

COVER SHEET

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S.E.C. Registration Number

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T	I	O	N			A	N	D				S	U	B	S	I	D	I	A	R	I	E	S						

(Company's Full Name)

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N	A	L				A	Y	A	L	A		A	V	E	N	U	E		C	O	R	N	E	R		H	V		D	E
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(Business Address: No. Street City / Town Province)

JOSE PATRICIO A. DUMLAO

Contact Person

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Company Telephone Number

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Fiscal Year

SEC FORM 17-A

Form Type

Not later than last week of
April

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Annual Meeting

IHU - GSED

Secondary License type, if applicable

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Dept. Requiring this Doc.

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Amended Articles Number/Section

1,380

Total No. of Stockholders

Total amount of Borrowings

<table border="1" style="width: 50%; text-align: center;"> <tr> <td></td> </tr> </table> <p>Domestic</p>		<table border="1" style="width: 50%; text-align: center;"> <tr> <td></td> </tr> </table> <p>Foreign</p>	

To be Accomplished by SEC Personnel concerned

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File Number

LCU

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Document I.D.

Cashier

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Remarks = Pls. use black ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the fiscal year ended: **December 31, 2020**
2. SEC Identification Number: **23269**
3. BIR Tax Identification No.: **000-500-232**
4. Exact name of issuer as specified in its charter: **FIRST METRO INVESTMENT CORPORATION**
5. Province, Country or other jurisdiction of incorporation or organization: **Metro Manila, Philippines**
6. Industry Classification Code: (SEC Use Only)
7. Address of principal office: **45th Flr GT Tower Int'l, Ayala Ave cor H.V. dela Costa St., Makati City**
Postal Code: **1200**
8. Issuer's telephone number, including area code: **(632) 8858- 7900**
9. Former name, former address, and formal fiscal year, if changed since last report: **Not Applicable**
10. Securities registered pursuant to Section 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class : **Common Stock**
Number of Shares of Common Stock Outstanding : **372,467,216 shares***

**Net of 48,402,024 treasury shares as of December 31, 2020*

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

Yes No

If yes, state the name of the stock exchange and the classes of securities listed therein.

12. Check whether the issuer:

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

Yes No

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

Yes No

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. **Not Applicable**

PART I – BUSINESS AND GENERAL INFORMATION

Item 1. BUSINESS

Description of Business

1. Business Development

First Metro Investment Corporation (First Metro) was incorporated on August 30, 1972 in Metro Manila and started business operations as an investment house with quasi-banking functions in May 1974.

In 1999, the management of First Metro agreed on a vision of first, becoming a leading and respected financial institution specializing in investment banking services and second, of being a prime mover in the development of capital markets.

In 2000, Metropolitan Bank & Trust Company (Metrobank) bought majority stake in Solidbank and subsequently decided to merge the bank with its investment banking subsidiary, First Metro Investment Corporation. The said merger, which was approved by the Securities and Exchange Commission (SEC) on September 22, 2000, provided that Solidbank shall be the surviving entity to be renamed First Metro Investment Corporation. The former Solidbank was incorporated on June 25, 1963.

The merged corporation retained its quasi-banking license but gave up its license to engage in commercial banking activities. It also increased its authorized capital stock from ₱3,200,000,000.0 divided into 30,000,000 common shares and 2,000,000 preferred shares, both with a par value of ₱100.0 to ₱8,000,000,000.0 divided into 78,000,000 common shares and 2,000,000 preferred shares, both with a par value of ₱100.0.

The Bangko Sentral ng Pilipinas (BSP) officially gave its nod on the merger on November 8, 2000 but instructed that the 2,000,000 preferred shares be converted to common shares thereby bringing the authorized capital stock of the corporation to 80,000,000 common shares.

As a result of the merger, Metrobank's stake in First Metro was slightly diluted from 100.0% to 98.7% but the merger further reinforced First Metro's hold to being the country's largest investment bank.

In June 2005, the stockholders ratified the approval by the board of directors (BOD) of First Metro for the amendment to its Articles of Incorporation. The amendment pertains to the reduction of the par value from ₱ 100.0 to ₱10.0 each of the shares of First Metro and increasing the number of the common shares from 80,000,000 to 800,000,000.

In 2011, First Metro was granted by BSP its Authority to engage in trust and other fiduciary business. With the trust franchise, First Metro aims to strengthen its position as the premiere investment house in the country with a full range of financial products and services. In 2011, the BOD approved the amendment of Article Four of the Articles of Incorporation to extend the corporate life of First Metro for another fifty (50) years from June 25, 2013. The extension of the corporate term of First Metro was approved and ratified by its stockholders on April 26, 2012.

Subsequently, on October 12, 2012, the SEC approved the extension of the corporate term of First Metro Investment Corporation for another fifty (50) years from June 25, 2013 to June 25, 2063.

Also, on that same date, First Metro filed a disclosure with the Philippine Stock Exchange (PSE) on its intention to voluntarily delist its shares and buy back all of its publicly-owned shares via a tender offer following the decision of its Board of Directors to operate as a non-listed entity. The delisting of the Company's shares from the Official Registry of the Exchange was subsequently approved by PSE effective December 21, 2012.

In 2013, First Metro also made history when it listed the first-ever exchange traded fund in the country, the First Metro Philippine Equity Exchange-Traded Fund, on the Philippine Stock Exchange. First Metro is the ETF's proponent and fund sponsor while its subsidiaries, First Metro Asset Management, Inc. and First Metro Securities Brokerage Corporation are the fund manager and principal distributor, and lead authorized participant and market maker, respectively.

In June 2016, the trust and other fiduciary business of the Parent Company ceased its operations.

On November 24, 2020, the BOD approved the return of the Company's Quasi-Banking (QB) license to the BSP.

On January 21, 2021, the BOD approved the resolution to obtain the stockholders' approval by written assent for the return of the QB license as required by BSP.

2. Business of Registrant

Description of Registrant

Principal Products and Services

First Metro is primarily engaged in investment banking and has a quasi-banking license. The company and its subsidiaries offer a wide range of services, from debt and equity underwriting to loan syndication, project finance, financial advisory, government securities and corporate debt trading, equity brokering, online trading, asset management and research. It operates through its two main strategic business units:

- 1. Investment Banking Group** - The Group manages the investment banking business of the company. First Metro stands at the forefront of the Philippine capital markets as the investment bank of choice for prominent corporations and government agencies. Its track record in debt and equity underwriting rests on its key strength in origination, structuring and execution. The investment bank perennially engages in the lion's share of transactions in the debt and equities markets.

Debt Capital Markets - First Metro is widely recognized as a leader in debt capital market issuances. The company provides debt financing solutions to help achieve client objectives that normally include expansion plans, refinancing, strategic acquisitions or buy-outs, or complex project financing.

- SEC-registered Bonds
- Corporate Notes
- Project Finance Facilities
- Syndicated Term Loans

Equity Capital Markets - For years, First Metro has been actively involved in originating and underwriting Philippines equity issuances, whether private placement or public offering. The investment bank integrates its expertise and experience in structuring, execution, and distribution to provide optimal solutions for its clients' capital requirements.

- Initial Public Offerings
- Follow-on Offerings
- Private Placements

Corporate Finance & Advisory - First Metro is a Philippine Stock Exchange-accredited financial advisor providing strategic advice on enhancing corporate value, selecting optimal fundraising structure, and addressing valuation issues.

- Capital & Corporate Restructuring
- M&A Advisory
- Advice on Fundraising
- Asset Valuation
- Fairness Opinion

2. Sales & Distribution Group - The Group is primarily responsible for offering the various First Metro underwritten products to the investing public. As an active brokering participant, SDG makes available to its clients the wide range of tradeable fixed income securities in the market.

Driving the success of our underwritten deals is the dynamic synergy between the Investment Banking Group and SDG. First Metro's underwriting strength is complemented by its ability to distribute securities widely.

3. Treasury Group - The Group is responsible for the trading of financial instruments such as peso- and dollar-denominated government securities and corporate papers, as well as managing the liquidity requirements of the company.

It is an SEC- and BTr-authorized Government Securities Eligible Dealer (GSED) and one of the most active dealing participants in the industry. It has been selected as one of the market makers of the Bureau of the Treasury.

As a market maker for most corporate issues, it provides counterparties and clients with active two-way quotes, delivering financial solutions that address their specific funding requirements. Its traders are consistently recognized as top dealers by prestigious publications and organizations.

Contribution to Sales/Revenues

Net interest income from financial markets, investing, lending and borrowing operations represent 22.4%, 5.7% and 16.5% of the total revenue of the Group in 2020, 2019 and 2018, respectively. Other operating income which includes Net trading and securities gain, service charges, fees and commission, dividend income, gain on sale of assets and miscellaneous income represents 38.8%, 63.6% and 37.2% of the total revenue of the Group in 2020, 2019 and 2018, respectively. Share in net income of associates represents 38.7%, 30.7% and 46.2% of the total revenue of the Group in 2020, 2019 and 2018, respectively.

Contribution of Foreign Offices

First Metro has no revenue or income derived from foreign market during the year.

Significant Subsidiaries and Affiliates

- *First Metro Securities Brokerage Corporation (FMSBC)*, a wholly-owned subsidiary and the stockbrokerage arm of First Metro. It was incorporated in the Philippines on October 16, 1987 to engage in the trading of or otherwise dealing in stocks, bonds, debentures and other securities or commercial papers and rendering financial advisory services. Serving both institutional and retail clients, it started commercial operations in June 1994. FMSBC is a license trading participant in the PSE. Since October 2006, FMSBC established an online stock trading platform, FirstMetroSec, where clients can trade listed securities online, access timely and accurate market research, and be provided with reliable client support and investor education programs. FirstMetroSec can also be accessed through Android and Apple devices by downloading the FirstMetroSec app from the Play Store and App Store.
- *PBC Capital Investment Corporation (PBC Capital)*, a wholly-owned subsidiary, was incorporated on March 1, 1996 and started commercial operations on March 8, 1996. Metrobank acquired PBC Capital as part of the acquisition of the Philippine Banking Corporation. It was incorporated primarily to perform basic investment banking activities, such as equity and debt underwriting, loan arrangement and syndication, financial advisory services and other corporate finance work.
- *First Metro Asia Focus Equity Fund, Inc. (FMAFEF)*, formerly First Metro Global Opportunity Fund, Inc., a wholly-owned subsidiary, was incorporated on December 23, 2009 to generally engage and to carry on the business of an open-ended investment company in all the elements and details thereof.
- *First Metro Save and Learn Dollar Bond Fund, Inc. (SALDBF)*, formerly First Metro Save and Learn Money Market Fund, Inc., 94.85% owned by First Metro, was incorporated on November 4, 2008. SALDBF is an open-end mutual fund engaged in selling its capital to the public and investing the proceeds in selected high grade stocks and fixed-income securities. It can also redeem its outstanding capital stock at net asset value per share at any time upon redemption of its investors.
- *First Metro Asset Management, Inc. (FAMI)*, was incorporated on April 21, 2005 to manage, provide and render management and technical advice/services for partnerships, corporations and other entities. FAMI is registered and authorized by the SEC to act as an investment company adviser and manager, administrator, and principal distributor of SALFIF, SALEF, SALBF, SALDBF, FMAFEF, FMETF and SALMMF. FAMI is 70.0% owned by FMIC, while 30.0% is shared equally by the Catholic Educational Association of the Philippine (CEAP) and by the Marist (Marist Brothers) Development Foundation.
- *First Metro Philippine Equity Exchange Traded Fund, Inc. (FMETF)*, 35.55% owned by First Metro, was incorporated on January 15, 2013 and subsequently registered under the Philippine Investment Company Act and the Securities Regulation Code as an open-end investment company engaged in the business of investing, reinvesting and trading in and issuing and redeeming its shares of stock in creation unit in exchange for basket of securities representing an index.
- *First Metro Save and Learn Balanced Fund, Inc. (SALBF)*, 27.44% owned by First Metro, was incorporated in the Philippines on January 29, 2007 and subsequently registered under the Philippine Investment Company Act last May 10, 2007 to engage in the trading of stocks and fixed income securities.

- *First Metro Save and Learn Equity Fund, Inc. (SALEF)*, 25.23% owned by FMIC, was registered in SEC on May 27, 2005 and registered in the Philippine Investment Company Act on September 6, 2005 as an open-end mutual fund primarily engaged in selling its capital and investing the proceeds in selected stocks with strong balance sheets and attractive valuations.
- *First Metro Save and Learn Fixed Income Fund, Inc. (SALFIF)*, 23.93% owned by First Metro, was incorporated in the Philippines on June 3, 2005 and subsequently registered under the Philippine Investment Company Act on September 6, 2005. SALFIF is an open-end mutual fund company engaged in selling its capital to the public and investing the proceeds in selected high grade fixed income generating instruments, such as bonds, commercial papers and other money market instruments. It stands at any time to redeem its outstanding capital stock at net asset value per share.
- *Cathay International Resources Corporation*, 34.74% owned by FMIC, was incorporated on April 26, 2005 primarily to acquire by purchase or exchange and use for investment or otherwise sell or transfer properties. It owns Marco Polo Cebu Plaza Hotel.
- *Philippine Axa Life Insurance Corporation (“AXA Philippines”) (PALIC)*, 28.18% owned by FMIC, is a life insurance company incorporated in November 1962. Year 2020 is the 20th year of the joint venture between Metrobank and the AXA Group (the world’s largest insurance company). PALIC affirmed its position as a major player and formidable entrant in the life insurance industry. PALIC ranked no. 3 and no. 4 based on premium income and on total assets owned as of December 31, 2019, respectively, based on Insurance Commission statistical reports.
- *Orix Metro Leasing and Finance Corporation (ORIX Metro)*, 20.00% owned by First Metro was incorporated and registered with SEC on June 28, 1977. Its primary purpose is to engage in financing by leasing of all kinds of real and personal property, extending credit facilities to consumers and enterprises by discounting commercial papers or accounts receivable, or by buying or selling evidences of indebtedness, and underwriting of securities.
- *Lepanto Consolidated Mining Company (LCMC)*, 13.45% owned by First Metro, was incorporated in 1936 and started only operating an enargite copper mine located in Mankayan, Benguet in 1997. LCMC shifted to gold bullion production in 1997 through its Victoria Project and continues to produce gold from its Victoria and Teresa operations, both located in Mankayan, Benguet.

Distribution Methods of Products and Services

For our distribution business, we look at expanding our channels by developing the Corporate and High Net Worth sectors, in addition to our existing institutional and MBT branch channels. We likewise plan to increase our distribution network to allow us to sell not only First Metro products but also all available products through the distribution platform of subsidiary First Metro Securities Brokerage Corporation. We continue to strengthen our relationship with MBT Sales and Investment Distribution Division (IDD) by collaborating on cross-selling initiatives for both First Metro and MBT products.

Competition

We are the only full-fledged investment bank in the Philippines with sales & trading and equity investments complementing our investment banking business.

Major competitors of First Metro in the investment banking space include: BDO Capital & Investment Corp., BPI Capital Corp., China Bank Capital, SB Capital, RCBC Capital Corp., AB Capital and Investment Corp. and Multinational Investment Bancorporation.

We believe that we can effectively contend with other companies in the investment banking industry because we are the largest capitalized investment house in the country with consolidated capital funds of ₱15.1 billion and consolidated total assets of ₱33.7 billion as of December 31, 2020. We are the investment banking arm of the Metrobank Group and are considered to be the largest investment bank in the country, recognized by our peers, clients, international financial organizations and regulators.

Principal Suppliers and Major Clients

First Metro has no raw materials for its business. Hence, it is not dependent upon one or a limited number of suppliers for essential raw materials, energy or other items. First Metro has no major existing supply contracts.

The business of First Metro is not dependent upon a single client or a few clients. The loss of one or more would not have any material or adverse effect on First Metro and its subsidiaries taken as a whole. Clients are diversified and distributed out that no single client or a few clients will account for twenty percent (20.0%) or more of its business.

Transactions with and/or Dependence on Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions 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 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.

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

The following table shows information on loans receivables to DOSRI as of December 31, 2020 and 2019:

	2020	2019
Total outstanding DOSRI loans	₱5,321,940	₱8,282,245
Percent of DOSRI loans to total loans receivable	1.1%	1.6%
Percent of unsecured DOSRI loans to total DOSRI	0.0%	0.0%
Percent of past due DOSRI loans to total DOSRI	0.0%	0.0%
Percent of non-performing DOSRI loans to total DOSRI	0.0%	0.0%

The following table provides the total amount of transactions that have been entered into by First Metro with its related parties for the year ended 2020 and 2019:

	2020						
	Deposits	Withdrawals	Sale of Securities	Purchase of securities	Availments of term loans	Issuance of promissory notes	Borrowings
Ultimate Parent Bank	₱226,509,214,338	₱225,799,759,539	₱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	-
	₱226,573,563,456	₱225,882,270,333	₱13,751,605,196	₱15,863,498,272	₱16,533,000,000	₱700,000,000	₱11,500,552,000

	2019						
	Deposits	Withdrawals	Sale of Securities	Purchase of securities	Availments of term loans	Issuance of promissory notes	Borrowings
Ultimate Parent Bank	₱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

Government Approval of Principal Products of Services

The renewal of license granted by SEC to First Metro as an investment house and as government securities eligible dealer was issued on December 29, 2014 and the license to act as Investment Company Adviser of First Metro Save and Learn Equity Fund, Inc. was issued on May 6, 2015. Both shall remain valid unless suspended or revoked for cause or cancelled by the Commission or voluntarily surrendered by the registrant. This authorizes First Metro to operate as an investment house and to distribute and sell government securities on a public or private placement basis. It also empowers First Metro to enter into a contract with another entity to further distribute the securities that it has underwritten.

The exemption fee it paid to the SEC for the issuance of short and long-term commercial papers covers the calendar year 2020 and is renewable on an annual basis. Other than its license as an investment house engaged in dealing in government securities and its registration exemption for the issuance of short and long term commercial papers, other First Metro's products and services do not require government approval.

Effective or Existing or Probable Government Regulations

First Metro is subject to various laws, rules and regulations issued by the SEC, BSP, Bureau of Internal Revenue (BIR) and Anti-Money Laundering Council (AMLC).

Being an investment house company, First Metro's business and operations are governed by the Investment Houses Law or Presidential Decree 129.

Under Philippine tax laws, First Metro and its domestic subsidiaries are subject to percentage and other taxes as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax and documentary stamp taxes. Income taxes include corporate income tax and final taxes paid at the rate of 20%, which is a final withholding tax on gross interest income from government securities and other deposit substitutes.

Republic Act (RA) No. 9337, an Act Amending National Internal Revenue Code, provides that effective November 1, 2005, the Regular Corporate Income Tax (RCIT) rate was 35% until December 31, 2008. Starting January 1, 2009, the RCIT was lowered to 30%. Interest expense allowed as a deductible expense is reduced by an amount equivalent to 42% of interest income subjected to final tax starting on November 1, 2005 to December 31, 2008, and 33%, starting on January 1, 2009. Starting July 1, 2008, the Optional Standard Deduction (OSD), equivalent to 40% of gross income, maybe claimed as an alternative deduction in computing for the RCIT.

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 First Metro and its subsidiaries is limited to the actual EAR paid or incurred but not to exceed 1% of net revenue. The regulations also provide for Minimum Corporate Income Tax (MCIT) of 2% on modified gross income and allow a NOLCO to be deducted against taxable income. The MCIT and NOLCO may be applied against First Metro's income tax liability and taxable income, respectively, over a three-year period from the year of inception.

In addition to the required supplementary information under RR No. 15-2010, on December 9, 2011, the BIR issued RR No. 19-2011 which prescribes the new annual income tax forms that will be used for filing effective taxable year 2011. Specifically, companies are required to disclose certain tax information in their respective notes to financial statements

Having a quasi-banking license, First Metro is likewise regulated by the BSP. As such, it is required to observe key prudential regulations such as capital adequacy, prudent lending and investments, deposit substitutes taking, disclosures, etc.

