note 12)	**(63,164,656)**	469,983,758	(47,624,794)	**(63,212,836)**	469,938,258	(23,083,496)
Unrealized foreign exchange loss (gain)	**1,948,410**	(15,222,115)	21,556,790	**–**	(20,239,020)	22,036,519
Loss (gain) on sale of:						
Investments in subsidiaries and associates (Note 9)	**–**	250	(13,127,087)	**(11,088)**	250	(20,716,586)
Property and equipment (Note 9)	**(79,999)**	(1,252,609)	(549,807)	**(79,999)**	(1,252,609)	(549,807)
Investment properties (Note 10)	**(3,129,000)**	(50,956,002)	(353,233,817)	**(3,129,000)**	(50,956,002)	(353,233,817)
Amortization of premium or discount on financial assets	**(1,905,971)**	40,978,340	62,145,349	**(1,939,851)**	47,212,744	60,621,506
Amortization of premium or discount on financial liabilities	–	3,042,250	7,007,857	–	2,866,136	4,553,190
Changes in operating assets and liabilities:						
Decrease (increase) in the amounts of:						
Investment securities at FVTPL	**2,587,162,983**	(2,661,396,303)	1,348,077,338	**2,724,045,019**	(2,212,466,961)	1,232,734,600
Loans and receivables	**(1,094,473,537)**	(147,602,342)	1,217,154,026	**102,859,549**	44,953,380	1,041,159,560
Other assets	**15,846,698**	7,682,424	(18,466,624)	**34,668,076**	(12,520,006)	(31,355,357)
Increase (decrease) in the amounts of:						
Accounts payable	**3,517,237,177**	300,417,950	(336,202,382)	**(8,918,140)**	(7,610,642)	(80,672,600)
Accrued taxes, interest and other expenses	**(11,979,587)**	(13,961,793)	6,371,260	**(39,526,034)**	(33,381,091)	19,186,987
Other liabilities	**1,833,758,433**	(82,483,794)	(809,340,303)	**11,161,958**	(24,023,337)	20,035,305
Net cash generated from (used in) operations	**6,565,530,477**	(2,693,057,568)	850,283,701	**2,623,897,245**	(2,468,919,693)	1,869,163,001
Income taxes paid	**(95,824,180)**	(268,622,697)	(338,754,446)	**(54,203,772)**	(178,848,288)	(214,736,368)
Net cash provided by (used in) operating activities	**₱6,469,706,297**	(₱2,961,680,265)	₱511,529,255	**₱2,569,693,473**	(₱2,647,767,981)	₱1,654,426,633

(Forward)

	Consolidated			Parent Company		
	Years Ended December 31					
	2020	**2019**	2018	**2020**	**2019**	2018
CASH FLOWS FROM INVESTING ACTIVITIES						
Acquisitions of:						
FVOCI investments	**(₱3,947,940,941)**	(₱14,507,570,694)	(₱773,234,189)	**(₱3,933,857,869)**	(₱14,507,591,584)	(₱673,232,668)
Loans and receivables	**(65,000,000)**	–	–	**–**	–	–
Amortized cost investments	**(1,125,454,273)**	(366,506,275)	(249,053,308)	**–**	–	–
Property and equipment (Note 8)	**(15,058,380)**	(26,431,745)	(49,083,369)	**(7,629,279)**	(18,434,805)	(31,752,989)
Software licenses (Note 11)	**(4,494,845)**	(4,557,333)	(23,734,953)	**(4,386,658)**	(4,411,426)	(23,745,531)
Capital infusion to subsidiaries (Note 9)	–	–	–	**(170,397,140)**	(6,447,594)	(291,501,074)
Proceeds from sale/redemption/ maturities of:						
FVOCI investments	**4,701,537,134**	13,205,173,784	757,309,578	**4,699,413,066**	13,205,174,479	648,723,016
Investment in subsidiaries associates and joint ventures (Note 9)	**–**	848	20,716,586	**132,386,477**	6,448,442	20,716,587
Amortized cost investments	**249,334,486**	16,792,668,442	4,503,324,621	**480,000,000**	16,456,538,442	3,946,085,000
Loans and receivables	**629,954,383**	2,500,000	–	–	2,500,000	
Investment properties (Note 10)	**10,995,000**	66,970,100	460,000,000	**10,995,000**	66,970,100	460,000,000
Property and equipment (Note 8)	**7,128,535**	6,223,278	2,345,584	**412,757**	3,286,487	982,495
Deconsolidation of a subsidiary (Note 9)	–	–	15,733,660	–	–	–
Dividends received from investment securities	**110,289,662**	140,286,538	119,811,942	**19,305,984**	23,370,515	22,643,897
Dividends received from subsidiaries and associates (Note 9)	**583,314,476**	120,353,923	452,162,280	**621,325,143**	140,603,923	520,362,281
Net cash provided by investing activities	**1,134,605,237**	15,429,110,866	5,236,298,432	**1,847,567,481**	15,368,006,979	4,599,281,014
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from issuance of bills payable	**10,220,552,000**	244,505,554,513	587,615,722,354	**10,220,552,000**	244,505,554,513	587,615,722,353
Payments of bills payable	**(17,671,706,057)**	(249,386,100,718)	(597,158,707,922)	**(17,671,706,057)**	(249,386,100,718)	(597,355,993,556)
Redemption of bonds payable	**–**	(2,920,000,000)	–	–	(3,000,000,000)	–
Payments of lease liability (Note 22)	**(24,418,359)**	(43,954,584)	–	**(15,982,952)**	(26,938,707)	–
Dividends paid (Note 17)	**(375,448)**	(370,675)	(274,335)	**(375,448)**	(370,675)	(274,335)
Acquisition of treasury shares (Note 17)	**–**	(2,428,332)	(176,436)	–	(2,428,332)	(176,436)
Net cash used in financing activities	**(7,475,947,864)**	(7,847,299,796)	(9,543,436,339)	**(7,467,512,457)**	(7,910,283,919)	(9,740,721,974)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**128,363,670**	4,620,130,805	(3,795,608,652)	**(3,050,251,503)**	4,809,955,079	(3,487,014,327)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR						
Cash and other cash items	**3,965,262,171**	2,935,131,821	5,320,741,050	**1,376,543,552**	156,588,928	2,233,603,832
Due from BSP	**5,733,306,404**	3,489,997,884	4,399,997,307	**5,733,306,404**	3,489,997,884	4,399,997,307
SPURA	**1,346,691,935**	–	500,000,000	**1,346,691,935**	–	500,000,000
	11,045,260,510	6,425,129,705	10,220,738,357	**8,456,541,891**	3,646,586,812	7,133,601,139
CASH AND CASH EQUIVALENTS AT END OF YEAR						
Cash and other cash items	**6,073,003,807**	3,965,262,171	2,935,131,821	**305,670,015**	1,376,543,552	156,588,928
Due from BSP	**2,507,296,864**	5,733,306,404	3,489,997,884	**2,507,296,864**	5,733,306,404	3,489,997,884
SPURA	**2,593,323,509**	1,346,691,935	–	**2,593,323,509**	1,346,691,935	–
	₱11,173,624,180	₱11,045,260,510	₱6,425,129,705	**₱5,406,290,388**	₱8,456,541,891	₱3,646,586,812

OPERATIONAL CASH FLOWS FROM INTEREST

	Consolidated			Parent Company		
	Years Ended December 31					
	2020	**2019**	2018	**2020**	**2019**	2018
Interest paid	**₱171,066,057**	₱1,043,362,615	₱745,845,140	**₱167,508,022**	₱1,046,571,487	₱750,768,764
Interest received	**543,913,305**	1,204,948,961	1,161,547,273	**348,736,219**	988,993,774	992,899,272

See accompanying Notes to Financial Statements

FIRST METRO INVESTMENT CORPORATION AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

First Metro Investment Corporation (the Parent Company) is an investment house incorporated on August 30, 1972 in Metro Manila. On September 22, 2000, the Parent Company was merged with Solidbank Corporation (Solidbank) with Solidbank as the surviving entity and subsequently renamed as First Metro Investment Corporation. The Parent Company's shares of stock (originally Solidbank) were listed in the Philippine Stock Exchange, Inc. (PSE) on October 25, 1963 and were subsequently delisted effective December 21, 2012. The Parent Company is a 99.3%-owned subsidiary of Metropolitan Bank & Trust Company (MBTC or Ultimate Parent Company).

The Parent Company is primarily engaged in investment banking and has a quasi-banking license from the Bangko Sentral ng Pilipinas (BSP). It provides services such as equity and debt underwriting and private placements, loan syndication and arrangements, financial advisory and securities dealership. On November 24, 2020, in line with the transformation initiative of the Parent Company, the Board of Directors (BOD) approved the proposal to return its quasi-banking license with the BSP on December 21, 2020. The Company is yet to receive the approval of the BSP.

The Parent Company's principal place of business is located at 45th Floor, GT Tower International, Ayala Avenue corner H.V. dela Costa Street, Makati City.

2. Accounting Policies

<u>Basis of Preparation</u>
The accompanying financial statements have been prepared on a historical cost basis except for debt and equity investment securities and derivative instrument designated as cash flow hedge that have been measured at fair value. The financial statements are presented in Philippine peso (₱), the functional currency of the Parent Company and all values are rounded to the nearest peso except when otherwise indicated.

The financial statements of the Parent Company and its subsidiaries (the Group) provide comparative information in respect of the previous period.

<u>Statement of Compliance</u>
The financial statements of the Group and of the Parent Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

<u>Presentation of Financial Statements</u>
The statements of financial position of the Group and of the Parent Company are presented in order of liquidity. An analysis regarding the recovery of assets or settlement of liabilities within twelve (12) months after the statement of financial position date (current) and more than twelve (12) months after the statement of financial position date (noncurrent) is presented in Note 16.

Basis of Consolidation
The Group's consolidated financial statements comprise the financial statements of the Parent Company and the following wholly owned and majority owned subsidiaries.

Subsidiaries	Principal Activities	Country of Incorporation	Effective Percentage of Ownership	
			2020	2019
First Metro Securities Brokerage Corporation (FMSBC)	Stock Brokerage	The Republic of the Philippines	**100.0**	100.0
Multi-Currency FX Corp.	Foreign Exchange Trading	-do-	**100.0**	100.0
PBC Capital Investment Corporation (PBC)	Investment Banking	-do-	**100.0**	100.0
First Metro Insurance Agency, Inc.	Insurance	-do-	**100.0**	100.0
First Metro Insurance Brokers Corporation (FMIBC)	-do-	-do-	**100.0**	100.0
Prima Ventures Development Corporation (PVDC)	Holding Company	-do-	**100.0**	100.0
FMIC Equities, Inc. (FEI)	Holding Company	-do-	**100.0**	100.0
SBC Properties, Inc. (SPI)	Real Estate	-do-	**100.0**	100.0
Resiliency (SPC), Inc. (Resiliency)	Financial Holding Company	-do-	**100.0**	100.0
First Metro Asia Focus Equity Fund (FMAFEF)*	Mutual Fund	-do-	**100.0**	100.0
First Metro Save and Learn Dollar Bond Fund, Inc. (FMSLDBF)	-do-	-do-	**94.9**	94.1
First Metro Philippine Equity Exchange Traded Fund, Inc. (FMPEETFI)	Exchange Traded Fund	-do-	**35.6**	44.4
First Metro Asset Management, Inc. (FAMI)	Asset Management	-do-	**70.0**	70.0
First Metro Save and Learn Equity Fund, Inc. (FMSALEF)	Mutual Fund	-do-	**25.2**	27.5
First Metro Save and Learn Balanced Fund, Inc. (FMSALBF)	-do-	-do-	**27.4**	24.3
First Metro Save and Learn Fixed Income Fund (FMSLFIF)	-do-	-do-	**23.9**	26.8
First Metro Save and Learn Money Market Fund, Inc. (FMSLMMF)	-do-	-do-	**12.1**	30.9
First Metro Save and Learn F.O.C.C.U.S. Dynamic Dividend Fund, Inc.	-do-	-do-	**24.3**	40.0

** Formerly First Metro Global Opportunity Fund*

The Group controls an investee if, and only if, the Group has:

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

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other voting shareholders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income, expenses and other comprehensive income (OCI) of a subsidiary are included in the financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. The consolidated financial statements are prepared for the same reporting period as the Parent Company's financial statements, using consistent accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

Non-Controlling Interests
Non-controlling interests represent the portion of profit or loss and net assets of subsidiaries not attributed, directly or indirectly, to the Parent Company.

Non-controlling interests are presented separately in the consolidated statement of income, consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from the Parent Company's shareholders' equity.

Changes in Accounting Policies and Disclosures

The Group applied, for the first time, the following applicable new and revised accounting standards. Unless otherwise indicated, these new and revised accounting standards have no impact to the Group. Except for these new and amended standards which were adopted as of January 1, 2020, the accounting policies adopted are consistent with those of previous financial year.

Conceptual Framework for Financial Reporting issued on March 29, 2018
The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

Amendments
Amendments to PFRS 3, *Business Combinations - Definition of a Business*
The amendments to PFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments may impact future periods should the Group enter into any business combinations.

Amendments to PFRS 7, *Financial Instruments: Disclosures and PFRS 9, Financial Instruments, Interest*

Rate Benchmark Reform
The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

Amendments to PAS 1, *Presentation of Financial Statements,* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material*
The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

Amendments to PFRS 16, *COVID-19-related Rent Concessions*
The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
- There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted. The Group adopted the amendments beginning January 1, 2020.

The adoption of these amended standards did not have significant impact on the financial statements of the Group.

Significant Accounting Policies

<u>Foreign Currency Translation</u>
Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

The functional currency of the Parent Company and its subsidiaries is Philippine peso (₱), except for First Metro Save and Learn Dollar Bond Fund (FMSLDBF) whose functional currency is United States dollar (USD).

Transactions and balances
For financial reporting purposes, the foreign currency-denominated monetary assets and liabilities are translated in Philippine peso based on the Bankers Association of the Philippines (BAP) closing rate prevailing at the statement of financial position date and foreign currency-denominated income and expenses, at the prevailing exchange rates as at the date of transaction. Foreign exchange differences arising from revaluation and translation of foreign currency-denominated assets and liabilities are credited to or charged against operations in the year in which the rates change.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Subsidiary with different functional currency
The functional currency of FMSLDBF is USD. As at the reporting date, the assets and liabilities of FMSLDBF are translated into the Group presentation currency at BAP closing rate prevailing at the statement of financial position date, and their income and expenses are translated at BAP weighted average rate (BAPWAR) for the year. Exchange differences arising on translation are taken to statement of comprehensive income as 'Cumulative translation adjustment'. Upon disposal of FMSLDBF or when the Group ceases to have control, the deferred cumulative amount recognized in the statement of comprehensive income is recognized in the statement of income.

Fair Value Measurement
The Group measures financial instruments at fair value at each statement of financial position date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

<u>Financial Instruments - Initial Recognition</u>

Date of recognition

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

Initial recognition of financial instruments

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

'Day 1' profit or loss

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' profit or loss) in the statement of income under 'Miscellaneous income' or 'Miscellaneous expense' unless it qualifies for recognition as some other type of asset. In cases where transaction price used is made of data which is not observable, the difference between the transaction price and model value is only recognized in the 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' profit or loss amount.

Derivatives recorded at FVTPL - Embedded derivatives

Derivatives are entered into as a service to customers and as a means of reducing or managing their respective foreign exchange and interest rate exposures, as well as for trading purposes. Such derivative financial instruments are initially recorded at fair value on the date at which the derivative contract is entered into and are subsequently remeasured at fair value. Any gains or losses arising from changes in fair values of derivatives (except those accounted for as accounting hedges) are taken directly to the statement of income and are included in 'Trading and securities gains (losses)'. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

For financial assets, embedded derivatives are accounted for together with the host contracts and are classified based on the business model and contractual cash flows of the instrument.

Puttable instruments of mutual fund subsidiaries classified as financial liabilities at FVTPL
The Group has seed capital investments in several funds where it is in a position to be able to control those funds. These funds are consolidated with the shares held by investors other than the Group are considered as puttable instruments, recorded under 'Puttable instruments of mutual fund subsidiaries classified as liability' account in the statement of financial position, with changes in the net asset value per unit of the mutual funds recognized in 'Trading and securities gains (losses)' in the statement of income.

<u>Financial Instruments – Classification and Subsequent Measurement</u>
The Group classifies its financial assets in the following categories: investment securities at FVTPL, investment securities at FVOCI and investment securities measured at amortized cost while financial liabilities are classified as financial liabilities at FVTPL and financial liabilities at amortized cost. The classification of financial instruments depends on the contractual terms and the business model for managing the instruments. Subsequent to initial recognition, the Group may reclassify its financial assets only when there is a change in its business model for managing these financial assets. Reclassification of financial liabilities is not allowed.

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

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

Financial assets or financial liabilities held for trading (FVTPL)
Debt instruments that do not meet the amortized cost criteria, or that meet the criteria but the Group has chosen to designate as at FVTPL at initial recognition, are classified as financial assets at FVTPL. Equity investments are classified as financial assets at FVTPL, unless the Group designates an equity investment that is not held for trading as at FVOCI at initial recognition. The Group's financial assets at FVTPL include government securities, corporate bonds and equity securities which are held for trading purposes and debt instruments which contractual cash flows is not SPPI.

A financial asset is considered as held for trading if:
- it has been acquired principally for the purpose of selling it in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or,
- it is a derivative that is not designated and effective as a hedging instrument or financial guarantee.

Financial assets at FVTPL are measured at fair value. Related transaction costs are recognized directly as expense in profit or loss. Unrealized gains and losses arising from changes (mark-to market) in the fair value of the financial assets at FVTPL category and realized gains or losses arising from disposals of these instruments are included in 'Trading and securities gains (losses)' in the statements of income.

Interest earned on these investments is reported in statements of income under Interest income account while dividend income is reported as 'Dividends' in the statements of income account when the right of payment has been established.

Investment securities at FVOCI
Investment securities at FVOCI include debt and equity instruments. After initial measurement, FVOCI investments are subsequently measured at fair value. The unrealized gains and losses arising from the fair valuation of FVOCI investments are excluded, net of tax, from the reported earnings and are included in the statement of comprehensive income as 'Changes in net unrealized gain/(loss) on FVOCI investments'.

Debt securities at FVOCI are those that meet both of the following conditions: (i) the asset is held within a business model whose objective is to hold financial assets in order to both collect contractual cash flows and sell financial assets; and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the outstanding principal amount. The effective yield component of FVOCI debt securities, as well as the impact of restatement on foreign currency-denominated FVOCI debt securities, are reported in the statement of income. Interest earned on holding FVOCI investments are reported as 'Interest income' using the effective interest rate (EIR) method. When the FVOCI debt securities are disposed of, the cumulative gain or loss previously recognized in other comprehensive income is recognized as 'Trading and securities gains (losses)' in the statement of income. The ECL arising from impairment of such investments do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortized cost is recognized in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognized in OCI is recycled to the profit or loss upon derecognition.

Equity instruments designated at FVOCI are those that the Group made an irrevocable election to present in OCI the subsequent changes in fair value. Dividends earned on holding these equity securities are recognized in the statement of income as 'Dividends' when the right of the payment has been established. Gains and losses on disposal of these equity securities are never recycled to profit or loss, but the cumulative gain or loss previously recognized in other of comprehensive income is reclassified to retained earnings. Equity securities at FVOCI are not subject to impairment assessment.

Investment securities at amortized cost
Investment securities at amortized cost are debt financial assets that meet both of the following conditions: (i) these are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and (ii) the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the outstanding principal amount. These include 'Cash and other cash items', 'Due from BSP', 'SPURA', 'Investment securities at amortized cost' and 'Loans and receivables'.

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

Financial Liabilities Carried at Amortized Cost
Issued financial instruments or their components, which are not designated at FVTPL, are classified as financial liabilities carried at amortized cost accounts, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity shares. Financial liabilities carried at amortized cost include 'Bills payable', or other appropriate financial liability accounts.

After initial measurement, Bills payable, and similar financial liabilities not qualified as and not designated as FVTPL, are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR. Any effects of restatement on foreign currency-denominated liabilities are recognized in the statement of income.

Treasury bonds
Issued bonds payable by the Parent Company that are being held by a subsidiary are deducted from the carrying value of the bond. Treasury bonds are recognized in the consolidated accounts at acquisition cost, and any related unamortized premium, discount and issue costs at the Parent Company are cancelled. The difference between the acquisition cost and the book value of the treasury bonds is treated as gain or loss and recorded under 'Miscellaneous income' or 'Miscellaneous expense' in the statement of income.

Repurchase and Reverse Repurchase Agreements
Securities sold under agreements to repurchase at a specified future date ('repos') are not derecognized from the statement of financial position. The corresponding cash received, including accrued interest, is recognized in the statement of financial position as a 'Bills payable' to the Group, reflecting the economic substance of such transaction.

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

Reclassification of Financial Assets
The Group can only reclassify financial assets if the objective of its business model for managing those financial assets changes. Accordingly, the Group is required to reclassify financial assets: (i) from amortized cost to FVTPL, if the objective of the business model changes so that the amortized cost criteria are no longer met; and (ii) from FVTPL to amortized cost, if the objective of the business model changes so that the amortized cost criteria start to be met and the characteristics of the instrument's contractual cash flows need the amortized cost criteria.

A change in the objective of the Group's business model will be affected only at the beginning of the next reporting period following change in the business model.

Classification of Financial Instruments between Debt and Equity

A financial instrument is classified as debt, if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Impairment of Financial Assets

The Group records allowance based on a forward-looking expected credit losses (ECL) approach for all loans and other debt financial assets not held at FVTPL, together with loan commitments. Equity instruments are not subject to impairment under PFRS 9.

Overview of the ECL principles

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

Based on these processes, debt financial assets are grouped into Stage 1, Stage 2, and Stage 3 as described below.

For non-credit-impaired financial instruments:

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

For credit-impaired financial instruments:

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

Definition of "default" and "cure"

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

Treasury exposures are considered in default upon occurrence of a credit event such as but not limited to bankruptcy of counterparty, restructuring, failure to pay on agreed settlement date, or request for moratorium.

SICR

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in probabilities of default and qualitative factors, including a backstop based on delinquency. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Group's internal credit assessment, the borrower or counterparty is determined to have well-defined credit weaknesses. For exposures without internal credit grades, if contractual payments are more than 30 days past due threshold, the credit risk is deemed to have increased significantly since initial recognition. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a SICR since initial recognition, the group shall revert to recognizing a 12-month ECL.

ECL parameters and methodologies

ECL is a function of the probability of default (PD), exposure at default (EAD) and loss given default (LGD), with the timing of the loss also considered.

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

EAD is modelled on historical data and represents an estimate of the outstanding amount of credit exposure at the time a default may occur. For off-balance sheet and undrawn committed amounts, EAD includes an estimate of any further amount to be drawn at the time of default.

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

Forward-looking information

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

Derecognition of Financial Assets and Liabilities

Financial assets

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

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

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control over the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery.

Financial liabilities

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

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.

Derivative Financial Instruments and Hedge Accounting

Derivative financial instruments are recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the statement of income.

Hedge Accounting

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

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

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

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effective requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

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

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Cash flow hedges

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

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

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

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

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

As of December 31, 2019, the Group has an outstanding cross currency swap designated as hedging instrument in a cash flow hedge (see Note 15).

Hedge effectiveness testing
To qualify for hedge accounting, the Group requires that at the inception of the hedge and throughout its life, each hedge must be expected to be highly effective (prospective effectiveness) and demonstrate actual effectiveness (retrospective effectiveness) on an ongoing basis. The documentation of each hedging relationship sets out how the effectiveness of the hedge is assessed. The method that the Group adopts for assessing hedge effectiveness will depend on its risk management strategy.

For prospective effectiveness, the hedging instrument must be expected to be highly effective in offsetting changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated. The Group applies the dollar-offset method using hypothetical derivatives in performing hedge effectiveness testing. For actual effectiveness to be achieved, the changes in fair value or cash flows must offset each other on the range of 80.00% to 125.00%. Any hedge ineffectiveness is recognized in the statement of income.

Current versus Noncurrent Classification
Derivative instruments that are not designated as effective hedging instruments are classified as current or noncurrent or separated into a current and noncurrent portion based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows):

- When the Group will hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the statement of financial position date, the derivative is classified as noncurrent (or separated into current and noncurrent portions) consistent with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistent with the cash flows of the host contract.

Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and a noncurrent portion only if a reliable allocation can be made.

Cash and Cash Equivalents
For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items (i.e., Due from Banks and Cash on Hand), amounts due from BSP and SPURA with original maturities of three months or less from the dates of placements and are subject to insignificant risk of changes in value. Cash and cash equivalents are carried at amortized cost. Due from BSP includes the statutory reserves required by the BSP, which the Company considers as cash equivalents wherein drawings can be made to meet cash requirements.

Investments in Subsidiaries and Associates
Investment in subsidiaries
Subsidiaries pertain to all entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Investment in associates
An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

Consolidated financial statements
The Group's consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries.

The Group's investments in its associates are accounted for using the equity method. (See discussion on the next section, 'Parent Company financial statements', on accounting using the equity method).

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in the statement of income.

Parent Company financial statements
The Parent Company's investments in subsidiaries, associates and joint venture are accounted for using the equity method. Under the equity method, the investment in subsidiaries, associates or a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Parent Company's share in the net assets of the subsidiary, associate or joint venture since the acquisition date. Goodwill relating to the subsidiary, associate or joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The statement of income reflects the Parent Company's share of the results of operations of the subsidiary, associate or joint venture. Any change in OCI of those investees is presented as part of the Parent Company's OCI. In addition, when there has been a change recognized directly in the equity of the subsidiary, associate or joint venture, the Parent Company recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Parent Company and the subsidiary, associate or joint venture are eliminated to the extent of the interest in the subsidiary, associate or joint venture.

The aggregate of the Parent Company's share of profit or loss of subsidiaries, associates and a joint venture is shown on the face of the statement of income outside operating profit and represents share in the profit or loss after tax.

The financial statements of the subsidiaries, associates or joint venture are prepared for the same reporting period as the Parent Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Parent Company.

After application of the equity method, the Parent Company determines whether it is necessary to recognize an impairment loss on its investment in subsidiaries, associates or joint venture. At each statement of financial position date, the Parent Company determines whether there is objective evidence that the investment in subsidiaries, associates or joint venture is impaired. If there is such evidence, the Parent Company calculates the amount of impairment as the difference between the recoverable amount of the subsidiaries, associates or joint venture and its carrying value, then recognizes the loss under 'Provision for (recovery from) impairment and other probable losses' in the statement of income.

Property and Equipment

Depreciable properties, including leasehold improvements and furniture, fixture and equipment are stated at cost less accumulated depreciation and amortization, and any allowance for impairment losses. Such cost includes the cost of replacing part of the property and equipment when that cost is incurred, if the recognition criteria are met, but excludes repairs and maintenance costs.

Depreciation is calculated using the straight-line method over the estimated useful life of the depreciable assets. The estimated useful lives of the depreciable assets are as follows:

Furniture, fixtures and equipment	3 to 5 years
Condominium units	34 years
Leasehold improvements	5 years or the terms of the related lease agreements, whichever is shorter

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

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included under 'Gain on sale of assets' in the statement of income in the year the asset is derecognized.

Investment Properties

Investment properties are measured initially at cost, including transaction costs. An investment property acquired through an exchange transaction is measured at the fair value of the asset acquired unless the fair value of such asset cannot be measured, in which case, the investment property acquired is measured at the carrying amount of the asset given up. Foreclosed properties are classified under 'Investment properties' from foreclosure date.

Subsequent to initial recognition, depreciable investment properties are carried at cost less accumulated depreciation and allowance for impairment losses, whereas, non-depreciable investment properties are carried at cost less allowance for impairment losses.

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

Depreciation is calculated on a straight-line basis using the useful life of 5 and 34 years from the time of acquisition for land improvements and condominium units, respectively.

Investment properties are derecognized when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the statement of income as 'Gain on sale of assets' in the year of retirement or disposal.

Transfers are made to investment properties when, and only when, there is a change in use, evidenced by ending of owner occupation, commencement of an operating lease to another party or completion of construction or development. Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

Intangible Assets

Intangible assets refer to the Group's software licenses. An intangible asset is recognized only when the cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Group.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the statement of income in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and they are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of income under 'Miscellaneous expense' (Note 23).

Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of income when the asset is derecognized.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the control the use of an identified asset for a period in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

The right-of-use assets are presented within Note 8, Property and equipment and are subject to impairment in line with the Group's policy as described in the next section.

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

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

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

Property and equipment, investment properties and intangible assets with definite useful lives
For property and equipment, investment properties and intangible assets with definite useful lives, an assessment is made at each statement of financial position date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income.

After such a reversal, the depreciation and amortization expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Investments in associates
After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Group's investments in associates. If this is the case, the Group calculates the amount of impairment loss as the difference between the recoverable amount of investment in the associate and the acquisition cost and recognizes the amount under 'Provision for (recovery from) impairment and other probable losses' in the statement income.

Common Stock
Common stocks are classified as equity and are recorded at par. Proceeds in excess of par value are recorded as 'Capital paid in excess of par value' in the statement of financial position. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Capital Paid in Excess of Par Value
When the shares are sold at a premium, the difference between the proceeds and par value is credited to 'Capital paid in excess of par value', net of direct costs incurred related to the equity issuance. If 'Capital paid in excess of par value' is not sufficient, the excess is charged against retained earnings.

Treasury Shares and Contracts on Own Shares
Own equity instruments which are acquired (treasury shares) are deducted from equity and accounted for at weighted average cost. Consideration paid or received and all transaction costs directly attributable on the purchase, sale, issue, or cancellation of the Parent Company's own equity instruments is recognized directly in equity. No gain or loss is recognized in the statement of income on the purchase, sale, issue or cancellation of own equity instruments.

Revenue Recognition
Revenue from contracts with customers is recognized upon transfer of services to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services.

