COVER SHEET

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S.E.C. Registration Number

FIRST METRO INVESTMENT CORPORATION AND SUBSIDIARIES

(Company's Full Name)

45TH FLOOR GT TOWER INTERNATIONAL AYALA AVENUE CORNER HV DE LA COSTA STREET MAKATI CITY

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

Contact Person	Company Telephone Number
JOSE PATRICIO A. DUMLAO	8858-7900

Fiscal Year (Month / Day)	Form Type	Annual Meeting (Month / Day)
12 / 31	SEC FORM 17-A	Not later than last week of April

IHU - GSED

Secondary License type, if applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total amount of Borrowings

Total No. of Stockholders	Domestic	Foreign
1,380		

To be Accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

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, 2021**

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	:	**372,465,962 shares***

**Net of 48,403,278 treasury shares as of December 31, 2021*

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

Yes **[]** No [**x**]

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 **[x]** No [ ]

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

Yes **[x]** 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. Also, during this year, the BOD approved the amendment of Article Four of the Articles of Incorporation to extend the corporate life of First Metro Investment Corporation for another fifty (50) years from June 25, 2013 to June 25, 2063.

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 March 25, 2021, First Metro's application to return its quasi-banking (QB) license was approved by the Bangko Sentral ng Pilipinas. The return of the company's QB license was part of its transformation plan to strengthen its core business of investment banking, further develop its brokering and distribution of capital markets issuances and forge greater synergy with its subsidiaries, FirstMetroSec and FAMI, and parent, Metrobank. This new strategy will allow the company to better serve the needs of its clients, respond aptly to the changing demands of the market and contribute more effectively in the development of the Philippine capital markets.

2. Business of Registrant

Description of Registrant

<u>**Principal Products and Services**</u>

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 13.1%, 22.4% and 5.7% of the total revenue of the Group in 2021, 2020 and 2019, 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 58.9%, 38.8% and 63.6% of the total revenue of the Group in 2021, 2020 and 2019, respectively. Share in net income of associates represents 27.5%, 38.7% and 30.7% of the total revenue of the Group in 2021, 2020 and 2019, 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., 95.27% 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)*, 28.74% 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)*, 22.34% 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)*, 14.24% 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)*, 9.88% 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 primarily to engage in the exploration and mining of gold, silver, copper, lead, zinc, and all kinds of ores, metals, minerals, oil, gas, and coal and their related by-products. Until 1997, LCMC was operating an enargite copper mine located in Mankayan, Benguet. LCMC shifted to gold bullion production in 1997 through its Victoria project and resumed copper operations in the fourth quarter of 2017. LCMC also produces gold/silver dore and gold/copper concentrates.

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., State Investment Trust 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 ₱15.6 billion and consolidated total assets of ₱33.1 billion as of December 31, 2021. 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 related parties. 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.

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

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 2021 and 2020:

	2021						
	Deposits	**Withdrawals**	**Sale of Securities**	**Purchase of securities**	**Availments of term loans**	**Issuance of promissory notes**	**Borrowings**
Ultimate Parent Bank	**₱472,940,237,559**	**₱472,944,951,288**	**₱3,580,149,150**	**₱7,728,721,791**	**₱–**	**₱–**	**₱27,422,364,640**
Subsidiaries	**–**	**–**	**2,949,182,162**	**1,109,319,812**	**170,000,000**	**–**	**–**
Associates	**–**	**–**	**2,765,126,216**	**198,527,389**	**–**	**–**	**4,900,000,000**
Affiliates	**31,351,790,041**	**33,005,218,582**	**–**	**289,763,124**	**–**	**–**	**–**
	₱504,292,027,600	**₱505,950,169,870**	**₱9,294,457,528**	**₱9,326,332,116**	**₱170,000,000**	**₱–**	**₱32,322,364,640**

	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

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 2016 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).

The business and operations of First Metro is principally governed by Presidential Decree No. 129 known as The Investment Houses Law as amended.

First Metro and its subsidiaries are also required to comply with Philippine taxation under Republic Act (RA) 8424 (Tax Reform Act) as amended. The three (3) significant amendments on the tax code are RA 9337, RA 10963 (TRAIN Law) and RA 11534 (CREATE Law).

It covers income tax, percentage tax, withholding taxes and other taxes as applicable. Income tax is imposed on profits arising from the conduct of the business as specified in the tax code. It is the gross income less allowable deductions that maybe subject to certain limitations. The current income tax rate applicable for First Metro is 25% Regular Corporate Income Tax (RCIT) or 1% Minimum Corporate Income Tax (MCIT). While percentage tax refers to the tax on certain transactions of the company that ranges from 0% to 5%. The withholding taxes applicable for First Metro are withholding taxes on compensation, expanded withholding tax and final withholding tax.

In addition, First Metro complies with the required supplementary information in the Notes to Financial Statements under RR 15-2010. It is also required to submit annual information on transactions with related party as an attachment to the Annual Income Tax Return.

First Metro, as an Investment House with quasi-banking license, is likewise supervised by the BSP. First Metro is required to key prudential regulations such as capital adequacy, prudent lending and investments, deposit substitutes taking, disclosures, etc. However, in March 25 2021, the BSP Monetary Board has approved the surrender of First Metro's quasi-banking license. Regulatory coverage since then has become limited to risk and corporate governance areas.

Among the relevant regulations that BSP issued in 2021 the following regulations have significant impact to our industry:

a. Circular 1129 - Amendments to Corporate Governance Guidelines of BSP-Supervised Financial Institutions

b. Circular 1114 – Guidelines on Reputational Risk Management

c. Circular 1112 – Amendments to Operational Risk Management and Internal Control Measures

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

a. SEC Memo No. 6 – Amendments to the SRC Rules 9 and 10

b. PDEX Memo No. 008-2021 – SEC Approval of the Amendments to the PDEx Rules for the Fixed Income Securities Market

c. ARI No 07 – Amendments to Certain Provisions of the 2018 Implementing Rules and Regulations (IRR) of Republic Act No. 9160, As Amended

d. ARI No. 08 – Amendments to Certain Provisions of AMLC Regulator Issuance No. 4 s 2020

e. ARI No. 112 – Guidance for De-listing and Unfreezing Procedures

f. ARI No. 193 – Assessments on late submission of Action Plans and/or updates on Action Taken on AMLC

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.

<u>Compliance with US Foreign Account Tax Compliance Act (FATCA) Regulations</u>

Pursuant to SEC Memorandum Circular No. 8, Series of 2014, the following actions were undertaken to comply with the US Foreign Account Tax Compliance Act (FATCA) requirements, as follows:

1. Metrobank, being the Lead FFI of an Expanded Affiliate Group (EAG), has identified First Metro and its subsidiaries that are qualified as Foreign Financial Institutions (FFI);

2. Metrobank, being the Lead FFI, has created FATCA accounts for First Metro and the covered subsidiaries;

3. First Metro has created a FATCA Compliance Ad Hoc Committee last December 27, 2013 to oversee the FATCA implementation requirements for First Metro and its subsidiaries;

4. First Metro, through its Compliance Division, has registered last January 6, 2014 with the US IRS for FATCA purposes, including the covered subsidiaries. The IRS issued a Global Intermediary Identification Number (GIIN) for each of the following FFI:
   a. First Metro Investment Corporation
   b. First Metro Securities Brokerage Corporation
   c. PBC Capital Investment Corporation
   d. FMIC Equities, Inc.
   e. Resiliency (SPC), Inc.
   f. First Metro Asset Management, Inc.
   g. First Metro Save & Learn Dollar Bond Fund, Inc.
   h. First Metro Asia Focus Equity Fund, Inc.
   i. First Metro Philippine Equity Exchange Traded Fund, Inc.
   j. First Metro Save & Learn Equity Fund, Inc.
   k. First Metro Save & Learn Fixed Income Fund, Inc.
   l. First Metro Save & Learn Balanced Fund, Inc.

   First Metro, through its Compliance Division, has updated its registration details April 24, 2015 with the US IRS for FATCA purposes, including the covered subsidiaries.

5. First Metro and its subsidiaries have conducted initial runs for search of US Indicia in their databases;

6. First Metro has adopted the Metrobank template for Letters to Depositors and the Certification, Consent and Waiver Form for identified US Indicia accounts;

7. First Metro is finalizing the establishment of the policies and procedures to identify US Indicia and tag the same in the company's systems for the pre-existing accounts and on-boarding procedures for new accounts;

8. First Metro has rolled out training awareness on FATCA for all its employees, including the covered subsidiaries; and

9. First Metro, through its Compliance Division, has continuously coordinated with its parent bank, Metrobank, Association of Bank Compliance Officers or ABCOMP and BIR to raise issues and queries on FATCA implementation.

10. First Metro has registered in IDES last June 16, 2016. IDES is a system used by IRS that serves as a single point of delivery for both Financial Institutions and Host Country Tax Authorities to electronically exchange FATCA data with the U.S.

11. IDES was opened to concerned entities for testing last June 15-30, 2016; July 18-29, 2016 and December 19, 2016 – January 30, 2017. It aims to allow concerned units to test the correctness of their FATCA reporting package prior to actual submission of live reports. First Metro participated in this testing and was able to successfully upload the required reports.

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, 2021, First Metro has a total of 122 employees. Rank and file employees represent 17.2% 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 (2021 and 2020) and First Metro's projection for the year 2022.

	2022	2021	2020
Officers	**110**	101	107
Rank and File	**21**	21	23
	131	122	130

Manpower headcount excludes Chairman and seconded employees.

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. RMD furnishes daily reports to Senior Management and Risk Taking Units (RTUs) and provide monthly reports to ROC. RMD also coordinates with the 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. 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) 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. This tool is 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. 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 the 45th Floor of GT Tower in Makati City at monthly rental, inclusive of 12% VAT, amounting to ₱1.97 million, subject to increases and renewable every five years unless sooner terminated as provided for in the contract of lease. First Metro terminated the office premise it leases in the 43rd Floor of GT Tower, Makati City last July 31, 2021.

First Metro has no major planned capital expenditure for the year 2022.

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

There are no matters submitted during the fourth quarter of the calendar year covered by this report to a vote of security holders, through the solicitation of proxies or otherwise.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

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

Market Information

As of December 31, 2021, the Company's authorized capital stock is ₱8,000,000,000 divided into 800,000,000 shares with a par value of ₱10.00 per share of which 420,869,240 shares have been subscribed and fully paid.

Stockholders

As of December 31, 2021, there are 1,376 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, 2021, 2020 and 2019 are presented below.

Financial Highlights

Consolidated Statements of Financial Position
(In Millions)

	December 31			2021 vs. 2020		2020 vs. 2019	
	2021	2020	2019	**Amount**	%	Amount	%
ASSETS							
Cash and other cash items	**₱7,159**	₱6,073	₱3,965	**₱1,086**	**17.9**	₱2,108	53.2
Due from Bangko Sentral ng Pilipinas	–	2,507	5,733	**(2,507)**	**(100.0)**	(3,226)	*(56.3)*
Securities Purchased Under Resale Agreements (SPURA)	–	2,593	1,347	**(2,593)**	**(100.0)**	1,246	92.6
Investment Securities at							
Financial assets at FVPL	**8,830**	9,633	12,220	**(803)**	**(8.3)**	(2,587)	(21.2)
FVOCI	**1,288**	1,217	1,888	**71**	**5.8**	(671)	(35.5)
Amortized Cost	**5,288**	1,465	591	**3,823**	**260.9**	874	148.0
Loans and receivables	**2,821**	2,234	1,686	**587**	**26.3**	548	32.6
Property and equipment	**148**	95	149	**53**	**56.1**	(54)	(36.4)
Investments in Associates	**6,445**	6,721	6,869	**(276)**	**(4.1)**	(148)	(2.1)
Investment properties	**181**	182	189	**(1)**	**(0.4)**	(7)	(3.8)
Deferred tax assets	**42**	76	69	**(34)**	**(44.8)**	7	10.3
Other Assets	**926**	907	929	**19**	**2.3**	(22)	(2.6)
	₱33,128	₱33,703	₱35,635	**(₱575)**	**(1.7)**	(₱1,932)	(5.4)
LIABILITIES AND EQUITY							
LIABILITIES							
Bills payable	**₱–**	₱3,856	₱11,307	**(₱3,856)**	**(100.0)**	(₱7,451)	(65.9)
Accounts payable	**6,256**	5,872	2,331	**384**	**6.5**	3,541	151.9
Accrued taxes, interest and other expenses	**159**	170	142	**(11)**	**(6.3)**	28	19.9
Income taxes payable	**11**	13	12	**(2)**	**(19.9)**	1	6.1
Deferred tax liability	–	–	4	–	–	(4)	(100.0)
Puttable instruments for mutual fund subsidiaries classified as liabilities	**10,619**	8,315	6,553	**2,304**	**27.7**	1,762	26.9
Other liabilities	**451**	385	418	**66**	**17.2**	(33)	(7.5)
	17,496	18,611	20,767	**(1,115)**	**(6.0)**	(2,156)	(10.4)
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	**12,438**	12,104	11,784	**334**	**2.8**	320	2.7
Treasury stock	**(2,662)**	(2,662)	(2,662)	–	–	–	–
Net unrealized loss on FVOCI	**(506)**	(592)	(687)	**86**	**14.6**	95	13.8
Cash Flow Hedge Reserve	–	–	(10)	–	–	10	100.0
Cumulative translation adjustment	**25**	11	24	**14**	**126.9**	(13)	(53.7)
Remeasurements of retirement liability	**38**	(5)	3	**43**	**830.1**	(8)	(274.6)
Equity in other comprehensive income of associates	**(79)**	(135)	46	**56**	**41.1**	(181)	(390.9)
	15,529	14,996	14,773	**533**	**3.6**	223	1.5
Equity attributable to non-controlling interests	**103**	96	95	**7**	**7.6**	1	0.7
	15,632	15,092	14,868	**540**	**3.6**	224	1.5
	₱33,128	₱33,703	₱35,635	**(₱575)**	**(1.7)**	(₱1,932)	(5.4)

Consolidated Statements of Income
(In Millions)

	Years Ended December 31			2021 vs. 2020		2020 vs. 2019	
	2021	2020	2019	**Amount**	**%**	Amount	%
OPERATING INCOME							
Interest Income	**₱272**	₱500	₱1,136	**(₱228)**	**(45.6)**	(₱636)	(56.0)
Interest Expense	**27**	144	993	**(117)**	**(81.1)**	(849)	(85.5)
NET INTEREST INCOME	**245**	356	143	**(111)**	**(31.2)**	213	149.3
Service charges, fees and commissions	**757**	444	655	**313**	**70.6**	(211)	(32.3)
Dividends	**143**	110	143	**33**	**29.4**	(33)	(23.1)
Trading and securities gains	**128**	37	722	**91**	**248.1**	(685)	(94.9)
Foreign exchange gains (losses)	**4**	7	(11)	**(3)**	**(43.2)**	18	168.4
Gain on sale of assets	**–**	3	52	**(3)**	**(98.1)**	(49)	(93.9)
Gain on sale of investment securities at amortized cost	**–**	–	26	**–**	–	(26)	(100)
Miscellaneous	**28**	17	15	**11**	**64.7**	2	11.4
	1,060	618	1,602	**442**	**71.4**	(985)	(61.4)
TOTAL OPERATING INCOME BEFORE OPERATING EXPENSES	**1,305**	974	1,746	**331**	**33.9**	(771)	(44.2)
OPERATING EXPENSES							
Compensation and Fringe Benefits	**559**	565	539	**(6)**	**(1.1)**	26	4.8
Provision for (recovery from) impairment, credit and other probable losses	**129**	(63)	470	**192**	**303.7**	(533)	(113.4)
Online Trading, Transfer and Exchange Fees	**108**	81	54	**27**	**33.0**	27	49.2
Broker's Commissions	**66**	31	35	**35**	**110.2**	(4)	(11.3)
Depreciation of property and equipment and investment properties	**66**	63	82	**3**	**5.0**	(19)	(23.4)
Taxes & Licenses	**60**	129	256	**(69)**	**(53.5)**	(127)	(49.6)
Professional Fees	**60**	61	88	**(1)**	**(1.3)**	(27)	(31.0)
Advertising and Communication Expenses	**53**	43	61	**10**	**22.6**	(18)	(29.5)
Information Technology and Related Expenses	**38**	39	52	**(1)**	**(1.0)**	(13)	(25.4)
Representation & Travelling Expenses	**14**	17	18	**(3)**	**(15.3)**	(1)	(4.2)
Rent, Light and Water Expenses	**9**	18	16	**(9)**	**(50.6)**	2	11.2
Other Expenses	**209**	144	192	**65**	**45.6**	(47)	(24.9)
	1,371	1,128	1,863	**243**	**21.6**	(734)	(39.5)
Loss before Share in NI of Investees	**(66)**	(154)	(118)	**88**	**(56.8)**	(37)	(30.2)
Share In Net Income of Investees	**495**	618	775	**(123)**	**(19.8)**	(157)	(20.3)
Income before Income Tax	**429**	464	657	**(35)**	**(7.7)**	(194)	(29.3)
Provision for Income Tax	**81**	100	251	**(19)**	**(19.2)**	(151)	(60.1)
Net Income	**₱348**	₱364	₱406	**(₱16)**	**(4.5)**	(₱43)	(10.4)
Attributable to:							
Equity holders of the Parent Company	**₱340**	₱364	₱402	**(₱24)**	**(6.6)**	(₱38)	(9.5)
Non-controlling interest	**8**	–	4	**8**	**100.0**	(4)	(101.3)
	₱348	₱364	₱406	**(₱16)**	**(4.5)**	(₱42)	(10.4)

Consolidated Statements of Comprehensive Income
(In Millions)

	Years Ended December 31			2021 vs. 2020		2020 vs. 2019	
	2021	2020	2019	**Amount**	**%**	Amount	%
Net income for the year	**₱348**	₱364	₱406	**(₱16)**	**(4.4)**	(₱42)	(10.3)
Other comprehensive income (loss)							
Items that recycle to profit or loss in subsequent periods:							
Changes in net unrealized gain/(loss) on FVOCI investments	**1**	(49)	40	**50**	**(102.0)**	(89)	(222.5)
Income tax effect	**–**	11	-	**(11)**	**(100.0)**	11	100.0
	1	(38)	40	**39**	**(102.6)**	(78)	(122.5)
Cumulative translation adjustment	**14**	(13)	(9)	**27**	**(207.7)**	(4)	44.4
Changes in cash flow hedge reserve	**–**	10	(9)	**(10)**	**(100.0)**	19	(211.1)
Share in other comprehensive income of associates	**(249)**	233	369	**(482)**	**(206.9)**	(136)	(36.9)
Other comprehensive income of puttable instruments	**(1)**	–	–	**(1)**	**(100.0)**	–	-
	(235)	192	390	**(427)**	**(222.4)**	(208)	(50.8)
Items that do not recycle to profit or loss in subsequent periods:							
Remeasurement of retirement liability	**58**	(11)	(64)	**70**	**(583.3)**	53	81.3
Income tax effect	**(14)**	3	20	**(17)**	**(566.7)**	(17)	(85.0)
	44	(8)	(44)	**53**	**(588.9)**	36	79.5
Changes in net unrealized gain/(loss) on FVOCI investments	**79**	89	(477)	**(10)**	**(11.2)**	566	118.9
Share in other comprehensive income (loss) of associates	**305**	(414)	(298)	**718**	**(173.8)**	(116)	(38.9)
	428	(333)	(819)	**761**	**(228.5)**	496	59.3
Total Comprehensive Income (Loss), Net of Tax	**₱541**	₱223	(₱23)	**₱318**	**142.7**	₱246	1,068.3
Attributable to:							
Equity holders of the Parent Company	**₱534**	₱222	(₱27)	**₱312**	**140.5**	₱249	922.2
Non-controlling interest	**7**	1	4	**6**	**630.0**	(3)	(82.5)
	₱541	₱223	(₱23)	**₱318**	**142.7**	₱246	1,068.3

2021 Performance

Results of Operations

First Metro ended the year 2021 with ₱340 million consolidated net income attributable to equity holders of the Parent Company. This is 6.6% or ₱24 million lower than last year's result of ₱364 million.

Total consolidated gross revenues of the Group which comprised of net interest income, other operating income and share in net income of investees reached to ₱1,800 million, 13.1% or ₱208 million higher than the ₱1,592 million recorded last year.

Net interest income derived from lending, investing and borrowing activities amounting to ₱245 million represents 13.6% of the total revenues. This account decreased by 31.2% or ₱111 million compared with last year's revenue of ₱356 million mainly due to the substantial reduction in volume of interest bearing investments coupled with the reduction in interest rates/yields. Interest income earned on investments decreased by 45.6% or ₱228 million while interest expense incurred on borrowings was reduced by 81.1% or ₱ 117 million during the year.

Other operating income totaled ₱1,060 million and represents 58.9% 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 increase of 71.4% or ₱442 million compared with last year's result of ₱618 million was mainly due to higher fees and commissions, dividend income and net trading and securities gains of the Group this year.

Compensation and Fringe Benefits consist of the gross remuneration and other benefits granted to employees for services rendered. The decrease of ₱6 million from last year's expense of ₱565 million to ₱559 million was mainly due to lower compensation and other benefits paid caused by the reduction of manpower complement of the Group during the period.

Provision for / (Recovery from) Impairment, Credit and Other Probable Losses totaled ₱129 million provision this year, 303.7% or ₱192 million higher than last year's recovery of ₱63 million mainly due to the additional provision for impairment losses on our investment in associates.

Online Trading, Transfer and Exchange Fees totaled ₱108 million, 33.0% or ₱27 million higher than last year's ₱81 million mainly due to increase in online trading fees incurred during the period.

Broker's Commissions totaled ₱66 million, 110.2% or ₱35 million higher than last year's ₱31 million mainly due to higher commissions incurred on stock trading transactions.

Depreciation of property and equipment and investment properties represents the monthly/periodic depreciation of the Group's condominium units, furniture, fixtures and equipment, leasehold rights and improvements and right-of-use assets. The increase of 5.0% or ₱3 million from ₱63 million to ₱66 million this year was mainly due to higher depreciation expense incurred for property and equipment during the period.

Taxes and Licenses totaled ₱60 million, 53.5% or ₱69 million lower than last year's ₱129 million mainly due to lower DST and GRT during the period.

Professional Fees pertain to expenses incurred for services rendered by individuals/firms on a retainer or contractual basis. This account decreased by ₱1 million, from ₱61 million to ₱60 million this year mainly due to decrease in management fees incurred by Parent Company's Subsidiary during the period.

Advertising and Communication Expenses totaled ₱53 million, 22.6% or ₱10 million higher than last year's ₱ 43 million mainly due to higher advertising expenses incurred during the period.

Information Technology and Related Expenses decreased by ₱1 million, from ₱39 million to ₱38 million this year mainly due to lower information technology expenses recognized during the period.

Representation and Traveling Expenses totaled ₱14 million, 15.3% or ₱3 million lower than last year's expense of ₱17 million mainly due to lower expenses incurred for public relations activities which were directly related to the business development and promotion of the various investment products to potential clients of the Group.

Rent, Light and Water Expenses pertains to expenses incurred for utilities, office spaces and/or equipment leased by the Group. This account totaled ₱9 million this year, 50.6% or ₱9 million lower than last year's ₱18 million. The decline was mainly due to capitalization of lease or rental payments upon adoption of PFRS 16.

Miscellaneous Expenses includes expenses incurred on assets acquired, referral and service fees, contractual services, membership fees and dues, supervision fees, insurance and other expenses. This account increased by 45.6% or ₱65 million from ₱144 million to ₱209 million this year mainly due to higher research and other technical cost, contractual services, referral and service fees and miscellaneous expenses incurred during the period.

Share in net income of investees represents 27.5% of the total revenues amounting to ₱495 million. This is 19.8% or ₱123 million lower than last year's results of ₱618 million. This year's share in net earnings mostly came from PALIC.

Provision for income taxes consists of provision for final tax and income tax of the Group. The decrease of 19.2% or ₱19 million from last year's ₱100 million to ₱81 million was mainly due to lower income subjected to final tax of the Group this year.

Total comprehensive income totaled ₱541 million this year, higher by 142.7% or ₱318 million compared with last year's result of ₱223 million mainly due to the net effect of lower net income recognized by the Group, changes in net unrealized gain(loss) on FVOCI investments and share in other comprehensive income(loss) of Parent Company's Associates. For the year ended December 31, 2021, total comprehensive income attributable to equity holders of the Parent Company increased by 140.5% or ₱312 million from ₱222 million to ₱534 million this year.

In terms of return on equity, First Metro achieved 2.2% in 2021 as compared to 2.4% in 2020.

Financial Position

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

<u>*Cash and Cash Equivalents*</u>

Cash and other cash items, which comprises of due from other banks and other cash items*,* went up by 17.9% or ₱1,086 million from ₱6,073 million to ₱7,159 million mainly due to higher outstanding time deposit and demand/current account balances this year.

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 from ₱2,507 million to nil mainly due to the surrender of First Metro's QB license this year.

<u>*Securities Purchased Under Resale Agreements (SPURA)*</u>
The decrease from ₱2,593 million to nil as of the reporting period was mainly due to the surrender of First Metro's QB license this 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 8.3% or ₱803 million from ₱9,633 million to ₱8,830 million was mainly due to lower government securities portfolio this year. This account includes fair value gain of ₱118 million and ₱116 million in 2021 and 2020, respectively.

Fair Value Through Other Comprehensive Income (FVOCI) represents investments in government securities and private debt and equity securities. The increase of 5.8% or ₱71 million from ₱1,217 million to ₱1,288 million was mainly due to improvement in the fair value of the investment securities during the year. As of December 31, 2021 and 2020, FVOCI investments include net unrealized loss of ₱505 million and ₱594 million, respectively.

Amortized Cost consists of investments in government securities and private debt securities. The increase of 260.9% or ₱3,823 million from ₱1,465 million to ₱5,288 million this year was mainly due to mainly due to the additional purchases during the year.

Loans and Receivables consist of unquoted commercial papers, loans and discount and other receivable accounts. The increase of 26.3% or ₱587 million from ₱2,234 million to ₱2,821 million this year was mainly due to the increase in the other receivable account.

Unquoted Commercial Papers consists of debt instruments issued by government and private corporations. The increase of 1157.6% or ₱752 million from ₱65 million to ₱817 million was mainly due to purchases during the year.

Loans and Discount decreased by 15.1% or ₱68 million from ₱457 million to ₱388 million mainly due to loan repayments during the year.

Other Receivables consists of accrued interest receivable, dividend receivable, accounts receivable and other receivables. The decrease of 5.6% or ₱96 million from ₱1,712 million to ₱1,616 million was mainly due to the decrease 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 increase of 56.1% or ₱53 million from ₱95 million to ₱148 million was mainly due to the ₱119 million net acquisition and ₱66 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 ₱276 million decrease from ₱6,721 million to ₱6,445 million this year was mainly due to the net effect of ₱ 495 million share in net earnings, ₱56 million equity share in other comprehensive gain of Associates, ₱696 million share in cash dividend and ₱132 million additional provision for impairment losses during the year.

Investment Properties

This account consists of land and condominium units held for sale or for lease. The decrease of ₱1 million from ₱182 million to ₱181 million this year was mainly due to depreciation expense incurred during the year.

Deferred Tax Assets

This account consists of net deductible temporary differences of the Group. The decrease of 44.8% or ₱34 million from ₱76 million to ₱42 million was mainly due to non-recognition of deferred tax on NOLCO and lower retirement liability as of reporting date.

Other Assets
This account includes prepayments, intangible assets, refundable deposits, deferred charges, unissued office supplies, input taxes and others. This account increased by ₱19 million from ₱907 million to ₱926 million this year mainly due to higher prepayments and intangible asset this year.

Bills Payable
This account comprises of deposit substitutes and other borrowings obtained from local banks, private firms and individuals. The decrease of 100.0% from ₱3,856 million to nil was mainly due to settlement of this account brought about by First Metro's surrender of its quasi-bank license.

Accounts Payable
This account increased by 6.5% or ₱384 million from ₱5,872 million to ₱6,256 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 6.3% or ₱11 million from ₱170 million to ₱159 million this year was mainly due to lower retirement liability and accrued taxes and accrued interest payable netted by higher other expenses as of reporting date.

Income Taxes Payable
This account decreased by 19.9% or ₱2 million from ₱13 million to ₱11 million this year mainly due to lower taxable income of the Group. During the year, the Group already paid a total of ₱75 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 up by 27.7% or ₱2,304 million from ₱8,315 million to ₱10,619 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 increased by 17.2% or ₱66 million from ₱385 million to ₱451 million this year mainly due to higher outstanding lease liability and unsettled purchases of equity shares of subsidiaries' participants and customers netted by lower miscellaneous liabilities as of reporting date.

