COVER SHEET

SEC Registration Number

5	1	0	4	8

COMPANY NAME

FILINVEST DEVELOPMENT CORPORATION AND SUBSIDIARIES

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

THE BEAUFORT, 5TH AVENUE CORNER 23RD STREET, BONIFACIO GLOBAL CITY, TAGUIG CITY, METRO MANILA

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-A		

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
www.filinvestgroup.com	798-3977	

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
4,070 (Excluding Treasury)	Every Last Friday of April Each Year	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. Nelson M. Bona	nelson.bona@filinvestgroup.com	798-3977	

CONTACT PERSON's ADDRESS

The Beaufort, 5th Avenue Corner 23rd Street, Bonifacio Global City, Taguig City, Metro Manila

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

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

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE (SRC) AND SECTION 141 OF CORPORATION CODE OF THE PHILIPPINES

1. For the calendar year ended **December 31, 2018**

2. Commission identification Number **51048.** 3. BIR Tax Identification **000-053-167-000.**

4. Exact name of registrant as specified in its charter: **FILINVEST DEVELOPMENT CORPORATION**

5. **Philippines** — Province, Country or other jurisdiction of Code
6. (SEC Use Only) — Industry Classification Code.

7. **6th Floor The Beaufort, 5th Avenue Corner 23rd Street, Bonifacio Global City, Taguig City 1634** — Address of principal office
8. **02-798-3977** — Registrant's telephone number, including area code

9. __________ Former name, former address, and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common stock, ₱1.00 par value	**8,648,462,987 shares**
	₱127,347.5 million total consolidated debt (short-term and long-term debt)

11. Are any or all of these securities listed in the Philippines Stock Exchange?
Yes [X] No [ ]

12. Check whether the issuer:
(a) Has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports):
Yes [X] No [ ]
(b) Has been subject to such filing requirements for the past 90 days.
Yes [X] No [ ]

13. Aggregate market value of the voting stock held by non-affiliates as of December 31, 2018.
₱10.9 Billion

APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEAR:

14. Check whether the Issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court of the Commission.
Not Applicable Yes [ ] No [ ]

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-1 into which the document is incorporated.
    a. Any annual report to security holders;
    b. Any proxy or information statement filed pursuant to SRC Rule 20 and 17.1(b);
    c. Any prospectus filed pursuant to SRC Rule 8.1-1

PART I - BUSINESS AND GENERAL INFORMATION

ITEM 1. BUSINESS

1.1 Corporate Information, History, Developments, Form and Organization

Filinvest Development Corporation (FDC or the "Parent Company") was incorporated in the Philippines on April 27, 1973 and has evolved from businesses established by the Gotianun Family since 1955. Originally engaged in the small-scale financing of second-hand cars, the Gotianun Family later expanded into consumer finance in partnership with foreign institutions, such as Chase Manhattan Bank, Westinghouse Electric Corporation and Ford Philippines. By the early 1980s, the Gotianun Family's Filinvest Credit Corporation became one of the leading consumer finance companies in the Philippines in terms of assets. Over time, the "Filinvest" name became established and well-recognized in the Philippines not only in financing and banking but also in real estate development and other lines of business.

In 1967, the Gotianun Family entered the real estate business through the incorporation of Filinvest Realty Corporation, which was engaged in the development of residential subdivisions. In 1984, the Gotianun Family consolidated their real estate interests in FDC after divesting their shares in Family Bank and Trust Company and the Insular Bank of Asia and America. By 1990, FDC expanded its product line to include the construction and sale of low-cost and medium-cost housing units. Thereafter, the product line was further expanded to include the development of commercial district, leisure projects such as farm estates and sports clubs, and construction of residential and office condominiums.

Filinvest Land Inc. (FLI) was incorporated on November 24, 1989. It began commercial operations in August 1993 after FDC spun off its real estate operations and transferred all related assets and liabilities to FLI in exchange for shares of FLI. FLI shares were listed on the Philippine Stock Exchange (PSE) on October 25, 1993. FDC remains FLI's largest shareholder. As of December 31, 2018, FDC beneficially owns approximately 59.4% of FLI's outstanding common shares and all of its issued and outstanding preferred shares, such that FDC has a 69.4% voting ownership in FLI.