The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The Group concluded that it is acting as a principal in all of its revenue arrangements except for certain brokerage transactions. The following specific recognition criteria must also be met before revenue is recognized within the scope of PFRS 15:

Fees and commission income
The Group earns fees and commission income from a diverse range of services it provides to its customers.

Fee income can be divided into the following two categories:

a) Fee income earned from services that are provided over a certain period of time
Fees earned for the provision of services over a period of time are accrued over that period as the customer simultaneously receives and consumes the benefits provided by the Group. These fees include management fees and advisory fees.

b) Fee income from providing transaction services
Fees arising from negotiating or participating in the negotiation of a transaction for a third party - such as underwriting fees, arrangement fees, and brokerage fees for the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses - are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria. Loan syndication fees are recognized in the statement of income when the syndication has been completed and the Group retains no part of the loans for itself or retains part at the same EIR as for the other participants.

Gain on sale of assets
Gain on sale of assets is recognized when the control of the asset has passed to the buyer, usually on the date of delivery, and the collectability of the sales price is reasonably assured. Any income recognized is recorded under 'Gain on sale of assets' in the statement of income.

Revenue outside the scope of PFRS 15
Interest income

a. *Interest income recognized using the EIR method* – Interest income is recognized in profit or loss for all instruments measured at amortized cost, HTM investments and debt instruments classified as investment securities at FVOCI and AFS using the effective interest method.

   The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the EIR, the Group estimate cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are integral part of the EIR, transaction costs and all other premiums or discounts.

   When financial asset becomes credit-impaired and is, therefore, regarded as 'Stage 3', the Group calculates interest income by applying the EIR to the net amortized cost of the financial asset. If the financial assets cures and is no longer credit impaired, the Group reverts to calculating interest income on a gross basis.

b. *Other interest income* – Interest income on all trading assets and financial assets mandatorily required to be measured at FVTPL is recognized using the contractual interest rate and is included under 'Interest income on investment securities at FVTPL' in the statement of income.

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

Trading and securities gains (losses)
Results arising from trading activities include all gains and losses from changes in fair value for financial assets and financial liabilities at FVTPL and gains and losses from disposal of, debt securities at FVOCI.

Unrealized gains and losses comprise changes in the fair value of financial instruments for the period and from reversal of prior period's unrealized gains and losses for financial instruments, including puttable instruments classified as financial liability, which were realized in the reporting period. Realized gains and losses on disposals of financial instruments classified as at fair value through profit or loss are calculated using pro-rata approach.

Rental income
Rental income arising from leased properties is accounted for on a straight-line basis over the lease terms on ongoing leases and is recorded in the statement of income under 'Miscellaneous income'.

Gain on sale or redemption of unquoted commercial papers
This income results from sale or redemption of unquoted commercial papers. The gain on sale or redemption of unquoted commercial papers is recorded under 'Miscellaneous income' in the statement of income.

Expenses
Expenses constitute costs of administering the business and these are charged to operations as incurred.

Retirement Benefits
The Group has a funded noncontributory defined benefit retirement plan. The retirement cost of the Parent Company, FMSBC and FAMI is determined using the projected unit credit method.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Defined benefit costs comprise the following:
(a) service cost;
(b) net interest on the net defined benefit liability or asset; and
(c) remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the statement of income. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income under 'Compensation and fringe benefits' in the statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the

reimbursement is virtually certain. The expense relating to any provision is presented in the statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as 'Interest expense'.

Contingencies

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

Income Taxes

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as of the statement of financial position date.

Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, including asset revaluations, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries and foreign associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- Where the deferred tax asset 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 or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each statement of financial position date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

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

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

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognized subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or in profit or loss.

Earnings per Share
Basic earnings per share (EPS) is computed by dividing net income for the year attributable to equity holders of the Parent Company by the weighted average number of common shares outstanding during the year after giving retroactive effect to stock dividends declared and stock rights exercised during the year, if any. The Group does not have dilutive potential common shares.

Dividends on Common Shares
Dividends on common shares are recognized as a liability and deducted from equity when approved by the respective Board of Directors (BOD) of the Parent Company and its subsidiaries. Dividends for the year that are approved after the statement of financial position date are dealt with as an event after the statement of financial position date.

Subsequent Events
Post-year-end events that provide additional information about the Group's financial position at the statement of financial position date (adjusting event) are reflected in the financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

Standards Issued but not yet Effective

The list below consists of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt these standards when they become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards and interpretations to have significant impact on its financial statements.

Effective beginning on or after January 1, 2021

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

Effective beginning on or after January 1, 2022
- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*
- *Annual Improvements to PFRSs* 2018-2020 Cycle
  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
  - Amendments to PFRS 9, *Financial Instruments*, *Fees in the '10 per cent' test for derecognition of financial liabilities*
  - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

Effective beginning on or after January 1, 2023
- Amendments to PAS 1*, Classification of Liabilities as Current or Non-current*
- PFRS 17, *Insurance Contracts*

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

3. Significant Accounting Judgments and Estimates

The preparation of the financial statements in accordance with PFRS requires the Group's management to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses, and the disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the financial statements as they become reasonably determinable.

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

Unless otherwise stated, below significant judgments and estimates apply as of and for the years ended December 31, 2020, 2019 and 2018.

<u>Judgments</u>
In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the financial statements:

a. Classification of financial assets
The Group classifies its financial assets depending on the business model for managing those financial assets and whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.

The Group performs the business model assessment based on observable factors such as:
- Performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel
- Risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed

- Compensation of business units whether based on the fair value of the assets managed or on the contractual cash flows collected
- Expected frequency, value and timing of sales

In performing the SPPI test, the Group applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, the period for which the interest rate is set, contingent events that would change the amount and timing of cash flows, leverage features, prepayment and extension terms and other features that may modify the consideration for the time value of money.

In August 2019, the Parent Company's BOD approved the disposal of its investment securities at amortized cost with carrying value of ₱16.4 billion and abandonment of the related hold-to-collect (HTC) business models due to external changes that are significant to its operations. The securities were sold at the prevailing market prices and resulted in a net gain amounting to ₱26.4 million, presented separately in the statement of income.

b. *Consolidation of entities in which the Group holds less than majority of voting rights.*
The Group applies judgment in assessing whether it holds control over an investee where the Group's ownership interest and voting rights is 50.0% and below. For this, the Group considers the following factors: (a) power over the investee; (b) exposure, or rights, to variable returns from its involvement with the investee; and (c) the ability to use its power over the investee to affect the amount of the investor's returns.

The Group directly holds 35.6%, 25.2%, 27.4%, and 23.9% in First Metro Philippines Equity Exchange Traded Fund, Inc. (FMPEETFI), First Metro Save and Learn Equity Fund (FMSALEF), First Metro Save and Learn Balanced Fund (FMSALBF) and First Metro Save and Learn Fixed Income Fund (FMSLFIF), respectively, as of December 31, 2020 and 44.4%, 27.6%, 24.3%, and 26.8%, respectively, as of December 31, 2019. The Group assessed that control over FMPEETFI, FMSLFIF, FMSALEF and FMSALBF (the Funds) exists because the Parent Company is acting as principal of the Funds, through the fund manager of the Funds, FAMI, which is a 70.0% owned subsidiary of the Parent Company, and given the Parent Company's economic interests (comprising direct interests and future management and advisory fees) over these Funds. The following factors were considered in the assessment: (a) the Parent Company has wide decision making rights over the relevant activities of the Funds and (b) the removal rights are not substantive since there are multiple parties (widely dispersed shareholders) who hold the removal rights; further, members of the BOD of the Funds are normally nominated/appointed by the Parent Company.

c. *Existence of significant influence over an associate with less than 20.0% ownership*
In determining whether the Group has significant influence over an investee requires significant judgment. Generally, a shareholding of 20.0% to 50.0% of the voting rights of an investee is presumed to give the Group a significant influence.

There are instances that an investor exercises significant influence even if its ownership is less than 20.0%. The Group applies significant judgment in assessing whether it holds significant influence over an investee and considers the following: (a) representation on the board of directors or equivalent governing body of the investee; (b) participation in policy-making processes, including participation in decisions about dividends or other distributions; (c) material transactions between the investor and the investee; (d) interchange of managerial personnel; or (e) provision of essential technical information.

The Parent Company and another investor of Lepanto Consolidated Mining Company (LCMC), an Associate, entered into a collaboration agreement to: (a) jointly vote their fully paid "A" and "B" common shares during stockholders meeting in all matters affecting their right as stockholders; (b) for the parties' respective nominees in the BOD to decide and vote jointly for every corporate act and purpose during meetings of the BOD; and (c) to consult each other on all the issues and corporate acts raised in the BOD and in the stockholders' meetings and come up with a common decision and vote uniformly at the said meetings. The Parent Company and the other investor, together, have two (2) board seats out of the nine (9) or equivalent to 22.2% of the members of the BOD of LCMC. As a result of the collaboration agreement, management assessed that the Parent Company has significant influence over LCMC and accounted for the investment in LCMC under the equity method of accounting.

Estimates

The measurement of impairment losses under PFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

a. *Credit losses on financial assets*

The measurement of impairment losses under PFRS 9 across all categories of financial assets requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Significant factors affecting the estimates on the ECL model include:

- The Group's internal grading model, which assigns PDs to individual grades.
- The Group's criteria for assessing if there has been a SICR and so allowances for financial assets should be measured on a Lifetime Expected Credit Loss (LTECL) basis and the qualitative assessment.
- The Group's definition of default, which is consistent with regulatory requirements.
- The segmentation of financial assets when the ECL is assessed on a collective basis.
- Development of ECL models, including the various formulas and the choice of inputs.

The gross carrying amounts of financial assets subject to ECL as of December 31, 2020 and 2019 are disclosed in Note 4, while the related ECL allowances for credit losses are disclosed in Note 12.

b. *Impairment of non-financial assets (Investments in subsidiaries and associates)*

The Group assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

- significant underperformance relative to historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends

The Group uses the higher of fair value less costs to sell and VIU in determining recoverable amount. Key assumptions in VIU calculation are most sensitive to the following assumptions: a) production volume; b) price; c) exchange rates; d) capital expenditures; and e) forecasted long-term growth rates. The carrying value of investments in subsidiaries and associates of the Group and the Parent Company are disclosed in Note 9.

c. *Recognition of deferred taxes*
Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits, future tax planning strategies, and type of deductions to be availed in the future i.e. either itemized deductions or optional standard deduction (OSD).

As of December 31, 2020 and 2019, the Parent Company and certain subsidiaries of the Group did not recognize deferred tax assets on NOLCO and carryforward benefits of MCIT. The Group assessed based on projection of taxable income that it is not probable that these temporary differences will be realized before the three-year expiration for those incurred before 2020 and five-year expiration for those incurred in 2020. The income of these subsidiaries mainly pertains to trading gains and interest income which are not subject to regular corporate income tax. The Parent Company considers the continuing impact of the COVID-19 pandemic on its projected taxable income and in assessing whether it is probable that these temporary differences will be realized in the foreseeable future.

The carrying amount of deferred tax assets and liabilities and the unrecognized deferred tax assets, for both the Group and the Parent Company, are disclosed in more detail in Note 24.

d. *Present value of retirement obligation*
The cost of the defined benefit pension plan and other post-employment benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

The assumed discount rates were determined using the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as of statement of financial position date.

The mortality rate is based on publicly available mortality tables for the Philippines and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates, seniority, promotion and other market factors.

While the Group believes that the assumptions are reasonable and appropriate, significant differences between actual experience and assumptions may materially affect the cost of employee benefits and related obligations.

As of December 31, 2020 and 2019, the balance of the Group's present value of defined benefit obligations and other employee benefits and the assumptions used in the actuarial valuation are shown in Note 20.

4. Financial Risk Management

The Group has exposures to the following risks from the use of financial instruments:

- Operational risk
- Regulatory compliance risk
- Credit risk
- Liquidity risk
- Market risk

Risk Management Framework
The Group's implementation of the risk management process involves a top-down approach that starts with the BOD. The Parent Company's BOD, through the board-level Risk Oversight Committee (ROC), is actively involved in planning, approving, reviewing, and assessing all risks involved within the Parent Company. ROC also establishes the risk culture and sets the tone for all institutional risk-related activities and ensures that the risk policies are clearly formulated and disseminated within the Parent Company.

The ROC's functions are supported by the Executive Committee (EXCOM), which provides essential inputs and advice, particularly on credit and investment policy matters. The EXCOM is provided with the necessary assistance by the following management working committees, namely: the Senior Management Committee (SMC), the Investment Committee (InCom), Deal Committee (DealCom) and the Policy Committee (PolCom).

The SMC is responsible for identifying, synchronizing and addressing various operational problems and concerns of the Parent Company and certain subsidiaries. The SMC is also tasked with providing the general guidelines and advice on all transactional dealings which consider facet of risks, i.e., market, credit, operational risks, etc. The SMC's other functions are similar to that of Asset and Liability Committee (ALCO) of most banks. Its members comprise of the most senior officers of the Parent Company which have significant risk responsibilities over the asset and liability management.

The InCom is tasked with reviewing all investment proposals, approving investment outlets and guiding the fund managers in the discharge of their respective investing responsibilities.

The DealCom is tasked with the reviewing/screening of new deal proposals preparatory to sending mandate letter, clearing the business units' new deals subject to the final approval of credit authority, and monitoring all deals in process of the business units.

The Compliance Division (CD) also collaborates with the ROC. The main task of the CD is to monitor and assess compliance of various units of the Parent Company and certain subsidiaries to its rules and regulations as well as their compliance with the rules and regulations prescribed by the government regulatory bodies. The CD is also tasked to properly disseminate these rules and regulations to the various units of the Parent Company as well as its subsidiaries when applicable.

The PolCom is tasked with reviewing the policy proposals from all FMIC units which are subsequently confirmed and approved by appropriate body.

The Chief Risk Officer (CRO) manages and oversees the day-to-day activities of the Risk Management Division (RMD). The CRO likewise evaluates all risk policy proposals and reports to be presented to the ROC. The CRO, through the RMD, also coordinates with the Risk Taking Units

(RTUs) and the Risk Control and Compliance Units (RCCUs) of the Parent Company with regard to the submission of requisite reports on their risk compliance and control activities.

RMD is tasked with identifying, analyzing, measuring, controlling and evaluating risk exposures arising from fluctuations in the prices or market values of instruments, products and transactions of the Parent Company and certain subsidiaries. It is responsible for recommending trading risk and liquidity management policies, setting uniform standards of risk assessment and measurement, providing senior management with periodic evaluation and simulation and analyzing limit compliance exceptions. The RMD furnishes daily reports to Senior Management and RTUs and provide monthly reports to ROC. The RMD also coordinates with the Risk Taking Units (RTUs) and the Risk Control and Compliance Units (RCCUs) of the Parent Company with regard to the submission of requisite reports on their risk compliance and control activities.

The identified market, such as equity prices, interest rate and foreign currency, and liquidity, as well as credit and operations risks are consequently measured and then controlled by a system of limits. The RMD defines and presents for approval of the ROC and BOD the various risk management measures to be used in quantifying those risks.

The Parent Company requires either internal or external legal opinions to ensure that all documentations related to transactions entered into by the Parent Company are enforceable. Specific, internal legal functions/responsibilities including coordination with external counsel groups are handled by the Legal Department.

Operational Risk
The Parent Company's operational risk management framework outlines its effective management of operational risks via a staged approach which involves risk identification, analysis and assessment, treatment, monitoring and reporting. The document also provides pertinent operational risk management tools that need to be in place.

In line with the framework, various methodologies and tools were established to facilitate management of operational risk. These include operational risk incident data management, risk event database maintenance, risk assessment, key risk indicator monitoring and contingent legal liability reporting. The Parent Company, likewise, has in place a responsive risk management policy for effective oversight, due diligence and management of risks arising from outsourcing, prior to entering into, as well as, during the lifespan of an outsourcing agreement/arrangement. This is recognizing that while outsourcing can be cost effective and brings other competitive advantages, it also poses an Outsourcing Risk. Outsourcing Risk is the risk that third party service providers may not act within the intended limits of their authority and/or not perform in a manner consistent with outsourcing party's strategies, objectives and desired results, as well as, legal and regulatory requirements.

Moreover, the Parent Company has in place a structured Information Systems Strategic Plan (ISSP). The plan is reviewed and updated on regular basis to keep it in sync with Parent Company's strategic business direction.

The Ultimate Parent Company, on the other hand, thru its Internal Audit Group (IAG), reviews operational risk management processes and provide an independent assurance as to its adequacy and effectiveness.

Credit Risk
Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties, and by monitoring exposures in

relation to such limits. Counterparty credit lines are established by the Parent Company annually to guide its transactions. Business transactions are restricted to these accredited counterparties, and any violations are reported to the designated control units.

The management of credit risk is outlined in the Credit Policy Manual where credit authority and approval bodies are formalized within the institution. This is further supported by various operating manuals from relevant units subject to periodic review, any changes are elevated to appropriate approving body. The Parent Company operates under sound, well-defined credit-granting criteria which include a thorough understanding of the borrower or counterparty, as well as the purpose and structure of the credit, risks and risk mitigants and its source of repayment. Independent validation of credit reviews is done annually. Vendors are subject to financial assessments according to prescribed policy. Credit ratings of counterparties are likewise periodically tracks and reported to board committee level. The Parent Company gathers sufficient information to enable a comprehensive assessment of the true risk profile of the borrower or counterparty through the use of Internal Credit Risk Rating System (ICRRS) as well as rating information from independent credit rating providers. The PFRS 9 - ECL Technical Document provides guidance on the methodology and calculation of the impairment provision; models are assessed and recalibrated as needed.

Management of Credit Risk
The Parent Company faces potential credit risks every time it extends funds to borrowers, commits funds to counterparties, guarantees the paying performance of its clients, invests funds to issuers (e.g., investment securities issued by either sovereign or corporate entities) or enters into market-traded securities either through implied or actual contractual agreements (i.e., on- or off-balance sheet exposures).

The Parent Company manages its credit risk at various levels (i.e., strategic level, portfolio level down to individual credit or transaction) by adopting a credit risk management environment that has the following components:

- Formulating credit policies in areas like documentation and collateral requirements as well as credit assessments and risk grading processes. The monitoring and reporting procedures are likewise documented.
- The guidelines provided by the regulators are also incorporated to internal policies to ensure adherence to regulatory requirements.
- Providing seminars or programs that enhance skills and risk awareness among its personnel.
- Establishing authorization limits for the approval and renewal of credit facilities.
- Independent credit evaluation by Credit Division prior to loan approval.
- Screening of prospective borrowers/deals by the DealCom/SMC prior to endorsement to other Committees like EXCOM.
- Limiting concentrations of exposures by periodic monitoring of counterparties including what industry they belong to.
- Performance of independent credit review validation by RMD.
- Performance of Vendor Financial Assessments for its service providers
- Continuously monitoring the credit quality of various portfolios including certain subsidiaries.
- Maintaining an ICRRS, approved by the BOD, in order to categorize exposures according to the risk profile. The rating system is a combination of quantitative and qualitative factors. This is also used for determining impairment provisions against specific credit exposures. The current risk grading framework consists of ten grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation.

Credit risk at initial recognition
The Group uses internal credit assessment and approvals at various levels to determine the credit risk of exposures at initial recognition. Assessment can be quantitative or qualitative and depends on the materiality of the facility or the complexity of the portfolio to be assessed.

Modification
In certain circumstances, the Group modifies the original terms and conditions of a credit exposure to form a new loan agreement or payment schedule. The modifications can be given depending on the borrower's or counterparty's current or expected financial difficulty. The modifications may include but are not limited to, change in interest rate and terms, principal amount, maturity date, date and amount of periodic payments and accrual of interest and charges.

Maximum exposure to credit risk after collateral held or other credit enhancements
An analysis of the maximum credit risk exposure (net of allowance) relating to financial assets with collateral or other credit enhancements is shown below:

	Consolidated							
	2020				2019			
	Maximum Exposure to Credit Risk	**Fair Value of Collateral**	**Financial Effect of Collateral or Credit Enhancement**	**Net Exposure**	Maximum Exposure to Credit Risk	Fair Value of Collateral	Financial Effect of Collateral or Credit Enhancement	Net Exposure
SPURA	**₱2,593,323,509**	**₱2,591,012,470**	**₱2,591,012,470**	**₱2,311,039**	₱1,346,691,935	₱1,346,691,935	₱1,346,691,935	₱–
Loans and receivables - net								
Loans and discounts								
Corporate lendings	**355,698,127**	**871,881,557**	**355,698,127**	**–**	397,321,306	871,881,557	397,321,306	–
Others	**3,668,508**	**5,986,884**	**3,668,508**	**–**	5,650,500	10,095,005	5,650,500	–
Total	**₱2,952,690,144**	**₱3,468,880,911**	**₱2,950,379,105**	**₱2,311,039**	₱1,749,663,741	₱2,228,668,497	₱1,749,663,741	₱–

	Parent Company							
	2020				2019			
	Maximum Exposure to Credit Risk	**Fair Value of Collateral**	**Financial Effect of Collateral or Credit Enhancement**	**Net Exposure**	Maximum Exposure to Credit Risk	Fair Value of Collateral	Financial Effect of Collateral or Credit Enhancement	Net Exposure
SPURA	**₱2,593,323,509**	**₱2,591,012,470**	**₱2,591,012,470**	**₱2,311,039**	₱1,346,691,935	₱1,346,691,935	₱1,346,691,935	₱–
Loans and receivables - net								
Loans and discounts								
Corporate lendings	**355,698,127**	**871,881,557**	**355,698,127**	**–**	397,321,306	871,881,557	397,321,306	–
Others	**1,865,980**	**1,898,356**	**1,865,980**	**–**	3,759,746	5,838,505	3,759,746	–
	₱2,950,887,616	**₱3,464,792,383**	**₱2,948,576,577**	**₱2,311,039**	₱1,747,772,987	₱2,224,411,997	₱1,747,772,987	₱–

For the other financial assets of the Group and of the Parent Company not presented in the table above, the carrying amounts represent the maximum exposure to credit risk as at December 31, 2020 and 2019.

Collateral and other credit enhancements
The Group holds collateral against loans and receivables in the form of real estate and chattel mortgages, guarantees, and other registered securities over assets. Estimates of fair value are based on the value of the collateral assessed at the time of borrowing and these are periodically updated following the internally approved guidelines on accepted collaterals. Generally, collateral is not held over loans and advances to banks except for reverse repurchase agreements. Collateral valuations are monitored periodically by an independent unit of the Parent Company. Collateral, usually, is not held against investment securities and no such collateral was held as of December 31, 2020 and 2019.

It is the Group's policy to dispose foreclosed properties acquired in an orderly fashion.

Concentrations of Credit Risk
Concentrations of credit risk arise when the company is exposed to particular group of counterparties or a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate relative sensitivity of the Parent Company's performance to developments affecting a particular industry or geographic location.

For risk concentration monitoring purposes, the financial assets are broadly categorized into (1) loans and advances; (2) loans and receivables; and (3) trading and financial investment securities. To mitigate risk concentration, the Parent Company checks for breaches in regulatory and internal limits. Internal credit concentration limits were set at not more than 20.0% and 25.0% of the selected financial assets for counterparties and industry exposures, respectively. Monitoring reports are done monthly wherein the same are elevated to the ROC on its monthly meeting for information and appropriate actions.

Each business unit is responsible for the performance and quality of its credit portfolio and for monitoring and controlling all credit risks in its portfolio. IAG undertakes the periodic review of business units and credit processes.

Concentration of risks of financial assets with credit risk exposure
An analysis of concentrations of credit risk by industry at the statement of financial position date is shown below (amounts shown gross of allowance for credit losses):

	Consolidated			
	2020			
	Loans and Receivables	**Loans and Advances to Banks***	**Investment Securities****	**Total**
Philippine government	**₱31,085,914**	**₱5,100,620,373**	**₱2,830,785,157**	**₱7,962,491,444**
Financial intermediaries	**385,474,865**	**6,072,816,807**	**708,091,613**	**7,166,383,285**
Electricity, gas and water	**375,107,207**	**–**	**271,358,391**	**646,465,598**
Real estate, renting and business activities	**3,718,048**	**–**	**341,984,240**	**345,702,288**
Manufacturing	**8,687,835**	**–**	**336,300,888**	**344,988,723**
Sovereign government	**–**	**–**	**44,729,555**	**44,729,555**
Transportation and storage	**70,967**	**–**	**41,739,879**	**41,810,846**
Construction	**62,268**	**–**	**5,227,977**	**5,290,245**
Information and communication	**12,841**	**–**	**1,995,497**	**2,008,338**
Others (various industries)	**1,470,261,186**	**–**	**84,087,896**	**1,554,349,082**
	₱2,274,481,131	**₱11,173,437,180**	**₱4,666,301,093**	**₱18,114,219,404**

* *Comprises of Cash and other cash items, Due from BSP and SPURA excluding petty cash fund which amounted to ₱187,000.*
** *Comprises of Debt investment securities at FVTPL, FVOCI and Amortized cost.*

	Consolidated			
	2019			
	Loans and Receivables*	Loans and Advances to Banks**	Investment Securities***	Total
Water supply, sewage, waste management and remediation activities	₱488,192,432	₱–	₱–	₱488,192,432
Electricity, gas and water	437,285,402	–	140,860,187	578,145,589
Real estate, renting and business activities	411,177,712	–	130,998,448	542,176,160
Financial intermediaries	392,713,902	3,965,182,171	546,004,366	4,903,900,439
Manufacturing	12,919,460	–	–	12,919,460
Wholesale and retail trade	700,360	–	–	700,360
Construction	450,195	–	32,416,487	32,866,682
Information and communication	86,763	–	13,190,417	13,277,180
Philippine government	–	7,079,998,339	6,073,146,269	13,153,144,608
Transportation and storage	–	–	–	–
Mining and quarrying	–	–	–	–
Sovereign government	–	–	28,970,193	28,970,193
Others (various industries)	411,445,159	–	11,197,850	422,643,009
	₱2,154,971,385	₱11,045,180,510	₱6,976,784,217	₱20,176,936,112

* *Comprises Loans and receivables including commitments which amounted to ₱410,000,000.*
** *Comprises Cash and other cash items, Due from BSP and SPURA excluding petty cash fund which amounted to ₱130,811.*
*** *Comprises Debt Investment securities at FVTPL, FVOCI and Amortized Cost.*

	Parent Company			
	2020			
	Loans and Receivables	**Loans and Advances to Banks***	**Investment Securities****	**Total**
Philippine government	**₱14,543,717**	**₱5,100,620,373**	**₱829,970,852**	**₱5,945,134,942**
Financial intermediaries	**100,817,905**	**305,590,015**	**16,428,087**	**422,836,007**
Electricity, gas and water	**372,866,325**	**–**	**609,263**	**373,475,588**
Real estate, renting and business activities	**970,579**	**–**	**86,496,301**	**87,466,880**
Manufacturing	**7,160,330**	**–**	**–**	**7,160,330**
Construction	**62,268**	**–**	**5,227,977**	**5,290,245**
Information and communication	**12,841**	**–**	**1,995,497**	**2,008,338**
Others (various industries)	**15,247,361**	**–**	**34,703,293**	**49,950,654**
	₱511,681,326	**₱5,406,210,388**	**₱975,431,270**	**₱6,893,322,984**

* *Comprises of Cash and other cash items, Due from BSP and SPURA excluding petty cash fund which amounted to ₱80,000.*
** *Comprises of Investment securities at FVTPL and FVOCI.*

	Parent Company			
	2019			
	Loans and Receivables*	Loans and Advances to Banks**	Investment Securities***	Total
Philippine government	₱34,936,759	₱7,079,998,339	₱4,183,786,045	₱11,298,721,143
Financial intermediaries	108,438,485	1,376,463,552	56,624,681	1,541,526,718
Real estate, renting and business activities	411,137,910	–	101,137,241	512,275,151
Water supply, sewage, waste management and remediation activities	488,192,432	–	–	488,192,432
Electricity, gas and water	436,076,681	–	981,343	437,058,024
Wholesale and retail trade	12,748,396	–	–	12,748,396
Sovereign government	467,670	–	28,970,193	29,437,863
Construction	450,195	–	32,416,487	32,866,682
Information and communication	86,763	–	13,190,417	13,277,180
Others (various industries)	12,005,584	–	10,869,196	22,874,780
	₱1,504,540,875	₱8,456,461,891	₱4,427,975,603	₱14,388,978,369

* *Comprises of Loans and receivables including commitments which amounted to ₱410,000,000.*
** *Comprises of Cash and other cash items, Due from BSP and SPURA excluding petty cash fund which amounted to ₱80,000.*
*** *Comprises of Investment securities at FVTPL and FVOCI.*

Credit quality per class of financial assets

The credit quality of financial assets is assessed and managed using external and internal ratings.

The ICRRS contains the following:

a. Borrower Risk Rating (BRR) - The BRR is an assessment of the credit worthiness of the borrower (or guarantor) without considering the type or amount of the facility and security arrangements. It is an indicator of the probability that a borrower cannot meet its credit obligations in a foreseen manner.

The assessment is described below:

Component	Description	Credit Factor Weight
Financial Condition	Refers to the financial condition of the borrower as indicated by certain financial ratios. The Financial Factor Evaluation is conducted manually by the Credit Division.	40.0%
Industry Analysis	Refers to the prospects of the industry as well as the company's performance and position in the industry.	30.0%
Management Quality	Refers to the management's ability to run the company successfully.	30.0%

b. Facility Risk Factor (FRF) - This is determined for each individual facility considering the term of the facility, security arrangement and quality of documentation. This factor can downgrade or upgrade the BRR based on the elements relating to cover (collateral including pledged cash deposits and guarantee), quality of documentation and structure of transactions.

c. Adjusted Borrower Risk Rating (ABRR) - The combination of BRR and FRF results in ABRR.

d. Composite Risk Rating (CRR) for borrowers with multiple facilities - The weighted average ABRR shall be computed and used in determining the CRR.