On January 15, 2013, the BSP released the final guidelines regarding the full implementation of Basel III in the Philippines which focuses on the capital requirements for all universal and commercial banks as well as their subsidiary banks and quasi-banks, which will be effective on January 1, 2014, with the following highlights:

- a. The required risk-based capital ratio, expressed as a percentage of qualifying capital to risk-weighted assets, shall not be less than ten percent (10%) for both solo and consolidated basis. Other minimum capital ratios include Common Equity Tier 1 (CET1) and Tier 1 (T1) capital ratios of 6.0% and 7.5% respectively. A capital conservation buffer of 2.5%, comprised of CET1 capital, shall likewise be imposed.
- b. The circular clarifies that investments in the equities of banks, quasi-banks, securities broker-dealers, insurance and other financial allied entities required to be deducted directly to CET1 capital include all those booked under HFT, AFS, Equity Investments Accounts, and Underwritten Accounts held for more than 5 days.
- c. Equity exposures in non-financial allied and non-allied undertakings are required to be deducted against the CET1 capital and these include all those booked under HFT, AFS and Equity Investments account (20% or more stockholdings).

Among the relevant regulations that BSP issued in 2020 the following regulations have significant impact to our industry:

- a. Circular 1075 – Amendments to Regulations on Financial Audit of Non-Bank Financial Institutions
- b. Circular 1076 – Amendments to the Regulations on the Disqualifications and Watchlisting of Directors/Officers
- c. Circular 1082 – Reduction in Reserve Requirements
- d. Circular 1084 – Amendments to Risk-Based Capital Adequacy Frameworks for Banks/Quasi-Banks
- e. Circular 1088 – Amendments to the Regulations on Treasury Activities of BSP-Supervised Financial Institutions
- f. Circular 1091 – Exclusion of Debt Securities Held by Market Makers from the Single Borrowers Limit (SBL)
- g. Circular 1096 – Semestral Submission of Reconciliation Statement by Banks/Quasi-Banks on their Demand Deposit Account Maintained with the BSP
- h. Circular 1101 – Extension of Transition Period for the Implementation of the Guidelines on the Management of Interest Rate Risk in the Banking Book

Furthermore, other regulators, such as the National Privacy Commission (NPC), Philippine Dealing & Exchange Corp. (PDEX) and SEC issued relevant regulations that may have a significant impact to our industry, namely:

- a. NPC Circular 20-02 on the Rules of Cease and Desist Orders - FAQs
- b. NPC Circular 20-03 Data Sharing Agreements
- c. PDEX Memo No. 11-2020 on the Shift to rolling 12-months monitoring of violations
- d. SEC Memo No. 24 s. 2019: Code of Corporate Governance for Public Companies and Registered Issuers
- e. SEC Memo No. 06 s. 2020: Guideline on Attendance and Participations of Directors, Trustees, Stockholders, Members, and other persons of Corporations in Regular and Special Meetings Through Teleconferencing, Video Conferencing and other Remote or Electronic Means of Communications.
- f. SEC Memo No. 33 s. 2020: Amendments to the Implementing Rules and Regulations of the Investment Company Act, as Amended

First Metro is committed to strictly observe and comply with existing laws, rules and regulations issued by the regulators. First Metro endeavored to create policies that will enhance and strengthen internal controls based on the abovementioned BSP Manual of Regulations for Non-Bank Financial Institutions and the 2015 Securities Regulation Code (SRC) Rules.

Pursuant to RA 10173, otherwise known as the Data Privacy Act of 2012, the National Privacy Commission issued its Implementing Rules and Regulations (IRR) which took effect on September 8, 2016. First Metro and its subsidiaries are covered by this IRR because we are processing sensitive personal information of more than one thousand (1,000) individuals that pose risk to the rights and freedoms of data subjects.

As a covered institution, both being regulated and supervised by AMLC, SEC and BSP, First Metro has to conduct due diligence of its clients in obtaining funds from the public as a requirement by Anti-Money Laundering Law and its Implementing Rules and Regulations. More stringent due diligence and verification procedures are required for high-risk clients, if necessary. Among the notable laws on Anti-Money Laundering and Terrorist Financing issued previously are the following: R.A. 10167 or Law to Further Strengthen the AMLA, R.A. 10168 or Terrorist Financing Act of 2012, R.A. 10365 and its Implementing Rules and Regulations and the latest 2018 RIRR of RA 9160, as amended. BSP also issued Circular No.1022 dated November 26, 2018 which amends Part Eight or the Anti-Money Laundering Regulations of the Manual of Regulations for Banks and Manual of Regulations for Non-Bank Financial Institutions .

Other than these, First Metro is not aware of any existing or probable government regulation that affects or is affecting its business.

Compliance with Environmental Laws

Pursuant to the Company's social responsibility, First Metro continues to support the government's advocacy to protect our natural resources. First Metro has not incurred any penalty resulting from non-compliance with environmental laws.

Research and Development Costs

First Metro has not undergone, and therefore has not incurred costs, into any research and development activities during the last three years.

Employees

As of December 31, 2020, First Metro has a total of 130 employees. Rank and file employees represent 17.7% of the total work force. None of them are subjected to any collective bargaining agreement (CBA) and had not been in any dispute with management for the past three years. The table below shows the number of employees for the past two years (2020 and 2019) and First Metro's projection for the year 2021.

	2021	2020	2019
Officers	130	107	111
Rank and File	23	23	30
	153	130	141

Major Risks Involved

The Group has exposures to the following risks from the use of financial instruments: (a) Operational risk; (b) Regulatory Compliance risk; (c) Credit risk; (d) Liquidity risk; (e) Market risk. Detailed discussions and analysis on Risk Management of the Group are disclosed in Note 4 of the Audited Financial Statements as presented in Exhibit 3.

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 Policies Committee (PolCom).

Risk Management Division (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 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.

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.

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.

Interest Rate Risk in the Banking Book

Interest rate risk is a company's exposure to adverse movements in interest rates. Interest rate risk in the banking book more specifically refers to the current or prospective risk to the company's capital and earnings arising from adverse movements in interest rates that affect its banking book positions.

At present, the RMD primarily assesses interest rate risk exposure in the book by way of an Interest Rate Repricing Gap analysis, EaR, and Delta EVE. These tools are further supplemented by performing sensitivity analysis or earnings simulation over specified rate shocks

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.

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.

First Metro's Legal Division is tasked to ensure that all documentations related to transactions entered into by the Company are enforceable and that contracting parties have the required legal capacity to do so. The Compliance Division has the primary duty of identifying, monitoring and controlling compliance with regulatory policies.

The management of risks is being observed in the areas of credit, treasury operations, as well as in all legal dealings by the designated officers and staff of First Metro applying sound risk management practices in its day-to-day transactions. First Metro endeavors to strike a critical balance of attaining optimal returns while taking calculated risks. Inextricable from our passion for excellence, Risk Management Division and Information Security Department were formed to oversee the identification, evaluation and assessment of business and systems risks inherent to First Metro's operations. The major objective of the two units is to enhance risk awareness among First Metro's personnel in order to achieve a more disciplined approach in the overall management of risks.

Item 2. DESCRIPTION OF PROPERTIES

Please refer to Exhibit 1 for the location and condition of the principal properties that First Metro and its subsidiaries owned and the limitations to their ownership, if any.

First Metro leases its office space in 43rd and 45th Floor of GT Tower in Makati City at monthly rentals, inclusive of 12% VAT, amounting to ₱0.54 million and ₱1.97 million, respectively, subject to increases as provided. The leases are renewable every five years unless sooner terminated as provided in the contract of lease.

First Metro terminated the office premises it leases in 26th Floor of GT Tower, Makati City and in Wellington Building, Binondo, Manila last October 31, 2017 and December 31, 2017, respectively. First Metro then renovated its owned condominium units in Skyland Plaza, Makati City to serve as its extension office.

First Metro has no major planned capital expenditure for the year 2021.

Item 3. LEGAL PROCEEDINGS

There are no material legal proceedings filed by or against First Metro, its directors and executive officers nor any petition for bankruptcy, or violation of the Securities Regulation Code has been filed, issued or committed, up to the latest date that are material to evaluation.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Board of Directors during its meeting last November 20, 2020, approved the surrender of the Company's quasi-banking license back to the BSP. Said license, which was issued by the BSP in May 1974, allows the Company to issue deposit substitutes to the public. In its special meeting on January 12, 2021, the Board approved a resolution to obtain the stockholders' approval by written assent for the return of the quasi banking license as required by the BSP.

The stockholders were given seven (7) days from receipt of notice but not later than February 22, 2021 to give their written assent to the return of the QB license.

Written responses from mailed received on or before February 22, 2021 but were received after February 22, 2021 were counted. As of 12:00 noon of February 26, 2021, upon the verification of votes by the office of the Corporate Secretary and the Stock Transfer Agent, stockholders of First Metro Investment Corporation holding a total of 369,886,532 common shares out of the 372,467,216 common shares outstanding and which constitute 99.307% of the outstanding capital stock of the company, have voted to ratify and confirm Board Resolution No. 2020-11-55 dated November 20, 2020 for the surrender of the Company's quasi-banking license.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. MARKET PRICE OF AND DIVIDENDS ON ISSUER’S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information

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.

Holders

As of December 31, 2020, there are 1,380 shareholders of First Metro’s common stock. Shown below are the top twenty (20) shareholders, including the number of shares and percentage of ownership held by each as of the same date.

Name of Stockholders	No. of Common Shares Held	Percentage of Ownership*
Metropolitan Bank & Trust Co.	369,736,960	99.2670%
Cuaycong, Jose G.	85,320	0.0229
Per, Apolinario O.	60,800	0.0163
Yu, Juan G. &/or Grace C. Yu	57,350	0.0154
Dudan, Lea Lee	49,500	0.0133
Yu, John Peter C. &/or Juan G.	38,800	0.0104
Asilo de San Vicente de Paul	38,080	0.0102
Yu, Juan &/or John Philip Yu	33,480	0.0090
Madrigal, A. P. ITF	32,640	0.0088
Aco, Pura Lim	30,920	0.0083
Calingo, Esperanza M.	30,780	0.0083
Ramirez, Trinidad	26,120	0.0070
Montinola, Antonio J.	24,760	0.0066
Inter-Islands Insurance Agency	24,720	0.0066
Archbishop Jose Ma. Cuenco Fou	24,400	0.0066
Rodriguez, Jose, Jr.	21,200	0.0057
Suarez, Ma. Encarnacion	21,120	0.0057
Trusteeship, Inc.	20,000	0.0054
Tuason, Maria Lourdes	19,240	0.0052
King, Judy T.	17,330	0.0047

**Computed based on outstanding shares*

Dividends

There are no dividend declarations made for the last two (2) years.

The BOD of First Metro can authorize the declaration of its dividends. The President, as authorized by the BOD, sets the record and payment dates on such dividend declaration.

Aside from the preconditions above-mentioned, there are no other restrictions that limit the ability of First Metro to pay dividends on its common equity.

Recent Sale of Unregistered Securities

There are no securities of the registrant sold by it within the past three (3) years which were not registered under the Code.

Item 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

The Group's Financial Statements as of and for the years ended December 31, 2020, 2019 and 2018 are presented below.

Financial Highlights

Consolidated Statements of Financial Position

(In Millions)

	December 31			2020 vs. 2019		2019 vs. 2018	
	2020	2019	2018	Amount	%	Amount	%
ASSETS							
Cash and other cash items	₱6,073	₱3,965	₱2,935	₱2,108	53.2	₱1,030	35.1
Due from Bangko Sentral ng Pilipinas	2,507	5,733	3,490	(3,226)	(56.3)	2,243	64.3
Securities Purchased Under Resale Agreements (SPURA)	2,593	1,347	–	1,246	92.6	1,347	100.0
Investment Securities at							
Financial assets at FVPL	9,633	12,220	9,559	(2,587)	(21.2)	2,661	27.8
FVOCI	1,217	1,888	665	(671)	(35.5)	1,223	184.1
Amortized Cost	1,465	591	17,034	874	148.0	(16,443)	(96.5)
Loans and receivables	2,234	1,686	1,588	548	32.6	98	6.2
Property and equipment	95	149	106	(54)	(36.4)	43	39.9
Investments in Associates	6,721	6,869	6,583	(148)	(2.1)	286	4.3
Investment properties	182	189	206	(7)	(3.8)	(17)	(8.1)
Deferred tax assets	76	69	35	7	10.3	34	98.0
Other Assets	907	929	998	(22)	(2.6)	(69)	(6.9)
	₱33,703	₱35,635	₱43,199	(₱1,932)	(5.4)	(₱7,564)	(17.5)
LIABILITIES AND EQUITY							
LIABILITIES							
Bills payable	₱3,856	₱11,307	₱16,222	(₱7,451)	(65.9)	(₱4,915)	(30.3)
Accounts payable	5,872	2,330	1,859	3,542	152.0	471	25.3
Accrued taxes, interest and other expenses	170	142	153	28	19.9	(11)	(7.6)
Bonds payable	–	–	2,917	–	–	(2,917)	(100.0)
Income taxes payable	13	12	14	1	6.1	(2)	(13.7)
Deferred tax liability	–	4	5	(4)	(100.0)	(1)	(22.6)
Puttable instruments for mutual fund subsidiaries classified as liabilities	8,315	6,553	6,779	1,762	26.9	(226)	(3.3)
Other liabilities	385	419	356	(34)	(8.11)	63	17.7
	18,611	20,767	28,305	(2,156)	(10.4)	(7,539)	(26.6)
EQUITY							
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY							
Common stock	4,209	4,209	4,209	–	–	–	–
Capital paid in excess of par value	2,066	2,066	2,066	–	–	–	–
Retained earnings	12,104	11,784	11,382	320	2.7	402	3.5
Treasury stock	(2,662)	(2,662)	(2,660)	–	–	(2)	(0.1)
Net unrealized loss on FVOCI	(592)	(687)	(250)	95	13.8	(437)	(174.8)
Unrealized loss on Fair Value Adjustment of Cash Flow Hedge	–	(10)	–	10	100.0	(10)	(100.0)
Cumulative translation adjustment	11	24	33	(13)	(53.7)	(9)	(27.7)
Remeasurements of retirement liability	(5)	3	47	(8)	(274.6)	(44)	(93.6)
Equity in other comprehensive income of associates	(135)	46	(24)	(181)	(390.9)	70	295.5
	14,996	14,773	14,803	223	1.5	(29)	(0.2)
Equity attributable to non-controlling interests	96	95	91	1	0.7	4	4.4
	15,092	14,868	14,894	224	1.5	(25)	(0.2)
	₱33,703	₱35,635	₱43,199	(₱1,932)	(5.4)	(₱7,564)	(17.5)

Consolidated Statements of Income

(In Millions)

	Years Ended December 31			2020 vs. 2019		2019 vs. 2018	
	2020	2019	2018	Amount	%	Amount	%
Interest Income	P500	P1,136	P1,123	(P636)	(56.0)	P13	1.2
Interest Expense	144	993	769	(849)	(85.5)	224	29.2
Net Interest Income	356	143	354	213	149.3	(211)	(59.6)
Other Operating Income	618	1,603	798	(985)	(61.4)	805	101.0
Total Operating Income	974	1,746	1,152	(772)	(44.2)	594	51.6
Total Operating Expenses	1,128	1,864	1,328	(736)	(39.5)	536	40.4
Loss before Share in NI of Investees	(154)	(118)	(176)	(36)	(30.2)	58	33.3
Share In Net Income of Investees	618	775	991	(157)	(20.3)	(216)	(21.8)
Income before Income Tax	464	657	815	(193)	(29.3)	(158)	(19.3)
Provision for Income Tax	100	251	312	(151)	(60.1)	(61)	(19.5)
Net Income	P364	P406	P503	(P42)	(10.4)	(P97)	(19.2)
Attributable to:							
Equity holders of the Parent Company	P364	P402	P503	(P38)	(9.5)	(P101)	(20.0)
Non-controlling interest	–	4	–	(4)	(100.0)	4	100.0
	P364	P406	P503	(P42)	(10.4)	(P97)	(19.2)

Consolidated Statements of Comprehensive Income

(In Millions)

	Years Ended December 31			2020 vs. 2019		2019 vs. 2018	
	2020	2019	2018	Amount	%	Amount	%
Net income for the year	P364	P406	P503	(P42)	(10.4)	(P97)	(19.2)
Other comprehensive income (loss)							
Items that recycle to profit or loss in subsequent periods:							
Changes in net unrealized gain/(loss) on FVOCI investments	(49)	40	(49)	(89)	(222.5)	89	181.6
Income tax effect	11	–	(2)	11	100.0	2	100.0
	(38)	40	(51)	(78)	(195.0)	91	178.4
Cumulative translation adjustment	(13)	(9)	12	(4)	(44.4)	(21)	(176.1)
Changes in cash flow hedge reserve	10	(10)	–	20	(200.0)	(10)	(100.0)
Share in other comprehensive income of associates	233	369	(221)	(136)	(36.9)	590	267.0
Other comprehensive income of puttable instruments	–	–	(1)	–	–	1	100.0
	192	390	(261)	(208)	(50.8)	611	253.3
Items that do not recycle to profit or loss in subsequent periods:							
Remeasurement of retirement liability	(11)	(64)	(10)	53	81.3	(54)	(540.0)
Income tax effect	3	20	3	(17)	(85.0)	17	566.7
	(8)	(44)	(7)	36	79.5	(37)	(528.6)
Changes in net unrealized gain/(loss) on FVOCI investments	89	(477)	(254)	566	118.9	(223)	(87.8)
Share in other comprehensive income (loss) of associates	(414)	(298)	418	(116)	(38.9)	(716)	(171.3)
	(333)	(819)	157	496	59.3	(986)	(628.0)
Total Comprehensive Income (Loss), Net of Tax	P223	(P23)	P399	P246	1068.3	(P422)	(105.8)
Attributable to:							
Equity holders of the Parent Company	P222	(P27)	P400	P249	922.2	(P427)	(106.8)
Non-controlling interest	1	4	(1)	(3)	(82.5)	5	500.0
	(P223)	(P23)	P399	P246	1,068.3	(P422)	(105.8)

2020 Performance

Results of Operations

First Metro ended the year 2020 with ₱364 million consolidated net income attributable to equity holders of the Parent Company. This is 9.5% or ₱38 million lower than last year's result of ₱402 million.

Total consolidated gross revenues which comprised of net interest income, other operating income and share in net income of investees reached to ₱1,593 million, 36.8% or ₱928 million lower than the ₱2,521 million recorded last year.

Net interest income derived from lending, investing and borrowing activities amounting to ₱356 million represents 22.4% of the total consolidated revenues of the Group. This account increased by 149.3% or ₱213 million compared with last year's revenue of ₱143 million mainly due to the effect of lower interest rate on borrowings during the year. Interest income earned on investments decreased by 56.0% or ₱636 million while interest expense incurred on borrowings also decreased by 85.5% or ₱849 million during the year.

Other operating income totaled ₱618 million and represents 38.8% of the total revenues. It is composed of gain on sale of assets, net trading and securities gains, service charges, fees and commissions, dividend income, net foreign exchange gain, and miscellaneous income. The decrease of 61.4% or ₱985 million compared with last year's result of ₱1,603 million was mainly due to lower fees and commissions, dividend income and net trading losses and mark-to-market gain from investments securities of the Group this year.

Operating expenses totaled ₱1,128 million which consists of taxes and licenses such as GRT and DST, compensation and fringe benefits, provision for impairment losses and other administrative and miscellaneous expenses. The decrease of 39.5% or ₱736 million was mainly due to the lower provision for impairment losses and taxes incurred this year.