Equity
First Metro's capital funds ended at ₱15,529 million, ₱533 million higher from last year's ₱14,996 million, which translates to 622.5% risk-based capital adequacy ratio (RBCA). The changes of this account were primarily due to the following:

Retained Earnings increased by ₱334 million from ₱12,104 million to ₱12,438 million mainly due to Group's results of operations recognized during the year.

Net Unrealized Loss on FVOCI increased by 14.6% or ₱86 million from ₱592 million to ₱506 million this year mainly due to the increase in market value of Parent Company's investment in FVOCI during the year.

Cumulative Translation Adjustment went up by 126.9% or ₱14 million from ₱11 million to ₱25 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 increased by 830.1% or ₱43 million from ₱5 million loss to ₱38 million gain 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 41.1% or ₱56 million from ₱135 million loss to ₱79 million loss this year mainly due to the effect of increases in remeasurement of retirement liabilities and life insurance reserves netted by the decrease in the Parent Company's proportionate share in the changes in the fair value of FVOCI investments of Associates.

Equity Attributable to Non-controlling Interest increased by 7.6% or ₱7 million from ₱96 million to ₱103 million which was attributable to the increase in capital funds of majority owned subsidiary of the Parent Company.

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 ₱1,592 million, 36.9% or ₱929 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 revenues. 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 ₱1,602 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.

Compensation and Fringe Benefits consist of the gross remuneration and other benefits granted to employees for services rendered. The increase of ₱26 million from last year's expense of ₱539 million to ₱565 million was mainly due to higher compensation and other benefits paid during the period.

Provision for / (Recovery from) Impairment, Credit and Other Probable Losses totaled ₱63 million recovery, 113.4% or ₱533 million higher than last year's ₱470 million provision for the same period.

Online Trading, Transfer and Exchange Fees totaled ₱81 million, 49.2% or ₱27 million higher than last year's ₱54 million mainly due to increase in online trading fees incurred during the period.

Broker's Commissions totaled ₱31 million, 11.3% or ₱4 million lower than last year's ₱35 million mainly due to lower commissions incurred on stock trading transactions.

Depreciation of property and equipment and investment properties represents the monthly/periodic depreciation of the Group's condominium units and leasehold improvements, furniture, fixtures and equipment and right-of-use assets. The decrease of 23.4% or ₱19 million from ₱82 million to ₱63 million this period was mainly due to lower depreciation expense incurred for property and equipment during the period.

Taxes and Licenses totaled ₱129 million, 49.6% or ₱127 million lower than last year's ₱256 million mainly due to lower DST and GRT during the period.

Professional Fees pertain to expenses incurred for services rendered by individuals/firms on a retainer or contractual basis which totaled ₱61 million, 31.0% or ₱27 million lower than same period last year's expense of ₱88 million mainly due to decrease in management fees incurred by Parent Company's Subsidiary during the period.

Advertising and Communication Expenses totaled ₱43 million, 29.5% or ₱18 million lower than last year's ₱ 61 million mainly due to lower advertising expenses incurred during the period.

Information Technology and Related Expenses totaled ₱39 million, 25.4% or ₱13 million lower than last year's ₱52 million mainly due to lower information technology expenses recognized during the period.

Representation and Traveling Expenses totaled ₱17 million, 4.2% or ₱1 million lower than last year's expense of ₱18 million mainly due to lower expenses incurred for public relations activities which were directly related to the business development and promotion of the various investment products to potential clients of the Group.

Rent, Light and Water Expenses pertains to expenses incurred for utilities, office spaces and/or equipment leased by the Group. This account totaled ₱18 million this year, 11.2% or ₱2 million higher than last year's expense of ₱16 million.

Miscellaneous Expenses includes expenses incurred on assets acquired, referral and service fees, contractual services, membership fees and dues, supervision fees, insurance and other expenses. This account decreased by 24.9% or ₱47 million from ₱192 million to ₱144 million mainly due to lower research and other technical cost, contractual services, referral and service fees, insurance and miscellaneous expenses incurred during the period.

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 totaled ₱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 net effect of lower net income recognized by the Group, changes in net unrealized gain(loss) on FVOCI investments and share in other comprehensive income(loss) of Parent Company's Associates. 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

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.

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.

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 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 151.9% or ₱3,541 million from ₱2,331 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.

<u>Other Liabilities</u>
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 7.5% or ₱33 million from ₱418 million to ₱385 million this year mainly due to lower outstanding lease liability and miscellaneous liabilities as of reporting date.

<u>Equity</u>
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 revenues. 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.

Compensation and Fringe Benefits consist of the gross remuneration and other benefits granted to employees for services rendered. The increase of ₱18 million from last year's expense of ₱521 million to ₱539 million was mainly due to higher compensation and other benefits paid during the period.

Provision for / (Recovery from) Impairment, Credit and Other Probable Losses totaled ₱470 million provision, 1086.9% or ₱518 million lower than same period last year's ₱48 million recovery for the same period.

Online Trading, Transfer and Exchange Fees totaled ₱54 million, ₱5 million lower than same period last year's ₱59 million mainly due to increase in online trading fees incurred during the period.

Broker's Commissions totaled ₱35 million, 20.5% or ₱9 million lower than same period last year's ₱44 million mainly due to lower commissions incurred on stock trading transactions.

Depreciation of property and equipment and investment properties represents the monthly/periodic depreciation of the Group's condominium units and leasehold improvements, furniture, fixtures and equipment. The increase of 115.8% or ₱44 million from ₱38 million to ₱81 million this period was mainly due to higher depreciation expense incurred for property and equipment during the period.

Taxes and Licenses totaled ₱256 million, 3.1% or ₱8 million higher than same period last year's ₱249 million mainly due to higher DST and GRT during the period.

Professional Fees pertain to expenses incurred for services rendered by individuals/firms on a retainer or contractual basis which totaled ₱88 million, 25.7% or ₱18 million higher than same period last year's expense of ₱70 million mainly due to increase in management fees incurred by Parent Company's Subsidiary during the period.

Advertising and Communication Expenses totaled ₱61 million, 34.6% or ₱33 million lower than same period last year's ₱94 million mainly due to lower advertising expenses incurred during the period.

Information Technology and Related Expenses recognized ₱52 million expense this year, same with last year's booked information technology expenses.

Representation and Traveling Expenses totaled ₱18 million, 17.3% or ₱4 million lower than same period last year's expense of ₱22 million mainly due to lower expenses incurred for public relations activities which were directly related to the business development and promotion of the various investment products to potential clients of the Group.

Rent, Light and Water Expenses pertains to expenses incurred for utilities, office spaces and/or equipment leased by the Group. This account totaled ₱16 million this year, 72.4% or ₱43 million lower than same period last year's ₱60 million mainly due to capitalization of lease or rental payments upon adoption of PFRS 16.

Miscellaneous Expenses includes expenses incurred on assets acquired, referral and service fees, contractual services, membership fees and dues, supervision fees, insurance and other expenses. This account increased by 13.6% or ₱23 million from ₱169 million to ₱192 million mainly due to higher fines, penalties and others, research and other technical cost and insurance and miscellaneous expenses incurred during the period.

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

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.

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.

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 20.0% or ₱372 million from ₱1,859 million to ₱2,231 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 ₱62 million or 17.4% from ₱ 356 million to ₱418 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.

<u>Subsequent Events</u>

There were no subsequent events that took place after the period ended December 31, 2021.

<u>Other Matters</u>

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, 2021 and 2020).

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

Regulatory Qualifying Capital

On March 29, 2021, the Parent Company received the approval of the BSP for the surrender of its QB license effective March 25, 2021. Effective April 1, 2021, the regulatory capital is now based on the SEC-prescribed Risk Based Capital Adequacy (RBCA) rules.

The Amended Implementing Rules and Regulations of the SRC effective February 28, 2004 include, among others, revisions in the terms and conditions for registration and subsequent renewal of license applicable to both exchange trading participants and non-exchange broker dealers as follows:

a. to allow a net capital of ₱2.5 million or 2.5% of aggregate indebtedness (AI), whichever is higher, for broker dealers dealing only in proprietary shares and not holding securities;

b. to allow the SEC to set a different net capital requirement for those authorized to use the RBCA model; and

c. to require unimpaired paid-up capital of ₱100.0 million for broker dealers, which are either first time registrants or those acquiring existing broker dealer firms and will participate in a registered clearing agency; ₱10.0 million plus a surety bond for existing broker dealers not engaged in market making transactions; and ₱2.5 million for broker dealers dealing only in proprietary shares and not holding securities.

RBCA ratio of a broker dealer, computed by dividing the Net Liquid Capital (NLC) by the Total Risk Capital Requirement (TRCR), should not be less than 110.0%. NLC and TRCR are computed based on the existing

SRC. NLC consists of total equity adjusted for allowance for market decline, subordinated liabilities, deferred tax assets, revaluation reserves, deposits for future stock subscription, minority interest, if any, contingencies and guarantees, and the total ineligible assets. Also, the AI of every stockbroker should not exceed 2,000.0% of its NLC and at all times shall have and maintain NLC of at least ₱5.0 million or 5.0% of the AI, whichever is higher.

As of December 31, 2021, the Parent Company is in compliance with the RBCA ratio. The RBCA ratio of the Parent Company as reported to the SEC as of December 31, 2021 as shown in the table below:

	December 31,2021
Equity Eligible for Net Liquid Capital	**₱15,554,003,599**
Ineligible Assets	**(12,192,765,147)**
Net Liquid Capital (NLC)	**₱3,360,738,452**
Position Risk Requirement	**244,874,130**
Operational Risk Requirement	**295,034,752**
Counterparty Risk Requirement	**-**
Large Exposure Risk Requirement	**-**
Total Risk Capital Requirement (TRCR)	**₱539,908,882**
Aggregate Indebtedness (AI)	**₱649,215,350**
5.00% of AI	**₱32,460,768**
Required NLC	**32,460,768**
Net Risk-Based Capital Excess	**3,328,277,684**
Ratio of AI to NLC	**19.32%**
RBCA ratio (NLC/TRCR)	**622.46%**

Further, SEC Memorandum Circular No. 16 dated November 11, 2004 provides the guidelines on the adoption in the Philippines of the RBCA Framework for all registered brokers dealers in accordance with SRC. These guidelines cover the following risks:

a. position or market risk,
b. credit risks such as counterparty, settlement, large exposure, and margin financing risks, and
c. operational risk.

The following are the definition of terms used in the above computation:

Ineligible assets
These pertain to fixed assets and assets which cannot be readily converted into cash.

Operational risk requirement
The amount required to cover a level of operational risk which is the exposure associated with commencing and remaining in business arising separately from exposures covered by other risk requirements. It is the risk of loss resulting from inadequate or failed internal processes, people and systems which include, among others, risks of fraud, operational or settlement failure and shortage of liquid resources, or from external events.

Position risk requirement
The amount necessary to accommodate a given level of position risk which is the risk a broker dealer is exposed to and arising from securities held by it as a principal or in its proprietary or dealer account.

Counterparty risk requirement
This is the amount necessary to accommodate a given level of counterparty risk. Counterparty risk is the risk of a counterparty defaulting on its financial obligation to a broker dealer.

Aggregate Indebtedness (AI)
This is the total money liabilities of a broker dealer arising in connection with any transaction whatsoever, and includes, among other things, money borrowed, money payable against securities loaned and securities failed to receive, the market value of securities borrowed to the extent to which no equivalent value is paid or credited (other than the market value of margin securities borrowed from customers and margin securities borrowed from non-customers), customers' and non-customers' free credit balances, and credit balances in customers' and non-customers' account having short positions in securities subject to the exclusions provided in the said SEC Memorandum.

In 2020 and prior years, the Parent Company's capital requirements were based on the Basel III standards issued by the Bangko Sentral ng Pilipinas. The following ratios were complied to by the Parent Company during those years: minimum Common Equity Tier 1 (CET1) ratio of 6.00%, Tier 1 capital ratio of 7.50%, capital conservation buffer of 2.50% comprised of CET1 capital and total capital adequacy ratio (CAR) of 10.00%.

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

	Consolidated	Parent Company
CET 1 capital	₱17,710.6	₱17,710.6
Less: Required deductions	13,911.8	14,450.9
Net Tier 1 capital	3,798.8	3,259.6
Tier 2 capital	45.5	16.5
Total qualifying capital	3,844.2	3,276.1
Credit risk-weighted assets	4,775.1	1,616.8
Market risk-weighted assets	197.2	206.8
Operational risk-weighted assets	1,812.5	1,285.4
Total risk-weighted assets	₱6,784.9	₱3,109.0
CET 1 ratio*		
*Capital conservation buffer	50.0%	98.8%
Tier 1 capital ratio	56.0%	104.9%
Total capital ratio	56.6%	105.4%

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%. As of December 31, 2020, the LCR in a single currency as reported to the BSP was at 293.8% for the Group and 312.2% for the Parent Company. In 2021, this ratio is no longer applicable with the surrender of the quasi-banking license of 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. As of December 31, 2020, the NSFR as reported to the BSP, was at 122.7% for the Group and 127.6% for the Parent Company. This ratio is no longer applicable to the Parent Company in 2021 with the surrender of its quasi-banking license.

Retained Earnings

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 and associates amounting to ₱5.0 billion and ₱5.2 billion and as of December 31, 2021 and 2020, 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 Requirements

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.

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, 2021 and 2020 (based on the audited figures) as well as for the interim period January 31, 2022 (based on the unaudited figures):

	As of		
Performance Indicator	Jan 31, 2022 (Unaudited)	Dec 31, 2021 (Audited)	Dec 31, 2020 (Audited)
a) Return on Average Assets	0.34%	1.02%	1.05%
b) Return on Average Equity	0.73	2.23	2.45
c) Cost-to-Income Ratio	93.38	95.19	122.35
d) Risk Based Capital Adequacy (RBCA) Ratio	692.03%	622.46%	N/A

e) Ratio of Aggregate Indebtedness to Net Liquid Capital	18.88%	19.32%	N/A
f) Capital Adequacy Ratio	N/A	N/A	56.66
g) 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 decreased to 1.02% from 1.05% 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 2.23% this year from 2.45% last year, due to the effect of lower net income attributable to equity holdings of the Parent Company and higher average equity.

- *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 down to 95.19% from 122.35% last year resulting from the higher operation expenses and operating income this year.

- *Risk Based Capital Adequacy (RBCA) Ratio*
  This represents the ratio of net liquid capital over total risk capital requirements.

- *Ratio of Aggregate Indebtedness to Net Liquid Capital*
  This represents the ratio of aggregate indebtedness over net liquid capital.

Financial Soundness Indicators

Performance Indicator	Formula	As of December 31	
		2021	2020
a. Current/Liquidity Ratio	Total Current Assets / Total Current Liabilities	**131.36%**	125.56%
b. Solvency Ratio	Total Liabilities / Total Assets	**52.81%**	55.22%
c. Debt to Equity Ratio	Total Liabilities / Total Equity	**112.67%**	124.12%
d. Asset to Equity Ratio	Total Assets / Total Equity	**213.34%**	224.76%
e. Interest Rate Coverage Ratio	Income before Interest Expense and Tax / Interest Expense	**551.80%**	39.52%
f. Return on Equity	Net Income after Tax / Average Capital	**2.23%**	2.45%
g. Return on Assets	Net Income after Tax / Average Total Assets	**1.02%**	1.05%
h. Net Profit Margin Ratio	Net Income / Net Interest Income and Operating Income	**26.14%**	37.65%
i. Risk Based Capital Adequacy Ratio	Net Liquid Capital / Total Risk Capital Requirement	**622.46%**	N/A
j. Ratio of Aggregate Indebtedness to Net Liquid Capital	Aggregate Indebtedness / Net Liquid Capital	**19.32%**	N/A

k. Capital Adequacy Ratio	Net Qualifying Capital / Total Risk Weighted Assets	**N/A**	56.66%
l. Common Equity Tier (CET) 1 Ratio	CET 1 Capital / Total Risk Weighted Assets	**N/A**	55.99%
m. Leverage Ratio	Capital Measure / Exposure Measure	**N/A**	27.60%
n. Liquidity Coverage Ratio	Total Stocks of High Quality Liquid Assets / Total Net Cash Outflows	**N/A**	293.82%
o. Net Stable Finding Ratio	Available Stable Funding / Required Stable Funding	**N/A**	122.72%

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	₱300,000,000	₱300,000,000		
Other loans	5,300,679	5,300,679		
Other borrowers of subsidiaries	90,855,006	90,855,006		
	396,155,685	396,155,685	₱407,820,789	
Unquoted Commercial Papers:				
Toyota Financial Services Phils Corp.	817,450,000	817,450,000		
	817,450,000	817,450,000	836,076,249	
Other Receivables	1,657,650,381	1,657,650,381	1,615,519,140	
	2,871,256,066	2,871,256,066	2,859,416,178	
Allowance for Credit Losses	(50,017,469)	(50,017,469)		
	2,821,238,597	2,821,238,597	2,859,416,178	₱41,768,316
Financial Assets at FVTPL:				
Government Securities	1,651,406,296	1,666,049,590		
Private Debt Securities	542,710,500	547,151,709		
Equity Securities	179,909,014	6,616,584,834		
	2,374,025,810	8,829,786,133	8,829,786,133	373,425,509
FVOCI:				
Government Securities	2,174,990	2,532,939		
Private Debt Securities				
SM Investment Corp.	30,000,000	30,666,916		
Equity Securities				
Alabang Country Club	2	13,000,000		
Axelum Resources Corp.	176,970,700	530,912,100		
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	750,000		
Manila Electric Company	19,000	5,608,800		
Phil Depository & Trust Corp.	10,228	1,022,800		
Splendido Taal Golf	4	480,000		
Tagaytay Highlands	2	1,900,000		

The Philippine Stock Exchange, Inc..	2,806,521	603,402,015		
	212,659,787	1,287,872,590	1,287,872,590	28,647,620
Amortized Cost:				
Government securities	₱4,217,236,380	₱4,219,449,343		
Private Debt Securities				
Asia United Bank	50,000,000	50,884,772		
Aboitiz Power Corporation	80,000,000	89,400,000		
Ayala Land, Inc.	50,000,000	50,000,000		
BDO Unibank, Inc.	30,665,260	30,338,646		
Bank of the Philippine Islands	30,000,000	30,000,000		
China Banking Corp.	90,000,000	90,000,000		
Development Bank of the Philippines	30,000,000	30,000,000		
Del Monte Philippines, Inc.	75,000,000	75,000,000		
GT Capital Holdings, Inc.	8,000,000	7,921,983		
Robinsons Land Corp.	205,600,000	205,618,220		
San Miguel Brewery Inc.	45,000,000	45,177,201		
San Miguel Food and Beverage, Inc.	150,000,000	150,000,000		
San Miguel Corporation	40,610,000	41,554,866		
SMC Global Power Holdings, Inc.	62,280,000	62,864,838		
SM Investments Corp.	107,700,000	108,014,625		
SM Prime Holdings Inc	2,150,000	2,186,417		
	5,283,641,640	5,288,410,910	₱5,296,333,652	₱69,392,508
	₱10,691,565,836	₱18,227,308,230	₱18,273,408,552	₱513,233,953

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	₱8,730,139	₱4,636,000	(₱5,210,454)	(₱–)	₱ 849,486	₱ 7,306,199	₱8,155,685

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	Non current	Balance at end of period
FAMI	Subsidiary	₱ 8,480,596	₱ 27,613,521	(₱34,037,233)	₱–	₱ 2,056,884	₱–	₱ 2,056,884
FEI	Subsidiary	–	4,250	(4,250)	–	–	–	–
FMIBC	Subsidiary	–	4,250	(4,250)	–	–	–	–
FMSBC	Subsidiary	221,603	2,448,206,000	(2,448,427,603)	–	–	–	–
PBC	Subsidiary	1,055,556	24,676,294	(24,962,939)	–	768,911	–	768,911
PVDC	Subsidiary	–	4,250	(4,250)	–	–	–	–
RI	Subsidiary	–	4,250	(4,250)	–	–	–	–
SBC	Subsidiary	–	51,000	(51,000)	–	–	–	–
SALEF	Subsidiary	6,829,392	85,217,856	(84,802,930)	–	7,244,318	–	7,244,318
SALBF	Subsidiary	2,278,619	24,997,563	(25,243,260)	–	2,032,922	–	2,032,922
SALFIF	Subsidiary	2,945,374	307,593,141	(308,313,774)	–	2,224,741	–	2,224,741
SALDBF	Subsidiary	2,758,159	13,673,560	(14,930,331)	–	1,501,388	–	1,501,388
FMPEETF	Subsidiary	2,232,794	8,792,570	(9,756,086)	–	1,269,278	–	1,269,278
		₱ 26,802,093	₱ 2,940,838,505	(₱2,950,542,156)	₱–	₱ 17,098,442	₱–	₱ 17,098,442

4. Intangible Assets - Other Assets

Movements in intangible assets follow:

	2021
Balance at beginning of year	**₱17,674,686**
Additions at cost (cash expenditure)	**7,147,774**
Disposals	**-**
Charged to cost and expenses	**(10,709,445)**
Balance at end of the period	**₱14,113,015**

This account consists of First Metro and FAMI’s capitalized computer software with net book value of ₱9.1 million and ₱5.0 million, respectively.

5. Long Term Debt

As of December 31, 2021, First Metro had no long-term debt.

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

As of December 31, 2021, First Metro had no long-term debt to related parties.

7. Guarantees of Securities of Other Issuers

As of December 31, 2021, 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	372,465,962*
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 48,403,278 Treasury Shares as of December 31, 2021*

Consolidated Statements of Income

Interest Expense

The breakdown of interest expense for the year ended December 31, 2021 and 2020 is shown below:

	2021	2020
Deposit substitutes:		
Promissory notes issued	**₱1,989,760**	₱127,393,824
Borrowings from local banks	**19,649,707**	11,022,508
Interbank call loan	**1,230,174**	832,135
Others	**4,288,388**	4,641,732
	₱27,158,029	₱143,890,199

In 2020, this account consists of deposit substitutes which have maturities of 13-365 days. Peso-denominated deposit substitutes bear annual interest rates ranging from 0.09% to 6.75% in 2020. US dollar-denominated deposit substitutes bear annual interest rates ranging from 0.50% to 1.63% in 2020.

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%.

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, 2021 and 2020).

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, 2021 and 2020.

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, 2021)*

Directors	Term Served	Age	Business Experience
Francisco C. Sebastian	24 years, 2 months	67	Banking/Finance/Investment
Mary Mylene A. Caparas	1year, 7 months	57	Banking/Finance/Investment
Jose Patricio A. Dumlao	1year, 7 months	60	Banking/Management/Finance/Investment
Ismael G. Cruz	13 years, 8 months	76	Management/Investment
Martin Q. DyBuncio	26 years, 8 months	58	Management/Finance/Investment
Joshua E. Naing	7 years, 8 months	61	Banking/Finance
Rufino Luis T. Manotok	7 years, 7 months	71	Management/Banking/Finance
Raphael Perpetuo M. Lotilla	7 years, 7 months	63	Management/Law/Education
Benedicto Jose R. Arcinas	8 months	65	Banking/Management/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**,** 67, 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**,** 57, 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, 60, 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 afterwhich 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, 76, 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, 58, 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, 61, 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, 71, 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, 63, 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.

BENEDICTO JOSE R. ARCINAS, 65, Filipino, is currently the President and Managing Director of Arcinas Freres, Inc. and an Independent Director of Philippine Savings Bank since April 2012..

He began his professional career at Manila Electric Company as Economic Analyst from 1978-1980. He also served as Independent Director of Metrobank Card Corporation from April 2018-December 2019; Consultant of Veda Advantage, Australia from March to August 2012; Executive Vice President (Finance) and Chief Investment Officer Government Service Insurance System (GSIS) from March 2010 to December 2011; Executive Vice President and Treasurer of Export and Industry Bank from June 2007-March 2010; Director of Asia Pacific Recoveries (SPV-AMC) Corporation and Asia Special Situations M3P2 (SVC-AMC), Inc. from September 2005 to March 2010; Consultant of SME e-Financing Project, Development Bank of the Philippines from February to May 2004; Managing Director and Founder of Structured Solutions, Inc. from 2002-2007; Managing Director of ATR-Kim Eng Fixed Income (Philippines) from April 1997 to November 1997; he held various positions in Metropolitan Bank & Trust Co., from January 1991 to March 1997; First Vice President (Funds Management Division, Treasury) of Philippine Banking Corporation from January 1989 to December 1990; AVP Liability Management Group Head of BA Finance Corporation from 1987-1988; SAM Liquidity Mgt. Treasury Group of Philippine Commercial International Bank from 1985-1987; Sr Asst Manager, Head of Domestic Markets of Insular Bank of Asia & America from 1984-1985; Asst. Manager, Corporate Planning Division from 1983-1984.

Mr. Arcinas also had various professional affiliations & Initiatives from 1990-2014.

Mr. Arcinas finished his Bachelor of Science in Business Economics degree from the University of the Philippines (Diliman) and obtained his Master of Science in Management degree from the Arthur D. Little Management Education Institute at Cambridge, Massachusetts USA.

Executive Officers *(As of December 31, 2021)*

Executive Officers	Position	Age	Business Experience
Francisco C. Sebastian	Chairman	67	Banking/Finance/Investment
Mary Mylene A. Caparas	Vice-Chairman	57	Banking/Finance/Investment
Jose Patricio A. Dumlao	President	60	Banking/Management/Finance/Investment
Daniel D. Camacho	EVP/Investment Banking Group Head	51	Banking/Finance
Maricel L. Madrid	SVP/Controllership Group Head	42	Banking/Finance/Management
Karen Liza M. Roa	SVP/FAMI President	53	Banking/Management/Finance/Investment
Peter Anthony D. Bautista	FVP/Sales & Distribution Group Head	48	Banking/Finance
Ma. Teresa V. De Vera	FVP/Coverage and Origination III Div. Head	50	Banking/Finance/Management
Abigail B. Magpayo	FVP/Equity Capital Market and Concurrent Corporate Finance and Advisory Division Head	45	Banking/Finance
Nimfa B. Pastrana	FVP/ Corporate Services and Operations Group Head, Concurrent Legal Division Head and Concurrent Human Resources Division Head	59	Banking/Finance/Law
John Wesley M. Peralta	FVP / Debt Capital Market Division Head	44	Banking/Finance/Management
Charles Ian Salvador	FVP/International Desk Division Head	49	Banking/Business Management
Cristina S. Ulang	FVP/Research Department Head	56	Banking/Finance/Research
Annagraziela S. Banaad	VP/Treasury Group Head	50	Banking/Finance
Shiendy G. Benitez	VP/Coverage and Origination III Division Head	49	Banking/Finance/Management
David Ignacio C. Estacio	VP/Local Debt Markets Department Head	44	Banking/Business Management/Trading
Alexis K. Javelosa, Jr.	VP/ Compliance Division Head, Chief Compliance Officer, Data Protection Officer	53	Banking/Business/Law
Ina B. Pacheco	VP/Retail Investors Department Head	52	Banking/Finance
Mauro B. Placente	VP/Deputy Controller	55	Banking/Finance/Management

Eric M. Salazar	VP/Technology Management Division Head	51	Banking/Management/Information Technology
Luis Martin E. Villalon	VP/Coverage and Origination I Division Head	48	Banking/Finance
Alesandra T. Ty	Corporate Secretary	41	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

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 10. EXECUTIVE COMPENSATION

	Year	Salary	Bonuses/ Other Remuneration	Total
Aggregate annual compensation of the following:	2022*	₱74,978,543	₱28,939,295	₱103,917,838
	2021	72,794,702	28,109,189	100,903,891
	2020	74,622,163	38,601,075	113,223,238
Francisco C. Sebastian, Chairman Jose Patricio A. Dumlao, President Daniel D. Camacho, EVP				
All other executive and directors as a group unnamed	2022*	₱86,852,336	₱30,746,042	₱117,598,378
	2021	95,926,296	33,643,267	129,569,563
	2020	75,982,546	30,365,748	106,348,294

* - *Projected*

Compensation of Directors

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

Per diem ranging from ₱85,000.00 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, 2021:

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

r - Registered

First Metro holds 48,403,278 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) (25.20%) and PCD Nominee (Non-Filipino) (20.98%) as of December 31, 2021. 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, 2021:

Title of class	Name of beneficial owners	Amount and nature of ownership	Percentage to outstanding shares
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	Benedicto Jose R. Arcinas *	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, 2021 and 2020, 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 June 28, 2021.

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 Securities and Exchange Commission (SEC) and Bangko Sentral ng Pilipinas (BSP) and globally accepted best practices.

