First Metro Investment Corporation and Subsidiaries

Financial Statements
December 31, 2022 and 2021
and for the Years Ended December 31, 2022,
2021 and 2020

and

Independent Auditor's Report

SGV
Building a better
working world

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INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
First Metro Investment Corporation

Report on the Consolidated and Parent Company Financial Statements

Opinion

We have audited the consolidated financial statements of First Metro Investment Corporation and its subsidiaries (the Group), and the parent company financial statements of First Metro Investment Corporation (the Parent Company), which comprise the consolidated and parent company statements of financial position as at December 31, 2022 and 2021 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, 2022, 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, 2022 and 2021, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2022, 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 Group and the Parent Company or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

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

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

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

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

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

- Obtain sufficient appropriate 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 Redgienald G. Radam.

SYCIP GORRES VELAYO & CO.

Redgienald G. Radam

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Partner
CPA Certificate No. 118866
Tax Identification No. 249-000-259
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 118866-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. 08-001998-141-2021, April 27, 2021, valid until April 26, 2024
PTR No. 9564682, January 3, 2023, Makati City

February 24, 2023

FIRST METRO INVESTMENT CORPORATION AND SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION

	Consolidated		Parent Company	
	December 31, 2022	December 31, 2021	**December 31, 2022**	December 31, 2021
ASSETS				
Cash and other cash items (Note 18)	**₱6,944,935,883**	₱7,159,181,657	**₱1,269,171,172**	₱3,193,226,398
Investment securities at				
Fair value through profit or loss (FVTPL) (Notes 6 and 25)	**7,924,057,951**	8,829,786,133	**–**	813,246,005
Fair value through other comprehensive income (FVOCI) (Note 6)	**5,358,322,831**	1,287,872,590	**4,274,207,651**	1,112,146,560
Amortized cost (Notes 6, 12 and 25)	**2,068,251,589**	5,288,410,910	**–**	–
Loans and receivables (Notes 7, 12 and 25)	**1,719,241,725**	2,821,238,598	**58,578,475**	405,124,344
Property and equipment (Note 8)	**141,626,652**	147,509,585	**66,368,819**	99,097,202
Investments in subsidiaries and associates (Notes 9, 12 and 25)	**6,430,466,586**	6,444,811,531	**9,472,330,976**	9,610,827,340
Investment properties (Notes 10 and 12)	**179,390,877**	181,204,058	**179,390,877**	181,204,058
Deferred tax assets (Note 24)	**30,264,557**	41,937,915	**–**	10,571,628
Other assets (Notes 11 and 25)	**984,174,599**	926,111,804	**697,783,736**	700,752,523
	₱31,780,733,250	₱33,128,064,781	**₱16,017,831,706**	₱16,126,196,058
LIABILITIES AND EQUITY				
LIABILITIES				
Accounts payable (Notes 14 and 25)	**₱5,576,121,006**	₱6,255,521,481	**₱209,523,065**	₱229,983,229
Accrued taxes, interest and other expenses (Notes 14 and 25)	**132,608,334**	159,021,112	**57,925,604**	51,203,317
Income taxes payable	**4,613,713**	10,513,394	**1,797,244**	2,888,424
Deferred tax liabilities (Note 24)	**3,098,338**	–	**2,470,014**	–
Puttable instruments of mutual fund subsidiaries classified as liability (Note 15)	**10,139,294,090**	10,618,762,785	**–**	–
Other liabilities (Notes 15 and 25)	**333,493,625**	452,443,791	**253,694,860**	313,485,204
	₱16,189,229,106	17,496,262,563	**₱525,410,787**	597,560,174
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)	**12,803,987,348**	12,438,271,410	**12,803,987,348**	12,438,271,410
Treasury stock (Note 17)	**(2,662,030,617)**	(2,662,030,617)	**(2,662,030,617)**	(2,662,030,617)
Net unrealized loss on FVOCI investments (Notes 6 and 25)	**(786,509,869)**	(505,616,136)	**(786,509,869)**	(505,616,136)
Remeasurements of retirement liability (Note 20)	**7,250,192**	38,080,880	**7,250,192**	38,080,880
Cumulative translation adjustment	**20,642,245**	24,839,215	**20,642,245**	24,839,215
Equity in other comprehensive loss of associates (Note 9)	**(165,304,822)**	(79,295,310)	**(165,304,822)**	(79,295,310)
	15,492,420,919	15,528,635,884	**15,492,420,919**	15,528,635,884
Equity attributable to non-controlling interests	**99,083,225**	103,166,334	**–**	–
	15,591,504,144	15,631,802,218	**15,492,420,919**	15,528,635,884
	₱31,780,733,250	₱33,128,064,781	**₱16,017,831,706**	₱16,126,196,058

See accompanying Notes to Financial Statements.

FIRST METRO INVESTMENT CORPORATION AND SUBSIDIARIES
STATEMENTS OF INCOME

	Consolidated			Parent Company		
	Years Ended December 31					
	2022	2021	2020	**2022**	2021	2020
INTEREST INCOME (Notes 6, 7, 18 and 25)						
Investment securities at FVOCI and at amortized cost	**₱174,461,998**	₱71,701,680	₱71,796,040	**₱66,637,134**	₱–	₱17,895,031
Investment securities at FVTPL	**105,089,976**	128,565,608	157,279,706	**9,997,614**	50,272,411	73,660,923
Other financial assets	**98,531,020**	72,037,918	271,352,189	**39,486,416**	47,001,059	215,719,569
	378,082,994	272,305,206	500,427,935	**116,121,164**	97,273,470	307,275,523
INTEREST EXPENSE (Notes 13, 15, 19, 22 and 25)	**8,949,546**	27,158,029	143,890,199	**5,758,591**	24,144,189	142,255,560
NET INTEREST INCOME (EXPENSE)	**369,133,448**	245,147,177	356,537,736	**110,362,573**	73,129,281	165,019,963
Service charges, fees and commissions (Notes 21 and 25)	**534,874,091**	756,713,053	443,579,197	**266,886,925**	349,946,977	207,908,196
Dividends (Notes 6 and 25)	**189,184,985**	142,764,017	110,289,662	**27,663,729**	21,154,641	19,305,984
Gain on sale of assets (Notes 8, 9 and 10)	**78,991,183**	59,514	3,208,999	**78,694,971**	–	3,220,087
Foreign exchange gain	**6,779,535**	4,191,578	7,374,132	**119,227**	669,435	6,769,156
Trading and securities gains (losses) (Notes 6 and 25)	**(149,859,394)**	128,434,332	36,891,211	**21,554,696**	36,869,554	136,577,566
Miscellaneous (Note 21)	**29,071,120**	28,341,771	17,210,957	**3,984,284**	3,725,464	5,394,478
TOTAL OPERATING INCOME	**1,058,174,968**	1,305,651,442	975,091,894	**509,266,405**	485,495,352	544,195,430
OTHER EXPENSES						
Compensation and fringe benefits (Notes 20 and 25)	**504,272,188**	558,894,293	565,043,726	**324,119,529**	391,401,045	401,976,129
Provision for (recovery from) impairment, credit and other probable losses (Note 12)	**169,159,028**	128,666,709	(63,164,656)	**169,592,316**	127,734,085	(63,212,836)
Advertising and communication expenses	**91,912,593**	53,057,290	43,276,439	**18,845,389**	23,248,650	21,896,174
Online trading, transfer and exchange fees	**76,358,796**	107,812,427	81,052,992	**4,325,126**	6,839,785	12,044,683
Broker's commissions	**66,579,261**	66,139,514	31,470,362	**445,054**	2,178,003	4,501,715
Depreciation of property and equipment and investment properties (Notes 8 and 10)	**63,777,704**	65,907,506	62,741,254	**39,837,043**	43,692,217	45,387,240
Professional fees	**59,267,020**	59,979,433	60,759,349	**24,574,628**	31,163,695	30,994,534
Taxes and licenses	**40,122,742**	60,126,128	129,242,943	**22,670,078**	35,027,065	110,085,100
Information technology and related expenses (Notes 11 and 23)	**39,154,749**	38,238,413	38,613,169	**31,529,010**	31,957,631	29,671,072
Representation and entertainment (Note 25)	**14,207,894**	14,516,459	17,136,952	**7,061,897**	9,085,472	12,388,489
Rent, light and water	**10,703,683**	9,004,827	18,245,654	**6,624,727**	5,595,781	5,119,170
Miscellaneous (Notes 10 and 23)	**151,390,267**	209,401,699	143,780,235	**68,122,149**	95,289,428	72,722,769
	1,286,905,925	1,371,744,698	1,128,198,419	**717,746,946**	803,212,857	683,574,239
LOSS BEFORE SHARE IN NET INCOME OF SUBSIDIARIES AND ASSOCIATES	**(228,730,957)**	(66,093,256)	(153,106,525)	**(208,480,541)**	(317,717,505)	(139,378,809)
SHARE IN NET INCOME (LOSS) OF SUBSIDIARIES (Note 9)	–	–	–	**(65,486,801)**	174,546,251	(56,315,480)
SHARE IN NET INCOME OF ASSOCIATES (Note 9)	**683,419,496**	495,120,126	617,715,097	**677,100,843**	497,257,213	618,132,237
INCOME BEFORE INCOME TAX	**454,688,539**	429,026,870	464,608,572	**403,133,501**	354,085,959	422,437,948
PROVISION FOR INCOME TAX (Note 24)	**90,339,913**	81,063,762	100,286,724	**39,115,563**	13,906,296	58,062,009
NET INCOME	**₱364,348,626**	₱347,963,108	₱364,321,848	**₱364,017,938**	₱340,179,663	₱364,375,939
Attributable to:						
Equity holders of the Parent Company	**₱364,017,938**	₱340,179,663	₱364,375,939			
Non-controlling interests	**330,688**	7,783,445	(54,091)			
	₱364,348,626	₱347,963,108	₱364,321,848			
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 27)	**₱1.0**	₱0.9	₱1.0			

See accompanying Notes to Financial Statements.

FIRST METRO INVESTMENT CORPORATION AND SUBSIDIARIES
STATEMENTS OF COMPREHENSIVE INCOME

	Consolidated			Parent Company		
	Years Ended December 31					
	2022	2021	2020	**2022**	2021	2020
NET INCOME	**₱364,348,626**	₱347,963,108	₱364,321,848	**₱364,017,938**	₱340,179,663	₱364,375,939
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)	**(44,477,378)**	1,089,236	(48,513,163)	**(42,633,918)**	–	(37,518,008)
Income tax effect (Notes 6 and 24)	**84,066**	(217,847)	11,416,139	**–**	–	–
	(44,393,312)	871,389	(37,097,024)	**(42,633,918)**	–	(37,518,008)
Cumulative translation adjustment	**(4,196,970)**	13,892,361	(12,720,926)	**(4,196,970)**	13,892,361	(12,720,926)
Changes in cash flow hedge reserve	**–**	–	9,501,975	**–**	–	9,501,975
Share in other comprehensive income (loss) of subsidiaries (Note 9)	**–**	–	–	**(1,759,394)**	871,389	420,984
Share in other comprehensive income (loss) of associates (Note 9)	**(505,320,432)**	(249,364,872)	233,191,566	**(505,320,432)**	(249,364,872)	233,191,566
Other comprehensive loss attributable to puttable instruments	**–**	(619,982)	–	**–**	–	–
	(553,910,714)	(235,221,104)	192,875,591	**(553,910,714)**	(234,601,122)	192,875,591
Items that do not recycle to profit or loss in subsequent periods:						
Remeasurements of retirement liability (Note 20)	**(32,020,701)**	57,225,067	(11,671,971)	**(28,141,358)**	50,895,750	(14,199,084)
Income tax effect (Notes 20 and 24)	**1,190,013**	(13,890,897)	3,410,288	**–**	(12,723,937)	4,259,725
	(30,830,688)	43,334,170	(8,261,683)	**(28,141,358)**	38,171,813	(9,939,359)
Changes in net unrealized gain (loss) on FVOCI equity investments (Note 6)	**(235,616,218)**	79,462,157	88,685,488	**(198,041,596)**	40,719,626	104,373,337
Share in other comprehensive income (loss) of subsidiaries (Note 9)	–	–	–	**(39,450,155)**	43,814,889	(14,744,991)
Share in other comprehensive income (loss) of associates (Note 9)	**419,310,920**	305,254,334	(414,848,761)	**419,310,920**	305,254,333	(414,848,761)
	152,864,014	428,050,661	(334,424,956)	**153,677,811**	427,960,661	(335,159,774)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	**(401,046,700)**	192,829,557	(141,549,365)	**(400,232,903)**	193,359,539	(142,284,183)
TOTAL COMPREHENSIVE INCOME (LOSS), NET OF TAX	**(₱36,698,074)**	₱540,792,665	₱222,772,483	**(₱36,214,965)**	₱533,539,202	₱222,091,756

ATTRIBUTABLE TO:			
Equity holders of the Parent Company	**(₱36,214,965)**	₱533,539,202	₱222,091,756
Non-controlling interests	**(483,109)**	7,253,463	680,727
	(₱36,698,074)	₱540,792,665	₱222,772,483

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, 2022	**₱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**
Total comprehensive income (loss)	–	–	**364,017,938**	–	**(279,195,733)**	–	**(30,830,688)**	**(4,196,970)**	**(86,009,512)**	**(36,214,965)**	**(483,109)**	**(36,698,074)**
Dividends (Note 17)	–	–	–	–	–	–	–	–	–	–	**(3,600,000)**	**(3,600,000)**
Realized loss on disposal charged against surplus (Note 6)	–	–	**1,698,000**	–	**(1,698,000)**	–	–	–	–	–	–	–
Balance at December 31, 2022	**₱4,208,692,400**	**₱2,065,694,042**	**₱12,803,987,348**	**(₱2,662,030,617)**	**(₱786,509,869)**	**₱–**	**₱7,250,192**	**₱20,642,245**	**(₱165,304,822)**	**₱15,492,420,919**	**₱99,083,225**	**₱15,591,504,144**
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 (loss)	–	–	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

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, 2022	**₱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**
Total comprehensive income (loss)	–	–	**364,017,938**	–	**(279,195,733)**	–	**(30,830,688)**	**(4,196,970)**	**(86,009,512)**	**(36,214,965)**
Acquisition of treasury shares (Note 17)	–	–	–	–	–	–	–	–	–	–
Realized gain on disposal charged against surplus (Note 6)	–	–	**1,698,000**	–	**(1,698,000)**	–	–	–	–	–
Balance at December 31, 2022	**₱4,208,692,400**	**₱2,065,694,042**	**₱12,803,987,348**	**(₱2,662,030,617)**	**(₱786,509,869)**	**₱–**	**₱7,250,192**	**₱20,642,245**	**(₱165,304,822)**	**₱15,492,420,919**
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 (loss)	–	–	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

See accompanying Notes to Financial Statements.