The following table shows the description of ICRRS grade as well as the mapping of ICRRS to external credit ratings:

Credit Quality	ICRRS Grade	Description	Moody's/S&P/Fitch Rating Notations	MBRR
High Grade	1	Excellent	AAA	AAA
			Aa1/A+	
			Aa2AA	
			Aa3/AA-	
	2	Strong	A1/A+	A+
			A2/A	A
			A3/A-	A-
Standard Grade	3	Good	Baa/BBB+	BBB+
			Baa2/BBB	BBB
			Baa3/BBB-	BBB-
	4	Satisfactory	Ba1/BB+	BB+
			Ba2/BB	BB
			Ba3/BB-	BB-
	5	Acceptable	B1/B+	B+
			B2/B	B
			B3/B-	B-
Substandard Grade	6	Watchlist	Caa/CCC+	CCC+
	7	Especially mentioned	Caa2/CCC	CCC
Impaired	8	Substandard	Caa3/CCC-	CCC-
	9	Doubtful	D	D
	10	Loss	E	E

1 - Excellent
An "excellent" rating is given to a borrower with no history of delinquencies or defaults, highly liquid and sustaining strong operating trends, unlikely to be affected by external factors and has a competent management that uses current business models.

2 - Strong
A "strong" rating is given to borrowers with the same characteristics as those rated as "excellent" rating, but is only adequately liquid.

3 - Good
A "good" rating is given to a borrower with no history of default in the last 12 months. The entity's borrowing base can support its line of credit, and it is meeting performance expectations. It is unlikely to be affected by external factors and has a competent management that uses current business models.

4 - Satisfactory
A "satisfactory" rating is given to a borrower that pays as agreed, but is not necessarily non-delinquent. The entity has adequate to marginal liquidity and generally meets performance expectations. While there are external factors that may affect the entity, these will likely be overcome. A lack of key management experience may be a current problem for the entity, and such could be brought about by a recent departure of a key employee.

5 - Acceptable
An "acceptable" rating is given to a borrower that is current in its payments while not necessarily paying as agreed. The entity has marginal liquidity and has a declining trend in operations or an imbalanced position in the statement of financial position, though not to the point that repayment is jeopardized. There are identified external disruptions though the impact on the entity is uncertain. There may also be some turnover causing key management positions to stay vacant.

6 - Watchlist
This rating is given to a borrower that may either be current in its payments or 30 to 60 days past due. The entity has marginal liquidity and may not be meeting performance expectations, even having defaulted on some of its loans. There are identified disruptions that negatively affect the entity's performance, though there are near-term solutions. Management may also have changed its business model with negative implications for the entity.

7 - Especially Mentioned
The borrower in this rating shows evidence of weakness in its financial condition, having expected financial difficulties. There is a real risk that the entity's ability to pay the interest and principal on time could be jeopardized. Without government intervention, external factors will negatively impact the entity. The entity's ability or willingness to service debt is in doubt, likely causing a need to reschedule payments.

8 - Substandard
For a "substandard" borrower, the debt burden has become too heavy, only to be made worse by weak or negative cash flows and interest coverage. This makes the collection of principal or interest payments questionable, causing an assessment of default of up to 25.0%. Unless given closer supervision, the institution will likely suffer a future loss. External factors may be causing an adverse trend, or there may be a significant weakness in the entity's collateral. Management has an unfavorable record and lacks managerial capability.

9 - Doubtful
This rating is given to a nonperforming borrower where a payment default has occurred, due to the borrower's inability or unwillingness to service debt over an extended period of time. Loss is unavoidable and significant, the extent of probable loss on the loan assessment of default is up to 50.0%. However, there may be external factors that may strengthen the entity's assets, e.g. merger, acquisition, and capital injection. Management has an unfavorable record and lacks managerial capability.

10 - Loss
This rating is given to a borrower when debt service or the prospect for re-establishment of credit worthiness has become remote. This may be due to the fact that the borrower and/or his co-makers have become insolvent, thus, the lender may already be preparing foreclosure procedures. A full provision is made on that part of the principal which is not fully and adequately covered. While the loan covers basically worthless assets, writing off these loans is neither practical nor desirable for the lender.

Risk Rating References - Investment Securities
In ensuring a quality investment portfolio, the Parent Company uses the ICRRS as well as credit risk ratings from eligible external credit rating agencies like Philratings, CRISP, Moody's, Standard & Poor's and other reputable rating agencies.

In undertaking its investment transactions, the Parent Company is also guided by the BOD-approved manual of procedures and the applicable rules and regulations issued by the concerned regulatory bodies of the government. The Parent Company's Compliance Unit, in collaboration with Legal Unit, is tasked with monitoring adherence to these risk areas.

Cash and Other Cash Items
Cash and other cash items of the Group were rated based on credit risk ratings from published data providers like Moody's, Standard & Poor's and other reputable rating agencies.

Collateral
The Parent Company's Credit Policy Manual incorporated the list of acceptable collaterals and corresponding valuation parameters. For real estate mortgages, it provides for a separate collateral appraisal by an independent appraisal firm as required by regulators and a re-appraisal for at least every two years as circumstances warrant.

Monitoring of compliance by the RMD of the approved exposure limits, likewise, with concentration limit.

The following are applied in classifying the credit exposure into the PFRS 9 stages along with the corresponding PD to be assigned:

Stages	Status	PD
Stage 1	Current	12-month PD
Stage 2	Current	Lifetime PD
Stage 3	Item in Litigation ("ITL") or past due	100% PD

The Group considers investments in financial assets that are investment grade as low credit risk.

The following tables show the credit quality of the Group and the Parent Company's financial assets, gross of allowance for credit losses, as of December 31, 2020 and 2019, all of which are classified as Stage 1.

	2020		2019	
	Consolidated	**Parent**	Consolidated	Parent
Due from BSP				
High Grade	**₱2,507,296,864**	**₱2,507,296,864**	₱5,733,306,404	₱5,733,306,404
Due from Other Banks				
High Grade	**5,527,841,686**	**305,590,015**	3,644,145,253	1,376,463,552
Standard Grade	–	–	197,581,893	–
Unrated	**544,975,121**	–	123,402,556	–
	6,072,816,807	**305,590,015**	3,965,129,701	1,376,463,552
SPURA				
High Grade	**2,593,323,509**	**2,593,323,509**	1,346,691,935	1,346,691,935,
Total Loans and Advances to Banks				
High Grade	**10,628,462,059**	**5,406,210,388**	10,724,143,592	8,456,461,891
Standard Grade	–	–	197,581,893	–
Unrated	**544,975,121**	–	123,402,556	–
	₱11,173,437,180	**₱5,406,210,388**	₱11,045,128,041	₱8,456,461,891

(Forward)

	2020		2019	
	Consolidated	**Parent**	Consolidated	Parent
FVOCI Investments				
Government				
High Grade	**₱2,288,134**	**₱–**	₱732,427,807	₱728,714,447
Standard Grade	**504,969**	**–**	513,931	–
	2,793,103	**–**	732,941,738	728,714,447
Private				
High Grade	**35,983,511**	**–**	35,745,863	–
Total FVOCI Investments				
High Grade	**38,271,645**	**–**	768,173,670	728,714,447
Standard Grade	**504,969**	**–**	513,931	–
	38,776,614	**–**	768,687,601	728,714,447
Investment Securities at Amortized Cost				
Government				
High Grade	**170,754,586**	**–**	200,240,776	–
Standard Grade	**116,939,606**	**–**	122,094,816	–
	287,694,192	**–**	322,335,592	–
Private				
High Grade	**313,744,429**	**–**	178,049,000	–
Standard Grade	**814,644,179**	**–**	90,400,000	
Unrated	**49,384,604**			–
	1,177,773,212	**–**	268,449,000	–
Total Investment Securities at Amortized Cost		**–**		
High Grade	**484,499,015**	**–**	378,289,776	–
Standard Grade	**931,583,785**	**–**	212,494,816	–
Unrated	**49,384,604**	**–**		
	1,465,467,404	**–**	590,784,592	–
Total Investment Securities				
High Grade	**522,770,660**	**–**	1,146,463,446	728,714,447
Standard Grade	**932,088,754**	**–**	213,008,747	–
Unrated	**49,384,604**	**–**		
	₱1,504,244,018	**₱–**	₱1,359,472,193	₱728,714,447
Loans and Discount				
Standard Grade	**₱455,704,355**	**₱462,704,354**	₱425,408,709	₱525,408,709
Unrated	**8,730,139**	**5,841,217**	105,921,463	9,031,831
	464,434,494	**468,545,571**	531,330,172	534,440,540
Unquoted commercial papers				
Standard Grade	**65,000,000**	**–**	629,954,383	480,000,000
Accounts Receivable				
High Grade	**–**	**–**	12,904,627	2,573,847
Standard Grade	**162,200**	**322,752**	25,705,046	16,300,894
Substandard Grade	**131,871,948**	**–**	52,632,402	1,770
Unrated	**1,544,110,864**	**26,024,747**	362,836,723	2,974,871
	1,676,145,012	**26,347,499**	454,078,798	21,851,382
Accrued Interest Receivable				
High Grade	**23,890,531**	**6,512,478**	59,119,918	37,190,725
Standard Grade	**23,657,748**	**10,275,778**	30,058,294	21,058,228
Unrated	**276,426**	**–**	2,131,861	–
	47,824,705	**16,788,256**	91,310,073	58,248,953
Dividend Receivables				
High Grade	**–**	**–**	3,093,896	–
Standard Grade	**–**	**–**	–	–
Unrated	**3,213,966**	**–**	12,243	–
	3,213,966	**–**	3,106,139	–

(Forward)

	2020		2019	
	Consolidated	**Parent**	Consolidated	Parent
Other Receivables				
Unrated	**₱17,862,955**	**₱–**	₱35,191,820	₱–
	17,862,955	**–**	35,191,820	–
Total Loans and Receivables				
High Grade	**23,890,531**	**6,512,478**	72,024,545	39,764,572
Standard Grade	**544,524,302**	**473,302,884**	1,114,220,328	1,042,767,831
Substandard Grade	**131,871,948**	**–**	52,632,402	1,770
Unrated	**1,574,194,350**	**31,865,964**	506,094,110	12,006,702
	₱2,274,481,131	**₱511,681,326**	₱1,774,971,835	₱1,094,540,875
Loan Commitments and Financial Guarantees				
Standard Grade	**₱–**	**₱–**	₱410,000,000	₱410,000,000

Impaired loans and receivables - are loans and receivables for which the Group determines that it is probable that it will be unable to collect all principal and interest due based on the contractual terms of the promissory note and security agreements. Loan classification in terms of provisioning are aligned with regulatory guidelines.

A financial instrument is considered default when the obligation is not paid on its maturity date or any event of default trigger in the agreement and if on maturity, that account is not granted an extension of payment or is not restructured. Account classification in terms of provisioning is aligned with regulatory guidelines.

As of December 31, 2020 and 2019, the Group and the Parent Company has no outstanding past due but not impaired loans and receivables.

Liquidity risk and Funding management
Liquidity risk is generally defined as the current and prospective risk to earnings or capital arising from the Group's inability to meet its obligations when they come due without incurring unacceptable losses or costs.

Liquidity management is among the most important activities conducted within the Group. The Group manages its liquidity risk through analyzing net funding requirements under alternative scenarios, diversification of funding sources and contingency planning.

For liquidity risk, the Group uses the Maximum Cumulative Outflow (MCO or Liquidity Gap) analysis in analyzing its funding requirements. The report is prepared once a month and forwarded to the SMC and the RTU. The assumptions employed in the preparation of this report are approved by the BOD. These assumptions are reviewed and updated, as necessary, by the Senior Management through the RMD and Treasury Group. In addition, the Group develops a Liquidity Risk Management and Contingency Funding Plan to serve as reference in case of an occurrence of an event. This plan is also approved by the BOD.

The Group's liquidity risk is managed by holding sufficient liquid assets of appropriate quality to ensure short-term funding requirements are met and by maintaining a portfolio of unencumbered government securities. Deposits with banks are made on a short-term basis with almost all being available on demand or within one month.

The Treasury Group uses liquidity forecast models that estimate the Group's cash flow needs based on the Group's actual contractual obligations and under normal and extraordinary circumstances. Based on the behavioral pattern of the deposit substitute accounts, which has been observed to have a "core deposit" level of about 80.0% to 90.0%, liquidity forecast and/or plans for its use are determined like earmarking for future loans and for other investment outlets. The plans and strategies in the liquidity risk management are contained in the board-approved Liquidity Risk Management and Contingency Funding Plan.

Liquidity is monitored by the Group on a daily basis and further analyzed at predetermined scenarios/situations.

Financial assets
Analysis of equity and debt securities at FVTPL into maturity groupings is based on the expected date on which these assets will be realized. For other assets, the analysis into maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date or if earlier, the expected date the assets will be realized.

Financial liabilities
The maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date. When a counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Group can be required to pay.

The table below shows the maturity profile of the financial instruments:

	Consolidated								
	December 31, 2020								
	On Demand	Up to 1 Month	More than 1 Month	More than 3 Months	More than 6 Months	More than 1 Year	More than 2 Years	Beyond 5 Years	Total
Financial Assets									
Loans and advances									
Cash and other cash items	**₱6,073,003,807**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱6,073,003,807**
Due from BSP	**2,507,296,864**	–	–	–	–	–	–	–	**2,507,296,864**
SPURA	–	**2,593,323,509**	–	–	–	–	–	–	**2,593,323,509**
	8,580,300,671	**2,593,323,509**	–	–	–	–	–	–	**11,173,624,180**
Financial assets at FVTPL									
Government debt securities	–	**2,585,027,416**	–	–	–	–	–	–	**2,585,027,416**
Private debt securities	–	**577,029,659**	–	–	–	–	–	–	**577,029,659**
Equity securities	–	**6,471,230,681**	–	–	–	–	–	–	**6,471,230,681**
Investment Securities at FVOCI									
Government debt securities	–	**66,600**	–	**6,603**	**73,203**	**146,406**	**886,433**	**2,464,200**	**3,643,445**
Private debt securities	–	–	–	**1,041,630**	**2,209,823**	**31,294,755**	**5,259,375**	–	**39,805,583**
Quoted equity investments	–	–	–	–	–	–	–	**1,066,371,532**	**1,066,371,532**
Unquoted equity investments	–	–	–	–	–	–	–	**112,019,820**	**112,019,820**
Investment Securities at amortized cost									
Government debt securities	–	**4,000,000**	**32,063**	**69,342,108**	**5,609,135**	**11,218,269**	**142,441,412**	**148,000,000**	**380,642,987**
Private debt securities	**5,700,000**	**35,970,750**	**796,350**	**1,096,543**	**206,122,656**	**124,924,502**	**405,471,606**	**164,482,500**	**944,564,907**
	5,700,000	**9,673,325,106**	**828,413**	**71,486,884**	**214,014,817**	**167,583,932**	**554,058,826**	**1,493,338,052**	**12,180,336,030**
Loans and receivables									
Loans and discounts									
Corporate lending	–	–	**141,496,812**	–	**49,552,339**	**316,388,038**	–	–	**507,437,189**
Others	–	**51,848**	**11,674**	**196,867**	**411,945**	**2,637,288**	**2,721,777**	**3,095,688**	**9,127,087**
	–	**51,848**	**141,508,486**	**196,867**	**49,964,284**	**319,025,326**	**2,721,777**	**3,095,688**	**516,564,276**
Unquoted commercial papers	–	–	**419,250**	**419,250**	**838,500**	**66,677,000**	–	–	**68,354,000**
Accrued interest receivable	–	–	**47,824,704**	–	–	–	–	–	**47,824,704**
Accounts receivable	–	–	**1,676,145,012**	–	–	–	–	–	**1,676,145,012**
Dividends receivable	–	–	**3,213,966**	–	–	–	–	–	**3,213,966**
Other receivables	–	–	**17,862,955**	–	–	–	–	–	**17,862,955**
	–	**51,848**	**1,886,974,373**	**616,117**	**50,802,784**	**385,702,326**	**2,721,777**	**3,095,688**	**2,329,964,913**
	₱8,586,000,671	**₱12,266,700,463**	**₱1,887,802,786**	**₱72,103,001**	**₱264,817,601**	**₱553,286,258**	**₱556,780,603**	**₱1,496,433,740**	**₱25,683,925,123**

	Consolidated								
	December 31, 2020								
	On Demand	**Up to 1 Month**	**More than 1 Month**	**More than 3 Months**	**More than 6 Months**	**More than 1 Year**	**More than 2 Years**	**Beyond 5 Years**	**Total**
Financial Liabilities									
Bills payable	**₱–**	**₱3,225,910,770**	**₱639,283,066**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱3,865,193,836**
Accrued interest and other expenses	**–**	**–**	**82,810,896**	**–**	**–**	**–**	**–**	**–**	**82,810,896**
Accounts payable	**–**	**–**	**5,872,032,197**	**–**	**–**	**–**	**–**	**–**	**5,872,032,197**
Lease liabilities	**8,273,660**	**2,801,804**	**5,656,602**	**8,621,242**	**4,663,083**	**5,271,558**	**–**	**–**	**35,287,949**
Other liabilities	**–**	**–**	**170,143,610**	**–**	**–**	**–**	**–**	**–**	**170,143,610**
	8,273,660	**3,228,712,574**	**6,769,926,371**	**8,621,242**	**4,663,083**	**5,271,558**	**–**	**–**	**10,025,468,488**
Puttable instruments classified as liability	**8,314,673,287**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**8,314,673,287**
	₱8,322,946,947	**₱3,228,712,574**	**₱6,769,926,371**	**₱8,621,242**	**₱4,663,083**	**₱5,271,558**	**₱–**	**₱–**	**₱18,340,141,775**

	Consolidated								
	December 31, 2019								
	On Demand	Up to 1 Month	More than 1 Month	More than 3 Months	More than 6 Months	More than 1 Year	More than 2 Years	Beyond 5 Years	Total
Financial Assets									
Loans and advances									
Cash and other cash items	₱677,993,047	₱3,288,029,237	₱–	₱–	₱–	₱–	₱–	₱–	₱3,966,022,284
Due from BSP	1,255,306,404	4,481,718,778	–	–	–	–	–	–	5,737,025,182
SPURA	–	1,346,991,200	–	–	–	–	–	–	1,346,991,200
	1,933,299,451	9,116,739,215	–	–	–	–	–	–	11,050,038,666
Financial assets at FVTPL									
Government debt securities	–	6,126,752,586	–	–	–	–	–	–	6,126,752,586
Private debt securities	–	699,400,259	–	–	–	–	–	–	699,400,259
Equity securities	–	6,603,467,369	–	–	–	–	–	–	6,603,467,369
Investment Securities at FVOCI									
Government debt securities	–	–	–	–	1,707,496	–	562,320	1,075,399,730	1,077,669,546
Private debt securities	–	–	–	–	–	–	36,620,519	5,860,995	42,481,514
Quoted equity investments	–	–	–	–	–	–	–	1,003,427,702	1,003,427,702
Unquoted equity investments	–	–	–	–	–	–	–	115,967,403	115,967,403
Investment Securities at amortized cost									
Government debt securities	–	–	2,491,150	150,770,498	48,857,666	–	1,338,184,700	–	1,540,304,014
Private debt securities	–	–	3,032,397	–	25,826,803	248,777,208	10,230,430	–	287,866,838
	–	13,429,620,214	5,523,547	150,770,498	76,391,965	248,777,208	1,385,597,969	2,200,655,830	17,497,337,231

(Forward)

	Consolidated								
	December 31, 2019								
	On Demand	Up to 1 Month	More than 1 Month	More than 3 Months	More than 6 Months	More than 1 Year	More than 2 Years	Beyond 5 Years	Total
Loans and receivables									
Loans and discounts									
Corporate lending	₱–	₱–	₱32,119,730	₱–	₱33,781,257	₱72,492,914	₱370,420,754	₱–	₱508,814,655
Others	–	18,915	69,464	180,079	142,063	3,217,589	7,551,158	7,182,788	18,362,056
	–	18,915	32,189,194	180,079	33,923,320	75,710,503	377,971,912	7,182,788	527,176,711
Unquoted commercial papers	–	–	–	153,883,171	2,644,972	523,060,121	–	–	679,588,264
Accrued interest receivable	–	–	91,310,073	–	–	–	–	–	91,310,073
Accounts receivable	–	–	454,078,798	–	–	–	–	–	454,078,798
Dividends receivable	–	–	3,106,139	–	–	–	–	–	3,106,139
Other receivables	–	–	35,191,820	–	–	–	–	–	35,191,820
	–	18,915	615,876,024	154,063,250	36,568,292	598,770,624	377,971,912	7,182,788	1,790,451,805
	₱1,933,299,451	₱22,546,378,344	₱621,399,571	₱304,833,748	₱112,960,257	₱847,547,832	₱1,763,569,881	₱2,207,838,618	₱30,337,827,702
Financial Liabilities									
Bills payable	₱–	₱5,751,726,505	₱4,429,887,132	₱124,671,758	₱1,047,270,762	₱–	₱–	₱–	₱11,353,556,157
Accrued interest and other expenses	–	–	75,551,574	–	–	–	–	–	75,551,574
Accounts payable	–	–	2,330,848,240	–	–	–	–	–	2,330,848,240
Lease liabilities	–	4,312,622	7,204,366	9,777,586	20,208,375	25,024,974	7,324,951	–	73,852,874
Other liabilities	–	–	131,586,677	–	–	–	–	–	131,586,677
	–	5,756,039,127	6,975,077,989	134,449,344	1,067,479,137	25,024,974	7,324,951	–	13,965,395,522
Puttable instruments classified as liability	6,553,071,770	–	–	–	–	–	–	–	6,553,071,770
	₱6,553,071,770	₱5,756,039,127	₱6,975,077,989	₱134,449,344	₱1,067,479,137	₱25,024,974	₱7,324,951	₱–	₱20,518,467,292
Commitments	₱410,000,000	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱410,000,000

	Parent Company December 31, 2020								
	On Demand	Up to 1 Month	More than 1 Month	More than 3 Months	More than 6 Months	More than 1 Year	More than 2 Years	Beyond 5 Years	Total
Financial Assets									
Loans and advances									
Cash and other cash items	**₱305,670,015**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱305,670,015**
Due from BSP	**2,507,296,864**	–	–	–	–	–	–	–	**2,507,296,864**
Interbank loans receivable	–	**2,593,323,509**	–	–	–	–	–	–	**2,593,323,509**
	2,812,966,879	**2,593,323,509**	–	–	–	–	–	–	**5,406,290,388**
Financial assets at FVTPL		–							
Government debt securities	–	**829,970,852**	–	–	–	–	–	–	**829,970,852**
Private debt securities	–	**145,460,418**	–	–	–	–	–	–	**145,460,418**
Investment Securities at FVOCI									
Quoted equity investments	–	–	–	–	–	–	–	**953,313,664**	**953,313,664**
Unquoted equity investments	–	–	–	–	–	–	–	**112,019,820**	**112,019,820**
	–	**975,431,270**	–	–	–	–	–	**1,065,333,484**	**2,040,764,754**
Loans and receivables									
Loans and discounts									
Corporate lending	–	–	**141,496,812**	–	**49,552,339**	**316,388,038**	–	–	**507,437,189**
Others	–	**51,848**	**4,286**	**150,905**	**277,314**	**1,824,494**	**2,350,711**	**3,095,688**	**7,755,246**
	–	**51,848**	**141,501,098**	**150,905**	**49,829,653**	**318,212,532**	**2,350,711**	**3,095,688**	**515,192,435**
Accrued interest receivable	–	–	**16,788,256**	–	–	–	–	–	**16,788,256**
Accounts receivable	–	–	**26,347,498**	–	–	–	–	–	**26,347,498**
	–	**51,848**	**184,636,582**	**150,905**	**49,829,653**	**318,212,532**	**2,350,711**	**3,095,688**	**558,328,189**
	₱2,812,966,879	**₱3,568,806,627**	**₱184,636,852**	**₱150,905**	**₱49,829,653**	**₱318,212,532**	**₱2,350,711**	**₱1,068,429,172**	**₱8,005,383,331**
Financial Liabilities									
Bills payable	**₱–**	**₱3,225,910,770**	**₱639,283,066**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱3,865,193,836**
Accrued interest and other expenses	–	**20,982,872**	–	–	–	–	–	–	**20,982,872**
Accounts payable	–	**248,981,321**	–	–	–	–	–	–	**248,981,321**
Lease Liabilities	**8,273,660**	**2,178,319**	**4,397,075**	**6,700,139**	**488,661**	–	–	–	**22,037,854**
Other liabilities	–	**32,093,760**	–	–	–	–	–	–	**32,093,760**
	₱8,273,660	**₱3,530,147,042**	**₱643,680,141**	**₱6,700,139**	**₱488,661**	**₱–**	**₱–**	**₱–**	**₱4,189,289,643**

	Parent Company								
	December 31, 2019								
	On Demand	Up to 1 Month	More than 1 Month	More than 3 Months	More than 6 Months	More than 1 Year	More than 2 Years	Beyond 5 Years	Total
Financial Assets									
Loans and advances									
Cash and other cash items	₱262,493,551	₱1,114,862,583	₱–	₱–	₱–	₱–	₱–	₱–	₱1,377,356,134
Due from BSP	1,255,306,404	4,481,718,778	–	–	–	–	–	–	5,737,025,182
Interbank loans receivable	–	1,346,991,200	–	–	–	–	–	–	1,346,991,200
	1,517,799,955	6,943,572,561	–	–	–	–	–	–	8,461,372,516
Financial assets at FVTPL	–								
Government debt securities	–	3,982,464,745	–	–	–	–	–	–	3,982,464,745
Private debt securities	–	280,202,808	–	–	–	–	–	–	280,202,808
Investment Securities at FVOCI									
Government debt securities	–	–	–	–	–	–	–	1,071,742,129	1,071,742,129
Quoted equity investments	–	–	–	–	–	–	–	885,960,327	885,960,327
Unquoted equity investments	–	–	–	–	–	–	–	115,967,403	115,967,403
	–	4,262,667,553	–	–	–	–	–	2,073,669,859	6,336,337,412
Loans and receivables									
Loans and discounts									
Corporate lending	₱–	₱–	₱32,119,730	₱101,661,111	₱33,781,257	₱72,492,914	₱370,420,754	₱–	₱610,475,766
Others	–	17,348	46,842	122,430	81,387	1,808,781	4,466,431	7,182,788	13,726,007
	–	17,348	32,166,572	101,783,541	33,862,644	74,301,695	374,887,185	7,182,788	624,201,773
Unquoted commercial papers	–	–	–	–	2,644,972	523,060,121	–	–	525,705,093
Accrued interest receivable	–	–	58,248,953	–	–	–	–	–	58,248,953
Accounts receivable	–	–	21,851,382	–	–	–	–	–	21,851,382
	–	17,348	112,266,907	101,783,541	36,507,616	597,361,816	374,887,185	7,182,788	1,230,007,201
	₱1,517,799,955	₱11,206,257,462	₱112,266,907	₱101,783,541	₱36,507,616	₱597,361,816	₱374,887,185	₱2,080,852,647	₱16,027,717,129
Financial Liabilities									
Bills payable	₱–	₱5,751,726,505	₱4,429,877,132	₱124,671,758	₱1,047,270,762	₱–	₱–	₱–	₱11,353,546,157
Accrued interest and other expenses	–	41,286,143	–	–	–	–	–	–	41,286,143
Accounts payable	–	257,899,461	–	–	–	–	–	–	257,899,461
Lease Liabilities	–	1,907,851	3,851,050	5,866,067	12,690,498	13,678,569	–	–	37,994,035
Other liabilities	90,021,153	40,568,254	–	–	–	–	–	–	130,589,407
	₱90,021,153	₱6,093,388,214	₱4,433,728,182	₱130,537,825	₱1,059,961,260	₱13,678,569	₱–	₱–	₱11,821,315,203
Commitments	₱410,000,000	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱410,000,000

Market risk

Market risk is the risk of loss to future earnings, fair values or future cash flows that may result from changes in the price of a financial instrument. The Parent Company's market risk originates from its holdings of debt securities and equities.

The Parent Company manages market risk by segregating its statement of financial position into a trading book and a banking book. The management of this portfolio is assigned to the SMC, chaired by the President.

The RMD serves under the ROC and performs daily market risk analyses to ensure compliance with the company's policies and procedures. The methodologies used in managing the risk include the daily marking-to-market, monitoring of loss alerts and stop loss limits, profit alert and start sell limits, nominal position limits as well as Value-at-Risk (VaR) and Earnings-at-Risk (EaR) limits.

Stress testing on the portfolio is also done on a daily basis to complement the VaR methodology. The stress testing results are reported to the President and Treasurer as well as to the Controller and the CRO and subsequently to the ROC and the BOD.

A summary of the VaR levels of the trading portfolio of the Parent Company appears below (amounts in millions):

		Bonds	
	Equities	**PHP**	**USD**
As of December 31, 2020			
December 29		**3.22**	–
Average	–	**9.48**	**2.74**
Highest	–	**72.34**	**6.84**
Lowest	–	**1.88**	**0.18**
As of December 31, 2019			
December 27	–	9.05	0.181
Average	0.99	30.26	3.635
Highest	9.42	89.66	11.337
Lowest	0.64	4.86	0.180

Guiding daily monitoring activities are limits structures that are based on annual targets set during budget hearings, approved by the ROC and the BOD. Monitoring reports are discussed in the ROC monthly meetings.

The Group follows a prudent policy in managing its assets and liabilities to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. Majority of the Parent Company's loan portfolio have no repricing rate arrangements. The determination of the applicable rates is sourced from the Parent Company's approved lending rates. Lending rates are determined based on funding cost plus certain spreads. As of December 31, 2020 and 2019, total loans and discounts earned fixed annual interest rates ranging from 4.0% to 10.8% and from 5.4% to 10.8%,for the Group and the Parent Company, respectively, in 2020 and 6.5% to 10.8% and from 8.0% to 10.8%, for the Group and the Parent Company, respectively, in 2019.