Last revised in December 2021, the Manual include the amendments to adopt the recommendations under the revised Code of Corporate Governance for Public Companies issued by SEC in 2019 and to take effect the surrender of First Metro's Quasi-Banking license in March 2021.

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.

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 2021:

Date of Event	Items Reported	Date Filed to SEC (via email submission)
January 12, 2021	This is to report that during the special meeting of the Board of Directors of First Metro Investment Corporation held on January 12, 2021 via remote communication, the following matters were approved: 1. To obtain stockholders' approval of the resolution of the Board on November 24, 2020 to surrender the company's quasi-banking license issued by the Bangko Sentral Ng Pilipinas. The approval of the stockholders, which was required by the Bangko Sentral ng Pilipinas, will be obtained by written assent. 2. To set February 22, 2021 as the last day for submission of the written assent by the stockholders; 3. To authorize the Chairman or the President to do the following: 4. a. Change the date set when necessary; b. Cause the filing of the regulatory requirements in connection with obtaining the stockholders' approval of the said matter.	January 14, 2021
February 19, 2021	This is to report that during the regular meeting of the Board of Directors of First Metro Investment Corporation held on February 19, 2021 via remote communication, the following matters were approved: 1. Friday, 30 April 2021 at 2:00 P.M., as the date and time of the 2021 Annual Stockholders' Meeting; 2. March 15, 2021 as the record date to determine the stockholders entitled to notice and to vote in the April 30, 2021 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, when necessary. 4. 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	February 19, 2021

	Exchange Commission.	
February 26, 2021	This is to report that as of 12:00 noon of February 26, 2021, stockholders of First Metro Investment Corporation holding a total of 369,886,532 common shares out of the 372,467,216 outstanding shares have voted to ratify and confirm Board Resolution No. 2020-11-55 on November 20, 2020 approving the surrender of the Company's quasi-banking license granted by the Bangko Sentral Ng Pilipinas. This constitute 99.307% or more than 2/3 of the outstanding capital stock of the corporation.	February 26, 2021
March 29, 2021	This is to report that on March 29, 2021, we have received the approval of the Bangko Sentral ng Pilipinas for the surrender of the Company's quasi-banking 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.	April 7, 2021
March 29, 2021	This is to report that during the regular meeting of the Board of Directors of First Metro Investment Corporation held on March 29, 2021 via remote communication, the following matters were approved: a. Amendment of Article VII of its Articles of Incorporation to (1) increase the par value from PHP10 to PHP500 per share, and (2) decrease the number of authorized common shares from 800,000,000 to 16,000,000 common shares. b. Delegate to the Senior Management Committee or the President, the finalization of the terms and conditions of the Exercise, including the re-appointment of Reyes Tacandong & Co. ("RT&Co.") to update the Third-Party Fairness Opinion and Independent Valuation Report on First Metro's share price. c. Amendment of the Article of Incorporation to delete the provisions in the Primary Purpose pertaining to the quasi-banking and trust activities in view of the surrender of the Company's quasi-banking license to the Bangko Sentral Ng Pilipinas, particularly the following: *SECOND: PRIMARY PURPOSE* *l. to act as financial consultant, investment adviser or portfolio manager.* *(as amended during the regular Board meeting on March 22, 2007 and ratified during the stockholders meeting on May 3, 2007)* **m. to act as trustee or administer any trust or hold property in trust or on deposit for use, or in behalf of*	April 7, 2021

	other persons. **n. perform such other functions as a quasi-bank may be authorized under existing laws.* *(*as amended during the regular Board meeting on 19 November 2009 and ratified by the Stockholders during the annual meeting of the stockholders on 29 April 2010)*	
April 30, 2021	This is to report that during the annual stockholders'meeting of First Metro Investment Corporation held on April 30, 2021, the following matters were taken up: 1. Election of the following stockholders as Directors of the Corporation for the year 2021-2022; - Mr. Francisco C. Sebastian - Ms. Mary Mylene A. Caparas - Mr. Jose Patricio A. Dumlao - Mr. Martin Q. DyBuncio - Mr. Ismael G. Cruz - Mr. Joshua E. Naing - Atty. Raphael Perpetuo M. Lotilla* - Mr. Rufino Luis T. Manotok* - Mr. Benedicto Jose R. Arcinas* **Independent Director* 2. Amendment to the Articles of Incorporation to amend the following: i. Amendment of Article VII to (1) increase the par value from PHP10 to PHP500 per share, and (2) decrease the number of authorized common shares from 800,000,000 to 16,000,000 common shares. ii. Amendment of the Primary Purpose in the Articles of Incorporation to delete the provisions pertaining to quasi-banking and trust activities in view of the recent approval of the BSP of the surrender of the quasi-bank license. 3. Appointment of Sycip, Gorres, Velayo & Co. as External Auditor for year 2021 At the organizational meeting of the Board of Directors immediately after the stockholders meeting, the Board elected/appointed the following: 1. Board Officers 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	May 4, 2021

	Atty. Nimfa B. Pastrana - Asst. Corporate Secretary Mr. Nicholas James T. DyBuncio - Asst. Corporate Secretary 2. Board Advisers Mr. Arthur V. Ty - Senior Adviser Mr. Fernand Antonio Tansingco - Adviser 3. Appointment/Re-appointment of corporate officers listed in Annex A. 4. Executive and Board Committees composition as listed in Annex B. The Board of Directors also approved the following: 5. Filing of Registration Statement to the Securities and Exchange Commission for the Commercial Paper Issuance 6. Promotion of the following Officers: Maricel L. Madrid – Head, Controllership Group From First Vice President to Senior Vice President John Wesley M. Peralta – Head, Debt Capital Markets Division, IBG From Vice President to First Vice President	

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 07 2022.

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
SVP/Controller

ALESANDRA T. TY
Corporate Secretary

APR 07 2022

SUBSCRIBED AND SWORN to before me this ______ day of ______, 2022 affiants exhibiting to me their Passport/ UMID, as follows:

Names	Passport/Driver License/UMID No.	Date of Issue	Place of Issue
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		

Notary Public

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Book No. VIII
Series of 2022.

Exhibit No.1

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

COMPANY NAME

FIRST METRO INVESTMENT CORPORATION AND SUBSIDIARIES

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

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CRMD	GSED

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
patricio.dumlao@firstmetro.com.ph	8858-7900	

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
1,376		12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Jose Patricio A. Dumlao	patricio.dumlao@firstmetro.com.ph	8858-7900	

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.*

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
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, 2021 and 2020 and the consolidated and parent company statements of income, consolidated and parent company statements of comprehensive income, consolidated and parent company statements of changes in equity and consolidated and parent company statements of cash flows for each of the three years in the period ended December 31, 2021, and notes to the consolidated and parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and parent company financial statements present fairly, in all material respects, the financial position of the Group and the Parent Company as at December 31, 2021 and 2020, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2021, in accordance with Philippine Financial Reporting Standards (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.

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 and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the 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 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 and the Parent Company's internal control.

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

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

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

- Obtain sufficient appropriate 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 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.

Reports on the Supplementary Information Required Under Revenue Regulations No. 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations No. 15-2010 in Note 32 to the financial statements is presented for purposes of filing with the 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 First Metro Investment Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Veronica Mae A. Arce.

SYCIP GORRES VELAYO & CO.

Veronica Mae A. Arce
Partner
CPA Certificate No. 0117208
Tax Identification No. 234-282-413
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 0117208-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-135-2021, November 10, 2021, valid until November 9, 2024
PTR No. 8853465, January 3, 2022, Makati City

March 02, 2022

FIRST METRO INVESTMENT CORPORATION AND SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION

	Consolidated		Parent Company	
	December 31, 2021	December 31, 2020	**December 31, 2021**	December 31, 2020
ASSETS				
Cash and other cash items (Note 18)	**₱7,159,181,657**	₱6,073,003,807	**₱3,193,226,398**	₱305,670,015
Due from Bangko Sentral ng Pilipinas (BSP) (Note 13)	–	2,507,296,864	–	2,507,296,864
Securities purchased under resale agreements (SPURA) (Note 28)	–	2,593,323,509	–	2,593,323,509
Investment securities at				
Fair value through profit or loss (FVTPL) (Notes 6 and 25)	**8,829,786,133**	9,633,287,756	**813,246,005**	975,431,269
Fair value through other comprehensive income (FVOCI) (Note 6)	**1,287,872,590**	1,217,167,966	**1,112,146,560**	1,065,333,485
Amortized cost (Notes 6, 12 and 25)	**5,288,410,910**	1,465,148,158	–	–
Loans and receivables (Notes 7, 12 and 25)	**2,821,238,598**	2,234,394,710	**405,124,344**	503,787,849
Property and equipment (Note 8)	**147,509,585**	94,526,186	**99,097,202**	61,098,868
Investments in subsidiaries and associates (Notes 9, 12 and 25)	**6,444,811,531**	6,721,356,317	**9,610,827,340**	10,563,985,252
Investment properties (Note 10 and 12)	**181,204,058**	181,920,273	**181,204,058**	181,920,273
Deferred tax assets (Note 24)	**41,937,915**	76,030,804	**10,571,628**	20,194,776
Other assets (Notes 11 and 25)	**926,111,804**	905,682,399	**700,752,523**	700,805,549
	₱33,128,064,781	₱33,703,138,749	**₱16,126,196,058**	₱19,478,847,709
LIABILITIES AND EQUITY				
LIABILITIES				
Bills payable (Notes 13 and 25)	**₱–**	₱3,856,294,035	**₱–**	₱3,856,294,035
Accounts payable (Note 14 and 25)	**6,255,521,481**	5,872,032,197	**229,983,229**	248,981,321
Accrued taxes, interest and other expenses (Notes 14 and 25)	**159,021,112**	169,739,237	**51,203,317**	84,250,293
Income taxes payable	**10,513,394**	13,132,281	**2,888,424**	4,095,971
Puttable instruments of mutual fund subsidiaries classified as liability (Note 15)	**10,618,762,785**	8,314,673,287	–	–
Other liabilities (Notes 15 and 25)	**452,443,791**	386,206,745	**313,485,204**	290,077,993
	17,496,262,563	18,612,077,782	**597,560,174**	4,483,699,613
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 (Note 17)	**2,065,694,042**	2,065,694,042	**2,065,694,042**	2,065,694,042
Retained earnings (Note 17)	**12,438,271,410**	12,104,185,197	**12,438,271,410**	12,104,185,197
Treasury stock (Note 17)	**(2,662,030,617)**	(2,661,979,203)	**(2,662,030,617)**	(2,661,979,203)
Net unrealized loss on FVOCI investments (Notes 6 and 25)	**(505,616,136)**	(591,953,132)	**(505,616,136)**	(591,953,132)
Remeasurements of retirement liability (Note 20)	**38,080,880**	(5,253,290)	**38,080,880**	(5,253,290)
Cumulative translation adjustment	**24,839,215**	10,946,854	**24,839,215**	10,946,854
Equity in other comprehensive income (loss) of associates (Note 9)	**(79,295,310)**	(135,184,772)	**(79,295,310)**	(135,184,772)
	15,528,635,884	14,995,148,096	**15,528,635,884**	14,995,148,096
Equity attributable to non-controlling interests	**103,166,334**	95,912,871	–	–
	15,631,802,218	15,091,060,967	**15,528,635,884**	14,995,148,096
	₱33,128,064,781	₱33,703,138,749	**₱16,126,196,058**	₱19,478,847,709

See accompanying Notes to Financial Statements.

FIRST METRO INVESTMENT CORPORATION AND SUBSIDIARIES
STATEMENTS OF INCOME

	Consolidated			Parent Company		
	Years Ended December 31					
	2021	2020	2019	**2021**	2020	2019
INTEREST INCOME (Notes 6, 7, 18 and 25)						
Investment securities at FVOCI and at amortized cost	**₱71,701,680**	₱71,796,040	₱610,680,728	**₱–**	₱17,895,031	₱566,708,775
Investment securities at FVTPL	**128,565,608**	157,279,706	237,758,624	**50,272,411**	73,660,923	147,339,302
Other financial assets	**72,037,918**	271,352,189	287,647,873	**47,001,059**	215,719,569	194,355,348
	272,305,206	500,427,935	1,136,087,225	**97,273,470**	307,275,523	908,403,425
INTEREST EXPENSE (Notes 13, 15, 19, 22 and 25)	**27,158,029**	143,890,199	993,056,830	**24,144,189**	142,255,560	993,634,132
NET INTEREST INCOME (EXPENSE)	**245,147,177**	356,537,736	143,030,395	**73,129,281**	165,019,963	(85,230,707)
Service charges, fees and commissions (Note 21 and 25)	**756,713,053**	443,579,197	655,075,179	**349,946,977**	207,908,196	515,780,736
Dividends (Notes 6 and 25)	**142,764,017**	110,289,662	143,392,677	**21,154,641**	19,305,984	23,370,515
Trading and securities gains (Notes 6 and 25)	**128,434,332**	36,891,211	721,718,398	**36,869,554**	136,577,566	575,654,292
Foreign exchange gain (loss)	**4,191,578**	7,374,132	(10,784,083)	**669,435**	6,769,156	(6,878,992)
Gain on sale of assets (Notes 8 and 10)	**59,514**	3,208,999	52,208,361	**–**	3,220,087	52,208,361
Gain on sale of investment securities at amortized cost (Note 6)	–	–	26,414,495	–	–	26,414,495
Miscellaneous (Note 21)	**28,341,771**	17,210,957	15,444,681	**3,725,464**	5,394,478	6,339,570
TOTAL OPERATING INCOME	**1,305,651,442**	975,091,894	1,746,500,103	**485,495,352**	544,195,430	1,107,658,270
OTHER EXPENSES						
Compensation and fringe benefits (Notes 20 and 25)	**558,894,293**	565,043,726	538,955,348	**391,401,045**	401,976,129	405,849,078
Provision for (recovery from) impairment, credit and other probable losses (Note 12)	**128,666,709**	(63,164,656)	469,983,758	**127,734,085**	(63,212,836)	469,938,258
Online trading, transfer and exchange fees	**107,812,427**	81,052,992	54,337,273	**6,839,785**	12,044,683	10,050,388
Broker's commissions	**66,139,514**	31,470,362	35,485,036	**2,178,003**	4,501,715	11,752,457
Depreciation of property and equipment and investment properties (Notes 8 and 10)	**65,907,506**	62,741,254	81,885,544	**43,692,217**	45,387,240	47,981,166
Taxes and licenses	**60,126,128**	129,242,943	256,369,449	**35,027,065**	110,085,100	248,945,916
Professional fees	**59,979,433**	60,759,349	88,098,486	**31,163,695**	30,994,534	57,861,439
Advertising and communication expenses	**53,057,290**	43,276,439	61,399,731	**23,248,650**	21,896,174	27,329,079
Information technology and related expenses (Notes 11 and 23)	**38,238,413**	38,613,169	51,789,245	**31,957,631**	29,671,072	39,996,789
Representation and entertainment (Note 25)	**14,516,459**	17,136,952	17,895,978	**9,085,472**	12,388,489	11,251,466
Rent, light and water	**9,004,827**	18,245,654	16,409,142	**5,595,781**	5,119,170	10,844,158
Miscellaneous (Notes 10 and 23)	**209,401,699**	143,780,235	191,514,773	**95,289,428**	72,722,769	94,126,724
	1,371,744,698	1,128,198,419	1,864,123,763	**803,212,857**	683,574,239	1,435,926,918
LOSS BEFORE SHARE IN NET INCOME OF SUBSIDIARIES AND ASSOCIATES	**(66,093,256)**	(153,106,525)	(117,623,660)	**(317,717,505)**	(139,378,809)	(328,268,648)
SHARE IN NET INCOME (LOSS) OF SUBSIDIARIES (Note 9)	–	–	–	**174,546,251**	(56,315,480)	131,484,122
SHARE IN NET INCOME OF ASSOCIATES (Note 9)	**495,120,126**	617,715,097	775,153,705	**497,257,213**	618,132,237	777,351,401
INCOME BEFORE INCOME TAX	**429,026,870**	464,608,572	657,530,045	**354,085,959**	422,437,948	580,566,875
PROVISION FOR INCOME TAX (Note 24)	**81,063,762**	100,286,724	251,034,819	**13,906,296**	58,062,009	178,119,527
NET INCOME	**₱347,963,108**	₱364,321,848	₱406,495,226	**₱340,179,663**	₱364,375,939	₱402,447,348
Attributable to:						
Equity holders of the Parent Company	**₱340,179,663**	₱364,375,939	₱402,447,348			
Non-controlling interests	**7,783,445**	(54,091)	4,047,878			
	₱347,963,108	₱364,321,848	₱406,495,226			
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 27)	**₱0.9**	₱1.0	₱1.1			

See accompanying Notes to Financial Statements.

FIRST METRO INVESTMENT CORPORATION AND SUBSIDIARIES
STATEMENTS OF COMPREHENSIVE INCOME

	Consolidated			Parent Company		
	Years Ended December 31					
	2021	2020	2019	**2021**	2020	2019
NET INCOME	**₱347,963,108**	₱364,321,848	₱406,495,226	**₱340,179,663**	₱364,375,939	₱402,447,348
OTHER COMPREHENSIVE INCOME (LOSS)						
Items that recycle to profit or loss in subsequent periods:						
Changes in net unrealized gain (loss) on FVOCI debt investments (Note 6)	**1,089,236**	(48,513,163)	40,203,752	–	(37,518,008)	37,518,008
Income tax effect (Notes 6 and 24)	**(217,847)**	11,416,139	–	–	–	–
	871,389	(37,097,024)	40,203,752	–	(37,518,008)	37,518,008
Cumulative translation adjustment	**13,892,361**	(12,720,926)	(9,078,133)	**13,892,361**	(12,720,926)	–
Changes in cash flow hedge reserve	–	9,501,975	(9,501,975)	–	9,501,975	(9,501,975)
Share in other comprehensive income (loss) of subsidiaries (Note 9)	–	–	–	**871,389**	420,984	(10,329,123)
Share in other comprehensive income (loss) of associates (Note 9)	**(249,364,872)**	233,191,566	368,979,454	**(249,364,872)**	233,191,566	368,979,454
Other comprehensive income attributable to puttable instruments	**(619,982)**	–	–	–	–	–
	(235,221,104)	192,875,591	390,603,098	**(234,601,122)**	192,875,591	386,666,364
Items that do not recycle to profit or loss in subsequent periods:						
Remeasurements of retirement liability (Note 20)	**57,225,067**	(11,671,971)	(63,969,365)	**50,895,750**	(14,199,084)	(42,506,779)
Income tax effect (Notes 20 and 24)	**(13,890,897)**	3,410,288	19,667,863	**(12,723,938)**	4,259,725	12,752,035
	43,334,170	(8,261,683)	(44,301,502)	**38,171,813**	(9,939,359)	(29,754,744)
Changes in net unrealized gain (loss) on FVOCI equity investments (Note 6)	**79,462,157**	88,685,488	(477,215,187)	**40,719,626**	104,373,337	(473,278,453)
Share in other comprehensive income (loss) of subsidiaries (Note 9)	–	–	–	**43,814,889**	(14,744,991)	(14,546,757)
Share in other comprehensive income (loss) of associates (Note 9)	**305,254,334**	(414,848,761)	(298,733,011)	**305,254,333**	(414,848,761)	(298,733,012)
	428,050,661	(334,424,956)	(820,249,700)	**427,960,661**	(335,159,774)	(816,312,966)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	**192,829,557**	(141,549,365)	(429,646,602)	**193,359,539**	(142,284,183)	(429,646,602)
TOTAL COMPREHENSIVE INCOME (LOSS), NET OF TAX	**₱540,792,665**	₱222,772,483	(₱23,151,376)	**₱533,539,202**	₱222,091,756	(₱27,199,254)
ATTRIBUTABLE TO:						
Equity holders of the Parent Company	**₱533,539,202**	₱222,091,756	(₱27,199,254)			
Non-controlling interests	**7,253,463**	680,727	4,047,878			
	₱540,792,665	₱222,772,483	(₱23,151,376)			

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, 2021	**₱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**
Total comprehensive income	**–**	**–**	**340,179,663**	**–**	**80,243,546**	**–**	**43,334,170**	**13,892,361**	**55,889,462**	**533,539,202**	**7,253,463**	**540,792,665**
Acquisition of treasury shares (Note 17)	**–**	**–**	**–**	**(51,414)**	**–**	**–**	**–**	**–**	**–**	**(51,414)**	**–**	**(51,414)**
Realized loss on disposal charged against surplus (Note 6)	**–**	**–**	**(6,093,450)**	**–**	**6,093,450**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Balance at December 31, 2021	**₱4,208,692,400**	**₱2,065,694,042**	**₱12,438,271,410**	**(₱2,662,030,617)**	**(₱505,616,136)**	**₱–**	**₱38,080,880**	**₱24,839,215**	**(₱79,295,310)**	**₱15,528,635,884**	**₱103,166,334**	**₱15,631,802,218**
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 disposal charged against surplus (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

	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, 2021	**₱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**
Total comprehensive income	–	–	**340,179,663**	–	**80,243,546**	–	**43,334,170**	**13,892,361**	**55,889,462**	**533,539,202**
Acquisition of treasury shares (Note 17)	–	–	–	**(51,414)**	–	–	**–**	**–**	**–**	**(51,414)**
Realized loss on disposal charged against surplus (Note 6)	–	–	**(6,093,450)**	–	**6,093,450**	–	**–**	**–**	**–**	–
Balance at December 31, 2021	**₱4,208,692,400**	**₱2,065,694,042**	**₱12,438,271,410**	**(₱2,662,030,617)**	**(₱505,616,136)**	**₱–**	**₱38,080,880**	**₱24,839,215**	**(₱79,295,310)**	**₱15,528,635,884**
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 disposal charged agains surplus (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

See accompanying Notes to Financial Statements.

FIRST METRO INVESTMENT CORPORATION AND SUBSIDIARIES
STATEMENTS OF CASH FLOWS

	Consolidated			Parent Company		
	Years Ended December 31					
	2021	2020	2019	**2021**	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES						
Income before income tax	**₱429,026,870**	₱464,608,572	₱657,530,045	**₱354,085,959**	₱422,437,948	₱580,566,875
Adjustments for:						
Gain on sale of FVOCI debt investments (Note 6)	**(90,000)**	(31,666,457)	(364,468,614)	**(90,000)**	(31,666,457)	(364,468,614)
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)	**(495,120,126)**	(617,715,097)	(775,153,705)	**(497,257,213)**	(618,132,237)	(777,351,401)
Share in net (income) loss of subsidiaries (Note 9)	**–**	–	–	**(174,546,251)**	56,315,480	(131,484,122)
Dividend income (Notes 6 and 9)	**(142,764,017)**	(110,289,662)	(143,392,677)	**(21,154,641)**	(19,305,984)	(23,370,515)
Depreciation and amortization (Notes 8, 10 and 11)	**76,616,952**	75,913,940	103,284,736	**52,929,065**	56,479,126	66,962,351
Interest expense on lease liability (Notes 19 and 22)	**2,812,629**	3,458,230	6,327,128	**1,274,547**	1,851,715	4,119,128
Provision for (recovery from) impairment, credit, and other probable losses (Note 12)	**128,666,709**	(63,164,656)	469,983,758	**127,734,085**	(63,212,836)	469,938,258
Unrealized foreign exchange loss (gain)	**(5,707,062)**	1,948,410	(15,222,115)	**1,286,422**	–	(20,239,020)
Loss (gain) on sale of:						
Investments in subsidiaries and associates (Note 9)	**–**	–	250	**–**	(11,088)	250
Property and equipment (Note 8)	**59,514**	(79,999)	(1,252,609)	**–**	(79,999)	(1,252,609)
Investment properties (Note 10)		(3,129,000)	(50,956,002)	**–**	(3,129,000)	(50,956,002)
Amortization of premium or discount on financial assets	**57,282**	(1,905,971)	40,978,340	**–**	(1,939,851)	47,212,744
Amortization of premium or discount on financial liabilities	**–**	–	3,042,250	**–**	–	2,866,136
Changes in operating assets and liabilities:						
Decrease (increase) in the amounts of:						
Investment securities at FVTPL	**464,484,512**	2,587,162,983	(2,661,396,303)	**162,185,264**	2,724,045,019	(2,212,466,961)
Loans and receivables	**167,652,073**	(1,094,473,537)	(147,602,342)	**79,668,297**	102,859,549	44,953,380
Other assets	**(16,146,571)**	15,846,698	7,682,424	**(7,980,109)**	34,668,076	(12,520,006)
Increase (decrease) in the amounts of:						
Accounts payable	**493,258,521**	3,517,237,177	300,417,950	**(18,998,092)**	(8,918,140)	(7,610,642)
Accrued taxes, interest and other expenses	**9,471,411**	(11,979,587)	(13,961,793)	**(14,494,601)**	(39,526,034)	(33,381,091)
Other liabilities	**2,265,840,291**	1,833,758,433	(82,483,794)	**44,586,182**	11,161,958	(24,023,337)
Net cash generated from (used in) operations	**3,378,118,988**	6,565,530,477	(2,693,057,568)	**89,228,914**	2,623,897,245	(2,468,919,693)
Income taxes paid/(credit)	**(77,712,103)**	(95,824,180)	(268,622,697)	**(18,214,406)**	(54,203,772)	(178,848,288)
Net cash provided by (used in) operating activities	**₱3,300,406,885**	₱6,469,706,297	(₱2,961,680,265)	**₱71,014,508**	₱2,569,693,473	(₱2,647,767,981)

(Forward)

	Consolidated			Parent Company		
	Years Ended December 31					
	2021	2020	2019	**2021**	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES						
Acquisitions of:						
FVOCI investments	**₱–**	(₱3,947,940,941)	(₱14,507,570,694)	**₱–**	(₱3,933,857,869)	(₱14,507,591,584)
Loans and receivables	**(752,450,000)**	(65,000,000)	–	**–**	–	–
Amortized cost investments	**(4,145,315,148)**	(1,125,454,273)	(369,612,414)	**–**	–	–
Property and equipment (Note 8)	**(30,816,835)**	(15,058,380)	(26,431,745)	**(16,315,372)**	(7,698,522)	(18,434,805)
Software licenses (Note 11)	**(7,147,774)**	(4,494,845)	(4,557,333)	**(2,952,649)**	(4,386,658)	(4,411,426)
Capital infusion to subsidiaries (Note 9)	**–**	–	–	**–**	(170,327,140)	(6,447,594)
Proceeds from sale/redemption/ maturities of:						
FVOCI investments	**12,071,550**	4,701,537,134	13,205,173,784	**–**	4,699,413,066	13,205,174,479
Investment in subsidiaries associates and joint ventures (Note 9)	**–**	–	848	**899,722,842**	132,386,477	6,448,442
Amortized cost investments	**670,609,664**	249,334,486	16,792,668,442	**–**	479,999,243	16,456,538,442
Loans and receivables	**–**	629,954,383	2,500,000	**–**	–	2,500,000
Investment properties (Note 10)	**–**	10,995,000	66,970,100	**–**	10,995,000	66,970,100
Property and equipment (Note 8)	**1,954,303**	7,128,535	6,223,278	**1,723,130**	412,757	3,286,487
Dividends received from investment securities	**142,764,017**	110,289,662	143,392,677	**21,154,641**	19,305,984	23,370,515
Dividends received from subsidiaries and associates (Note 9)	**696,032,250**	583,314,476	120,353,923	**702,090,750**	621,325,143	140,603,923
Net cash provided by investing activities	**(3,412,297,973)**	1,134,605,237	15,429,110,866	**1,605,423,342**	1,847,567,481	15,368,006,979
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from issuance of bills payable	**50,310,357,500**	10,220,552,000	244,505,554,513	**50,310,357,500**	10,220,552,000	244,505,554,513
Payments of bills payable	**(54,167,937,957)**	(17,671,706,057)	(249,386,100,718)	**(54,167,937,957)**	(17,671,706,057)	(249,386,100,718)
Redemption of bonds payable	**–**	–	(2,920,000,000)		–	(3,000,000,000)
Payments of lease liability (Note 22)	**(44,820,274)**	(24,418,359)	(43,954,584)	**(31,770,679)**	(15,982,952)	(26,938,707)
Dividends paid	**(99,290)**	(375,448)	(370,675)	**(99,290)**	(375,448)	(370,675)
Acquisition of treasury shares (Note 17)	**(51,414)**	–	(2,428,332)	**(51,414)**	–	(2,428,332)
Net cash used in financing activities	**(3,902,551,435)**	(7,475,947,864)	(7,847,299,796)	**(3,889,501,840)**	(7,467,512,457)	(7,910,283,919)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(4,014,442,523)**	128,363,670	4,620,130,805	**(2,213,063,990)**	(3,050,251,503)	4,809,955,079
CASH AND CASH EQUIVALENTS AT BEGINNING 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
CASH AND CASH EQUIVALENTS AT END OF YEAR						
Cash and other cash items	**7,159,181,657**	6,073,003,807	3,965,262,171	**3,193,226,398**	305,670,015	1,376,543,552
Due from BSP	**–**	2,507,296,864	5,733,306,404	**–**	2,507,296,864	5,733,306,404
SPURA	**–**	2,593,323,509	1,346,691,935	**–**	2,593,323,509	1,346,691,935
	₱7,159,181,657	₱11,173,624,180	₱11,045,260,510	**₱3,193,226,398**	₱5,406,290,388	₱8,456,541,891

OPERATIONAL CASH FLOWS FROM INTEREST

	Consolidated			Parent Company		
	Years Ended December 31					
	2021	2020	2019	**2021**	2020	2019
Interest paid	**₱30,855,262**	₱171,066,057	₱1,043,362,615	**₱26,530,677**	₱167,508,022	₱1,046,571,487
Interest received	**279,465,557**	543,913,305	1,204,948,961	**103,573,799**	348,736,219	988,993,774

See accompanying 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 (QB) license with the BSP on December 21, 2020. On March 29, 2021, the Parent Company received the approval of the BSP for the surrender of the its QB license effective March 25, 2021.