FIRST METRO INVESTMENT CORPORATION AND SUBSIDIARIES
STATEMENTS OF CASH FLOWS

	Consolidated			Parent Company		
	Years Ended December 31					
	2022	2021	2020	**2022**	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES						
Income before income tax	**₱454,688,539**	₱429,026,870	₱464,608,572	**₱403,133,501**	₱354,085,959	₱422,437,948
Adjustments for:						
Gain on sale of FVOCI debt investments (Note 6)	**(33,473)**	(90,000)	(31,666,457)	**(33,473)**	(90,000)	(31,666,457)
Gain from redemption of Investment in subsidiaries and associates (Note 9)	**–**	–	–	**(59,553,541)**	–	–
Share in net income of associates (Note 9)	**(683,419,496)**	(495,120,126)	(617,715,097)	**(677,100,843)**	(497,257,213)	(618,132,237)
Share in net (income) loss of subsidiaries (Note 9)	–	–	–	**65,486,801**	(174,546,251)	56,315,480
Dividend income (Notes 6 and 9)	**(189,184,985)**	(142,764,017)	(110,289,662)	**(27,663,729)**	(21,154,641)	(19,305,984)
Depreciation and amortization (Notes 8, 10 and 11)	**74,346,674**	76,616,952	75,913,940	**48,742,779**	52,929,065	56,479,126
Interest expense on lease liability (Notes 19 and 22)	**3,137,801**	2,812,629	3,458,230	**1,573,691**	1,274,547	1,851,715
Provision for (recovery from) impairment, credit, and other probable losses (Note 12)	**169,159,028**	128,666,709	(63,164,656)	**169,592,316**	127,734,085	(63,212,836)
Unrealized foreign exchange loss (gain)	**(17,124,718)**	(5,707,062)	1,948,410	**(8,189,532)**	1,286,422	–
Loss (gain) on sale of:						
Investments in subsidiaries and associates (Note 9)	**–**	–	–	**–**	–	(11,088)
Property and equipment (Note 8)	**(3,336,662)**	59,514	(79,999)	**(3,397,981)**	–	(79,999)
Investment properties (Note 10)	**(16,100,980)**	–	(3,129,000)	**(16,100,980)**	–	(3,129,000)
Amortization of premium or discount on financial assets	**(893,393)**	57,282	(1,905,971)	**(3,444,839)**	–	(1,939,851)
Changes in operating assets and liabilities:						
Decrease (increase) in the amounts of:						
Investment securities at FVTPL	**905,728,182**	464,484,512	2,587,162,983	**813,246,005**	162,185,264	2,724,045,019
Loans and receivables	**938,839,825**	167,652,073	(1,094,473,537)	**353,552,096**	79,668,297	102,859,549
Other assets	**(58,062,795)**	(16,146,571)	15,846,698	**902,710**	(7,980,109)	34,668,076
Increase (decrease) in the amounts of:						
Accounts payable	**(679,400,475)**	493,258,521	3,517,237,177	**(20,460,164)**	(18,998,092)	(8,918,140)
Accrued taxes, interest and other expenses	**(37,920,823)**	9,471,411	(11,979,587)	**(4,695,029)**	(14,494,601)	(39,526,034)
Other liabilities	**(582,532,071)**	2,265,840,291	1,833,758,433	**(15,816,176)**	44,586,182	11,161,958
Net cash generated from operations	**277,890,178**	3,378,118,988	6,565,530,477	**1,019,773,612**	89,228,914	2,623,897,245
Income taxes paid/(credit)	**(80,293,446)**	(77,712,103)	(95,824,180)	**(24,695,086)**	(18,214,406)	(54,203,772)
Net cash provided by operating activities	**₱197,596,732**	₱3,300,406,885	₱6,469,706,297	**₱995,078,526**	₱71,014,508	₱2,569,693,473

(Forward)

	Consolidated			Parent Company		
	Years Ended December 31					
	2022	2021	2020	**2022**	2021	2020
CASH FLOWS FROM INVESTING ACTIVITIES						
Acquisitions of:						
Investment securities at FVOCI	**(₱12,168,113,225)**	₱–	(₱3,947,940,941)	**(₱8,337,142,653)**	₱–	(₱3,933,857,869)
Investment securities at amortized cost	**(3,393,411,593)**	(4,145,315,148)	(1,125,454,273)	**–**	–	–
Loans and receivables	**(323,978,000)**	(752,450,000)	(65,000,000)	**–**	–	–
Property and equipment (Note 8)	**(26,236,954)**	(30,816,835)	(15,058,380)	**(8,236,477)**	(16,315,372)	(7,698,522)
Software licenses (Note 11)	**(6,292,974)**	(7,147,774)	(4,494,845)	**(4,940,150)**	(2,952,649)	(4,386,658)
Capital infusion to subsidiaries (Note 9)	**–**	–	–	**(417,727,457)**	–	(170,327,140)
Proceeds from sale/redemption/ maturities of:						
Investment securities at FVOCI	**7,821,798,205**	12,071,550	4,701,537,134	**4,935,977,348**	–	4,699,413,066
Investment securities at amortized cost	**6,613,570,914**	670,609,664	249,334,486		–	479,999,243
Investment in subsidiaries and associates (Note 9)	–	–	–	**417,727,457**	899,722,842	132,386,477
Loans and receivables	**494,667,000**	–	629,954,383		–	–
Investment properties (Note 10)	**17,228,000**	–	10,995,000	**17,228,000**	–	10,995,000
Property and equipment (Note 8)	**6,019,976**	1,954,303	7,128,535	**4,854,427**	1,723,130	412,757
Dividends received from investment securities	**189,184,985**	142,764,017	110,289,662	**27,663,729**	21,154,641	19,305,984
Dividends received from subsidiaries and associates (Note 9)	**400,148,095**	696,032,250	583,314,476	**468,548,095**	702,090,750	621,325,143
Net cash provided by (used in) investing activities	**(375,415,571)**	(3,412,297,973)	1,134,605,237	**(2,896,047,681)**	1,605,423,342	1,847,567,481
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from issuance of bills payable	**7,408,836,475**	50,310,357,500	10,220,552,000	**7,408,836,475**	50,310,357,500	10,220,552,000
Payments of bills payable	**(7,409,195,148)**	(54,167,937,957)	(17,671,706,057)	**(7,409,195,148)**	(54,167,937,957)	(17,671,706,057)
Payments of lease liability (Note 22)	**(36,068,262)**	(44,820,274)	(24,418,359)	**(22,727,398)**	(31,770,679)	(15,982,952)
Dividends paid	**–**	(99,290)	(375,448)	**–**	(99,290)	(375,448)
Acquisition of treasury shares (Note 17)	**–**	(51,414)	–	**–**	(51,414)	–
Net cash used in financing activities	**(36,426,935)**	(3,902,551,435)	(7,475,947,864)	**(23,086,071)**	(3,889,501,840)	(7,467,512,457)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(214,245,774)**	(4,014,442,523)	128,363,670	**(1,924,055,226)**	(2,213,063,990)	(3,050,251,503)
CASH AND CASH EQUIVALENTS AT BEGINNING 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
CASH AND CASH EQUIVALENTS AT END OF YEAR						
Cash and other cash items	**6,944,935,883**	7,159,181,657	6,073,003,807	**1,269,171,172**	3,193,226,398	305,670,015
Due from BSP	–	–	2,507,296,864	–	–	2,507,296,864
SPURA	–	–	2,593,323,509	–	–	2,593,323,509
	₱6,944,935,883	₱7,159,181,657	₱11,173,624,180	**₱1,269,171,172**	₱3,193,226,398	₱5,406,290,388

OPERATIONAL CASH FLOWS FROM INTEREST

	Consolidated			Parent Company		
	Years Ended December 31					
	2022	2021	2020	**2022**	2021	2020
Interest paid	**₱9,050,571**	₱30,855,262	₱171,066,057	**₱5,758,5919**	₱26,530,677	₱167,508,022
Interest received	**345,830,808**	279,465,557	543,913,305	**105,177,382**	103,573,799	348,736,219

See accompanying Notes to Financial Statements

FIRST METRO INVESTMENT CORPORATION AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

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

The Parent Company is primarily engaged in investment banking and has a quasi-banking license from the Bangko Sentral ng Pilipinas (BSP). It provides services such as equity and debt underwriting and private placements, loan syndication and arrangements, financial advisory and securities dealership. On November 24, 2020, in line with the transformation initiative of the Parent Company, the Board of Directors (BOD) approved the proposal to return its quasi-banking (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 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 classified as financial assets at fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI) 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 2022	2021
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)	Holding Company	-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 Save and Learn Dollar Bond Fund, Inc. (FMSLDBF)	-do-	-do-	**28.6**	95.3
First Metro Philippine Equity Exchange Traded Fund, Inc. (FMPEETFI)	Exchange Traded Fund	-do-	**26.6**	28.7
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-	**13.4**	14.2
First Metro Save and Learn Balanced Fund, Inc. (FMSALBF)	-do-	-do-	**17.0**	22.3
First Metro Save and Learn Fixed Income Fund (FMSLFIF)	-do-	-do-	**11.0**	9.9
First Metro Save and Learn Money Market Fund, Inc. (FMSLMMF)	-do-	-do-	**21.0**	5.2
First Metro Save and Learn F.O.C.C.U.S. Dynamic Dividend Fund, Inc.	-do-	-do-	**4.7**	52.8

** 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.

New Standards, Interpretations and Amendments
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. 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.

  At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

- Amendments to PAS 16, *Property, 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.

- Amendments to PAS 37, *Onerous Contracts – 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.

- *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 amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported in the parent’s consolidated financial statements, based on the parent’s date of transition to PFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

  - Amendments to PFRS 9, *Financial Instruments*, *Fees in the ’10 per cent’ test for derecognition of 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.

  - 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.

Significant Accounting Policies

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

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

Transactions and balances
For financial reporting purposes, the foreign currency-denominated monetary assets and liabilities are translated in Philippine peso based on the Bankers Association of the Philippines (BAP) closing rate prevailing at the statement of financial position date and foreign currency-denominated income and expenses, at the prevailing exchange rates as at the date of transaction. Foreign exchange differences

arising from revaluation and translation of foreign currency-denominated assets and liabilities are credited to or charged against operations in the year in which the rates change.

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

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

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

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

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

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

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Financial Instruments - Initial Recognition

Date of recognition

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

Initial recognition of financial instruments

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

'Day 1' profit or loss

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Group recognizes the difference between the transaction price and fair value (a 'Day 1' profit or loss) in the statement of income under 'Miscellaneous income' or 'Miscellaneous expense' unless it qualifies for recognition as some other type of asset. In cases where transaction price used is made of data which is not observable, the difference between the transaction price and model value is only recognized in the statement of income when the inputs become observable, or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' profit or loss amount.

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.

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.

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.

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 or associates 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 or associate since the acquisition date. Goodwill relating to the subsidiary or associate 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 or associate. 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 or associate, 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 or associate are eliminated to the extent of the interest in the subsidiary or associate.

The aggregate of the Parent Company's share of profit or loss of subsidiaries and associates 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 or associates 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 or associates. At each statement of financial position date, the Parent Company determines whether there is objective evidence that the investment in subsidiaries or associates 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 or associates 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.

<u>Investment Properties</u>
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.

<u>Intangible Assets</u>
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'.

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.

<u>Leases</u>
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.

Prepaid Expenses
Prepaid expenses pertain to other resources controlled by the Group as a result of past events. They are recognized in the financial statements when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined. These are expensed in profit or loss on the basis of systematic and rational allocation procedures. The allocation procedures are intended to recognize expenses in the accounting periods in which the economic benefits associated with these items are consumed or expired.

Creditable Withholding Tax
Creditable withholding tax is carried at cost, less any impairment, and is creditable against income tax due.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

<u>Provisions</u>
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'.

<u>Contingencies</u>
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.

<u>Income Taxes</u>
Current tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted 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
Pronouncements issued but not yet effective are listed below. The Group intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Group's consolidated financial statements [unless otherwise indicated].

Effective beginning on or after January 1, 2023
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

Effective beginning on or after January 1, 2024
- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

Effective beginning on or after January 1, 2025
- PFRS 17, *Insurance Contracts*

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

3. Significant Accounting Judgments and Estimates

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

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

Unless otherwise stated, below significant judgments and estimates apply as of December 31, 2022 and 2021and for each of the three years in the period ended December 31, 2022.

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.

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 26.6%, 13.4%, 17.0%, and 11.0% 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, 2022 and 28.7%, 14.2%, 22.3%, and 9.9%, respectively, as of December 31, 2021. 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, 2022 and 2021, 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 2021 and five-year expiration for those incurred in 2021. 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, 2022 and 2021, 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. 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.
- Credit evaluation by an independent unit 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 whenever applicable.
- 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							
	2022				2021			
	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
Loans and receivables - net								
Loans and discounts								
Corporate lendings	**₱–**	**₱–**	**₱–**	**₱–**	₱300,000,000	₱870,103,557	₱300,000,000	₱–
Others	**3,351,141**	**4,666,528**	**3,351,141**	**–**	3,438,895	5,471,884	3,438,895	–
Total	**₱3,351,141**	**₱4,666,528**	**₱3,351,141**	**₱–**	₱303,438,895	₱875,575,441	₱303,438,895	₱–

	Parent Company							
	2022				2021			
	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
Loans and receivables - net								
Loans and discounts								
Corporate lendings	**₱–**	**₱–**	**₱–**	**₱–**	₱300,000,000	₱870,103,557	₱300,000,000	₱–
Others	**–**	**–**	**–**	**–**	1,668,144	1,898,356	1,668,144	–
	₱–	**₱–**	**₱–**	**₱–**	₱301,668,144	₱872,001,913	₱301,668,144	₱–

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, 2022 and 2021.

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. 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, 2022 and 2021.

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			
	2022			
	Loans and Receivables	Loans and Advances to Banks*	Investment Securities**	Total
Financial intermediaries	**₱756,194,716**	**₱6,944,780,557**	**₱385,342,618**	**₱8,086,317,891**
Philippine government	**40,813,790**	–	**6,161,089,822**	**6,201,903,612**
Real estate, renting and business activities	**2,751,995**	–	**252,155,191**	**254,907,186**
Manufacturing	**670,732**	–	**286,919,026**	**287,589,758**
Transportation and storage	**82,394**	–	**38,827,100**	**38,909,494**
Electricity, gas and water	**10,100**	–	**26,439,796**	**26,449,896**
Others (various industries)	**961,203,515**	–	–	**961,203,515**
	₱1,761,727,242	**₱6,944,780,557**	**₱7,150,773,553**	**₱15,857,281,352**

* *Comprises of Cash and other cash items excluding petty cash fund which amounted to ₱155,326.*
** *Comprises of Debt investment securities at FVTPL, FVOCI and Amortized cost.*

	Consolidated 2021			
	Loans and Receivables	Loans and Advances to Banks*	Investment Securities**	Total
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
Philippine government	28,870,425	–	5,883,543,676	5,912,414,101
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
Information and communication	727,316	–	57,270,715	57,998,031
Transportation and storage	75,352	–	44,553,461	44,628,813
Others (various industries)	749,267,997	–	54,291,814	803,559,811
	₱2,871,256,067	₱7,159,008,634	₱7,535,141,068	₱17,565,405,769

* *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.*

	Parent Company 2022			
	Loans and Receivables	**Loans and Advances to Banks***	**Investment Securities****	**Total**
Philippine government	**₱28,478,186**	**₱–**	**₱3,362,009,699**	**₱3,390,487,885**
Financial intermediaries	**7,063,748**	**1,269,091,172**	**–**	**1,276,154,920**
Electricity, gas and water	**10,100**	**–**	**–**	**10,100**
Others (various industries)	**33,411,295**	**–**	**–**	**33,411,295**
	₱68,963,329	**₱1,269,091,172**	**₱3,362,009,699**	**₱4,700,064,200**

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

	Parent Company 2021			
	Loans and Receivables	**Loans and Advances to Banks***	**Investment Securities****	**Total**
Electricity, gas and water	₱308,674,245	₱–	₱9,841,243	₱318,515,488
Financial intermediaries	93,528,518	3,193,146,398	78,944,980	3,365,619,896
Philippine government	10,619,604	–	580,808,211	591,427,815
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 Debt investment securities at FVTPL.*

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.	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%

Component	Description	Credit Factor Weight
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, 2022 and 2021, all of which are classified as Stage 1.