Another interest rate risk area where the Parent Company has exposures is on the effect of future changes in the prevailing level of interest rates on its fixed and floating interest rate-financial assets and liabilities. It has identified the financial assets and liabilities that are to mature or to reprice in the future and monitors its effect on the statement of income and equity.

The Company slots its interest rate sensitive assets or liabilities according to maturity or repricing date, whichever comes first. The Company has no non-maturing deposits. Interest rate risk in the banking book is measured through the Interest Rate Gap and EaR, measured and reported monthly.

The tables below demonstrate the sensitivity to a reasonable possible change in interest rates with all other variables held constant, of the Group's income before tax (through the impact on interest for floating rate instruments and financial debt assets at FVTPL) and the Group's equity (through the impact on unrealized gain (loss) on FVOCI fixed rate debt securities).

Consolidated 2020

	Increase (Decrease) in basis points	Sensitivity of net interest income and trading gains	Sensitivity of equity: 0 up to 6 months	6 months to 1 year	1 year to 5 years	More than 5 years	Total
Currency							
PhP	**+10**	**₱894,835**	**₱–**	**₱–**	**(₱65,112)**	**(₱18,642)**	**(₱83,754)**
USD	**+10**	**–**	**–**	**–**	**(6,195)**	**–**	**(6,195)**
Currency							
PhP	**-10**	**597,553**	**–**	**–**	**65,289**	**18,829**	**84,118**
USD	**-10**	**–**	**–**	**–**	**6,213**	**–**	**6,213**

Consolidated 2019

	Increase (Decrease) in basis points	Sensitivity of net interest income and trading gains	Sensitivity of equity: 0 up to 6 months	6 months to 1 year	1 year to 5 years	More than 5 years	Total
Currency							
PhP	+10	(₱14,254,862)	₱–	₱–	(₱71,807)	(₱4,953,626)	(₱5,025,433)
USD	+10	–	–	–	(1,774)	(14,439)	(16,213)
Currency							
PhP	-10	14,366,559	–	–	72,017	4,993,583	5,065,600
USD	-10	–	–	–	1,777	14,569	16,346

Parent Company 2020

	Increase (Decrease) in basis points	Sensitivity of net interest income and trading gains	Sensitivity of equity: 0 up to 6 months	6 months to 1 year	1 year to 5 years	More than 5 years	Total
Currency							
PhP	**+10**	**₱1,207,763**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**
USD	**+10**	**–**	**–**	**–**	**–**	**–**	**–**
Currency							
PhP	**-10**	**(98,688)**	**–**	**–**	**–**	**–**	**–**
USD	**-10**		**–**	**–**	**–**	**–**	**–**

Parent Company 2019

	Increase (Decrease) in basis points	Sensitivity of net interest income and trading gains	Sensitivity of equity: 0 up to 6 months	6 months to 1 year	1 year to 5 years	More than 5 years	Total
Currency							
PhP	+10	(₱11,661,638)	₱–	₱–	₱–	(₱4,914,027)	(₱4,914,027)
USD	+10		–	–	–	–	–
Currency							
PhP	-10	11,722,155	–	–	–	4,953,673	4,953,673
USD	-10		–	–	–	–	–

The impact on the Company's equity already excludes the impact on transactions affecting the statement of income. The sensitivity to predetermined basis points of 10.0 is considered stressful enough for this purpose.

Market risk weighted assets
The following shows the total market risk-weighted assets broken down by type of exposures:

	Consolidated		Parent	
	2020	2019	**2020**	2019
Interest rate exposures	**₱167,504,201**	₱848,438,192	**₱167,504,201**	₱848,438,192
Foreign exchange exposures	**29,659,970**	23,925,867	**39,333,065**	45,684,555
Total	**₱197,164,171**	₱872,364,059	**₱206,837,266**	₱894,122,747

Foreign exchange risk
Foreign exchange risk is the risk to earnings or capital arising from changes in foreign exchange rates. The Group takes an exposure to effects on the fluctuations in the prevailing foreign currency exchange rates on its cash flows.

The tables below summarize the Group and the Parent Company's exposure to foreign currency risk as of December 31, 2020 and 2019:

	Consolidated		
	2020	2019	
	US Dollar	US Dollar	Euro
Financial assets			
Loans and advances			
Cash and other cash items	**$6,624,222**	$26,522,299	€7,896
Investment securities at FVTPL			
Government securities	**6,480,775**	2,470,963	–
Private corporation	**2,396,067**		
Investment securities at FVOCI			
Government securities	**–**	10,150	–
Investment securities at AC			
Government securities	**2,339,803**		
Accounts receivable	**86,710**	1,866	–
Accrued interest receivable	**96,225**	53,189	–
	$18,023,801	$29,058,467	€7,896
Financial liabilities			
Bills payable	**$5,317,958**	$27,317,607	€–
IBCL Payable	**–**	20,000,000	–
Accounts payable	**2,327**	75,467	–
Accrued interest payable	**2,534**	237,235	–
	$5,322,819	47,630,309	–
Net assets in foreign currency	**$12,700,982**	($18,571,842)	€7,896

	Parent Company		
	2020	2019	
	US Dollar	US Dollar	Euro
Financial assets			
Loans and advances			
Cash and other cash items	**$4,501,445**	$26,018,982	€7,896
Investment securities at FVTPL			
Government securities	**–**	572,138	–
Accrued interest receivable	**–**	15,158	–
	$4,501,445	$26,606,278	€7,896

	Parent Company		
	2020	2019	
	US Dollar	US Dollar	Euro
Financial liabilities			
Bills payable	**$5,317,958**	$27,317,607	€–
IBCL payable	**–**	20,000,000	–
Accrued interest payable	**2,534**	237,235	–
	$5,320,492	47,554,842	–
Net assets in foreign currency	**($819,047)**	($20,948,564)	€7,896

The exchange rates used to convert the Group's US Dollar-denominated and Euro-denominated assets and liabilities into Philippine Peso follow:

	US Dollar-Philippine Peso
Exchange rate	
2020	**₱48.02 to US$1.0**
2019	₱50.64 to US$1.0

The following tables set forth the impact of the range of possible changes in the US Dollar-Philippine Peso exchange rate and Euro-Philippine Peso exchange rate on the Group's income before income tax and equity (due to the revaluation of monetary assets and liabilities) for the years ended December 31, 2020 and 2019 (in millions):

	Consolidated and Parent Company			
	2020		2019	
Increase (Decrease)	**Change in Income Before Tax**	**Change in Equity**	Change in Income Before Tax	Change in Equity
US Dollar				
1.0%	**(₱0.39)**	**₱0.2**	(₱9.41)	₱0.01
(1.0%)	**0.39**	**(0.2)**	9.41	(0.01)

Equity price risk

Equity price risk is the risk that the fair values of equities will fluctuate as a result of changes in the levels of equity indices and the value of individual stocks. The non-trading equity price risk exposures arise from the Parent Company's investment portfolio and a few club shares.

The Parent Company's policies and procedures as well as risk limit structures on its equity investment portfolio are approved by the ROC and BOD. Management's strategies and plans are discussed in the regular InCom meetings. The committee is headed by the President and the members include the Treasurer and the investment managers.

The following tables set forth, for the period indicated, the impact of a reasonable possible change in the PSE index (PSEi), with all other factors being held constant, on the Group's unrealized gain or loss on held for trading securities:

	Consolidated			
	2020		2019	
Changes in PSEi	**12.0%**	**(12.0%)**	12.0%	(12.0%)
Change on trading income under:				
Holding firm industry	**₱295,198,006**	**(₱295,198,006)**	₱299,699,655	(₱299,699,655)
Property industry	**198,796,139**	**(198,796,139)**	204,603,554	(204,603,554)
Financial industry	**103,432,894**	**(103,432,894)**	149,292,238	(149,292,238)
Services industry	**67,063,103**	**(67,063,103)**	66,922,065	(66,922,065)
Industrial industry	**80,348,173**	**(80,348,173)**	63,401,455	(63,401,455)
Mining and oil industry	**–**	**–**	6,414,912	(6,414,912)
Total	**₱744,838,314**	**(₱744,838,314)**	₱790,334,014	(₱790,334,013)
As a percentage of the Group's net unrealized trading gain or loss for the year	**(831.76%)**	**831.76%**	359.7%	(359.7%)

The increase or decrease in PSEi will directly impact the statement of income of the Group.

As of December 31, 2020 and 2019, the Parent Company does not have equity investments measured at FVTPL.

The following tables set forth, for the period indicated, the impact of changes in the PSEi to the Group's and the Parent Company's unrealized gain or loss in OCI on FVOCI investments:

	Consolidated			
	2020		2019	
Changes in PSEi	**11.35%**	**(11.35%)**	12.0%	(12.0%)
Change on equity under:				
Financial industry	**₱20,490,054**	**(₱20,490,054)**	₱19,091,370	(₱19,091,370)
Industrial	**54,101,670**	**(54,101,670)**	57,268,961	(57,268,961)
Holding	**483,568**	**(483,568)**	–	–
Total	**₱75,075,292**	**(₱75,075,292)**	₱76,360,331	(₱76,360,331)
As a percentage of the Group's net unrealized gain in OCI for the year	**(15.3%)**	**15.3%**	12.2%	(12.2%)

	Parent Company			
	2020		2019	
Changes in PSEi	**11.35%**	**(11.35%)**	12.0%	(12.0%)
Change on equity under:				
Financial industry	**15,840,675**	**(15,840,675)**	14,759,366	(14,759,366)
Industrial	**53,284,209**	**(53,284,209)**	56,676,091	(56,676,091)
Total	**₱69,124,885**	**(₱69,124,885)**	71,435,457	(71,435,457)
As a percentage of the Parent Company's net unrealized gain in OCI for the year	**(14.5%)**	**14.5%**	11.5%	(11.5%)

The increase or decrease in PSEi will directly impact the equity of both the Group and Parent Company.

5. Fair Value Measurement

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

Cash and other cash items and due from BSP, financial liabilities at amortized cost - Carrying amounts approximate fair values due to the relatively short-term maturities of these investments.

Debt securities
Fair value of debt securities (Investment securities at FVTPL, FVOCI and Amortized cost) composed of government securities issued by the Philippine government and private debt securities are determined based on quoted prices at the close of business as appearing on Bloomberg.

Equity securities
Quoted equity securities are valued based on their closing prices published by the Philippine Stock Exchange. The fair value of unquoted equity securities is determined based on the adjusted asset approach and Guideline Company Method (GCM). The adjusted asset approach derives the value of the investment using the net asset of the investee adjusted to its fair value. GCM allows a value indicator of a company to be derived by applying relevant multipliers of similar, publicly traded "comparable" companies to the company's financial metrics.

Club shares classified as financial assets at FVTPL are included in Level 2 as their prices are not derived from market considered as active due to lack of trading activities among market participants at the end or close to the end of the reporting period

Derivative instruments - Fair values are estimated based on prices derived using acceptable valuation models. The model utilizes published underlying rates (e.g. interest rates and quoted price volatilities) and are implemented through validated calculation engines.

Loans and receivables - Fair values of loans are estimated using the discounted cash flow methodology, using Bloomberg's risk-free rate plus estimated credit spread. Where the instrument reprices on a quarterly basis or has a relatively short maturity, the carrying amount approximates fair value.

Investment properties - Fair value has been determined based on valuations made by independent appraisers who holds a recognized and relevant professional qualification and who has recent experience in the location and category of the investment property being valued. Valuations were derived on the basis of recent sales of similar properties in the same areas as the investment properties and taking into account the highest and best use of the properties at the time the valuations were made (Note 10).

The following tables summarize the carrying amount and fair values of the financial assets, financial liabilities and non-financial assets, analyzed based on inputs to fair value:

	Consolidated				
	2020				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets measured at fair value:					
Financial assets					
Financial assets at FVTPL:					
Debt securities:					
Government	**₱2,585,027,416**	**₱2,585,027,416**	**₱–**	**₱–**	**₱2,585,027,416**
Private	**577,029,659**	**577,029,659**	**–**	**–**	**577,029,659**
Equity securities	**6,471,230,681**	**6,471,230,681**	**–**	**–**	**6,471,230,681**

(Forward)

	Consolidated				
	2020				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Investment securities at FVOCI:					
Debt securities:					
Government	**₱2,793,103**	**₱2,793,103**	**₱–**	**₱–**	**₱2,793,103**
Private	**35,983,511**	**35,983,511**	**–**	**–**	**35,983,511**
Equity securities	**1,178,391,352**	**1,066,371,532**	**13,400,000**	**98,619,821**	**1,178,391,353**
	₱10,850,455,722	**₱10,738,435,902**	**₱13,400,000**	**₱98,619,821**	**₱10,850,455,723**
Assets and liabilities for which fair values are disclosed					
Financial assets at amortized cost					
Loans and receivables:					
Loans and discounts:					
Corporate lending	**₱448,698,126**	**₱–**	**₱–**	**₱478,243,457**	**₱478,243,457**
Others	**8,730,139**	**–**	**–**	**9,237,959**	**9,237,959**
Other receivables:					
Unquoted commercial papers	**65,000,000**	**–**	**–**	**65,134,860**	**65,134,860**
Investment securities at Amortized Cost					
Government	**653,297,442**	**676,448,250**	**–**	**–**	**676,448,250**
Private	**811,850,716**	**810,985,047**	**–**	**–**	**810,985,047**
	₱1,987,576,423	**₱1,487,433,297**	**₱–**	**₱552,616,276**	**₱2,040,049,573**
Financial liabilities					
Puttable instruments classified as financial liability at FVTPL	**₱8,314,673,287**	**₱–**	**₱8,314,673,287**	**₱–**	**₱–**
Nonfinancial assets					
Investment properties	**₱181,920,273**	**₱–**	**₱–**	**₱302,559,231**	**₱302,559,231**

	Consolidated				
	2019				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets measured at fair value:					
Financial assets					
Financial assets at FVTPL:					
Debt securities:					
Government	₱5,046,539,563	₱5,046,539,563	₱–	₱–	₱5,046,539,563
Private	570,443,807	570,443,807	–	–	570,443,807
Equity securities	6,603,467,369	6,603,467,369	–	–	6,603,467,369
Investment securities at FVOCI:					
Debt securities:					
Government	732,941,738	732,941,738	–	–	732,941,738
Private	35,745,863	35,745,863	–	–	35,745,863
Equity securities	1,119,395,105	1,003,427,702	17,180,000	98,787,403	1,119,395,105
	₱14,108,533,445	₱13,992,566,042	₱17,180,000	₱98,787,403	₱14,108,533,445
Assets and liabilities for which fair values are disclosed					
Financial assets at amortized cost					
Loans and receivables:					
Loans and discounts:					
Corporate lending	₱490,321,306	₱–	₱–	₱569,969,886	₱569,969,886
Others	12,921,463	–	–	13,981,155	13,981,155
Other receivables:					
Unquoted commercial papers	629,954,383	–	–	647,250,838	647,250,838
Investment securities at Amortized Cost					
Government	322,635,161	329,398,051	–	–	329,398,051
Private	268,149,431	267,637,175	–	–	267,637,175
	₱1,723,981,744	₱597,035,226	₱–	₱1,231,201,879	₱1,828,237,105

(Forward)

	Consolidated				
	2019				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Financial liabilities					
Puttable instruments classified as financial liability at FVTPL	₱6,553,071,770	₱–	₱6,553,071,770	₱–	₱6,553,071,770
Derivative liability	19,788,416	–	19,788,416	–	19,788,416
	₱6,572,860,186	₱–	₱6,572,860,186	₱–	₱6,572,860,186
Nonfinancial assets					
Investment properties	₱189,156,987	₱–	₱–	₱314,979,231	₱314,979,231

	Parent Company				
	2020				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Assets measured at fair value:					
Financial assets					
Financial assets at FVTPL:					
Debt securities:					
Government	**₱829,970,851**	**₱829,970,851**	**₱–**	**₱–**	**₱829,970,851**
Private	**145,460,418**	**145,460,418**	**–**	**–**	**145,460,418**
Investment securities at FVOCI:					
Equity securities	**1,065,333,485**	**953,313,665**	**13,400,000**	**98,619,820**	**1,065,333,485**
	₱2,040,764,754	**₱1,928,744,934**	**₱13,400,000**	**₱98,619,820**	**₱2,040,764,754**
Assets and liabilities for which fair values are disclosed					
Financial assets at amortized cost					
Loans and receivables:					
Loans and discounts:					
Corporate lending	**₱455,698,126**	**₱–**	**₱–**	**₱485,243,457**	**₱485,243,457**
Others	**5,841,217**	**–**	**–**	**6,349,037**	**6,349,037**
	₱461,539,343	**₱–**	**₱–**	**₱491,592,494**	**₱491,592,494**
Nonfinancial assets					
Investment properties	**₱181,920,273**	**₱–**	**₱–**	**₱302,559,231**	**₱302,559,231**

	Parent Company				
	2019				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets measured at fair value:					
Financial assets					
Financial assets at FVTPL:					
Debt securities:					
Government	₱3,484,041,791	₱3,484,041,791	₱–	₱–	3,484,041,791
Private	215,219,365	215,219,365	–	–	215,219,365
Investment securities at FVOCI:					
Debt securities:					
Government	728,714,447	728,714,447	–	–	728,714,447
Equity securities	1,001,927,730	885,960,327	17,180,000	98,787,403	1,001,927,730
	₱5,429,903,333	₱5,313,935,930	₱17,180,000	₱98,787,403	₱5,429,903,333
Assets and liabilities for which fair values are disclosed					
Financial assets at amortized cost					
Loans and receivables:					
Loans and discounts:					
Corporate lending	₱497,321,306	₱–	₱–	₱576,969,886	₱576,969,886
Others	9,031,831	–	–	10,091,522	10,091,522
Other receivables:					
Unquoted commercial papers	480,000,000	–	–	497,253,830	497,253,830
	₱986,353,137	₱–	₱–	₱1,084,315,238	₱1,084,315,238
Financial liabilities					
Derivative liability	₱19,788,416	₱–	₱19,788,416	₱–	₱19,788,416
Nonfinancial assets					
Investment properties	₱189,156,987	₱–	₱–	₱314,979,231	₱314,979,231

As of December 31, 2020 and 2019, no transfers were made among the three levels in the fair value hierarchy.

Inputs used in estimating fair values of the equity securities measured at FVOCI under Level 3 include price-to-book ratio. The table below demonstrate the sensitivity of the Group's equity (through the change in the impact on OCI, representing net unrealized gain/(loss) on the FVOCI equity securities) assuming possible change in the price-to-book ratio in 2020 and 2019:

Possible Change		**Consolidated and Parent Company**
Price to book		
	15.0%	**₱12,338,670**
	(15.0%)	**(12,338,670)**

For financial assets and liabilities for which fair values are disclosed, inputs used in estimating fair values categorized under Level 3 include risk-free rates and applicable risk premium.

Significant (decreases) increases in the risk-free rates and risk premium, in isolation, would result in a significantly higher (lower) fair value measurement. Significant increases (decreases) in volatility, in isolation, would result in a significantly higher (lower) fair value measurement.

6. Trading and Investment Securities

This account consists of:

	Consolidated		**Parent Company**	
	2020	2019	**2020**	2019
Investment securities at				
FVTPL	**₱9,633,287,756**	₱12,220,450,739	**₱975,431,269**	₱3,699,261,156
FVOCI	**1,217,167,966**	1,888,082,706	**1,065,333,485**	1,730,642,177
Amortized cost (Note 15)	**1,465,148,158**	590,784,592	**–**	–
	₱12,315,603,880	₱14,699,318,037	**₱2,040,764,754**	₱5,429,903,333

Investment securities at FVTPL

Investment securities at FVTPL consist of the following held-for-trading equity and debt securities:

	Consolidated		**Parent Company**	
	2020	2019	**2020**	2019
Debt securities:				
Government	**₱2,585,027,416**	₱5,046,539,563	**₱829,970,851**	₱3,484,041,791
Private	**577,029,659**	570,443,807	**145,460,418**	215,219,365
	3,162,057,075	5,616,983,370	**975,431,269**	3,699,261,156
Equity securities	**6,471,230,681**	6,603,467,369	**–**	–
	₱9,633,287,756	₱12,220,450,739	**₱975,431,269**	₱3,699,261,156

Financial assets at FVTPL include fair value gain (loss) of ₱47.2 million, ₱219.7 million and (₱595.9 million) in 2020, 2019 and 2018, respectively, for the Group, and fair value gain (loss) of ₱0.2 million, ₱2.1 million and (₱21.7 million) in 2020, 2019 and 2018, respectively, for the Parent Company.

Peso-denominated debt securities bear nominal annual interest rates ranging from 2.1% to 8.0%, from 3.3% to 8.1% and from 2.1% to 8.1% in 2020, 2019 and 2018, respectively, for the Group and the Parent Company. US dollar-denominated debt securities bear nominal annual interest rates ranging from, 2.0% to 4.0%, from 3.0% to 9.5% and from 3.0% to 9.9% in 2020, 2019 and 2018, respectively, for the Group and the Parent Company.

Dividends earned from FVTPL equity securities amounted to ₱91.0 million, ₱114.7 million and ₱100.4 million in 2020, 2019 and 2018, respectively, for the Group, and nil, ₱0.3 million and ₱7.7 million in 2020, 2019 and 2018, respectively, for the Parent Company.

Investment securities at FVOCI

Investment securities at FVOCI as of December 31, 2020 and 2019 consist of the following:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Debt securities				
Government	**₱2,793,103**	₱732,941,738	**₱–**	₱728,714,447
Private	**35,983,511**	35,745,863	–	–
	38,776,614	768,687,601	–	728,714,447
Equity securities				
Listed Equity				
Axelum Resources Corp.	**628,899,950**	506,263,527	**619,397,451**	506,263,527
The Philippine Stock Exchange, Inc.	**431,923,582**	491,141,175	**333,916,214**	379,696,800
Manila Electric Company	**5,548,000**	6,023,000	–	–
Non-listed Equity				
Bonifacio Land Corporation	**96,366,104**	96,366,104	**96,366,104**	96,366,104
Others	**2,253,716**	2,421,299	**2,253,716**	2,421,299
Club Shares	**13,400,000**	17,180,000	**13,400,000**	17,180,000
	1,178,391,352	1,119,395,105	**1,065,333,485**	1,001,927,730
	₱1,217,167,966	₱1,888,082,706	**₱1,065,333,485**	₱1,730,642,177

In 2020, 2019 and 2018, peso-denominated investment securities at FVOCI bear nominal annual interest rates ranging from 5.6% to 6.9% for both 2020 and 2019 and from 5.0% to 8.0% for 2018, for the Group, and from 6.3% to 6.9% for both 2020 and 2019 and 5.0% for 2019, for the Parent Company. Foreign currency-denominated investment securities at FVOCI bear nominal annual interest rate of 2.8% in 2020, 2019 and 2018 for both the Group and the Parent Company.

The equity securities are irrevocably designated at FVOCI on the basis that they are not held for trading. These include listed equity securities and some non-listed equity securities which are strategic investments of the Group where they intend to generate income through dividends and club shares which the Group holds in order to use and enjoy the facilities and services of the club.

In 2020 and 2018, as part of risk management, the Group disposed equity securities at FVOCI with total carrying value of ₱40.9 million and ₱771.4 million, respectively, which generated dividends of ₱0.5 million and ₱14.9 million, respectively, and with recognized loss in OCI reclassified to retained earnings amounting to ₱44.2 million and ₱122.7 million, respectively. Dividends generated by outstanding equity securities at FVOCI amounted to ₱18.8 million and ₱23.1 million as of December 31, 2020 and 2019, respectively.

The changes in the net unrealized gain (loss) on FVOCI of the Group and the Parent Company for 2020 and 2019 follow:

	Consolidated		
	2020		
	Equity Holders of the Parent Company	**Non-controlling interest and puttable instruments**	**Total**
Balance at January 1	**(₱687,006,778)**	**₱–**	**(₱687,006,778)**
Net fair value changes during the year on FVOCI investments, net of tax	**82,520,103**	**734,818**	**83,254,921**
Realized loss on sale of FVOCI equity investments	**44,200,000**	**–**	**44,200,000**
Realized gain on sale of FVOCI debt investments	**(31,666,457)**	**–**	**(31,666,457)**
Net change during the year	**95,053,646**	**734,818**	**95,788,464**
Balance at December 31	**(₱591,953,132)**	**₱734,818**	**(₱591,218,314)**

	Consolidated		
	2019		
	Equity Holders of the Parent Company	Non-controlling interest and puttable instruments	Total
Balance at January 1	(₱249,995,343)	₱–	(₱249,995,343)
Net fair value changes during the year on FVOCI investments, net of tax	(72,542,821)	–	(72,542,821)
Realized gain on sale of FVOCI debt securities	(364,468,614)	–	(364,468,614)
Net change during the year	(437,011,435)	–	(437,011,435)
Balance at December 31	(₱687,006,778)	₱–	(₱687,006,778)

	Parent Company	
	2020	2019
Balance at January 1	**(₱584,014,461)**	(₱148,254,016)
Net fair value changes during the year on FVOCI investments, net of tax	**97,271,786**	(71,291,831)
Realized loss on sale of FVOCI equity investments	**44,200,000**	–
Realized gain on sale of FVOCI debt investments	**(31,666,457)**	(364,468,614)
Net change during the year	**109,805,329**	(435,760,445)
Balance at December 31	**(₱474,209,132)**	(₱584,014,461)

Investment Securities at Amortized Cost

Investment securities at amortized cost consist of the following:

	Consolidated	
	2020	2019
Investment Securities at Amortized Cost		
Debt securities		
Government	**₱653,454,877**	₱322,801,158
Private	**812,012,527**	268,312,088
	1,465,467,404	591,113,246
Less: Allowance for credit losses (Note 12)	**319,246**	328,654
	₱1,465,148,158	₱590,784,592

In 2019, the Parent Company sold its investment securities at amortized cost with total amortized cost of ₱16.4 billion, which resulted in a net gain amounting to ₱26.4 million, presented separately in the statement of income. As of December 31, 2020 and 2019, the Parent Company has no investment securities at amortized cost

As of December 31, 2020 and 2019, the unamortized premium related to investment securities at amortized cost of the Group amounted to ₱5.7 million and ₱6.4 billion, respectively. In 2020 and 2019, effective interest rates on the amortized cost investment securities range from 2.4% to 6.0% and from 3.7% to 6.3%, respectively, for the Group. Amortized cost investment securities bear nominal annual interest rates ranging from 0.0% to 5.9% and from 0.0% to 5.8% in 2020 and 2019, respectively, for the Group and nil for the Parent Company.

Trading and Securities Gains (Losses)
The composition of trading and securities gains (losses) follows:

	Consolidated		
	2020	2019	2018
Realized gain (loss) from sale of:			
Held for trading (HFT) securities	**(₱205,088,850)**	₱367,348,748	(₱477,924,313)
FVOCI debt securities	**31,666,457**	364,468,614	2,429,901
Realized loss on cross currency swap	**(20,206,586)**		
	(193,628,979)	731,817,362	(475,494,412)
Changes in fair value of financial instruments at FVTPL:			
HFT securities	**115,538,693**	219,692,197	(595,880,042)
	115,538,693	219,692,197	(595,880,042)
Gain (loss) from increase (decrease) in NAV of puttable instruments (Note 15)	**114,981,497**	(229,791,161)	684,779,934
	₱36,891,211	₱721,718,398	(₱386,594,520)

	Parent Company		
	2020	2019	2018
Realized gain (loss) from sale of:			
HFT securities	**₱124,902,562**	₱209,050,372	(₱156,333,321)
FVOCI debt securities	**31,666,457**	364,468,614	2,594
Realized loss on cross currency swap	**(20,206,586)**	–	–
	136,362,433	573,518,986	(156,330,727)
Changes in fair value of financial instruments at FVTPL:			
HFT securities	**215,133**	2,135,306	(21,677,275)
	215,133	2,135,306	(21,677,275)
	₱136,577,566	₱575,654,292	(₱178,008,002)

7. Loans and Receivables

This account consists of:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Loans and discounts:				
Corporate lending	**₱455,704,354**	₱518,408,709	**₱462,704,354**	₱525,408,709
Others	**8,730,139**	12,921,463	**5,841,217**	9,031,831
	464,434,493	531,330,172	**468,545,571**	534,440,540
Unquoted commercial papers	**65,000,000**	629,954,383	**–**	480,000,000
Accounts receivable	**1,676,145,012**	454,078,798	**26,347,499**	21,851,379
Accrued interest receivable	**47,824,705**	91,310,073	**16,788,256**	58,248,953
Dividends receivable	**3,213,966**	3,106,139	**–**	–
Other receivables	**17,862,955**	35,191,820	**–**	–
	2,274,481,131	1,744,971,385	**511,681,326**	1,094,540,872
Allowance for credit losses (Note 12)	**(40,086,421)**	(59,389,791)	**(7,893,477)**	(28,087,403)
	₱2,234,394,710	₱1,685,581,594	**₱503,787,849**	₱1,066,453,469

As of December 31, 2020 and 2019, none of the total loans and discounts were subject to periodic interest repricing for the Group and the Parent Company. As of December 31, 2020 and 2019, total loans and discounts earned fixed annual interest rates ranging from 4.0% to 10.8% for both the Group and the Parent Company in 2020 and from 6.5% to 10.8% and from 8.0% to 10.8%, respectively, for the Group and the Parent Company in 2019.