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.

Subsidiaries	Principal Activities	Country of Incorporation	Effective Percentage of Ownership	
			2021	2020
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-	**95.3**	94.9
First Metro Philippine Equity Exchange Traded Fund, Inc. (FMPEETFI)	Exchange Traded Fund	-do-	**28.7**	35.6
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-	**14.2**	25.2
First Metro Save and Learn Balanced Fund, Inc. (FMSALBF)	-do-	-do-	**22.3**	27.4
First Metro Save and Learn Fixed Income Fund (FMSLFIF)	-do-	-do-	**9.9**	23.9
First Metro Save and Learn Money Market Fund, Inc. (FMSLMMF)	-do-	-do-	**5.2**	12.1
First Metro Save and Learn F.O.C.C.U.S. Dynamic Dividend Fund, Inc.	-do-	-do-	**52.8**	24.3

** 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
Except for these new and amended standards which were adopted as of January 1, 2021, the accounting policies adopted are consistent with those of previous financial year.

Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the Group.

Amendment to PFRS 16, *COVID-19-related Rent Concessions beyond 30 June 2021*
The amendment provides relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
- There is no substantive change to other terms and conditions of the lease.

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

Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*
The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free rate (RFR):

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
- Relief from discontinuing hedging relationships
- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

The Group shall also disclose information about:

- The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition.

Significant Accounting Policies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

<u>Financial Instruments - Initial Recognition</u>
Date of recognition
Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place are recognized on the settlement date. Deposits, amounts due to banks and customers and loans are recognized when cash is received by the Group or advanced to the borrowers.

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

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

type of asset. In cases where transaction price used is made of data which is not observable, the difference between the transaction price and model value is only recognized in the statement of income when the inputs become observable, or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' profit or loss amount.

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

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

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

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 Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

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.

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 Parent 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.

<u>Property and Equipment</u>
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 Non-financial 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.

<u>Revenue outside the scope of PFRS 15</u>
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.

<u>Retirement Benefits</u>
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, 2022

Amendments to PFRS 3, *Reference to the Conceptual Framework*
The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately. It also clarified that contingent assets do not qualify for recognition at the acquisition date. The Group applies these amendments prospectively for annual reporting periods beginning on or after January 1, 2022.

Amendments to PAS 16 , *Plant and Equipment: Proceeds before Intended Use*
The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment are effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

Amendments to PAS 37, *Onerous Contract – Costs of Fulfilling a Contract*
The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

Annual Improvements to PFRSs 2018-2020 Cycle
Amendments to PFRS 1, First-time Adoption of *Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
The amendments permit a subsidiary, joint venture or associate that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted

Amendments to PFRS 9, *Financial Instruments*, *Fees in the '10 per cent' test for derecognition financial liabilities*
The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*
The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41. An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted.

<u>*Effective beginning on or after January 1, 2023*</u>

Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.

Amendments to PAS 8, *Definition of Accounting Estimates*
The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

Amendments to PAS 1 and Practice Statement 2, *Disclosure of Accounting Policies*
The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group.

Effective beginning on or after January 1, 2024

Amendments to PAS 1*, Classification of Liabilities as Current and Non-Current*
The amendments clarify the following to specify the requirements for classifying liabilities as current or non-current:
- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024.

Effective beginning on or after January 1, 2025

PFRS 17, *Insurance Contracts*
PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:
- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

Deferred effectivity

Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the IASB completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

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, 2021, 2020 and 2019.

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 26.66%, 11.29%, 19.71%, and 8.27% 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, 2021 and 35.6%, 25.2%, 27.4%, and 23.9%, respectively, as of December 31, 2020. 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, 2021 and 2020 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, 2021 and 2020, 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, 2021 and 2020, 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 policy and procedure manual on the Loan Loss Methodology and Provisioning 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							
	2021				2020			
	Maximum Exposure to Credit Risk	Fair Value of Collateral	Financial Effect of Collateral or Credit Enhancement	Net Exposure	Maximum Exposure to Credit Risk	Fair Value of Collateral	Financial Effect of Collateral or Credit Enhancement	Net Exposure
SPURA	**₱–**	**₱–**	**₱–**	**₱–**	₱2,593,323,509	₱2,591,012,470	₱2,591,012,470	₱2,311,039
Loans and receivables - net								
Loans and discounts								
Corporate lendings	**300,000,000**	**870,103,557**	**300,000,000**	**–**	355,698,127	871,881,557	355,698,127	–
Others	**3,438,895**	**5,471,884**	**3,438,895**	**–**	3,668,508	5,986,884	3,668,508	–
Total	**₱303,438,895**	**₱875,575,441**	**₱303,438,895**	**₱–**	₱2,952,690,144	₱3,468,880,911	₱2,950,379,105	₱2,311,039

	Parent Company							
	2021				2020			
	Maximum Exposure to Credit Risk	Fair Value of Collateral	Financial Effect of Collateral or Credit Enhancement	Net Exposure	Maximum Exposure to Credit Risk	Fair Value of Collateral	Financial Effect of Collateral or Credit Enhancement	Net Exposure
SPURA	**₱–**	**₱–**	**₱–**	**₱–**	₱2,593,323,509	₱2,591,012,470	₱2,591,012,470	₱2,311,039
Loans and receivables - net								
Loans and discounts								
Corporate lendings	**300,000,000**	**870,103,557**	**300,000,000**	**–**	355,698,127	871,881,557	355,698,127	–
Others	**1,668,144**	**1,898,356**	**1,668,144**	**–**	1,865,980	1,898,356	1,865,980	–
	₱301,668,144	**₱872,001,913**	**₱301,668,144**	**₱–**	₱2,950,887,616	₱3,464,792,383	₱2,948,576,577	₱2,311,039

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, 2021 and 2020.

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, 2021 and 2020.

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 periodic 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			
	2021			
	Loans and Receivables	**Loans and Advances to Banks***	**Investment Securities****	**Total**
Philippine government	**₱28,870,425**	**₱–**	**₱5,883,543,676**	**₱5,912,414,101**
Financial intermediaries	**1,774,426,634**	**7,159,008,634**	**641,697,530**	**9,575,132,798**
Electricity, gas and water	**309,613,526**	**–**	**129,267,404**	**438,880,930**
Real estate, renting and business activities	**6,794,960**	**–**	**427,279,652**	**434,074,612**
Manufacturing	**1,479,857**	**–**	**297,236,816**	**298,716,673**
Transportation and storage	**75,352**	**–**	**44,553,461**	**44,628,813**
Information and communication	**727,316**	**–**	**57,270,715**	**57,998,031**
Others (various industries)	**749,267,996**	**–**	**54,291,812**	**803,559,808**
	₱2,871,256,066	**₱7,159,008,634**	**₱7,535,141,066**	**₱17,565,405,766**

* *Comprises of Cash and other cash items excluding petty cash fund which amounted to ₱173,023.*
** *Comprises of Debt investment securities at FVTPL, FVOCI and Amortized cost.*

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

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

	Parent Company			
	2021			
	Loans and Receivables	**Loans and Advances to Banks***	**Investment Securities****	**Total**
Philippine government	**₱10,619,604**	**₱–**	**₱580,808,211**	**₱591,427,815**
Financial intermediaries	**93,528,518**	**3,193,146,398**	**78,944,980**	**3,365,619,896**
Electricity, gas and water	**308,674,245**	**–**	**9,841,243**	**318,515,488**
Real estate, renting and business activities	**3,992,953**	**–**	**90,282,837**	**94,275,790**
Manufacturing	**17,784**	**–**	**3,732,308**	**3,750,092**
Others (various industries)	**5,682,321**	**–**	**49,636,426**	**55,318,747**
	₱422,515,425	**₱3,193,146,398**	**₱813,246,005**	**₱4,428,907,828**

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

	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.*

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

The ICRRS contains the following:

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

   The assessment is described below:

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

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

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

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

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

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

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

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

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

4 - Satisfactory
A "satisfactory" rating is given to a borrower that pays as agreed, but is not necessarily non-delinquent. The entity has adequate to marginal liquidity and generally meets performance expectations. While there are external factors that may affect the entity, these will likely be

overcome. A lack of key management experience may be a current problem for the entity, and such could be brought about by a recent departure of a key employee.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The following tables show the credit quality of the Group and the Parent Company's financial assets, gross of allowance for credit losses, as of December 31, 2021 and 2020, all of which are classified as Stage 1.

	2021		2020	
	Consolidated	**Parent**	Consolidated	Parent
Due from BSP				
High Grade	**₱–**	**₱–**	₱2,507,296,864	₱2,507,296,864
Due from Other Banks				
High Grade	**6,784,786,060**	**3,193,146,398**	5,527,841,686	305,590,015
Standard Grade	–	–	–	–
Unrated	**374,222,574**	–	544,975,121	–
	7,159,008,634	**3,193,146,398**	6,072,816,807	305,590,015
SPURA				
High Grade	–	–	2,593,323,509	2,593,323,509
Total Loans and Advances to Banks				
High Grade	**6,784,786,060**	**3,193,146,398**	10,628,462,059	5,406,210,388
Standard Grade	–	–	–	–
Unrated	**374,222,574**	–	544,975,121	–
	₱7,159,008,634	**₱3,193,146,398**	₱11,173,437,180	₱5,406,210,388

	2021		2020	
	Consolidated	**Parent**	Consolidated	Parent
FVOCI Investments				
Government				
High Grade	**₱2,008,072**	**₱–**	₱2,288,134	₱–
Standard Grade	**524,867**	–	504,969	–
	2,532,939	–	2,793,103	–
Private				
High Grade	**30,666,916**	–	35,983,511	–
Total FVOCI Investments				
High Grade	**32,674,988**	–	38,271,645	–
Standard Grade	**524,867**	–	504,969	–
	₱33,199,855	**₱–**	₱38,776,614	₱–
Investment Securities at Amortized Cost				
Government				
High Grade	**₱4,214,961,146**	**₱–**	₱170,754,586	₱–
Standard Grade	–	–	116,939,606	–
	4,214,961,146	–	287,694,192	–
Private				
High Grade	**127,020,139**	–	313,744,429	–
Standard Grade	**942,103,241**	–	814,644,179	–
Unrated	**4,655,387**		49,384,604	
	1,073,778,767	–	1,177,773,212	–
Total Investment Securities at Amortized Cost		–	–	
High Grade	**4,341,981,285**	–	484,499,015	–
Standard Grade	**942,103,241**	–	931,583,785	–
Unrated	**4,655,385**	–	49,384,604	–
	5,288,739,911	–	1,465,467,404	–
Total Investment Securities				
High Grade	**4,374,656,273**	–	₱522,770,660	–
Standard Grade	**942,628,108**	–	932,088,754	–
Unrated	**4,655,386**	–	49,384,604	–
	₱5,321,939,767	**₱–**	₱1,504,244,018	₱–
Loans and Discount				
Standard Grade	**₱388,000,000**	**₱380,000,000**	₱455,704,355	₱462,704,354
Unrated	**8,155,685**	**5,300,679**	8,730,139	5,841,217
	396,155,685	**385,300,679**	464,434,494	468,545,571
Unquoted commercial papers				
High Grade	**752,450,000**	–	–	
Standard Grade	**65,000,000**	–	65,000,000	–
	817,450,000	–	65,000,000	–
Accounts Receivable				
High Grade	**12,406,261**	**10,790,100**	–	–
Standard Grade	**111,202,856**	**2,332,984**	162,200	322,752
Substandard Grade	**688,581,778**	–	131,871,948	–
Unrated	**769,334,825**	**13,603,735**	1,544,110,864	26,024,747
	1,581,525,720	**26,726,819**	1,676,145,012	26,347,499
Accrued Interest Receivable				
High Grade	**22,625,615**	**1,896,496**	23,890,531	6,512,478
Standard Grade	**18,038,738**	**8,591,431**	23,657,748	10,275,778
Unrated	–	–	276,426	–
	40,664,353	**10,487,927**	47,824,705	16,788,256
Dividend Receivables				
Unrated	**2,775,575**	–	3,213,966	–
	2,775,575	–	3,213,966	–

(Forward)

	2021		2020	
	Consolidated	**Parent**	Consolidated	Parent
Other Receivables				
Unrated	**₱32,684,733**	**₱–**	₱17,862,955	₱–
	32,684,733	**–**	17,862,955	–
Total Loans and Receivables				
High Grade	**787,481,876**	**12,686,596**	23,890,531	6,512,478
Standard Grade	**582,241,594**	**390,924,416**	544,524,302	473,302,884
Substandard Grade	**688,581,778**	**–**	131,871,948	–
Unrated	**812,950,818**	**18,904,413**	1,574,194,350	31,865,964
	₱2,871,256,066	**₱422,515,425**	₱2,274,481,131	₱511,681,326
Loan Commitments and Financial Guarantees				
Standard Grade	**₱–**	**₱–**	₱–	₱–

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, 2021 and 2020, 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. The plans and strategies in the liquidity risk management are contained in the board-approved Liquidity Risk Management and Contingency Funding Plan.

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

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

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

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

	Consolidated								
	December 31, 2021								
	On Demand	**Up to 1 Month**	**More than 1 Month**	**More than 3 Months**	**More than 6 Months**	**More than 1 Year**	**More than 2 Years**	**Beyond 5 Years**	**Total**
Financial Assets									
Loans and advances									
Cash and other cash items	**₱7,159,181,657**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱7,159,181,657**
Due from BSP	–	–	–	–	–	–	–	–	–
SPURA	–	–	–	–	–	–	–	–	–
	7,159,181,657	–	–	–	–	–	–	–	**7,159,181,657**
Financial assets at FVTPL									
Government debt securities	–	**1,666,049,591**	–	–	–	–	–	–	**1,666,049,591**
Private debt securities	–	**547,151,709**	–	–	–	–	–	–	**547,151,709**
Equity securities	–	**6,616,584,833**	–	–	–	–	–	–	**6,616,584,833**
Investment Securities at FVOCI									
Government debt securities	–	**66,600**	–	**7,013**	**73,612**	**650,202**	**399,600**	**2,331,000**	**3,528,027**
Private debt securities	–	**1,041,600**	–	–	**31,041,600**	–	–	-	**32,083,200**
Quoted equity investments	–	–	–	–	–	–	–	**1,139,922,915**	**1,139,922,915**
Unquoted equity investments	–	–	–	–	–	–	–	**114,749,820**	**114,749,820**
Investment Securities at amortized cost									
Government debt securities	**339,200,203**	**974,702,380**	**1,229,253,300**	**803,513,500**	**962,269,700**	**147,497,500**	–	**100,000,000**	**4,556,436,583**
Private debt securities	-	**37,302,970**	**15,677,610**	**104,218,790**	**337,877,495**	**332,497,351**	**184,197,753**	**153,937,500**	**1,165,709,469**
	339,200,203	**9,842,899,683**	**1,244,930,910**	**907,739,303**	**1,331,262,407**	**480,645,053**	**184,597,353**	**1,510,941,235**	**15,842,216,147**
Loans and receivables									
Loans and discounts									
Corporate lending	–	–	**396,151,110**	–	–	–	–	–	**396,151,110**
Others	–	**48,229**	**72,431**	**88,619**	**680,164**	**2,058,722**	**3,605,631**	**3,657,506**	**10,211,302**
	–	**48,229**	**396,223,541**	**88,619**	**680,164**	**2,058,722**	**3,605,631**	**3,657,506**	**406,362,412**
Unquoted commercial papers	–	–	**266,785,969**	**838,500**	**75,044,344**	**18,411,688**	**517,711,688**	-	**878,792,189**
Accrued interest receivable	–	–	**40,664,353**	–	–	–	–	–	**40,664,353**
Accounts receivable	–	–	**1,581,525,720**	–	–	–	–	–	**1,581,525,720**
Dividends receivable	–	–	**2,775,575**	–	–	–	–	–	**2,775,575**
Other receivables	–	–	**32,684,733**	–	–	–	–	–	**32,684,733**
	–	**48,229**	**2,320,659,891**	**927,119**	**75,724,508**	**20,470,410**	**521,317,319**	**3,657,506**	**2,942,804,982**
	₱7,498,381,860	**₱9,842,947,912**	**₱3,565,590,801**	**₱908,666,422**	**₱1,406,986,915**	**₱501,115,463**	**₱705,914,672**	**₱1,514,598,741**	**₱25,944,202,786**

(Forward)

	Consolidated								
	December 31, 2021								
	On Demand	**Up to 1 Month**	**More than 1 Month**	**More than 3 Months**	**More than 6 Months**	**More than 1 Year**	**More than 2 Years**	**Beyond 5 Years**	**Total**
Financial Liabilities									
Bills payable	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**
Accrued interest and other expenses	**–**	**–**	**108,095,857**	**–**	**–**	**–**	**–**	**–**	**108,095,857**
Accounts payable	**–**	**–**	**6,255,521,481**	**–**	**–**	**–**	**–**	**–**	**6,255,521,481**
Lease liabilities	**–**	**–**	**79,192,375**	**–**	**–**	**–**	**–**	**–**	**79,192,375**
Other liabilities	**–**	**–**	**405,333,048**	**–**	**–**	**–**	**–**	**–**	**405,333,048**
	–	**–**	**6,848,142,761**	**–**	**–**	**–**	**–**	**–**	**6,848,142,761**
Puttable instruments classified as liability	**10,618,762,785**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**10,618,762,785**
	₱10,618,762,785	**₱–**	**₱6,848,142,761**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱17,466,905,546**

	Consolidated								
	December 31, 2020								
	On Demand	Up to 1 Month	More than 1 Month	More than 3 Months	More than 6 Months	More than 1 Year	More than 2 Years	Beyond 5 Years	Total
Financial Assets									
Loans and advances									
Cash and other cash items	₱6,073,003,807	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱6,073,003,807
Due from BSP	2,507,296,864	–	–	–	–	–	–	–	2,507,296,864
SPURA	2,593,323,509	–	–	–	–	–	–	–	2,593,323,509
	11,173,624,180	–	–	–	–	–	–	–	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	1,069,543	206,122,656	124,924,502	405,471,606	164,482,500	944,537,907
	5,700,000	9,673,325,106	828,413	71,459,884	214,014,817	167,583,932	554,058,826	1,493,338,052	12,180,309,030

(Forward)

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
	₱11,179,324,180	₱9,673,376,954	₱1,887,802,786	₱72,076,001	₱264,817,601	₱553,286,258	₱556,780,603	₱1,496,433,740	₱25,683,898,123
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

	Parent Company								
	December 31, 2021								
	On Demand	**Up to 1 Month**	**More than 1 Month**	**More than 3 Months**	**More than 6 Months**	**More than 1 Year**	**More than 2 Years**	**Beyond 5 Years**	**Total**
Financial Assets									
Loans and advances									
Cash and other cash items	₱3,193,226,398	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱3,193,226,398
Due from BSP	–	–	–	–	–	–	–	–	–
Interbank loans receivable	–	–	–	–	–	–	–	–	–
	3,193,226,398	–	–	–	–	–	–	–	3,193,226,398
Financial assets at FVTPL									
Government debt securities	–	580,808,211	–	–	–	–	–	–	580,808,211
Private debt securities	–	232,437,794	–	–	–	–	–	–	232,437,794
Investment Securities at FVOCI									
Quoted equity investments	–	–	–	–	–	–	–	997,396,740	997,396,740
Unquoted equity investments	–	–	–	–	–	–	–	114,749,820	114,749,820
	–	813,246,005	–	–	–	–	–	1,112,146,560	1,925,392,565
Loans and receivables									
Loans and discounts									
Corporate lending	–	–	380,000,000	–	–	–	–	–	380,000,000
Others	–	4,889	37,050	32,079	484,518	1,504,500	1,440,537	1,797,106	5,300,679
	–	4,889	380,037,050	32,079	484,518	1,504,500	1,440,537	1,797,106	385,300,679
Accrued interest receivable	–	–	11,874,877	–	–	–	–	–	11,874,877
Accounts receivable	–	–	27,022,979	–	–	–	–	–	27,022,979
	–	4,889	418,934,906	32,079	484,518	1,504,500	1,440,537	1,797,106	424,198,535
	₱3,193,226,398	₱813,250,894	₱418,934,906	₱32,079	₱484,518	₱1,504,500	₱1,440,537	₱1,113,943,666	₱5,542,817,498
Financial Liabilities									
Bills payable	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–
Accrued interest and other expenses	–	–	22,017,307	–	–	–	–	–	22,017,307
Accounts payable	–	–	229,908,512	–	–	–	–	–	229,908,512
Lease Liabilities	–	–	57,921,817	–	–	–	–	–	57,921,817
Other liabilities	–	–	334,685,661	–	–	–	–	–	334,685,661
	₱–	₱–	₱644,533,297	₱–	₱–	₱–	₱–	₱–	₱644,533,297

	Parent Company								
	December 31, 2020								
	On Demand	Up to 1 Month	More than 1 Month	More than 3 Months	More than 6 Months	More than 1 Year	More than 2 Years	Beyond 5 Years	Total
Financial Assets									
Loans and advances									
Cash and other cash items	₱305,670,015	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱305,670,015
Due from BSP	2,507,296,864	–	–	–	–	–	–	–	2,507,296,864
Interbank loans receivable	–	2,593,323,509	–	–	–	–	–	–	2,593,323,509
	2,812,966,879	2,593,323,509	–	–	–	–	–	–	5,406,290,388
Financial assets at FVTPL									
Government debt securities	–	829,970,852	–	–	–	–	–	–	829,970,852
Private debt securities	–	145,460,418	–	–	–	–	–	–	145,460,418
Investment Securities at FVOCI									
Quoted equity investments	–	–	–	–	–	–	–	953,313,664	953,313,664
Unquoted equity investments	–	–	–	–	–	–	–	112,019,820	112,019,820
	–	975,431,270	–	–	–	–	–	1,065,333,484	2,040,764,754
Loans and receivables									
Loans and discounts									
Corporate lending	–	–	141,496,812	–	49,552,339	316,388,038	–	–	507,437,189
Others	–	51,848	4,286	150,905	277,314	1,824,494	2,350,711	3,095,688	7,755,246
	–	51,848	141,501,098	150,905	49,829,653	318,212,532	2,350,711	3,095,688	515,192,435
Accrued interest receivable	–	–	16,788,256	–	–	–	–	–	16,788,256
Accounts receivable	–	–	26,347,498	–	–	–	–	–	26,347,498
	–	51,848	184,636,852	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	488,662	–	–	–	22,037,855
Other liabilities	–	32,093,760	–	–	–	–	–	–	32,093,760
	₱8,273,660	₱3,530,147,042	₱643,680,141	₱6,700,139	₱488,662	₱–	₱–	₱–	₱4,189,289,644

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 Parent Company's policies and procedures. The methodologies used in managing the risk include the daily marking-to-market, monitoring of loss alerts and stop loss limits, profit alert and start sell limits, nominal position limits as well as Value-at-Risk (VaR) and Earnings-at-Risk (EaR) limits.

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

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

		Bonds	
	Equities	PHP	USD
As of December 31, 2021			
		2.05	–
Average	–	**9.95**	**0.28**
Highest	–	**37.87**	**3.75**
Lowest	–	**2.05**	**1.03**
As of December 29, 2020			
		3.22	–
Average	–	9.48	2.74
Highest	–	72.34	6.84
Lowest	–	1.88	0.18

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 regular 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, 2021 and 2020, total loans and discounts earned fixed annual interest rates ranging from 3.5% to 10.8% both for the Group and the Parent Company in 2021 and 4.0% to 10.8% and from 5.4% to 10.8%, for the Group and the Parent Company, respectively, in 2020.