	2022		2021	
	Consolidated	**Parent**	Consolidated	Parent
Due from Other Banks				
High Grade	**₱6,711,707,201**	**₱1,269,091,172**	₱6,784,786,060	₱3,193,146,398
Unrated	**233,073,357**	–	374,222,574	–
	6,944,780,558	**1,269,091,172**	7,159,008,634	3,193,146,398
Total Loans and Advances to Banks				
High Grade	**6,711,707,201**	**1,269,091,172**	6,784,786,060	3,193,146,398
Unrated	**233,073,357**	–	374,222,574	–
	₱6,944,780,558	**₱1,269,091,172**	₱7,159,008,634	₱3,193,146,398
FVOCI Investments				
Government				
High Grade	**₱4,344,956,380**	**₱3,362,009,699**	₱2,008,072	₱–
Standard Grade	**550,149**	–	524,867	–
	4,345,506,529	**3,362,009,699**	2,532,939	–
Private				
High Grade	–	–	30,666,916	–
Total FVOCI Investments				
High Grade	**4,344,956,380**	**3,362,009,699**	32,674,988	–
Standard Grade	**550,149**	–	524,867	–
	₱4,345,506,529	**₱3,362,009,699**	₱33,199,855	₱–
Investment Securities at Amortized Cost				
Government				
High Grade	**₱1,127,925,227**	**₱–**	₱4,214,961,146	₱–
Standard Grade	**138,574,244**	–	–	–
	1,266,499,471	–	4,214,961,146	–
Private				
High Grade	**72,279,106**	–	127,020,139	–
Standard Grade	**729,473,012**	–	942,103,241	–
Unrated	–	–	4,655,387	–
	801,752,118	–	1,073,778,767	–
Total Investment Securities at Amortized Cost				
High Grade	**1,200,204,333**	–	4,341,981,285	–
Standard Grade	**868,047,256**	–	942,103,241	–
Unrated	–	–	4,655,385	–
	2,068,251,589	–	5,288,739,911	–
Total Investment Securities				
High Grade	**5,545,160,713**	–	4,374,656,273	–
Standard Grade	**868,597,404**	–	942,628,108	–
Unrated	–	–	4,655,386	–
	₱6,413,758,117	**₱–**	₱5,321,939,767	₱–
Loans and Discount				
Standard Grade	**₱40,000,000**	**₱–**	₱388,000,000	₱380,000,000
Unrated	**7,419,896**	**2,500,324**	8,155,685	5,300,679
	47,419,896	**2,500,324**	396,155,685	385,300,679
Unquoted commercial papers				
High Grade	**616,761,000**	–	752,450,000	–
Standard Grade	**30,000,000**	–	65,000,000	–
	646,761,000	–	817,450,000	–

(Forward)

	2022		2021	
	Consolidated	**Parent**	Consolidated	Parent
Accounts Receivable				
High Grade	**₱16,394**	**₱16,394**	₱12,406,261	₱10,790,100
Standard Grade	**10,100**	**10,100**	111,202,856	2,332,984
Substandard Grade	**31,700,663**	–	688,581,778	–
Unrated	**958,700,178**	**45,004,802**	769,334,825	13,603,735
	990,427,335	**45,031,296**	1,581,525,720	26,726,819
Accrued Interest Receivable				
High Grade	**42,299,065**	**18,482,915**	22,625,615	1,896,496
Standard Grade	**29,484,966**	**2,948,794**	18,038,738	8,591,431
Unrated	**1,132,508**	–	–	–
	72,916,539	**21,431,709**	40,664,353	10,487,927
Dividend Receivables				
Unrated	**2,376,787**	–	2,775,575	–
	2,376,787	–	2,775,575	–
Other Receivables				
Unrated	**1,825,685**	–	32,684,733	–
	1,825,685	–	32,684,733	–
Total Loans and Receivables				
High Grade	**659,076,459**	**18,499,309**	787,481,876	12,686,596
Standard Grade	**99,495,066**	**2,958,894**	582,241,594	390,924,416
Substandard Grade	**31,700,663**	–	688,581,778	–
Unrated	**971,455,054**	**47,505,126**	812,950,818	18,904,413
	₱1,761,727,242	**₱68,963,329**	₱2,871,256,066	₱422,515,425
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, 2022 and 2021, 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								
	2022								
	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	**₱967,882,016**	**₱2,485,227,670**	**₱1,455,286,827**	**₱1,976,539,370**	**₱60,000,000**	**₱–**	**₱–**	**₱–**	**₱6,944,935,883**
Financial assets at FVTPL									
Government debt securities	–	**549,083,823**	–	–	–	–	–	–	**549,083,823**
Private debt securities	–	**187,931,612**	–	–	–	–	–	–	**187,931,612**
Equity securities	–	**7,187,042,516**	–	–	–	–	–	–	**7,187,042,516**
Investment Securities at FVOCI									
Government debt securities	–	**246,079,708**	**473,789,605**	**550,149**	**210,907,773**		**630,648,453**	**2,783,530,841**	**4,345,506,529**
Private debt securities	–	–	–	–	–	–	–	–	
Quoted equity investments	–	–	–	–	–	–	–	**889,396,482**	**889,396,482**
Unquoted equity investments	–	–	–	–	–	–	–	**123,419,820**	**123,419,820**
Investment Securities at amortized cost									
Government debt securities	–	**130,720,187**	**148,076,459**	**138,574,244**	**261,196,698**	**309,585,103**	**156,914,598**	**121,432,182**	**1,266,499,471**
Private debt securities	–	–	**30,199,340**	–	**278,439,796**	**270,112,982**	**223,000,000**	–	**801,752,118**
	–	**8,300,857,846**	**652,065,404**	**139,124,393**	**750,544,267**	**579,698,085**	**1,010,563,051**	**3,917,779,325**	**15,350,632,371**
Loans and receivables									
Loans and discounts									
Corporate lending	–	–	**40,000,000**	–	–	–	–	–	**40,000,000**
Others	–	**3,109**	**52,108**	**23,863**	**450,250**	**1,542,752**	**5,347,814**	–	**7,419,896**
	–	**3,109**	**40,052,108**	**23,863**	**450,250**	**1,542,752**	**5,347,814**	–	**47,419,896**
Unquoted commercial papers	–	–	**203,859,500**	–	–	**442,901,500**	–	–	**646,761,000**
Accrued interest receivable	–	–	**72,916,539**	–	–	–	–	–	**72,916,539**
Accounts receivable	–	–	**990,427,335**	–	–	–	–	–	**990,427,335**
Dividends receivable	–	–	**2,376,787**	–	–	–	–	–	**2,376,787**
Other receivables	–	–	**1,825,685**	–	–	–	–	–	**1,825,685**
	–	**3,109**	**1,311,457,954**	**23,863**	**450,250**	**444,444,252**	**5,347,814**	–	**1,761,727,242**
	₱967,882,016	**₱10,786,088,625**	**₱3,418,810,185**	**₱2,115,687,626**	**₱810,994,517**	**₱1,024,142,337**	**₱1,015,910,865**	**₱3,917,779,325**	**₱24,057,295,496**

(Forward)

	Consolidated								
	2022								
	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									
Accrued interest and other expenses	**₱–**	**₱–**	**₱70,175,034**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱70,175,034**
Accounts payable	–	–	**5,576,121,006**	–	–	–	–	–	**5,576,121,006**
Lease liabilities	–	–	**79,916,884**	–	–	–	–	–	**79,916,884**
Other liabilities	–	–	**10,454,817,966**	–	–	–	–	–	**10,454,817,966**
	–	–	**16,181,030,890**	–	–	–	–	–	**16,181,030,890**
Puttable instruments classified as liability	**10,139,294,090**	–	–	–	–	–	–	–	**10,139,294,090**
	₱10,139,294,090	**₱–**	**₱16,181,030,890**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱26,320,324,980**

	Consolidated								
	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
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	1,335,912	2,532,939
Private debt securities	–	1,041,600	–	–	29,625,316	–	–	-	30,666,916
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	625,449,651	147,497,500	–	100,000,000	4,219,616,534
Private debt securities	-	37,302,970	15,677,610	104,218,790	337,877,495	332,497,351	184,197,753	57,351,410	1,069,123,379
	339,200,203	9,842,899,683	1,244,930,910	907,739,303	993,026,074	480,645,053	184,597,353	1,413,360,057	15,406,398,636
Loans and receivables									
Loans and discounts									
Corporate lending	–	–	388,000,000	–	–	–	–	–	388,000,000
Others	–	48,229	72,431	88,619	680,164	2,058,722	3,605,631	1,601,889	8,155,685
	–	48,229	388,072,431	88,619	680,164	2,058,722	3,605,631	1,601,889	396,155,685

(Forward)

	Consolidated								
	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
Unquoted commercial papers	₱–	₱–	₱266,785,969	₱838,500	₱75,044,344	₱18,411,688	₱456,369,499	₱–	₱817,450,000
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	2,312,508,781	927,119	75,724,508	20,470,410	459,975,130	1,601,889	2,871,256,066
	₱7,498,381,860	₱9,842,947,912	₱ 3,557,439,691	₱ 908,666,422	₱ 1,068,750,582	₱ 501,115,463	₱ 644,572,483	₱ 1,414,961,946	₱ 18,277,654,702

	Consolidated								
	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									
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

(Forward)

	Parent Company								
	2022								
	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	**₱47,171,172**	**₱177,000,000**	**₱795,000,000**	**₱250,000,000**	**₱–**	**₱–**	**₱–**	**₱–**	**₱1,269,171,172**
Investment Securities at FVOCI									
Government debt securities	–	**1,999,298**	–	–	**196,919,590**	–	**381,334,312**	**2,781,756,499**	**3,362,009,699**
Quoted equity investments	–	–	–	–	–	–	–	**788,778,132**	**788,778,132**
Unquoted equity investments	–	–	–	–	–	–	–	**123,419,820**	**123,419,820**
	–	**1,999,298**	–	–	**196,919,590**	–	**381,334,312**	**3,693,954,451**	**4,274,207,651**
Loans and receivables									
Loans and discounts									
Others	–	**1,247**	**19,897**	**23,863**	**367,109**	**702,291**	**1,385,917**	–	**2,500,324**
	–	**1,247**	**19,897**	**23,863**	**367,109**	**702,291**	**1,385,917**	–	**2,500,324**
Accrued interest receivable	–	–	**21,431,709**	–	–	–	–	–	**21,431,709**
Accounts receivable	–	–	**45,031,296**	–	–	–	–	–	**45,031,296**
	–	**1,247**	**66,482,902**	**23,863**	**367,109**	**702,291**	**1,385,917**	–	**68,963,329**
	₱47,171,172	**₱179,000,545**	**₱861,482,902**	**₱250,023,863**	**₱197,286,699**	**₱702,291**	**₱382,720,229**	**₱3,693,954,451**	**₱5,612,342,152**
Financial Liabilities									
Accrued interest and other expenses	**₱–**	**₱–**	**₱17,516,060**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱17,516,060**
Accounts payable	–	–	**209,523,065**	–	–	–	–	–	**209,523,065**
Lease liabilities	–	–	**36,768,110**	–	–	–	–	–	**36,768,110**
Other liabilities	–	–	**256,850,128**	–	–	–	–	–	**256,850,128**
	₱–	**₱–**	**₱520,657,363**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱520,657,363**

	Parent Company								
	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
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	–	–	10,487,927	–	–	–	–	–	10,487,927
Accounts receivable	–	–	26,726,819	–	–	–	–	–	26,726,819
	–	4,889	417,251,796	32,079	484,518	1,504,500	1,440,537	1,797,106	422,515,425
	₱3,193,226,398	₱813,250,894	₱417,251,796	₱32,079	₱484,518	₱1,504,500	₱1,440,537	₱1,113,943,666	₱5,541,134,388
Financial Liabilities									
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

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 and monitoring of loss alerts limits.

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, 2022 and 2021, total loans and discounts earned fixed annual interest rate of 6.0% for the Group and nil for Parent Company in 2022 and ranging 3.5% to 10.8% both for the Group and the Parent Company in 2021.

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						
	2022						
			Sensitivity of equity				
	Increase (Decrease) in basis points	Sensitivity of net interest income and trading gains	0 up to 6 Months	6 months to 1 year	1 year to 5 years	More than 5 years	Total
Currency							
PhP	+10	₱16,697,272	₱–	₱–	(₱3,997,234)	(₱24,646,804)	(₱28,644,038)
USD	+10	–	–	–	(51,648)	(1,045,642)	(1,097,290)
Currency							
PhP	-10	(16,797,128)	–	–	4,009,349	24,852,385	28,861,734
USD	-10	–	–	–	51,724	1,056,505	1,108,229

	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

	Parent Company						
	2022						
	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**	**₱4,700,710**	**₱–**	**(₱926,487)**	**(₱18,065,439)**	**₱–**	**(₱18,991,926)**
USD	**+10**	**–**	**–**	**–**	**–**	**–**	**–**
Currency							
PhP	**-10**	**(16,797,128)**	**–**	**929,797**	**18,214,399**	**–**	**19,144,196**
USD	**-10**	**–**	**–**	**–**	**–**	**–**	**–**

	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		–	–	–	–	–

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, 2022:

	Consolidated	**Parent**
Interest rate exposures	₱82,099,679	₱82,099,679
Foreign exchange exposures	44,275,152	1,571,323
Total	₱126,374,831	₱83,671,002

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, 2022 and 2021:

	Consolidated	
	2022	2021
Financial assets		
Loans and advances		
Cash and other cash items	**$1,260,070**	$793,746
Investment securities at FVTPL		
Government securities	**211**	247
Accounts receivable	**1,722**	1,635
	1,262,003	795,628
Financial liabilities		
Accounts payable	**981,757**	464,418
Net assets in foreign currency	**$280,246**	$331,210

	Parent Company	
	2022	2021
Financial assets		
Loans and advances		
Cash and other cash items	**$28,170**	$793,746
Financial liabilities		
Accounts payable	**15,682**	36,417
Net assets in foreign currency	**$12,488**	$757,329

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	
2022	**₱55.76 to US$1.0**
2021	₱51.00 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, 2022 and 2021 (in millions):

	Consolidated and Parent Company			
	2022		2021	
Increase (Decrease)	**Change in Income Before Tax**	**Change in Equity**	Change in Income Before Tax	Change in Equity
US Dollar				
1.0%	**₱0.16**	**–**	₱0.17	–
(1.0%)	**(₱0.16)**	**–**	(0.39)	–

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			
	2022		2021	
Changes in PSEi	**14.22%**	**(14.22%)**	13.62%	(13.62%)
Change on trading income under:				
Holding firm industry	**₱343,195,512**	**(₱343,195,512)**	₱307,501,105	(₱307,501,105)
Property industry	**210,502,725**	**(210,502,725)**	151,646,693	(151,646,693)
Financial industry	**159,968,891**	**(159,968,891)**	132,913,932	(132,913,932)
Services industry	**143,698,479**	**(143,698,479)**	156,612,277	(156,612,277)
Industrial industry	**168,977,008**	**(168,977,008)**	128,610,363	(128,610,363)
Mining and oil industry	**10,886,791**	**(10,886,791)**	47,137	(47,137)
Total	**₱1,037,229,406**	**(₱1,037,229,406)**	₱877,331,507	(₱877,331,507)
As a percentage of the Group's net unrealized trading gain or loss for the year	**(169.22%)**	**169.22%**	312.5%	(312.5%)

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

As of December 31, 2022 and 2021, 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			
	2022		2021	
Changes in PSEi	**14.22%**	**(14.22%)**	13.62%	(13.62%)
Change on equity under:				
Financial industry	**₱25,849,257**	**(₱25,849,257)**	₱37,053,447	(₱37,053,447)
Industrial	**43,117,110**	**(43,117,110)**	67,010,284	(67,010,284)
Total	**₱68,966,367**	**(₱68,966,367)**	₱104,063,731	(₱104,063,731)
As a percentage of the Group's net unrealized gain in OCI for the year	**(8.77%)**	**8.77%**	(20.6%)	20.6%