Share in net income of investees represents 38.8% of the total consolidated revenues amounting to ₱618 million. This is 20.3% or ₱157 million lower than last year's results of ₱775 million. This year's share in net earnings mostly came from PALIC.

Provision for income taxes totaled ₱100 million, 60.1% or ₱151 million lower than last year's result of ₱251 million. The decrease was mainly due to lower income subjected to final tax and income tax of the Group this year.

Total comprehensive income reached ₱223 million this year, higher by 1,068.3% or ₱246 million compared with last year's result of ₱23 million loss mainly due to the significant improvement in the market value of FVOCI investments. For the year ended December 31, 2020, total comprehensive income(loss) attributable to equity holders of the Parent Company increased by 922.2% or ₱249 million from ₱27 million loss to ₱222 million income this year.

In terms of return on equity, First Metro achieved 2.4% in 2020 as compared to 2.7% in 2019.

Financial Position

The changes in consolidated total assets were primarily due to the movements in the following accounts:

Cash and Cash Equivalents

Due from Bangko Sentral ng Pilipinas represents the balance of the deposit accounts maintained with BSP to meet the reserve requirements on deposit substitute liabilities and serves as a clearing account for interbank transactions and special deposit accounts. This account decreased by 56.3% or ₱3,226 million from ₱5,733 million to ₱2,507 million this year mainly due to the substantial reduction in our reserve requirement resulting from reduced deposit substitute as of reporting date.

Cash and other cash items, which comprises of due from other banks and other cash items, went up by 53.2% or ₱2,108 million from ₱3,965 million to ₱6,073 million mainly due to higher outstanding time deposit and savings account balances this year.

Securities Purchased Under Resale Agreements (SPURA)

This account increased by 92.6% or ₱1,246 million from ₱1,347 million to ₱2,593 million which represents outstanding SPURA with BSP as of reporting date.

Investment Securities

Financial Assets at Fair Value Through Profit or Loss (FVTPL) consists of investments in government securities and private debt and equity securities. The decrease of 21.2% or ₱2,587 million from ₱12,220 million to ₱9,633 million mainly due to lower government securities portfolio this year. This account includes fair value gain of ₱116 million and ₱220 million in 2020 and 2019, respectively.

Fair Value Through Other Comprehensive Income (FVOCI) represents investments in government securities and private debt and equity securities. The decrease of 35.5% or ₱671 million from ₱1,888 million to ₱1,217 million was mainly due to the ₱766 million net sales during the year. As of December 31, 2020 and 2019, FVOCI investments include net unrealized loss of ₱594 million and ₱687 million, respectively.

Amortized Cost consists of investments in government securities and private debt securities. The increase of 148.0% or ₱874 million from ₱591 million to ₱1,465 million this year was mainly due to ₱1,127 million purchases netted by the ₱260 million maturities during the year.

Loans and Receivables consist of unquoted commercial papers, loans and discount and other receivable accounts. The increase of 32.6% or ₱548 million from ₱1,686 million to ₱2,234 million this year was mainly due to the increase in the other receivable account.

Unquoted Commercial Papers consists of debt instruments issued by private corporations. The decrease of 89.7% or ₱565 million from ₱630 million to ₱65 million was mainly due to prepayments during the year.

Loans and Discount decreased by 9.1% or ₱46 million from ₱503 million to ₱457 million mainly due to ₱63 million loan repayments during the year.

Other Receivables consists of accrued interest receivable, dividend receivable, accounts receivable and other receivables. The increase of 209.9% or ₱1,160 million from ₱552 million to ₱1,712 million was mainly due to the increase in receivable from brokers from the sale of equity securities as of reporting date.

Property and Equipment

This account pertains to condominium units and improvements, furniture, fixtures and equipment owned by the Group. The decrease of 36.4% or ₱54 million from ₱149 million to ₱95 million was mainly due to the ₱8 million net acquisition and ₱62 million depreciation expense recorded during the year.

Investments in Associates

This represents the costs of investments in shares of stocks in allied/non-allied undertakings. The ₱148 million decrease from ₱6,869 million to ₱6,721 million this year was mainly due to the net effect of ₱ 618 million share in net earnings, ₱182 million equity share in other comprehensive loss of Associates and ₱ 583 million share in cash dividend.

Investment Properties

This account consists of land and condominium units held for sale or for lease. The decrease of ₱7 million from ₱189 million to ₱182 million this year was mainly due to ₱8 million disposal of property and ₱0.7 million depreciation expense incurred during the year.

Deferred Tax Assets

This account consists of net deductible temporary differences of the Group. The increase of 10.3% or ₱7 million from ₱69 million to ₱76 million was mainly due to additional recognition of deferred tax on NOLCO and retirement liability accounts of the Group during the year.

Other Assets

This account includes prepayments, intangible assets, refundable deposits, deferred charges, unissued office supplies, input taxes and others. This account decreased by ₱22 million from ₱929 million to ₱907 million this year mainly due to lower prepayments, intangible and miscellaneous asset account this year.

Bills Payable

This account comprises of deposit substitutes and other borrowings obtained from local banks, private firms and individuals. The decrease of 65.9% or ₱7,451 million from ₱11,307 million to ₱3,856 million was mainly due to substantial reduction in our deposit substitute liabilities and interbank borrowing.

Accounts Payable

This account increased by 152.0% or ₱3,542 million from ₱2,330 million to ₱5,872 million this year mainly due to the higher unsettled purchases of equity shares of subsidiaries' participants and customers as of reporting date.

Accrued Taxes, Interest and Other Expenses

This account consists of expenses incurred on taxes, licenses, interests on borrowings, retirement liability and other expenses which have remained unpaid as of reporting date. The increase of 19.9% or ₱28 million from ₱ 142 million to ₱170 million this year was mainly due to higher retirement liability and accrued other expenses netted by lower accrued taxes and accrued interest payable as of reporting date.

Income Taxes Payable

This account increased by 6.1% or ₱1 million from ₱12 million to ₱13 million this year mainly due to higher taxable income of the Group. During the year, the Group already paid a total of ₱96 million in regular corporate income tax and final tax.

Deferred Tax Liability

This account decreased by 100% from ₱4 million to nil as of the reporting period mainly due to absence of taxable differences of the Group during the year.

Puttable Instruments of Mutual Fund Subsidiaries Classified as Liability

This account pertains to the ownership interest of other shareholders outside the Group in the puttable instruments issued by mutual fund subsidiaries. This account went up by 26.9% or ₱1,762 million from ₱6,553 million to ₱8,315 million this year mainly due to increase in value of these puttable instruments.

Other Liabilities

This account consists of unsettled purchases of equity shares of subsidiaries' participants and customers, withholding taxes, dividends, subscription and premium payables, lease liability and other miscellaneous liabilities. This account decreased by 8.1% or ₱34 million from ₱419 million to ₱385 million this year mainly due to lower outstanding lease liability and miscellaneous liabilities as of reporting date.

Equity

First Metro's capital funds ended at ₱14,996 million, ₱223 million higher from last year's ₱14,773 million, which translates to 56.6% capital adequacy ratio (CAR). This is far beyond the 10.0% CAR required by BSP on non-bank financial intermediaries with quasi-banking function. The changes of this account were primarily due to the following:

Retained Earnings increased by ₱320 million from ₱11,784 million to ₱12,104 million mainly due to Group's results of operations recognized during the year.

Net Unrealized Loss on FVOCI increased by 13.8% or ₱95 million from ₱687 million to ₱592 million this year mainly due to the increase in market value of Parent Company's investment in FVOCI during the year.

Cash Flow Hedge Reserve pertains to fair value adjustment of Parent Company's cross currency swap transaction under cash flow hedge. This account reported nil balance during the year due to pre-termination of cross currency swap.

Cumulative Translation Adjustment went down by 53.7% or ₱13 million from ₱24 million to ₱11 million this year mainly due to the booking of foreign currency adjustment of Parent Company's foreign currency denominated equity investments with FMSALDBF.

Remeasurement of Retirement Liability decreased by 274.6% or ₱8 million from ₱3 million gain to ₱5 million loss mainly due to the effect of the remeasurements of the post-employment defined benefit plans to be recognized in other comprehensive income this year.

Equity in Other Comprehensive Income of Associates pertains to Equity Share on Decline in Value of Investments Securities, Translation Adjustment, Unrealized Gains (Losses) Arising from Remeasurement of Retirement and Life Insurance Reserves of Parent Company's Associates. This account decreased by 390.9% or ₱181 million from ₱46 million income to ₱135 million loss this year mainly due to the decrease in the Parent Company's proportionate share in the changes in the fair value of FVOCI investments netted by the decrease in remeasurement of retirement liabilities and life insurance reserves of Associates.

Equity Attributable to Non-controlling Interest increased by ₱1 million from ₱95 million to ₱96 million which was attributable to the increase in capital funds of majority owned subsidiary of the Parent Company.

2019 Performance

Results of Operations

First Metro ended the year 2019 with consolidated net income attributable to equity holders of the Parent Company of ₱402 million. This is 20.0% or ₱101 million lower than last year's result of ₱503 million.

Total consolidated gross revenues which comprised of net interest income, other operating income and share in net income of investees reached to ₱2,521 million, ₱378 million or 17.7% higher than the ₱2,143 million recorded last year.

Net interest income derived from lending, investment and borrowing activities amounting to ₱143 million represents 5.7% of the total consolidated revenues of the Group. This account decreased by 59.6% or ₱211 million compared with last year's revenue of ₱354 million mainly due to the effect of higher interest rate on borrowings during the year. Interest income earned on investments increased by ₱13 million while interest expense incurred on borrowings also increased by ₱224 million or 29.2% during the year.

Other operating income totaled ₱1,603 million and represents 63.6% of the total revenues. It is composed of net trading and securities gains (losses), service charges, fees and commissions, dividend income, gain on sale of assets, foreign exchange gain (loss), and miscellaneous income. The increase of 100.9% or ₱805 million compared with last year's result of ₱798 million was mainly due to higher realized and unrealized trading gains from investments securities of the Group incurred this year.

Operating expenses consist of taxes and licenses, compensation and fringe benefits, provision for impairment losses and other administrative and miscellaneous expenses. The increase of 40.4% or ₱536 million was mainly due to the higher provision for impairment losses incurred this year.

Share in net income of investees represents 30.7% of the total consolidated revenues amounting to ₱775 million. This is ₱216 million or 21.8% lower from last year's results of ₱991 million. This year's share in net earnings mostly came from PALIC (₱700 million) and OMLFC (₱222 million).

Provision for income taxes totaled ₱251 million, 19.5% or ₱61 million lower than last year's result of ₱312 million. The decrease was mainly due to lower income subjected to final tax and RCIT of the Group this year.

Total comprehensive income decreased by 105.8% or ₱422 million from last year's result of ₱399 million income to ₱23 million loss mainly due to the net effect of lower net income recognized by the Group and net equity share in other comprehensive losses of Parent Company's Associates. For the year ended December 31, 2019, total comprehensive income (loss) attributable to equity holders of the Parent Company decreased by 106.8% or ₱427 million to ₱27 million loss from ₱400 million income for the same period in 2018.

In terms of return on equity, First Metro achieved 2.7% in 2019 as compared to 3.5% in 2018.

Financial Position

The changes in consolidated total assets were primarily due to the movements in the following accounts:

Cash and Cash Equivalents

Due from Bangko Sentral ng Pilipinas represents the balance of the deposit accounts maintained with BSP to meet the reserve requirements on deposit substitute liabilities and bonds payable and serves as a clearing account for interbank transactions and special deposit accounts. This account increased by 64.3% or ₱2,243 million from ₱3,490 million to ₱5,733 million this year mainly due to ₱4,478 million outstanding overnight and term deposit facility netted by the decrease in demand deposit account of ₱2,235 million as of December 31, 2019.

Cash and other cash items, which comprises of due from other banks and other cash items, went up by 35.1% or ₱1,030 million from ₱2,935 million to ₱3,965 million mainly due to higher outstanding time deposit and savings account balances this year.

Securities Purchased Under Resale Agreements (SPURA)

This account represents the overnight lending under SPURA with BSP.

Investment Securities

Financial Assets at Fair Value Through Profit or Loss (FVTPL) consists of investments in government securities and private debt and equity securities. The increase of 27.8% or ₱2,661 million from ₱9,559 million to ₱12,220 million mainly due to higher government securities portfolio this year. Financial assets at FVTPL include fair value gain of ₱220 million in 2019 and fair value loss of ₱596 million in 2018.

Fair Value Through Other Comprehensive Income (FVOCI) represents investments in government securities and private debt and equity securities. The increase of ₱1,223 million or 184.1% from ₱665 million to ₱1,888 million was mainly due to the ₱1,302 million net purchases during the year. As of December 31, 2019 and 2018, FVOCI investments include net unrealized loss of ₱687 million and ₱250 million, respectively.

Amortized Cost consists of investments in government securities and private debt securities. The decrease of ₱16,443 million or 96.5% from ₱17,034 million to ₱591 million this year was mainly due to ₱16,426 million sales of investment securities held by the Parent Company during the year.

Loans and Receivables consist of unquoted commercial papers, loans and discount and other receivable accounts. The increase of 6.2% or ₱98 million from ₱1,588 million to ₱1,686 million this year was mainly due higher outstanding accounts receivable this year.

Unquoted Commercial Papers consists of debt instruments issued by private corporations. This account decreased by ₱2 million from ₱632 million to ₱630 million due to partial payment during the year.

Loans and Discount increased by 5.8% or ₱27 million from ₱476 million to ₱503 million due to the impact of ₱1,498 million loan repayments offset by ₱1,525 million loan grants during the year.

Other Receivables went up by 15.2% or ₱73 million from ₱479 million to ₱552 million. This account consists of accrued interest receivable, dividend receivable, account receivables, and other receivables. The increase was mainly due to higher outstanding account and other receivables as of reporting date.

Property and Equipment

This account pertains to condominium units and improvements, furniture, fixtures and equipment owned by the Group. The increase of 39.9% or ₱43 million from ₱106 million to ₱149 million was mainly due to the booking of ₱103 million right-of-use asset in accordance with adoption of PFRS 16, Leases, ₱20 million net acquisitions of various furniture and fixtures and ₱80 million depreciation expense recorded during the period.

Investments in Associates

This represents the costs of investments in shares of stocks in allied/non-allied undertakings. The ₱286 million increase from ₱6,583 million to ₱6,869 million this year was mainly due to the ₱775 million share in net earnings, ₱70 million equity share in other comprehensive income of Associates netted by ₱439 million provision for impairment losses and ₱120 million share in cash dividend.

Investment Properties

This account consists of land and condominium units held for sale or for lease. The decrease of ₱17 million or 8.1% from ₱206 million to ₱189 million this year was mainly due to ₱16 million disposal of property and ₱1 million depreciation expenses incurred during the year.

Deferred Tax Assets

This account consists of net deductible temporary differences. The increase of ₱34 million or 98.0% from ₱35 million to ₱69 million was mainly due to NOLCO and reversal of taxable temporary difference from retirement assets of the Group recognized during the year.

Other Assets

This account includes prepayments, intangible assets, refundable deposits, deferred charges, unissued office supplies, input taxes and others. This account decreased by ₱69 million or 6.9% from ₱998 million to ₱929 million this year mainly due to lower retirement, intangible, prepayments and miscellaneous asset account this year.

Bills Payable

This account comprises of deposit substitutes and other borrowings obtained from local banks, private firms and individuals. The decrease of 30.3% or ₱4,915 million from ₱16,222 million to ₱11,307 million was mainly due to decrease in level of financial assets being funded by this account during the year. Net proceeds from issuances and settlements during the year amounted to ₱244 billion and ₱249 billion, respectively.

Accounts Payable

This account increased by 25.3% or ₱471 million from ₱1,859 million to ₱2,330 million this year mainly due to the higher unsettled purchases of equity shares of subsidiaries' participants and customers as of reporting date.

Accrued Taxes, Interest and Other Expenses

This account consists of expenses incurred on taxes, licenses, interests on borrowings, retirement liability and other expenses which have remained unpaid as of reporting date. The decrease of ₱11 million or 7.6% from ₱153 million to ₱142 million this year was mainly due to lower accrued interest payable and accrued other expenses netted by higher accrued taxes and retirement liability as of reporting date.

Bonds Payable

This account consists of the fixed rate corporate bonds issued by the Parent Company. As of December 31, 2018, this has outstanding balance of ₱2,917 million. The bonds matured in August 2019.

Income Taxes Payable

This account decreased by ₱2 million or 13.7% from ₱14 million to ₱12 million this year mainly due to lower taxable income of the Group. During the year, the Group already paid a total of ₱284 million in regular corporate income tax and final tax.

Deferred Tax Liability

This account decreased by ₱1 million or 22.6% from ₱5 million to ₱4 million this year mainly due to lower taxable temporary differences recognized by the Group during the year.

Puttable Instruments of Mutual Fund Subsidiaries Classified as Liability

This account pertains to the ownership interest of other shareholders outside the Group in the puttable instruments issued by mutual fund subsidiaries. This account went down by ₱226 million from ₱6,779 million to ₱6,553 million this year mainly due to decrease in value of these puttable instruments.

Other Liabilities

This account consists of payables for securities purchased, withholding taxes, dividends, subscription and premium payables and other miscellaneous liabilities. This account increased by ₱63 million or 17.7% from ₱356 million to ₱419 million this year mainly due to higher outstanding lease liability and miscellaneous liabilities during the year.

Equity

First Metro's capital funds ended at ₱14,773 million, ₱30 million lower from last year's ₱14,803 million, which translates to 45.6% capital adequacy ratio (CAR). This is far beyond the 10.0% CAR required by BSP on non-bank financial intermediaries with quasi-banking function. The changes of this account were primarily due to the following:

Retained Earnings increased by ₱402 million from ₱11,382 million to ₱11,784 million mainly due to Group's results of operations recognized during the year.

Treasury Stock increased by ₱2 million from ₱2,660 million to ₱2,662 million as of reporting year.

Net Unrealized Loss on FVOCI increased by ₱437 million or 174.8% from ₱250 million to ₱687 million this year mainly due to the decline in market value of Parent Company's investment in FVOCI during the year.

Cumulative Translation Adjustment went down by 27.7% or ₱9 million from ₱33 million to ₱24 million this year mainly due to the booking of foreign currency adjustment of Parent Company's foreign currency denominated equity investments with FMSALDBF.

Cash Flow Hedge Reserve totaled ₱10 million which pertains to fair value adjustment of Parent Company's cross currency swap transaction under cash flow hedge.

Remeasurement of Retirement Liability decreased by 93.6% or ₱44 million from ₱47 million to ₱3 million mainly due to the effect of the remeasurements of the post-employment defined benefit plans to be recognized in other comprehensive income this year.

Equity in Other Comprehensive Income of Associates pertains to Equity Share on Decline in Value of Investments Securities, Translation Adjustment, Unrealized Gains (Losses) Arising from Remeasurement of Retirement and Life Insurance Reserves of Parent Company's Associates. This account increased by ₱70 million or 295.5% from ₱24 million loss to ₱46 million gain this year mainly due to the increase in the Parent Company's proportionate share in the changes in the fair value of FVOCI investments netted by the decrease in remeasurement of retirement liabilities and life insurance reserves of Associates.

Equity Attributable to Non-controlling Interest increased by ₱4 million from ₱91 million to ₱95 million which was attributable to the increase in capital funds of majority owned subsidiary of the Parent Company.

2018 Performance

Results of Operations

First Metro ended the year 2018 with consolidated net income attributable to equity holders of the Parent Company of ₱503.0 million. This is 57.2% or ₱671.9 million lower than last year's result of ₱1.2 billion.

Total consolidated gross revenues which comprised of net interest income, other operating income and share in net income of investees reached to ₱2.1 billion, ₱804.7 million or 27.3% lower than the ₱2.9 billion recorded last year.