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 Group slots its interest rate sensitive assets or liabilities according to maturity or repricing date, whichever comes first. Interest rate risk in the company book is measured through the Interest Rate Gap, 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 2021						
	Increase (Decrease) in basis points	Sensitivity of net interest income and trading gains	Sensitivity of equity: 0 up to 6 Months	6 months to 1 year	1 year to 5 years	More than 5 years	Total
Currency							
PhP	**+10**	**₱17,284,317**	**₱–**	**₱–**	**₱–**	**(₱362,168)**	**(₱362,168)**
USD	**+10**	**–**	**–**	**–**	**–**	**(5,630)**	**(5,630)**
Currency							
PhP	**-10**	**(17,384,173)**	**–**	**–**	**–**	**365,889**	**365,889**
USD	**-10**	**–**	**–**	**–**	**–**	**5,690**	**5,690**

	Consolidated 2020						
	Increase (Decrease) in basis points	Sensitivity of net interest income and trading gains	Sensitivity of equity: 0 up to 6 Months	6 months to 1 year	1 year to 5 years	More than 5 years	Total
Currency							
PhP	+10	₱894,835	₱–	₱–	(₱65,112)	(₱18,642)	(₱83,754)
USD	+10	–	–	–	(6,195)	–	(6,195)
Currency							
PhP	-10	597,553	–	–	65,289	18,829	84,118
USD	-10	–	–	–	6,213	–	6,213

	Parent Company 2021						
	Increase (Decrease) in basis points	Sensitivity of net interest income and trading gains	Sensitivity of equity: 0 up to 6 months	6 months to 1 year	1 year to 5 years	More than 5 years	Total
Currency							
PhP	+10	**₱7,000,560**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**
USD	+10		**–**	**–**	**–**	**–**	**–**
Currency							
PhP	-10	**(7,028,047)**	**–**	**–**	**–**	**–**	**–**
USD	-10		**–**	**–**	**–**	**–**	**–**

	Parent Company 2020						
	Increase (Decrease) in basis points	Sensitivity of net interest income and trading gains	Sensitivity of equity: 0 up to 6 months	6 months to 1 year	1 year to 5 years	More than 5 years	Total
Currency							
PhP	+10	₱1,207,763	₱–	₱–	₱–	₱–	₱–
USD	+10	–	–	–	–	–	–
Currency							
PhP	-10	(98,688)	–	–	–	–	–
USD	-10		–	–	–	–	–

The impact on the Group'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 as of December 31, 2020:

	Consolidated	Parent
Interest rate exposures	₱167,504,201	₱167,504,201
Foreign exchange exposures	29,659,970	39,333,065
Total	₱197,164,171	₱206,837,266

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, 2021 and 2020:

	Consolidated	
	2021	2020
	US Dollar	US Dollar
Financial assets		
Loans and advances		
Cash and other cash items	**$793,746**	$6,624,222
Investment securities at FVTPL		
Government securities	**247**	6,480,775
Private corporation	**–**	2,396,067
Investment securities at FVOCI		
Government securities	**–**	–
Investment securities at AC		
Government securities	**–**	2,339,803
Accounts receivable	**1,635**	86,710
Accrued interest receivable	**–**	96,225
	$795,628	$18,023,802
Financial liabilities		
Bills payable	**$–**	$5,317,958
IBCL Payable	**–**	–
Accounts payable	**464,418**	2,327
Accrued interest payable	**–**	2,534
	464,418	$5,322,819
Net assets in foreign currency	**$331,210**	$12,700,983

	Parent Company	
	2021	2020
	US Dollar	US Dollar
Financial assets		
Loans and advances		
Cash and other cash items	**$793,746**	$4,501,445
Investment securities at FVTPL		
Government securities	**–**	–
Accrued interest receivable	**–**	–
	$793,746	$4,501,445

	Parent Company	
	2021	2020
	US Dollar	US Dollar
Financial liabilities		
Bills payable	**$–**	$5,317,958
Accounts payable	**36,417**	–
Accrued interest payable	**–**	2,534
	36,417	5,320,492
Net assets in foreign currency	**$757,329**	($819,047)

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	
2021	**₱51.00 to US$1.0**
2020	₱48.02 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, 2021 and 2020 (in millions):

	Consolidated and Parent Company			
	2021		2020	
Increase (Decrease)	**Change in Income Before Tax**	**Change in Equity**	Change in Income Before Tax	Change in Equity
US Dollar				
1.0%	**₱0.17**	**₱–**	(₱0.39)	₱0.2
(1.0%)	**(0.39)**	**–**	0.39	(0.2)

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			
	2021		2020	
Changes in PSEi	**13.62%**	**(13.62%)**	12.0%	(12.0%)
Change on trading income under:				
Holding firm industry	**₱307,501,105**	**(₱307,501,105)**	₱295,198,006	(₱295,198,006)
Property industry	**151,646,693**	**(151,646,693)**	198,796,139	(198,796,139)
Financial industry	**132,913,932**	**(132,913,932)**	103,432,894	(103,432,894)
Services industry	**156,612,277**	**(156,612,277)**	67,063,103	(67,063,103)
Industrial industry	**128,610,363**	**(128,610,363)**	80,348,173	(80,348,173)
Mining and oil industry	**47,137**	**(47,137)**	–	–
Total	**₱877,331,507**	**(₱877,331,507)**	₱744,838,315	(₱744,838,315)
As a percentage of the Group's net unrealized trading gain or loss for the year	**312.5%**	**(312.5%)**	(831.76%)	831.76%

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

As of December 31, 2021 and 2020, 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			
	2021		2020	
Changes in PSEi	**13.62%**	**(13.62%)**	11.35%	(11.35%)
Change on equity under:				
Financial industry	**₱37,053,447**	**(₱37,053,447)**	₱20,490,054	(₱20,490,054)
Industrial	**67,010,284**	**(67,010,284)**	54,101,670	(54,101,670)
Holding	**–**	**–**	483,568	(483,568)
Total	**₱104,063,731**	**(₱104,063,731)**	₱75,075,292	(₱75,075,292)
As a percentage of the Group's net unrealized gain in OCI for the year	**(20.6%)**	**20.6%**	(15.3%)	15.3%

	Parent Company			
	2021		2020	
Changes in PSEi	**13.62%**	**(13.62%)**	11.35%	(11.35%)
Change on equity under:				
Financial industry	**₱28,645,685**	**(₱28,645,685)**	₱15,840,675	(₱15,840,675)
Industrial	**66,432,937**	**(66,432,937)**	53,284,209	(53,284,209)
Total	**₱95,078,622**	**(₱95,078,622)**	₱69,124,884	(₱69,124,884)
As a percentage of the Parent Company's net unrealized gain in OCI for the year	**(22.2%)**	**22.2%**	(14.5%)	14.5%

The increase or decrease in PSEi will directly impact the equity of both the Group and the 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				
	2021				
	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	**₱1,666,049,591**	**₱1,666,049,591**	**₱–**	**₱–**	**₱1,666,049,591**
Private	**547,151,709**	**547,151,709**	**–**	**–**	**547,151,709**
Equity securities	**6,616,584,833**	**6,616,458,466**	**–**	**–**	**6,616,458,466**

(Forward)

	Consolidated				
	2021				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Investment securities at FVOCI:					
Debt securities:					
Government	**₱2,532,939**	**₱2,532,939**	**₱–**	**₱–**	**₱2,532,939**
Private	**30,666,916**	**30,666,916**	**–**	**–**	**30,666,916**
Equity securities	**1,254,672,735**	**1,139,922,915**	**18,383,716**	**96,366,104**	**1,254,672,735**
	₱10,117,658,723	**₱10,002,782,536**	**₱18,383,716**	**₱96,366,104**	**₱10,117,532,356**
Assets and liabilities for which fair values are disclosed					
Financial assets at amortized cost					
Loans and receivables:					
Loans and discounts:					
Corporate lending	**₱388,000,000**	**₱–**	**₱–**	**₱399,266,947**	**₱399,266,947**
Others	**8,155,685**	**–**	**–**	**8,553,842**	**8,553,842**
Other receivables:					
Unquoted commercial papers	**817,450,000**	**–**	**–**	**836,076,249**	**836,076,249**
Investment securities at Amortized Cost					
Government	**4,219,616,533**	**4,221,993,573**	**–**	**–**	**4,221,993,573**
Private	**1,068,794,377**	**1,074,340,079**	**–**	**–**	**1,074,340,079**
	₱6,502,016,595	**₱5,296,333,652**	**₱–**	**₱1,243,897,038**	**₱6,540,230,690**
Financial liabilities					
Puttable instruments classified as financial liability at FVTPL	**₱10,618,762,785**	**₱–**	**₱10,618,762,785**	**₱–**	**₱10,618,762,785**
Nonfinancial assets					
Investment properties	**₱181,204,058**	**₱–**	**₱–**	**₱639,894,000**	**₱639,894,000**

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

	Consolidated				
	2020				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Financial liabilities					
Puttable instruments classified as financial liability at FVTPL	₱8,314,673,287	₱–	₱8,314,673,287	₱–	₱8,314,673,287
Nonfinancial assets					
Investment properties	₱181,920,273	₱–	₱–	₱302,559,231	₱302,559,231

	Parent Company				
	2021				
	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	**₱580,808,211**	**₱580,808,211**	**₱–**	**₱–**	**₱580,808,211**
Private	**232,437,794**	**232,437,794**	**–**	**–**	**232,437,794**
Investment securities at FVOCI:					
Equity securities	**1,112,146,560**	**997,396,740**	**18,383,716**	**96,366,104**	**1,112,146,560**
	₱1,925,392,565	**₱1,810,642,745**	**₱18,383,716**	**₱96,366,104**	**₱1,925,392,565**
Assets and liabilities for which fair values are disclosed					
Financial assets at amortized cost					
Loans and receivables:					
Loans and discounts:					
Corporate lending	**₱380,000,000**	**₱–**	**₱–**	**₱391,266,947**	**₱391,266,947**
Others	**5,300,679**	**–**	**–**	**5,698,836**	**5,698,836**
	₱385,300,679	**₱–**	**₱–**	**₱396,965,783**	**₱396,965,783**
Nonfinancial assets					
Investment properties	**₱181,204,058**	**₱–**	**₱–**	**₱639,894,000**	**₱639,894,000**

	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

As of December 31, 2021 and 2020, no transfers were made among the three levels in the fair value hierarchy.

Inputs used in estimating fair values of 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 2021 and 2020:

Possible Change	Consolidated and Parent Company	
	2021	2020
Price to book		
15.0%	**₱14,373,851**	₱12,338,670
(15.0%)	**(14,373,851)**	(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	
	2021	2020	**2021**	2020
Investment securities at				
FVTPL	**₱8,829,786,133**	₱9,633,287,756	**₱813,246,005**	₱975,431,269
FVOCI	**1,287,872,590**	1,217,167,966	**1,112,146,560**	1,065,333,485
Amortized cost	**5,288,410,910**	1,465,148,158	**–**	–
	₱15,406,069,633	₱12,315,603,880	**₱1,925,392,565**	₱2,040,764,754

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

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Debt securities:				
Government	**₱1,666,049,591**	₱2,585,027,416	**₱580,808,211**	₱829,970,851
Private	**547,151,709**	577,029,659	**232,437,794**	145,460,418
	2,213,201,300	3,162,057,075	**813,246,005**	975,431,269
Equity securities	**6,616,584,833**	6,471,230,681	**–**	–
	₱8,829,786,133	₱9,633,287,756	**₱813,246,005**	₱975,431,269

Financial assets at FVTPL include fair value gain of ₱118.2 million, ₱115.5 million and ₱219.7 million in 2021, 2020 and 2019, respectively, for the Group, and fair value gain (loss) of (₱4.7 million), ₱0.2 million and ₱2.1 million in 2021, 2020 and 2019, respectively, for the Parent Company.

Peso-denominated debt securities bear nominal annual interest rates ranging from 2.4% to 8.1%, from 2.1% to 8.0% and from 3.3% to 8.1% in 2021, 2020 and 2019, respectively, for the Group and the Parent Company. US dollar-denominated debt securities bear nominal annual interest rates ranging from 1.4% to 4.8%, from 2.0% to 4.0% and from 3.0% to 9.5% in 2021, 2020 and 2019, respectively, for the Group and the Parent Company.

Dividends earned from FVTPL equity securities amounted to ₱116.5 million, ₱91.0 million and ₱114.7 million in 2021, 2020 and 2019, respectively, for the Group, and nil in 2021 and 2020 and ₱0.3 million in 2019 for the Parent Company.

Investment securities at FVOCI
Investment securities at FVOCI as of December 31, 2021 and 2020 consist of the following:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Debt securities				
Government	**₱2,532,939**	₱2,793,103	**₱–**	₱–
Private	**30,666,916**	35,983,511	**--**	–
	33,199,855	38,776,614	**--**	–
Equity securities				
Listed Equity				
Axelum Resources Corp.	**530,912,100**	628,899,950	**530,912,100**	619,397,451
The Philippine Stock Exchange, Inc.	**603,402,015**	431,923,582	**466,484,640**	333,916,214
Manila Electric Company	**5,608,800**	5,548,000	**--**	–
Non-listed Equity				
Bonifacio Land Corporation	**96,366,104**	96,366,104	**96,366,104**	96,366,104
Others	**2,253,716**	2,253,716	**2,253,716**	2,253,716
Club Shares	**16,130,000**	13,400,000	**16,130,000**	13,400,000
	1,254,672,735	1,178,391,352	**1,112,146,560**	1,065,333,485
	₱1,287,872,590	₱1,217,167,966	**₱1,112,146,560**	₱1,065,333,485

Peso-denominated debt investment securities at FVOCI bear nominal annual interest rates ranging from 2.8% to 8.0% in 2021 and from 5.6% to 6.9% for both 2020 and 2019 for the Group, and nil in 2021 and from 6.3% to 6.9% for both 2020 and 2019, for the Parent Company. Foreign currency-denominated debt investment securities at FVOCI bear nominal annual interest rate of nil in 2021 and 2.8% in 2020 and 2019 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 2021 and 2020, as part of risk management, the Group disposed equity securities at FVOCI with total carrying value of ₱13.6 million and ₱40.9 million, respectively, which generated dividends of nil and ₱0.5 million, respectively, and with recognized loss in OCI reclassified to retained earnings amounting to ₱6.1 million and ₱44.2 million, respectively. Dividends generated by outstanding equity securities at FVOCI amounted to ₱26.2 million, ₱18.8 million and ₱23.1 million as of December 31, 2021, 2020 and 2019, respectively.

The changes in the net unrealized gain (loss) on FVOCI of the Group and the Parent Company for 2021 and 2020 follow:

	Consolidated 2021		
	Equity Holders of the Parent Company	**Non-controlling interest and puttable instruments**	**Total**
Balance at January 1	**(₱591,953,132)**	**₱734,818**	**(₱591,218,314)**
Net fair value changes during the year on FVOCI investments, net of tax	**80,333,546**	**(529,982)**	**79,803,564**
Realized loss on disposal charged against surplus	**6,093,450**	**–**	**6,093,450**
Realized gain on sale of FVOCI debt investments	**(90,000)**	**–**	**(90,000)**
Net change during the year	**86,336,996**	**(529,982)**	**85,807,014**
Balance at December 31	**(₱505,616,136)**	**₱204,836**	**(₱505,411,300)**

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

	Parent Company	
	2021	2020
Balance at January 1	**(₱474,209,132)**	(₱584,014,461)
Net fair value changes during the year on FVOCI investments, net of tax	**40,719,626**	97,271,786
Realized loss on disposal charged against surplus	**6,093,450**	44,200,000
Realized gain on sale of FVOCI debt investments	**–**	(31,666,457)
Net change during the year	**46,813,076**	109,805,329
Balance at December 31	**(₱427,396,056)**	(₱474,209,132)

Investment Securities at Amortized Cost

Investment securities at amortized cost consist of the following:

	Consolidated	
	2021	2020
Investment Securities at Amortized Cost		
Debt securities		
Government	**₱4,219,616,534**	₱653,454,877
Private	**1,069,123,379**	812,012,527
	5,288,739,913	1,465,467,404
Less: Allowance for credit losses (Note 12)	**329,003**	319,246
	₱5,288,410,910	₱1,465,148,158

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, prescribed separately in the statement of consolidated income. As of December 31, 2021 and 2020, the Parent Company has no investment securities at amortized cost.

As of December 31, 2021 and 2020, 2019 the unamortized premium (discount) related to investment securities at amortized cost of the Group amounted to (₱16.2) million, ₱5.7 million and ₱6.4 million, respectively. In 2021, 2020 and 2019, effective interest rates on the amortized cost investment securities range from 0.9% to 6.5%, 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 8.0%, from 0.0% to 5.9% and from 0.0% to 5.8% in 2021, 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		
	2021	2020	2019
Realized gain (loss) from sale of:			
Held for trading (HFT) securities	**₱162,554,053**	(₱205,088,850)	₱367,348,748
FVOCI debt securities	**90,000**	31,666,457	364,468,614
Realized loss on cross currency swap	**–**	(20,206,586)	
	162,644,053	(193,628,979)	731,817,362
Changes in fair value of financial instruments at FVTPL:			
HFT securities	**118,229,463**	115,538,693	219,692,197
	118,229,463	115,538,693	219,692,197
Gain (loss) from increase (decrease) in NAV of puttable instruments (Note 15)	**(152,439,184)**	114,981,497	(229,791,161)
	₱128,434,332	₱36,891,211	₱721,718,398

	Parent Company		
	2021	2020	2019
Realized gain (loss) from sale of:			
HFT securities	**₱41,539,330**	₱124,902,562	₱209,050,372
FVOCI debt securities	**–**	31,666,457	364,468,614
Realized loss on cross currency swap	**–**	(20,206,586)	–
	41,539,330	136,362,433	573,518,986
Changes in fair value of financial instruments at FVTPL:			
HFT securities	**(4,669,776)**	215,133	2,135,306
	(4,669,776)	215,133	2,135,306
	₱36,869,554	₱136,577,566	₱575,654,292

7. Loans and Receivables

This account consists of:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Loans and discounts:				
Corporate lending	**₱388,000,000**	₱455,704,354	**₱380,000,000**	₱462,704,354
Others	**8,155,685**	8,730,139	**5,300,679**	5,841,217
	396,155,685	464,434,493	**385,300,679**	468,545,571
Unquoted commercial papers	**817,450,000**	65,000,000	**–**	–
Accounts receivable	**1,581,525,720**	1,676,145,012	**26,726,819**	26,347,499
Accrued interest receivable	**40,664,353**	47,824,705	**10,487,927**	16,788,256
Dividends receivable	**2,775,575**	3,213,966	**–**	–
Other receivables	**32,684,734**	17,862,955	**–**	–
	2,871,256,067	2,274,481,131	**422,515,425**	511,681,326
Allowance for credit losses (Note 12)	**(50,017,469)**	(40,086,421)	**(17,391,081)**	(7,893,477)
	₱2,821,238,598	₱2,234,394,710	**₱405,124,344**	₱503,787,849

As of December 31, 2021 and 2020, none of the total loans and discounts were subject to periodic interest repricing for the Group and the Parent Company. As of December 31, 2021, 2020 and 2019, total loans and discounts earned fixed annual interest rates ranging from 3.5% to 10.8%, from 4.0% to 10.8% and 4.0% to 10.8%, respectively, for both the Group and the Parent Company.

Interest income on loans and receivables follow:

	Consolidated			Parent Company		
	2021	2020	2019	**2021**	2020	2019
Loans and discounts:						
Corporate lending	**₱41,070,378**	₱48,950,761	₱52,049,741	**₱39,817,080**	₱48,633,631	₱52,047,269
Others	**697,938**	822,107	1,136,603	**488,561**	660,065	904,930
Unquoted commercial paper	**–**	26,894,198	35,316,443	**–**	26,894,198	35,316,444
Loans and receivables	**₱41,768,316**	₱76,667,066	₱88,502,787	**₱40,305,641**	₱76,187,894	₱88,268,643

Unquoted Commercial Papers

This account consists of various debt instruments issued by private corporations. As of December 31, 2021 and 2020, the nominal annual interest for these securities ranges from 2.6% to 3.7% and 2.6%, respectively, for the Group.

Accounts Receivable

As of December 31, 2021 and 2020, the Group's accounts receivable is comprised mainly of receivables from customers arising from brokerage services rendered by FMSBC amounting to ₱875.2 million and ₱1.5 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									
	2021					2020				
	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	**₱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
Acquisitions	**8,155,062**	**22,661,773**	**–**	**93,292,601**	**124,109,436**	264,000	14,794,380	–	–	15,058,380
Disposals/Adjustments	**(5,511,194)**	**(9,331,520)**	**2,179,400**	**(61,439,364)**	**(74,102,678)**	(22,755,933)	(12,427,133)	–	(11,824,197)	(47,007,263)
Balance at end of year	**97,431,873**	**197,168,812**	**54,411,147**	**119,743,596**	**468,755,428**	94,788,005	183,838,559	52,231,747	87,890,359	418,748,670
Accumulated depreciation and amortization										
Balance at beginning 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
Depreciation and amortization	**2,818,221**	**22,247,348**	**3,410,182**	**36,715,540**	**65,191,291**	3,310,755	24,339,072	3,066,928	31,308,285	62,025,040
Disposals/Adjustments	**(3,050,814)**	**(9,545,197)**	**1,389,143**	**(56,961,064)**	**(68,167,932)**	(19,422,825)	(11,454,648)	–	(9,081,254)	(39,958,727)
Balance at end of year	**87,918,758**	**148,516,718**	**42,064,748**	**42,745,619**	**321,245,843**	88,151,351	135,814,567	37,265,423	62,991,143	324,222,484
Net book value at end of year	**₱9,513,115**	**₱48,652,094**	**₱12,346,399**	**₱76,997,977**	**₱147,509,585**	₱6,636,654	₱48,023,992	₱14,966,324	₱24,899,216	₱94,526,186

	Parent Company									
	2021					2020				
	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**	**₱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
Acquisitions	**2,758,570**	**13,556,802**	**–**	**66,382,095**	**82,697,467**	–	7,698,522	–	–	7,698,522
Disposals	**(3,331,793)**	**(7,246,000)**	**–**	**(61,439,364)**	**(72,017,157)**	–	(8,378,419)	–	–	(8,378,419)
Balance at end of year	**68,695,037**	**116,771,823**	**47,520,116**	**66,382,096**	**299,369,072**	69,268,260	110,461,021	47,520,116	61,439,365	288,688,762
Accumulated depreciation and amortization										
Balance at beginning of year	**67,974,617**	**78,391,754**	**32,648,023**	**48,575,499**	**227,589,893**	66,650,072	69,524,304	29,769,554	24,951,357	190,895,287
Depreciation and amortization	**666,295**	**15,503,692**	**2,878,468**	**23,927,547**	**42,976,002**	1,324,547	16,843,869	2,878,468	23,624,142	44,671,026
Disposals	**(1,661,671)**	**(7,192,990)**	**–**	**(61,439,364)**	**(70,294,025)**	–	(7,976,419)	–	–	(7,976,419)
Balance at end of year	**66,979,241**	**86,702,456**	**35,526,491**	**11,063,682**	**200,271,870**	67,974,619	78,391,754	32,648,022	48,575,499	227,589,894
Net book value at end of year	**₱1,715,796**	**₱30,069,367**	**₱11,993,625**	**₱55,318,414**	**₱99,097,202**	₱1,293,641	₱32,069,267	₱14,872,094	₱12,863,866	₱61,098,868

As of December 31, 2021 and 2020, the cost of fully depreciated property and equipment that are still in use amounted to ₱175.5 million and ₱159.9 million, respectively, for the Group, and ₱116.6 million and ₱104.5 million, respectively, for the Parent Company.

The Group recognized gain from sale of property and equipment amounting to ₱0.1 million, ₱0.1 million and ₱1.3 million in 2021, 2020 and 2019, respectively and the Parent Company recognized gain from sale of property and equipment amounting to nil, ₱0.1 million and ₱1.3 million in 2021, 2020 and 2019, respectively booked under 'Gain on sale of assets' account in the consolidated and parent company statement of income.

9. Investments in Subsidiaries and Associates

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

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

	Effective Percentage of Ownership	
	2021	2020
Associates:		
Cathay International Resources, Corp. (CIRC)	**34.7**	34.7
Travel Services, Inc. (TSI)	**30.0**	30.0
Philippine AXA Life Insurance Corporation (PALIC)	**28.2**	28.2
Skyland Realty Development Corporation (SRDC)	**20.0**	20.0
Orix Metro Leasing and Finance Corp (OMLFC)	**20.0**	20.0
Dahon Realty Corporation (DRC)	**20.0**	20.0
LCMC	**13.5**	13.5

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

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

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Acquisition cost				
Balance at beginning of year	**₱3,079,818,020**	₱3,079,818,020	**₱5,992,775,595**	₱5,949,378,455
Additions	**–**	–	**–**	170,397,140
Shares received as payment of dividend	**–**	–	**–**	–
Disposals	**–**	–	**(674,044,383)**	(127,000,000)
Balance at end of year	**3,079,818,020**	3,079,818,020	**5,318,731,212**	5,992,775,595
Allowance for impairment losses				
Balance at beginning of year	**(439,238,205)**	(439,238,205)	**(439,238,205)**	(439,238,205)
Provision for impairment losses during the year	**(131,522,124)**	–	**(131,522,124)**	–
Balance at end of year	**(570,760,329)**	(439,238,205)	**(570,760,329)**	(439,238,205)
Accumulated equity in net earnings				
Balance at beginning of year	**4,215,961,274**	4,181,560,653	**5,257,687,433**	5,322,571,208
Equity share in net earnings	**495,120,126**	617,715,097	**671,803,464**	561,816,757
Cash dividends	**(696,032,250)**	(583,314,476)	**(702,090,750)**	(621,325,143)
Disposals	**–**	–	**(225,678,457)**	(5,375,389)
Balance at end of year	**4,015,049,150**	4,215,961,274	**5,001,721,690**	5,257,687,433
Equity in net unrealized gain (loss) on FVOCI				
Balance at beginning of year	**321,875,040**	88,683,473	**204,867,322**	(13,058,845)
Equity share in changes in fair value of FVOCI investments	**(249,364,872)**	233,191,567	**(215,934,403)**	217,937,255
Disposal	**–**	–	**–**	(11,088)
Balance at end of year	**72,510,168**	321,875,040	**(11,067,081)**	204,867,322
Equity in translation adjustment				
Balance at beginning of year	**–**	–	**10,946,856**	23,667,780
Share in changes in translation adjustment	**–**	–	**13,892,361**	(12,720,924)
Balance at end of year	**–**	–	**24,839,217**	10,946,856
Equity in remeasurement of insurance reserves				
Balance at beginning of year	**(384,736,420)**	19,951,601	**(384,736,420)**	19,951,601
Share in changes in remeasurement of insurance reserves	**262,557,895**	(404,688,021)	**262,557,895**	(404,688,021)
Balance at end of year	**(122,178,525)**	(384,736,420)	**(122,178,525)**	(384,736,420)
Equity in remeasurement of retirement liability				
Balance at beginning of year	**(72,323,392)**	(62,162,650)	**(78,317,329)**	(69,097,981)
Share in changes in remeasurement of retirement liability	**42,696,439**	(10,160,742)	**47,858,485**	(9,219,348)
Balance at end of year	**(29,626,953)**	(72,323,392)	**(30,458,844)**	(78,317,329)
	₱6,444,811,531	₱6,721,356,317	**₱9,610,827,340**	₱10,563,985,252

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

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Carrying value:				
Subsidiaries:				
FMSALEF	**₱–**	₱–	**₱488,310,700**	₱915,935,672
FMPEETFI	**–**	–	**583,051,782**	626,309,514
FMSBC	**–**	–	**635,830,861**	505,413,299
FMSLFIF	**–**	–	**126,341,939**	425,869,960
FMSALBF	**–**	–	**254,423,820**	349,130,521
PBC	**–**	–	**325,995,091**	280,260,416
FMSLDBF	**–**	–	**414,335,304**	415,225,290
FAMI	**–**	–	**240,721,448**	227,252,864
FMAFEF	**–**	–	**–**	–
SPI	**–**	–	**67,571,373**	67,189,846
PVDC	**–**	–	**37,473,451**	39,952,709
FEI	**–**	–	**12,483,963**	12,604,089
FMSLMMF	**–**	–	**6,737,481**	6,670,041
FMIBC	**–**	–	**3,057,577**	3,286,778
Resiliency	**–**	–	**2,131,233**	2,362,664
	₱–	₱–	**₱3,198,466,023**	₱3,877,463,663

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Associates:				
PALIC	**₱3,257,409,618**	₱3,357,547,791	**₱3,257,409,618**	₱3,357,547,791
OMLFC	**1,878,239,777**	1,778,444,583	**1,878,239,777**	1,778,444,583
LCMC	**1,241,458,296**	1,421,135,867	**1,241,458,296**	1,421,135,867
CIRC	**35,253,624**	129,393,346	**35,253,624**	129,393,346
TSI	**32,450,214**	34,834,728	**–**	–
SRDC	**1**	1	**1**	1
DRC	**1**	1	**1**	1
	6,444,811,531	6,721,356,317	**6,412,361,317**	6,686,521,589
	₱6,444,811,531	₱6,721,356,317	**₱ 9,610,827,340**	₱10,563,985,252

Investment in FMSLFIF, FMSALEF, FMSALBF, FMPEETFI
In 2021, the Parent Company disposed of its holdings in FMSLFIF, FMSALEF, FMSALBF and FMPEETFI. The percentage of holdings disposed and redemption price follows:

	% of Holdings	Redemption Price
Subsidiaries		
FMSLFIF	**14.3%**	**₱300.0 million**
FMSALEF	**11.0%**	**49.0 million**
FMSALBF	**3.2%**	**100.0 million**
FMPEETFI	**6.4%**	**450.0 million**
		₱899.0 million

As of December 31, 2021, FMIC owns 8.3%, 11.3%, 19.7% and 26.7% interest in FMSLFIF, FMSALEF, FMSALBF and FMPEETFI, respectively.

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, 2021 and 2020, 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, 2021 and 2020, LCMC-A shares are trading at ₱0.140 per share and ₱0.160 per share, respectively and LCMC-B shares are trading at ₱0.142 per share and ₱0.156 per share, respectively.

As of December 31, 2021, the fair value of the Group's and the Parent Company's investment in LCMC amounted to ₱1.25 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. The fair value less cost to sell is measured based on Level 1 quoted (unadjusted) market price quotation, in active market. In 2021 and 2020, the Group considered the impact of the Covid-19 pandemic in determining the VIU.

As of December 31, 2021 and 2020, the fair value less cost to sell is higher than the VIU, and based on the impairment assessment, additional impairment allowance of ₱131.5 million is required in 2021 and nil in 2020. The fair value is based on the closing prices as published by the PSE.

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, 2021, 2020, and 2019 (amounts in thousands):

		Statement of Financial Position					Statement of Comprehensive Income					
Year	Name of Company	Current Assets	Noncurrent Assets	Current Liabilities	Noncurrent Liabilities	Carrying amount of the investment	Revenue	Costs and Expenses	Net Income (Loss)	Other Comprehensive Income	Total Comprehensive Income (Loss)	Share in net earnings (losses) for the year
2021	**CIRC**	**₱1,010,440**	**₱1,129,201**	**₱918,768**	**₱742,836**	**₱35,254**	**₱67,244**	**₱207,514**	**(₱148,876)**	**₱ –**	**(₱148,876)**	**(₱96,542)**
	LCMC	**2,103,767**	**14,435,657**	**2,906,233**	**8,145,347**	**1,241,458**	**1,180,435**	**1,487,007**	**(298,289)**	**–**	**(298,289)**	**(48,155)**
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)

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, 2021, 2020, and 2019 (amounts in thousands):

		Statement of Financial Position					Statement of Income			
Year	Name of Company	Total Assets	Total Liabilities	Carrying amount of the investment	Gross Income	Operating Income	Net Income	Other Comprehensive Income (OCI)	Total OCI	Share in net earnings
2021	**PALIC**	**₱177,280,406**	**₱165,713,172**	**₱3,257,410**	**₱23,085,263**	**₱3,044,950**	**₱2,253,583**	**(₱282,026)**	**₱1,971,557**	**₱632,125**
	OMLFC	**26,791,059**	**17,383,870**	**1,878,240**	**5,473,817**	**11,431**	**48,636**	**–**	**48,636**	**9,830**
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

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
2021	**PALIC**	**₱5,786,533**	**₱16,363,085**	**₱1,995,626**	**₱1,028,426**	**₱58,474**	**₱682,732**
	OMLFC	**446,748**	**1,145**	**–**	**20,338,967**	**–**	**2,466,980**
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

The Group received dividends from PALIC amounting to ₱696.0 million and ₱583.3 million in 2021 and 2020, respectively.