	Parent Company			
	2022		2021	
Changes in PSEi	**14.22%**	**(14.22%)**	13.62%	(13.62%)
Change on equity under:				
Financial industry	**₱19,983,827**	**(₱19,983,827)**	₱28,645,685	(₱28,645,685)
Industrial	**43,117,110**	**(43,117,110)**	66,432,937	(66,432,937)
Total	**₱63,100,937**	**(₱63,100,937)**	₱95,078,622	(₱95,078,622)
As a percentage of the Parent Company's net unrealized gain in OCI for the year	**(9.42%)**	**9.42%**	(22.2%)	22.2%

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 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				
	2022				
	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	**₱549,083,823**	**₱549,083,823**	**₱–**	**₱–**	**₱549,083,823**
Private	**187,931,612**	**187,931,612**	**–**	**–**	**187,931,612**
Equity securities	**7,187,042,516**	**7,187,042,516**	**–**	**–**	**7,187,042,516**

(Forward)

	Consolidated 2022				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Investment securities at FVOCI:					
Debt securities:					
Government	**₱4,345,506,529**	**₱4,345,506,529**	**₱–**	**₱–**	**₱4,345,506,529**
Equity securities	**1,012,816,302**	**1,012,816,302**	**–**	**–**	**1,012,816,302**
	₱13,282,380,782	**₱13,282,380,782**	**₱–**	**₱–**	**₱13,282,380,782**
Assets and liabilities for which fair values are disclosed					
Financial assets at amortized cost					
Loans and receivables:					
Loans and discounts:					
Corporate lending	**₱40,000,000**	**₱–**	**₱–**	**₱42,059,579**	**₱42,059,579**
Others	**7,419,896**	**–**	**–**	**7,418,356**	**7,418,356**
Other receivables:		**–**	**–**		
Unquoted commercial papers	**646,761,000**	**–**	**–**	**658,131,903**	**658,131,903**
Investment securities at Amortized Cost					
Government	**1,266,499,471**	**1,240,172,056**	**–**	**–**	**1,240,172,056**
Private	**801,752,118**	**768,730,641**	**–**	**–**	**768,730,641**
	₱2,762,432,485	**₱2,008,902,697**	**₱–**	**₱707,609,838**	**₱2,716,512,535**
Financial liabilities					
Puttable instruments classified as financial liability at FVTPL	**₱10,139,294,090**	**₱–**	**₱10,139,294,090**	**₱–**	**₱10,139,294,090**
Nonfinancial assets					
Investment properties	**₱179,390,877**	**₱–**	**₱–**	**₱469,511,070**	**₱469,511,070**

	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
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

(Forward)

	Consolidated				
	2021				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
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

	Parent Company				
	2022				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Assets measured at fair value:					
Financial assets					
Investment securities at FVOCI:					
Debt securities:					
Government	**₱3,362,009,699**	**₱441,535,303**	**₱2,920,474,396**	**₱–**	**₱3,362,009,699**
Equity securities	**912,197,952**	**788,778,132**	**27,053,716**	**112,733,656**	**928,565,504**
	₱4,274,207,651	**₱1,230,313,435**	**₱2,947,528,112**	**₱112,733,656**	**₱4,290,575,203**
Assets and liabilities for which fair values are disclosed					
Financial assets at amortized cost					
Loans and receivables:					
Loans and discounts:					
Others	**₱2,500,324**	**₱–**	**₱–**	**₱2,498,784**	**₱2,498,784**
	₱2,500,324	**₱–**	**₱–**	**₱2,498,784**	**₱2,498,784**
Nonfinancial assets					
Investment properties	**₱179,390,877**	**₱–**	**₱–**	**₱469,511,070**	**₱469,511,070**

	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

As of December 31, 2022 and 2021, 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 2022 and 2021:

Possible Change	Consolidated and Parent Company	
	2022	2021
Price to book		
15.0%	**₱11,775,559**	₱14,373,851
(15.0%)	**(11,775,559)**	(14,373,851)

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	
	2022	2021	**2022**	2021
Investment securities at				
FVTPL	**₱7,924,057,951**	₱8,829,786,133	**₱–**	₱813,246,005
FVOCI	**5,358,322,831**	1,287,872,590	**4,274,207,651**	1,112,146,560
Amortized cost	**2,068,251,589**	5,288,410,910	**–**	–
	₱15,350,632,371	₱15,406,069,633	**₱4,274,207,651**	₱1,925,392,565

Investment securities at FVTPL

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

	Consolidated		Parent Company	
	2022	2021	**2022**	2021
Debt securities:				
Government	**₱549,083,823**	₱1,666,049,591	**₱–**	₱580,808,211
Private	**187,931,612**	547,151,709	**–**	232,437,794
	737,015,435	2,213,201,300	**–**	813,246,005
Equity securities	**7,187,042,516**	6,616,584,833	**–**	–
	₱7,924,057,951	₱8,829,786,133	**₱–**	₱813,246,005

Financial assets at FVTPL include fair value gain (loss) of (₱287.4 million), ₱118.2 million and ₱115.5 million in 2022, 2021 and 2020, respectively, for the Group, and fair value gain (loss) of nil, (₱4.7 million) and ₱0.2 million in 2022, 2021 and 2020, respectively, for the Parent Company.

Peso-denominated debt securities bear nominal annual interest rates ranging from 2.6% to 9.3%, from 2.4% to 8.1% and from 2.1% to 8.0% in 2022, 2021 and 2020, respectively, for the Group and the

Parent Company. US dollar-denominated debt securities bear nominal annual interest rates ranging from 1.4% to 5.5%, from 1.4% to 4.8% and from 2.0% to 4.0% in 2022, 2021 and 2020, respectively, for the Group and the Parent Company.

Dividends earned from FVTPL equity securities amounted to ₱116.5 million, ₱121.6 million and ₱91.0 million in 2022, 2021 and 2020, respectively, for the Group, and nil in 2022, 2021 and 2020 for the Parent Company.

Investment securities at FVOCI
Investment securities at FVOCI as of December 31, 2022 and 2021 consist of the following:

	Consolidated		Parent Company	
	2022	2021	**2022**	2021
Debt securities				
Government	**₱4,345,506,529**	₱2,532,939	**₱3,362,009,699**	₱–
Private	–	30,666,916	–	–
	4,345,506,529	33,199,855	**3,362,009,699**	–
Equity securities				
Listed Equity				
Axelum Resources Corp.	**445,966,164**	530,912,100	**445,966,164**	530,912,100
The Philippine Stock Exchange, Inc.	**443,430,318**	603,402,015	**342,811,968**	466,484,640
Manila Electric Company	–	5,608,800	–	–
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	**24,800,000**	16,130,000	**24,800,000**	16,130,000
	1,012,816,302	1,254,672,735	**912,197,952**	1,112,146,560
	₱5,358,322,831	₱1,287,872,590	**₱4,274,207,651**	₱1,112,146,560

Peso-denominated debt investment securities at FVOCI bear nominal annual interest rates ranging from 0.0% to 9.5%, 2.8% to 8.0% and from 5.6% to 6.9% for 2022, 2021 and 2020, respectively, for the Group, and from 0.0% to 9.5%, nil and from 6.3% to 6.9%, 2022, 2021 and 2020, respectively, for the Parent Company. Foreign currency-denominated debt investment securities at FVOCI bear nominal annual interest rate of -%, nil and 2.8% in 2022, 2021 and 2020, respectively 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 2022 and 2021, as part of risk management, the Group disposed equity securities at FVOCI with total carrying value of ₱6.8 million and ₱13.6 million, respectively, which generated dividends of ₱0.2 million and nil, respectively, and with recognized loss in OCI reclassified to retained earnings amounting to ₱1.7 million and ₱6.1 million, respectively. Dividends generated by outstanding equity securities at FVOCI amounted to ₱27.7 million, ₱21.2 million and ₱18.8 million for the year ended December 31, 2022, 2021 and 2020, respectively.

The changes in the net unrealized gain (loss) on FVOCI of the Group and the Parent Company for 2022 and 2021 follow:

	Consolidated 2022		
	Equity Holders of the Parent Company	**Non-controlling interest and puttable instruments**	**Total**
Balance at January 1	**(₱505,616,136)**	**₱204,836**	**(₱505,411,300)**
Net fair value changes during the year on FVOCI investments, net of tax	**(279,162,260)**	**(6,832)**	**(279,169,092)**
Realized gain on disposal charged against surplus	**(1,698,000)**	**–**	**(1,698,000)**
Realized gain on sale of FVOCI debt investments	**(33,473)**	**–**	**(33,473)**
Net change during the year	**(280,893,733)**	**(6,832)**	**(280,900,565)**
Balance at December 31	**(₱786,509,869)**	**₱198,004**	**(₱786,311,865)**

	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)

	Parent Company	
	2022	2021
Balance at January 1	**(₱427,396,056)**	(₱474,209,132)
Net fair value changes during the year on FVOCI investments, net of tax	**(240,851,053)**	40,719,626
Realized gain on disposal charged against surplus	**(1,698,000)**	6,093,450
Realized gain on sale of FVOCI debt investments	**(33,473)**	–
Net change during the year	**(242,582,526)**	46,813,076
Balance at December 31	**(₱669,978,582)**	(₱427,396,056)

Investment securities at amortized cost

Investment securities at amortized cost consist of the following:

	Consolidated	
	2022	2021
Investment Securities at Amortized Cost		
Debt securities		
Government	**₱1,266,499,471**	₱4,219,616,534
Private	**801,752,118**	1,069,123,379
	2,068,251,589	5,288,739,913
Less: Allowance for credit losses (Note 12)	**–**	329,003
	₱2,068,251,589	₱5,288,410,910

As of December 31, 2022 and 2021, the Parent Company has no investment securities at amortized cost.

As of December 31, 2022 and 2021, 2020 the unamortized premium (discount) related to investment securities at amortized cost of the Group amounted to (₱8.6 million), (₱16.2 million) and ₱5.7 million, respectively. In 2022, 2021 and 2020, effective interest rates on the amortized cost investment securities range from 1.4% to 6.5%, from 0.9% to 6.5% and from 2.4% to 6.0%, respectively, for the Group. Amortized cost investment securities bear nominal annual interest rates ranging from 0.0% to 8.0%, from 0.0% to 8.0% and from 0.0% to 5.9% in 2022, 2021 and 2020, 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		
	2022	2021	2020
Realized gain (loss) from sale of:			
Held for trading (HFT) securities	**(₱325,514,551)**	₱162,554,053	(₱205,088,850)
FVOCI debt securities	**(33,473)**	90,000	31,666,457
Realized loss on cross currency swap	**–**	–	(20,206,586)
	(325,548,024)	162,644,053	(193,628,979)
Changes in fair value of financial instruments at FVTPL:			
HFT securities	**(287,441,443)**	118,229,463	115,538,693
Gain (loss) from increase (decrease) in NAV of puttable instruments (Note 15)	**463,130,073**	(152,439,184)	114,981,497
	(₱149,859,394)	₱128,434,332	₱36,891,211

	Parent Company		
	2022	2021	2020
Realized gain (loss) from sale of:			
HFT securities	**₱21,521,223**	₱41,539,330	₱124,902,562
FVOCI debt securities	**33,473**	–	31,666,457
Realized loss on cross currency swap	**–**	–	(20,206,586)
	21,554,696	41,539,330	136,362,433
Changes in fair value of financial instruments at FVTPL:			
HFT securities	**–**	(4,669,776)	215,133
	₱21,554,696	₱36,869,554	₱136,577,566

7. Loans and Receivables

This account consists of:

	Consolidated		Parent Company	
	2022	2021	**2022**	2021
Loans and discounts:				
Corporate lending	**₱40,000,000**	₱388,000,000	**₱–**	₱380,000,000
Others	**7,419,896**	8,155,685	**2,500,324**	5,300,679
	47,419,896	396,155,685	**2,500,324**	385,300,679
Unquoted commercial papers	**646,761,000**	817,450,000	**–**	–
Accounts receivable	**990,427,335**	1,581,525,720	**45,031,296**	26,726,819
Accrued interest receivable	**72,916,539**	40,664,353	**21,431,709**	10,487,927
Dividends receivable	**2,376,787**	2,775,575	**–**	–
Other receivables	**1,825,685**	32,684,734	**–**	–
	1,761,727,242	2,871,256,067	**68,963,329**	422,515,425
Allowance for credit losses (Note 12)	**(42,485,517)**	(50,017,469)	**(10,384,854)**	(17,391,081)
	₱1,719,241,725	₱2,821,238,598	**₱58,578,475**	₱405,124,344

As of December 31, 2022 and 2021, none of the total loans and discounts were subject to periodic interest repricing for the Group and the Parent Company. As of December 31, 2022, 2021 and 2020, total loans and discounts earned fixed annual interest rates ranging from 3.5% to 10.8% for both the Group and the Parent Company.

Interest income on loans and receivables follow:

	Consolidated			Parent Company		
	2022	2021	2020	**2022**	2021	2020
Loans and discounts:						
Corporate lending	**₱10,341,724**	₱41,070,378	₱48,950,761	**₱8,754,082**	₱39,817,080	₱48,633,631
Others	**557,644**	697,938	822,107	**299,949**	488,561	660,065
Unquoted commercial paper	**–**	–	26,894,198	**–**	–	26,894,198
Loans and receivables	**₱10,899,368**	₱41,768,316	₱76,667,066	**₱9,054,031**	₱40,305,641	₱76,187,894

<u>Unquoted Commercial Papers</u>
This account consists of various debt instruments issued by private corporations. As of December 31, 2022 and 2021, the nominal annual interest for these securities ranges from 3.5% to 3.9% and 2.6% to 3.7%, respectively, for the Group.

<u>Accounts Receivable</u>
As of December 31, 2022 and 2021, the Group's accounts receivable is comprised mainly of receivables from customers, clearing house, and other brokers arising from the brokerage services, rendered by FMSBC amounting to ₱916.4 million and ₱1.3 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									
	2022					2021				
	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	**₱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
Acquisitions	**6,144,240**	**20,092,714**	**–**	**33,654,970**	**59,891,924**	8,155,062	22,661,773	–	93,292,601	124,109,436
Disposals/Adjustments	**–**	**(32,303,349)**	**–**	**(31,866,607)**	**(64,169,956)**	(5,511,194)	(9,331,520)	2,179,400	(61,439,364)	(74,102,678)
Balance at end of year	**103,576,113**	**184,958,177**	**54,411,147**	**121,531,959**	**464,477,396**	97,431,873	197,168,812	54,411,147	119,743,596	468,755,428
Accumulated depreciation and amortization										
Balance at beginning 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
Depreciation and amortization	**3,357,768**	**20,991,288**	**3,224,772**	**35,517,715**	**63,091,543**	2,818,221	22,247,348	3,410,182	36,715,540	65,191,291
Disposals/Adjustments	**–**	**(29,620,035)**	**–**	**(31,866,607)**	**(61,486,642)**	(3,050,814)	(9,545,197)	1,389,143	(56,961,064)	(68,167,932)
Balance at end of year	**91,276,526**	**139,887,971**	**45,289,520**	**46,396,727**	**322,850,744**	87,918,758	148,516,718	42,064,748	42,745,619	321,245,843
Net book value at end of year	**₱12,299,587**	**₱45,070,206**	**₱9,121,627**	**₱75,135,232**	**₱141,626,652**	₱9,513,115	₱48,652,094	₱12,346,399	₱76,997,977	₱147,509,585

	Parent Company									
	2022					2021				
	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	**₱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
Acquisitions	**–**	**8,236,477**	**–**	**–**	**8,236,477**	2,758,570	13,556,802	–	66,382,095	82,697,467
Disposals	**–**	**(23,013,540)**	**–**	**–**	**(23,013,540)**	(3,331,793)	(7,246,000)	–	(61,439,364)	(72,017,157)
Balance at end of year	**68,695,037**	**101,994,760**	**47,520,116**	**66,382,096**	**284,592,009**	68,695,037	116,771,823	47,520,116	66,382,096	299,369,072
Accumulated depreciation and amortization										
Balance at beginning of year	**66,979,241**	**86,702,456**	**35,526,491**	**11,063,682**	**200,271,870**	67,974,617	78,391,754	32,648,023	48,575,499	227,589,893
Depreciation and amortization	**448,200**	**13,696,849**	**2,878,468**	**22,127,365**	**39,150,882**	666,295	15,503,692	2,878,468	23,927,547	42,976,002
Disposals	**–**	**(21,199,562)**	**–**	**–**	**(21,199,562)**	(1,661,671)	(7,192,990)	–	(61,439,364)	(70,294,025)
Balance at end of year	**67,427,441**	**79,199,743**	**38,404,959**	**33,191,047**	**218,223,190**	66,979,241	86,702,456	35,526,491	11,063,682	200,271,870
Net book value at end of year	**₱1,267,596**	**₱22,795,017**	**₱9,115,157**	**₱33,191,049**	**₱66,368,819**	₱1,715,796	₱30,069,367	₱11,993,625	₱55,318,414	₱99,097,202

As of December 31, 2022 and 2021, the cost of fully depreciated property and equipment that are still in use amounted to ₱177.8 million and ₱175.5 million, respectively, for the Group, and ₱115.5 million and ₱116.6 million, respectively, for the Parent Company.