Net interest income derived from lending, investment and borrowing activities amounting to ₱353.8 million represents 16.5% of the total consolidated revenues of the Group. This account decreased by 32.6% or ₱171.2 million compared with last year's revenue of ₱525.0 million mainly due to the effect of lower level or volume of interest-earning assets and deposits substitutes during the year. Interest income earned on investments decreased by ₱203.2 million or 15.3% while interest expense incurred on borrowings decreased by ₱32.0 million during the year.

Other operating income totaled ₱798.0 million and represents 37.2% of the total revenues. It is composed of gain on sale of assets, net trading and securities gains (losses), service charges, fees and commissions, dividend income, foreign exchange gain, and miscellaneous income. The decrease of 49.9% or ₱794.6 million compared with last year's result of ₱1.6 billion was mainly due to realized and unrealized trading losses from held-for trading assets of the Group incurred this year.

Operating expenses consist of taxes and licenses, compensation and fringe benefits and other administrative and miscellaneous expenses. The decrease of ₱41.0 million was mainly due to the lower miscellaneous expenses incurred this year.

Share in net income of investees represents 46.3% of the total consolidated revenues amounting to ₱991.1 million. This is ₱161.2 million or 19.4% higher from last year's results of ₱829.9 million. This year's share in net earnings mostly came from PALIC (₱869.1 million) and OMLFC (₱246.0 million).

Provision for income taxes totaled ₱311.9 million, 19.3% or ₱74.7 million lower than last year's result of ₱386.6 million. The decrease was mainly due to lower income subjected to final tax and RCIT of the Group this year.

Total comprehensive income decreased by 66.7% or ₱798.0 million from last year's result of ₱1.2 billion to ₱399.0 million mainly due to the net effect of lower net income recognized by the Group amounting to ₱502.9 million, changes in the fair value of AFS investments, remeasurement of retirement liability and equity share in comprehensive income of Associates totaling ₱103.9 million. For the year ended December 31, 2018, total comprehensive income attributable to equity holders of the Parent Company decreased to ₱400.3 million or by 66.1% or ₱778.8 million from ₱1.2 billion for the same period in 2017.

In terms of return on equity, First Metro achieved 3.5% in 2018 as compared to 7.9% in 2017.

Financial Position

The changes in consolidated total assets were primarily due to the movements in the following accounts:

Cash and Cash Equivalents

Due from Bangko Sentral ng Pilipinas decreased by 20.7% or ₱910.0 million from ₱4.4 billion to ₱3.5 billion this year. This account represents the balance of the deposit accounts maintained with the BSP to meet the reserve requirements on deposit substitute liabilities and serves as a clearing account for interbank transactions. The decrease was mainly due to lower bills payable outstanding as of December 31, 2018.

Cash and other cash items, which comprises due from other banks and other cash items, went down by 44.8% or ₱2.4 billion from ₱5.3 billion to ₱2.9 billion mainly due to the lower outstanding time deposit, demand and savings account balances this year.

Securities Purchased Under Resale Agreements (SPURA)

This account represents the overnight interbank lending and SPURA with BSP. The decrease of 100% or from ₱500.0 million to nil was mainly due to the maturity of this account during the year.

Investment Securities

Financial Assets at Fair Value Through Profit or Loss (FVTPL) consists of investments in government securities and private debt and equity securities. The decrease of 9.9% or ₱1.0 billion from ₱10.6 billion to ₱9.6 billion mainly due to net sales of debt and equity securities portfolio and reclassification from AFS and UDSCL accounts as a result of adoption of PFRS 9 starting January 1, 2018. Financial assets at FVTPL include fair value loss of ₱595.9 million in 2018 and fair value gain of ₱826.3 million in 2017.

Fair Value Through Other Comprehensive Income (FVOCI) / Available-for-Sale (AFS) Investments represent investments in government securities and private debt and equity securities. The decrease of ₱7.5 billion or 91.9% from ₱8.2 billion to ₱664.5 million was mainly due to the ₱65.9 million net sales and ₱7.6 billion net reclassification to FVTPL and Amortized Cost accounts as a result of adoption of PFRS 9 starting January 1, 2018. As of December 31, 2018 and 2017, FVOCI/ AFS investments include net unrealized loss of ₱249.7 million and ₱338.6 million, respectively.

Amortized Cost / Held-to-Maturity (HTM) Investments consist of investments in government securities and private debt securities. The increase of ₱2.8 billion or 19.5% from ₱14.3 billion to ₱17.0 billion this year was mainly due to purchases and maturity of investments amounting to ₱0.1 billion and ₱4.0 billion, respectively, and ₱6.7 billion reclassification from AFS investments account as a result of adoption of PFRS 9 starting January 1, 2018.

Loans and Receivables

Unquoted Commercial Papers consists of debt instruments issued by private corporations. This account decreased by ₱201.8 million from ₱834.3 million to ₱632.5 million mainly due to the ₱150.0 million purchase, sale and redemption totaling ₱151.8 million and ₱200.0 million reclassification to FVTPL as a result of adoption of PFRS 9 starting January 1, 2018 during the year. As of December 31, 2018 and 2017, the outstanding unquoted commercial papers were not subject to periodic interest repricing. The remaining unquoted commercial papers earned fixed annual interest rates ranging from 7.0% to 7.4% and from 3.5% to 7.4% in 2018 and 2017, respectively.

Loans and Discount decreased by 64.9% or ₱878.3 million from ₱1.4 billion to ₱475.8 million due to the impact of ₱1.5 billion loan repayments offset by ₱0.7 billion loan grants during the year. As of December 31, 2018 and 2017, none of the total loans and discounts was subject to periodic interest repricing for the Group. Total loans and discounts earned fixed annual interest rate of 10.8% and from 7.5% to 10.8% in 2018 and 2017, respectively.

Other Receivables went down by 42.7% or ₱356.5 million from ₱835.9 million to ₱479.4 million. This account consists of accrued interest receivable, dividend receivable, account receivables, and other receivables. The decrease was mainly due to lower outstanding account, accrued interest and other receivables as of reporting date.

Property and Equipment

This account pertains to condominium units and improvements, furniture, fixtures and equipment owned by the Group. The increase of 11.4% or ₱10.8 million from ₱95.4 million to ₱106.2 million was mainly due to the ₱47.4 million net acquisition of various office and transportation equipment and improvements to office premises and buildings and the recognition of depreciation expense amounting to ₱36.4 million during the year.

Investments in Associates

This represents the costs of investments in shares of stocks in allied/non-allied undertakings. The ₱735.6 million or 12.6% increase from ₱5.8 billion to ₱6.6 billion this year was mainly due to the ₱999.1 million share in net earnings, ₱418.2 million share in remeasurement of life insurance reserves netted by the ₱452.2 million share in cash dividend and ₱221.5 million share in the changes in fair value of AFS investments and remeasurement of retirement liabilities of Associates.

Investment Properties

This account consists of land and condominium units held for sale or for lease. The decrease of ₱108.4 million or 34.5% from ₱314.3 million to ₱205.9 million this year was mainly due to ₱106.8 million sale of real property and ₱1.6 million depreciation expenses incurred during the year.

Deferred Tax Assets

This account decreased by ₱15.5 million or 30.8% from ₱50.3 million to ₱34.8 million mainly due to lower deductible temporary differences of the Group recognized during the year.

Other Assets

This account includes prepayments, intangible assets, refundable deposits, deferred charges, unissued office supplies, input taxes and others. This account decreased by ₱2.7 million from ₱1.0 billion to ₱999.3 million this year.

Bills Payable

This account comprises of deposit substitutes and other borrowings obtained from local banks, private firms and individuals. The decrease of 36.9% or ₱9.5 billion from ₱25.7 billion to ₱16.2 billion was mainly due to decrease in level of financial assets being funded by this account during the year. Net proceeds from issuances and settlements during the year amounted to ₱618.3 billion and ₱627.8 billion, respectively.

Accounts Payable

This account decreased by 15.3% or ₱336.3 million from ₱2.2 billion to ₱1.9 billion this year mainly due to the lower outstanding payable of the Parent Company and unsettled purchases of equity shares of subsidiaries' participants/customers as of reporting date.

Accrued Taxes, Interest and Other Expenses

This account consists of expenses incurred on taxes, licenses, interests on borrowings, retirement liability and other expenses which have remained unpaid as of reporting date. The increase of ₱5.6 million from ₱147.6 million to ₱153.2 million this year was mainly due to higher accrued interest payable netted by lower accrued other expenses, retirement liability and unpaid taxes and licenses account as of reporting date.

Bonds Payable

This account consists of the fixed rate corporate bonds issued by the Parent Company amounting to ₱2.9 billion.

Income Taxes Payable

This account decreased by ₱46.4 million or 76.4% from ₱60.7 million to ₱14.3 million this year mainly due to lower taxable income of the Group. During the year, the Group already paid a total of ₱318.3 million in regular corporate income tax and final tax.

Puttable Instruments of Mutual Fund Subsidiaries Classified as Liability

This account pertains to the ownership interest of other shareholders outside the Group in the puttable instruments issued by mutual fund subsidiaries. This account went down by ₱1.2 billion or 15.3% from ₱8.0 billion to ₱6.8 billion this year mainly due to decrease in value of these puttable instruments.

Deferred Tax Liability

This account increased by ₱5.0 million from ₱0.2 million to ₱5.2 million this year mainly due to higher taxable temporary differences recognized by the Group during the year.

Other Liabilities

This account consists of payables for securities purchased, withholding taxes, dividends, subscription and premium payables and other miscellaneous liabilities. This account decreased by ₱114.9 million or 24.4% from ₱470.4 million to ₱355.5 million this year mainly due to settlement of payables for securities purchased and lower miscellaneous liabilities outstanding as of reporting date.

Equity

First Metro's capital funds ended at ₱14.8 billion, 5.8% or ₱806.7 million higher from last year's ₱14.0 billion, which translates to 60.8% capital adequacy ratio (CAR). This is far beyond the 10.0% CAR required by BSP on non-bank financial intermediaries with quasi-banking function. The changes of this account were primarily due to the following:

Retained Earnings increased by 4.7% or ₱515.3 million from ₱10.9 billion to ₱11.4 billion mainly due to ₱502.9 million Group's results of operations recognized during the year.

Treasury Stock remains at ₱2.7 billion as of reporting year.

Net Unrealized Loss on FVOCI/ AFS Investments decline by ₱89.7 million or 26.4% from ₱339.7 million to ₱250.0 million this year mainly due to the effect of changes in the fair value of the Group's outstanding FVOCI/ AFS investments.

Cumulative Translation Adjustment went up by 57.3% or ₱11.9 million from ₱20.8 million to ₱32.7 million this year mainly due to the booking of foreign currency adjustment of Parent Company's foreign currency denominated equity investments with FMSALDBF.

Remeasurement of Retirement Liability decreased by 12.4% or ₱6.7 million from ₱54.0 million to ₱47.3 million mainly due to the effect of the remeasurements of the post-employment defined benefit plans to be recognized in other comprehensive income this year.

Equity in Other Comprehensive Income of Associates pertains to Equity Share on Decline in Value of Investments Securities, Translation Adjustment, Unrealized Gains (Losses) Arising from Remeasurement of Retirement and Life Insurance Reserves of Parent Company's Associates. This account decreased by ₱ 196.7 million or 89.2% from ₱220.5 million to ₱23.8 million this year mainly due to the decreases in the Parent Company's proportionate share in the changes in the fair value of AFS securities and remeasurement of retirement liabilities netted by the increase in remeasurement of life insurance reserves of Associates.

Equity Attributable to Non-controlling Interest decreased by 9.4% or ₱9.4 million from ₱100.6 million to ₱91.2 million which was attributable to the decrease in capital funds of majority owned subsidiary of the Parent Company.

Subsequent Events

On March 29, 2021, First Metro received the approval of the BSP for the surrender of the Company's QB license effective March 25, 2021. Said license, which was issued by the BSP in May 1974, allows the Company to issue deposit substitutes to the public.

Other Matters

Other than the information on the consolidated financial positions, results of operations and business prospects discussed over the last three (3) years, the following disclosures are made on matters that affect the past or would have an impact on past and future operations of First Metro:

- First Metro does not have or anticipate having, within the next twelve (12) months, any cash flow or liquidity problems; is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments; and has no significant amount of trade payables that have not been paid within the stated trade terms.
- There were no material commitments for capital expenditures during the past years and in the subsequent year.
- There are no known trends, events or uncertainties that First Metro had or that are reasonably expected to cause a material favorable or unfavorable impact on income from continuing operations;
- There are no significant elements of income or loss that did not arise from First Metro's continuing operations.
- There are no seasonal aspects that materially affect First Metro's financial positions and results of operations.
- There are no events that will trigger direct or contingent financial obligation that is material to First Metro, including any default or acceleration of an obligation.
- There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of First Metro with unconsolidated entities or other persons created during the reporting period (refer to Note 26, *Commitments and Contingent Accounts* of the audited financial statements as of December 31, 2020 and 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, 2013. In addition to changes in minimum capital requirements, this Circular also requires various regulatory adjustments in the calculation of qualifying capital.

Prior to January 1, 2014, the risk-based capital ratio is computed in accordance with BSP Circular No. 538 or Basel II.

The details of CAR, as reported to the BSP, as of December 31, 2020 and 2019 based on Basel III, 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	P4,208,692,400	P-	P4,208,692,400	P4,208,692,400	P-	P4,208,692,400	
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	
				(15,160,814,238			
Regulatory deductions	(14,450,924,339)	14,450,924,339	-	-	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/ equity	P3,276,085,674	P14,381,041,624	P17,657,127,298	P2,925,525,333	P14,509,510,210	P17,435,035,543	

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

	Consolidated		Parent Company	
	2020	2019	2020	2019
Treasury shares	P2,661,979,203	P2,661,979,203	P2,661,979,203	P2,661,979,203
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	P13,911,801,032	P14,793,654,901	P14,450,924,339	P15,160,814,238

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	P-	P2,587,837,393	P1,788,658,638	P178,122,656	P-	P4,554,618,393
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	P5,101,173,549	P2,620,309,108	P1,790,524,617	P3,105,102,675	P167,146,581	P12,784,256,531

*Net of regulatory adjustments amounting to P11.2 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	P-	P1,588,347,140	P1,444,635,013	P148,757,817	P-	P3,181,739,970
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	P7,822,996,021	P1,620,361,339	P2,471,390,878	P2,999,243,897	P172,886,819	P15,086,878,954

*Net of regulatory adjustments amounting to P12.1 billion.

Parent Company						
2020						
Risk Weights						
	0%	20%	50%	100%	150%	Total
Cash and other cash items	P-	P-	P128,573,253	P178,122,656	P-	P306,695,909
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	P5,101,173,549	P-	P130,439,233	P1,329,859,841	P167,146,581	P6,728,619,204

*Net of regulatory adjustments amounting to P11.8 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	P-	P-	P1,228,005,579	P148,757,817	P-	P1,376,763,396
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	P7,822,996,021	P-	P2,254,761,444	P2,365,144,399	P172,886,819	P12,615,788,683

*Net of regulatory adjustments amounting to P12.5 billion.

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)	P-	P410,000,000	P-	P410,000,000

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)	2,593,323,509	1,346,691,935	2,593,323,509	1,346,691,935

assets (with no recognition of netting)				
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 293.9% 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 is required to 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.

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 ₱3.6 billion, which is above the required externally imposed minimum paid-in capital.

Discussion of Key Performance Indicators

In evaluating its performance, First Metro regularly analyzes the results of current operations and compares these against budget and results of prior period. The results of operations reflect the financial end results and effectiveness of assets and liabilities management. This business review is being discussed monthly by Senior Management Committee. The review discloses the causes of any deviation and aids First Metro in controlling costs, evaluating performance and planning future goals.

Monthly results of operations and financial positions are also reported regularly to Metrobank, to the BOD and to the BSP.

The following basic ratios measure the financial performance of First Metro as of and for the years ended December 31, 2020 and 2019 (based on the audited figures) as well as for the interim period January 31, 2021 (based on the unaudited figures):

Performance Indicator	As of		
	Jan 31, 2021 (Unaudited)	Dec 31, 2020 (Audited)	Dec 31, 2019 (Audited)
a) Return on Average Assets	4.04%	1.05%	1.02%
b) Return on Average Equity	8.68	2.45	2.72
c) Cost-to-Income Ratio	(660.05)	122.35	79.95
d) Capital Adequacy Ratio	54.64	56.66	45.60
e) Non-performing loans ratio	-	-	-

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

- *Return on Assets*
Return on Assets (ROA) or the ratio of annualized net income to average total assets, measures the return on money provided by both stockholders and creditors, as well as how efficiently all assets are managed. Year on year, ROA increased to 1.05% from 1.02% on account of the lower net income attributable to equity holdings of the Parent Company and lower average assets.
- *Return on Equity*
Return on Equity (ROE) or the ratio of annualized net income to average capital funds, measures the return on capital provided by the stockholders. ROE went down to 2.45% this year from 2.72% last year, due to the effect of lower net income attributable to equity holdings of the Parent Company and higher average equity.
- *Capital Adequacy Ratio*
This represents the ratio of net qualifying capital over the risk-weighted assets. It went up from 45.60% to 56.66% from last year due to increase in net qualifying capital and decrease in risk-weighted assets during the year.
- *Cost-to-Income Ratio*
This represents the ratio of total operating expenses (excluding provisions for credit and impairment losses and income tax) to total operating income (excluding share in net income of associates and recovery from impairment losses). It went up to 122.35% from 79.95% last year resulting from the lower operating expenses and operating income this year.

Financial Soundness Indicators

Performance Indicator	Formula	As of December 31	
		2020	2019
a. Current/Liquidity Ratio	Total Current Assets	125.56%	119.73%
	Total Current Liabilities		
b. Solvency Ratio	Total Liabilities	55.22%	58.28%
	Total Assets		
c. Debt to Equity Ratio	Total Liabilities	124.12%	140.57%
	Total Equity		
d. Asset to Equity Ratio	Total Assets	224.76%	241.22%
	Total Equity		
e. Interest Rate Coverage Ratio	Income before Interest Expense and Tax	39.52%	161.30%
	Interest Expense		
f. Return on Equity	Net Income after Tax	2.45%	2.72%
	Average Capital		
g. Return on Assets	Net Income after Tax	1.05%	1.02%
	Average Total Assets		
h. Net Profit Margin Ratio	Net Income	37.65%	22.90%
	Net Interest Income and Operating Income		
i. Capital Adequacy Ratio	Net Qualifying Capital	56.66%	45.60%
	Total Risk Weighted Assets		
j. Common Equity Tier (CET) 1 Ratio	CET 1 Capital	55.99%	45.01%
	Total Risk Weighted Assets		
k. Leverage Ratio	Capital Measure	27.60%	18.33%
	Exposure Measure		
l. Liquidity Coverage Ratio	Total Stocks of High Quality Liquid Assets	293.82%	153.77%
	Total Net Cash Outflows		
m. Net Stable Finding Ratio	Available Stable Funding	122.72%	122.50%
	Required Stable Funding		

Form and Content of Schedules

Consolidated Statements of Financial Position

1. Financial Assets

Name of issuing entity	Number of Shares/Principal amount of bonds/notes	Amount shown in the statement of financial position	Valued based in market quotation at end of reporting period	Income/(Loss) received and accrued
Loans and Receivables:				
Loans and Discount:				
Panay Energy Dev't. Corp	₱362,704,354	₱362,704,354		
Other loans	5,841,218	5,841,218		
Other borrowers of subsidiaries	95,888,922	95,888,922		
	464,434,494	464,434,494	₱487,481,416	
Unquoted Debt Securities Classified as				
Loans:				
Toyota Financial Services Phils Corp.	65,000,000	65,000,000		
	65,000,000	65,000,000	65,134,860	
Other Receivables	1,745,046,637	1,745,046,637	1,711,966,443	
	2,274,481,130	2,274,481,130	2,264,582,719	
Allowance for Credit Losses	(40,086,421)	(40,086,421)		
	2,234,394,710	2,234,394,710	2,264,582,719	₱76,667,066
Financial Assets at FVTPL:				
Government Securities	2,464,777,353	2,585,027,416		
Private Debt Securities	564,202,900	577,029,659		
Equity Securities	145,443,805	6,471,230,681		
	3,174,424,058	9,633,287,756	9,633,287,756	273,694,725
FVOCI:				
Government Securities	2,145,230	2,793,103		
Private Debt Securities				
Ayala Land, Inc.	4,500,000	4,482,287		
SM Investment Corp.	30,000,000	31,501,224		
Equity Securities				
Alabang Country Club	2	10,500,000		
Axelum Resources Corp.	179,685,700	628,899,950		
Bonifacio Land Corp.	240,803	96,366,104		
Cathay Insurance Co., Inc.	20,526	1		
Honda Philippines, Inc.	417,010	1,230,915		
Makati Sports Club	1	1,000,000		
Manila Electric Company	19,000	5,548,000		
Phil Depository & Trust Corp.	10,228	1,022,800		
Splendido Taal Golf	4	600,000		
Tagaytay Highlands	2	1,300,000		
The Philippine Stock Exchange, Inc..	2,806,521	431,923,582		
	219,845,027	1,217,167,966	1,217,167,966	71,438,709

Amortized Cost:				
Government securities	₱660,423,649	₱653,297,442		
Private Debt Securities				
Aboitiz Power Corporation	50,000,000	50,000,000		
Ayala Land, Inc.	51,029,000	51,012,410		
China Banking Corp.	65,000,000	65,000,000		
Del Monte Philippines, Inc.	45,000,000	45,000,000		
GT Capital Holdings, Inc.	9,000,000	8,997,534		
Petron Corporation	140,000,000	139,840,771		
Robinsons Land Corp.	200,000,000	200,000,000		
Security Bank Corporation	40,000,000	40,000,000		
San Miguel Food and Beverage, Inc.	150,000,000	150,000,000		
SM Investments Corp.	62,000,000	62,000,000		
	1,472,452,649	1,465,148,158	₱1,487,433,298	₱51,329,772
	₱7,101,116,444	₱14,549,998,590	₱14,602,471,740	₱473,130,272

Financial assets at FVTPL and FVOCI investments are measured in the statement of financial position at fair value.