Interest income on loans and receivables follow:

	Consolidated			Parent Company		
	2020	2019	2018	**2020**	2019	2018
Loans and discounts:						
Corporate lending	**₱48,950,761**	₱52,049,741	₱81,347,325	**₱48,633,631**	₱52,047,269	₱81,347,325
Others	**822,107**	1,136,603	1,134,650	**660,065**	904,930	832,049
Unquoted commercial paper	**26,894,198**	35,316,443	38,500,658	**26,894,198**	35,316,444	38,500,658
Loans and receivables	**₱76,667,066**	₱88,502,787	₱120,982,633	**₱76,187,894**	₱88,268,643	₱120,680,032

Unquoted Commercial Papers

This account consists of various debt instruments issued by private corporations. As of December 31, 2020 and 2019, the nominal annual interest for these securities is 2.6% and ranges from 7.0% to 7.4%, respectively, for the Group, and nil and 7.4%, respectively, for the Parent Company.

Accounts Receivable

As of December 31, 2020 and 2019, the Group's accounts receivable is comprised mainly of receivables from customers arising from brokerage services rendered by FMSBC amounting to ₱1.5 billion and ₱0.4 billion, respectively. The Parent Company's accounts receivable includes fees and commissions of the Parent Company for services rendered and various advances to its subsidiaries.

8. Property and Equipment

The composition of and movements in property and equipment account follow:

	Consolidated									
	2020					2019				
	Leasehold Improvements	**Furniture, Fixtures and Equipment**	**Building**	**Right of Use Asset**	**Total**	Leasehold Improvements	Furniture, Fixtures and Equipment	Building	Right of Use Asset	Total
Cost										
At January 1	**₱117,279,938**	**₱181,471,312**	**₱52,231,747**	**₱99,714,556**	**₱450,697,553**	₱129,045,549	₱181,801,297	₱52,231,747	₱103,072,517	₱466,151,110
Reclassification	–	–	–	–	–	1,456,802	–	–	–	1,456,802
Lease modification	–	–	–	–	–	–	–	–	(3,844,433)	(3,844,433)
Acquisitions	**264,000**	**14,794,380**	–	–	**15,058,380**	3,640,464	21,593,345	–	1,197,936	26,431,745
Disposals/Adjustments	**(22,755,933)**	**(12,427,133)**	–	**(11,824,197)**	**(47,007,263)**	(16,862,877)	(21,923,330)	–	(711,464)	(39,497,671)
Balance at end of year	**94,788,005**	**183,838,559**	**52,231,747**	**87,890,359**	**418,748,670**	117,279,938	181,471,312	52,231,747	99,714,556	450,697,553
Accumulated depreciation and amortization										
Balance at beginning of year	**104,263,421**	**122,930,143**	**34,198,495**	**40,764,112**	**302,156,171**	108,190,678	117,577,786	31,114,029	–	256,882,493
Depreciation and amortization	**3,310,755**	**24,339,072**	**3,066,928**	**31,308,285**	**62,025,040**	10,526,135	25,425,967	3,084,466	40,764,112	79,800,680
Disposals/Adjustments	**(19,422,825)**	**(11,454,648)**	–	**(9,081,254)**	**(39,958,727)**	(14,453,392)	(20,073,610)	–	–	(34,527,002)
Balance at end of year	**88,151,351**	**135,814,567**	**37,265,423**	**62,991,143**	**324,222,484**	104,263,421	122,930,143	34,198,495	40,764,112	302,156,171
Net book value at end of year	**₱6,636,654**	**₱48,023,992**	**₱14,966,324**	**₱24,899,216**	**₱94,526,186**	₱13,016,517	₱58,541,169	₱18,033,252	₱58,950,444	₱148,541,382

	Parent Company									
	2020					2019				
	Leasehold Improvements	**Furniture, Fixtures and Equipment**	**Building**	**Right of Use Asset**	**Total**	Leasehold Improvements	Furniture, Fixtures and Equipment	Building	Right of Use Asset	Total
Cost										
At January 1	**₱69,268,260**	**₱111,140,918**	**₱47,520,116**	**₱61,439,365**	**₱289,368,659**	₱82,833,694	₱114,893,615	₱47,520,116	₱65,283,797	₱310,531,222
Lease modification	–	–	–	–	–	–	–	–	(3,844,432)	(3,844,432)
Acquisitions	–	**7,698,522**	–	–	**7,698,522**	552,076	17,882,729	–	–	18,434,805
Disposals	–	**(8,378,419)**	–	–	**(8,378,419)**	(14,117,510)	(21,635,426)	–	–	(35,752,936)
Balance at end of year	**69,268,260**	**110,461,021**	**47,520,116**	**61,439,365**	**288,688,762**	69,268,260	111,140,918	47,520,116	61,439,365	289,368,659
Accumulated depreciation and amortization										
Balance at beginning of year	**66,650,072**	**69,524,304**	**29,769,554**	**24,951,357**	**190,895,287**	77,677,401	72,970,031	26,873,549	–	177,520,981
Depreciation and amortization	**1,324,547**	**16,913,111**	**2,878,468**	**23,624,142**	**44,740,268**	2,623,097	16,622,905	2,896,005	24,951,357	47,093,364
Disposals	–	**(8,045,661)**	–	–	**(8,045,661)**	(13,650,426)	(20,068,632)	–	–	(33,719,058)
Balance at end of year	**67,974,619**	**78,391,754**	**32,648,022**	**48,575,499**	**227,589,894**	66,650,072	69,524,304	29,769,554	24,951,357	190,895,287
Net book value at end of year	**₱1,293,641**	**₱32,069,267**	**₱14,872,094**	**₱12,863,866**	**₱61,098,868**	₱2,618,188	₱41,616,614	₱17,750,562	₱36,488,008	₱98,473,372

As of December 31, 2020 and 2019, the cost of fully depreciated property and equipment that are still in use amounted to ₱159.9 million and ₱168.3 million, respectively, for the Group, and ₱104.5 million and ₱101.5 million, respectively, for the Parent Company.

The Group and the Parent Company recognized gain from sale of property and equipment amounting to ₱0.1 million, ₱1.3 million and ₱0.5 million in 2020, 2019 and 2018, respectively, booked under 'Gain on sale of assets' account in the statement of income.

9. Investments in Subsidiaries and Associates

The Group's and the Parent Company's percentage ownership in subsidiaries are shown in Note 2.

The Group's percentage ownership in its investment in associates follow:

	Effective Percentage of Ownership	
	2020	2019
Associates:		
Cathay International Resources, Corp. (CIRC)	**34.7**	34.7
Travel Services, Inc. (TSI)	**30.0**	30.0
Philippine AXA Life Insurance Corporation (PALIC)	**28.2**	28.2
Skyland Realty Development Corporation (SRDC)	**20.0**	20.0
Orix Metro Leasing and Finance Corp (OMLFC)	**20.0**	20.0
Dahon Realty Corporation (DRC)	**20.0**	20.0
LCMC	**13.5**	13.5

The principal place of business of these subsidiaries and associates is in Metro Manila.

The movements in 'Investment in subsidiaries, associates and joint ventures' account follows:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Acquisition cost				
Balance at beginning of year	**₱3,079,818,020**	₱3,070,819,118	**₱5,949,378,455**	₱5,947,984,638
Additions	–	–	**170,397,140**	6,447,594
Shares received as payment of dividend	–	9,000,000	–	–
Disposals	–	(1,098)	**(127,000,000)**	(5,053,777)
Balance at end of year	**3,079,818,020**	3,079,818,020	**5,992,775,595**	5,949,378,455
Allowance for impairment losses				
Balance at beginning of year	**(439,238,205)**	–	**(439,238,205)**	–
Provision for impairment losses during the year	**–**	(439,238,205)	**–**	(439,238,205)
Balance at end of year	**(439,238,205)**	(439,238,205)	**(439,238,205)**	(439,238,205)
Accumulated equity in net earnings				
Balance at beginning of year	**4,181,560,653**	3,535,760,871	**5,322,571,208**	4,530,384,522
Equity share in net earnings	**617,715,097**	775,153,705	**561,816,757**	908,835,523
Cash dividends	**(583,314,476)**	(129,353,923)	**(621,325,143)**	(115,253,922)
Disposals	–	–	**(5,375,389)**	(1,394,915)
Balance at end of year	**4,215,961,274**	4,181,560,653	**5,257,687,433**	5,322,571,208
Equity in net unrealized gain (loss) on FVOCI				
Balance at beginning of year	**88,683,473**	(218,375,917)	**(13,058,845)**	(318,867,243)
Equity share in changes in fair value of FVOCI investments	**233,191,567**	307,059,390	**217,937,255**	305,808,398
Disposal	–	–	**(11,088)**	
Balance at end of year	**321,875,040**	88,683,473	**204,867,322**	(13,058,845)
Equity in translation adjustment				
Balance at beginning of year	–	–	**23,667,780**	32,745,914
Share in changes in translation adjustment	–	–	**(12,720,924)**	(9,078,134)
Balance at end of year	–	–	**10,946,856**	23,667,780
Equity in remeasurement of insurance reserves				
Balance at beginning of year	**19,951,601**	206,479,750	**19,951,601**	206,479,750
Share in changes in remeasurement of insurance reserves	**(404,688,021)**	(186,528,149)	**(404,688,021)**	(186,528,149)
Balance at end of year	**(384,736,420)**	19,951,601	**(384,736,420)**	19,951,601
Equity in remeasurement of retirement liability				
Balance at beginning of year	**(62,162,650)**	(11,877,852)	**(69,097,981)**	(4,266,428)
Share in changes in remeasurement of retirement liability	**(10,160,742)**	(50,284,798)	**(9,219,348)**	(64,831,553)
Balance at end of year	**(72,323,392)**	(62,162,650)	**(78,317,329)**	(69,097,981)
	₱6,721,356,317	₱6,868,612,892	**₱10,563,985,252**	₱10,794,174,013

The carrying values of the Group's and the Parent Company's investments in investee companies are shown below:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Carrying value:				
Subsidiaries:				
FMSALEF	**₱–**	₱–	**₱915,935,672**	₱981,868,030
FMPEETFI	**–**	–	**626,309,514**	681,033,252
FMSBC	**–**	–	**505,413,299**	454,267,790
FMSLFIF	**–**	–	**425,869,960**	414,742,043
FMSALBF	**–**	–	**349,130,521**	349,726,750
PBC	**–**	–	**280,260,416**	304,149,257
FMSLDBF	**–**	–	**415,225,290**	245,691,809
FAMI	**–**	–	**227,252,864**	225,664,501
FMAFEF	**–**	–	**–**	168,893,943
SPI	**–**	–	**67,189,846**	69,531,518
PVDC	**–**	–	**39,952,709**	40,762,451
FEI	**–**	–	**12,604,089**	12,667,680
FMSLMMF	**–**	–	**6,670,041**	6,560,263
FMIBC	**–**	–	**3,286,778**	3,044,738
Resiliency	**–**	–	**2,362,664**	2,465,231
	–	–	**3,877,463,663**	3,961,069,256

(Forward)

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Associates:				
PALIC	**₱3,357,547,791**	₱3,345,495,966	**₱3,357,547,791**	₱3,345,495,966
OMLFC	**1,778,444,583**	1,764,657,334	**1,778,444,583**	1,764,657,334
LCMC	**1,421,135,867**	1,546,035,870	**1,421,135,867**	1,546,035,870
CIRC	**129,393,346**	176,915,585	**129,393,346**	176,915,585
TSI	**34,834,728**	35,508,135	–	–
SRDC	**1**	1	**1**	1
DRC	**1**	1	**1**	1
	6,721,356,317	6,868,612,892	**6,686,521,589**	6,833,104,757
	₱6,721,356,317	₱6,868,612,892	**₱10,563,985,252**	₱10,794,174,013

Investment in FMAFEF

In January 2020, the Parent Company disposed of its holdings in FMAFEF at a redemption price of ₱132.4 million which were then acquired by FAMI, another subsidiary. As of December 31, 2020, FAMI owns 100% interest in FMAFEF.

Investment in LCMC

As of December 31, 2020 and 2019, the Group's direct ownership in LCMC is 13.5%. FMIC has the ability to exercise significant influence through a 5-year agreement with another investor to jointly vote their 16.7% ownership. As of December 31, 2020 and 2019, LCMC-A shares are trading at ₱0.160 per share and ₱0.091 per share, respectively and LCMC-B shares are trading at ₱0.156 per share and ₱0.101 per share, respectively.

As of December 31, 2020, the fair value of the Group's and the Parent Company's investment in LCMC amounted to ₱1.42 billion. The Group performed an assessment of the recoverability of its investment in LCMC which is determined using the higher of the VIU or the fair value less cost to sell.

As of December 31, 2020, the fair value less cost to sell is higher than the VIU, and based on the impairment assessment, additional impairment allowance is not required. The fair value is based on the closing prices as published by the PSE. As of December 31, 2019, the impairment assessment is based on VIU calculation, being higher than fair value less cost to sell. VIU calculation is based on cash flow projections which include forecast on production volume and capital expenditures, among others. For the assumptions on gold and copper price, exchange rate and long-term growth rate, the Group used the available economic, industry and market data. Further, the Group used the associate's weighted average cost of capital (WACC) of 8.2% as of December 31, 2019 as the discount rate for the VIU calculation. Based on the impairment assessment, the investment in LCMC is impaired by ₱439.2 million.

The following tables present the financial information of significant associates with classified statements of financial position as of and for the years ended December 31, 2020, 2019, and 2018 (amounts in thousands):

		Statement of Financial Position					Statement of Comprehensive Income					
Year	**Name of Company**	**Current Assets**	**Noncurrent Assets**	**Current Liabilities**	**Noncurrent Liabilities**	**Carrying amount of the investment**	**Revenue**	**Costs and Expenses**	**Net Income (Loss)**	**Other Comprehensive Income**	**Total Comprehensive Income (Loss)**	**Share in net earnings (losses) for the year**
2020	**CIRC**	**₱1,035,285**	**₱1,205,029**	**₱929,369**	**₱655,560**	**₱129,393**	**₱115,342**	**₱293,380**	**(₱123,310)**	**₱ –**	**(₱123,310)**	**(₱47,522)**
	LCMC	**1,932,321**	**14,613,742**	**2,525,496**	**7,731,686**	**1,421,136**	**1,090,043**	**1,643,225**	**(546,466)**	**–**	**(546,466)**	**(124,900)**
2019	CIRC	837,952	1,292,914	608,452	724,061	176,916	232,951	328,729	(70,552)	–	(70,552)	(22,192)
	LCMC	1,740,757	14,922,870	1,924,897	7,501,176	1,546,036	1,565,881	2,243,492	(641,745)	–	(641,745)	(121,973)
2018	CIRC	599,633	1,702,475	658,196	758,372	199,108	803,106	776,657	19,251	1,285	20,536	2,142
	LCMC	1,756,834	15,289,148	1,624,970	7,539,389	2,107,247	2,120,642	2,918,468	(774,970)	352,042	(422,928)	(110,791)

The following tables present the financial information of significant associates with unclassified statements of financial position as of and for the years ended December 31, 2020, 2019, and 2018 (amounts in thousands):

		Statement of Financial Position				Statement of Income				
Year	Name of Company	Total Assets	Total Liabilities	Carrying amount of the investment	Gross Income	Operating Income	Net Income	Other Comprehensive Income (OCI)	Total OCI	Share in net earnings
2020	**PALIC**	**₱154,063,231**	**₱142,152,658**	**₱3,357,548**	**₱18,355,459**	**₱4,098,996**	**₱2,898,376**	**(₱670,098)**	**₱2,228,278**	**₱784,200**
	OMLFC	**44,623,439**	**35,733,893**	**1,778,445**	**6,708,486**	**1,477**	**30,463**	**–**	**30,463**	**6,355**
2019	PALIC	142,260,702	130,392,855	3,345,496	17,327,239	3,979,453	2,639,132	778,368	3,417,500	699,890
	OMLFC	52,821,487	43,998,015	1,764,657	7,786,347	1,612,567	1,145,438	–	1,145,438	229,306
2018	PALIC	126,791,171	117,931,825	2,603,461	15,551,959	4,309,597	3,558,034	498,270	3,558,034	869,099
	OMLFC	55,627,160	47,398,087	1,630,237	7,111,870	1,719,722	1,229,942	–	1,229,942	245,988

Major assets of significant associates with unclassified statements of financial position include the following (amounts in thousands):

Year	Name of Company	Cash and cash equivalents	FVOCI/AFS investments	Financial assets at FVTPL	Receivables-net of allowance for credit losses	Investment in unit-linked funds	Equipment for lease
2020	**PALIC**	**₱4,710,596**	**₱18,162,586**	**₱1,981,685**	**₱881,669**	**₱59,925**	**₱735,288**
	OMLFC	**530,642**	**1,112**	–	**28,120,419**	–	**2,186,031**
2019	PALIC	4,698,781	16,281,650	1,960,035	939,529	57,943	614,475
	OMLFC	464,991	1,092	–	40,476,213	–	2,713,682
2018	PALIC	4,539,374	12,743,907	1,509,205	877,342	55,625	725,937
	OMLFC	610,026	1,113	–	44,925,564	–	2,672,584

The Group received dividends from PALIC amounting to ₱583.3 million and ₱115.2 million in 2020 and 2019, respectively.

Aggregate financial information of associates that are not individually significant follows:

	2020	2019	2018
Associates			
Statements of Financial Position			
Total assets	**₱18,786,377**	₱18,794,493	₱12,149,603
Total liabilities	**11,842,111**	10,758,585	4,554,040
Statements of Income			
Gross income	**1,205,385**	1,798,832	2,060,274
Operating income	**(723,747)**	(732,608)	(645,897)
Net income/Total OCI	**(669,639)**	(712,297)	(637,489)

The additional unrecognized share in losses of the Group from its investment in DRC amounted to nil, ₱3.3 million and ₱0.7 million in 2020, 2019 and 2018, respectively. There was no additional unrecognized share in losses of the Group from its investment in SRDC in 2020, 2019 and 2018.

The cumulative unrecognized share of losses of the Group from its investment in SRDC and DRC amounted to ₱0.2 million and nil, respectively, as of December 31, 2020 and ₱0.2 million and ₱3.9 million, respectively, as of December 31, 2019.

FAMI is deemed to have a non-controlling interest that is material to the Group. The proportion of equity interest held by the non-controlling interest is 30.0% as of December 31, 2020 and 2019. The accumulated balance of the non-controlling interest in FAMI as of December 31, 2020 and 2019 amounted to ₱95.9 million and ₱95.2 million, respectively. Profit (loss) allocated to non-controlling interest in 2020 and 2019 amounted to ₱0.1 million and ₱4.0 million, respectively.

The following table presents the financial information of FAMI as of and for the years ended December 31, 2020, 2019 and 2018 (amounts in thousands and before eliminating entries):

	2020	2019	2018
Statement of Financial Position			
Cash and other cash items	**₱800,268**	₱149,061	₱164,745
Financial assets at FVTPL	**414,620**	232,913	–
FVOCI investments	**505**	–	–
Investments securities at amortized cost	**370,363**	115,815	48,867
Loans and receivables	**65,210**	18,250	16,221
Other assets	**128,810**	110,740	124,793
Other liabilities	**1,441,948**	20,504	66,980
Non-controlling interests		310,296	92,221
Statement of Income			
Gross income	**173,326**	181,907	161,668
Operating income	**12,701**	26,696	7,543
Net income (loss)	**(180)**	16,920	348
Net income (loss) attributable to non-controlling interests	**(54)**	3,312	(96)
Total comprehensive income	**–**	–	–
Statement of Cash Flows			
Net cash provided by operating activities	**912,361**	18,001	18,034
Net cash used in investing activities	**260,703**	50,275	5,596
Net cash provided by (used in) financing activities	**(451)**	–	27,000
Net increase (decrease) in cash and cash equivalents	**651,206**	(32,274)	(14,561)
Cash and other cash items at beginning of year	**149,062**	68,281	82,843
Cash and other cash items at end of year	**800,267**	36,007	68,281

Material ownership interest of shareholders outside the Group in mutual fund subsidiaries that issue equity instruments redeemable by the holders at the net asset value per unit of the mutual funds are classified as 'Puttable instruments of mutual fund subsidiaries classified as liability' (Note 15). Movement in the accumulated balances due to changes in the net asset value per unit of the mutual funds are recognized as trading and securities gain in the statements of income.

Investment in PALIC

PALIC applied the temporary exemption from PFRS 9 as permitted by the amendments to PFRS 4, *Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts* issued in September 2016. The temporary exemption permits entities whose activities are predominantly connected with insurance to continue applying PAS 39 rather than PFRS 9 for annual periods beginning before January 1, 2023.

The assessment for whether a reporting entity's activities are predominantly connected with insurance is based on the liabilities connected with insurance in proportion to the entity's total liabilities.

The predominance assessment is performed using the carrying amounts of liabilities reported on the statement of financial position at the annual reporting date after March 31, 2015 and before April 1, 2016. Applying the requirements, PALIC performed the predominance assessment using the statement of financial position as of December 31, 2015 and concluded that it qualified for the temporary exemption from PFRS 9. Since December 31, 2015, there has been no change in the activities of the Group that requires reassessment of the use of the temporary exemption.

Fair value disclosures
The table below presents an analysis of the fair value of classes of financial assets as of December 31, 2020 and 2019, as well as the corresponding changes in fair value for the years ended December 31, 2020 and 2019. In the table below, the amortized cost of cash and cash equivalents and short-term receivables has been used as a reasonable approximation to fair value.

The financial assets are divided into two categories:
- Assets for which their contractual cash flows represent solely payments of principal and interest (SPPI), excluding any financial assets that are held for trading or that are managed and whose performance is evaluated on a fair value basis; and
- All financial assets other than those specified in SPPI above (i.e. those for which contractual cash flows do not represent SPPI, assets that are held for trading and assets that are managed and whose performance is evaluated on a fair value basis)

	2020			
	SPPI financial assets		**Other financial assets**	
	Fair value	**Fair value change**	**Fair value**	**Fair value change**
Cash and cash equivalents	**₱4,725,616,667**	**₱–**	**₱588,329**	**₱–**
Insurance receivables	**2,113,243,522**	**–**	**–**	**–**
Financial asset at FVTPL	**–**	**–**	**1,981,685,067**	**(109,615,811)**
AFS financial assets	**15,367,623,028**	**646,797,110**	**2,794,963,007**	**131,088,021**
Loans and receivables	**881,908,893**	**–**	**–**	**–**
Accrued income	**196,117,215**	**–**	**–**	**–**
	₱23,284,509,325	**₱646,797,110**	**₱4,777,236,403**	**₱21,472,210**

	2019			
	SPPI financial assets		Other financial assets	
	Fair value	Fair value change	Fair value	Fair value change
Cash and cash equivalents	₱4,698,193,064	₱–	₱587,597	₱–
Short-term investments	38,00,000	–	–	–
Insurance receivables	2,406,335,149	–	–	–
Financial asset at FVTPL	–	–	2,017,978,394	109,772,571
AFS financial assets	13,678,111,124	986,206,950	2,603,538,389	449,046,005
Loans and receivables	932,471,938	–	–	–
Accrued income	218,572,151	–	–	–
	₱21,971,683,426	₱986,206,950	₱4,622,104,380	₱558,818,576

Credit risk disclosures
The following table shows the carrying amount of the SPPI assets included in the table above by credit risk rating grades reported to key management personnel. The carrying amount is measured in accordance with PAS 39. For assets measured at amortized cost, the carrying amount shown is gross of impairment allowance.

	2020			
SPPI Financial asset	**Investment grade**	**Non-investment grade: Satisfactory**	**Unrated**	**Total**
Cash and cash equivalents	**₱4,725,616,667**	**₱–**	**₱–**	**₱4,725,616,667**
Insurance receivables	**–**	**2,113,243,522**	**–**	**2,113,243,522**
AFS financial assets	**15,367,623,028**	**–**	**–**	**15,367,623,028**
Loans and receivables	**–**	**840,419,011**	**41,489,882**	**881,908,893**
Accrued income	**182,155,899**	**13,961,316**	**–**	**196,117,215**

	2019			
SPPI Financial asset	Investment grade	Non-investment grade: Satisfactory	Unrated	Total
Cash and cash equivalents	₱4,629,386,727	₱–	₱–	₱4,698,780,661
Short-term investments	38,000,000	–	–	38,000,000
Insurance receivables	–	2,406,335,149	–	2,406,335,149
AFS financial assets	13,678,111,124	–	–	13,678,111,124
Loans and receivables	–	906,501,000	25,970,938	932,471,938
Accrued income	203,511,582	15,060,569	–	218,572,151

Financial assets that passed the SPPI test have low credit risk as of December 31, 2020 and 2019.

Limitation on dividend declaration of subsidiaries and associates

PALIC
Section 195 of the Insurance Code provides that a domestic nonlife insurance company shall declare or distribute dividends on its outstanding stock only from profits remaining on hand after retaining unimpaired:

- the entire paid-up capital stock;
- the margin of solvency required;
- the legal reserve fund required; and
- a sum sufficient to pay all net losses reported or in the course of settlement and all liabilities for expenses and taxes

As of December 31, 2020 and 2019, the Parent Company has no share on commitments and contingencies of its associates and joint venture.

As of December 31, 2020 and 2019, there were no guarantees or other requirements entered into by the subsidiaries of the Parent Company that may restrict dividends and other capital distributions to be paid, or loans and advances to be made or repaid to or from other entities within the Group.

10. **Investment Properties**

The composition of and movements in this account for the Group and the Parent Company follow:

	Consolidated and Parent Company					
	2020			2019		
	Land	**Building/land improvements/ condominium for sale/lease**	**Total**	Land	Building/land improvements/ condominium for sale/lease	Total
Cost						
Balances at beginning of year	**₱210,609,756**	**₱25,504,585**	**₱236,114,341**	₱211,521,756	₱65,350,232	₱276,871,988
Disposals	**(7,866,000)**	**–**	**(7,866,000)**	(912,000)	(39,845,647)	(40,757,647)
Balances at end of year	**202,743,756**	**25,504,585**	**228,248,341**	210,609,756	25,504,585	236,114,341
Accumulated depreciation						
Balances at beginning of year	**–**	**20,255,932**	**20,255,932**	–	44,111,679	44,111,679
Depreciation	**–**	**716,214**	**716,214**	–	887,802	887,802
Disposal	**–**	**–**	**–**	–	(24,743,549)	(24,743,549)
Balances at end of year	**–**	**20,972,146**	**20,972,146**	–	20,255,932	20,255,932
Allowance for impairment losses (Note 12)	**(25,355,922)**	**–**	**(25,355,922)**	(26,701,422)	–	(26,701,422)
Net book value at end of year	**₱177,387,834**	**₱4,532,439**	**₱181,920,273**	₱183,908,334	₱5,248,653	₱189,156,987

The aggregate fair value of investment properties as of December 31, 2020 and 2019 amounted to ₱302.6 million and ₱315.0 million, respectively, for the Group and Parent Company (Note 5).

In 2020, 2019 and 2018, the Group and the Parent Company recognized gain from the disposal of investment properties amounting to ₱3.1 million, ₱51.0 million and ₱353.2 million, respectively, booked under 'Gain on sale of assets' accounts in the statements of income.

There are no investment properties that generate rental or under lease arrangement. Direct operating expenses on investment properties during the period and are included under 'Miscellaneous expenses' in the statements of income amounted to ₱2.1 million, ₱2.3 million and ₱3.7 million in 2020, 2019 and 2018, respectively.

11. **Other Assets**

This account consists of:

	Consolidated		**Parent Company**	
	2020	2019	**2020**	2019
Creditable withholding tax	**₱578,317,301**	₱539,347,234	**₱428,443,655**	₱413,710,396
Escrow account	**204,951,392**	235,062,669	**204,951,392**	235,062,669
Other investments	**25,766,880**	25,766,880	**25,766,880**	25,766,880
Prepaid expenses	**21,301,167**	37,061,446	**11,619,352**	29,700,694
Software licenses	**17,674,683**	26,352,527	**15,419,619**	22,124,847
Tax credit certificates	**3,147,500**	3,147,500	**3,147,500**	3,147,500
Miscellaneous (Note 25)	**54,523,476**	63,174,830	**11,457,151**	12,372,015
	₱905,682,399	₱929,913,086	**₱700,805,549**	₱741,885,001

Movements in software licenses follow:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Cost				
Balance at beginning of year	**₱291,699,433**	₱288,730,000	**₱252,373,796**	₱249,550,270
Additions	**4,494,842**	4,557,333	**4,386,658**	4,411,426
Others	**–**	(1,587,900)	**–**	(1,587,900)
Balance at end of year	**296,194,275**	291,699,433	**256,760,454**	252,373,796
Accumulated amortization				
Balance at beginning of year	**265,346,906**	242,750,652	**230,248,949**	211,267,764
Amortization	**13,172,686**	22,596,254	**11,091,886**	18,981,185
Balance at end of year	**278,519,592**	265,346,906	**241,340,835**	230,248,949
Net book value at end of year	**₱17,674,683**	₱26,352,527	**₱15,419,619**	₱22,124,847

Creditable withholding taxes arise from income such as service charges, fees and commissions, interest income and rental income, in which customers are required to withhold taxes.

Prepaid expenses consist of prepaid taxes (i.e., real estate tax, documentary stamp tax) and other prepaid expenses (i.e., licenses, insurance and membership fees).

Miscellaneous assets include receivables for contributions to Clearing and Trade Guarantee Funds (CTGF), unused office supplies and rental and other deposits.

12. Allowance for Impairment and Credit Losses

Changes in the allowance for impairment and credit losses follow:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Balance at beginning of year				
Investment in associates	**₱439,238,205**	₱–	**₱439,238,205**	₱–
Loans and receivables	**59,389,791**	28,943,753	**28,087,403**	28,087,403
Investment properties	**26,701,422**	26,857,422	**26,701,422**	26,857,422
Financial assets at amortized cost	**328,654**	–	**–**	–
	525,658,072	55,801,175	**494,027,030**	54,944,825
Provision for (recovery from) impairment and credit losses	**(20,658,278)**	469,856,897	**(21,539,426)**	439,082,205
	(20,952,130)	469,856,897	**(21,833,277)**	439,082,205
Balance at end of year				
Investment in associates (Note 9)	**439,238,205**	439,238,205	**439,238,205**	439,238,205
Loans and receivables (Note 7)	**40,086,421**	59,389,791	**7,893,477**	28,087,403
Investment properties (Note 10)	**25,355,922**	26,701,422	**25,355,922**	26,701,422
Financial assets at amortized cost (Note 6)	**319,246**	328,654	**–**	–
	₱504,999,794	₱525,658,072	**₱472,487,604**	₱494,027,030

Below is the breakdown of the provision for (recovery from) impairment and credit losses, including provision (reversal of provision) for other probable losses recognized in the statements of income.