The Group recognized gain from sale of property and equipment amounting to ₱3.3 million, ₱0.1 million and ₱0.1 million in 2022, 2021 and 2020, respectively and the Parent Company recognized gain from sale of property and equipment amounting to ₱3.0 million, nil and ₱0.1 million in 2022, 2021 and 2020, respectively booked under 'Gain on sale of assets' account in the consolidated and parent company statements 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	
	2022	2021
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 and associates' account follows:

	Consolidated		Parent Company	
	2022	2021	**2022**	2021
Acquisition cost				
Balance at beginning of year	**₱3,079,818,020**	₱3,079,818,020	**₱5,318,731,212**	₱5,992,775,595
Additions	**–**	–	**417,727,457**	–
Disposals	**–**	–	**(367,661,335)**	(674,044,383)
Balance at end of year	**3,079,818,020**	3,079,818,020	**5,368,797,334**	5,318,731,212
Allowance for impairment losses				
Balance at beginning of year	**(570,760,329)**	(439,238,205)	**(570,760,329)**	(439,238,205)
Provision for impairment losses during the year	**(211,606,834)**	(131,522,124)	**(211,606,834)**	(131,522,124)
Balance at end of year	**(782,367,163)**	(570,760,329)	**(782,367,163)**	(570,760,329)
Accumulated equity in net earnings				
Balance at beginning of year	**4,015,049,150**	4,215,961,274	**5,001,721,690**	5,257,687,433
Equity share in net earnings	**683,419,496**	495,120,126	**611,614,042**	671,803,464
Cash dividends	**(400,148,095)**	(696,032,250)	**(468,548,095)**	(702,090,750)
Disposals	**–**	–	**11,185,419**	(225,678,457)
Balance at end of year	**4,298,320,551**	4,015,049,150	**5,155,973,056**	5,001,721,690
Equity in net unrealized gain (loss) on FVOCI				
Balance at beginning of year	**72,510,168**	321,875,040	**(11,067,081)**	204,867,322
Equity share in changes in fair value of FVOCI investments	**(504,584,149)**	(249,364,872)	**(543,631,635))**	(215,934,403)
Disposal	**–**	–	**–**	–
Balance at end of year	**(432,073,981)**	72,510,168	**(554,698,716)**	(11,067,081)

(Forward)

	Consolidated		Parent Company	
	2022	2021	**2022**	2021
Equity in translation adjustment				
Balance at beginning of year	**₱–**	₱–	**₱24,839,217**	₱10,946,856
Share in changes in translation adjustment	**–**	–	**(4,196,971)**	13,892,361
Balance at end of year	**–**	–	**20,642,246**	24,839,217
Equity in remeasurement of insurance reserves				
Balance at beginning of year	**(122,178,525)**	(384,736,420)	**(122,178,525)**	(384,736,420)
Share in changes in remeasurement of insurance reserves	**402,733,878**	262,557,895	**402,733,879**	262,557,895
Balance at end of year	**280,555,353**	(122,178,525)	**280,555,354**	(122,178,525)
Equity in remeasurement of retirement liability				
Balance at beginning of year	**(29,626,953)**	(72,323,392)	**(30,458,844)**	(78,317,329)
Share in changes in remeasurement of retirement liability	**15,840,759**	42,696,439	**13,887,709**	47,858,485
Balance at end of year	**(13,786,194)**	(29,626,953)	**(16,571,135)**	(30,458,844)
	₱6,430,466,586	₱6,444,811,531	**₱9,472,330,976**	₱9,610,827,340

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

	Consolidated		Parent Company	
	2022	2021	**2022**	2021
Carrying value:				
Subsidiaries:				
FMSALEF	**₱–**	₱–	**₱449,247,322**	₱488,310,700
FMPEETFI	**–**	–	**544,570,850**	583,051,782
FMSBC	**–**	–	**634,240,564**	635,830,861
FMSLFIF	**–**	–	**124,546,836**	126,341,939
FMSALBF	**–**	–	**148,456,396**	254,423,820
PBC	**–**	–	**285,583,977**	325,995,091
FMSLDBF	**–**	–	**108,842,684**	414,335,304
FAMI	**–**	–	**230,935,554**	240,721,448
SPI	**–**	–	**64,337,734**	67,571,373
PVDC	**–**	–	**44,799,734**	37,473,451
FEI	**–**	–	**12,314,332**	12,483,963
FMSLMMF	**–**	–	**428,720,293**	6,737,481
FMIBC	**–**	–	**2,885,308**	3,057,577
Resiliency	**–**	–	**2,000,212**	2,131,233
	–	–	**3,081,481,796**	3,198,466,023
Associates:				
PALIC	**3,498,117,074**	3,257,409,618	**3,498,117,074**	3,257,409,618
OMLFC	**1,930,386,916**	1,878,239,777	**1,930,386,916**	1,878,239,777
LCMC	**962,086,542**	1,241,458,296	**962,086,542**	1,241,458,296
CIRC	**1**	35,253,624	**1**	35,253,624
TSI	**39,876,051**	32,450,214	**–**	–
SRDC	**1**	1	**1**	1
DRC	**1**	1	**1**	1
	6,430,466,586	6,444,811,531	**6,390,590,534**	6,412,361,317
	₱6,430,466,586	₱6,444,811,531	**₱9,472,072,330**	₱ 9,610,827,340

Investments in mutual funds

In 2022, the Parent Company disposed of its holdings in Mutual Funds. The percentage of holdings disposed and redemption price follows:

	2022		2021	
	% of Holdings	**Redemption Price**	% of Holdings	Redemption Price
Subsidiaries				
FMSLDBF	**32.3%**	₱317.7 million	–	–
FMSALBF	**6.5%**	100.0 million	3.2%	100.0 million
FMSLFIF	–	–	14.3%	₱300.0 million
FMSALEF	–	–	11.0%	49.7 million
FMPEETFI	–	–	6.4%	450.0 million
		₱417.7 million		₱899.7 million

As of December 31, 2022, FMIC owns 9.7%, 10.6%, 14.0%, 24.7% and 25.4% interest in FMSLFIF, FMSALEF, FMSALBF, FMPEETFI and FMSLDBF, respectively.

Investment in LCMC
As of December 31, 2022 and 2021, the Group's direct ownership in LCMC is 13.5%. The Parent Company 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, 2022 and 2021, LCMC-A shares are trading at ₱0.109 per share and ₱0.140 per share, respectively and LCMC-B shares are trading at ₱0.107 per share and ₱0.142 per share, respectively.

As of December 31, 2022, the fair value of the Group's and the Parent Company's investment in LCMC amounted to ₱962 million. 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 2022 and 2021, the Group considered the impact of the Covid-19 pandemic in determining the VIU.

As of December 31, 2022 and 2021, the fair value less cost to sell is higher than the VIU, and based on the impairment assessment, additional impairment allowance of ₱211.6 million is required in 2022 and ₱131.5 million in 2021. 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, 2022, 2021, and 2020 (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
2022	**LCMC**	**₱1,500,385**	**₱7,150,522**	**₱3,228,312**	**₱1,207,407**	**₱962,087**	**₱1,841,850**	**₱2,288,490**	**(₱373,613)**	**₱–**	**(₱373,613)**	**(₱56,886)**
	CIRC	**816,593**	**1,205,317**	**596,015**	**962,058**	**1**	**334,339**	**449,593**	**(115,262)**	**–**	**(115,262)**	**(32,851)**
2021	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)
	CIRC	1,010,440	1,129,201	918,768	742,836	35,254	67,244	207,514	(148,876)	–	(148,876)	(96,542)
2020	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)
	CIRC	1,035,285	1,205,029	929,369	655,560	129,393	115,342	293,380	(123,310)	–	(123,310)	(47,522)

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, 2022, 2021, and 2020 (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
2022	**PALIC**	**₱157,227,208**	**₱144,817,885**	**₱3,498,117**	**₱16,445,776**	**₱3,399,171**	**₱2,535,479**	**(₱280,105)**	**₱2,255,374**	**₱719,794**
	OMLFC	**23,376,817**	**13,730,109**	**1,930,387**	**4,979,414**	**461,857**	**235,219**	**–**	**235,219**	**47,044**
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

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 investments	Financial assets at FVTPL	Receivables-net of allowance for credit losses	Equipment for lease
2022	**PALIC**	**₱6,665,164**	**₱15,669,446**	**₱1,832,116**	**₱878,353**	**₱522,952**
	OMLFC	**1,556,459**	**1,129**	**–**	**16,582,549**	**2,766,866**
2021	PALIC	5,786,533	16,363,085	1,995,626	1,028,426	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	735,288
	OMLFC	530,642	1,112	–	28,120,419	2,186,031

The Group received dividends from PALIC amounting to ₱400.1 million and ₱696.0 million in 2022 and 2021, respectively.

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

	2022	2021	2020
Associates			
Statements of Financial Position			
Total assets	**₱616,921,922**	₱607,972,894	₱605,663,687
Total liabilities	**353,988,608**	374,030,059	400,634,672
Statements of Income			
Gross income	**50,573,492**	50,575,034	50,578,217
Operating income	**29,387,864**	28,562,665	27,555,429
Net income/Total OCI	**21,747,587**	21,129,968	18,926,702

The additional unrecognized share in losses of the Group from its investment in DRC amounted to nil in 2022, 2021 and 2020. There was no additional unrecognized share in losses of the Group from its investment in SRDC in 2022, 2021 and 2020.

The cumulative unrecognized share of losses of the Group from its investment in SRDC and DRC amounted to ₱0.2 million as of December 31, 2022 and 2021.

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, 2022 and 2021. The accumulated balance of the non-controlling interest in FAMI as of December 31, 2022 and 2021 amounted to ₱99.0 million and ₱103.2 million, respectively. Profit (loss) allocated to non-controlling interest in 2022, 2021 and 2020 amounted to ₱0.3 million, ₱7.8 million, and ₱0.1 million respectively.

The following table presents the financial information of FAMI as of and for the years ended December 31, 2022, 2021 and 2020 (amounts in thousands and before eliminating entries):

	2022	2021	2020
Statement of Financial Position			
Cash and other cash items	**₱1,371,372**	₱821,493	₱800,268
Financial assets at FVTPL	**301,425**	455,492	414,620
FVOCI investments	**550**	525	505
Investments securities at amortized cost	**1,149,481**	1,215,898	370,363
Unquoted debt securities	**333,720**	393,010	–
Loans and receivables	**32,258**	28,030	65,210
Other assets	**170,707**	181,682	128,810
Other liabilities	**3,320**	17,696	1,441,948
Statement of Income			
Gross income	**220,280**	180,759	173,326
Operating income	**41,832**	13,080	12,701
Net income (loss)	**21,934**	2,732	(180)
Net income (loss) attributable to non-controlling interests	**21,201**	9,340	(54)
Total comprehensive income	**–**	–	–
Statement of Cash Flows			
Net cash provided by operating activities	**496,139**	894,725	912,361
Net cash provided by (used in) investing activities	**70,745**	(855,760)	260,703
Net cash used in financing activities	**(17,004)**	(12,990)	(451)
Net increase in cash and cash equivalents	**549,880**	25,975	651,206
Cash and other cash items at beginning of year	**821,493**	795,518	149,062
Cash and other cash items at end of year	**1,371,372**	821,493	800,267

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, 2022 and 2021, as well as the corresponding changes in fair value for the years ended December 31, 2022 and 2021. 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)

	2022			
	SPPI financial assets		**Other financial assets**	
	Fair value	**Fair value change**	**Fair value**	**Fair value change**
Cash and cash equivalents	**₱6,664,664,348**	**₱–**	**₱490,000**	**₱–**
Insurance receivables	**1,899,495,695**	–	–	–
Financial asset at FVTPL	–	–	**1,832,115,900**	–
AFS financial assets	**15,428,254,622**	**(1,708,119,298)**	**236,601,488**	**4,433,128**
Loans and receivables	**878,046,972**	–	–	–
Accrued income	**264,064,766**	–	–	–
	₱25,134,526,403	**(₱1,708,119,298)**	**₱2,069,207,388**	**₱4,433,128**

	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

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.

	2022			
SPPI Financial asset	**Investment grade**	**Non-investment grade: Satisfactory**	**Unrated**	**Total**
Cash and cash equivalents	**₱6,647,383,278**	**₱17,229,518**	**₱51,552**	**₱6,664,664,348**
Insurance receivables	**–**	**1,899,495,695**	**–**	**1,899,495,695**
AFS financial assets	**15,428,254,622**	**–**	**–**	**15,428,254,622**
Loans and receivables	**–**	**848,974,829**	**29,072,143**	**878,046,972**
Accrued income	**250,626,843**	**13,437,923**	**–**	**264,064,766**
	₱22,326,264,743	**₱2,779,137,965**	**₱29,123,695**	**₱25,134,526,403**

	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

Financial assets that passed the SPPI test have low credit risk as of December 31, 2022 and 2021.

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, 2022 and 2021, the Parent Company has no share on commitments and contingencies of its associates and joint venture.

As of December 31, 2022 and 2021, 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					
	2022			2021		
	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**	₱202,743,756	₱25,504,585	₱228,248,341
Disposals	**–**	**(6,130,981)**	**(6,130,981)**	–	–	–
Balances at end of year	**202,743,756**	**19,373,604**	**222,117,360**	202,743,756	25,504,585	228,248,341
Accumulated depreciation						
Balances at beginning of year	**–**	**21,688,361**	**21,688,361**	–	20,972,146	20,972,146
Depreciation	**–**	**686,161**	**686,161**	–	716,215	716,215
Disposals	**–**	**(5,003,961)**	**(5,003,961)**			
Balances at end of year	**–**	**17,370,561**	**17,370,561**	–	21,688,361	21,688,361
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**	**₱2,003,043**	**₱179,390,877**	₱177,387,834	₱3,816,224	₱181,204,058

The aggregate fair value of investment properties as of December 31, 2022 and 2021 amounted to ₱469.5 million and ₱639.9 million, respectively, for the Group and the Parent Company (Note 5).