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

Amortized Cost investments are measured in the statement of financial position at amortized cost using the effective interest rate and method, less impairment losses, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR.

2. Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related parties) in the ordinary course of business

Name of and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written-off	Current	Noncurrent	Balance at end of period
Officers and staff	₱12,921,463	₱3,441,528	(₱7,632,852)	(₱—)	₱734,217	₱7,995,922	₱8,730,139

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

Name of debtor	Relationship	Balance at beginning of period	Additions	Amounts Collected	Amounts written-off	Current	Noncurrent	Balance at end of period
FAMI	Subsidiary	₱2,451,180	₱21,811,938	(₱15,782,522)	₱-	₱8,480,596	₱-	₱8,480,596
FEI	Subsidiary	1,772	20,034	(21,806)	-	-	-	-
FMIBC	Subsidiary	-	4,250	(4,250)	-	-	-	-
FMSBC	Subsidiary	651,491	309,192,596	(309,622,484)	-	221,603	-	221,603
PBC	Subsidiary	2,114,922	6,786,312	(7,845,678)	-	1,055,556	-	1,055,556
PVDC	Subsidiary	1,770	28,275	(30,045)	-	-	-	-
RI	Subsidiary	1,770	35,821	(37,591)	-	-	-	-
SBC	Subsidiary	21,250	66,785	(88,035)	-	-	-	-
SALEF	Subsidiary	6,522,526	67,149,881	(66,843,015)	-	6,829,392	-	6,829,392
SALBF	Subsidiary	2,501,402	26,668,301	(26,891,084)	-	2,278,619	-	2,278,619
SALFIF	Subsidiary	2,376,652	30,503,837	(29,935,115)	-	2,945,374	-	2,945,374
FMGOF	Subsidiary	2,333	3,510	(5,843)	-	-	-	-
SALDBF	Subsidiary	384,630	7,634,953	(5,261,424)	-	2,758,159	-	2,758,159
FMPEETF	Subsidiary	683,492	9,117,453	(7,568,151)	-	2,232,794	-	2,232,794
		₱17,715,190	₱479,023,946	(₱469,937,043)	₱-	₱26,802,093	₱-	₱26,802,093

4. Intangible Assets - Other Assets

Movements in intangible assets follow:

	2020
Balance at beginning of year	₱26,352,527
Additions at cost (cash expenditure)	4,494,845
Disposals	-
Charged to cost and expenses	(13,172,686)
Balance at end of the period	₱17,674,686

This account consists of First Metro and FAMI's capitalized computer software with net book value of ₱15.4 million and ₱2.3 million, respectively.

5. Long Term Debt

As of December 31, 2020, First Metro had no long-term debt.

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

As of December 31, 2020, First Metro had no long-term debt to related parties.

7. Guarantees of Securities of Other Issuers

As of December 31, 2020, First Metro had no outstanding guarantees of securities of other issuers.

8. Capital Stock

	Common Stock
Authorized number of shares	800,000,000
Number of shares issued and outstanding as shown under the related statement of financial position caption	372,467,216*
Number of shares reserve for options, warrants, conversion and other rights	—
Number of shares held by affiliates	369,736,960
Number of shares held by directors, officers and employees	1,910

* Net of 48,402,024 Treasury Shares as of December 31, 2020

Consolidated Statements of Income

Interest Expense

The breakdown of interest expense for the year ended December 31, 2020 and 2019 is shown below:

	2020	2019
Deposit substitutes:		
Promissory notes issued	₱127,393,824	₱735,307,684
Repurchase agreements	-	71,085,034
Bonds payable	-	105,195,335
Borrowings from local banks	11,022,508	34,789,346
Interbank call loan	832,135	23,362,120
Borrowings from BSP	-	6,429,167
Others	4,641,731	16,888,144
	₱143,890,199	₱993,056,830

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

Borrowings from other banks represent US dollar and peso-denominated loans. Outstanding borrowings from other banks denominated in US dollar amounted to nil and ₱1,012.7 million as of December 31, 2020 and 2019, respectively, bearing annual interest rates ranging from 2.8% to 3.5% in 2019.

Related Party Transactions

First Metro has loans and other transactions with subsidiaries, associated companies, affiliates, and to DOSRI consisting principally of loan transactions, management contracts and outright purchases and sales of trading and investment securities. (Please refer to Note 25, Related Party Transactions of the audited financial statements as of December 31, 2020 and 2019).

Most of these transactions were carried out in the normally stated trade terms as practiced in its ordinary course of business.

Item 7. FINANCIAL STATEMENTS

Statement of Management's Responsibility for Financial Statements

Please refer to Exhibit 2.

Audited Financial Statements

Please refer to Exhibit 3.

Item 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

First Metro's external auditor, Sycip, Gorres, Velayo and Co. (SGV), issued an unqualified opinion on the consolidated and parent company financial statements as of and for the years ended December 31, 2020 and 2019.

There are no disagreements between First Metro and SGV on any matter of accounting principles or practices, financial statement disclosures, auditing scope or procedures, which disagreements, if not resolved to their satisfaction, would have caused SGV to make reference thereto in their respective reports on the financial statements for such years.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. DIRECTORS AND EXECUTIVE OFFICERS

Incorporators

- Antonio P. Madrigal
- Jose P. Madrigal
- Simon R. Paterno
- Fermin Z. Caram
- Claudio Teehankee
- Wilfrido C. Tecson

Directors (As of December 31, 2020)

Directors	Term Served	Age	Business Experience
Francisco C. Sebastian	23 years, 2 months	66	Banking/Finance/Investment
Mary Mylene A. Caparas	7 months	56	Banking/Finance/Investment
Jose Patricio A. Dumlaog	7 months	58	Banking/Management/Finance/Investment
Ismael G. Cruz	12 years, 8 months	75	Management/Investment
Martin Q. DyBuncio	25 years, 8 months	56	Management/Finance/Investment
Joshua E. Naing	6 years, 8 months	60	Banking/Finance
Rufino Luis T. Manotok	6 years, 7 months	70	Management/Banking/Finance
Raphael Perpetuo M. Lotilla	6 years, 7 months	62	Management/Law/Education
Francisco S. Magsajo, Jr.	7 months	72	Banking/Finance

The directors are elected during the annual stockholders' meeting. Each director holds office until the corresponding BOD's meeting in the succeeding year, or until a successor is elected, appointed or shall have been qualified.

FRANCISCO C. SEBASTIAN, 66, Filipino, Chairman of the Board of First Metro. He is concurrently the vice chairman of Metropolitan Bank & Trust Company and GT Capital Holdings Inc.

He joined the Metrobank Group in 1997 as president of First Metro, a position which he held for 13 years until 2011 when he became chairman.

Mr. Sebastian joined Ayala Investment and Development Corporation in 1975 and was seconded in Hong Kong. He worked as an investment banker in Ayala International Finance Limited and then Filinvest Finance (HK) Ltd. until 1984. He then started his own corporate and financial advisory firm based in Hong Kong, Integrated Financial Services Ltd., which he managed until he returned after 20 years to the Philippines to join the Metrobank Group in 1997.

Mr. Sebastian graduated Magna Cum Laude with an AB degree in Economics Honors from the Ateneo de Manila University in 1975.

MARY MYLENE A. CAPARAS, 56, Filipino, Vice Chairman of the Board of Directors of First Metro. She holds the position of Executive Vice President – Institutional Banking Sector of Metropolitan Bank & Trust Company.

She was also a Director of Orix Metro from 2015 to March 2020. Prior to joining Metrobank, she was the Managing Director, Regional Head of Client Delivery, Treasury & Trade Solutions of Citibank N.A, Hong Kong Branch from May 2013 – March 2014. She also served as Managing Director, Country Head of Citi Transaction Services of Citibank N.A, Manila Branch from March 2011 – May 2013.

She held several positions at Deutsche Bank AG, Manila Branch, Director, Head of Corporate Banking Coverage and Global Transaction Banking from September 2006 – March 2011; Vice President, Head of Corporate Banking Coverage from July 2003 – August 2006; Vice-President, Senior Relationship Manager, Large Local Corporates from June 2001 – June 2003; Vice-President, Senior Relationship Manager, Multinational Corporates Group from January 1998 – May 2001; Assistant Vice-President, Relationship Manager, Multinational Corporates Group from January 1996 – December 1997.

She worked at the Credit Lyonnais of Manila Offshore Banking Unit from August – November 1995. She joined the following companies, Citytrust Banking Corporation from June 1990 – June 1995; Union Bank of the Philippines from October 1986 – June 1990; Philippine Commercial International Bank from January – July 1996; from Insular Bank of Asia and America from September 1984 – December 1985.

Ms. Caparas holds a degree in business management, honors program from the Ateneo de Manila University. She graduated Honorable Mention.

JOSE PATRICIO A. Dumlao, 58, Filipino, was appointed President and Director of First Metro on June 1, 2020. Mr. Dumlao is an experienced investment and commercial banker. Prior to joining First Metro, he was the Country Manager and Head of Global Markets of BNP Paribas Manila Offshore Branch, where he worked for the last 8 years. Under BNP Paribas Investment Philippines, Inc., he was the President and Head of Fixed Income and Equity Sales from 2000 to 2011.

Mr. Dumlao was the President and Head of Investment Banking in Paribas Asia Equity Philippines, Inc. from 1997 to 2000. From 1995 to 1997, he was former Head of Institutional Sales for the Philippines for Asia Equity UK Ltd. and also the Chief Operating Officer and Head of Equity Sales of Philippines Asia Equity Securities, Inc.

His investment banking career started in Anscor Capital and Investment Corporation from 1983 to 1990 after which he headed the Investment Banking Group of Corporate Investment Philippines Inc. from 1990 to 1995.

He graduated BS Management Engineering from the Ateneo in 1983.

ISMAEL G. CRUZ, 75, Filipino, was elected to the Board in April 2008. Mr. Cruz has over 30 years of experience in investment banking in the Philippines and in the other parts of Asia. He spent 17 years of his career in Hong Kong where he became chief executive of three regional merchant banking organizations: Ayala International Finance Ltd., Filinvest Finance (HK) Ltd., and Elders Finance Group of Australia. He served as Governor of the Philippine Stock Exchange and the Makati Stock Exchange for several years. He was also Governor of the Subdivision and Housing Developers Association.

Currently, he is the President of the Philippine Association of Securities Dealers and Brokers, Inc.; a Governor of the Market Governance Board of the Philippine Dealing System, Inc. and the Makati Commercial Estate Association, Inc.; a Trustee of the Securities Investor Protection Fund, Inc.; an Independent Director of Penta Capital Investment Corp.; the founder and President of IGC Securities, Inc.; and the Chairman and President of Carmen Homes, Inc. Mr. Cruz is also a member of the Capital Markets Council of the Philippines.

He holds a BS Economics degree and completed academic requirements for a Master in Business Management degree from the Ateneo de Manila University. In 1981, he was named one of the Ten Outstanding Young Men of the Philippines in the field of International Finance.

MARTIN Q. DY BUNCIO, 56, Filipino, has served as a Director since 1995 and brings with him over 25 years of experience in interdisciplinary management.

Currently, he is the Chairman of the Board of Pro-Oil Corp. and Pro-Auto Parts; is currently President of the following:

Proline Sports Center Inc., HJ Marketing, Design Products Manufacturing, Proline II Mercantile, DYBCOM CORP., Integra Development Corp., and the President/Director of Banam Global Holdings Corp.

He holds a Bachelor of Arts degree from De La Salle University.

JOSHUA E. NAING, 60, Filipino, was elected to the Board in April 2015. Mr. Naing is a seasoned banker with over 30 years of experience. He started his career with Bangko Sentral ng Pilipinas until he joined the Metrobank Group in 1989 as OIC. For 11 years since 2002, he took the role of controller. He also held several directorship positions with the following companies: Global Business Power Corporation; Cebu Energy Development Corporation; Metrobank Technology, Inc.; Data Serve, Inc.; Philippine AXA Life Insurance Corporation; Multi Currency FX Corporation; Toyota Manila Bay; Metro Remittance (Spain), S.A.; Metro Remittance (Italia), S.p.A.; and MBTC Remittance GmbH (Vienna); Metro Remittance Center, Inc. (USA); and MB Remittance Center (Hawaii), Ltd.

From 2013 to present he is assigned as head of the Financial Control Sector. Concurrent to his position as senior executive vice president of the Bank, he also serves as director of Manila Medical Services, Inc. since April 2018 and Metro Remittance (Hong Kong) Limited since 2009.

Mr. Naing earned his BSC Accountancy degree from the Polytechnic University of the Philippines.

RUFINO LUIS T. MANOTOK, 70, Filipino, was elected to the Board of Directors in May 2014. Mr. Manotok held several key positions at Ayala Corporation: senior managing director, chief financial officer, chief information officer, and head of Strategic Planning Group. He was also a member of the Senior Management Committee of the Ayala group of companies. He also served as the chairman and president of Ayala Automotive Holdings Corp., Honda Cars Makati, Inc., Isuzu Automotive Dealership, Inc., Isuzu Iloilo Corporation, and Prime Initiatives, Inc.; president and treasurer of Mandaue Primeland, Inc.; president of Honda Cars Cebu, Inc.; chairman of Ayala Aviation Corporation; and director of Globe Telecom, BPI Family Bank, Ayala Systems Technology, Inc., AC International Finance Ltd., and AYC Holdings Limited.

Mr. Manotok finished his AB Economics degree from the Ateneo de Manila University and obtained his master's degree in Business Management from the Asian Institute of Management. He also completed the Advance Management Program at Harvard Business School.

RAPHAEL PERPETUO M. LOTILLA, 62, Filipino, was elected to the Board of Directors in May 2014. Mr. Lotilla remains active in policy studies. He currently serves as a trustee of the Philippine Institute for Development Studies, and chairs the Board of the Center for the Advancement of Trade Integration and Facilitation and of the Asia-Pacific Pathways to Progress Foundation.

Mr. Lotilla is an independent director of several private companies and foundations, and sits as a member of the Advisory Board of the Ateneo de Manila University Professional Schools.

He was Secretary of Energy of the Philippines from 2005 to 2007, having previously served as Deputy Director-General of the National Economic and Development Authority, and president and CEO of the government-owned Power Sector Assets and Liabilities Management Corp.

He also served as Regional Programme director of the Partnerships in Environmental Management for the Seas of East Asia, a regional project funded by the Global Environment Facility and implemented by the United Nations Development Programme.

Mr. Lotilla was a Professor of Law at the University of the Philippines where he obtained his law, psychology, and history undergraduate degrees. He received his Master of Laws from the University of Michigan.

FRANCISCO S. MAGSAJO, JR., 72, Filipino, was elected to the Board of Directors in June 2020. Mr. Magsajo, Jr. is currently a member of the Board of Directors of Philippine Veterans Bank. Mr. Magsajo, Jr. has over 48 years of experience.

He began his professional career at Philippine National Bank and held various positions for 28 years. He also served as Independent Director of Metrobank Credit Card Corporation from March 2016 to Dec 2019; President & CEO, Vice Chairman, Board of Directors of Philippine Export-Import Credit Corporation from January 1, 2008 to 2014; Chairman, Board of Directors, Chairman, Executive Committee of RCBC Savings Bank from March 2007 to December 2007; President & Chief Operating Officer, Member, Board of Directors, Member, Executive Committee of Rizal Commercial Banking Corporation from February 1, 2004 to March 31, 2007; President & Chief Executive Officer, Member, Board of Directors, Member, Executive Committee of RCBC Savings Bank from February 1, 1999 to January 31, 2004; and Banking Consultant of Allied Banking Corporation from September, 1998 to January 1999.

Mr. Magsajo, Jr. finished his BSC Economics degree from the Lyceum of the Philippines. He also completed the Advance Bank Management at Wharton Business School, University of Pennsylvania.

Executive Officers (As of December 31, 2020)

Executive Officers	Position	Age	Business Experience
Francisco C. Sebastian	Chairman	66	Banking/Finance/Investment
Mary Mylene A. Caparas	Vice-Chairman	56	Banking/Finance/Investment
Jose Patricio A. Dumlao	President	58	Banking/Management/Finance/Investment
Daniel D. Camacho	EVP/Investment Banking Group Head	49	Banking/Finance
Karen Liza M. Roa	SVP/FAMI President	52	Banking/Management/Finance/Investment
Peter Anthony D. Bautista	FVP/Sales & Distribution Group Head	47	Banking/Finance
Ma. Teresa V. De Vera	FVP/Coverage and Origination III Div. Head	49	Banking/Finance/Management
Maricel L. Madrid	FVP/Controllershship Group Head	41	Banking/Finance/Management
Abigail B. Magpayo	FVP/Equity Capital Market and Concurrent Corporate Finance and Advisory Division Head	44	Banking/Finance
Nimfa B. Pastrana	FVP/ Corporate Services and Operations Group Head, Concurrent Legal Division Head and Concurrent Human Resources Division Head	58	Banking/Finance/Law
Charles Ian Salvador	FVP/International Desk Division Head	48	Banking/Business Management
Cristina S. Ulang	FVP/Research Department Head	55	Banking/Finance/Research
Annagraziela S. Banaad	VP/Treasury Group Head	49	Banking/Finance
Shiendy G. Benitez	VP/Senior Deal Officer	48	Banking/Finance/Management
David Ignacio C. Estacio	VP/Local Debt Markets Department Head	43	Banking/Business Management/Trading
Alexis K. Javelosa, Jr.	VP/ Compliance Division Head, Chief Compliance Officer, Data Protection Officer	52	Banking/Business/Law
Ina B. Pacheco	VP/Retail Investors Department Head	51	Banking/Finance
John Wesley M. Peralta	VP/Debt Capital Market Division Head	43	Banking/Finance/Management
Mauro B. Placente	VP/Deputy Controller	54	Banking/Finance/Management

Eric M. Salazar	VP/Technology Management Division Head	50 Banking/Management/Information Technology
Luis Martin E. Villalon	VP/Equity Capital Market Division Deputy Head	48 Banking/Finance
Alesandra T. Ty	Corporate Secretary	40 Business/Management/Finance

Principal Officers are appointed or elected annually by the BOD at its first meeting following the annual meeting of stockholders.