	Consolidated			Parent Company		
	2020	2019	2018	**2020**	2019	2018
Provision for (recovery from) impairment and credit losses						
Loans and receivables	**(₱19,303,370)**	₱30,446,038	(₱24,504,500)	**(₱20,193,926)**	₱–	₱–
Investment properties	**(1,345,500)**	(156,000)	–	**(1,345,500)**	(156,000)	–
Financial assets at amortized cost	**(9,408)**	328,654	–	**–**	–	–
Investment in associates	**–**	439,238,205	–	**–**	439,238,205	–
	(20,658,278)	469,856,897	(24,504,500)	**(21,539,426)**	439,082,205	–
Provision (reversal of provisions) for other probable losses	**(42,506,378)**	455,515	(23,120,294)	**(41,673,410)**	30,856,053	(23,083,496)
	(₱63,164,656)	₱470,312,412	(₱47,624,794)	**(₱63,212,836)**	₱469,938,258	(₱23,083,496)

With the foregoing level of allowance for impairment and credit losses, management believes that the Group and the Parent Company have sufficient allowance to cover any losses that the Group and the Parent Company may incur from the non-collection or nonrealization of receivables and other risk assets.

In 2020 and 2019, all financial assets of the Group are classified as Stage 1 and there were no transfers between stages during the year.

A reconciliation of the allowance for credit losses on financial assets at amortized cost follows:

	Consolidated	
	2020	2019
At January 1	**₱328,654**	₱–
Provision for (recovery from) impairment losses	**(9,408)**	328,654
At December 31	**₱319,246**	₱328,654

A reconciliation of the allowance for credit losses on loans and receivables by class follows:

	Consolidated		
	2020		
	Corporate lending	**Accounts receivable**	**Total**
At January 1	**₱28,087,403**	**₱31,302,388**	**₱59,389,791**
Provision for (reversal of) credit losses	**(21,081,175)**	**1,777,805**	**(19,303,370)**
At December 31	**₱7,006,228**	**₱33,080,193**	**₱40,086,421**

	Parent Company		
	2020		
	Corporate lending	**Accounts receivable**	**Total**
At January	**₱28,087,403**	**₱–**	**₱28,087,403**
Provision for (reversal of) credit losses	**(21,081,176)**	**887,250**	**(20,193,926)**
At December 31	**₱7,006,227**	**₱887,250**	**₱7,893,477**

	Consolidated		
	2019		
	Corporate lending	Accounts receivable	Total
At January 1	₱28,087,403	₱856,350	₱28,943,753
Provision for credit losses	–	30,446,038	30,446,038
At December 31	₱28,087,403	₱31,302,388	₱59,389,791

	Parent Company 2019		
	Corporate lending	Accounts receivable	Total
At January 1	₱28,087,403	₱–	₱28,087,403
Provision for credit losses	–	–	–
At December 31	₱28,087,403	₱–	₱28,087,403

A reconciliation of the allowance for impairment losses on investments in associates and investment properties in 2020 and 2019 follows:

	Consolidated and Parent Company	
	Investment in Associates	**Investment Properties**
At January 1, 2020	**₱439,238,205**	**₱26,701,422**
Recovery from impairment losses	–	**(1,345,500)**
At December 31, 2020	**₱439,238,205**	**₱25,355,922**

	Consolidated and Parent Company	
	Investment in Associates	Investment Properties
At January 1, 2019	₱–	₱26,857,422
Provision for (recovery from) impairment losses	439,238,205	(156,000)
At December 31, 2019	₱439,238,205	₱26,701,422

13. **Bills Payable**

This account consists of:

	Consolidated		**Parent Company**	
	2020	2019	**2020**	2019
Deposit substitutes:				
Promissory notes issued	**₱3,856,294,035**	₱10,294,748,092	**₱3,856,294,035**	₱10,294,748,092
Borrowings from other banks (Note 25)	–	1,012,700,000	–	1,012,700,000
	₱3,856,294,035	₱11,307,448,092	**₱3,856,294,035**	₱11,307,448,092

Deposit substitutes have maturities of 13-365 days. Peso-denominated deposit substitutes bear annual interest rates ranging from 0.09% to 6.75%, from 0.1% to 6.8% and from 0.1% to 6.8% in 2020, 2019 2018, respectively. US dollar-denominated deposit substitutes bear annual interest rates ranging from 0.50% to 1.63%, from 0.6% to 3.1%, and from 0.6% to 1.8% in 2020, 2019 and 2018, respectively.

Borrowings from other banks represent US dollar-denominated loans. Outstanding borrowings from other banks denominated in US dollar amounted to ₱1,012.7 million as of December 31, 2019, bearing annual interest rates ranging from 2.8% to 3.5% and from 2.4% to 3.5 in 2019 and 2018, respectively.

Interest expense on bills payable of the Group and the Parent Company is disclosed in Note 19.

As of December 31, 2020 and 2019, the Parent Company's deposit substitutes are subject to reserve requirement of 12.0% and 14.0%, respectively. As of December 31, 2020 and 2019, the Parent Company's reserves on these deposits as reported to the BSP amounted to ₱0.4 billion and ₱1.3 billion, respectively, booked under 'Due from BSP' account in the statements of financial position.

As of December 31, 2020 and 2019, the Parent Company is in compliance with the regulations on reserve requirements.

14. Accounts Payable and Accrued Taxes, Interest and Other Expenses

Accounts Payable
As of December 31, 2020 and 2019, the Group's accounts payable is comprised mainly of payables to customers arising from brokerage services rendered by FMSBC during the last three (3) trading days prior to balance sheet date amounting to ₱5.34 billion and ₱1.97 billion, respectively.

Accrued, Taxes, Interest and Other Expenses
This account consists of:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Financial liabilities:				
Accrued interest payable	**₱3,798,258**	₱30,974,115	**₱3,661,036**	₱30,765,212
Accrued other expenses payable	**47,950,414**	20,298,160	**7,495,334**	4,510,070
Accrued fees payable	**31,018,768**	23,853,529	**9,823,112**	6,007,582
Accrued rent payable	**43,456**	421,441	**3,279**	3,279
	82,810,896	75,547,245	**20,982,761**	41,286,143
Nonfinancial liabilities:				
Accrued taxes and licenses	**15,813,550**	35,056,788	**15,722,929**	34,945,582
Retirement liability (Note 20)	**71,114,791**	31,002,592	**47,544,603**	6,585,832
	86,928,341	66,059,380	**63,267,532**	41,531,414
	₱169,739,237	₱141,606,625	**₱84,250,293**	₱82,817,557

15. Puttable Instruments of Mutual Fund Subsidiaries Classified as Liability and Other Liabilities

Puttable Instruments of Mutual Fund Subsidiaries Classified as Liability
The Parent Company has mutual fund subsidiaries that issue shares of stock that are redeemable by the holders at the net asset value per unit of the mutual funds. 'Puttable instruments of mutual fund subsidiaries classified as liability' carried at fair value through profit or loss represents the ownership interest of other shareholders outside the Group in these mutual fund subsidiaries. As of December 31, 2020 and 2019, the balances amounted to ₱8,314.7 million and ₱6,553.1 million, respectively. The changes in the net asset value per unit of the puttable instruments recognized in 'Trading and securities gains (losses)' in the statement of income (loss) amounted to ₱115.0 million, (₱229.8) million and ₱684.8 million in 2020, 2019 and 2018, respectively (see Note 6).

Other Liabilities

This account consists of the following:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Financial liabilities:				
Dividends payable	**₱89,645,705**	₱90,021,153	**₱89,645,705**	₱90,021,153
Lease liabilities	**35,287,949**	60,041,026	**22,035,854**	36,167,091
Derivative liability	**–**	19,788,416	**–**	19,788,416
Payables for securities purchased	**48,723,887**	6,825,691	**–**	–
Premiums payable	**1,236,259**	1,167,241	**597,236**	689,578
Subscriptions payable	**–**	–	**9,375,000**	9,375,000
Miscellaneous	**30,537,759**	13,784,176	**22,121,524**	10,716,060
	205,431,559	191,627,703	**143,775,319**	166,757,298
Nonfinancial liabilities:				
Withholding taxes payable	**13,807,431**	15,988,555	**8,369,811**	11,425,624
Other deferred credits	**–**	2,162,329	**–**	2,162,329
Miscellaneous	**166,967,755**	207,877,330	**137,932,863**	190,718,686
	180,775,186	226,028,214	**146,302,674**	204,306,639
	₱386,206,745	₱417,655,917	**₱290,077,993**	₱371,063,937

Derivative liability
In 2019, the Group entered into and used cross currency swap (i.e. dollar receive floating and peso pay fixed) to hedge its dollar floating borrowing with a bank from interest rate and foreign currency risks. The Group applied the requirements for cash flow hedge to account for these transactions. The hedges have been assessed as perfectly effective as the critical terms of the cross currency swap matched those of the hedged bank borrowing.

As of December 31, 2019, the Group's borrowing with a bank designated as hedged item amounted to US$20.0 million (or ₱1,025.0 million), with floating interest rated based on three-month LIBOR plus 0.90% spread.

As of December 31, 2019, the negative fair value of the cross currency swap designated as hedging instrument amounted to ₱19.8 million, presented in "Other Liabilities". The notional amount of the peso pay fixed leg and the dollar receive floating leg of the swap amounted to ₱1,023.0 million and US$20.0 million, respectively. In 2019, net interest expense on this derivative instrument amounted to ₱15.0 million.

Movement in the cash flow hedge reserve in 2019 is as follows:

Net unrealized loss on cash flow hedge	(₱19,788,416)
Net gain on cash flow hedge reclassified from profit or loss	10,286,441
	(₱9,501,975)

In 2020, the cross currency swap was pre-terminated resulting into a mark to market loss amounting to ₱20.2 million and foreign exchange gains amounting to ₱14.2 million. Total loss incurred from the pre-termination amounted to ₱6.0 million.

Miscellaneous liabilities
Miscellaneous liabilities also consist of provisions for other probable losses and other government-related payables.

16. Maturity Analysis of Financial and Nonfinancial Assets and Liabilities

The following tables present the assets and liabilities of the Group and of the Parent Company by contractual maturity or for equity and debt securities at FVTPL based on the expected date of which these assets will be realized and settlement dates as of December 31, 2020 and 2019:

	Consolidated			Parent Company		
	2020			2020		
	Due Within One Year	Due Beyond One Year	Total	Due Within One Year	Due Beyond One Year	Total
Financial Assets						
Cash and other cash items	₱6,073,003,807	–	₱6,073,003,807	₱305,670,015	–	₱305,670,015
Due from BSP	2,507,296,864	–	2,507,296,864	2,507,296,864	–	2,507,296,864
SPURA	2,593,323,509	–	2,593,323,509	2,593,323,509	–	2,593,323,509
Investment securities at						
FVTPL	9,633,287,756	–	9,633,287,756	975,431,269	–	975,431,269
FVOCI	–	1,217,167,966	1,217,167,966	–	1,065,333,485	1,065,333,485
Amortized cost – at gross (Note 6)	605,153,009	860,314,395	1,465,467,404	–	–	–
Loans and receivables - at gross (Note 7)	1,838,780,854	435,700,277	2,274,481,131	143,598,935	368,082,391	511,681,326
	23,250,845,799	2,513,182,638	25,764,028,437	6,525,320,592	1,433,415,876	7,958,736,468
Nonfinancial Assets						
Property and equipment	–	94,526,186	94,526,186	–	61,098,868	61,098,868
Investments in subsidiaries, associates and joint venture - at gross of allowance for impairment (Note 9)	–	7,160,594,522	7,160,594,522	–	11,003,223,457	11,003,223,457
Investment properties - at gross of allowance for impairment (Note 10)	–	207,276,195	207,276,195	–	207,276,195	207,276,195
Deferred tax assets	–	76,030,804	76,030,804	–	20,194,776	20,194,776
Other assets	21,848,560	883,833,839	905,682,399	12,166,745	688,638,804	700,805,549
	21,848,560	8,422,261,546	8,444,110,106	12,166,745	11,980,432,100	11,992,598,845
Allowance for impairment and credit losses (Note 12)	–	(504,999,794)	(504,999,794)	–	(472,487,604)	(472,487,604)
	₱23,272,694,359	₱10,430,444,390	₱33,703,138,749	₱6,537,487,337	₱12,941,360,372	₱19,478,847,709
Financial Liabilities						
Bills payable	₱3,856,294,035	₱–	₱3,856,294,035	₱3,856,294,035	₱–	₱3,856,294,035
Accounts payable	5,872,032,197	–	5,872,032,197	248,981,321	–	248,981,321
Accrued interest and other expenses payable (Note 14)	82,810,896	–	82,810,896	20,982,761	–	20,982,761
Puttable instruments of mutual fund subsidiaries classified as liability (Note 15)	8,314,673,287	–	8,314,673,287	–	–	–
Lease liabilities (Note 15)	30,016,393	5,271,556	35,287,949	22,035,854	–	22,035,854
Other liabilities (Note 15)	170,143,610	–	170,143,610	121,739,465	–	121,739,465
	18,325,970,418	5,271,556	18,331,241,974	4,270,033,436	–	4,270,033,436
Nonfinancial Liabilities						
Accrued taxes and other expenses payable (Note 14)	15,813,550	71,114,791	86,928,341	15,722,929	47,544,603	63,267,532
Income taxes payable	13,132,281	–	13,132,281	4,095,971	–	4,095,971
Other liabilities (Note 15)	180,775,186	–	180,775,186	146,302,674	–	146,302,674
	209,721,017	71,114,791	280,835,808	166,121,574	47,544,603	213,666,177
	₱18,535,691,435	₱76,386,347	₱18,612,077,782	₱4,436,155,010	₱47,544,603	₱4,483,699,613

	Consolidated 2019			Parent Company 2019		
	Due Within One Year	Due Beyond One Year	Total	Due Within One Year	Due Beyond One Year	Total
Financial Assets						
Cash and other cash items	₱3,965,262,171	₱–	₱3,965,262,171	₱1,376,543,552	₱–	₱1,376,543,552
Due from BSP	5,733,306,404	–	5,733,306,404	5,733,306,404	–	5,733,306,404
SPURA	1,346,691,935	–	1,346,691,935	1,346,691,935	–	1,346,691,935
Investment securities at						
FVTPL	12,220,450,739	–	12,220,450,739	3,699,261,156	–	3,699,261,156
FVOCI	1,616,419	1,886,466,287	1,888,082,706	–	1,730,642,177	1,730,642,177
Amortized cost	228,583,769	362,529,477	591,113,246	–	–	–
Loans and receivables - at gross (Note 8)	766,787,458	978,183,927	1,744,971,385	148,438,400	946,102,475	1,094,540,875
	24,262,698,895	3,227,179,691	27,489,878,586	12,304,241,447	2,676,744,652	14,980,986,099
Nonfinancial Assets						
Property and equipment	–	148,541,382	148,541,382	–	98,473,372	98,473,372
Investments in subsidiaries, associates and joint venture - at gross of allowance for impairment (Note 9)	–	7,307,851,097	7,307,851,097	–	11,233,412,218	11,233,412,218
Investment properties - at gross of allowance for impairment (Note 10)	–	215,858,409	215,858,409	–	215,858,409	215,858,409
Deferred tax assets	–	68,913,952	68,913,952	–	21,537,023	21,537,023
Other assets	565,699,762	364,213,324	929,913,086	435,835,243	306,049,758	741,885,001
	565,699,762	8,105,378,164	8,671,077,926	435,835,243	11,875,330,780	12,311,166,023
Allowance for impairment and credit losses (Note 12)	–	(525,658,072)	(525,658,072)	–	(494,027,030)	(494,027,030)
	₱24,828,398,657	₱10,806,899,783	₱35,635,298,440	₱12,740,076,690	₱14,058,048,402	₱26,798,125,092
Financial Liabilities						
Bills payable	₱11,307,448,092	₱–	₱11,307,448,092	₱11,307,448,092	₱–	₱11,307,448,092
Accounts payable	2,330,848,240	–	2,330,848,240	257,899,461	–	257,899,461
Accrued interest and other expenses payable (Note 14)	75,547,245	–	75,547,245	41,286,143	–	41,286,143
Bonds payable	–	–	–	–	–	–
Puttable instruments of mutual fund subsidiaries classified as liability (Note 15)	6,553,071,770	–	6,553,071,770	–	–	–
Lease liabilities (Note 15)	33,989,169	26,051,857	60,041,026	22,962,485	13,204,606	36,167,091
Other liabilities (Note 15)	131,586,677	–	131,586,677	130,590,207	–	130,590,407
	20,432,491,193	26,051,857	20,458,543,050	11,760,186,388	13,204,606	11,773,390,994
Nonfinancial Liabilities						
Accrued taxes and other expenses payable (Note 14)	66,059,038	–	66,059,038	41,531,414	–	41,531,414
Income taxes payable	12,372,102	–	12,372,102	5,839,705	–	5,839,705
Deferred tax liabilities	–	4,007,210	4,007,210	–	–	–
Other liabilities (Note 15)	226,028,214	–	226,028,214	204,306,639	–	204,306,639
	304,459,696	4,007,210	308,466,906	251,677,758	–	251,677,758
	₱20,736,950,889	₱30,059,067	₱20,767,009,956	₱12,011,864,146	₱13,204,606	₱12,025,068,752

17. Equity

Details of the Parent Company's capital stock as of December 31, 2020 and 2019 follow:

	Shares	Amount
Common stock - ₱10 par value		
Authorized - 800,000,000 shares		
Issued - 420,869,240 shares		
Issued and paid-up capital	420,869,240	₱4,208,692,400
Less: treasury shares	48,402,024	2,661,979,203
Total issued and outstanding at end of year	372,467,216	₱1,546,713,197

As of December 31, 2020 and 2019, there are 1,380 shareholders of the Parent Company's common shares.

<u>Acquisition of Treasury Shares</u>

In 2019 and 2018, the Parent Company bought back 63,120 shares and 4,680 shares, respectively, of its own shares for a total cost of ₱2.4 million, ₱0.2 million, respectively. No acquisition of treasury shares in 2020.

Dividend Declaration
The Parent Company did not declare dividends for distribution for years 2020, 2019 and 2018.

Details of FAMI's dividend distribution follow:

	Dividend			
Date of Declaration	Per Share	Total Amount	Record Date	Payment Date
December 12, 2018	₱18.00	₱27,000,000	December 14, 2018	December 21, 2018

Details of FMSBC's dividend distribution follow:

	Dividend			
Date of Declaration	Per Share	Total Amount	Record Date	Payment Date
December 17, 2018	₱15.00	₱25,350,000	December 31, 2018	March 15, 2019

Capital Management
The primary objectives of the Group's capital management are to ensure that it complies with externally imposed capital requirements and it maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

The Group manages its capital structure attuned to the changes in economic conditions and the risk characteristics of its activities. The Group may adjust the amount of dividend payments to shareholders or issue capital securities in order to maintain or adjust its capital structure.

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

Effective January 1, 2014, the Group complied with BSP issued Circular No. 781, Basel III Implementing Guidelines on Minimum Capital Requirements, which provides the implementing guidelines on the revised risk-based capital adequacy framework particularly on the minimum capital and disclosure requirements for universal banks and commercial banks, as well as their subsidiary banks and quasi-banks, in accordance with the Basel III standards. The Circular sets out a minimum Common Equity Tier 1 (CET1) ratio of 6.00% and Tier 1 capital ratio of 7.50% and also introduced a capital conservation buffer of 2.50% comprised of CET1 capital. The existing requirement for Total Capital Adequacy Ratio (CAR) remains unchanged at 10.00% and these ratios shall be maintained at all times.

Basel III also requires that existing capital instruments as of December 31, 2010 which do not meet the eligibility criteria for capital instruments under the revised capital framework shall no longer be recognized as capital. In addition, capital instruments issued under BSP Circular Nos. 709 and 716 (the circulars amending the definition of qualifying capital particularly on Hybrid Tier 1 and Lower Tier 2 capitals) and before the effectivity of BSP Circular No. 781, are recognized as qualifying capital until December 31, 2015. In addition to changes in minimum capital requirements, this Circular also requires various regulatory adjustments in the calculation of qualifying capital.

The details of CAR, as reported to the BSP, as of December 31, 2020 and 2019, respectively, follow (amounts in millions):

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
CET 1 capital	**₱17,710.6**	₱18,053.9	**₱17,710.6**	₱18,053.9
Less: Required deductions	**13,911.8**	14,793.7	**14,450.9**	15,160.8
Net Tier 1 capital	**3,798.8**	3,260.2	**3,259.6**	2,893.1
Tier 2 capital	**45.5**	43.1	**16.5**	32.5
Total qualifying capital	**3,844.2**	3,303.3	**3,276.1**	2,925.6
Credit risk-weighted assets	**4,775.1**	4,301.4	**1,616.8**	3,224.3
Market risk-weighted assets	**197.2**	872.4	**206.8**	894.1
Operational risk-weighted assets	**1,812.5**	2,070.3	**1,285.4**	1,554.0
Total risk-weighted assets	**₱6,784.9**	₱7,244.1	**₱3,109.0**	₱5,672.4
CET 1 ratio*				
*Capital conservation buffer	**50.0%**	39.0%	**98.8%**	45.0%
Tier 1 capital ratio	**56.0%**	39.0%	**104.9%**	51.0%
Total capital ratio	**56.6%**	45.0%	**105.4%**	45.0%

CET 1, Tier 1 and Total Capital Ratio are computed by dividing the CET 1 Capital, Tier 1 Capital and Total Qualifying Capital, respectively, by the Total Risk Weighted Assets. Capital Conservation Buffer is computed by deducting the required 6.0% CET 1 ratio from the actual CET 1 ratio.

Qualifying capital and risk-weighted assets (RWA) are computed based on BSP regulations.

Under Basel III, the regulatory qualifying capital of the Parent Company consists of CET1 capital, which comprises paid-up common stock, retained earnings including current year profit, restricted retained earnings, net unrealized gains or losses on FVOCI securities, cumulative foreign currency translation) and other comprehensive income (equity share on decline in value of investment securities of investees and unrealized loss on remeasurement of retirement obligation) less required deductions such as unsecured credit accommodations to directors, officers, stockholders and related interests (DOSRI), subsidiaries and affiliates, deferred tax assets, other intangible assets, defined benefit pension fund assets and goodwill. The other component of regulatory capital is Tier 2 (supplementary) capital which includes general loan loss provision.

The RWA consist of total assets less cash on hand, due from BSP, loans covered by hold-out on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits and other non-risk items determined by the Monetary Board of the BSP.

As of December 31, 2020 and 2019, the Group has no exposures to securitization structures, contracts that provide credit protection through credit derivatives and investments in other types of structured products.

Standardized credit risk weights were used in the credit assessment of asset exposures. Credit risk rating assessments from Moodys, Fitch and PhilRatings are applied for cash on hand, while assessment from PhilRatings are applied for the investment exposures. The eligible credit risk mitigants are investments with guarantees from the Government.

Operational RWA are computed using the Basic Indicator Approach.

The Group and its individual regulated operations have complied with all externally imposed capital requirements throughout the period.

The issuance of BSP Circular No. 639 covering the Internal Capital Adequacy Assessment Process (ICAAP) in 2009 supplements the BSP's risk-based capital adequacy framework under Circular No. 538. In compliance with this new circular, the Metrobank Group has adopted and developed its ICAAP framework to ensure that the appropriate level and quality of capital is maintained by the Group. Under this framework, the assessment of risks extends beyond the Pillar 1 set of credit, market and operational risks and onto other risks deemed material by the Group. The level and structure of capital are assessed and determined in light of the Group's business environment, plans, performance, risks and budget, as well as regulatory edicts. The Group follows the Metrobank Group's ICAAP framework and submits the result of its assessment to the Ultimate Parent Company. The BSP requires submission of ICAAP documents on a group-wide basis every January 31. The Group, through the Ultimate Parent Company, has complied with the requirement.

The Group has taken into consideration the impact of the foregoing requirements to ensure that the appropriate level and quality of capital are maintained on an ongoing basis.

Liquidity Coverage Ratio (LCR)
The issuance of BSP Circular No. 905 and 995 in 2016 and 2018, respectively, provides the implementing guidelines on LCR and disclosure standards that are consistent with the Basel III framework. The LCR is the ratio of high-quality liquid assets to total net cash outflows which should not be lower than 100.00%. Compliance with the LCR minimum requirement commenced on January 1, 2018 with the prescribed minimum ratio of 90.0% for 2018 and 100.00% effective January 1, 2019. As of December 31, 2020 and 2019, the LCR in single currency as reported to the BSP, was at 293.8% and 153.8%, respectively for the Group, and 312.2% and 192.0%, respectively for the Parent Company.

Net Stable Funding Ratio (NSFR)
On June 6, 2018, the BSP issued BSP Circular No.1007 covering the implementing guidelines on the adoption of the Basel III Framework on Liquidity Standards – NSFR. The NSFR is aimed to promote long-term resilience against liquidity risk by requiring the Group to maintain a stable funding profile in relation to the composition of its assets and off-balance sheet activities. It complements the LCR, which promotes short term resilience of the Group's liquidity profile. The Group shall maintain an NSFR of at least 100 percent (100%) at all times. The implementation of the minimum NSFR shall be phased in to help ensure that the Group can meet the standard through reasonable measures without disrupting credit extension and financial market activities. An observation period was set initially from July 1 to December 31, 2018 which was later on moved to December 31, 2019 based on BSP Circular No. 1034 series of 2019 with minimum NSFR requirement of 70.0%. Effective, January 1, 2020, the Group shall comply with the prescribed minimum ratio of 100%. As of December 31, 2020 and 2019, the NSFR as reported to the BSP, was at 122.7% and 122.5%, respectively for the Group, and 127.6% and 128.2%, respectively for the Parent Company.

The computation of retained earnings available for dividend declaration in accordance with SEC Memorandum Circular No. 11 issued in December 2008 differs to a certain extent from the computation following the BSP guidelines.

In the financial statements, a portion of the Parent Company's retained earnings corresponding to accumulated equity in net earnings of the subsidiaries associates amounting to ₱5.2 billion and ₱5.3 billion as of December 31, 2020 and 2019, respectively, is not available for dividend declaration. The accumulated equity in net earnings becomes available for dividends upon receipt of cash dividends from the investees. In addition, the amount of retained earnings equivalent to the cost of treasury shares being held by the Parent Company is also restricted from being declared and issued as dividends.

Minimum Capital Requirement
As required by the 'Omnibus Rules and Regulations for Investment Houses and Universal Banks Registered as Underwriters of Securities', investment houses shall have a minimum initial paid-in capital of ₱300.0 million or such amount as the BSP may prescribe at the time of incorporation. Further, BSP requires a ₱200.0 million minimum paid-in capital for investment houses to be established in Metro Manila.

The Parent Company's paid-in capital is ₱6.3 billion, which is above the required externally imposed minimum paid-in capital.

18. Interest Income

This account consists of interest income on:

	Consolidated			Parent Company		
	2020	2019	2018	**2020**	2019	2018
Financial assets at FVTPL	**₱157,279,706**	₱237,758,624	₱138,768,940	**₱73,660,923**	₱147,339,302	₱55,817,656
SPURA	**91,220,797**	90,648,454	4,058,232	**91,220,797**	90,648,454	4,058,232
Loans and receivables	**76,667,066**	88,502,787	120,982,633	**76,187,894**	88,268,643	120,680,032
Deposits with banks	**57,005,017**	93,479,102	68,556,848	**1,851,569**	420,721	62,887
Amortized Cost	**51,329,772**	500,888,091	786,530,255	**–**	459,491,924	763,830,891
Due from BSP	**46,459,309**	15,017,530	78,416	**46,459,309**	15,017,530	78,416
FVOCI	**20,466,268**	109,792,637	3,543,431	**17,895,031**	107,216,851	–
	₱500,427,935	₱1,136,087,225	₱1,122,518,755	**₱307,275,523**	₱908,403,425	₱944,528,114

19. Interest Expense

This account consists of interest expense on:

	Consolidated			Parent Company		
	2020	2019	2018	**2020**	2019	2018
Deposit substitutes (Note 13):						
Promissory notes issued	**₱127,393,824**	₱735,307,684	₱499,794,988	**₱127,393,824**	₱736,031,650	₱500,246,231
Repurchase agreements	**–**	71,085,034	356,289	**–**	71,085,034	356,289
Bonds payable (Note 15)	**–**	105,195,335	172,757,137	**–**	107,803,637	177,053,190
Borrowings from other banks (Note 13)	**11,022,508**	34,789,346	17,949,077	**11,022,508**	34,789,346	17,949,077
Interbank call loans (Note 13)	**832,135**	23,362,120	70,390,859	**832,135**	23,362,120	70,390,859
Borrowings from BSP	**–**	6,429,167	1,458,333	**–**	6,429,167	1,458,333
Others	**4,641,732**	16,888,144	5,972,778	**3,007,093**	14,133,178	5,760,938
	₱143,890,199	₱993,056,830	₱768,679,461	**₱142,255,560**	₱993,634,132	₱773,214,917

20. Retirement Plans

The Parent Company, FMSBC and FAMI have funded, noncontributory defined benefit retirement plans covering substantially all its officers and regular employees. Under these retirement plans, all covered officers and employees are entitled to cash benefits after satisfying certain age and service requirements.

The Parent Company's, FMSBC's and FAMI's annual contribution to the retirement plan consists of a payment covering the current service cost, amortization of the unfunded actuarial accrued liability and interest on such unfunded actuarial liability.