In 2022, 2021 and 2020, the Group and the Parent Company recognized gain from the disposal of investment properties amounting to ₱16.1 million, nil and ₱3.1 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 ₱2.0 million in 2022 and ₱2.1 million in 2021 and 2020.

11. Other Assets

This account consists of:

	Consolidated		Parent Company	
	2022	2021	**2022**	2021
Creditable withholding tax	**₱642,712,902**	₱614,509,494	**₱448,559,664**	₱440,684,316
Escrow account	**196,525,319**	201,646,213	**196,525,319**	201,646,213
Other investments	**25,766,880**	25,766,880	**25,766,880**	25,766,880
Prepaid expenses	**25,827,892**	22,169,540	**10,601,942**	11,178,579
Software licenses	**9,537,326**	14,113,014	**5,169,835**	9,135,421
Tax credit certificates	**183,751**	1,094,331	**183,751**	1,094,331
Miscellaneous (Note 25)	**83,620,529**	46,812,332	**10,976,345**	11,246,783
	₱984,174,599	₱926,111,804	**₱697,783,736**	₱700,752,523

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	
	2022	2021	**2022**	2021
Cost				
Balance at beginning of year	**₱303,342,049**	₱296,194,275	**₱259,713,103**	₱256,760,454
Additions	**6,292,974**	7,147,774	**4,940,150**	2,952,649
Adjustments	**(162,072)**	–	**–**	–
Balance at end of year	**309,472,951**	303,342,049	**264,653,253**	259,713,103
Accumulated amortization				
Balance at beginning of year	**289,229,035**	278,519,592	**250,577,682**	241,340,835
Amortization	**10,568,970**	10,709,443	**8,905,736**	9,236,847
Adjustments	**137,620**	–	**–**	–
Balance at end of year	**299,935,625**	289,229,035	**259,483,418**	250,577,682
Net book value at end of year	**₱9,537,326**	₱14,113,014	**₱5,169,835**	₱9,135,421

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	
	2022	2021	**2022**	2021
Balance at beginning of year				
Investment in associates	**₱570,760,329**	₱439,238,205	**₱570,760,329**	439,238,205
Loans and receivables	**50,017,469**	40,086,421	**17,391,081**	7,893,477
Investment properties	**25,355,922**	25,355,922	**25,355,922**	25,355,922
Financial assets at amortized cost	**329,003**	319,246	**–**	–
	646,462,723	504,999,794	**613,507,332**	472,487,604
Provision for impairment and credit losses	**203,745,879**	141,462,929	**204,600,607**	141,019,729
	203,745,879	141,462,929	**204,600,607**	141,019,729
Balance at end of year				
Investment in associates (Note 9)	**782,367,163**	570,760,329	**782,367,163**	570,760,329
Loans and receivables (Note 7)	**42,485,517**	50,017,469	**10,384,854**	17,391,081
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	**–**	–
	₱850,208,602	₱646,462,723	**₱818,107,939**	613,507,332

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		
	2022	2021	2020	**2022**	2021	2020
Provision for (recovery from) impairment and credit losses						
Loans and receivables	**(₱7,531,952)**	₱9,931,048	(₱19,303,370)	**(₱7,006,228)**	₱9,497,604	(₱20,193,926)
Investment properties	**–**	–	(1,345,500)	**–**	–	(1,345,500)
Financial assets at amortized cost	**(329,003)**	9,757	(9,408)	**–**	–	–
Investment in associates	**211,606,834**	131,522,124	–	**211,606,834**	131,522,124	–
	203,745,879	141,462,929	(20,658,278)	**204,600,606**	141,019,728	(21,539,426)
Provision (reversal of provisions) for other probable losses (Note 26)	**(34,586,851)**	(12,796,220)	(42,506,378)	**(35,008,290)**	(13,285,643)	(41,673,410)
	₱169,159,028	₱128,666,709	(₱63,164,656)	**₱169,592,316**	₱127,734,085	(₱63,212,836)

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 2022 and 2021, 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	
	2022	2021
At January 1	**₱329,003**	₱319,246
Provision for (recovery from) impairment losses	**(329,003)**	9,757
At December 31	**₱–**	₱329,003

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

	Consolidated		
	2022		
	Corporate lending	**Accounts receivable**	**Total**
At January 1	**₱7,886,228**	**₱42,131,241**	**₱50,017,469**
Provision for credit losses	**(7,486,228)**	**(45,724)**	**(7,531,952)**
At December 31	**₱400,000**	**₱42,085,517**	**₱42,485,517**

	Parent Company		
	2022		
	Corporate lending	**Accounts receivable**	**Total**
At January	**₱7,006,228**	**₱10,384,854**	**₱17,391,082**
Provision for credit losses	**(7,006,228)**	**–**	**(7,006,228)**
At December 31	**₱–**	**₱10,384,854**	**₱10,384,853**

	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 1	₱7,006,228	₱887,250	₱7,893,478
Provision for credit losses	–	9,497,604	9,497,604
At December 31	₱7,006,228	₱10,384,854	₱17,391,082

A reconciliation of the allowance for impairment losses on investments in associates and investment properties in 2022 and 2021 follows:

	Consolidated and Parent Company	
	Investment in Associates	**Investment Properties**
At January 1, 2022	**₱570,760,329**	**₱25,355,922**
Provision for impairment losses	**211,606,834**	**–**
At December 31, 2022	**₱782,367,163**	**₱25,355,922**

	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

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.

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

As of December 31, 2022 and 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 in 2021.

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

Accounts Payable

As of December 31, 2022 and 2021, 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 ₱5.0 billion and ₱5.9 billion, respectively.

Accrued, Taxes, Interest and Other Expenses

This account consists of:

	Consolidated		Parent Company	
	2022	2021	**2022**	2021
Financial liabilities:				
Accrued other expenses payable	**₱48,889,440**	₱68,931,824	**₱6,476,325**	₱6,524,911
Accrued fees payable	**16,954,599**	29,446,863	**6,923,850**	6,431,861
Accrued rent payable	**141,394**	283,921	**3,277**	3,279
Accrued interest payable	–	101,025	–	–
	65,985,433	98,763,633	**13,403,452**	12,960,051
Nonfinancial liabilities:				
Accrued taxes and licenses	**4,189,601**	9,332,224	**4,112,608**	9,251,038
Retirement liability (Note 20)	**62,433,300**	50,925,255	**40,409,544**	28,992,228
	66,622,901	60,257,479	**44,522,152**	38,243,266
	₱132,608,334	₱159,021,112	**₱57,925,604**	₱51,203,317

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, 2022 and 2021, the balances amounted to ₱10,139.3 million and ₱10,618.8 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 ₱462.7 million, (₱152.4) million and ₱115.0 million in 2022, 2021 and 2020, respectively (see Note 6).

Other Liabilities

This account consists of the following:

	Consolidated		Parent Company	
	2022	2021	**2022**	2021
Financial liabilities:				
Dividends payable	**₱89,546,415**	₱89,546,415	**₱89,546,415**	₱89,546,415
Lease liabilities (Note 22)	**79,916,884**	79,192,375	**36,768,110**	57,921,817
Premiums payable	**1,201,997**	1,043,122	**579,244**	496,045
Payables for securities purchased	–	92,224,791	–	–
Subscriptions payable	–	–	**9,375,000**	9,375,000
Miscellaneous	**82,713,232**	28,203,101	**78,772,082**	18,423,178
	253,378,528	290,209,804	**215,040,851**	175,762,455
Nonfinancial liabilities:				
Withholding taxes payable	**10,725,548**	14,606,057	**5,021,428**	8,657,752
Miscellaneous	**69,389,549**	147,627,930	**33,632,581**	129,064,997
	80,115,097	162,233,987	**38,654,009**	137,722,749
	₱333,493,625	₱452,443,791	**₱253,694,860**	₱313,485,204

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, 2022 and 2021:

	Consolidated			Parent Company		
	2022			2022		
	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	**₱6,944,935,883**	**₱–**	**₱6,944,935,883**	**₱1,269,171,172**	**₱–**	**₱1,269,171,172**
Investment securities at						
FVTPL	**7,924,057,951**	**–**	**7,924,057,951**	**–**	**–**	**–**
FVOCI	**931,327,235**	**4,426,995,596**	**5,358,322,831**	**–**	**4,274,207,651**	**4,274,207,651**
Amortized cost – at gross (Note 6)	**987,206,724**	**1,081,044,865**	**2,068,251,589**	**–**	**–**	**–**
Loans and receivables - at gross (Note 7)	**1,311,935,176**	**449,792,066**	**1,761,727,242**	**66,875,121**	**2,088,208**	**68,963,329**
	18,099,462,969	**5,957,832,527**	**24,057,295,496**	**1,336,046,293**	**4,276,295,859**	**5,612,342,152**
Nonfinancial Assets						
Property and equipment	**–**	**141,626,652**	**141,626,652**	**–**	**66,368,819**	**66,368,819**
Investments in subsidiaries, associates and joint venture - at gross of allowance for impairment (Note 9)	**–**	**7,212,833,749**	**7,212,833,749**	**–**	**10,254,698,139**	**10,254,698,139**
Investment properties - at gross of allowance for impairment (Note 10)	**–**	**204,746,799**	**204,746,799**	**–**	**204,746,799**	**204,746,799**
Deferred tax assets	**–**	**30,264,557**	**30,264,557**	**–**	**–**	**–**
Other assets	**26,220,918**	**957,953,681**	**984,174,599**	**10,985,697**	**686,798,039**	**697,783,736**
	26,220,918	**8,547,425,438**	**8,573,646,356**	**10,985,697**	**11,212,611,796**	**11,223,597,493**
Allowance for impairment and credit losses (Note 12)	**–**	**(850,208,602)**	**(850,208,602)**	**–**	**(818,107,939)**	**(818,107,939)**
	₱18,125,683,887	**₱13,655,049,363**	**₱31,780,733,250**	**₱1,347,031,990**	**₱14,670,799,716**	**₱16,017,831,706**
Financial Liabilities						
Accounts payable	**₱5,576,121,006**	**₱–**	**₱5,576,121,006**	**₱209,523,065**	**₱–**	**₱209,523,065**
Accrued interest and other expenses payable (Note 14)	**65,985,433**	**–**	**65,985,433**	**13,403,452**	**–**	**13,403,452**
Puttable instruments of mutual fund subsidiaries classified as liability (Note 15)	**10,139,294,090**	**–**	**10,139,294,090**	**–**	**–**	**–**
(Forward)						
Lease liabilities (Note 15)	**35,622,639**	**44,294,245**	**79,916,884**	**24,669,024**	**12,099,086**	**36,768,110**
Other liabilities (Note 15)	**173,461,644**	**–**	**173,461,644**	**178,272,740**	**–**	**178,272,740**
	15,990,484,812	**44,294,245**	**16,034,779,057**	**425,868,281**	**12,099,086**	**437,967,367**
Nonfinancial Liabilities						
Accrued taxes and other expenses payable (Note 14)	**4,189,601**	**62,433,300**	**66,622,901**	**4,112,608**	**40,409,544**	**44,522,152**
Deferred tax liabilities	**–**	**3,098,338**	**3,098,338**	**–**	**2,470,014**	**2,470,014**
Income taxes payable	**4,613,713**	**–**	**4,613,713**	**1,797,244**	**–**	**1,797,244**
Other liabilities (Note 15)	**80,115,097**	**–**	**80,115,097**	**38,654,008**	**–**	**38,654,008**
	88,918,411	**65,531,638**	**154,450,049**	**44,563,860**	**42,879,558**	**87,443,418**
	₱16,079,403,223	**₱109,825,883**	**₱16,189,229,106**	**₱470,432,143**	**₱54,978,644**	**₱525,410,787**

	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

(Forward)

	Consolidated			Parent Company		
	2021			2021		
	Due Within One Year	Due Beyond One Year	Total	Due Within One Year	Due Beyond One Year	Total
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 of allowance 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)						
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
	₱17,403,365,154	₱92,897,409	₱17,496,262,563	₱535,815,797	₱61,744,377	₱597,560,174

17. Equity

Details of the Parent Company's capital stock as of December 31, 2022 and 2021 follow:

	Shares	Amount
Common stock - ₱10 par value		
Authorized - 800,000,000 shares		
Issued - 420,869,240 shares		
Issued and paid-up capital	420,869,240	₱4,208,692,400
Less: treasury shares	48,403,278	2,662,030,617
Total issued and outstanding at end of year	372,465,962	₱1,546,661,783

As of December 31, 2022 and 2021, there are 1,376 and 1,380 shareholders, respectively, of the Parent Company's common shares.

Acquisition of Treasury Shares

In 2021, 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 2022 and 2020.

Dividend Declaration

Details of FAMI's dividend distribution follow:

	Dividend			
Date of Declaration	Per Share	Total Amount	Record Date	Payment Date
September 14, 2022	₱8.00	₱12,000,000	September 30, 2022	December 28, 2022
August 25, 2021	5.77	8,655,000	August 31, 2021	September 15, 2021

Details of FMSBC's dividend distribution follow:

	Dividend			
Date of Declaration	Per Share	Total Amount	Record Date	Payment Date
May 27, 2022	₱35.50	₱60,000,000	May 31, 2022	August 25, 2022

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, 2022 and 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, 2022 and 2021 as shown in the table below:

	2022	2021
Equity Eligible for Net Liquid Capital	**₱15,492,420,919**	₱15,554,003,599
Ineligible Assets	**(11,375,603,980)**	(12,192,765,147)
Net Liquid Capital (NLC)	**₱4,116,316,933**	₱3,361,238,452
Position Risk Requirement	**₱164,817,810**	₱244,874,130
Operational Risk Requirement	**115,732,793**	295,034,752
Counterparty Risk Requirement	**–**	–
Large Exposure Risk Requirement	**–**	–
Total Risk Capital Requirement (TRCR)	**280,550,603**	539,908,882
Aggregate Indebtedness (AI)	**₱525,410,787**	₱649,215,350
5.00% of AI	**26,270,539**	32,460,768
Required NLC	**26,270,539**	32,460,768
Net Risk-Based Capital Excess	**4,090,046,393**	3,328,277,684
Ratio of AI to NLC	**12.76%**	19.32%
RBCA ratio (NLC/TRCR)	**1,467.23%**	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.

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 ₱5.1 billion and ₱5.0 billion and as of December 31, 2022 and 2021, 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 ₱3.6 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		
	2022	2021	2020	**2022**	2021	2020
Investment at Amortized Cost (Note 6)	**₱106,400,966**	₱69,392,508	₱51,329,772	**₱–**	₱–	₱–
Investment securities at FVTPL (Note 6)	**105,089,976**	128,565,608	157,279,706	**9,997,614**	50,272,411	73,660,923
Deposits in banks	**87,631,623**	24,151,321	57,005,017	**30,432,385**	577,137	1,851,569
Investment at FVOCI (Note 6)	**68,061,032**	2,309,172	20,466,268	**66,637,134**	–	17,895,031
Loans and receivables (Note 7)	**10,899,368**	41,768,316	76,667,066	**9,054,031**	40,305,641	76,187,894
SPURA (Note28)	–	3,884,281	91,220,797	–	3,884,281	91,220,797
Due from BSP	–	2,234,000	46,459,309	–	2,234,000	46,459,309
	₱378,082,965	₱272,305,206	₱500,427,935	**₱116,121,164**	₱97,273,470	₱307,275,523

As of December 31, 2022 and 2021, the Group's and the Parent Company's Deposit in banks under 'Cash and other cash items' amounted to ₱6.9 billion and ₱1.3 billion and ₱7.2 billion and ₱3.2 billion, respectively. Deposit in banks earns annual interest ranging from 0.1% to 6.0% in 2022, 0.1% to 0.9% in 2021, from 0.3% to 3.8% in 2020 for the Group and 0.1% to 5.9% in 2022, 0.2% to 0.3% in 2021, from 0.3% to 1.9% in 2020 for the Parent Company.