Significant Employees

No person who is not an executive officer is expected by First Metro to make a significant contribution to the business.

Family Relationships

Mr. Martin Q. Dy Buncio, Director, is the father of Mr. Nicholas James T. Dy Buncio, Asst. Corporate Secretary and the brother-in-law of Ms. Alesandra T. Ty, Corporate Secretary. There are no other family relationships among the directors and officers listed above.

Involvement in Certain Legal Proceedings

First Metro is not aware of any event that occurred during the past five years that are material to an evaluation of the ability or integrity of any of its directors, any nominees for election as directors or executive officers.

Item 10. EXECUTIVE COMPENSATION

	Year	Salary	Bonuses/ Other Remuneration	Total
Aggregate annual compensation of the following:	2021*	₱80,661,953	₱32,138,632	₱112,800,585
	2020	81,881,275	40,934,599	122,815,874
	2019	81,154,332	42,043,282	123,197,614
Francisco C. Sebastian, Chairman				
Rabboni Francis B. Arjonillo, President**				
Jose Patricio A. Dumlao, President***				
Daniel D. Camacho, EVP				
All other executive and directors as a group unnamed	2021*	₱68,710,648	₱26,197,612	₱94,908,260
	2020	68,723,434	28,032,224	96,755,658
	2019	71,387,056	27,291,225	98,678,281

* - Projected

** - Up to May 31, 2020

*** - Effective June 1, 2020

Compensation of Directors

The members of the BOD are compensated under standard remuneration as follows:

Per diem ranging from ₱75,000.00 to ₱100,000.00 and reasonable transportation allowance are granted to directors on regular BOD meetings. Bonuses amounting to ₱200,000.00 are given to each director during December of each year.

As part of good governance practices, the directors, particularly the Independent Directors, are required to chair board committees created to enhance business operations and processes. The compensation for their participation in these committees is part of their annual package.

Employment Contracts, Termination of Employment and Change-In Control Arrangements

There are no compensatory plans or arrangement with respect to any of First Metro's executive officers that can result to the resignation, retirement or any other termination of such executive officer's employment with First Metro and its subsidiaries. Neither from a change in control of the registrant or a change in the named executive officer's responsibilities.

Warrants and Options Outstanding: Repricing

There are no stock warrants or options that First Metro has awarded to any of its directors or officers. Neither has the registrant's officers or directors own any stock warrants or options.

Item 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Security Ownership of Certain Record and Beneficial Owners

The following stockholder owns more than 5% of the common voting securities as of December 31, 2020:

<u>Title of class</u>	<u>Name and address of owner</u>	<u>Amount and nature of ownership</u>	<u>Percent to outstanding shares</u>
Common shares	Metrobank Metrobank Plaza, Sen. Gil Puyat Avenue, Makati City	369,736,960 r	99.27%

r - Registered

First Metro holds 48,402,024 treasury shares, which represent 11.50% of the total common shares issued.

Metrobank, a universal banking corporation, is the registered owner of the shares in the books of First Metro. Beneficial owners with at least 10.0% of the voting stocks of said universal bank are GT Capital Holdings, Inc. (37.15%), PCD Nominee (Filipino) (23.74%) and PCD Nominee (Non-Filipino) (22.48%) as of December 31, 2020. The BOD of Metrobank has the right to appoint actual person or persons acting individually or jointly to direct the voting or disposition of the shares held by the corporation. The person who will exercise the voting powers over the shares of Metrobank is Mr. Arthur V. Ty or any officers nominated by the BOD.

Security Ownership of Management

Following are the securities owned by directors and officers of First Metro as of December 31, 2020:

<u>Title of class</u>	<u>Name of beneficial owners</u>	<u>Amount and nature of ownership</u>	<u>Percentage to outstanding shares</u>
Common shares	Francisco C. Sebastian	110 r	0.000
Common shares	Mary Mylene A. Caparas	100 r	0.000
Common shares	Jose Patricio A. Dumlao	100 r	0.000
Common shares	Ismael G. Cruz	100 r	0.000
Common shares	Martin Q. Dy Buncio	1,100 r	0.000
Common shares	Joshua E. Naing	100 r	0.000
Common shares	Rufino Luis T. Manotok*	100 r	0.000
Common shares	Raphael Perpetuo M. Lotilla*	100 r	0.000
Common shares	Francisco S. Magsajo, Jr.*	100 r	0.000

* - Independent Directors

r - Registered

Voting Trust Holders of 5% or More

There are no persons known to the registrant who owns more than 5.0% of a voting trust or similar arrangements.

Changes in Control

Metrobank has no intention of relinquishing its 99.27% hold on First Metro. As of this writing, there are no arrangements that can result to a change in control of First Metro.

Item 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Except for the related party transactions stated in the notes to financial statements of First Metro as of and for the years ended December 31, 2020 and 2019, there has been no material transactions during the last two years nor is there any material transaction currently proposed to which First Metro was, or is a party, or in which any director or executive officer of First Metro, any nominee for election, any owner of more than five (5.0%) percent of First Metro's voting shares, or any member of the immediate family of any such director or officer, had or is to have a direct or indirect material interest.

PART IV- CORPORATE GOVERNANCE

Item 13. CORPORATE GOVERNANCE

First Metro Investment Corporation (First Metro) adopted its Manual on Corporate Governance (Manual) on August 30, 2002 which provides for the leading best practices on governance. The Manual of Corporate Governance (Manual) serves as a guide to the directors, management, officers and staff in the performance of their respective duties and responsibilities to all stakeholders and in the development and achievement of First Metro's corporate goals. Pursuant to the mandate laid down in the Manual, various Board Committees have been constituted to aid the Board in complying with the principles of good corporate governance and in the performance of its corporate functions and responsibilities. These are:

- Corporate Governance and Compensation Committee - mainly responsible for ensuring the Board of Directors' effectiveness and observance of corporate governance principles and guidelines
- Related Party Transactions Committee – assist the Board of Directors in ensuring that transactions with related parties are conducted on an arm's length basis and that the corporate/business resources are not misappropriated or misapplied
- Audit Committee - provides effective oversight of internal and external functions and ensures transparency and proper reporting with emphasis on the report's integrity, timeliness and compliance with standards
- Nominations Committee – assists the Board of Directors in defining and assessing board membership criteria and reviews and evaluates the qualifications of persons nominated to the Board including those positions requiring appointment by the Board
- Risk Oversight Committee - primarily responsible for the development and oversight of First Metro's Risk Management System

Each Committee has its own respective charter to define the duties and responsibilities of its members as well as its reporting functions to the Board of Directors. The memberships in these committees are distributed to ensure that they are balanced, effective and in compliance with the requirements of regulations. First Metro adopted a compliance system describing the specific roles of each unit, from the Board down to the last unit in the organization, including responsibilities in complying with applicable laws, rules, and regulations.

The same is embodied in an updated compliance system manual duly approved by the Board in December 2016 and regularly updated to conform to the latest trends and new/amended regulations, particularly BSP Circular No. 972. The latest amendments to First Metro's compliance system manual was approved by the Board on December 16, 2020.

The Board of Directors has appointed a Compliance Officer to oversee the implementation of the compliance system and ensure its effectiveness.

The Manual has been revised and updated several times over the years to effect the amendments provided in the various issuances of the SEC and BSP and globally accepted best practices.

Last revised in June 2018, the Manual includes amendments introduced by BSP Circular 970 or the Enhanced Guidelines for BSP-supervised Financial Institutions amending the Manual of Regulations for Non-bank Financial Institutions. Significant changes involve the inclusion of the qualification of officers which are aligned with the Parent Bank and address the requirements of BSP Circular No. 970.

First Metro is substantially in compliance with the leading practices on good corporate governance. It has put in place measures directed at the company's commitment to sound corporate governance. It has adopted a Corporate Governance Scorecard to measure and determine the level of compliance by the Board of Directors

and Board Committees with corporate governance standards. It created an internal self-rating system and procedures to determine compliance with the Manual e vis-à-vis good corporate governance principles and practices such that: (1) each director self-rates and collectively rates the board, the President and the Chairman; (2) Board-level Committees respectively rate themselves. The baseline on the effectiveness of the performance of the Board, the individual directors and various Board committees are the duties and responsibilities laid down in the Manual, the First Metro By-laws, various rules and regulations and in the respective Committee charters. As of the preceding calendar year, directors perform self-rating and assessment of the Board and the committees of the company's compliance with corporate governance standards. Results of the assessment are submitted to the Corporate Governance and Compensation Committee and are considered in making recommendations on the directors to be nominated to the Board and appointed to the Board committees for the following year. In addition, the Compliance Officer annually issues to the SEC a certification on First Metro's compliance with its Manual. For the year 2020, the Compliance Officer submitted and filed with the SEC on January 29, 2021 a Certification that no director, officer or employee of First Metro was found in violation of the Manual.

First Metro is committed to instituting and upholding the highest standards of corporate governance. It has always endeavored to improve and enhance the corporate governance practices in the company. Its corporate governance policy is intended to achieve its corporate mission of providing investment banking and related financial solutions to enable its clients to achieve sustainable and optimal returns by observing the highest standards of integrity and efficiency. Existing policies and procedures are constantly being reviewed to enhance the governance, risk management and compliance framework of the company.

PART V - EXHIBITS AND SCHEDULES

Item 14. EXHIBITS AND REPORTS ON SEC FORM 17-C

Exhibits

Exhibit No.	Description of Exhibit
1	Location and Description of Principal Properties Owned
2	Statement of Management Responsibility
3	Audited Financial Statements
4	Independent Auditors Report on Supplementary Schedules
5	Reconciliation of Retained Earnings
6	Summary of Underwriting Activities
7	Transactions with DOSRI
8	Amount of Receivable which are Eliminated in the FS
9	Map of the Conglomerate
10	Financial Soundness Indicators
11	Form and Content of Schedules

Reports on SEC Form 17-C

The following were the reports on SEC Form 17-C filed during 2020:

Date Filed to SEC	Items Reported
January 29, 2020	The Board of Directors of First Metro Investment Corporation, in its meeting held on January 27, 2020, confirmed the appointment of Mr. Jose Patricio A. Dumlao as Executive Vice President effective January 15, 2020.
February 20, 2020	<p>The Board of Directors of First Metro Investment Corporation, in its meeting held on February 17, 2020, approved the following:</p> <ol style="list-style-type: none"> 1. 23 April 2020 as the date of the Annual Stockholders' Meeting to be held at the 22nd Floor, Metrobank Penthouse, Metrobank Plaza, Sen. Gil Puyat Avenue, Makati City at 3:00 P.M. 2. 15 March 2020 as the record date to determine the stockholders entitled to notice and to vote in the 23 April 2020 Annual Stockholders' Meeting. 3. Authorizing the Chairman or the President to change the date, time and place of the stockholder's meeting and the record date.
Submitted to SEC in April 6, 2020 through email	<p>In view of the ongoing COVID-19 situation and the implementation of the Enhanced Community Quarantine in various parts of the country, First Metro Investment Corporation has postponed its Annual Stockholders' Meeting originally set on April 23, 2020. To ensure the safety of everyone, the meeting has been moved to a later date until further notice.</p> <p>First Metro supports the call of the government to combat the spread of COVID-19 AND has taken the necessary steps to protect the safety and welfare of our stakeholders.</p>
Submitted to SEC in April 13, 2020 through email	<p>In view of the ongoing COVID-19 situation and the implementation of the Enhanced Community Quarantine in various parts of the country, the Chairman of First Metro Investment Corporation had approved the postponement of Annual Stockholders' Meeting originally set on April 23, 2020. To ensure the safety of everyone, the meeting has been moved to a later date until further notice.</p> <p>The Chairman has been authorized by the Board of Directors to postpone the meeting when necessary. Copy of the board resolution attested by the Assistant Corporate Secretary is attached.</p> <p>First Metro supports the call of the government to combat the spread of COVID-19 and has taken the necessary steps to protect the safety and welfare of our stakeholders.</p> <p>This report is a supplement to the earlier report submitted on April 6, 2020</p>

	to Corporate Governance and Finance Department (CGFD) to comply with certain requirement.
Submitted to SEC in April 27, 2020 through email	<p>The Board of Directors of First Metro Investment Corporation, in its meeting held on April 23, 2020, approved the following:</p> <p>May 29, 2020 at 09:30am, as the new date and time of the Annual Stockholders' Meeting; April 23, 2020 as the record date to determine the stockholders entitled to notice and to vote in the May 29, 2020 Annual Stockholders' Meeting.</p> <p>Authorizing the Chairman or the President to change the date, time and place of the stockholder's meeting and the record date, when necessary.</p> <p>Due to the COVID-19 situation, the annual stockholders' meeting will be conducted by remote communication through a platform that will be announced to the stockholders. The registration and voting procedures will be posted in the company's website and notices will be sent to the stockholders in accordance with the guidelines set by the Securities and Exchange Commission.</p>
Submitted to SEC in May 5, 2020 through email	<p>The Chairman of First Metro Investment Corporation had approved June 1, 2020 at 2:00pm, as the new date and time of the Annual Stockholders' Meeting instead of the earlier schedule reported to SEC.</p> <p>The Chairman has been authorized by the Board of Directors to change the date, time and place of the stockholder's meeting and the record date, when necessary.</p>
Submitted to SEC in June 5, 2020 through email	<p>This is to report that during the annual stockholders' meeting of First Metro Investment Corporation held on June 1, 2020, the following matters were taken up:</p> <p>1. Election of the following stockholders as Directors of the Corporation for the year 2020-2021;</p> <ul style="list-style-type: none"> - Mr. Francisco C. Sebastian - Mr. Jose Patricio A. Dumlao - Mr. Martin Q. DyBuncio - Mr. Ismael G. Cruz - Mr. Joshua E. Naing - Ms. Mary Mylene A. Caparas - Atty. Raphael Perpetuo M. Lotilla* - Mr. Rufino Luis T. Manotok* - Mr. Francisco S. Magsajo, Jr.* <p><i>*Independent Director</i></p>

	<p>2. Appointment of Sycip, Gorres, Velayo & Co. as External Auditor for year 2020</p> <p>At the organizational meeting of the Board of Directors immediately after the stockholders meeting, the Board elected/appointed the following:</p> <p>1. Board Officers</p> <table border="0"> <tr> <td>Mr. Francisco C. Sebastian</td> <td>-</td> <td>Chairman</td> </tr> <tr> <td>Ms. Mary Mylene A. Caparas</td> <td>-</td> <td>Vice Chairman</td> </tr> <tr> <td>Mr. Jose Patricio A. Dumlao</td> <td>-</td> <td>President</td> </tr> <tr> <td>Ms. Alesandra T. Ty</td> <td>-</td> <td>Treasurer/Corporate Secretary</td> </tr> <tr> <td>Atty. Nimfa B. Pastrana</td> <td>-</td> <td>Asst. Corporate Secretary</td> </tr> <tr> <td>Mr. Nicholas James T. DyBuncio</td> <td>-</td> <td>Asst. Corporate Secretary</td> </tr> </table> <p>2. Board Advisers</p> <table border="0"> <tr> <td>Mr. Arthur V. Ty</td> <td>-</td> <td>Senior Adviser</td> </tr> <tr> <td>Mr. Fernand Antonio Tansingco</td> <td>-</td> <td>Adviser</td> </tr> </table> <p>3. Appointment/Re-appointment of corporate officers listed in Annex A.</p> <p>4. Executive and Board Committees composition as listed in Annex B.</p> <p>5. Promotion of the following Officers:</p> <p>Kimberly B. Abadilla - Deal Manager, Investment Banking Group From Senior Manager to Assistant Vice President</p> <p>Dexter D. Serafin, Technology Management Division From Senior Manager to Assistant Vice President</p> <p>Mary Grace Ong-Singson, Institutional Sales, Financial Markets Group From Senior Manager to Assistant Vice President</p> <p>Alexis K. Javelosa, Jr., Compliance Division From Assistant Vice President to Vice President From Acting Compliance Officer to Chief Compliance Officer</p> <p>Cristina S. Ulang, Research Division From Vice President to First Vice President</p> <p>6. First Metro Transformation Plan</p>	Mr. Francisco C. Sebastian	-	Chairman	Ms. Mary Mylene A. Caparas	-	Vice Chairman	Mr. Jose Patricio A. Dumlao	-	President	Ms. Alesandra T. Ty	-	Treasurer/Corporate Secretary	Atty. Nimfa B. Pastrana	-	Asst. Corporate Secretary	Mr. Nicholas James T. DyBuncio	-	Asst. Corporate Secretary	Mr. Arthur V. Ty	-	Senior Adviser	Mr. Fernand Antonio Tansingco	-	Adviser
Mr. Francisco C. Sebastian	-	Chairman																							
Ms. Mary Mylene A. Caparas	-	Vice Chairman																							
Mr. Jose Patricio A. Dumlao	-	President																							
Ms. Alesandra T. Ty	-	Treasurer/Corporate Secretary																							
Atty. Nimfa B. Pastrana	-	Asst. Corporate Secretary																							
Mr. Nicholas James T. DyBuncio	-	Asst. Corporate Secretary																							
Mr. Arthur V. Ty	-	Senior Adviser																							
Mr. Fernand Antonio Tansingco	-	Adviser																							
<p>Submitted to SEC in November 3, 2020 through email</p>	<p>This is to report that during the regular meeting of the Board of Directors of First Metro Investment Corporation held on October 29, 2020, the following matters were taken up:</p> <p>1. Appointment of Atty. Alexis K. Javelosa Jr., Vice President as AML Officer and Responsible Officer under FATCA effective November 1, 2020. He will be replacing Mr. Kristopher Kaiser S. Salamat as AML Officer and Responsible Officer under FATCA.</p>																								

<p>Submitted to SEC in November 25, 2020 through email</p>	<p>This is to report that during the regular meeting of the Board of Directors of First Metro Investment Corporation held on November 20, 2020, the following matters were approved:</p> <ol style="list-style-type: none">1. Appointment of Annagraziela Antonia S. Banaad as the Head of Treasury Group effective July 24, 2020;2. Surrender of First Metro Investment Corporation's Quasi Banking (QB) License with the Bangko Sentral ng Pilipinas, subject to the latter's approval;3. Obtain stockholders approval by written assent should it be required by the BSP for the surrender of the QB license and authorize the Chairman or the President to do the following:<ol style="list-style-type: none">a. Set the date for sending the request to the stockholders, if required by the BSP;b. Cause the filing of the regulatory requirements in connection therewith and do acts necessary to accomplish the surrender of the license.
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SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on APR 08 2021, 2021.