The costs of defined benefit retirement plans as well as the present value of the retirement liability are determined using actuarial valuations. The actuarial valuation involves making various assumptions.

The principal assumptions used in determining the retirement liability for the defined benefit retirement plans are shown below:

	Group		
	2020	**2019**	2018
Retirement age	**55**	55	55
Average remaining working life	**7 years**	7 years	7 years
Discount rate	**3.4-3.7%**	4.6%-4.8%	7.2%-7.3%
Expected rate of salary increase	**4.0%-6.0%**	6.3%	5.0%
Employee turnover rate	**10.2%-11.7%**	10.1%-13.2%	10.4%-14.6%

	Parent Company		
	2020	2019	2018
Retirement age	**55**	55	55
Average remaining working life	**7 years**	7 years	7 years
Discount rate	**3.4%**	4.6%	7.2%
Expected rate of salary increase	**6.0%**	6.3%	5.0%
Employee turnover rate	**10.2%**	10.1%	10.4%

The amounts recognized in the Group's and the Parent Company's statements of financial position follows:

Consolidated

		Net benefit cost					Remeasurements in other comprehensive income						
	January 1, 2020	**Current service cost**	**Past service Cost**	**Net interest**	**Subtotal**	**Benefits paid**	**Return on plan assets (excluding amount included in net interest)**	**Actuarial changes arising from experience adjustments**	**Actuarial changes arising from changes in financial assumptions**	**Actuarial changes arising from changes in demographic assumptions**	**Subtotal**	**Contributions paid**	**December 31, 2020**
Present value of defined benefit obligation	**₱333,157,651**	**₱39,001,624**	**₱–**	**₱14,849,800**	**₱53,851,424**	**(₱45,122,352)**	**₱–**	**(₱10,239,870)**	**₱15,340,258**	**₱342,349**	**₱5,442,737**	**₱–**	**₱347,329,460**
Fair value of plan assets	**(302,248,322)**	–	–	**(13,604,650)**	**(13,604,650)**	**45,122,352**	**6,229,234**	–	–	–	**6,229,234**	**(11,713,283)**	**(276,214,669)**
Net pension liability	**₱30,909,329**	**₱39,001,624**	**₱–**	**₱1,245,150**	**₱40,246,774**	**₱–**	**₱6,229,234**	**(₱10,239,870)**	**₱15,340,258**	**₱342,349**	**₱11,671,971**	**(₱11,713,283)**	**₱71,114,791**

**The Parent Company, FMSBC and FAMI are in a net liability position amounting to ₱47.54 million, ₱22.40 million and ₱1.2 million, respectively and presented under 'Accrued Taxes, Interest and Other Expenses' (Note 14).*

Parent Company

		Net benefit cost				Remeasurements in other comprehensive income						
	January 1, 2020	**Current service cost**	**Net interest**	**Subtotal**	**Benefits paid**	**Return on plan assets (excluding amount included in net interest)**	**Actuarial changes arising from experience adjustments**	**Actuarial changes arising from changes in financial assumptions**	**Actuarial changes arising from changes in demographic assumptions**	**Subtotal**	**Contributions paid**	**December 31, 2020**
Present value of defined benefit obligation	**₱272,481,440**	**₱29,125,918**	**₱12,015,828**	**₱41,141,746**	**(₱40,574,196)**	**₱–**	**(₱7,394,658)**	**₱17,640,762**	**₱–**	**₱10,246,104**	**₱–**	**₱283,295,094**
Fair value of plan assets	**(265,895,608)**	–	**(11,712,222)**	**(11,712,222)**	**40,574,196**	**3,952,980**	–	–	–	**3,952,980**	**(2,669,837)**	**(235,750,491)**
Net pension liability (Note 14)	**₱6,585,832**	**₱29,125,918**	**₱303,606**	**₱29,429,524**	**₱–**	**₱3,952,980**	**(₱7,394,658)**	**₱17,640,762**	**₱–**	**₱14,199,084**	**(₱2,669,837)**	**₱47,544,603**

Consolidated

		Net benefit cost					Remeasurements in other comprehensive income						
	January 1, 2019	Current service cost	Past service Cost	Net interest	Subtotal	Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from experience adjustments	Actuarial changes arising from changes in financial assumptions	Actuarial changes arising from changes in demographic assumptions	Subtotal	Contributions paid	December 31, 2019
Present value of defined benefit obligation	₱244,342,148	₱28,237,733	₱4,093,704	₱16,541,073	₱48,872,510	(₱26,951,715)	₱–	(₱7,876,661)	₱74,769,345	₱–	₱66,894,708	₱–	₱333,157,651
Fair value of plan assets	(284,876,098)	–	–	(20,968,873)	(20,968,873)	26,951,715	(11,894,851)	8,969,508	–	–	(2,925,343)	(20,336,460)	(302,155,059)
Net pension liability	(₱40,533,950)	₱28,237,733	₱4,093,704	(₱4,427,800)	(₱27,903,637)	₱–	(₱11,894,851)	₱1,094,871	₱74,769,345	₱–	₱63,969,365	(₱20,336,460)	₱31,002,592

**The Parent Company, FMSBC and FAMI are in a net liability position amounting to ₱6.6 million, ₱19.6 million and ₱4.8 million, respectively and presented under 'Accrued Taxes, Interest and Other Expenses' (Note 14).*

Parent Company

		Net benefit cost					Remeasurements in other comprehensive income						
	January 1, 2019	Current service cost	Net interest	Acquired/ transferred obligation	Subtotal	Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from experience adjustments	Actuarial changes arising from changes in financial assumptions	Actuarial changes arising from changes in demographic assumptions	Subtotal	Contributions paid	December 31, 2019
Present value of defined benefit obligation	₱210,189,364	₱22,911,140	₱14,118,583	₱–	₱37,029,723	(₱25,672,446)	₱–	(₱8,213,373)	₱59,148,172	₱–	₱50,934,799	₱–	₱272,481,440
Fair value of plan assets	(250,141,833)	–	(18,314,098)	–	(18,314,098)	25,672,446	(11,856,470)	3,428,450	–	–	(8,428,020)	(14,684,103)	(265,895,608)
Net pension liability (Note 15)	(₱39,952,469)	₱22,911,140	(₱4,195,515)	₱–	(₱18,715,625)	₱–	(₱11,856,470)	(₱4,784,923)	₱59,148,172	₱–	₱42,506,779	(₱14,684,103)	₱6,585,832

The maximum economic benefit available is a combination of expected refunds from the plan and reductions in future contributions.

The fair values of plan assets by each class as at the end of the reporting periods are as follows:

	Consolidated	
	2020	2019
Cash and cash equivalents	**₱2,811,348**	₱2,158,834
Equity instruments		
Services	**98,597,507**	10,581,716
Debt instruments		
Government securities	**134,886,667**	158,080,862
Below AAA and unrated private debt securities	**27,914,997**	29,531,922
Investment in mutual funds/UITF	**8,857,814**	108,188,753
Loans and receivables	**6,430,644**	–
Other assets	–	19,310
	279,498,977	308,561,397
Less: Other Payables	**3,284,308**	6,406,338
Fair value of plan assets	**₱276,214,669**	₱302,155,059

	Parent Company	
	2020	2019
Cash and cash equivalents	**₱1,429,375**	₱1,630,865
Equity instruments		
Services	**84,374,161**	10,581,716
Industrial		–
Debt instruments		
Government securities	**118,073,108**	147,152,104
Below AAA and unrated private debt securities	**26,886,780**	26,503,878
Investment in mutual funds/UITF	**8,172,627**	91,601,684
Loans and receivables	**22,113**	–
Other assets		17,800
	238,958,164	277,488,047
Less: Accrued trust fee payable		–
Other payables	**3,207,673**	11,592,439
Fair value of plan assets	**₱235,750,491**	₱265,895,608

As of December 31, 2020 and 2019, equity securities included in the plan assets include shares from the Ultimate Parent Company and other related parties amounting to ₱88.0 million and ₱99.2 million, respectively (Note 25).

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

	2020			
	Consolidated		**Parent Company**	
	Possible fluctuations	**Increase (decrease)**	**Possible fluctuations**	**Increase (decrease)**
Discount rates	**+1.0%**	**323,170,649**	**+1.0%**	**264,336,902**
	-1.0%	**374,572,226**	**-1.0%**	**304,571,196**
Turnover rate	**+2.0%**	**335,531,702**	**+2.0%**	**274,595,305**
	-2.0%	**360,781,361**	**-2.0%**	**293,200,689**
Future salary increase rate	**+1.0%**	**375,507,982**	**+1.0%**	**305,304,741**
	-1.0%	**321,856,871**	**-1.0%**	**263,296,776**

The Group and the Parent Company expect to contribute ₱3.5 million and nil, respectively, to its defined benefit pension plan in 2021.

The average duration of the defined benefit retirement liability at the end of the reporting period ranges from 10.5 years to 14.5 years for the Group and 10.5 years for the Parent Company.

21. Service Charges, Fees and Commissions and Miscellaneous Income (Loss)

Service Charges, Fees and Commissions

The table below presents the disaggregation of service charges, fees and commission by type of fee:

	Consolidated			Parent Company		
	2020	2019	2018	**2020**	2019	2018
Commission income	**₱253,575,638**	₱156,687,559	₱217,637,595	**₱–**	₱–	₱–
Underwriting fees	**68,887,818**	110,938,944	65,652,975	**68,887,818**	110,938,944	65,652,975
Advisory fees	**36,283,641**	177,394,973	3,064,516	**47,108,834**	189,405,165	16,145,811
Arranger's fees	**29,141,935**	65,255,347	60,174,731	**29,141,935**	65,255,347	60,174,731
Issue management fees	**14,854,814**	113,384,768	239,834,919	**14,854,814**	113,384,768	239,834,919
Others	**40,835,351**	31,413,588	24,303,440	**47,914,795**	36,796,512	33,519,926
	₱443,579,197	₱655,075,179	₱610,668,176	**₱207,908,196**	₱515,780,736	₱415,328,362

'Others' pertains to selling fees, management fees, incentive fees, Stand-by letter of credit fees and brokering fees.

Miscellaneous Income (Loss)

Breakdown of Miscellaneous income (loss) is as follows:

	Consolidated			Parent Company		
	2020	2019	2018	**2020**	2019	2018
Sales load and redemption fees	**₱3,575,954**	₱2,281,511	₱3,276,447	**₱–**	₱–	₱–
Rental income (Note 22)	**2,022,189**	2,217,990	2,149,543	**2,022,188**	2,217,990	2,149,543
Others	**11,612,814**	10,945,180	75,790,887	**3,372,290**	4,121,580	56,322,217
	₱17,210,957	₱15,444,681	₱81,216,877	**₱5,394,478**	₱6,339,570	₱58,471,760

In 2018, Others include break funding charges amounting to ₱53.7 million from the pretermination of certain loan with the Parent Company, and income from previous years' contributions to Clearing and Trade Guarantee Fund (CTGF) amounting to ₱11.73 million. On March 13, 2018, the SEC resolved to approve the Securities Clearing Corporation of the Philippines (SCCP)'s proposal to make the clearing members' contributions to CTGF refundable to clearing members upon cessation of their business and/or termination of their membership with SCCP, under certain conditions. Accordingly, FMSBC recognized as other assets and other income the CTGF contributions paid in prior years.

22. **Leases**

Company as a lessee
The Company has lease contracts for its office premises for a period of 3 years renewable by mutual agreement of the parties at the end of term of the lease.

The following are the amounts recognized in the statements of income:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Depreciation expense of right-of-use assets included in property and equipment	**₱31,308,285**	₱41,475,576	**₱23,624,142**	₱24,951,358
Interest expense on lease liabilities	**3,458,230**	6,327,128	**1,851,715**	4,119,128
Expenses relating to short-term leases	**14,719,109**	3,753,606	**3,133,934**	–
Total amount recognized in the statements of income	**₱49,485,624**	₱51,556,310	**₱28,609,791**	₱29,070,486

The rollforward analysis of lease liabilities follows:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Balance at beginning of year	**₱60,041,026**	₱–	**₱36,167,091**	₱–
Effect of adoption of PFRS 16 (Note 2)	**–**	100,526,611	**–**	63,042,735
Additions	**–**	1,197,936	**–**	–
Interest expense	**3,458,230**	6,327,128	**1,851,715**	4,119,128
Payments	**(24,418,359)**	(43,954,585)	**(15,982,952)**	(26,938,707)
Lease modification/Adjustments	**(3,792,948)**	(4,056,064)	**–**	(4,056,064)
Balance at end of year	**₱35,287,949**	₱60,041,026	**₱22,035,854**	₱36,167,091

Shown below is the maturity analysis of the undiscounted lease payments as of December 31, 2020 and 2019:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
1 year	**₱30,968,696**	₱41,502,949	**₱22,253,938**	₱29,501,303
more than 1 year to 2 years	**5,449,151**	25,024,973	**–**	15,110,405
more than 2 years to 3 years	**–**	5,540,725	**–**	–
more than 3 years to 4 years	**–**	1,316,119	**–**	–
more than 5 years	**–**	468,107	**–**	–

Prior to January 1, 2019, the rental expense recognized under ‘Rent, light and water’ in the statements of income for the year ended December 31, 2018 amounted to ₱53.1 million for the Group and ₱31.6 million for the Parent Company.

23. Miscellaneous Expenses

This account consists of:

	Consolidated			Parent Company		
	2020	2019	2018	**2020**	2019	2018
Insurance	**₱21,211,209**	₱23,495,288	₱21,905,890	**₱12,622,265**	₱14,910,578	₱13,801,541
Security, messengerial and janitorial	**11,671,342**	15,459,418	17,375,865	**7,773,271**	10,058,154	12,350,932
Transportation and travel	**7,970,242**	12,017,618	16,127,220	**3,562,453**	4,718,733	7,115,399
Referral and service fees	**14,623,240**	14,861,994	16,662,179	**–**	–	–
Supervision fees	**11,241,386**	12,053,540	13,720,897	**11,241,386**	12,053,540	13,720,897
Research and other technical cost	**11,404,181**	14,441,562	12,600,302	**–**	2,240,000	1,760,000
Membership dues	**7,217,559**	8,068,385	8,954,666	**6,044,352**	6,856,155	7,400,457
Fuel and lubricants	**4,341,160**	6,167,287	7,013,532	**4,341,160**	6,167,287	7,013,532
Repairs and maintenance	**6,145,422**	6,770,598	6,138,044	**3,478,115**	3,407,568	3,478,003
Stationery and supplies used	**2,834,266**	4,394,894	5,185,711	**1,432,613**	1,684,033	1,523,113
Bank service charges and other service fees	**4,148,551**	4,496,761	4,592,518	**1,674,245**	2,516,071	1,548,210
Custodianship, collateral agent, and maintenance fees	**2,911,301**	4,423,657	4,567,293	**321,252**	1,575,138	1,271,308
Litigation/asset-acquired expenses	**952,522**	955,681	971,042	**952,522**	955,681	971,042
Donations	**750,000**	673,400	255,000	**750,000**	673,400	255,000
Periodical and magazine subscriptions	**83,979**	164,288	218,075	**83,979**	164,288	170,111
Others	**36,273,875**	63,070,402	32,228,826	**18,445,156**	26,146,098	21,112,821
	₱143,780,235	₱191,514,773	₱168,517,060	**₱72,722,769**	₱94,126,724	₱93,492,366

Others consist mostly of expenses for company sponsorships, corporate social responsibility initiatives, corporate giveaways, maintenance and administrative costs.

24. Income and Other Taxes

The provision for income tax consists of:

	Consolidated			Parent Company		
	2020	2019	2018	**2020**	2019	2018
Current						
Final tax	**₱77,450,715**	₱253,746,897	₱273,544,896	**₱48,364,066**	₱170,451,273	₱197,768,435
Corporate	**19,133,644**	12,905,364	16,602,695	**4,095,971**	5,839,705	8,499,319
	96,584,358	266,652,261	290,147,591	**52,460,037**	176,290,978	206,267,754
Deferred	**3,702,365**	(15,617,442)	21,782,343	**5,601,972**	1,828,549	19,145,578
	₱100,286,724	₱251,034,819	₱311,929,934	**₱58,062,009**	₱178,119,527	₱225,413,332

Provision for (benefit from) deferred tax recognized in other comprehensive income (loss) follow:

	Consolidated			Parent Company		
	2020	2019	2018	**2020**	2019	2018
Unrealized loss on FVOCI debt investments	**₱11,416,139**	₱–	(₱2,049,559)	**₱–**	₱–	₱–
Remeasurements of retirement liability	**3,410,288**	19,667,863	3,383,643	**4,259,725**	12,752,034	5,064,433
	₱14,826,427	₱19,667,863	₱1,334,084	**₱4,259,725**	₱12,752,034	₱5,064,433

Under Philippine tax laws, the Parent Company and its domestic subsidiaries are subject to percentage and other taxes (presented as 'Taxes and licenses' in the statements of income) as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax (GRT) and documentary stamp taxes (DST).

Income taxes include regular corporate income tax (RCIT), as discussed below, as well as final withholding taxes paid at the rates of 20% of gross interest income from peso-denominated debt instruments and other deposit substitutes, 15% of gross interest income from foreign currency deposits in a depository bank under the expanded foreign currency deposit system and a 15% final tax imposed on net capital gains realized during the taxable year from the disposition of shares of stock in a domestic corporation not traded in the stock exchange.

The RCIT rate shall be 30.0%. Interest allowed as a deductible expense is reduced by an amount equivalent to 33.0% of interest income subjected to final tax.

Current tax regulations also provide for the ceiling on the amount of entertainment, amusement and recreation (EAR) expense that can be claimed as a deduction against taxable income. Under the regulation, EAR expense allowed as a deductible expense for a service company like the Parent Company and its subsidiaries is limited to the actual EAR paid or incurred but not to exceed 1.0% of net revenue. The regulations also provide for an MCIT of 2.0% on modified gross income and allow a NOLCO. The MCIT and NOLCO may be applied against the Group's and Parent Company's income tax liability and taxable income, respectively, over a three-year period from the year of inception, except for MCIT and NOLCO incurred for taxable year 2020 which may be applied over a five-year period.

The components of the net deferred tax assets follow:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Deferred tax assets on:				
Retirement liability	**₱22,200,581**	₱8,511,468	**₱14,263,381**	₱1,975,750
NOLCO	**19,096,813**	11,937,609	**–**	–
Unamortized past service cost	**14,291,176**	14,172,168	**8,951,914**	11,591,859
Accrued expenses	**6,943,463**	9,985,620	**–**	–
MCIT	**3,001,037**	704,691	**–**	–
Unrealized foreign exchange loss	**364,237**	–	**–**	–
Allowance for impairment losses	**–**	8,010,427	**–**	8,010,427
Others	**15,687,301**	15,687,301	**–**	–
	81,584,608	69,798,594	**23,215,295**	21,578,036
Deferred tax liabilities on:				
Retirement asset	**1,817,903**	–	**–**	–
Unrealized gain on FVTPL investments	**504,504**	884,642	**56,501**	41,013
Unrealized gain on FVOCI investments	**267,379**	–	**–**	–
Unrealized gain on foreclosure of investment property	**–**	–	**2,964,018**	–
	5,553,804	884,642	**3,020,519**	41,013
	₱76,030,804	₱68,913,952	**₱20,194,776**	₱21,537,023

Net deferred tax liability of the Group as of December 31, 2019 is for unrealized foreign exchange gain.

The Parent Company and certain subsidiaries did not set up deferred tax assets on the following:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Temporary differences on:				
NOLCO	**₱762,292,259**	₱793,426,622	**₱182,173,366**	₱73,048,864
Carryforward benefits of MCIT	**21,334,988**	14,240,811	**18,332,690**	14,236,719
	₱783,627,247	₱807,667,433	**₱200,506,057**	₱87,285,583

The Group believes that it is not probable that these temporary differences will be realized before the three-year expiration.

As of December 31, 2020 and 2019, deferred tax liabilities have not been recognized on the undistributed earnings of certain subsidiaries and associates (Note 9), and the related equity in translation adjustment since such amounts are not taxable (Note 9).

On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4 (bbbb) of "Bayanihan to Recover As One Act" which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

As of December 31, 2020, the Group and Parent Company has incurred NOLCO before taxable year 2020 which can be claimed as deduction from the regular taxable income for the next three (3) consecutive taxable years, as follows:

Consolidated

Year Incurred	Availment Period	Amount	NOLCO Applied Previous Year/s	NOLCO Expired	NOLCO Applied Current Year	NOLCO Unapplied
2017	2018-2020	₱256,932,036	₱–	₱256,932,036	₱–	₱–
2018	2019-2021	276,219,044	–	–	–	276,219,044
2019	2020-2022	323,419,455	–	–	–	323,419,455
		₱856,570,535	₱–	₱256,932,036	₱–	₱599,638,499

Parent Company

Year Incurred	Availment Period	Amount	NOLCO Applied Previous Year/s	NOLCO Expired	NOLCO Applied Current Year	NOLCO Unapplied
2018	2019-2021	₱24,236,309	₱–	₱–	₱–	₱24,236,309
2019	2020-2022	48,812,555	–	–	–	48,812,555
		₱73,048,864	₱–	₱–	₱–	₱73,048,864

As of December 31, 2020, the Group has incurred NOLCO in taxable year 2020 which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover As One Act, as follows:

Consolidate

Year Incurred	Availment Period	Amount	NOLCO Applied Previous Year/s	NOLCO Expired	NOLCO Applied Current Year	NOLCO Unapplied
2020	2021-2025	₱226,309,802	₱–	₱–	₱–	₱226,309,802

Parent Company

Year Incurred	Availment Period	Amount	NOLCO Applied Previous Year/s	NOLCO Expired	NOLCO Applied Current Year	NOLCO Unapplied
2020	2021-2025	₱109,124,503	₱–	₱–	₱–	₱109,124,503

Details of MCIT for the Group as of December 31, 2020 are as follows:

		Consolidated			
Inception Year	Amount	Used	Expired	Balance	Expiry Year
2017	₱2,832	₱–	₱2,832	₱–	2020
2018	10,574,800	–	–	10,574,800	2021
2019	6,664,217	–	–	6,664,217	2022
2020	4,095,971	–	–	4,095,971	2023
	₱21,337,820	₱–	₱2,832	₱21,334,988	

		Parent Company			
Inception Year	Amount	Used	Expired	Balance	Expiry Year
2018	₱8,397,014	₱–	₱–	₱8,397,014	2021
2019	5,839,705	–	–	5,839,705	2022
2020	4,095,971	–	–	4,095,971	2023
	₱18,332,690	₱–	₱–	₱18,332,690	

A reconciliation between the statutory income tax and effective income tax follows:

	Consolidated			**Parent Company**		
	2020	2019	2018	**2020**	2019	2018
Statutory income tax rate	**30.0%**	30.0%	30.0%	**30.0%**	30.0%	30.0%
Tax effects of:						
Tax-exempt and tax-paid income	**(16.0)**	(51.3)	(9.4)	**(12.4)**	(35.7)	(1.2)
Equity in net earnings of subsidiaries and associates	**(41.6)**	(35.4)	(36.5)	**(39.9)**	(47.0)	(31.7)
Non-deductible expenses	**34.6**	96.3	54.9	**28.0**	86.9	31.7
Unrecognized deferred tax assets	**15.5**	(1.4)	(0.7)	**8.0**	(3.5)	2.2
Effective income tax rate	**22.5%**	38.2%	38.3%	**13.7%**	30.7%	30.9%

25. 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. Related parties may be individuals or corporate entities.

The Group and the Parent Company settles their related party transactions in cash.

The following table provides the total amounts of transactions that have been entered into with related parties for the relevant financial year:

	Parent Company and Consolidated						
	2020						
	Deposits	**Withdrawals**	**Sale of securities**	**Purchase of securities**	**Availments of term loans**	**Issuance of promissory notes**	**Borrowings**
Ultimate Parent Company	**₱238,026,671,130**	**₱237,080,077,062**	**₱5,393,601,383**	**₱3,071,013,972**	**₱16,243,000,000**	**₱–**	**₱10,000,552,000**
Subsidiaries	**–**	**–**	**1,621,523,672**	**454,356,769**	**290,000,000**	**–**	**–**
Associates	**–**	**–**	**2,968,127,325**	**724,199,438**	**–**	**–**	**1,500,000,000**
Affiliates	**64,349,118**	**82,510,794**	**3,768,352,817**	**11,613,928,093**	**–**	**700,000,000**	**–**
	₱238,091,020,248	**₱237,162,587,856**	**₱13,751,605,196**	**₱15,863,498,272**	**₱16,533,000,000**	**₱700,000,000**	**₱11,500,552,000**

	Parent Company and Consolidated						
	2019						
	Deposits	Withdrawals	Sale of securities	Purchase of securities	Availments of term loans	Issuance of promissory notes	Borrowings
Ultimate Parent Company	₱314,211,509,125	₱312,832,093,008	₱11,240,179,638	₱3,043,164,144	₱104,015,000,000	₱–	₱27,196,759,000
Subsidiaries	–	–	1,787,713,822	1,665,247,425	1,425,000,000	151,558,667	–
Associates	–	–	2,017,731,083	–	–	–	1,810,000,000
Affiliates	528,435,064	541,376,931	–	306,671,200	106,255,000,000	4,052,269,444	11,370,000,000
	₱314,739,944,189	₱313,373,469,939	₱15,045,624,543	₱5,015,082,769	₱211,695,000,000	₱4,203,828,111	₱40,376,759,000

The following are the balances of the Group's related party transactions as of December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, 2019 and 2018 (amounts in thousands):

	As of and for the year ended December 31, 2020		
Category	**Amount/ Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
Ultimate Parent Company			
Cash and other items	**₱–**	**₱1,059,249**	Peso and US dollar-denominated demand, savings and time deposits. Peso deposits carry interest from 0.1% to 1.25% while US dollar deposits carry interest from 0.0% to 1.25%
Investment securities at FVTPL	–	**49,831**	Investments in the Ultimate Parent Company's shares of stock
Loans and receivables	–	**236**	Various receivables arising from non-interest bearing rent receivable and accrued interest receivable from time deposit
Other assets	–	**205,079**	Escrow account
Accounts payable and other liabilities	–	**11,749**	Consist of payables arising out of trading transactions in behalf of customers; and internal audit fees
Other liabilities	–	**1,487**	Lease liability
Interest income	**5,431**	–	From interbank loans, savings and time deposits
Service charges, fees commissions	**19,283**	–	Arranger, issue management, placement and selling fees and commission income from brokering transactions
Trading and securities loss	**20,534**	–	Realized and unrealized loss from investments in debt securities
Interest expense	**11,544**	–	Interest expense from interbank borrowings
Rent, light and water	**27**	–	Rent and utilities expense
Miscellaneous expense	**11,416**	–	Internal audit fee for the current year, stock and transfer agency fee
Associates			
Other assets		**200**	Various prepaid expenses
Accounts payable and other liabilities	–	**1,983**	Consist of payables arising out of trading transactions in behalf of customers
Interest income	**1,169**	–	From loans
Service charges, fees and commissions	**183**	–	Commission income from brokering transactions
Trading and securities gains	**769**	–	From loans
Interest expense	**156**	–	Commission income from brokering transactions
Miscellaneous expense	**1,220**	–	Travelling and insurance expense
Other Related Parties			
Cash and other cash items	–	**2,641,423**	Savings, current and time deposits with interest rate of 0.58% per annum
Investment securities at FVTPL	–	**20,699**	Investments in debt securities of other related parties
Loans and receivables	–	**384,488**	Includes time loans with term of 11 years and interest rate of 10.8%; rent receivables and accrued interest receivable from loans; Fringe benefit loans to employees with terms ranging from 1.0 to 15.0 years and interest rates ranging from 8.0% to 9.0%;
Other assets	–	**10,961**	Rent deposits
Accounts payable and other liabilities	–	**35,700**	Lease liability, rent payable and accounts payable
Interest income	**77,011**	–	Interest income from time loans, investment in debt securities, short-term placements, savings and time deposits and fringe benefit loans

	As of and for the year ended December 31, 2020		
Category	**Amount/ Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
Service charges, fees and commissions	**₱29,699**	**₱–**	Arranger and financial advisory fees; Brokering fees
Trading and securities gain	**1,591**	**–**	Realized and unrealized gain on investments in debt securities
Interest expense	**3,280**	**–**	From interbank borrowings, short-term bills payable and lease liability
Rent, light and water	**8,583**	**–**	Rental payments for office premises
Miscellaneous expense	**15,797**	**–**	Insurance expense, membership dues, maintenance fee and other service fees
Key Management Personnel			
Loans and discounts	**–**	**1,781**	Fringe benefit loans with terms ranging from 3.0 years to 15.0 years and interest rates ranging from 8.0% to 9.0%
Interest income	**348**	**–**	Interest income from fringe benefit loans
Miscellaneous expense	**9,795**	**–**	Per diems given to directors during board meetings

	As of and for the year ended December 31, 2019		
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Ultimate Parent Company			
Cash and other items	₱–	₱1,815,541	Peso and US dollar-denominated demand, savings and time deposits. Peso deposits carry interest from 0.1% to 1.4% while US dollar deposits carry interest from 0.3% to 1.6%
Investment securities at FVTPL	–	63,599	Investments in the Ultimate Parent Company's shares of stock
Loans and receivables	–	367	Various receivables arising non-interest bearing rent receivable and accrued interest receivable from time deposit
Other assets	–	235,416	Escrow account
Bills payable	–	1,012,700	Short-term borrowings in foreign currency (cross currency swap) with interest rate of 5.3%
Accounts payable and other liabilities	–	17,619	Consist of accrued interest payable from Interbank loans payable in foreign currency; payables arising out of trading transactions in behalf of customers; and internal audit fees
Interest income	22,678	–	From interbank loans, savings and time deposits
Service charges, fees commissions	43,092	–	Financial advisory, selling fees and commission income from brokering transactions
Dividend income	811	–	Dividends from stocks investments
Trading and securities loss	(102,365)	–	Realized and unrealized loss from investments in debt and equity securities
Interest expense	35,201	–	Interest expense from interbank borrowings
Rent, light and water	217	–	Rent and utilities expense
Miscellaneous expense	12,404	–	Internal audit fee for the current year, stock and transfer agency fee
Associates			
Loans and receivable	–	103,173	Loan and related accrued interest receivable with interest of 7.0% and term of 1.5 years
Other assets	–	120	Various prepaid expenses
Accounts payable and other liabilities	–	363	Various accounts payable for utilities
Interest income	17,174	–	From loans
Service charges, fees and commissions	5,788	–	Financial advisory fee and commission income from brokering transactions
Trading and securities gain	5,288	–	Realized gain from sale of investments in debt