19. Interest Expense

This account consists of interest expense on:

	Consolidated			Parent Company		
	2022	2021	2020	**2022**	2021	2020
Borrowings from other banks (Note 13)	**₱1,322,318**	₱19,649,707	₱11,022,508	**₱1,322,318**	₱19,649,708	₱11,022,508
Deposit substitutes (Note 13):						
Promissory notes issued	**–**	1,989,760	127,393,824	**–**	1,989,760	127,393,824
Interbank call loans (Note 13)	**–**	1,230,174	832,135	**–**	1,230,174	832,135
Others	**7,627,228**	4,288,388	4,641,732	**4,436,273**	1,274,547	3,007,093
	₱8,949,546	₱27,158,029	₱143,890,199	**₱5,758,591**	₱24,144,189	₱142,255,560

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		
	2022	2021	2020
Retirement age	**55**	55	55
Average remaining working life	**8 years**	7 years	7 years
Discount rate	**7.0-7.2%**	4.8-5.1%	3.4-3.7%
Expected rate of salary increase	**5.8-6.0%**	4.0%-5.0%	4.0%-6.0%
Employee turnover rate	**16% - 23%**	16% - 23%	10.2%-11.7%

	Parent Company		
	2022	2021	2020
Retirement age	**55**	55	55
Average remaining working life	**7 years**	7 years	7 years
Discount rate	**7.0%**	4.8%	3.4%
Expected rate of salary increase	**5.8%**	4.0%	6.0%
Employee turnover rate	**16%**	16%	10.2%

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

Consolidated

		Net benefit cost					Remeasurements in other comprehensive income						
	January 1, 2022	**Current service cost**	**Past service Cost**	**Net interest**	**Subtotal**	**Benefits paid**	**Return on plan assets (excluding amount included in net interest)**	**Actuarial changes arising from experience adjustments**	**Actuarial changes arising from changes in financial assumptions**	**Actuarial changes arising from changes in demographic assumptions**	**Subtotal**	**Contributions paid**	**December 31, 2022**
Present value of defined benefit obligation	**₱324,436,067**	**₱35,964,877**	**(₱16,848,368)**	**₱15,026,146**	**₱34,142,655**	**(₱71,435,001)**	**₱–**	**₱12,925,261**	**(₱7,332,726)**	**₱–**	**₱5,592,535**	**₱–**	**₱292,736,256**
Fair value of plan assets	**(273,510,812)**	**–**	**–**	**(13,699,535)**	**(13,699,535)**	**71,435,001**	**26,428,166**	**–**	**–**	**–**	**26,428,166**	**(40,955,776)**	**(230,302,956)**
Net pension liability	**₱50,925,255**	**₱35,964,877**	**(₱16,848,368)**	**₱1,326,611**	**₱20,443,120**	**₱–**	**₱26,428,166**	**₱12,925,261**	**(₱7,332,726)**	**₱–**	**₱32,020,701**	**(₱40,955,776)**	**₱62,433,300**

**The Parent Company, FMSBC and FAMI are in a net liability position amounting to ₱40.4 million, ₱18.1 million and ₱4.0 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, 2022	**Current service cost**	**Past service Cost**	**Net interest**	**Subtotal**	**Benefits paid**	**Return on plan assets (excluding amount included in net interest)**	**Actuarial changes arising from experience adjustments**	**Actuarial changes arising from changes in financial assumptions**	**Actuarial changes arising from changes in demographic assumptions**	**Subtotal**	**Contributions paid**	**December 31, 2022**
Present value of defined benefit obligation	**₱255,473,198**	**₱25,662,953**	**(₱16,848,368)**	**₱11,601,770**	**₱20,416,355**	**(₱66,207,594)**	**₱–**	**₱10,655,528**	**(₱2,966,099)**	**₱–**	**₱7,689,429**	**₱–**	**₱217,371,388**
Fair value of plan assets	**(226,480,970)**	**–**	**–**	**(11,017,913)**	**(11,017,913)**	**66,207,594**	**20,451,929**	**–**	**–**	**–**	**20,451,929**	**(26,122,484)**	**(176,961,844)**
Net pension liability	**₱28,992,228**	**₱25,662,953**	**(₱16,848,368)**	**₱583,857**	**₱9,398,442**	**₱–**	**₱20,451,929**	**₱10,655,528**	**(₱2,966,099)**	**–**	**₱28,141,358**	**(₱26,122,484)**	**₱40,409,544**

Consolidated

		Net benefit cost					Remeasurements in other comprehensive income						
	January 1, 2021	Current service cost	Past service Cost	Net interest	Subtotal	Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from experience adjustments	Actuarial changes arising from changes in financial assumptions	Actuarial changes arising from changes in demographic assumptions	Subtotal	Contributions paid	December 31, 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											
		Net benefit cost				Remeasurements in other comprehensive income						
	January 1, 2021	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, 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

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	
	2022	2021
Cash and cash equivalents	**₱18,206,931**	₱10,186,257
Equity instruments		
Services	**89,056,152**	96,244,443
Debt instruments		
Government securities	**100,035,828**	132,689,010
Below AAA and unrated private debt securities	**10,145,293**	14,385,547
Investment in mutual funds/UITF	**11,480,691**	27,139,169
Loans and receivables	**1,585,779**	1,647,094
Other Assets	**80,246**	
	230,590,920	282,291,520
Less: Other Payables	**287,964**	8,780,708
Fair value of plan assets	**₱230,302,956**	₱273,510,812

	Parent Company	
	2022	2021
Cash and cash equivalents	**₱3,768,255**	₱1,483,511
Equity instruments		
Services	**67,819,320**	78,634,792
Debt instruments		
Government securities	**83,839,211**	113,225,341
Below AAA and unrated private debt securities	**9,467,104**	14,385,547
Investment in mutual funds/UITF	**10,913,949**	25,512,581
Loans and receivables	**1,356,563**	1,485,814
	177,164,402	234,727,586
Less: Other Payables	**202,558**	8,246,616
Fair value of plan assets	**₱176,961,844**	₱226,480,970

As of December 31, 2022 and 2021, equity securities included in the plan assets include shares from the other related parties amounting to ₱81.8 million and ₱96.2 million, respectively (Note 25).

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

	2022			
	Consolidated		**Parent Company**	
	Possible fluctuations	**Increase (decrease)**	**Possible fluctuations**	**Increase (decrease)**
Discount rates	**+1.0%**	**277,717,554**	**+1.0%**	**207,027,086**
	-1.0%	**309,344,965**	**-1.0%**	**228,704,493**
Turnover rate	**+2.0%**	**288,131,425**	**+2.0%**	**214,929,992**
	-2.0%	**297,797,523**	**-2.0%**	**220,023,786**
Future salary increase rate	**+1.0%**	**310,799,091**	**+1.0%**	**229,781,927**
	-1.0%	**276,134,296**	**-1.0%**	**205,858,334**

The Group and the Parent Company expect to contribute ₱55.2 million and ₱38.2 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 11.0 years for the Group and 9.2 years for the Parent Company.

21. Service Charges, Fees and Commissions and Miscellaneous Income

Service Charges, Fees and Commissions

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

	Consolidated			Parent Company		
	2022	2021	2020	**2022**	2021	2020
Commission and selling fees	**₱323,308,039**	₱477,868,739	₱276,443,080	**₱36,819,778**	₱51,813,262	₱22,867,442
Underwriting and loan syndication	**165,431,852**	181,267,382	112,884,567	**165,431,852**	181,267,382	112,884,567
Advisory fees	**29,919,737**	76,924,495	36,283,641	**40,897,606**	89,367,775	47,108,834
Others	**16,214,463**	20,652,437	17,967,909	**23,737,689**	27,498,558	25,047,353
	₱534,874,091	₱756,713,053	₱443,579,197	**₱266,886,925**	₱349,946,977	₱207,908,196

'Others' pertains to management fees, incentive fees, stand-by letter of credit fees and other service fees.

Miscellaneous Income

Breakdown of Miscellaneous income is as follows:

	Consolidated			Parent Company		
	2022	2021	2020	**2022**	2021	2020
Sales load and redemption fees	**₱4,700,743**	₱7,685,669	₱3,575,954	**₱–**	₱–	₱–
Rental income (Note 22)	–	1,727,458	2,022,189	–	1,727,458	2,022,188
Others	**24,370,377**	18,928,644	11,612,814	**3,984,284**	1,998,006	3,372,290
	₱29,071,120	₱28,341,771	₱17,210,957	**3,984,284**	₱3,725,464	₱5,394,478

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	
	2022	2021	**2022**	2021
Depreciation expense of right-of-use assets included in property and equipment (Note 8)	**₱35,517,715**	₱36,715,540	**₱22,127,365**	₱23,927,547
Expenses relating to short-term leases	**5,898,344**	3,883,705	**3,342,860**	1,896,295
Interest expense on lease liabilities (Note 19)	**3,137,801**	2,812,629	**1,573,691**	1,274,547
Total amount recognized in the statements of income	**₱44,553,860**	₱43,411,874	**₱27,043,916**	₱27,098,389

The rollforward analysis of lease liabilities follows:

	Consolidated		Parent Company	
	2022	2021	**2022**	2021
Balance at beginning of year	**₱79,192,375**	₱35,287,949	**₱57,921,817**	₱22,035,854
Additions	**33,654,970**	66,382,095	**–**	66,382,095
Interest expense	**3,137,801**	2,812,629	**1,573,691**	1,274,547
Payments	**(36,068,262)**	(44,820,274)	**(22,727,398)**	(31,770,679)
Lease modification/Adjustments	**–**	19,529,976	**–**	–
Balance at end of year	**₱79,916,884**	₱79,192,375	**₱36,768,110**	₱57,921,817

Shown below is the maturity analysis of the undiscounted lease payments as of December 31, 2022 and 2021:

	Consolidated		Parent Company	
	2022	2021	**2022**	2021
1 year	**₱38,627,446**	₱30,941,334	**₱25,433,525**	₱26,241,216
more than 1 year to 2 years	**25,811,505**	24,453,506	**12,222,897**	23,960,759
more than 2 years to 3 years	**9,799,836**	10,438,131	**–**	10,185,748
more than 3 years to 4 years	**8,620,486**	–	**–**	
more than 4 years to 5 years	**4,415,368**	–	**–**	

23. Miscellaneous Expenses

This account consists of:

	Consolidated			Parent Company		
	2022	2021	2020	**2022**	2021	2020
Insurance	**₱19,867,120**	₱21,711,867	₱21,211,209	**₱10,844,580**	₱12,703,823	₱12,622,265
Referral and service fees	**18,403,499**	55,165,611	14,623,240	**344,560**	36,000,000	–
Research and other technical cost	**14,553,809**	15,298,248	11,404,181	**1,925,000**	4,160,000	–
Security, messengerial and janitorial	**11,840,848**	13,651,003	11,671,342	**7,268,298**	8,889,788	7,773,271
Transportation and travel	**8,815,923**	6,547,492	7,970,242	**2,395,868**	2,330,346	3,562,453
Bank service charges and other service fees	**8,706,322**	8,008,061	4,148,551	**4,059,391**	4,677,936	1,674,245
Membership dues	**6,757,845**	7,713,883	7,217,559	**5,789,560**	6,939,606	6,044,352
Repairs and maintenance	**6,326,862**	7,185,918	6,145,422	**2,233,918**	4,013,857	3,478,115
Fuel and lubricants	**5,743,107**	4,599,282	4,341,160	**5,743,107**	4,599,282	4,341,160
Custodianship, collateral agent, and maintenance fees	**3,911,749**	3,332,877	2,911,301	**269,835**	301,757	321,252
Stationery and supplies used	**1,628,289**	1,557,704	2,834,266	**515,442**	738,208	1,432,613
Litigation/asset-acquired expenses	**892,181**	892,181	952,522	**892,181**	892,181	952,522
Donations	**672,000**	360,100	750,000	**672,000**	360,100	750,000
Periodical and magazine subscriptions	**52,026**	54,963	83,979	**52,026**	54,963	83,979
Supervision fees	**–**	1,739,117	11,241,386	**–**	1,739,117	11,241,386
Others	**43,218,687**	61,583,392	36,273,875	**25,116,383**	6,888,464	18,445,156
	₱151,390,267	₱209,401,699	₱143,780,235	**₱68,122,149**	₱95,289,428	₱72,722,769

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		
	2022	2021	2020	**2022**	2021	2020
Current						
Final tax	**₱68,875,578**	₱33,758,659	₱77,450,715	**₱24,276,676**	₱15,326,993	₱48,364,066
Corporate	**8,616,524**	41,334,558	19,133,644	**1,797,244**	1,679,780	4,095,971
	77,492,102	75,093,217	96,584,359	**26,073,920**	17,006,773	52,460,037
Deferred	**12,847,811**	5,970,545	3,702,365	**13,041,643**	(3,100,477)	5,601,972
	₱90,339,913	₱81,063,762	₱100,286,724	**₱39,115,563**	₱13,906,296	₱58,062,009

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 Revenue 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	
	2022	2021	**2022**	2021
Deferred tax assets on:				
Retirement liability	**₱4,358,620**	₱12,628,050	**₱–**	₱7,248,057
Accrued expenses	**3,570,444**	7,680,108	**–**	–
NOLCO	**3,131,068**	–	**–**	–
Unamortized past service cost	**2,108,909**	8,479,660	**–**	5,591,798
MCIT	**1,134,488**	–	**–**	–

(Forward)

	Consolidated		Parent Company	
	2022	2021	**2022**	2021
Allowance on ECL	**₱197,836**	₱233,770	**₱–**	₱–
Unrealized loss on FVTPL investments	**75,891**	218,537	**–**	201,787
Unrealized foreign exchange loss	**–**	247,225	**–**	–
Others	**15,687,301**	15,687,301	**–**	–
	30,264,557	45,174,651	**–**	13,041,642
Deferred tax liabilities on:				
Unrealized gain on foreclosure of investment property	**–**	2,470,014	**–**	2,470,014
Unrealized foreign exchange gain	**–**	326,059	**–**	–
Unrealized gain on FVOCI investments	**–**	440,663	**–**	–
	–	3,236,736	**–**	2,470,014
	₱30,264,557	₱41,937,915	**₱–**	₱10,571,628

The components of the net deferred tax liabilities follow:

	Consolidated		Parent Company	
	2022	2021	**2022**	2021
Deferred tax assets on:				
Accrued expenses	**₱3,571,493**	₱–	**₱–**	₱–
Unamortized past service cost	**297,218**	–	**–**	–
	3,868,711	–	**–**	–
Deferred tax liabilities on:				
Retirement asset	**1,842,892**	–	**–**	–
Unrealized foreign exchange gain	**89,321**	–	**–**	–
Others	**5,034,835**	–	**2,470,014**	–
	6,967,048	–	**2,470,014**	–
	₱3,098,337	₱–	**₱2,470,014**	₱–

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

	Consolidated			Parent Company		
	2022	2021	2020	**2022**	2021	2020
Unrealized gain on FVOCI debt investments	**₱84,066**	₱440,663	₱11,416,139	**₱–**	₱–	₱–
Remeasurements of retirement liability	**1,190,013**	(14,176,234)	3,410,288	**–**	(12,723,626)	4,259,725
	₱1,274,019	(₱13,735,571)	₱14,826,427	**₱–**	(₱12,723,626)	₱4,259,725