Filinvest Alabang, Inc. (FAI) was incorporated on August 25, 1993 in connection with the joint development of Filinvest City in Alabang, Muntinlupa City. With its development of Filinvest City, the Parent Company and its subsidiaries (collectively referred to as the "Filinvest Group" or the "Group") started to be a central business district developer and has successfully ventured into retail, office, high-rise residential and leisure club development. As of December 31, 2018, FDC directly owns 80.0% of FAI's issued and outstanding shares and FLI owns the remaining 20.0%.

In 1994, FDC decided to re-enter the banking and financial services business based on the then strengthening fundamentals of the Philippine economy and the Gotianun Family's prior experience in this business in the 1970s and 1980s. FDC incorporated East West Banking Corporation (EW or the "Bank") in March 1994. On May 7, 2012, EW was publicly listed on the PSE. FDC remains EW's largest shareholder. As of December 31, 2018, FDC beneficially owns 77.2% of EW's issued and outstanding shares.

To diversify its business and position, FDC, as the Gotianun Family's primary holding company for its investments, acquired 100.0% of the issued and outstanding shares of Pacific Sugar Holdings Corporation (PSHC) from A.L. Gotianun, Inc. (ALGI) on June 29, 2007. PSHC owns three (3) Mindanao-based sugar companies, Davao Sugar Central Company, Inc. (DSCC), Cotabato Sugar Central Company, Inc. (CSCC) and High Yield Sugar Farms Corporation (HYSFC).

In 2009, the Group re-entered the power generation business through FDC Utilities, Inc. (FDCUI). In 2013, FDCUI started developing a 3 x 135 Megawatt (MW) circulating fluidized bed (CFB) coal thermal power plant in Philippine Veterans Investment Development Corporation (PHIVIDEC) Industrial Estate, Villanueva, Misamis Oriental, Mindanao. The plant is fully operational with Certificate of Completion (COC) received in October 2016 for the first two (2) units and in May 2017 for the remaining third unit.

The Group's hospitality business is operated through both Chroma Hospitality, Inc. (CHI) and Filinvest Hospitality Corporation (FHC). CHI, a joint venture of FDC (60.0%) and Archipelago International Pte. Ltd (AIPL) (40.0%), was established in 2008 to manage the Group's hospitality projects. AIPL is an affiliate of Aston International, which manages hotels, resorts, residences, spas and villas under the Aston, Alana, Quest, Fave and Kamuela brands. CHI's principal purpose is to provide a comprehensive range of design, consulting, technical, marketing, training, operations and management services for hotels, serviced apartments, villas, condotels, and boutique resorts. In August 2011, FDC formed its wholly owned subsidiary, FHC. The primary role of FHC in collaboration with CHI is to evaluate, plan, develop and optimize potential and current hospitality investments. The Group's completed hospitality projects include Crimson Resort and Spa Mactan (CRSM) under FDC's directly owned subsidiary Mactan Seascapes Services, Inc. (MSSI); Quest Hotel and Conference Center Cebu (QHCC Cebu); Crimson Hotel Filinvest City Manila (CHFCM) under Entrata Hotel Services, Inc. (EHSI); QHCC Clark and Mimosa Golf, Clark under Mimosa Cityscapes, Inc. (MCI); and Crimson Resort and Spa Boracay (CRSB) under Boracay Seascapes, Inc.. All hotels are professionally managed and operated by CHI under a management agreement.

With over 40 years of experience in industries that is highly sensitive to the financial crises, market downturns, and political upheaval, the Filinvest Group has emerged as one of the few survivors in the country. The Group has carefully built and nurtured a distinguished performance record in the real estate development and banking and financial services, which was recognized by international bankers, fund managers, other global institutional investors, and the international financial community.

The Parent Company's registered business address is at The Beaufort, 5th Avenue Corner 23rd Street, Bonifacio Global City, Taguig City, Metro Manila, Philippines. FDC common shares were listed on the PSE on December 22, 1982.

ALGI is the ultimate parent company of FDC and its subsidiaries. ALGI's registered business address is at The Beaufort, 5th Avenue Corner 23rd Street, Bonifacio Global City, Taguig City, Metro Manila.