FIRST METRO INVESTMENT CORPORATION Company

By:


FRANCISCO C. SEBASTIAN
Chairman


JOSE PATRICIO A. DUMLAO
President


DANIEL D. CAMACHO
EVP/Investment Banking Group Head

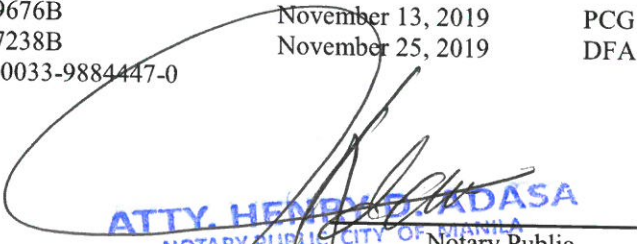

MARICEL L. MADRID
FVP/Controller


ALESANDRA T. TY
Corporate Secretary

SUBSCRIBED AND SWORN to before me this APR 08 2021 day of _____, 2021 affiants exhibiting to me their Passport/ UMID, as follows:

<u>Names</u>	<u>Passport/Driver License/UMID No.</u>	<u>Date of Issue</u>	<u>Place of Issue</u>
Francisco C. Sebastian	P6088950A	February 20, 2018	DFA Manila
Jose Patricio A. Dumlao	N02-83-000146		
Daniel D. Camacho	P3829676B	November 13, 2019	PCG Hong Kong
Maricel L. Madrid	P3957238B	November 25, 2019	DFA NCR West
Alesandra T. Ty	CRN-0033-9884447-0		

Doc. No. 92
Page No. 20
Book No. 14
Series of 2021.


ATTY. HENRY B. ADASA
Notary Public

NOTARY PUBLIC CITY OF MANILA
UNTIL DECEMBER 31, 2021
NOTARIAL COMMISSION 2020-097 MLA
IBP NO. 141253 - 01/04/2021, PASIG
PTR NO. 9820163 - 01/03/2021 MLA
ROLL NO. 20079, TIN: 172-523-620
MCLE COMPL. NO. VII-0008165
LUNETA DECA NOMES MANILA, B-2, UNIT 305

LIST OF PRINCIPAL PROPERTIES

First Metro Investment Corporation

All the properties listed below are wholly owned by First Metro and are in good condition.

NAME OF PROPERTY

LOCATION

Real Properties Used as Office Premises

Skyland Plaza Condominium (7 units)

Gil Puyat Avenue, Makati City

Real Estate for Sale/Lease

Skyland Plaza Condominium (2 units)

Gil Puyat Avenue, Makati City

Tytana Center (4 units)

Tytana Plaza, Binondo, Manila

Skyland Plaza Parking Lots (11 units)

Gil Puyat Avenue, Makati City

Real Properties Owned/Acquired

Este del Sol Property

Puray, Montalban, Rizal

CHM & Sons Realty Corporation

Barangay Pansol, Calamba, Laguna

Pryce Corporation*

Ozamiz Memorial Gardens (360 Lots)

Dimaluma, Ozamiz City

Zamboanga Memorial Gardens (360 Lots)

Sinunuc, Zamboanga City

North Zamboanga Gardens (361 Lots)

Polanco, Zamboanga del Norte

Cagayan de Oro Gardens (361 Lots)

Lumbia, Cagayan de Oro

Maria Christina Gardens (361 Lots)

Sta. Felomina, Iligan City

* *Deed of Dacion en Pago*

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0	2	3	2	6	9				
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COMPANY NAME

F	I	R	S	T		M	E	T	R	O		I	N	V	E	S	T	M	E	N	T		C	O	R	P	O	R	A
T	I	O	N		A	N	D		S	U	B	S	I	D	I	A	R	I	E	S									

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

4	5	t	h		F	l	o	o	r	,		G	T		T	o	w	e	r		I	n	t	e	r	n	a	t	i
o	n	a	l	,		A	y	a	l	a		A	v	e	n	u	e		c	o	r	n	e	r		H	.	V	.
d	e	l	a		C	o	s	t	a		S	t	r	e	e	t	,		M	a	k	a	t	i		C	i	t	y

Form Type

A	A	F	S
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Department requiring the report

C	R	M	D
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Secondary License Type, If Applicable

G	S	E	D
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COMPANY INFORMATION

<p>Company's Email Address</p> <div style="border: 1px solid black; padding: 5px; text-align: center;"> patricio.dumlao@firstmetro.com.ph </div>	<p>Company's Telephone Number</p> <div style="border: 1px solid black; padding: 5px; text-align: center;"> 8858-7900 </div>	<p>Mobile Number</p> <div style="border: 1px solid black; height: 40px;"></div>
<p>No. of Stockholders</p> <div style="border: 1px solid black; padding: 5px; text-align: center;"> 1,380 </div>	<p>Annual Meeting (Month / Day)</p> <div style="border: 1px solid black; height: 20px;"></div>	<p>Fiscal Year (Month / Day)</p> <div style="border: 1px solid black; padding: 5px; text-align: center;"> 12/31 </div>

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

<p>Name of Contact Person</p> <div style="border: 1px solid black; padding: 5px;"> Jose Patricio A. Dumlao </div>	<p>Email Address</p> <div style="border: 1px solid black; padding: 5px;"> patricio.dumlao@firstmetro.com.ph </div>	<p>Telephone Number/s</p> <div style="border: 1px solid black; padding: 5px;"> 8858-7900 </div>	<p>Mobile Number</p> <div style="border: 1px solid black; height: 20px;"></div>
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CONTACT PERSON'S ADDRESS

45th Floor, GT Tower International, Ayala Avenue corner H.V. dela Costa St., Makati City

NOTE 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.



INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
First Metro Investment Corporation
45th Floor, GT Tower International
Ayala Avenue corner H.V. dela Costa Street
Makati City

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.

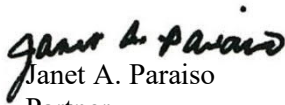


Report on the Supplementary Information Required Under Bangko Sentral ng Pilipinas (BSP) Circular No. 1075 and Revenue Regulations 15-2010

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)						
<i>Items that recycle to profit or loss in subsequent periods:</i>						
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)	-	-	-
Cumulative translation adjustment	(37,097,024)	40,203,752	(51,165,430)	(37,518,008)	37,518,008	-
Changes in cash flow hedge reserve	(12,720,926)	(9,078,133)	11,924,633	(12,720,926)	-	-
Share in other comprehensive income (loss) of subsidiaries (Note 9)	9,501,975	(9,501,975)	-	9,501,975	(9,501,975)	-
Share in other comprehensive income (loss) of associates (Note 9)	-	-	-	420,984	(10,329,123)	(38,483,203)
Other comprehensive loss attributable to puttable instruments	233,191,566	368,979,454	(220,892,625)	233,191,566	368,979,454	(220,892,625)
	-	-	(469,427)	-	-	-
	192,875,591	390,603,098	(260,602,849)	192,875,591	386,666,364	(259,375,828)
<i>Items that do not recycle to profit or loss in subsequent periods:</i>						
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
Changes in net unrealized gain (loss) on FVOCI equity investments (Note 6)	(8,261,683)	(44,301,502)	(6,695,907)	(9,939,359)	(29,754,744)	(11,817,009)
Share in other comprehensive income (loss) of subsidiaries (Note 9)	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 associates (Note 9)	-	-	-	(14,744,991)	(14,546,757)	5,121,102
	(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

Basis of Preparation

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.

Statement of Compliance

The financial statements of the Group and of the Parent Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

Presentation of Financial Statements

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.

<u>Subsidiaries</u>	<u>Principal Activities</u>	<u>Country of Incorporation</u>	<u>Effective Percentage of Ownership</u>	
			<u>2020</u>	<u>2019</u>
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. (FMPEETF1)	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

Foreign Currency Translation

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.

Financial Instruments - Initial Recognition

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.

Financial Instruments – Classification and Subsequent Measurement

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.

Judgments

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	-
Total	₱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	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*	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				
	2	Strong	Aa3/AA-				
			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								Total
	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	
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								Total
	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	
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								Total
	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	
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								Total
	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	
Loans and receivables									
Loans and discounts									
Corporate lending	P-	P-	P32,119,730	P-	P33,781,257	P72,492,914	P370,420,754	P-	P508,814,655
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
	P1,933,299,451	P22,546,378,344	P621,399,571	P304,833,748	P112,960,257	P847,547,832	P1,763,569,881	P2,207,838,618	P30,337,827,702
Financial Liabilities									
Bills payable	P-	P5,751,726,505	P4,429,887,132	P124,671,758	P1,047,270,762	P-	P-	P-	P11,353,556,157
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
	P6,553,071,770	P5,756,039,127	P6,975,077,989	P134,449,344	P1,067,479,137	P25,024,974	P7,324,951	P-	P20,518,467,292
Commitments	P410,000,000	P-	P-	P-	P-	P-	P-	P-	P410,000,000



	Parent Company								Total
	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	
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								Total
	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	
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):

	Equities	Bonds	
		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				Total
			0 up to 6 months	6 months to 1 year	1 year to 5 years	More than 5 years	
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				Total
			0 up to 6 months	6 months to 1 year	1 year to 5 years	More than 5 years	
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				Total
			0 up to 6 months	6 months to 1 year	1 year to 5 years	More than 5 years	
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				Total
			0 up to 6 months	6 months to 1 year	1 year to 5 years	More than 5 years	
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	
	Change in Income Before Tax	Change in Equity	Change in Income Before Tax	Change in Equity
Increase (Decrease)				
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				Total Fair Value
	Carrying Value	Level 1	Level 2	Level 3	
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% (15.0%)	₱12,338,670 (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	(P687,006,778)	P-	(P687,006,778)
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	(P591,953,132)	P734,818	(P591,218,314)

	Consolidated		
	2019		
	Equity Holders of the Parent Company	Non-controlling interest and puttable instruments	Total
Balance at January 1	(P249,995,343)	P-	(P249,995,343)
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	(P687,006,778)	P-	(P687,006,778)

	Parent Company	
	2020	2019
Balance at January 1	(P584,014,461)	(P148,254,016)
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	(P474,209,132)	(P584,014,461)

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	P653,454,877	P322,801,158
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
	P1,465,148,158	P590,784,592



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:

Associates:	Effective Percentage of Ownership	
	2020	2019
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):

Year	Name of Company	Statement of Financial Position				Statement of Comprehensive Income						
		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):

Year	Name of Company	Statement of Financial Position				Statement of Income				
		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	P4,725,616,667	P-	P588,329	P-
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	-	-	-
	P23,284,509,325	P646,797,110	P4,777,236,403	P21,472,210

	2019			
	SPPI financial assets		Other financial assets	
	Fair value	Fair value change	Fair value	Fair value change
Cash and cash equivalents	P4,698,193,064	P-	P587,597	P-
Short-term investments	38,000,000	-	-	-
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	-	-	-
	P21,971,683,426	P986,206,950	P4,622,104,380	P558,818,576



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.

SPPI Financial asset	2020				Total
	Investment grade	Non-investment grade: Satisfactory	Unrated		
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

SPPI Financial asset	2019				Total
	Investment grade	Non-investment grade: Satisfactory	Unrated		
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	(P19,303,370)	P30,446,038	(P24,504,500)	(P20,193,926)	P-	P-
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)
	(P63,164,656)	P470,312,412	(P47,624,794)	(P63,212,836)	P469,938,258	(P23,083,496)

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	P328,654	P-
Provision for (recovery from) impairment losses	(9,408)	328,654
At December 31	P319,246	P328,654

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	P28,087,403	P31,302,388	P59,389,791
Provision for (reversal of) credit losses	(21,081,175)	1,777,805	(19,303,370)
At December 31	P7,006,228	P33,080,193	P40,086,421

	Parent Company		
	2020		
	Corporate lending	Accounts receivable	Total
At January	P28,087,403	P-	P28,087,403
Provision for (reversal of) credit losses	(21,081,176)	887,250	(20,193,926)
At December 31	P7,006,227	P887,250	P7,893,477

	Consolidated		
	2019		
	Corporate lending	Accounts receivable	Total
At January 1	P28,087,403	P856,350	P28,943,753
Provision for credit losses	-	30,446,038	30,446,038
At December 31	P28,087,403	P31,302,388	P59,389,791



	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 and 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 rate 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
	<u>(₱9,501,975)</u>

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		Total	2020		Total
	Due Within One Year	Due Beyond One Year		Due Within One Year	Due Beyond One Year	
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			Parent Company		
	2019			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.

Acquisition of Treasury Shares

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:

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

Details of FMSBC's dividend distribution follow:

Date of Declaration	Dividend		Record Date	Payment Date
	Per Share	Total Amount		
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							
						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	
January 1, 2020	Current service cost	Past service Cost	Net interest	Subtotal	Benefits paid								
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						
						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
January 1, 2020	Current service cost	Net interest	Subtotal	Benefits paid								
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							
						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	
January 1, 2019	Current service cost	Past service Cost	Net interest	Subtotal	Benefits paid								
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							Contributions paid	December 31, 2019
	January 1, 2019	Current service cost	Net interest	Acquired/transferred obligation	Subtotal	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				
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 (bbb) 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):

Category	As of and for the year ended December 31, 2020		
	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 and 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 and 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



As of and for the year ended December 31, 2019

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
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%;

As of and for the year ended December 31, 2019

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
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

As of and for the year ended December 31, 2018

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
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



As of and for the year ended December 31, 2018

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
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 and 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

As of and for the year ended December 31, 2018

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
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



As of and for the year ended December 31, 2018

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
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

Ultimate Parent Company's Trust Banking Group (TBG)

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:

Counterparty		Elements of Transactions				
		Statements of Financial Position		Statements of Income		
		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	–
	<u>₱118,127,626</u>	<u>₱8,369,811</u>



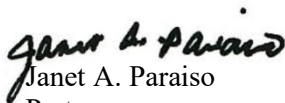
INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
First Metro Investment Corporation
45th Floor, GT Tower International
Ayala Avenue corner H.V. dela Costa Street
Makati City

We have audited the accompanying financial statements of First Metro Investment Corporation, as at December 31, 2020 and for the year then ended, on which we have rendered the attached report dated February 19, 2021.

In compliance with Revised Securities Regulation Code Rule 68, we are stating that the above Company has 1,163 stockholders owning one hundred (100) or more shares each.

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

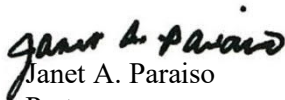


INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
First Metro Investment Corporation
45th Floor, GT Tower International
Ayala Avenue corner H.V. dela Costa Street
Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of First Metro Investment Corporation as at December 31, 2020 and for the year then ended and have issued our report thereon dated February 19, 2021. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Janet A. Paraiso

Partner

CPA Certificate No. 92305

SEC Accreditation No. 0778-AR-3 (Group A),

June 19, 2018, valid until June 18, 2021

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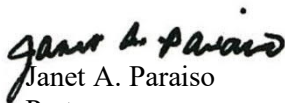


**INDEPENDENT AUDITOR'S REPORT
ON THE SCHEDULE OF RECONCILIATION
OF RETAINED EARNINGS AVAILABLE
FOR DIVIDEND DECLARATION**

The Stockholders and the Board of Directors
First Metro Investment Corporation
45th Floor, GT Tower International
Ayala Avenue corner H.V. dela Costa Street
Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of First Metro Investment Corporation as at December 31, 2020 and for the year then ended and have issued our report thereon dated February 19, 2021. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration is the responsibility of the Company's management. This schedule is presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and is not part of the basic financial statements. This has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states, in all material respects, the financial information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



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





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. DURLAO
 President


 MARICEL L. MADRID
 FVP/Controller

Signed this 19th day of February 2021

04 MAR 2021

SUBSCRIBED AND SWORN to before me this ____ day of _____, ____ 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

Doc. No. 122
Page No. 26
Book No. 19
Series of 2021


Notary Public
ATTY. HENRY D. ALFASA
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

FIRST METRO INVESTMENT CORPORATION
45th Floor GT Tower International, Ayala Ave., cor. H.V. Dela Costa St., Makati City
Index to the Financial Statements
As of December 31, 2020

Schedule 1	Computation of Retained Earnings Available for Dividend Declaration
Schedule 2	Summary of Underwriting Activities
Schedule 3	Transactions with Directors, Officers, Stockholders and Other Related Interests (DOSRI)
Schedule 4	Amounts of Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
Schedule 5	Map of the Conglomerate
Schedule 6	Financial Soundness Indicators
Schedule 7	Form and Content of Schedules

FIRST METRO INVESTMENT CORPORATION
45th Floor GT Tower International, Ayala Ave., cor. H.V. Dela Costa St., Makati City
Computation of Retained Earnings Available for Dividend Declaration
As of December 31, 2020

Unappropriated Retained Earnings (RE), beginning		P	11,784,009,258
Previous Year's Adjustments:			
Fair value adjustment on investment property			(12,005,821)
Unrealized mark to market gains			(2,135,307)
Accumulated equity share in net earnings of subsidiaries and associates as of December 31, 2019			<u>(5,322,571,208)</u>
Unappropriated RE, as adjusted, beginning			<u>6,447,296,922</u>
Realized trading losses on sale of FVOCI-Equities			(44,200,000)
Net Income Actual / Realized			
Net income for the period	P	364,375,939	
Add/(Deduct):			
Net reduction of accumulated equity share in net earnings from investments in subsidiaries and associates			64,883,764
Deferred tax asset recognized			(23,215,295)
Realized mark to market gains			2,135,307
Realized portion on the fair value adjustment on investment property			2,125,762
Unrealized mark to market gain			<u>(215,133)</u>
Unappropriated RE, as adjusted, ending			<u>6,813,187,266</u>
Treasury shares			<u>(2,661,979,203)</u>
Net amount available for dividend declaration		P	<u><u>4,151,208,063</u></u>


MARICEL L. MADRID
FVP / Controller

FIRST METRO INVESTMENT CORPORATION

SUMMARY OF UNDERWRITING ACTIVITIES

For the year ended December 31, 2020

(In Thousand Pesos)

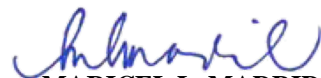
Underwriting Activity	Client/Issuer	Nature of Commitment	Amount of Issue	Fees Earned	Basis of computation
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A. Equity Underwriting

Converge Information And Communications Technology Solutions Inc.	Firm	29,081,884	3,914	Fixed amount
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B. Debt Underwriting

SM Prime Holdings, Inc.	Firm	20,000,000	4,052	based on the percentage of underwritten amount
Aboitiz Power Corporation	Firm	9,550,000	8,523	based on the percentage of underwritten amount
Robinsons Land Corporation	Firm	20,000,000	10,539	based on the percentage of underwritten amount
Ayala Land Inc.	Firm	6,250,000	5,338	based on the percentage of underwritten amount
Puregold Price Club Inc.	Firm	12,000,000	500	based on the percentage of underwritten amount
SM Investment Corporation	Firm	10,000,000	10,010	based on the percentage of underwritten amount
Del Monte Philippines, Inc.	Firm	7,500,000	7,580	based on the percentage of underwritten amount
Aboitiz Equity Ventures, Inc.	Firm	10,000,000	10,298	based on the percentage of underwritten amount
Filinvest Land, Inc.	Firm	9,000,000	4,578	based on the percentage of underwritten amount



MARICEL L. MADRID
 FVP / Controller

FIRST METRO INVESTMENT CORPORATION
45th Floor GT Tower International, Ayala Ave., cor. H.V. Dela Costa St., Makati City
Transactions with DOSRI

In the ordinary course of business, the Parent Company has transactions with its directors, officers, stockholders and other related interests (DOSRI). The following table shows information on loans to DOSRI as of December 31, 2020:

<u>Counterparty</u>	<u>Transaction</u>	<u>Amount of transactions for the year</u>		<u>Carrying value of loan with collateral</u>
		<u>Additions</u>	<u>Collections</u>	
Officers	Fringe Benefit Loans	P1,450,000	P4,435,650	P1,898,356

Loans to officers have maturities of 1.0 to 15 years and are collected through salary deductions. The loans are either unsecured or secured by chattel or real estate.