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
	As of and for the year ended December 31, 2019		
Interest expense	₱398	₱–	Interest expense from Interbank Call Loan Payable
Miscellaneous expense	3,593	–	Travelling and insurance expense
Other Related Parties			
Cash and other cash items	–	78,032	Savings, current and time deposits and short-term placements with interest rates ranging from 0.0% to 3.7% per annum
Investment securities at FVTPL	–	91,664	Investments in shares of stocks of other related parties
Investment securities at Amortized Cost	–	11,847	Investments in private bonds issued by other related parties with interest rates ranging from 4.4% to 6.3%
Loans and receivables	–	436,133	Includes time loans with term of 11 years and interest rate of 10.8%;rent receivables and accrued interest receivable from loans; Fringe benefit loans to employees with terms ranging from 1.0 to 15.0 years and interest rates ranging from 8.0% to 10.0%;

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
	As of and for the year ended December 31, 2019		
Other assets	–	38,798	Rent deposits
Accounts payable and other liabilities	–	41,710	Lease liability, rent payable and accounts payable
Interest income	49,907	–	Interest income from time loans, investment in debt securities, short-term placements, savings and time deposits and fringe benefit loans
Service charges, fees and commissions	197,114	–	Issue management and financial advisory fees; Brokering fees
Dividend income	147	–	Dividends from stocks investments
Trading and securities gain	8,221	–	Realized and unrealized gain on investments in debt and equity securities
Interest expense	16,908	–	From interbank borrowings, short-term bills payable, lease liability
Rent, light and water	35,594	–	Rental payments for office premises
Miscellaneous expense	8,806	–	Insurance expense, membership dues and other service fees
Key Management Personnel			
Loans and discounts	–	6,388	Fringe benefit loans with terms ranging from 3.0 years to 15.0 years and interest rates ranging from 8.0% to 10.0%
Interest income	348	–	Interest income from fringe benefit loans
Miscellaneous expense	14,113	–	Per diems given to directors during board meetings

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
	As of and for the year ended December 31, 2018		
Ultimate Parent Company			
Cash and other items	₱–	₱378,745	Peso and US dollar-denominated demand, savings and time deposits. Peso deposits carry interest from 0.3% to 1.4% while US dollar deposits carry interest from 0.3% to 1.1%
Investment securities at FVTPL	–	66,784	Investments in the Ultimate Parent Company's shares of stock
Loans and receivables	–	1,662	Various receivables arising from financial advisory fees, reimbursements and order placements, non-interest bearing rent receivable and accrued interest receivable from time deposit
Other assets	–	238,633	Escrow account

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
	As of and for the year ended December 31, 2018		
Bills payable	₱–	₱525,800	Short-term borrowings in foreign currency with interest ranging from 3.4% to 3.5%, unsecured and are settled in cash
Accounts payable and other liabilities	–	1,805	Mostly consist of accrued interest payable from Interbank loans payable in foreign currency and internal audit fees
Interest income	2,765	–	From interbank loans, savings and time deposits
Service charges, fees commissions	275,830	–	Underwriting and issue management fees
Dividend income	589	–	Dividends from stocks investments
Trading and securities loss	(11,525)	–	Realized and unrealized loss from investments in debt and equity securities
Interest expense	22,108	–	Interest expense from interbank borrowings
Rent, light and water	416	–	Rent and utilities expense
Miscellaneous expense	10,619	–	Internal audit fee for the current year, stock and transfer agency fee

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
	As of and for the year ended December 31, 2018		
Associates			
Loans and receivable	₱–	₱101,021	Loan and related accrued interest receivable with interest of 7.0% and term of 1.5 years
Other assets	–	552	Various prepaid expenses
Accounts payable and other liabilities	–	1,004	Various accounts payable for utilities
Interest income	5,113	–	From loans
Service charges, fees and commissions	10,484	–	Arranger's fee
Trading and securities gain	(99)	–	Realized gain from sale of investments in debt
Miscellaneous expense	2,992	–	Travelling and insurance expense
Other Related Parties			
Cash and other cash items	–	280,197	Savings, current and time deposits and short-term placements with interest rates ranging from 0.0% to 6.3% per annum
Investment securities at FVTPL	–	361,960	Investments in shares of stocks of other related parties
Investment securities at Amortized Cost	–	15,306	Investments in private bonds issued by other related parties with interest rates ranging from 4.4% to 6.3%
Loans and receivables	–	502,531	Includes time loans with term of 11 years and interest rate of 10.8%; receivables from arranger and management fee, rent receivables and accrued interest receivable from loans; Fringe benefit loans to employees with terms ranging from 1.0 to 15.0 years and interest rates ranging from 8.0% to 10.0%;
Other assets	–	12,372	Rent deposits
Bills payable	–	550,453	Promissory notes issued with an average term of 26 days and average interest rate of 4.8%.
Accounts payable and other liabilities	–	6,512	Rent payable, accounts payable and accrued interest payable from bills payable
Interest income	52,726	–	Interest income from time loans, investment in debt securities, short-term placements, savings and time deposits and fringe benefit loans
Service charges, fees and commissions	18,040	–	Arranger fees

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
	As of and for the year ended December 31, 2018		
Dividend income	₱1,824	₱–	Dividends from stocks investments
Trading and securities gain	10,908	–	Realized and unrealized gain on investments in debt and equity securities
Interest expense	18,380	–	From interbank borrowings, short-term bills payable
Rent, light and water	37,330	–	Rental payments for office premises
Miscellaneous expense	3,350	–	Insurance expense and membership dues
Key Management Personnel			
Loans and discounts	–	5,156	Fringe benefit loans with terms ranging from 3.0 years to 15.0 years and interest rates ranging from 8.0% to 10.0%
Interest income	763	–	Interest income from fringe benefit loans
Miscellaneous expense	9,923	–	Per diems given to directors during board meetings

The Group and the Parent Company granted credit lines to related parties (Note 26). As of December 31, 2020 and 2019, undrawn commitments/facilities is nil for the Group and the Parent Company.

Terms of Transactions with other related parties

<u>*Ultimate Parent Company's Trust Banking Group (TBG)*</u>

Transactions with retirement plans

Under PFRS, certain post-employment benefit plans are considered as related parties. The Group and the Parent Company's retirement plans are being managed by the Ultimate Parent Company's Trust Banking Group. The total carrying amount and fair value of the retirement plan amounted to ₱276.2 million and ₱235.8 million for the Group and the Parent Company, respectively, as of December 31, 2020, and ₱302.2 million and ₱265.9 million for the Group and the Parent Company, respectively, as of December 31, 2019. The details of the assets of the fund as of December 31, 2020 and 2019 are disclosed in Note 20. The Group's retirement funds may hold or trade its related parties' shares or securities.

Transactions with related parties are approved by all members of the Retirement Committee whom are senior officers of the Parent Company.

The following are the balances of the consolidated retirement fund's related party transactions as of December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020:

		Elements of Transactions				
		Statements of Financial Position		Statements of Income		
Counterparty		**2020**	2019	**2020**	2019	2018
Metrobank	Cash and other cash items	**₱2,811,335**	₱2,153,000	**₱–**	₱–	₱–
	Accrued interest receivable	**13**	2,318	**–**	–	–
	Accrued trust fee payable	**353,735**	408,603	**–**	–	–
	Interest income	**93,289**	–	**93,289**	432,640	387,060
	Trust fee expense	**1,771,828**	–	**1,771,828**	1,921,166	1,854,557
FMSLBF	Investment in mutual funds	**7,745,400**	7,884,600	**–**	–	–
FMSALFIF	Investment in mutual funds	**1,112,414**	1,064,761	**–**	–	–
FMPEETFI	Equity investments	**87,970,281**	99,239,392	**–**	–	–
MBTC-UITF	Investment in UITF	**427,227**	581,716	**–**	–	–

The president of the Parent Company exercises the voting rights for their equity shares in its subsidiaries and Metrobank.

Stock and Transfer Agent

TBG is the stock and transfer agent of the Parent company. It records changes of ownership and maintain the security holder records, cancel and issuer certificates, and distribute dividends.

Compensation of key management personnel

The compensation of key management personnel are as follows:

	Consolidated			Parent Company		
	2020	**2019**	2018	**2020**	**2019**	2018
Short-term employee benefits	**₱289,513,314**	₱277,025,198	₱257,915,612	**₱219,571,532**	₱221,875,896	₱208,279,793
Post-employment benefits	**18,393,857**	11,767,177	12,435,049	**13,359,218**	9,775,296	9,151,522
	₱307,907,171	₱288,792,375	₱270,350,661	**₱232,930,750**	₱231,651,192	₱217,431,315

Transactions with Subsidiaries

The following are the balances of the Parent Company's related party transactions as of and for the years ended December 31, 2020 and 2019 that have been eliminated at the consolidated level (amounts in thousands):

	As of and for the year ended December 31, 2020		
Category	**Amount/ Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
Subsidiaries			
Loans and receivables		**₱109,697**	Short-term loan with interest rate of 4.0%; Management/advisory fees and advances for various expenses
Miscellaneous liabilities		**9,375**	Subscriptions payable
Interest income	**₱5,477**		From short-term loan
Service charges, fees and commissions	**24,042**		Management fees and advisory fees for services rendered to subsidiaries
Broker's commission	**2,555**		Broker's commission on stock trading transactions

	As of and for the year ended December 31, 2019		
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Subsidiaries			
Loans and receivables		₱104,504	Short-term loan with interest rate of 6.5%; Management/advisory fees and advances for various expenses
Accounts payable and other liabilities		868	Selling commission payable
Miscellaneous liabilities		9,375	Subscriptions payable
Interest income	₱1,607		From short-term loan
Service charges, fees and commissions	26,551		Management fees and advisory fees for services rendered to subsidiaries
Interest expense	4,939		Interest expense from bonds payable and promissory notes issues with interest rate of 5.7% and 4.25% to 6.0%, respectively
Broker's commission	1,179		Broker's commission on stock trading transactions

Management fees

The Parent Company and its subsidiaries executed a management contract for a monthly fee. Management fee represents payments for services rendered by seconded employees from the Parent Company such as accounting, taxation, financial control, legal and related services, administrative services and government reportorial requirements.

Management fee charged by the Parent Company to the subsidiaries amounted to ₱13.2 million and ₱11.8 million in 2020 and 2019, respectively.

The following table shows the breakdown of loans and receivables from related parties as of December 31, 2020 and 2019:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Loans and discounts:				
Corporate lending	**₱362,704,354**	₱ 425,408,709	**₱462,704,354**	₱525,408,709
Others	**8,730,139**	12,921,463	**5,841,217**	9,031,831
Unquoted commercial papers	–	149,954,383	–	–
Accrued interest receivable	**11,748,927**	16,391,567	**11,724,297**	12,562,121
Accounts receivable	**238,714**	3,703,877	**8,879,417**	3,399,655
	₱383,422,134	₱608,379,999	**₱489,149,285**	₱550,402,316

The following table shows the breakdown of accrued taxes, interest and other expenses to related parties as of December 31, 2020 and 2019 for the Group and the Parent Company:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Accrued interest payable	**₱–**	₱9,753,666	**₱–**	₱9,753,666
Accrued other expenses payable	**12,297,195**	5,272,792	**10,256,883**	4,443,787
	₱12,297,195	₱15,026,458	**₱10,256,883**	₱14,197,453

26. Commitments and Contingent Accounts

Commitments

The following is a summary of commitments/facilities at their peso-equivalent contractual amounts arising from off-balance sheet items of the Group and Parent Company as of December 31, 2020 and 2019:

	2020	2019
Stand-by letter of credit	**₱–**	₱410,000,000
Others	**500,000**	750,000
	₱500,000	₱410,750,000

Contingencies

In the normal course of business, the Group and Parent Company are involved in various contingencies which, in the opinion of the management, will not have a material effect on the Group's consolidated financial statements.

27. Earnings Per Share

EPS are computed as follows:

	Consolidated		
	2020	2019	2018
a. Net income attributable to equity holders of the Parent Company	**₱364,375,939**	₱402,447,348	₱503,033,265
b. Weighted average number of common shares	**372,467,216**	372,498,216	372,532,676
c. Basic/Diluted EPS (a/b)	**₱1.0**	₱1.1	₱1.4

In 2020, 2019 and 2018, there are no potential shares that have a dilutive effect on the basic EPS of the Parent Company.

28. Offsetting of Financial Assets and Liabilities

PFRS 7 requires the Group to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreements or similar arrangements.

The effects on the Group and the Parent Company of these arrangements are disclosed in the succeeding tables.

Financial assets

Consolidated and Parent Company

December 31, 2020

Financial assets recognized at end of reporting period by type	**Gross carrying amounts (before offsetting)**	**Gross amounts offset in accordance with the offsetting criteria**	**Net amount presented in statements of financial position [a-b]**	**Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria**		**Net exposure [c-d]**
				Financial instruments	**Fair value of financial collateral**	
	[a]	**[b]**	**[c]**	**[d]**		**[e]**
SPURA	**₱2,593,323,509**	**₱–**	**₱2,593,323,509**	**₱–**	**₱2,591,012,470**	**₱2,311,039**
Loans and receivable - net (Notes 4, 7 and 12):						
Loans and discounts:						
Corporate lending	**362,704,354**	**–**	**362,704,354**	**–**	**871,881,557**	**–**
	₱2,956,027,863	**₱–**	**₱2,956,027,863**	**₱–**	**₱3,462,894,027**	**₱2,311,039**

Consolidated and Parent Company

December 31, 2019

Financial assets recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		Net exposure [c-d]
				Financial instruments	Fair value of financial collateral	
	[a]	[b]	[c]	[d]		[e]
SPURA	₱1,346,691,935	₱–	₱1,346,691,935	₱–	₱1,346,691,935	₱–
Loans and receivable - net (Notes 4, 7 and 12):						
Loans and discounts:						
Corporate lending	397,321,306	–	397,321,306	–	871,881,557	–
	₱1,744,013,241	₱–	₱1,744,013,241	₱–	₱2,218,573,492	₱–

Financial liabilities

December 31, 2019

Financial liabilities recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		Net exposure [c-d]
				Financial instruments	Fair value of financial collateral	
	[a]	[b]	[c]	[d]		[e]
Bills payable (Note 13):						
Borrowings from other banks	₱1,012,700,000	₱–	₱1,012,700,000	₱–	₱–	₱1,012,700,000

The amounts disclosed in column (d) include those rights to set-off amounts that are only enforceable and exercisable in the event of default, insolvency or bankruptcy. These include amounts related to financial collateral both received and pledged, whether cash or non-cash collateral, excluding the extent of over-collateralization.

29. Notes to Statements of Cash Flows

The table below provides for the changes in liabilities arising from financing activities of the Group and Parent Company:

	Consolidated and Parent Company			
	January 1, 2020	**Cash flows**	**Foreign exchange movement**	**December 31, 2020**
Bills payable	**₱11,307,448,092**	**(₱7,431,004,498)**	**(₱20,149,559)**	**₱3,856,294,035**
Dividends payable	**90,021,153**	**(375,448)**	–	**89,645,705**
Total liabilities from financing activities	**₱11,397,469,245**	**(₱7,431,379,946)**	**(₱20,149,559)**	**₱3,945,939,740**

	Consolidated				
	January 1, 2019	Cash flows	Foreign exchange movement	Others	December 31, 2019
Bills payable	₱16,222,302,558	(₱4,880,546,205)	(₱24,021,820)	(₱10,286,441)	₱11,307,448,092
Bonds payable (Note 15)	2,916,957,750	(2,920,000,000)	–	3,042,250	–
Dividends payable	90,391,828	(370,675)	–	–	90,021,153
Total liabilities from financing activities	₱19,229,652,136	(₱7,800,916,880)	(₱24,021,820)	(₱7,244,191)	₱11,397,469,245

	Consolidated				
	January 1, 2018	Cash flows	Foreign exchange movement	Others	December 31, 2018
Bills payable	₱25,714,692,549	(₱9,740,271,203)	₱50,595,577	₱–	₱16,222,302,558
Bonds payable (Note 15)	2,909,949,893	–	–	7,007,857	2,916,957,750
Dividends payable	90,666,163	(274,335)	–	–	90,391,828
Total liabilities from financing activities	₱28,715,308,605	(₱9,740,545,538)	₱50,595,577	₱7,007,857	₱19,229,652,136

	Parent Company				
	January 1, 2019	Cash flows	Foreign exchange movement	Others	December 31, 2019
Bills payable	₱16,222,302,558	(₱4,880,546,205)	(₱24,021,820)	(₱10,286,441)	₱11,307,448,092
Bonds payable (Note 15)	2,997,133,864	(3,000,000,000)	–	2,866,136	–
Dividends payable	90,391,828	(370,675)	–	–	90,021,153
Total liabilities from financing activities	₱19,309,828,250	(₱7,880,916,880)	(₱24,021,820)	(₱7,420,305)	₱11,397,469,245

	Parent Company				
	January 1, 2018	Cash flows	Foreign exchange movement	Others	December 31, 2018
Bills payable	₱25,911,978,184	(₱9,740,271,203)	₱50,595,577	₱–	₱16,222,302,558
Bonds payable (Note 16)	2,992,580,674	–	–	4,553,190	2,997,133,864
Dividends payable	90,666,163	(274,335)	–	–	90,391,828
Total liabilities from financing activities	₱28,995,225,021	(₱9,740,545,538)	₱50,595,577	₱4,553,190	₱19,309,828,250

Others represent amortization of bonds issuance cost and dividend declaration.

30. Approval of the Financial Statements

The accompanying financial statements were authorized for issue by the Parent Company's BOD on February 19, 2021.

31. Supplementary Information Required Under BSP Circular No. 1075

Presented below is the supplementary information required by the BSP under Circular No. 1075.

The following are the financial performance ratios and financial soundness indicators of the Group and Parent Company:

	Consolidated			Parent Company		
	2020	**2019**	2018	**2020**	**2019**	2018
Return on average equity(1)	**2.4%**	2.7%	3.5%	**2.4%**	2.7%	3.5%
Return on average assets (2)	**1.1**	1.0	1.1	**1.6**	1.3	1.1
Net interest margin over average earning assets (3)	**2.2**	0.6	1.4	**1.8**	(0.4)	0.8
Leverage ratio (4)	**27.6**	18.3	16.1	**42.3**	18.9	15.8
Liquidity ratio(5)	**125.6**	118.0	65.8	**147.4**	103.2	36.4

(1) Net income attributable to equity holders of the Parent Company for the year divided by average total equity
(2) Net income attributable to equity holders of the Parent Company for the year divided by average total assets
(3) Net interest income for the year divided by average interest-earning assets
(4) Capital measure as of year-end divided by total exposure
(5) Total current assets divided by total current liabilities

Capital instruments issued

The Parent Company's capital instruments consist of the following:

Capital stock

As of December 31, 2020 and 2019, the Parent Company has outstanding capital stock shown below:

	Shares	Amounts
Common – ₱10 par value		
Authorized	800,000,000	₱8,000,000,000
Issued and outstanding	372,467,216	₱1,546,713,197

Concentration of credit exposures

An analysis of concentrations of credit risk for loans and receivables, loans and advances to banks and investment securities (grossed up for any allowance for credit losses and unearned discounts) of the Group and the Parent Company by industry and by geographic location as of December 31, 2020 and 2019 is shown below:

	Consolidated			
	2020			
	Loans and Receivables	Loans and Advances to Banks*	Investment Securities**	Total
Philippine Government	₱31,085,914	₱5,100,620,373	₱2,830,785,157	₱7,962,491,444
Financial intermediaries	385,474,865	6,072,816,807	708,091,613	7,166,383,285
Electricity, gas and water	375,107,207	–	271,358,391	646,465,598
Real estate, renting and business activities	3,718,048	–	341,984,240	345,702,288
Manufacturing	8,687,835	–	336,300,888	344,988,723
Sovereign government	–	–	44,729,555	44,729,555
Transportation and storage	70,967	–	41,739,879	41,810,846

(Forward)

	Consolidated			
	2020			
	Loans and Receivables	**Loans and Advances to Banks***	**Investment Securities****	**Total**
Construction	**₱62,268**	**₱–**	**₱5,227,977**	**₱5,290,245**
Information and communication	**12,841**	**–**	**1,995,497**	**2,008,338**
Others (various industries)	**1,470,261,186**	**–**	**84,087,896**	**1,554,349,082**
	₱2,274,481,131	**₱11,173,437,180**	**₱4,666,301,093**	**₱18,114,219,404**

* *Comprises of Cash and other cash items, Due from BSP and SPURA excluding petty cash fund which amounted to ₱187,000.*
** *Comprises of Investment securities at FVTPL, FVOCI and Amortized cost.*

	Consolidated			
	2019			
	Loans and Receivables*	Loans and Advances to Banks**	Investment Securities***	Total
Water supply, sewage, waste management and remediation activities	₱488,192,432	₱–	₱–	₱488,192,432
Electricity, gas and water	437,285,402	–	140,860,187	578,145,589
Real estate, renting and business activities	411,177,712	–	130,998,448	542,176,160
Financial intermediaries	392,713,902	3,965,182,171	546,004,366	4,903,900,439
Manufacturing	12,919,460	–	–	12,919,460
Wholesale and retail trade	700,360	–	–	700,360
Construction	450,195	–	32,416,487	32,866,682
Information and communication	86,763	–	13,190,417	13,277,180
Philippine government	–	7,079,998,339	6,073,146,269	13,153,144,608
Transportation and storage	–	–	–	–
Mining and quarrying	–	–	–	–
Sovereign government	–	–	28,970,193	28,970,193
Others (various industries)	411,445,159	–	11,197,850	422,643,009
	₱2,154,971,385	₱11,045,180,510	₱6,976,784,217	₱20,176,936,112

* *Comprises of Loans and receivables including commitments which amounted to ₱410,000,000.*
** *Comprises of Cash and other cash items, Due from BSP and SPURA excluding petty cash fund which amounted to ₱130,811.*
*** *Comprises of Investment securities at FVTPL, FVOCI and Amortized cost.*

	Parent Company			
	2020			
	Loans and Receivables	**Loans and Advances to Banks***	**Investment Securities****	**Total**
Philippine Government	**₱14,543,717**	**₱5,100,620,373**	**₱829,970,852**	**₱5,945,134,942**
Financial intermediaries	**100,817,905**	**305,590,015**	**16,428,087**	**422,836,007**
Electricity, gas and water	**372,866,325**	**–**	**609,263**	**373,475,588**
Real estate, renting and business activities	**970,579**	**–**	**86,496,301**	**87,466,880**
Manufacturing	**7,160,330**	**–**	**–**	**7,160,330**
Construction	**62,268**	**–**	**5,227,977**	**5,290,245**
Information and communication	**12,841**	**–**	**1,995,497**	**2,008,338**
Others (various industries)	**15,247,361**	**–**	**34,703,293**	**49,950,654**
	₱511,681,326	**₱5,406,210,388**	**₱975,431,270**	**₱6,893,322,984**

* *Comprises of Cash and other cash items, Due from BSP and SPURA excluding petty cash fund which amounted to ₱80,000.*
** *Comprises of Investment securities at FVTPL and FVOCI*

	Parent Company			
	2019			
	Loans and Receivables*	Loans and Advances to Banks**	Investment Securities***	Total
Philippine government	₱34,936,759	₱7,079,998,339	₱4,183,786,045	₱11,298,721,143
Financial intermediaries	108,438,485	1,376,463,552	56,624,681	1,541,526,718
Real estate, renting and business activities	411,137,910	–	101,137,241	512,275,151
Water supply, sewage, waste management and remediation activities	488,192,432	–	–	488,192,432
Electricity, gas and water	436,076,681	–	981,343	437,058,024
Wholesale and retail trade	12,748,396	–	–	12,748,396
Sovereign government	467,670	–	28,970,193	29,437,863
Construction	450,195	–	32,416,487	32,866,682
Information and communication	86,763	–	13,190,417	13,277,180
Others (various industries)	12,005,584	–	10,869,196	22,874,780
	₱1,504,540,875	₱8,456,461,891	₱4,427,975,603	₱14,388,978,369

* *Comprises of Loans and receivables including commitments which amounted to ₱410,000,000.*
** *Comprises of Cash and other cash items, Due from BSP and SPURA excluding petty cash fund which amounted to ₱80,000.*
*** *Comprises of Investment securities at FVTPL and FVOCI.*

Breakdown of total loans as to security and status

As to security

The following table shows the breakdown of loans and discounts, gross of unearned discounts, of the Group and of the Parent Company as to secured and unsecured, and the breakdown of secured loans as to type of security as of December 31, 2020 and 2019 (amounts in thousands).

	Consolidated				**Parent Company**			
	2020		2019		**2020**		2019	
	Amount	**%**	Amount	%	**Amount**	**%**	Amount	%
Secured loans:								
Chattel	**₱304,039**	**65.5**	₱356,378	67.1	**₱302,236**	**64.5**	₱354,487	66.3
Real estate	**62,334**	**13.4**	74,681	14.0	**62,334**	**13.3**	74,681	14.0
	366,373	**78.9**	431,059	81.1	**364,570**	**77.8**	429,168	80.3
Unsecured loans	**98,061**	**21.1**	100,271	18.9	**103,976**	**22.2**	105,273	19.7
	₱464,434	**100.0**	₱531,330	100.0	**₱468,546**	**100.0**	₱534,441	100.0

As to status

As of December 31, 2020 and 2019, the Group and the Parent Company have no secured and unsecured non-performing loans (NPL).

Under BSP Circular 941, an account or exposure is considered non-performing, even without any missed contractual payments, when it is deemed impaired under existing applicable accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal and interest is unlikely without foreclosure of collateral, in the case of secured accounts. All other accounts, even if not considered impaired, shall be considered non-performing if any contractual principal and/or interest are past due for more than ninety (90) days, or accrued interests for more than 90 days have been capitalized, refinanced, or delayed by agreement.

Microfinance and other small loans with similar credit characteristics shall be considered non-performing after contractual due date or after it has become past due. Restructured loans shall be considered non-performing. However, if prior to restructuring, the loans were categorized as performing, such classification shall be retained.

Non-performing loans, investment, receivables, or any financial asset (and/or any replacement loan) shall remain classified as such until (a) there is a sufficient evidence to support that full collection of principal and interests is probable and payments of interest and/or principal are received for at least six (6) months; or (b) written-off.

Related party loans

The Group and the Parent Company have transactions with its subsidiaries, associated companies, affiliates, and with certain related interests collectively referred to as directors, officers, stockholders and other related interests (DOSRI). These transactions consist primarily of loan transactions, management contracts, outright purchases and sales of trading and investment securities, business and development support and other regular banking transactions.

Existing BSP regulations limit the amount of individual loans to DOSRI, of which 70.0% must be secured, to the total amount of their respective deposits and book value of their respective investments in the Parent Company. In the aggregate, loans to DOSRI generally should not exceed 100.0% of the Parent Company's combined capital accounts, net of deferred income tax, unbooked valuation reserves and other capital adjustments as may be required by the BSP.

As of December 31, 2020 and 2019, the Group's and the Parent Company's related party loans solely consist of DOSRI loans, as shown below:

	Group and Parent Company	
	2020	2019
Total DOSRI loans	**₱5,321,940**	₱8,282,245
Unsecured DOSRI loans		
% of DOSRI loans to total loan portfolio	**1.1%**	1.6%
% of unsecured DOSRI loans to total DOSRI loans	**–%**	–%
% of past due DOSRI loans to total DOSRI loans	**–%**	–%
% of non-accruing DOSRI accounts to total DOSRI loans	**–%**	–%

Total interest income on DOSRI loans amounted to ₱0.6 million, ₱0.8 million and ₱0.8 million in 2020, 2019 and 2018, respectively.

Secured liability and assets pledged as security

The Parent Company has no bills payable under repurchase agreements as of December 31, 2020 and 2019.

Commitments and Contingencies

Following is a summary of the Group and Parent Company's commitments and contingent accounts:

	2020	2019
Stand-by letter of credit	**₱–**	₱410,000,000
Others	**500,000**	750,000

32. Supplementary Information Under Revenue Regulations (RR) 15-2010

On November 25, 2010, the BIR issued RR 15-2010 to amend certain provisions of RR 21-2002. RR 15-2010 provides that starting 2010 the notes to financial statements shall include information on taxes and licenses paid or accrued during the taxable year.

The Parent Company reported and/or paid the following types of taxes for the year:

GRT and DST

Under the Philippine tax laws, financial institutions are subject to percentage and other taxes as well as income taxes. Percentage and other taxes paid by the Parent Company consist principally of GRT and DST.

Taxes and Licenses

This includes all other taxes, DST, local tax, fringe benefit tax including licenses and permit fees:

DST	₱61,947,530
GRT	45,085,793
Local taxes	1,736,589
Real estate tax	469,430
Fringe benefit tax	138,998
Licenses, fees and others	706,760
	₱110,085,100

Withholding Taxes

Details of total remittances and balances as of December 31, 2020 are as follows:

	Total Remittances	Balance as of December 31
Final withholding taxes on deposit substitute borrowings	₱25,416,760	₱721,471
Withholding taxes on compensation and benefits	89,974,598	5,580,671
Expanded withholding taxes	706,760	2,067,669
Final Withholding tax - others	1,747,199	–
Final withholding value added tax	282,309	–
	₱118,127,626	₱8,369,811

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