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

	Consolidated		Parent Company	
	2022	2021	**2022**	2021
Temporary differences on:				
NOLCO	**₱972,290,365**	₱732,724,701	**₱333,718,339**	₱79,996,079
Retirement liability	**40,409,544**	–	**40,409,544**	–
Allowance on investment property	**25,355,922**	25,355,922	**25,355,922**	25,355,922
Unamortized past service cost	**15,203,234**	–	**15,203,234**	–
Allowance on ECL	**10,384,854**	17,391,081	**10,384,854**	17,391,081
Carryforward benefits of MCIT	**8,707,480**	12,439,965	**7,572,992**	11,615,453
Unrealized loss on FVOCI	**6,153,074**	–	**6,153,074**	–
	₱1,078,504,473	₱787,911,669	**₱438,797,959**	₱134,358,535

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

As of December 31, 2022 and 2021, 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, 2022, 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
2019	2020-2022	₱376,391,447	₱–	₱274,606,900	₱101,784,547	₱–
2020	2021-2025	226,309,802	–	–	35,414,156	190,895,646
2021	2022-2026	267,222,155	–	–	–	267,222,155
2022	2023-2025	514,172,564	–	–	–	514,172,564
		₱1,384,095,968	**₱–**	**₱274,606,900**	**₱137,198,703**	**₱972,290,365**

Parent Company						
Year Incurred	Availment Period	Amount	NOLCO Applied Previous Year/s	NOLCO Expired	NOLCO Applied Current Year	NOLCO Unapplied
2019	2020-2022	₱48,812,555	₱–	₱–	₱48,812,555	₱–
2020	2021-2025	115,410,235	–	–	35,414,156	79,996,079
2022	2023-2025	253,722,260	–	–	–	253,722,260
		₱417,945,050	**₱–**	**₱–**	**₱84,226,711**	**₱333,718,339**

Details of MCIT for the Group and the Parent Company as of December 31, 2022 are as follows:

Consolidated					
Inception Year	**Amount**	**Used**	**Expired**	**Balance**	**Expiry Year**
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
2022	2,931,732	–	–	2,931,732	2025
	₱18,840,817	**₱3,469,120**	**₱6,664,217**	**₱8,707,480**	

Parent Company					
Inception Year	**Amount**	**Used**	**Expired**	**Balance**	**Expiry Year**
2019	₱5,839,705	₱–	₱5,839,705	₱–	2022
2020	2,887,328	–	–	2,887,328	2023
2021	2,888,420	–	–	2,888,420	2024
2022	1,797,244	–	–	1,797,244	2025
	₱13,412,697	**₱–**	**₱5,839,705**	**₱7,572,992**	

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

	Consolidated			Parent Company		
	2022	2021	2020	**2022**	2021	2020
Statutory income tax rate	**25.0%**	25.0%	30.0%	**25.0%**	25.0%	30.0%
Tax effects of:						
Tax-exempt and tax-paid income	**(28.3)**	(28.3)	(16.0)	**(14.5)**	(3.3)	(12.4)
Equity in net earnings of subsidiaries and associates	**(37.6)**	(28.8)	(41.6)	**(37.9)**	(47.6)	(39.9)
Non-deductible expenses	**37.1**	46.4	34.6	**3.4**	27.3	28.0
Change in unrecognized deferred tax assets	**23.7**	4.6	15.5	**33.7**	2.5	8.0
Effective income tax rate	**19.9%**	18.9%	22.5%	**9.7%**	3.9%	13.7%

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. 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 amounts of transactions that have been entered into with related parties during the year 2022 and 2021:

	Consolidated and Parent Company					
	2022					
	Deposits	**Withdrawals**	**Sale of securities**	**Purchase of securities**	**Issuance of term loans**	**Borrowings**
Ultimate Parent Company	**₱774,226,454,586**	**₱777,549,875,423**	**₱19,025,506,877**	**₱43,101,755,537**	**₱–**	**₱108,811,835**
Subsidiaries	**6,687,082,778**	**5,865,082,778**	**1,557,341,728**	**578,741,666**	**50,000,000**	**–**
Associates	**–**	**–**	**3,929,963,619**	**201,702,309**	**–**	**–**
Affiliates	**125,582,074**	**123,158,514**	**–**	**150,147,892**	**–**	**–**
	₱781,039,119,438	**₱783,538,116,715**	**₱24,512,812,224**	**₱44,032,347,404**	**₱50,000,000**	**₱108,811,835**

	Consolidated and Parent Company					
	2021					
	Deposits	Withdrawals	Sale of securities	Purchase of securities	Issuance of term loans	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

The following are the balances of the Group's related party transactions as of December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, 2021 and 2020 (amounts in thousands):

	As of and for the year ended December 31, 2022		
Category	**Amount/ Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
Ultimate Parent Company			
Cash and other items	**₱–**	**₱722,830**	Peso and US dollar-denominated demand, savings and time deposit accounts. Peso deposits carry interest from 0.1% to 1.25%, time deposits carry interest from 0.1% to 4.3%, while US dollar deposits carry interest from 0.0% to 1.25%
Investment securities at FVTPL	**–**	**71,738**	Investments in the Ultimate Parent Company's shares of stock
Loans and receivables	**–**	**234**	Accrued interest receivables from Time Deposits
Other assets	**–**	**196,654**	Escrow account and lease deposits

(Forward)

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
	As of and for the year ended December 31, 2022		
Accounts payable and other liabilities	**₱–**	**₱7,183**	Consist of payables arising out of trading transactions in behalf of customers; and internal audit fees
Other liabilities	–	**710**	Lease liability
Interest income	**12,381**	–	From savings and time deposit accounts
Interest expense	**69**	–	From term borrowings
Service charges, fees commissions	**9,336**	–	Arranger, selling fees and commission income from brokering transactions
Trading and securities gain	**(4,762)**	–	Realized and unrealized loss from investments in debt and equity securities
Rent, light and water	**70**	–	Rent and utilities expense
Depreciation of property and equipment and investment properties	**394**	–	Depreciation of right-of-use asset
Professional fees	**15,975**	–	Internal audit and retainer's fee for the current year
Miscellaneous expense	**392**	–	Bank charges
Associates			
Other assets	–	**208**	Various prepaid expenses
Accounts payable and other liabilities		**30**	Consist of payables arising out of trading transactions in behalf of customers
Service charges, fees and commissions	**1,404**	–	Commission income from brokering transactions
Trading and securities gains	**139**	–	Realized gain from sale of debt securities
Miscellaneous expense	**2,294**	–	Insurance expenses
Other Related Parties			
Cash and other cash items	–	**3,064,161**	Savings, current and time deposits with interest rate ranging from 0.05% to 5.8% per annum
Investment securities at FVTPL	–	**161,652**	Investments in equity securities
Investment at Amortized Cost	–	**8,124**	Investments in debt securities with 10-years term and average interest rates of 5.4%
Loans and receivables	–	**44,424**	Includes unquoted debt securities with term of 2 years and interest rate ranging from 3.5% to 3.9%; rent receivables and accrued interest receivable from loans; Fringe benefit loans to employees with terms ranging from 1.0 to 5.0 years and interest rates of 8.0%
Property and equipment	–	**39,431**	Right-of-use Asset
Other assets	–	**11,240**	Rent deposits
Accounts payable and other liabilities	–	**67,840**	Lease liability, rent payable and accounts payable
Interest income	**43,719**	–	Interest income from investment in debt securities; unquoted debt securities, savings and time deposits and fringe benefit loans
Service charges, fees and commissions	**38,934**	–	Arranger and financial advisory fees; Brokering fees
Trading and securities loss	**(14,372)**	–	Realized and unrealized gain/(loss) on investments in debt and equity securities
Interest expense	**2,707**	–	From lease liability
Rent, light and water	**7,808**	–	Rental payments for office premises
Depreciation of property and equipment and investment properties	**28,669**	–	Depreciation of right-of-use asset

(Forward)

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
	As of and for the year ended December 31, 2022		
Information technology and related expenses	**₱1,385**	**₱–**	Information technology project
Miscellaneous expense	**3,911**	–	Insurance expense, membership dues, maintenance fee and other service fees
Key Management Personnel			
Loans and receivables	–	**990**	Fringe benefit loans with terms ranging from 3.0 years to 5.0 years and interest rate of 8.0%
Interest income	**86**	–	Interest income from fringe benefit loans
Miscellaneous expense	**15,815**	–	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, 2021		
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%;

(Forward)

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
	As of and for the year ended December 31, 2021		
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
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

(Forward)

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
	As of and for the year ended December 31, 2020		
Associates			
Other assets	₱–	₱200	Various prepaid expenses
Accounts payable and other liabilities	–	1,983	Consist of payables arising out of trading transactions in behalf of customers
Interest income	1,169	–	From loans
Service charges, fees and commissions	183	–	Commission income from brokering transactions
Trading and securities gains	769	–	From loans
Interest expense	156	–	Commission income from brokering transactions
Miscellaneous expense	1,220	–	Travelling and insurance expense
Other Related Parties			
Cash and other cash items	–	2,641,423	Savings, current and time deposits with interest rate of 0.58% per annum
Investment securities at FVTPL	–	20,699	Investments in debt securities of other related parties
Loans and receivables	–	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

As of December 31, 2022 and 2021, undrawn commitments/facilities is nil for the Group and the Parent Company.

Terms of Transactions with other related parties

Ultimate Parent Company's Trust Banking Group (TBG)

Transactions with retirement plans

Under PFRS, certain post-employment benefit plans are considered as related parties. The Group and the Parent Company's retirement plans are being managed by the Ultimate Parent Company's Trust Banking Group (TBG). The total carrying amount and fair value of the retirement plan amounted to ₱293.2 million and ₱252.4 million for the Group and the Parent Company, respectively, as of December 31, 2022, and ₱273.5 million and ₱226.5 million for the Group and the Parent Company, respectively, as of December 31, 2021. The details of the assets of the fund as of December 31, 2022 and 2021 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, 2022 and 2021 and for each of the three years in the period ended December 31, 2022:

		Elements of Transactions				
		Statements of Financial Position		Statements of Income		
Counterparty		2022	2021	2022	2021	2020
Metrobank	Cash and other cash items	**₱19,038,921**	₱4,267,571	**₱–**	₱–	₱–
	Accrued interest receivable	**16,274**	72	**–**	–	–
	Accrued trust fee payable	**390,720**	329,154	**–**	–	–
	Interest income	**–**	–	**27,000**	3,250	93,289
	Trust fee expense	**–**	–	**1,545,322**	1,544,226	1,771,828
FMSLBF	Investment in mutual funds	**7,503,600**	8,047,200	**–**	–	–
	Unrealized trading gain	**–**	–	**(451,500)**	176,400	(163,800)
FMSALFIF	Investment in mutual funds	**–**	1,099,240	**–**	–	–
	Unrealized trading gain	**–**	–	**–**	(14,945)	42,610
FMPEETFI	Equity investments	**81,751,218**	96,175,062	**–**	–	–
	Unrealized trading gain	**–**	–	**–**	746,885	(10,882,114)
MBTC-UITF	Investment in UITF	**3,804,047**	17,992,367	**–**	–	–
	Realized trading gain	**–**	–	**112,243**	38,473	8,692
	Unrealized trading gain	**–**	–	**(2,110)**	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.

Compensation of key management personnel
The compensation of key management personnel are as follows:

	Consolidated			Parent Company		
	2022	2021	2020	2022	2021	2020
Short-term employee benefits	**₱255,366,320**	₱296,712,684	₱289,513,314	**₱180,761,736**	₱230,473,454	₱219,571,532
Post-employment benefits	**16,919,901**	20,385,051	18,393,857	**11,930,143**	14,008,565	13,359,218
	₱272,286,221	₱317,097,735	₱307,907,171	**₱192,691,879**	₱244,482,019	₱232,930,750

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, 2022 and 2021 that have been eliminated at the consolidated level (amounts in thousands):

	As of and for the year ended December 31, 2022		
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Subsidiaries			
Loans and receivables	**₱–**	**₱4,079**	Accounts receivables from management/advisory fees and advances for various expenses
Other liabilities	**–**	**9,375**	Subscriptions payable
Interest income	**1,280**	**–**	From short-term loan
Service charges, fees and commissions	**29,594**	**–**	Management fees and advisory fees for services rendered to subsidiaries

	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

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 ₱14.8 million and ₱14.3 million in 2022 and 2021, respectively.

The following table shows the breakdown of loans and receivables from related parties as of December 31, 2022 and 2021:

	Consolidated		Parent Company	
	2022	2021	**2022**	2021
Loans and discounts:				
Corporate lending	**₱30,000,000**	₱65,000,000	**₱–**	₱81,431,064
Others	**7,419,896**	8,155,685	**2,500,324**	5,300,679
Accrued interest receivable	**14,641,070**	251,940	**2,478,792**	768,911
Accounts receivable	**16,541**	13,938,340	**4,095,585**	15,994,779
	₱52,077,507	₱87,345,965	**₱9,074,701**	₱103,495,433

The following table shows the breakdown of accrued taxes, interest and other expenses to related parties as of December 31, 20221 and 2021 for the Group and the Parent Company:

	Consolidated		Parent Company	
	2022	2021	**2022**	2021
Accrued other expenses payable	**₱6,200,016**	₱6,804,475	**₱4,030,645**	₱3,838,710

26. Commitments and Contingent Accounts

Commitments
As of December 31, 2022, 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:

	2022	2021	2020
a. Net income attributable to equity holders of the Parent Company	**₱364,017,938**	₱340,179,663	₱364,375,939
b. Weighted average number of common shares	**372,465,962**	372,465,962	372,467,216
c. Basic/Diluted EPS (a/b)	**₱1.0**	₱0.9	₱1.0

In 2022, 2021 and 2020, 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.

As of December 31, 2021, the effects on the Group and the Parent Company of these arrangements are disclosed in the succeeding tables.

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	₱–

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.

As of December 31, 2022, the Group and the Parent Company has no similar arrangements.

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, 2022	**Cash flows**	**Foreign exchange movement**	**Amortization of discount**	**Others**	**December 31, 2022**
Bills payable	**₱–**	**(₱358,673)**	**₱358,673**	**₱–**	**₱–**	**₱–**
Total liabilities from financing activities	**₱168,738,790**	**(₱36,426,935)**	**₱358,673**	**₱3,137,801**	**₱33,654,970**	**₱169,463,299**

	Parent Company					
	January 1, 2022	**Cash flows**	**Foreign exchange movement**	**Amortization of discount**	**Others**	**December 31, 2022**
Bills payable	**₱–**	**(₱358,673)**	**₱358,673**	**₱–**	**₱–**	**₱–**
Total liabilities from financing activities	**₱147,468,232**	**(₱23,086,071)**	**₱358,673**	**₱1,573,691**	**₱–**	**₱126,314,525**

	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

30. Other Matters

The Group has no significant matters to report in 2022 on the following:

a. Known trends, events or uncertainties that would have material impact on liquidity and on the sales or revenues.
b. Explanatory comments about 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 February 24, 2023

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:

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

Taxes and Licenses
This includes all other taxes, DST, local tax, fringe benefit tax including licenses and permit fees in 2022:

GRT	₱18,670,340
Local taxes	2,327,750
Licenses, fees and others	747,303
DST	443,720
Real estate tax	410,553
Fringe benefit tax	70,413
	₱22,670,079

Withholding Taxes
Details of total remittances and balances as of December 31, 2022 are as follows:

	Total remittances	Oustanding balance
Withholding taxes on compensation and benefits	₱72,271,846	₱3,516,587
Expanded withholding taxes	6,159,901	1,504,433
Final withholding taxes on deposit substitute borrowings	–	–
Final withholding tax - others	1,734,640	409
Final withholding VAT	831,902	–
	₱80,998,289	₱5,021,429