MARICEL L. MADRID
 FVP / Controller

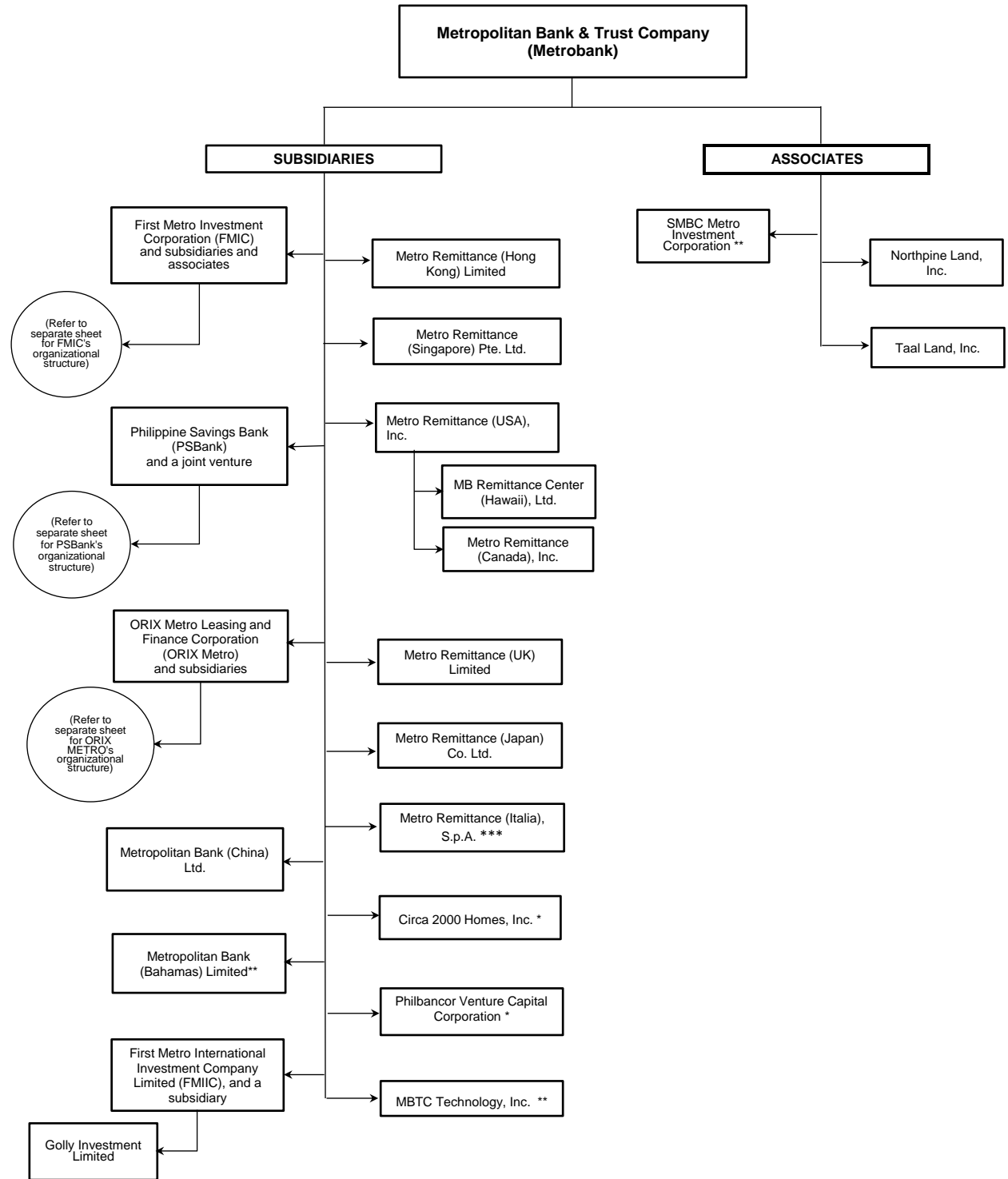
FIRST METRO INVESTMENT CORPORATION
SCHEDULE OF AMOUNT OF RECEIVABLES ELIMINATED
As of December 31, 2020

Name of debtor	Relationship	Balance at beginning of period	Additions	Amounts collected	Amounts written-off	Current	Noncurrent	Balance at end of period
FAMI	Subsidiary	2,451,180	21,811,938	15,782,522	-	8,480,596	-	8,480,596
FEI	Subsidiary	1,772	20,034	21,806	-	-	-	-
FMIBC	Subsidiary	-	4,250	4,250	-	-	-	-
FMSBC	Subsidiary	651,491	309,192,596	309,622,484	-	221,603	-	221,603
PBC	Subsidiary	2,114,922	6,786,312	7,845,678	-	1,055,556	-	1,055,556
PVDC	Subsidiary	1,770	28,275	30,045	-	-	-	-
RI	Subsidiary	1,770	35,821	37,591	-	-	-	-
SBC	Subsidiary	21,250	66,785	88,035	-	-	-	-
SALEF	Subsidiary	6,522,526	67,149,881	66,843,015	-	6,829,392	-	6,829,392
SALBF	Subsidiary	2,501,402	26,668,301	26,891,084	-	2,278,619	-	2,278,619
SALFIF	Subsidiary	2,376,652	30,503,837	29,935,115	-	2,945,374	-	2,945,374
FMGOF	Subsidiary	2,333	3,510	5,843	-	-	-	-
SALDBF	Subsidiary	384,630	7,634,953	5,261,424	-	2,758,159	-	2,758,159
FMPEETF	Subsidiary	683,492	9,117,453	7,568,151	-	2,232,794	-	2,232,794
		<u>17,715,190</u>	<u>479,023,946</u>	<u>469,937,043</u>	<u>-</u>	<u>26,802,093</u>	<u>-</u>	<u>26,802,093</u>

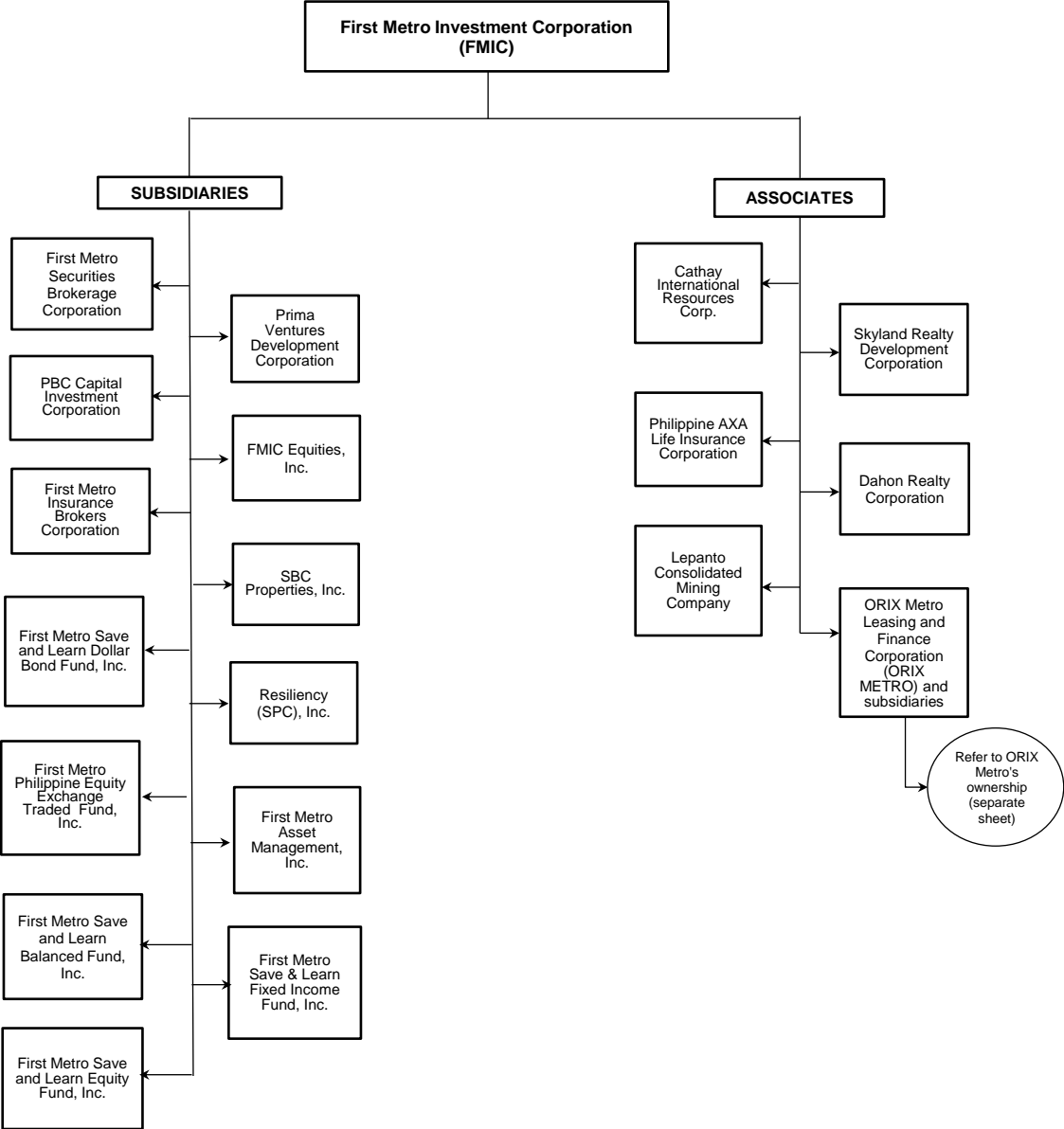


MARICEL L. MADRID

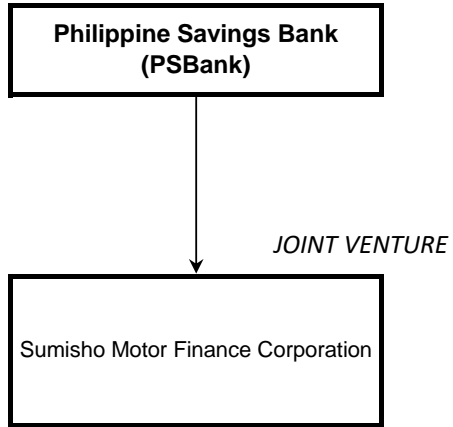
FVP / Controller



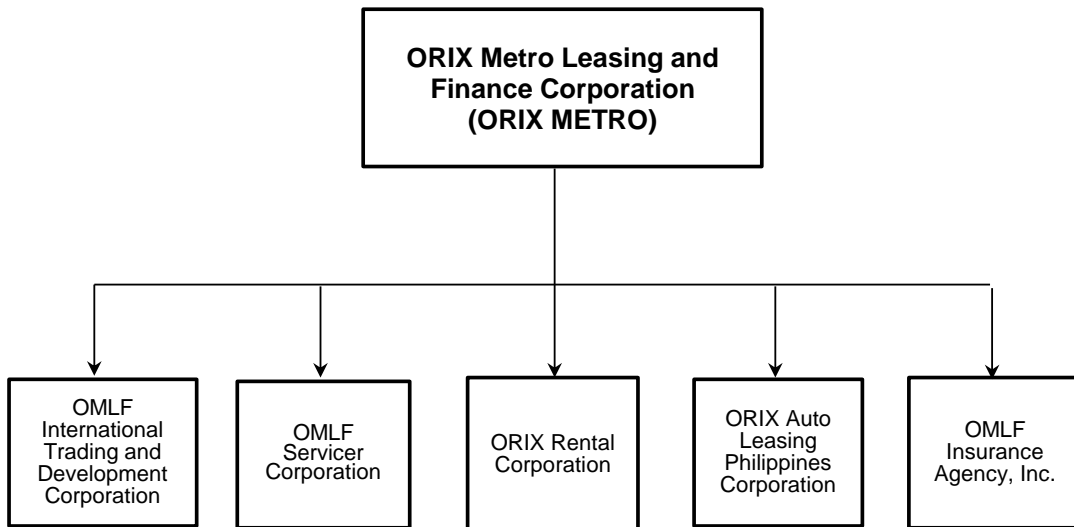
**First Metro Investment Corporation
Subsidiaries and Associates
As of December 31, 2020**



**Philippine Savings Bank
Joint Venture
As of December 31, 2020**




ORIX Metro Leasing and Finance Corporation (ORIX METRO)
Subsidiaries
As of December 31, 2020



Performance Indicator	Formula	As of December 31	
		2020	2019
a. Current/Liquidity Ratio	Total Current Assets	125.56%	117.95%
	Total Current Liabilities		
b. Solvency Ratio	Total Liabilities	55.22%	58.28%
	Total Assets		
c. Debt to Equity Ratio	Total Liabilities	124.12%	140.57%
	Total Equity		
d. Asset to Equity Ratio	Total Assets	224.76%	241.22%
	Total Equity		
e. Interest Rate Coverage Ratio	Income before Interest Expense and Tax	39.52%	161.30%
	Interest Expense		
f. Return on Equity	Net Income after Tax	2.45%	2.72%
	Average Capital		
g. Return on Assets	Net Income after Tax	1.05%	1.02%
	Average Total Assets		
h. Net Profit Margin Ratio	Net Income	37.65%	22.90%
	Net Interest Income and Operating Income		
i. Capital Adequacy Ratio	Net Qualifying Capital	56.66%	45.60%
	Total Risk Weighted Assets		
j. Common Equity Tier (CET) 1 Ratio	CET 1 Capital	55.99%	45.01%
	Total Risk Weighted Assets		
k. Leverage Ratio	Capital Measure	27.60%	18.33%
	Exposure Measure		
l. Liquidity Coverage Ratio	Total Stocks of High Quality Liquid Assets	293.82%	153.77%
	Total Net Cash Outflows		
m. Net Stable Finding Ratio	Available Stable Funding	122.72%	122.50%
	Required Stable Funding		

Certified correct by:


MARICEL L. MADRID
 FVP/Controller



FIRST METRO INVESTMENT CORPORATION AND SUBSIDIARIES
FORM AND CONTENT OF SCHEDULES

Consolidated Statements of Financial Position

1. Financial Assets

Name of issuing entity	Number of Shares/Principal amount of bonds/notes	Amount shown in the statement of financial position	Valued based in market quotation at end of reporting period	Income/(Loss) received and accrued
Loans and Receivables:				
Loans and Discount:				
Panay Energy Dev't. Corp	₱362,704,354	₱362,704,354		
Other loans	5,841,218	5,841,218		
Other borrowers of subsidiaries	95,888,922	95,888,922		
	464,434,494	464,434,494	₱487,481,416	
Unquoted Debt Securities Classified as Loans:				
Toyota Financial Services Phils Corp.	65,000,000	65,000,000		
	65,000,000	65,000,000	65,134,860	
Other Receivables	1,745,046,637	1,745,046,637	1,711,966,443	
	2,274,481,130	2,274,481,130	2,264,582,719	
Allowance for Credit Losses	(40,086,421)	(40,086,421)		
	2,234,394,710	2,234,394,710	2,264,582,719	₱76,667,066
Financial Assets at FVTPL:				
Government Securities	2,464,777,353	2,585,027,416		
Private Debt Securities	564,202,900	577,029,659		
Equity Securities	145,443,805	6,471,230,681		
	3,174,424,058	9,633,287,756	9,633,287,756	273,694,725
FVOCI:				
Government Securities	2,145,230	2,793,103		
Private Debt Securities				
Ayala Land, Inc.	4,500,000	4,482,287		
SM Investment Corp.	30,000,000	31,501,224		
Equity Securities				
Alabang Country Club	2	10,500,000		
Axelum Resources Corp.	179,685,700	628,899,950		
Bonifacio Land Corp.	240,803	96,366,104		
Cathay Insurance Co., Inc.	20,526	1		
Honda Philippines, Inc.	417,010	1,230,915		
Makati Sports Club	1	1,000,000		
Manila Electric Company	19,000	5,548,000		
Phil Depository & Trust Corp.	10,228	1,022,800		
Splendido Taal Golf	4	600,000		
Tagaytay Highlands	2	1,300,000		
The Philippine Stock Exchange, Inc..	2,806,521	431,923,582		
	219,845,027	1,217,167,966	1,217,167,966	71,438,709

Amortized Cost:					
Government securities		₱660,423,649	₱653,297,442		
Private Debt Securities					
Aboitiz Power Corporation		50,000,000	50,000,000		
Ayala Land, Inc.		51,029,000	51,012,410		
China Banking Corp.		65,000,000	65,000,000		
Del Monte Philippines, Inc.		45,000,000	45,000,000		
GT Capital Holdings, Inc.		9,000,000	8,997,534		
Petron Corporation		140,000,000	139,840,771		
Robinsons Land Corp.		200,000,000	200,000,000		
Security Bank Corporation		40,000,000	40,000,000		
San Miguel Food and Beverage, Inc.		150,000,000	150,000,000		
SM Investments Corp.		62,000,000	62,000,000		
		1,472,452,649	1,465,148,158	₱1,487,433,298	₱51,329,772
		₱7,101,116,444	₱14,549,998,590	₱14,602,471,740	₱473,130,272

Financial assets at FVTPL and FVOCI investments are measured in the statement of financial position at fair value.

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

Amortized Cost investments are measured in the statement of financial position at amortized cost using the effective interest rate and method, less impairment losses, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR.

2. Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related parties) in the ordinary course of business

Name of and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written-off	Current	Noncurrent	Balance at end of period
Officers and staff	₱12,921,463	₱3,441,528	(₱7,632,852)	(₱-)	₱734,217	₱7,995,922	₱8,730,139

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

Name of debtor	Relationship	Balance at beginning of period	Additions	Amounts Collected	Amounts written-off	Current	Noncurrent	Balance at end of period
FAMI	Subsidiary	P2,451,180	P21,811,938	(P15,782,522)	P-	P8,480,596	P-	P8,480,596
FEI	Subsidiary	1,772	20,034	(21,806)	-	-	-	-
FMIBC	Subsidiary	-	4,250	(4,250)	-	-	-	-
FMSBC	Subsidiary	651,491	309,192,596	(309,622,484)	-	221,603	-	221,603
PBC	Subsidiary	2,114,922	6,786,312	(7,845,678)	-	1,055,556	-	1,055,556
PVDC	Subsidiary	1,770	28,275	(30,045)	-	-	-	-
RI	Subsidiary	1,770	35,821	(37,591)	-	-	-	-
SBC	Subsidiary	21,250	66,785	(88,035)	-	-	-	-
SALEF	Subsidiary	6,522,526	67,149,881	(66,843,015)	-	6,829,392	-	6,829,392
SALBF	Subsidiary	2,501,402	26,668,301	(26,891,084)	-	2,278,619	-	2,278,619
SALFIF	Subsidiary	2,376,652	30,503,837	(29,935,115)	-	2,945,374	-	2,945,374
FMGOF	Subsidiary	2,333	3,510	(5,843)	-	-	-	-
SALDBF	Subsidiary	384,630	7,634,953	(5,261,424)	-	2,758,159	-	2,758,159
FMPEETF	Subsidiary	683,492	9,117,453	(7,568,151)	-	2,232,794	-	2,232,794
		P17,715,190	P479,023,946	(P469,937,043)	P-	P26,802,093	P-	P26,802,093

4. Intangible Assets - Other Assets

Movements in intangible assets follow:

	2020
Balance at beginning of year	P26,352,527
Additions at cost (cash expenditure)	4,494,845
Disposals	-
Charged to cost and expenses	(13,172,686)
Balance at end of the period	P17,674,686

This account consists of First Metro and FAMI's capitalized computer software with net book value of P15.4 million and P2.3 million, respectively.

5. Long Term Debt

As of December 31, 2020, First Metro had no long-term debt.

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

As of December 31, 2020, First Metro had no long-term debt to related parties.

7. Guarantees of Securities of Other Issuers


As of December 31, 2020, First Metro had no outstanding guarantees of securities of other issuers.

8. Capital Stock

	<u>Common Stock</u>
Authorized number of shares	800,000,000
Number of shares issued and outstanding as shown under the related statement of financial position caption	372,467,216*
Number of shares reserve for options, warrants, conversion and other rights	—
Number of shares held by affiliates	369,736,960
Number of shares held by directors, officers and employees	1,910

* Net of 48,402,024 Treasury Shares as of December 31, 2020

Certified correct by:


MARICEL L. MADRID
FVP/Controller