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

	2021	2020	2019
Associates			
Statements of Financial Position			
Total assets	**₱607,972,894**	₱605,663,687	₱293,310,526
Total liabilities	**374,030,059**	400,634,672	188,574,150
Statements of Income			
Gross income	**50,575,034**	50,578,217	64,350,607
Operating income	**28,562,665**	27,555,429	36,290,361
Net income/Total OCI	**21,129,968**	18,926,702	25,389,341

The additional unrecognized share in losses of the Group from its investment in DRC amounted to nil in 2021 and 2020 and ₱3.3 million in 2019. There was no additional unrecognized share in losses of the Group from its investment in SRDC in 2021, 2020 and 2019.

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, 2021 and 2020.

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, 2021 and 2020. The accumulated balance of the non-controlling interest in FAMI as of December 31, 2021 and 2020 amounted to ₱103.2 million and ₱95.9 million, respectively. Profit (loss) allocated to non-controlling interest in 2021, 2020 and 2019 amounted to ₱7.8 million, ₱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, 2021, 2020 and 2019 (amounts in ₱ thousands and before eliminating entries):

	2021	2020	2019
Statement of Financial Position			
Cash and other cash items	**₱821,493**	₱800,268	₱149,061
Financial assets at FVTPL	**455,492**	414,620	232,913
FVOCI investments	**525**	505	–
Investments securities at amortized cost	**1,215,898**	370,363	115,815
Unquoted debt securities	**393,010**	–	–
Loans and receivables	**28,030**	65,210	18,250
Other assets	**181,682**	128,810	110,740
Other liabilities	**17,696**	1,441,948	20,504
Non-controlling interests			310,296
Statement of Income			
Gross income	**180,759**	173,326	181,907
Operating income	**13,080**	12,701	26,696
Net income (loss)	**2,732**	(180)	16,920
Net income (loss) attributable to non-controlling interests	**9,340**	(54)	3,312
Total comprehensive income	**–**	–	–
Statement of Cash Flows			
Net cash provided by operating activities	**894,725**	912,361	18,001
Net cash provided by (used in) investing activities	**(855,760)**	260,703	50,275
Net cash provided by (used in) financing activities	**(12,990)**	(451)	–
Net increase (decrease) in cash and cash equivalents	**25,975**	651,206	(32,274)
Cash and other cash items at beginning of year	**795,518**	149,062	68,281
Cash and other cash items at end of year	**821,493**	800,267	36,007

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 consolidated and parent company 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, 2021 and 2020, as well as the corresponding changes in fair value for the years ended December 31, 2021 and 2020. 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)

	2021			
	SPPI financial assets		**Other financial assets**	
	Fair value	**Fair value change**	**Fair value**	**Fair value change**
Cash and cash equivalents	**₱5,786,044,859**	**₱–**	**₱488,000**	**₱–**
Insurance receivables	**2,203,672,992**	**–**	**–**	**–**
Financial asset at FVTPL	**–**	**–**	**1,995,626,149**	**7,485,295**
AFS financial assets	**16,117,275,925**	**(1,146,540,082)**	**245,808,861**	**16,404,671**
Loans and receivables	**1,350,564,901**	**–**	**–**	**–**
Accrued income	**235,621,978**	**–**	**–**	**–**
	₱25,693,180,655	**(₱1,146,540,082)**	**₱2,241,923,010**	**₱23,889,966**

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

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.

	December 31, 2021			
SPPI Financial asset	**Investment grade**	**Non-investment grade: Satisfactory**	**Unrated**	**Total**
Cash and cash equivalents	**₱5,785,993,578**	**₱17,918,349**	**₱51,281**	**₱5,803,963,208**
Insurance receivables	**–**	**2,203,672,992**	**–**	**2,203,672,992**
AFS financial assets	**16,117,275,925**	**–**	**–**	**16,117,275,925**
Loans and receivables	**–**	**–**	**1,350,564,901**	**1,350,564,901**
Accrued income	**222,965,313**	**12,656,665**	**–**	**235,621,978**
	₱22,126,234,816	**₱2,234,248,006**	**₱1,350,616,182**	**₱25,711,099,004**

	December 31, 2020			
SPPI Financial asset	Investment grade	Non-investment grade: Satisfactory	Unrated	Total
Cash and cash equivalents	₱4,725,616,667	₱–	₱–	₱4,725,616,667
Insurance receivables	–	2,113,243,522	–	2,113,243,522
AFS financial assets	15,367,623,028	–	–	15,367,623,028
Loans and receivables	–	840,419,011	41,489,882	881,908,893
Accrued income	182,155,899	13,961,316	–	196,117,215
	₱20,275,395,594	₱2,967,623,849	₱41,489,882	₱23,284,509,325

Financial assets that passed the SPPI test have low credit risk as of December 31, 2021 and 2020.

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, 2021 and 2020, the Parent Company has no share on commitments and contingencies of its associates and joint venture.

As of December 31, 2021 and 2020, 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					
	2021			2020		
	Land	**Building/land improvements/ condominium for sale/lease**	**Total**	Land	Building/land improvements/ condominium for sale/lease	Total
Cost						
Balances at beginning of year	**₱202,743,756**	**₱25,504,585**	**₱228,248,341**	₱210,609,756	₱25,504,585	₱236,114,341
Disposals	–	–	–	(7,866,000)	–	(7,866,000)
Balances at end of year	**202,743,756**	**25,504,585**	**228,248,341**	202,743,756	25,504,585	228,248,341
Accumulated depreciation						
Balances at beginning of year	–	**20,972,146**	**20,972,146**	–	20,255,932	20,255,932
Depreciation	–	**716,215**	**716,215**	–	716,214	716,214
Balances at end of year	–	**21,688,361**	**21,688,361**	–	20,972,146	20,972,146
Allowance for impairment losses (Note 12)	**(25,355,922)**	–	**(25,355,922)**	(25,355,922)	–	(25,355,922)
Net book value at end of year	**₱177,387,834**	**₱3,816,224**	**₱181,204,058**	₱177,387,834	₱4,532,439	₱181,920,273

The aggregate fair value of investment properties as of December 31, 2021 and 2020 amounted to ₱639.9 million and ₱587.1 million, respectively, for the Group and the Parent Company (Note 5).

In 2021, 2020 and 2019, the Group and the Parent Company recognized gain from the disposal of investment properties amounting to nil, ₱3.1 million and ₱51.0 million, respectively, booked under 'Gain on sale of assets' accounts in the consolidated and parent company 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 in 2021 and 2020 and ₱2.3 million in 2019.

11. Other Assets

This account consists of:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Creditable withholding tax	**₱614,509,494**	₱578,317,301	**₱440,684,316**	₱428,443,655
Escrow account	**201,646,213**	204,951,392	**201,646,213**	204,951,392
Other investments	**25,766,880**	25,766,880	**25,766,880**	25,766,880
Prepaid expenses	**22,169,540**	21,301,167	**11,178,579**	11,619,352
Software licenses	**14,113,014**	17,674,683	**9,135,421**	15,419,619
Tax credit certificates	**1,094,331**	3,147,500	**1,094,331**	3,147,500
Miscellaneous (Note 25)	**46,812,332**	54,523,476	**11,246,783**	11,457,151
	₱926,111,804	₱905,682,399	**₱700,752,523**	₱700,805,549

The Escrow account has been established to account for the company's matured money market placements (MMP) which pertains to the unclaimed funds of the investors.

Movements in software licenses follow:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Cost				
Balance at beginning of year	**₱296,194,275**	₱291,699,433	**₱256,760,454**	₱252,373,796
Additions	**7,147,774**	4,494,842	**2,952,649**	4,386,658
Balance at end of year	**303,342,049**	296,194,275	**259,713,103**	256,760,454
Accumulated amortization				
Balance at beginning of year	**278,519,592**	265,346,906	**241,340,835**	230,248,949
Amortization	**10,709,443**	13,172,686	**9,236,847**	11,091,886
Balance at end of year	**289,229,035**	278,519,592	**250,577,682**	241,340,835
Net book value at end of year	**₱14,113,014**	₱17,674,683	**₱9,135,421**	₱15,419,619

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	
	2021	2020	**2021**	2020
Balance at beginning of year				
Investment in associates	**₱439,238,205**	₱439,238,205	**₱439,238,205**	₱439,238,205
Loans and receivables	**40,086,421**	59,389,791	**7,893,477**	28,087,403
Investment properties	**25,355,922**	26,701,422	**25,355,922**	26,701,422
Financial assets at amortized cost	**319,246**	328,654	**–**	–
	504,999,794	525,658,072	**472,487,604**	494,027,030
Provision for (recovery from) impairment and credit losses	**141,462,929**	(20,658,278)	**141,019,729**	(21,539,426)
	141,462,929	(20,658,278)	**141,019,729**	(21,539,426)
Balance at end of year				
Investment in associates (Note 9)	**570,760,329**	439,238,205	**570,760,329**	439,238,205
Loans and receivables (Note 7)	**50,017,469**	40,086,421	**17,391,081**	7,893,477
Investment properties (Note 10)	**25,355,922**	25,355,922	**25,355,922**	25,355,922
Financial assets at amortized cost (Note 6)	**329,003**	319,246	**–**	–
	₱646,462,723	₱504,999,794	**₱613,507,332**	₱472,487,604

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 consolidated and parent company statements of income.

	Consolidated			Parent Company		
	2021	2020	2019	**2021**	2020	2019
Provision for (recovery from) impairment and credit losses						
Loans and receivables	**₱9,931,048**	(₱19,303,370)	₱30,446,038	**₱9,497,604**	(₱20,193,926)	₱–
Investment properties	**–**	(1,345,500)	(156,000)	**–**	(1,345,500)	(156,000)
Financial assets at amortized cost	**9,757**	(9,408)	328,654	**–**	–	–
Investment in associates	**131,522,124**	–	439,238,205	**131,522,124**	–	439,238,205
	141,462,929	(20,658,278)	469,856,897	**141,019,728**	(21,539,426)	439,082,205
Provision (reversal of provisions) for other probable losses (Note 26)	**(12,796,220)**	(42,506,378)	126,861	**(13,285,643)**	(41,673,410)	30,856,053
	₱128,666,709	(₱63,164,656)	₱469,983,758	**₱127,734,085**	(₱63,212,836)	₱469,938,258

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 2021 and 2020, 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	
	2021	2020
At January 1	**₱319,246**	₱328,654
Provision for (recovery from) impairment losses	**9,757**	(9,408)
At December 31	**₱329,003**	₱319,246

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

	Consolidated		
	2021		
	Corporate lending	**Accounts receivable**	**Total**
At January 1	**₱7,006,228**	**₱33,080,193**	**₱40,086,421**
Provision for credit losses	**880,000**	**9,051,048**	**9,931,048**
At December 31	**₱7,886,228**	**₱42,131,241**	**₱50,017,469**

	Parent Company		
	2021		
	Corporate lending	**Accounts receivable**	**Total**
At January	**₱7,006,228**	**₱887,250**	**₱7,893,477**
Provision for credit losses	**–**	**9,497,604**	**9,497,604**
At December 31	**₱7,006,228**	**₱10,384,854**	**₱17,391,081**

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

	Parent Company		
	2020		
	Corporate lending	Accounts receivable	Total
At January 1	₱28,087,403	₱–	₱28,087,403
Provision for credit losses	(21,081,176)	887,250	(20,193,926)
At December 31	₱7,006,227	₱887,250	₱7,893,477

A reconciliation of the allowance for impairment losses on investments in associates and investment properties in 2021 and 2020 follows:

	Consolidated and Parent Company	
	Investment in Associates	**Investment Properties**
At January 1, 2021	**₱439,238,205**	**₱25,355,922**
Provision for impairment losses	**131,522,124**	–
At December 31, 2021	**₱570,760,329**	**₱25,355,922**

	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

13. Bills Payable

In 2020, this account consists of deposit substitutes which have maturities of 13-365 days. Peso-denominated deposit substitutes bear annual interest rates ranging from 0.09% to 6.75% in 2020. US dollar-denominated deposit substitutes bear annual interest rates ranging from 0.50% to 1.63% in 2020.

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%.

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

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

As of December 31, 2021, the Parent Company has no deposit substitutes and is no longer subject to the BSP regulations on reserve requirements following the surrender of its quasi-banking license during the year.

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

Accounts Payable

As of December 31, 2021 and 2020, 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 ₱5.9 billion and ₱5.3 billion, respectively.

Accrued, Taxes, Interest and Other Expenses

This account consists of:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Financial liabilities:				
Accrued interest payable	**₱101,025**	₱3,798,258	**₱–**	₱3,661,036
Accrued other expenses payable	**68,931,824**	47,950,414	**6,524,911**	7,495,334
Accrued fees payable	**29,446,863**	31,018,768	**6,431,861**	9,823,112
Accrued rent payable	**283,921**	43,456	**3,279**	3,279
	98,763,633	82,810,896	**12,960,051**	20,982,761
Nonfinancial liabilities:				
Accrued taxes and licenses	**9,332,224**	15,813,550	**9,251,038**	15,722,929
Retirement liability (Note 20)	**50,925,255**	71,114,791	**28,992,228**	47,544,603
	60,257,479	86,928,341	**38,243,266**	63,267,532
	₱159,021,112	₱169,739,237	**₱51,203,317**	₱84,250,293

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, 2021 and 2020, the balances amounted to ₱10,618.8 million and ₱8,314.7 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 (₱152.4) million, ₱115.0 million and (₱229.8) million in 2021, 2020 and 2019, respectively (see Note 6).

Other Liabilities

This account consists of the following:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Financial liabilities:				
Payables for securities purchased	**₱92,224,791**	₱48,723,887	**₱–**	₱–
Dividends payable	**89,546,415**	89,645,705	**89,546,415**	89,645,705
Lease liabilities (Note 22)	**79,192,375**	35,287,949	**57,921,817**	22,035,854
Premiums payable	**1,043,122**	1,236,259	**496,045**	597,236
Subscriptions payable	**–**	–	**9,375,000**	9,375,000
Miscellaneous	**28,203,101**	30,537,759	**18,423,178**	22,121,524
	290,209,804	205,431,559	**175,762,455**	143,775,319
Nonfinancial liabilities:				
Withholding taxes payable	**14,606,057**	13,807,431	**8,657,752**	8,369,811
Miscellaneous	**147,627,930**	166,967,755	**129,064,997**	137,932,863
	162,233,987	180,775,186	**137,722,749**	146,302,674
	₱452,443,791	₱386,206,745	**₱313,485,204**	₱290,077,993

Miscellaneous liabilities
Miscellaneous liabilities consist of provisions for other probable losses (Note 12) 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, 2021 and 2020:

	Consolidated			Parent Company		
	2021			2021		
	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	₱7,159,181,657	₱–	₱7,159,181,657	₱3,193,226,398	₱–	₱3,193,226,398
Investment securities at						
FVTPL	8,829,786,133	–	8,829,786,133	813,246,005	–	813,246,005
FVOCI	30,666,916	1,257,205,674	1,287,872,590	–	1,112,146,560	1,112,146,560
Amortized cost – at gross (Note 6)	4,405,453,647	883,286,266	5,288,739,913	–	–	–
Loans and receivables - at gross (Note 7)	2,364,649,977	506,606,090	2,871,256,067	417,773,283	4,742,142	422,515,425
	22,789,738,330	2,647,098,030	25,436,836,360	4,424,245,686	1,116,888,702	5,541,134,388
Nonfinancial Assets						
Property and equipment	–	147,509,585	147,509,585	–	99,097,202	99,097,202
Investments in subsidiaries, associates and joint venture - at gross of allowance for impairment (Note 9)	–	7,015,571,860	7,015,571,860	–	10,181,587,669	10,181,587,669
Investment properties - at gross ofallowance for impairment (Note 10)	–	206,559,980	206,559,980	–	206,559,980	206,559,980
Deferred tax assets	–	41,937,915	41,937,915	–	10,571,628	10,571,628
Other assets	22,506,564	903,605,240	926,111,804	11,515,603	689,236,920	700,752,523
	22,506,564	8,315,184,580	8,337,691,144	11,515,603	11,187,053,399	11,198,569,002
Allowance for impairment and credit losses (Note 12)	–	(646,462,723)	(646,462,723)	–	(613,507,332)	(613,507,332)
	₱22,812,244,894	₱10,315,819,887	₱33,128,064,781	₱4,435,761,289	₱11,690,434,769	₱16,126,196,058
Financial Liabilities						
Accounts payable	₱6,255,521,481	₱–	₱6,255,521,481	₱229,983,229	₱–	₱229,983,229
Accrued interest and other expenses payable (Note 14)	98,763,958	–	98,763,958	12,960,051	–	12,960,051
Puttable instruments of mutual fund subsidiaries classified as liability (Note 15)	10,618,762,785	–	10,618,762,785	–	–	–

(Forward)

	Consolidated			Parent Company		
	2021			2021		
	Due Within One Year	Due Beyond One Year	Total	Due Within One Year	Due Beyond One Year	Total
Lease liabilities (Note 15)	₱37,220,221	₱41,972,154	₱79,192,375	₱25,169,668	₱32,752,149	₱57,921,817
Other liabilities (Note 15)	294,082,426	–	294,082,426	200,905,635	–	200,905,635
	17,304,350,871	41,972,154	17,346,323,025	469,018,583	32,752,149	501,770,732
Nonfinancial Liabilities						
Accrued taxes and other expenses payable (Note 14)	9,331,899	50,925,255	60,257,154	9,251,038	28,992,228	38,243,266
Income taxes payable	10,513,394	–	10,513,394	2,888,424	–	2,888,424
Other liabilities (Note 15)	79,168,990	–	79,168,990	54,657,752	–	54,657,752
	99,014,283	50,925,255	149,939,538	66,797,214	28,992,228	95,789,442
	₱17,366,144,933	₱130,117,630	₱17,496,262,563	₱510,646,129	₱86,914,045	₱597,560,174

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

17. **Equity**

Details of the Parent Company's capital stock as of December 31, 2021 and 2020 follow:

	2021		2020	
	Shares	**Amount**	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**	420,869,240	₱4,208,692,400
Less: treasury shares	**48,403,278**	**2,662,030,617**	48,402,024	2,661,979,203
Total issued and outstanding at end of year	**372,465,962**	**₱1,546,661,783**	372,467,216	₱1,546,713,197

As of December 31, 2021 and 2020, there are 1,376 and 1,380 shareholders, respectively, of the Parent Company's common shares.

Acquisition of Treasury Shares
In 2021 and 2019, the Parent Company bought back 1,254 shares and 63,120 shares, respectively, of its own shares for a total cost of ₱0.01 million, ₱2.4 million, respectively. No acquisition of treasury shares in 2020.

Dividend Declaration
Details of the Parent Company's dividend distribution follow:

	Dividend			
Date of Declaration	Per Share	Total Amount	Record Date	Payment Date
May 25, 2017	₱7.65	₱2,849,965,777	June 9, 2017	June 23, 2017
December 19, 2016	8.06	3,002,710,540	December 29, 2016	January 12, 2017

Details of FAMI's dividend distribution follow:

	Dividend			
Date of Declaration	Per Share	Total Amount	Record Date	Payment Date
August 25, 2021	₱5.77	₱8,655,000	August 31, 2021	September 15, 2021
December 12, 2018	18.00	27,000,000	December 14, 2018	December 21, 2018

Details of FMSBC's dividend distribution follow:

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

Details of FMAFEF's dividend distribution follow:

	Dividend			
Date of Declaration	Per Share	Total Amount	Record Date	Payment Date
January 20, 2020	₱15.66	₱38,010,657	January 20, 2020	January 22, 2020

Capital Management
The primary objectives of the Group's capital management is 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 and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities. The Group may adjust the amount of dividend payment to shareholders, or issue capital securities in order to maintain or adjust its capital structure. The Group has taken into consideration the impact of regulatory requirements to ensure that the appropriate level and quality of capital are maintained on an ongoing basis.

Regulatory Qualifying Capital

On March 29, 2021, the Parent Company received the approval of the BSP for the surrender of its QB license effective March 25, 2021. Effective April 1, 2021, the regulatory capital is now based on the SEC-prescribed Risk Based Capital Adequacy (RBCA) rules.

The Amended Implementing Rules and Regulations of the SRC effective February 28, 2004 include, among others, revisions in the terms and conditions for registration and subsequent renewal of license applicable to both exchange trading participants and non-exchange broker dealers as follows:

a. to allow a net capital of ₱2.5 million or 2.5% of aggregate indebtedness (AI), whichever is higher, for broker dealers dealing only in proprietary shares and not holding securities;

b. to allow the SEC to set a different net capital requirement for those authorized to use the RBCA model; and

c. to require unimpaired paid-up capital of ₱100.0 million for broker dealers, which are either first time registrants or those acquiring existing broker dealer firms and will participate in a registered clearing agency; ₱10.0 million plus a surety bond for existing broker dealers not engaged in market making transactions; and ₱2.5 million for broker dealers dealing only in proprietary shares and not holding securities.

RBCA ratio of a broker dealer, computed by dividing the Net Liquid Capital (NLC) by the Total Risk Capital Requirement (TRCR), should not be less than 110.0%. NLC and TRCR are computed based on the existing SRC. NLC consists of total equity adjusted for allowance for market decline, subordinated liabilities, deferred tax assets, revaluation reserves, deposits for future stock subscription, minority interest, if any, contingencies and guarantees, and the total ineligible assets. Also, the AI of every stockbroker should not exceed 2,000.0% of its NLC and at all times shall have and maintain NLC of at least ₱5.0 million or 5.0% of the AI, whichever is higher.

As of December 31, 2021, the Parent Company is in compliance with the RBCA ratio. The RBCA ratio of the Parent Company as reported to the SEC as of December 31, 2021 as shown in the table below:

	December 31,2021
Equity Eligible for Net Liquid Capital	**₱15,554,003,599**
Ineligible Assets	**(12,192,765,147)**
Net Liquid Capital (NLC)	**₱3,361,238,452**
Position Risk Requirement	**244,874,130**
Operational Risk Requirement	**295,034,752**
Counterparty Risk Requirement	**-**
Large Exposure Risk Requirement	**-**
Total Risk Capital Requirement (TRCR)	**₱539,908,882**
Aggregate Indebtedness (AI)	**₱649,215,350**

	December 31,2021
5.00% of AI	**₱32,460,768**
Required NLC	**32,460,768**
Net Risk-Based Capital Excess	**3,328,277,684**
Ratio of AI to NLC	**19.32%**
RBCA ratio (NLC/TRCR)	**622.46%**

Further, SEC Memorandum Circular No. 16 dated November 11, 2004 provides the guidelines on the adoption in the Philippines of the RBCA Framework for all registered brokers dealers in accordance with SRC. These guidelines cover the following risks:

a. position or market risk,
b. credit risks such as counterparty, settlement, large exposure, and margin financing risks, and
c. operational risk.

The following are the definition of terms used in the above computation:

Ineligible assets
These pertain to fixed assets and assets which cannot be readily converted into cash.

Operational risk requirement
The amount required to cover a level of operational risk which is the exposure associated with commencing and remaining in business arising separately from exposures covered by other risk requirements. It is the risk of loss resulting from inadequate or failed internal processes, people and systems which include, among others, risks of fraud, operational or settlement failure and shortage of liquid resources, or from external events.

Position risk requirement
The amount necessary to accommodate a given level of position risk which is the risk a broker dealer is exposed to and arising from securities held by it as a principal or in its proprietary or dealer account.

Counterparty risk requirement
This is the amount necessary to accommodate a given level of counterparty risk. Counterparty risk is the risk of a counterparty defaulting on its financial obligation to a broker dealer.

Aggregate Indebtedness (AI)
This is the total money liabilities of a broker dealer arising in connection with any transaction whatsoever, and includes, among other things, money borrowed, money payable against securities loaned and securities failed to receive, the market value of securities borrowed to the extent to which no equivalent value is paid or credited (other than the market value of margin securities borrowed from customers and margin securities borrowed from non-customers), customers' and non-customers' free credit balances, and credit balances in customers' and non-customers' account having short positions in securities subject to the exclusions provided in the said SEC Memorandum.

In 2020 and prior years, the Parent Company's capital requirements were based on the Basel III standards issued by the Bangko Sentral ng Pilipinas. The following ratios were complied to by the Parent Company during those years: minimum Common Equity Tier 1 (CET1) ratio of 6.00%, Tier 1 capital ratio of 7.50%, capital conservation buffer of 2.50% comprised of CET1 capital and total capital adequacy ratio (CAR) of 10.00%.

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

	Consolidated	Parent Company
CET 1 capital	₱17,710.6	₱17,710.6
Less: Required deductions	13,911.8	14,450.9
Net Tier 1 capital	3,798.8	3,259.7
Tier 2 capital	45.5	16.5
Total qualifying capital	3,844.3	3,276.2
Credit risk-weighted assets	4,775.1	1,616.8
Market risk-weighted assets	197.2	206.8
Operational risk-weighted assets	1,812.5	1,285.4
Total risk-weighted assets	₱6,784.8	₱3,109.0

CET 1 ratio*		
*Capital conservation buffer	50.0%	98.8%
Tier 1 capital ratio	56.0%	104.9%
Total capital ratio	56.6%	105.4%

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%. As of December 31, 2020, the LCR in a single currency as reported to the BSP was at 293.8% for the Group and 312.2% for the Parent Company. In 2021, this ratio is no longer applicable with the surrender of the quasi-banking license of 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. As of December 31, 2020, the NSFR as reported to the BSP, was at 122.7% for the Group and 127.6% for the Parent Company. This ratio is no longer applicable to the Parent Company in 2021 with the surrender of its quasi-banking license.

Retained Earnings

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 ₱5.0 billion and ₱5.2 billion and as of December 31, 2021 and 2020, 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 Requirements
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		
	2021	2020	2019	**2021**	2020	2019
Investment securities at FVTPL (Note 6)	**₱128,565,608**	₱157,279,706	₱237,758,624	**₱50,272,411**	₱73,660,923	₱147,339,302
Investment at Amortized Cost (Note 6)	**69,392,508**	51,329,772	500,888,091	**–**	–	459,491,924
Loans and receivables (Note 7)	**41,768,316**	76,667,066	88,502,787	**40,305,641**	76,187,894	88,268,643
Deposits in banks	**24,151,321**	57,005,017	93,479,102	**577,137**	1,851,569	420,721
SPURA (Note28)	**3,884,281**	91,220,797	90,648,454	**3,884,281**	91,220,797	90,648,454
Investment at FVOCI (Note 6)	**2,309,172**	20,466,268	109,792,637	**–**	17,895,031	107,216,851
Due from BSP	**2,234,000**	46,459,309	15,017,530	**2,234,000**	46,459,309	15,017,530
	₱272,305,206	₱500,427,935	₱1,136,087,225	**₱97,273,470**	₱307,275,523	₱908,403,425

As of December 31, 2021 and 2020, the Group's and the Parent Company's Deposit in banks under 'Cash and other cash items' amounted to ₱7.2 billion and ₱6.1 billion and ₱3.2 billion and ₱305.7 million, respectively. Deposit in banks earns annual interest ranging from 0.1% to 0.9% in 2021, from 0.3% to 3.8% in 2020, from 0.3% to 3.8% in 2019 for the Group and 0.2% to 0.3% in 2021, from 0.3% to 1.9% in 2020, from 0.3% to 1.9% for the Parent Company.

19. Interest Expense

This account consists of interest expense on:

	Consolidated			Parent Company		
	2021	2020	2019	**2021**	2020	2019
Deposit substitutes (Note 13):						
Promissory notes issued	**₱1,989,760**	₱127,393,824	₱735,307,684	**₱1,989,760**	₱127,393,824	₱736,031,650
Repurchase agreements	**–**	–	71,085,034	**–**	–	71,085,034
Borrowings from other banks (Note 13)	**19,649,707**	11,022,508	34,789,346	**19,649,708**	11,022,508	34,789,346
Interbank call loans (Note 13)	**1,230,174**	832,135	23,362,120	**1,230,174**	832,135	23,362,120
Bonds payable (Note 15)	**–**	–	105,195,335	**–**	–	107,803,637
Borrowings from BSP	**–**	–	6,429,167	**–**	–	6,429,167
Others	**4,288,388**	4,641,732	16,888,144	**1,274,547**	3,007,093	14,133,178
	₱27,158,029	₱143,890,199	₱993,056,830	**₱24,144,189**	₱142,255,560	₱993,634,132

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 plan is administered and managed by Metropolitan Bank and Trust Company (MBTC).

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:

	Consolidated		
	2021	2020	2019
Retirement age	**55**	55	55
Average remaining working life	**7 years**	7 years	7 years
Discount rate	**4.8-5.1%**	3.4-3.7%	4.6%-4.8%
Expected rate of salary increase	**4.0%-5.0%**	4.0%-6.0%	6.3%
Employee turnover rate	**16% - 23%**	10.2%-11.7%	10.1%-13.2%

	Parent Company		
	2021	2020	2019
Retirement age	**55**	55	55
Average remaining working life	**7 years**	7 years	7 years
Discount rate	**4.8%**	3.4%	4.6%
Expected rate of salary increase	**4.0%**	6.0%	6.3%
Employee turnover rate	**16%**	10.2%	10.1%

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

Consolidated

	January 1, 2021	Net benefit cost: Current service cost	Net benefit cost: Past service Cost	Net benefit cost: Net interest	Net benefit cost: Subtotal	Benefits paid	Remeasurements in other comprehensive income: Return on plan assets (excluding amount included in net interest)	Remeasurements in other comprehensive income: Actuarial changes arising from experience adjustments	Remeasurements in other comprehensive income: Actuarial changes arising from changes in financial assumptions	Remeasurements in other comprehensive income: Actuarial changes arising from changes in demographic assumptions	Remeasurements in other comprehensive income: Subtotal	Contributions paid	December 31, 2021
Present value of defined benefit obligation	**₱347,329,460**	**₱41,529,225**	**₱–**	**₱11,463,586**	**₱52,992,811**	**(₱9,937,802)**	**₱–**	**₱8,901,754**	**(₱74,850,156)**	**₱–**	**(₱65,948,402)**	**₱–**	**₱324,436,067**
Fair value of plan assets	**(276,214,669)**	**–**	**–**	**(8,916,568)**	**(8,916,568)**	**9,937,802**	**8,723,335**	**–**	**–**	**–**	**8,723,335**	**(7,040,712)**	**(273,510,812)**
Net pension liability	**₱71,114,791**	**41,529,225**	**₱–**	**₱2,547,018**	**₱44,076,243**	**₱–**	**₱8,723,335**	**₱8,901,754**	**(₱74,850,156)**	**₱–**	**(₱57,225,067)**	**(₱7,040,712)**	**₱50,925,255**

**The Parent Company, FMSBC and FAMI are in a net liability position amounting to ₱28.99 million, ₱18.4 million and ₱3.6 million, respectively and presented under 'Accrued Taxes, Interest and Other Expenses' (Note 14).*

Parent Company

	January 1, 2021	Net benefit cost: Current service cost	Net benefit cost: Net interest	Net benefit cost: Subtotal	Benefits paid	Remeasurements in other comprehensive income: Return on plan assets (excluding amount included in net interest)	Remeasurements in other comprehensive income: Actuarial changes arising from experience adjustments	Remeasurements in other comprehensive income: Actuarial changes arising from changes in financial assumptions	Remeasurements in other comprehensive income: Actuarial changes arising from changes in demographic assumptions	Remeasurements in other comprehensive income: Subtotal	Contributions paid	December 31, 2021
Present value of defined benefit obligation	**₱283,295,094**	**₱30,736,367**	**₱9,155,640**	**₱39,892,007**	**(₱9,937,802)**	**₱–**	**₱5,866,436**	**(₱63,642,537)**	**₱–**	**(₱57,776,101)**	**₱–**	**₱255,473,198**
Fair value of plan assets	**(235,750,491)**	**–**	**(7,548,632)**	**(7,548,632)**	**9,937,802**	**6,880,351**	**–**	**–**	**–**	**6,880,351**	**–**	**(226,480,970)**
Net pension liability (Note 14)	**₱47,544,603**	**₱30,736,367**	**₱1,607,008**	**₱32,343,375**	**₱–**	**₱6,880,351**	**₱5,866,436**	**(₱63,642,537)**	**₱–**	**(₱50,895,750)**	**₱–**	**₱28,992,228**

Consolidated

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

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

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

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	
	2021	2020
Cash and cash equivalents	**₱10,186,257**	₱2,811,348
Equity instruments		
Services	**96,244,443**	98,597,507
Debt instruments		
Government securities	**132,689,010**	134,886,667
Below AAA and unrated private debt securities	**14,385,547**	27,914,997
Investment in mutual funds/UITF	**27,139,169**	8,857,814
Loans and receivables	**1,647,094**	6,430,644
	282,291,520	279,498,977
Less: Other Payables	**8,780,708**	3,284,308
Fair value of plan assets	**₱273,510,812**	₱276,214,669

	Parent Company	
	2021	2020
Cash and cash equivalents	**₱1,483,511**	₱1,429,375
Equity instruments		
Services	**78,634,792**	84,374,161
Debt instruments		
Government securities	**113,225,341**	118,073,108
Below AAA and unrated private debt securities	**14,385,547**	26,886,780
Investment in mutual funds/UITF	**25,512,581**	8,172,627
Loans and receivables	**1,485,814**	22,113
	234,727,586	238,958,164
Less: Other Payables	**8,246,616**	3,207,673
Fair value of plan assets	**₱226,480,970**	₱235,750,491

As of December 31, 2021 and 2020, equity securities included in the plan assets include shares from the Ultimate Parent Company and other related parties amounting to ₱96.2 million and ₱88.0 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:

	2021			
	Consolidated		**Parent Company**	
	Possible fluctuations	**Increase (decrease)**	**Possible fluctuations**	**Increase (decrease)**
Discount rates	**+1.0%**	**₱303,515,475**	**+1.0%**	**₱241,032,114**
	-1.0%	**348,023,053**	**-1.0%**	**271,463,317**
Turnover rate	**+2.0%**	**317,950,457**	**+2.0%**	**251,450,272**
	-2.0%	**331,633,242**	**-2.0%**	**259,906,824**
Future salary increase rate	**+1.0%**	**349,550,136**	**+1.0%**	**272,747,612**
	-1.0%	**301,778,704**	**-1.0%**	**239,616,101**

The Group and the Parent Company expect to contribute ₱14.8 million and ₱3.5 million, respectively, to its defined benefit pension plan in 2022.

The average duration of the defined benefit retirement liability at the end of the reporting period ranges from 9.2 years to 18.6 years for the Group and 9.2 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		
	2021	2020	2019	**2021**	2020	2019
Commission income	**₱426,055,477**	₱253,575,638	₱156,687,559	**₱–**	₱–	₱–
Underwriting fees	**138,539,542**	68,887,818	110,938,944	**138,539,542**	68,887,818	110,938,944
Advisory fees	**76,924,495**	36,283,641	177,394,973	**89,367,775**	47,108,834	189,405,165
Arranger's fees	**35,227,840**	29,141,935	65,255,347	**35,227,840**	29,141,935	65,255,347
Issue management fees	**7,500,000**	14,854,814	113,384,768	**7,500,000**	14,854,814	113,384,768
Others	**72,465,699**	40,835,351	31,413,588	**79,311,820**	47,914,795	36,796,512
	₱756,713,053	₱443,579,197	₱655,075,179	**₱349,946,977**	₱207,908,196	₱515,780,736

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

Miscellaneous Income

Breakdown of Miscellaneous income is as follows:

	Consolidated			Parent Company		
	2021	2020	2019	**2021**	2020	2019
Sales load and redemption fees	**₱7,685,669**	₱3,575,954	₱2,281,511	**₱–**	₱–	₱–
Rental income (Note 22)	**1,727,458**	2,022,189	2,217,990	**1,727,458**	2,022,188	2,217,990
Others	**18,928,644**	11,612,814	10,945,180	**1,998,006**	3,372,290	4,121,580
	₱28,341,771	₱17,210,957	₱15,444,681	**₱3,725,464**	₱5,394,478	₱6,339,570

22. Lease

Group as a lessee

The Group 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	
	2021	2020	**2021**	2020
Depreciation expense of right-of-use assets included in property and equipment (Note 8)	**₱36,715,540**	₱31,308,285	**₱23,927,547**	₱23,624,142
Interest expense on lease liabilities (Note 19)	**2,812,629**	3,458,230	**1,274,547**	1,851,715
Expenses relating to short-term leases	**3,883,705**	14,719,109	**1,896,295**	3,133,934
Total amount recognized in the statements of income	**₱43,411,874**	₱49,485,624	**₱27,098,389**	₱28,609,791

The rollforward analysis of lease liabilities follows:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Balance at beginning of year	**₱35,287,949**	₱60,041,026	**₱22,035,854**	₱36,167,091
Additions	**66,382,095**	–	**66,382,095**	–
Interest expense	**2,812,629**	3,458,230	**1,274,547**	1,851,715
Payments	**(44,820,274)**	(24,418,359)	**(31,770,679)**	(15,982,952)
Lease modification/Adjustments	**19,529,976**	(3,792,948)	–	–
Balance at end of year	**₱79,192,375**	₱35,287,949	**₱57,921,817**	₱22,035,854

Shown below is the maturity analysis of the undiscounted lease payments as of December 31, 2021 and 2020:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
1 year	**₱30,941,334**	₱30,968,696	**₱26,241,216**	₱22,253,938
more than 1 year to 2 years	**24,453,506**	5,449,151	**23,960,759**	–
more than 2 years to 3 years	**10,438,131**	–	**10,185,748**	–

23. Miscellaneous Expenses

This account consists of:

	Consolidated			Parent Company		
	2021	2020	2019	**2021**	2020	2019
Referral and service fees	**₱55,165,611**	₱14,623,240	₱14,861,994	**₱36,000,000**	₱–	₱–
Insurance	**21,711,867**	21,211,209	23,495,288	**12,703,823**	12,622,265	14,910,578
Research and other technical cost	**15,298,248**	11,404,181	14,441,562	**4,160,000**	–	2,240,000
Security, messengerial and janitorial	**13,651,003**	11,671,342	15,459,418	**8,889,788**	7,773,271	10,058,154
Bank service charges and other service fees	**8,008,061**	4,148,551	4,496,761	**4,677,936**	1,674,245	2,516,071
Membership dues	**7,713,883**	7,217,559	8,068,385	**6,939,606**	6,044,352	6,856,155
Repairs and maintenance	**7,185,918**	6,145,422	6,770,598	**4,013,857**	3,478,115	3,407,568
Transportation and travel	**6,547,492**	7,970,242	12,017,618	**2,330,346**	3,562,453	4,718,733
Fuel and lubricants	**4,599,282**	4,341,160	6,167,287	**4,599,282**	4,341,160	6,167,287
Custodianship, collateral agent, and maintenance fees	**3,332,877**	2,911,301	4,423,657	**301,757**	321,252	1,575,138
Supervision fees	**1,739,117**	11,241,386	12,053,540	**1,739,117**	11,241,386	12,053,540
Stationery and supplies used	**1,557,704**	2,834,266	4,394,894	**738,208**	1,432,613	1,684,033
Litigation/asset-acquired expenses	**892,181**	952,522	955,681	**892,181**	952,522	955,681
Donations	**360,100**	750,000	673,400	**360,100**	750,000	673,400
Periodical and magazine subscriptions	**54,963**	83,979	164,288	**54,963**	83,979	164,288
Others	**61,583,392**	36,273,875	63,070,402	**6,888,464**	18,445,156	26,146,098
	₱209,401,699	₱143,780,235	₱191,514,773	**₱95,289,428**	₱72,722,769	₱94,126,724

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		
	2021	2020	2019	**2021**	2020	2019
Current						
Final tax	**₱33,758,659**	₱77,450,715	₱253,746,897	**₱15,326,993**	₱48,364,066	₱170,451,273
Corporate	**41,334,558**	19,133,644	12,905,364	**1,679,780**	4,095,971	5,839,705
	75,093,217	96,584,359	266,652,261	**17,006,773**	52,460,037	176,290,978
Deferred	**5,970,545**	3,702,365	(15,617,442)	**(3,100,477)**	5,601,972	1,828,549
	₱81,063,762	₱100,286,724	₱251,034,819	**₱13,906,296**	₱58,062,009	₱178,119,527

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.

On March 26, 2021, Republic Act (RA) No. 11534, otherwise known as Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act was signed into law. CREATE reduced the RCIT rate from 30.0% to 25.0% depending on the criteria set by the law effective July 1, 2020. With the implementation of this Act, interest expense allowed as deductible expenses shall be reduced by 20.0% of the interest income subject to final tax, compared to the 33.0% reduction prior to the Act.

The regulations also provide for an MCIT of 2.0% (prior to CREATE) and 1.0% from (July 2020 to June 30, 2023 before reverting to 2.0%) on modified gross income and allow a NOLCO. The MCIT and NOLCO may be applied against the Group's and Parent Company's income tax liability and taxable income, respectively, over a three-year period from the year of inception. For the taxable years 2020 and 2021, the NOLCO incurred can be carried over as a deduction for the next five (5) consecutive taxable years, pursuant to Revene Regulations (RR) No. 25-2020.

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 components of the net deferred tax assets follow:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Deferred tax assets on:				
Retirement liability	**₱12,628,050**	₱22,200,581	**₱7,248,057**	₱14,263,381
Unamortized past service cost	**8,479,660**	14,291,176	**5,591,798**	8,951,914
Accrued expenses	**7,680,108**	6,943,463	**–**	–
Unrealized foreign exchange loss	**247,225**	364,237	**–**	–
Allowance on ECL	**233,770**	–	**–**	–
Unrealized loss on FVTPL investments	**218,537**	–	**201,787**	–
NOLCO	**–**	19,096,813	**–**	–
MCIT	**–**	3,001,037	**–**	–
Others	**15,687,301**	15,687,301	**–**	–
	45,174,651	81,584,608	**13,041,642**	23,215,295
Deferred tax liabilities on:				
Unrealized gain on foreclosure of investment property	**2,470,014**	2,964,018	**2,470,014**	2,964,018
Unrealized foreign exchange gain	**326,059**	–	–	**–**
Unrealized gain on FVOCI investments	**440,663**	267,379	–	–
Retirement asset	**–**	1,817,903	–	–
Unrealized gain on FVTPL investments	**–**	504,504	–	56,501
	3,236,736	5,553,804	**2,470,014**	3,020,519
	₱41,937,915	₱76,030,804	**₱10,571,628**	₱20,194,776

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

	Consolidated			Parent Company		
	2021	2020	2019	**2021**	2020	2019
Unrealized gain on FVOCI debt investments	**₱440,663**	₱11,416,139	₱–	**₱–**	₱–	₱–
Remeasurements of retirement liability	**(14,176,234)**	3,410,288	19,667,863	**(12,723,626)**	4,259,725	12,752,034
	(₱13,735,571)	₱14,826,427	₱19,667,863	**(₱12,723,626)**	₱4,259,725	₱12,752,034

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

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Temporary differences on:				
NOLCO	**₱732,724,701**	₱762,292,259	**₱79,996,079**	₱188,459,098
Allowance on Investment Property	**25,355,922**	25,355,922	**25,355,922**	25,355,922
Carryforward benefits of MCIT	**12,439,965**	21,334,988	**11,615,453**	17,124,048
Allowance on ECL	**17,391,081**	7,893,477	**17,391,081**	7,893,477
	₱787,911,669	₱816,876,646	**₱134,358,535**	₱238,832,545

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

As of December 31, 2021 and 2020, deferred tax liabilities have not been recognized on the undistributed earnings of certain subsidiaries and associates (Note 9), and the related equity in translation adjustment since such amounts are not taxable (Note 9).

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

As of December 31, 2021, the Group and the Parent Company has incurred NOLCO as follows:

Consolidated

Year Incurred	Availment Period	Amount	NOLCO Applied Previous Year/s	NOLCO Expired	NOLCO Applied Current Year	NOLCO Unapplied
2018	2019-2021	₱286,903,094	₱–	₱251,982,735	₱34,920,359	₱–
2019	2020-2022	376,391,447	–	–	101,784,547	274,606,900
2020	2021-2025	226,309,802	–	–	35,414,156	190,895,646
2021	2022-2026	267,222,155	–	–	–	267,222,155
		₱1,156,826,498	₱–	₱251,982,735	₱172,119,062	₱732,724,701

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	–
2020	2021-2025	115,410,235	–	–	35,414,156	79,996,079
		₱188,459,099	₱–	₱–	₱108,463,020	₱79,996,079

Details of MCIT for the Group and the Parent Company as of December 31, 2021 are as follows:

Consolidated

Inception Year	Amount	Used	Expired	Balance	Expiry Year
2018	₱12,751,326	₱2,176,526	₱10,574,800	₱–	2021
2019	7,488,728	824,511	–	6,664,217	2022
2020	5,531,937	2,644,609	–	2,887,328	2023
2021	2,888,420	–	–	2,888,420	2024
	₱28,660,411	₱5,645,646	₱10,574,800	₱12,439,965	

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	2,887,328	–	–	2,887,328	2023
2021	2,888,420	–	–	2,888,420	2024
	₱20,012,467	₱–	₱8,397,014	₱11,615,453	

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

	Consolidated			Parent Company		
	2021	2020	2019	**2021**	2020	2019
Statutory income tax rate	**25%**	30.0%	30.0%	**25%**	30.0%	30.0%
Tax effects of:						
Tax-exempt and tax-paid income	**(28.3)**	(16.0)	(51.3)	**(3.3)**	(12.4)	(35.7)
Equity in net earnings of subsidiaries and associates	**(28.8)**	(41.6)	(35.4)	**(47.6)**	(39.9)	(47.0)
Non-deductible expenses	**46.4**	34.6	96.3	**27.3**	28.0	86.9
Change in unrecognized deferred tax assets	**4.6**	15.5	(1.4)	**2.5**	8.0	(3.5)
Effective income tax rate	**18.9%**	22.5%	38.2%	**3.9%**	13.7%	30.7%

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 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, the Group's and the Parent Company's related party loans solely consist of DOSRI loans, as shown below:

	Group and Parent Company
	2020
Total DOSRI loans	₱5,321,940
Unsecured DOSRI loans	
% of DOSRI loans to total loan portfolio	1.1%
% 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 ₱0.5 million, ₱0.6 million and ₱0.8 million in 2021, 2020 and 2019, respectively.

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 during the year 2021 and 2020:

	Parent Company and Consolidated						
	2021						
	Deposits	**Withdrawals**	**Sale of securities**	**Purchase of securities**	**Availments of term loans**	**Issuance of promissory notes**	**Borrowings**
Ultimate Parent Company	**₱472,940,237,559**	**₱472,944,951,288**	**₱3,580,149,150**	**₱7,728,721,791**	**₱–**	**₱–**	**₱27,422,364,640**
Subsidiaries	**–**	**–**	**2,949,182,162**	**1,109,319,812**	**170,000,000**	**–**	**–**
Associates	**–**	**–**	**2,765,126,216**	**198,527,389**	**–**	**–**	**4,900,000,000**
Affiliates	**31,351,790,041**	**33,005,218,582**	**–**	**289,763,124**	**–**	**–**	**–**
	₱504,292,027,600	**₱505,950,169,870**	**₱9,294,457,528**	**₱9,326,332,116**	**₱170,000,000**	**₱–**	**₱32,322,364,640**

	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	₱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	₱13,751,605,197	₱15,863,498,272	₱16,533,000,000	₱700,000,000	₱11,500,552,000

The following are the balances of the Group's related party transactions as of December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, 2020 and 2019 (amounts in thousands):

	As of and for the year ended December 31, 2021		
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Ultimate Parent Company			
Cash and other items	**₱–**	**₱4,045,589**	Peso and US dollar-denominated demand, savings and time deposit accounts. 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	–	**120,560**	Investments in the Ultimate Parent Company's shares of stock
Other assets	–	**201,667**	Escrow account and lease deposits
Accounts payable and other liabilities	–	**21,996**	Consist of payables arising out of trading transactions in behalf of customers; and internal audit fees
Other liabilities	–	**1,121**	Lease liability
Interest income	**833**	–	From savings and time deposit accounts
Interest Expense	**81**		From lease liability
Service charges, fees commissions	**18,809**	–	Arranger, selling fees and commission income from brokering transactions
Trading and securities gain	**835**	–	Realized and unrealized loss from investments in debt and equity securities
Rent, light and water	**41**	–	Rent and utilities expense
Professional fees	**14,090**		Internal audit and retainer's fee for the current year
Miscellaneous expense	**448**	–	Bank charges
Associates			
Other assets		**346**	Various prepaid expenses
Accounts payable and other liabilities	–	**239**	Consist of payables arising out of trading transactions in behalf of customers
Service charges, fees and commissions	**1,107**	–	Commission income from brokering transactions
Trading and securities gains	**904**	–	Realized gain from sale of debt securities
Miscellaneous expense	**2,649**	–	Insurance expenses
Other Related Parties			
Cash and other cash items	–	**2,204**	Savings, current and time deposits with interest rate ranging from 0.05% to 0.125% per annum
Investment securities at FVTPL	–	**213,215**	Investments in equity securities
Investment at Amortized Cost		**7,922**	Investments in debt securities with 10-years term and average interest rates of 5.4%
Loans and receivables	–	**79,190**	Includes unquoted debt securities with term of 2 years and interest rate of 2.6%; 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%;
Property and equipment		**55,318**	Right-of-use Asset
Other assets	–	**16,388**	Rent deposits
Accounts payable and other liabilities	–	**62,575**	Lease liability, rent payable and accounts payable
Interest income	**11,736**	–	Interest income from investment in debt securities; unquoted debt securities, savings and time deposits and fringe benefit loans

(forward)

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
	As of and for the year ended December 31, 2021		
Service charges, fees and commissions	**₱100,693**	**₱–**	Arranger and financial advisory fees; Brokering fees
Trading and securities loss	**(9,373)**	–	Realized and unrealized gain/(loss) on investments in debt and equity securities
Interest expense	**1,927**	–	From lease liability
Rent, light and water	**6,097**	–	Rental payments for office premises
Depreciation of property and equipment and investment properties	**30,840**	–	Depreciation of right-of-use asset
Information technology and related expenses	**1,421**	–	Information technology project
Miscellaneous expense	**8,604**	–	Insurance expense, membership dues, maintenance fee and other service fees
Key Management Personnel			
Loans and receivables	**–**	**2,611**	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	**209**	–	Interest income from fringe benefit loans
Miscellaneous expense	**11,819**	–	Per diems given to directors during board meetings

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
	As of and for the year ended December 31, 2020		
Ultimate Parent Company			
Cash and other items	₱–	₱1,059,249	Peso and US dollar-denominated demand, savings and time deposits. Peso deposits carry interest from 0.1% to 1.25% while US dollar deposits carry interest from 0.0% to 1.25%
Investment securities at FVTPL	–	49,831	Investments in the Ultimate Parent Company's shares of stock
Loans and receivables	–	236	Various receivables arising from non-interest bearing rent receivable and accrued interest receivable from time deposit
Other assets	–	205,079	Escrow account
Accounts payable and other liabilities	–	11,749	Consist of payables arising out of trading transactions in behalf of customers; and internal audit fees
Other liabilities	–	1,487	Lease liability
Interest income	5,431	–	From interbank loans, savings and time deposits
Service charges, fees commissions	19,283	–	Arranger, issue management, placement and selling fees and commission income from brokering transactions
Trading and securities loss	20,534	–	Realized and unrealized loss from investments in debt securities
Interest expense	11,544	–	Interest expense from interbank borrowings
Rent, light and water	27	–	Rent and utilities expense
Miscellaneous expense	11,416	–	Internal audit fee for the current year, stock and transfer agency fee
Associates			
Other assets		200	Various prepaid expenses
Accounts payable and other liabilities	–	1,983	Consist of payables arising out of trading transactions in behalf of customers
Interest income	1,169	–	From loans
Service charges, fees and commissions	183	–	Commission income from brokering transactions
Trading and securities gains	769	–	From loans
Interest expense	156	–	Commission income from brokering transactions

(forward)

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
	As of and for the year ended December 31, 2020		
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	–	12,702	Includes rent receivables and accrued interest receivable; 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	33,854	–	Interest income from investment in debt securities, short-term placements, savings and time deposits and fringe benefit loans
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 receivables	–	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

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

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
	As of and for the year ended December 31, 2019		
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
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%;
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 receivables	–	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 December 31, 2021 and 2020, undrawn commitments/facilities is nil for the Group and the Parent Company.

Terms of Transactions with other related parties

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

Transactions with retirement plans

Under PFRS, certain post-employment benefit plans are considered as related parties. The Group and the Parent Company's retirement plans are being managed by the Ultimate Parent Company's Trust Banking Group (TBG). The total carrying amount and fair value of the retirement plan amounted to ₱273.5 million and ₱226.5 million for the Group and the Parent Company, respectively, as of December 31, 2021, and ₱276.2 million and ₱235.8 million for the Group and the Parent Company, respectively, as of December 31, 2020. The details of the assets of the fund as of December 31, 2021 and 2020 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, 2021 and 2020 and for each of the three years in the period ended December 31, 2020:

		Elements of Transactions				
		Statements of Financial Position		Statements of Income		
Counterparty		2021	2020	2021	2020	2019
Metrobank	Cash and other cash items	**₱4,267,571**	₱2,811,335	**₱–**	₱–	₱–
	Accrued interest receivable	**72**	13	**–**	–	–
	Accrued trust fee payable	**329,154**	353,735	**–**	–	–
	Interest income	**–**	–	**3,250**	93,289	432,640
	Trust fee expense	**–**	–	**1,544,226**	1,771,828	1,921,166
FMSLBF	Investment in mutual funds	**8,047,200**	7,745,400	**–**	–	–
	Unrealized trading gain	**–**	–	**176,400**	(163,800)	
FMSALFIF	Investment in mutual funds	**1,099,240**	1,112,414	**–**	–	–
	Unrealized trading gain	**–**	–	**(14,945)**	42,610	
FMPEETFI	Equity investments	**96,175,062**	87,970,281	**–**	–	–
	Unrealized trading gain	**–**	–	**746,885**	(10,882,114)	
MBTC-UITF	Investment in UITF	**17,992,367**	427,227	**–**	–	–
	Realized trading gain	**–**	–	**38,473**	8,692	
	Unrealized trading gain	**–**	–	**56,751**	(1,310)	

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.

<u>*Compensation of key management personnel*</u>

The compensation of key management personnel are as follows:

	Consolidated			Parent Company		
	2021	2020	2019	2021	2020	2019
Short-term employee benefits	**₱296,712,684**	₱289,513,314	₱277,025,198	**₱230,473,454**	₱219,571,532	₱221,875,896
Post-employment benefits	**20,385,051**	18,393,857	11,767,177	**14,008,565**	13,359,218	9,775,296
	₱317,097,735	₱307,907,171	₱288,792,375	**₱244,482,019**	₱232,930,750	₱231,651,192

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, 2021 and 2020 that have been eliminated at the consolidated level (amounts in thousands):

	As of and for the year ended December 31, 2021		
Category	**Amount/ Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
Subsidiaries			
Loans and receivables	**(₱26,871)**	**₱82,826**	Short-term loan with interest rate of 3.5%; Management/advisory fees and advances for various expenses
Other liabilities	**–**	**9,375**	Subscriptions payable
Interest income	**3,639**	–	From short-term loan
Service charges, fees and commissions	**29,996**	–	Management fees and advisory fees for services rendered to subsidiaries
Trading and securities gain	**2**	–	Realized gain from sale of debt securities
Other income	**1,154**	–	Service fees
Professional fees	**8,000**	–	Fee on analyst reports

	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

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 ₱14.3 million and ₱13.2 million in 2021 and 2020, respectively.

The following table shows the breakdown of loans and receivables from related parties as of December 31, 2021 and 2020:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Loans and discounts:				
Corporate lending	**₱65,000,000**	₱–	**₱81,431,064**	₱100,000,000
Others	**8,155,685**	8,730,139	**5,300,679**	5,841,217
Accrued interest receivable	**251,940**	1,080,186	**768,911**	1,055,556
Accounts receivable	**13,938,340**	238,714	**15,994,779**	8,879,417
	₱87,345,965	₱10,049,039	**₱103,495,433**	₱115,776,190

The following table shows the breakdown of accrued taxes, interest and other expenses to related parties as of December 31, 2021 and 2020 for the Group and the Parent Company:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Accrued other expenses payable	**₱6,804,475**	₱12,297,195	**₱3,838,710**	₱10,256,883

26. Commitments and Contingent Accounts

Commitments
As of December 31, 2021, the Group has outstanding contingent liability from legal cases amounting to ₱0.5 million.

Contingencies
In the normal course of business, the Group and the 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:

	2021	2020	2019
a. Net income attributable to equity holders of the Parent Company	**₱340,179,663**	₱364,375,939	₱402,447,348
b. Weighted average number of common shares	**372,465,962**	372,467,216	372,498,216
c. Basic/Diluted EPS (a/b)	**₱0.9**	₱1.0	₱1.1

In 2021, 2020 and 2019, 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.

2021

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]**
Loans and receivable - net (Notes 4, 7 and 12):						
Loans and discounts:						
Corporate lending	**₱300,000,000**	**₱–**	**₱300,000,000**	**₱–**	**₱870,103,557**	**₱–**
	₱300,000,000	**₱–**	**₱300,000,000**	**₱–**	**₱870,103,557**	**₱–**

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	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria: Financial instruments	Fair value of financial collateral	Net exposure
			2020			
	[a]	[b]	[c] [a-b]	[d]		[e] [c-d]
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

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 the Parent Company:

	Consolidated					
	January 1, 2021	**Cash flows**	**Foreign exchange movement**	**Amortization of discount**	**Others**	**December 31, 2021**
Bills payable	**₱ 3,856,294,035**	**(₱3,857,580,457)**	**₱1,286,422**	**₱–**	**₱–**	**₱ –**
Dividends payable	**89,645,705**	**(99,290)**	**–**	**–**	**–**	**89,546,415**
Lease Liability	**35,287,949**	**(44,820,274)**	**–**	**2,812,629**	**85,912,071**	**79,192,375**
Total liabilities from financing activities	**₱3,981,227,689**	**(₱3,902,500,021)**	**₱1,286,422**	**₱2,812,629**	**₱85,912,071**	**₱168,738,790**

	Parent Company					
	January 1, 2021	**Cash flows**	**Foreign exchange movement**	**Amortization of discount**	**Others**	**December 31, 2021**
Bills payable	**₱3,856,294,035**	**(₱3,857,580,457)**	**₱1,286,422**	**₱–**	**₱–**	**₱–**
Dividends payable	**89,645,705**	**(99,290)**	**–**	**–**	**–**	**89,546,415**
Lease Liability	**22,035,854**	**(31,770,679)**	**–**	**1,274,547**	**66,382,095**	**57,921,817**
Total liabilities from financing activities	**₱3,967,975,594**	**(₱3,889,450,426)**	**₱1,286,422**	**₱1,274,547**	**₱66,382,095**	**₱147,468,232**

	Consolidated					
	January 1, 2020	Cash flows	Foreign exchange movement	Amortization of discount	Others	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
Lease Liability	60,041,026	(24,418,359)		3,458,230	(3,792,948)	35,287,949
Total liabilities from financing activities	₱11,457,510,271	(₱7,455,798,305)	(₱20,149,559)	₱3,458,230	(₱3,792,948)	₱3,981,227,689

	Parent Company					
	January 1, 2020	Cash flows	Foreign exchange movement	Amortization of discount	Others	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
Lease Liability	36,167,091	(15,982,952)	–	1,851,715	–	22,035,854
Total liabilities from financing activities	₱11,433,636,336	(₱7,447,362,898)	(₱20,149,559)	₱1,851,715	₱–	3,967,975,594

	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

	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

30. Other Matters

The Group has no significant matters to report in 2021 on the following:

a. Known trends, events or uncertainties that would have material impact on liquidity and on the sales or revenues except that in order to anticipate the impact of COVID-19 pandemic, as required by PAS 36, the Group recorded additional provision for impairment loss of ₱131.5 million for the year ended December 31, 2021.
b. Explanatory comments about seasonality or cyclicality of operations.
c. Issuance, repurchase and repayments of debt and equity securities.
d. Unusual items as to nature, size or incidents affecting assets, liabilities, equity, net income or cash flows; and
e. Effect of changes in the composition of the Group during the year, including business combinations, acquisitions or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations.

31. Approval of the Financial Statements

The accompanying financial statements were authorized for issue by the Parent Company's BOD on March 02, 2022.

32. Supplementary Information Under Revenue Regulations (RR) No. 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:

<u>GRT and DST</u>
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 in 2021:

GRT	₱25,460,664
DST	7,431,729
Local taxes	739,409
Real estate tax	416,582
Fringe benefit tax	107,024
Licenses, fees and others	871,657
	₱35,027,065

Withholding Taxes

Details of total remittances and balances as of December 31, 2021 are as follows:

	Total Remittances	Oustanding Balance
Withholding taxes on compensation and benefits	₱86,937,844	₱5,478,044
Expanded withholding taxes	17,579,628	3,179,707
Final withholding taxes on deposit substitute borrowings	397,950	–
Final withholding tax - others	177,944	–
	₱105,093,366	₱8,657,751

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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 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), as at sand for the year then ended December 31, 2021, on which we have rendered the attached report dated March 02, 2022.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that First Metro Investment Corporation has 1,189 stockholders owning one hundred (100) or more shares each.

SYCIP GORRES VELAYO & CO.

Veronica Mae A. Arce
Partner
CPA Certificate No. 0117208
Tax Identification No. 234-282-413
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 0117208-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-135-2021, November 10, 2021, valid until November 9, 2024
PTR No. 8853465, January 3, 2022, Makati City

March 02, 2022

SGV
Building a better working world

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INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
First Metro Investment Corporation
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Ayala Avenue corner. H.V. Dela Costa Street
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated and parent financial statements of First Metro Investment Corporation (the Group and the Parent Company) as at December 31, 2021, and have issued our report thereon dated March 02, 2022. Our audits were made for the purpose of forming an opinion on the basic consolidated and parent financial statements taken as a whole. The schedules listed in the Index to the Supplementary Schedules are the responsibility of the Group and the Parent 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 consolidated and parent financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated and parent 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 consolidated and parent financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Veronica Arce

Veronica Mae A. Arce
Partner
CPA Certificate No. 0117208
Tax Identification No. 234-282-413
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 0117208-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-135-2021, November 10, 2021, valid until November 9, 2024
PTR No. 8853465, January 3, 2022, Makati City

March 02, 2022

SGV
Building a better working world

SyCip Gorres Velayo & Co.
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1226 Makati City
Philippines

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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 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), as at December 31, 2021 and have issued our report thereon dated March 02, 2022. Our audits were made for the purpose of forming an opinion on the basic consolidated and parent company 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 consolidated and parent company financial statements. This has been subjected to the auditing procedures applied in the audit of the basic consolidated and parent company 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 consolidated and parent company financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Veronica Arce

Veronica Mae A. Arce
Partner
CPA Certificate No. 0117208
Tax Identification No. 234-282-413
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 0117208-SEC (Group A)
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SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-135-2021, November 10, 2021, valid until November 9, 2024
PTR No. 8853465, January 3, 2022, Makati City

March 02, 2022

FIRST METRO
INVESTMENT CORPORATION
Metrobank Group

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, 2021 and 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

FRANCISCO C. SEBASTIAN
Chairman

JOSE PATRICIO A. DUMLAO
President

MARICEL L. MADRID
SVP / Controller

Signed this 2nd day of March 2022

FIRST METRO
INVESTMENT CORPORATION
Metrobank Group

SUBSCRIBED AND SWORN to before me this MAR 3 0 2022 day of MANILA CITY affiants exhibiting to me their identification, as follows:

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

Notary Public

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Page No. 26
Book No. XII
Series of 2022

45th Floor, GT Tower International, 6813 Ayala Ave. cor. H.V. dela Costa St.
1227 Makati City, Philippines
Tel: +632 8858 7900 | Fax: +632 8840 3706
www.firstmetro.com.ph

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, 2021

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, 2021

Unappropriated Retained Earnings (RE), beginning			P	12,104,185,197
Previous Year's Adjustments:				
Fair value adjustment on investment property				(9,880,059)
Unrealized mark to market gains				(215,133)
Accumulated equity share in net earnings of subsidiaries and associates as of December 31, 2020				(5,257,687,433)
Unappropriated RE, as adjusted, beginning				6,836,402,572
Realized trading losses on sale of FVOCI-Equities				(6,093,450)
Net Income Actual / Realized				
Net income for the period	P	340,179,663		
Add/(Deduct):				
Net reduction of accumulated equity share in net earnings from investments in subsidiaries and associates		255,965,743		
Deferred tax asset recognized		(13,041,642)		
Realized mark to market gains		215,133		
Unrealized mark to market loss		4,669,776		587,988,673
Unappropriated RE, as adjusted, ending				7,418,297,795
Treasury shares				(2,662,030,617)
Net amount available for dividend declaration			P	4,756,267,179

MARICEL L. MADRID
SVP / Controller

FIRST METRO INVESTMENT CORPORATION

SUMMARY OF UNDERWRITING ACTIVITIES

For the year ended December 31, 2021

(In Thousand Pesos)

Underwriting Activity	Client/Issuer	Nature of Commitment	Amount of Issue	Fees Earned	Basis of computation
A. Equity Underwriting					
	Monde Nissin Corporation	Firm	55,890,000	62,655	based on the percentage of underwritten amount
	Filinvest REIT Corp.	Firm	12,583,246	4,792	based on the percentage of underwritten amount
	Robinsons Land Corporation	Firm	23,529,387	9,288	based on the percentage of underwritten amount
	Megaworld Corporation	Firm	15,292,384	5,008	based on the percentage of underwritten amount
B. Debt Underwriting					
	SM Prime Holdings, Inc.	Firm	10,000,000	10,312	based on the percentage of underwritten amount
	Aboitiz Power Corporation	Firm	8,000,000	7,058	based on the percentage of underwritten amount
	Ayala Land, Inc.	Firm	10,000,000	474	based on the percentage of underwritten amount
	Ayala Corporation	Firm	10,000,000	5,062	based on the percentage of underwritten amount
	Aboitiz Equity Ventures, Inc.	Firm	10,000,000	9,416	based on the percentage of underwritten amount
	Petron Corporation	Firm	18,000,000	1,632	based on the percentage of underwritten amount
	SM Prime Holdings, Inc.	Firm	10,000,000	4,579	based on the percentage of underwritten amount
	Aboitiz Power Corporation	Firm	12,000,000	12,744	based on the percentage of underwritten amount
	Filinvest Land, Inc.	Firm	10,000,000	4,648	based on the percentage of underwritten amount

MARICEL L. MADRID
SVP / 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, 2021:

Counterparty	Transaction	Amount of transactions for the year		Carrying value of loan with collateral
		Additions	Collections	
Officers	Fringe Benefit Loans	₱2,670,000	₱3,060,325	₱1,668,144

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.

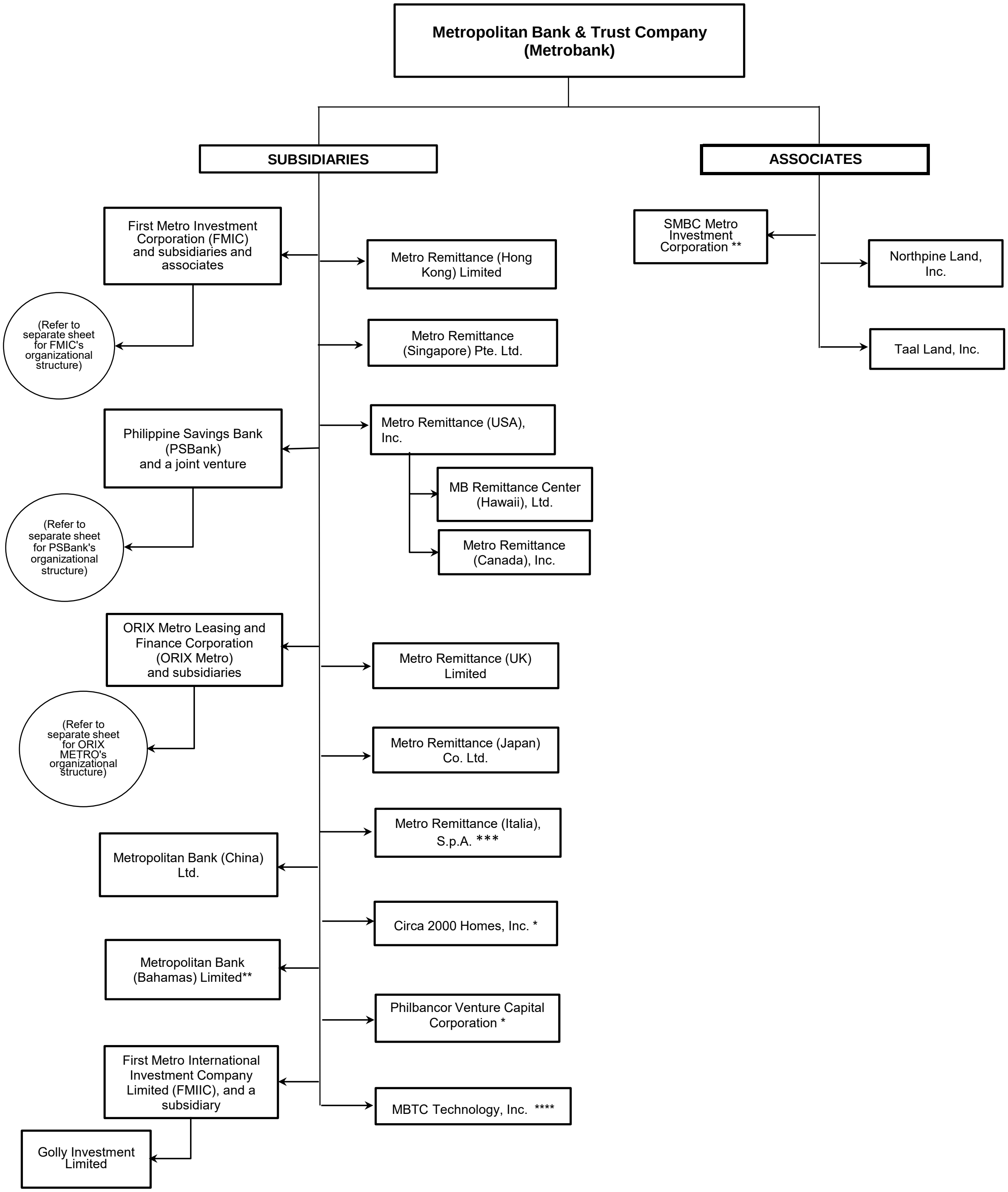
MARICEL L. MADRID
SVP/Controller

FIRST METRO INVESTMENT CORPORATION
SCHEDULE OF AMOUNT OF RECEIVABLES ELIMINATED
As of December 31, 2021

Name of debtor	Relationship	Balance at beginning of period	Additions	Amounts collected	Amounts written-off	Current	Noncurrent	Balance at end of period
FAMI	Subsidiary	8,480,596	27,613,521	34,037,233	-	2,056,884	-	2,056,884
FEI	Subsidiary	-	4,250	4,250	-	-	-	-
FMIBC	Subsidiary	-	4,250	4,250	-	-	-	-
FMSBC	Subsidiary	221,603	2,448,206,000	2,448,427,603	-	-	-	-
PBC	Subsidiary	1,055,556	24,676,294	24,962,939	-	768,911	-	768,911
PVDC	Subsidiary	-	4,250	4,250	-	-	-	-
RI	Subsidiary	-	4,250	4,250	-	-	-	-
SBC	Subsidiary	-	51,000	51,000	-	-	-	-
SALEF	Subsidiary	6,829,392	85,217,856	84,802,930	-	7,244,318	-	7,244,318
SALBF	Subsidiary	2,278,619	24,997,563	25,243,260	-	2,032,922	-	2,032,922
SALFIF	Subsidiary	2,945,374	307,593,141	308,313,774	-	2,224,741	-	2,224,741
SALDBF	Subsidiary	2,758,159	13,673,560	14,930,331	-	1,501,388	-	1,501,388
FMPEETF	Subsidiary	2,232,794	8,792,570	9,756,086	-	1,269,278	-	1,269,278
		26,802,093	2,940,838,505	2,950,542,156	-	17,098,442	-	17,098,442

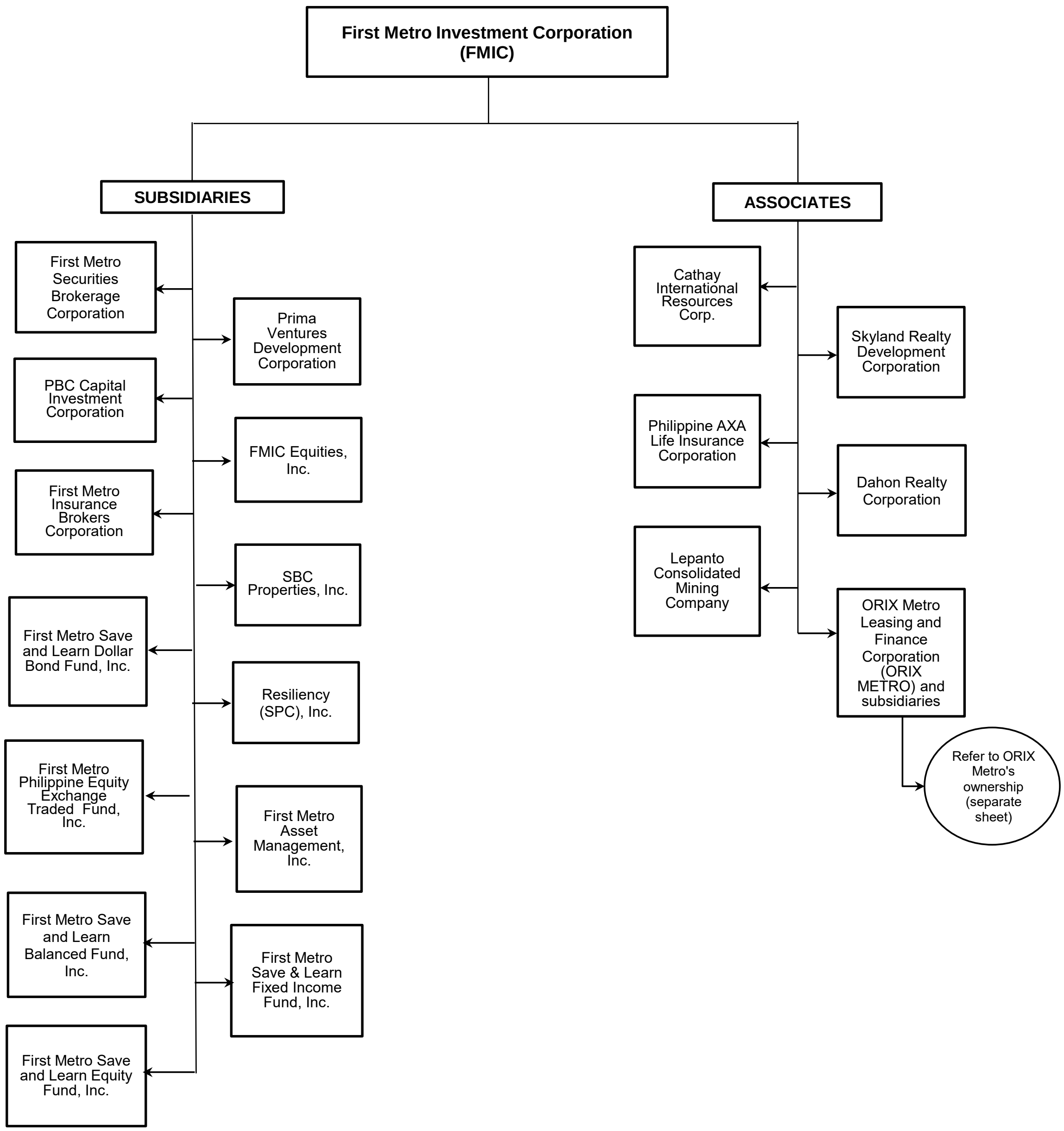
Maricel L. Madrid
SVP/Controller

Metropolitan Bank & Trust Company
Subsidiaries and Associates
As of December 31, 2021

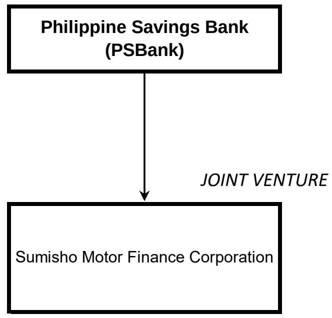


** In process of dissolution*
*** In process of liquidation*
**** Fully liquidated in January 2021*
***** Fully liquidated in December 2021*

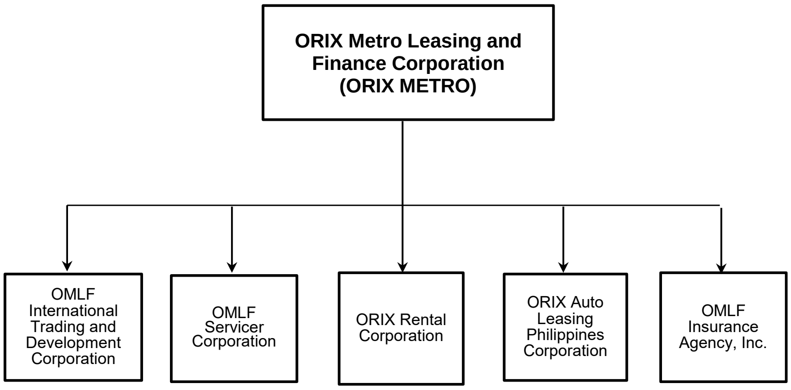
First Metro Investment Corporation
Subsidiaries and Associates
As of December 31, 2021



Philippine Savings Bank
Joint Venture
As of December 31, 2021



ORIX Metro Leasing and Finance Corporation (ORIX METRO)
Subsidiaries
As of December 31, 2021



FIRST METRO INVESTMENT CORPORATION AND SUBSIDIARIES
FINANCIAL SOUNDNESS INDICATORS

Performance Indicator	Formula	As of December 31	
		2021	2020
a. Current/Liquidity Ratio	Total Current Assets / Total Current Liabilities	**131.36%**	125.56%
b. Solvency Ratio	Total Liabilities / Total Assets	**52.81%**	55.22%
c. Debt to Equity Ratio	Total Liabilities / Total Equity	**112.67%**	124.12%
d. Asset to Equity Ratio	Total Assets / Total Equity	**213.34%**	224.76%
e. Interest Rate Coverage Ratio	Income before Interest Expense and Tax / Interest Expense	**551.80%**	39.52%
f. Return on Equity	Net Income after Tax / Average Capital	**2.23%**	2.45%
g. Return on Assets	Net Income after Tax / Average Total Assets	**1.02%**	1.05%
h. Net Profit Margin Ratio	Net Income / Net Interest Income and Operating Income	**26.14%**	37.65%
i. Risk Based Capital Adequacy (RBCA) Ratio	Net Liquid Capital / Total Risk Capital Requirement	**622.46%**	N/A
j. Ratio of Aggregate Indebtedness to Net Liquid Capital	Aggregate Indebtedness / Net Liquid Capital	**19.32%**	N/A
k. Capital Adequacy Ratio	Net Qualifying Capital / Total Risk Weighted Assets	**N/A**	56.66%
l. Common Equity Tier (CET) 1 Ratio	CET 1 Capital / Total Risk Weighted Assets	**N/A**	55.99%
m. Leverage Ratio	Capital Measure / Exposure Measure	**N/A**	27.60%
n. Liquidity Coverage Ratio	Total Stocks of High Quality Liquid Assets / Total Net Cash Outflows	**N/A**	293.82%
o. Net Stable Finding Ratio	Available Stable Funding / Required Stable Funding	**N/A**	122.72%

Certified correct by:

MARICEL L. MADRID
SVP/Controller

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	₱300,000,000	₱300,000,000		
Other loans	5,300,679	5,300,679		
Other borrowers of subsidiaries	90,855,006	90,855,006		
	396,155,685	396,155,685	₱407,820,789	
Unquoted Commercial Papers:				
Toyota Financial Services Phils Corp.	817,450,000	817,450,000		
	817,450,000	817,450,000	836,076,249	
Other Receivables	1,657,650,381	1,657,650,381	1,615,519,140	
	2,871,256,066	2,871,256,066	2,859,416,178	
Allowance for Credit Losses	(50,017,469)	(50,017,469)		
	2,821,238,597	2,821,238,597	2,859,416,178	₱41,768,316
Financial Assets at FVTPL:				
Government Securities	1,651,406,296	1,666,049,590		
Private Debt Securities	542,710,500	547,151,709		
Equity Securities	179,909,014	6,616,584,834		
	2,374,025,810	8,829,786,133	8,829,786,133	373,425,509
FVOCI:				
Government Securities	2,174,990	2,532,939		
Private Debt Securities				
SM Investment Corp.	30,000,000	30,666,916		
Equity Securities				
Alabang Country Club	2	13,000,000		
Axelum Resources Corp.	176,970,700	530,912,100		
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	750,000		
Manila Electric Company	19,000	5,608,800		
Phil Depository & Trust Corp.	10,228	1,022,800		
Splendido Taal Golf	4	480,000		
Tagaytay Highlands	2	1,900,000		
The Philippine Stock Exchange, Inc..	2,806,521	603,402,015		
	212,659,787	1,287,872,590	1,287,872,590	28,647,620
Amortized Cost:				
Government securities	₱4,217,236,380	₱4,219,449,343		
Private Debt Securities				
Asia United Bank	50,000,000	50,884,772		
Aboitiz Power Corporation	80,000,000	89,400,000		
Ayala Land, Inc.	50,000,000	50,000,000		
BDO Unibank, Inc.	30,665,260	30,338,646		
Bank of the Philippine Islands	30,000,000	30,000,000		
China Banking Corp.	90,000,000	90,000,000		
Development Bank of the Philippines	30,000,000	30,000,000		
Del Monte Philippines, Inc.	75,000,000	75,000,000		
GT Capital Holdings, Inc.	8,000,000	7,921,983		

Robinsons Land Corp.	205,600,000	205,618,220		
San Miguel Brewery Inc.	45,000,000	45,177,201		
San Miguel Food and Beverage, Inc.	150,000,000	150,000,000		
San Miguel Corporation	40,610,000	41,554,866		
SMC Global Power Holdings, Inc.	62,280,000	62,864,838		
SM Investments Corp.	107,700,000	108,014,625		
SM Prime Holdings Inc	2,150,000	2,186,417		
	5,283,641,640	5,288,410,910	₱5,296,333,652	₱69,392,508
	₱10,691,565,836	₱18,227,308,230	₱18,273,408,552	₱513,233,953

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	₱8,730,139	₱4,636,000	(₱5,210,454)	(₱–)	₱ 849,486	₱ 7,306,199	₱8,155,685

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	Non current	Balance at end of period
FAMI	Subsidiary	₱ 8,480,596	₱ 27,613,521	(₱34,037,233)	₱–	₱ 2,056,884	₱–	₱ 2,056,884
FEI	Subsidiary	–	4,250	(4,250)	–	–	–	–
FMIBC	Subsidiary	–	4,250	(4,250)	–	–	–	–
FMSBC	Subsidiary	221,603	2,448,206,000	(2,448,427,603)	–	–	–	–
PBC	Subsidiary	1,055,556	24,676,294	(24,962,939)	–	768,911	–	768,911
PVDC	Subsidiary	–	4,250	(4,250)	–	–	–	–
RI	Subsidiary	–	4,250	(4,250)	–	–	–	–
SBC	Subsidiary	–	51,000	(51,000)	–	–	–	–
SALEF	Subsidiary	6,829,392	85,217,856	(84,802,930)	–	7,244,318	–	7,244,318
SALBF	Subsidiary	2,278,619	24,997,563	(25,243,260)	–	2,032,922	–	2,032,922
SALFIF	Subsidiary	2,945,374	307,593,141	(308,313,774)	–	2,224,741	–	2,224,741
SALDBF	Subsidiary	2,758,159	13,673,560	(14,930,331)	–	1,501,388	–	1,501,388
FMPEETF	Subsidiary	2,232,794	8,792,570	(9,756,086)	–	1,269,278	–	1,269,278
		₱ 26,802,093	₱ 2,940,838,505	(₱2,950,542,156)	₱–	₱ 17,098,442	₱–	₱ 17,098,442

4. Intangible Assets - Other Assets

Movements in intangible assets follow:

	2021
Balance at beginning of year	₱17,674,686
Additions at cost (cash expenditure)	7,147,774
Disposals	-
Charged to cost and expenses	(10,709,445)
Balance at end of the period	₱14,113,015

This account consists of First Metro and FAMI's capitalized computer software with net book value of ₱ 9.1 million and ₱5.0 million, respectively.

5. Long Term Debt

As of December 31, 2021, First Metro had no long-term debt.

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

As of December 31, 2021, First Metro had no long-term debt to related parties.

7. Guarantees of Securities of Other Issuers

As of December 31, 2021, 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	372,465,962*
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 48,403,278 Treasury Shares as of December 31, 2021*

Certified correct:

Maricel L. Madrid
SVP/Controller