Real Estate Operations

On July 18, 2018, the SEC approved Timberland Sports and Nature Club, Inc.'s (TSNC or the "Club") application for voluntary revocation of its secondary registration which allowed TSNC to proceed with the transition to its new business model. On November 15, 2018, the TSNC's Board of Directors (BOD) approved the amendment to change the primary purpose of the Club from an exclusive recreational sports club to a for profit commercial facility.

On January 19, 2018, FLI entered into a Share Sale and Purchase Agreement to purchase 100% of the total outstanding shares of Gintong Parisukat Realty and Development, Inc. (GPRDI) for a total consideration of ₱1,706.4 million. The primary purpose of GPRDI is to hold, purchase, lease, contract or otherwise acquire any and all real and personal properties. GPRDI has not started its commercial operations as of December 31, 2018. The acquisition of GPRDI was accounted for as an asset acquisition.

On November 20, 2017, Filinvest Lifemalls Tagaytay, Inc. (FLTI), a wholly owned subsidiary of FLI, was incorporated. Its primary purpose is to acquire by purchase, lease except financial leasing, donation or otherwise, and to own, use, improve, develop, subdivide, sell, mortgage, exchange, lease, develop, conduct, operate and maintain the business of modernized commercial shopping centers and all the businesses related thereto. FLTI started its commercial operations in March 2018.

On August 3, 2017, Realpros Philippines, Inc. (RPI), a wholly owned subsidiary of FLI, was incorporated. Its primary purpose is to provide administrative support services and skills training primarily through the use of information technology, licensed software, and systems. RPI started its commercial operations in November 2017.

On May 18, 2017, FLI, Cyberzone Properties, Inc. (CPI) and Filinvest Cyberparks, Inc. (FCI), subsidiaries of FLI, subscribed to 53.0 million common shares of Pro-Excel Property Managers, Inc. (Pro-Excel). The resulting ownership interest of FLI, CPI, FCI and FAI in Pro Excel after subscription is 32.9%, 17.0%, 17.0% and 33.1%, respectively. Prior to the Group's subscription, Pro Excel is 100% owned by FAI. The primary purpose of Pro-Excel is to engage in the business of administration, maintenance and management of real estate development, controlled development projects and subdivision projects.

On March 29, 2017, Proleads Philippines, Inc. (Proleads), a wholly owned subsidiary of FLI, was incorporated. Its primary purpose is to provide management, organizational, and other administrative services and training. Proleads started its commercial operations in November 2017.

On February 7, 2017, Property Leaders International Limited (PLIL), a company limited by shares, was registered at the territory of the British Virgin Islands. PLIL has not started its commercial operations as of December 31, 2018.

On January 23, 2017, Filinvest Cyberzone Mimosa, Inc. (FCMI) and Filinvest Lifemalls Mimosa, Inc. (FLMI), wholly owned subsidiaries of FLI, were incorporated, both with the primary purpose to acquire by purchase, lease except financial leasing, donation or and hold for investment or otherwise deal in real estate of all kinds, nature, purpose and/or any interest or right therein. FCMI started its commercial operations in May 2018. FLMI has not started its commercial operations as of December 31, 2018.

On January 11, 2017, Dreambuilders Pro, Inc. (DPI), a wholly owned subsidiary of FLI was incorporated. Its primary purpose is to engage in and carry on a general construction business. DPI started its commercial operations in February 2017.

On July 15, 2016, Parking Pro, Inc. (PPI), a wholly owned subsidiary of FAI was incorporated to develop, manage and maintain parking spaces, lots and buildings. PPI started its commercial operations in June 2017.

On March 31, 2016, Filinvest Mimosa, Inc. (FMI) was incorporated to enter into an agreement with Clark Development Corporation (CDC) for the lease of the Mimosa Leisure Estate. FMI is owned 47.5% by FLI, 47.5% by FDC and 5.0% by CDC. FMI started its commercial operations in June 2016.

On March 16, 2016, Filinvest BCDA Clark, Inc. (FBCI), a joint venture company with BCDA, was incorporated to handle the development of the Clark Green City Project. FBCI is owned 55.0% by FCGCC and 45.0% by Bases Conversion and Development Authorities (BCDA). FBCI has not started commercial operations as of December 31, 2018.

On February 11, 2016, FCGC Corporation (FCGCC), a wholly owned subsidiary of FLI, was incorporated to undertake the development of the Clark Green City Project under a joint venture agreement with BCDA. FCGCC has not started its commercial operations as of December 31, 2018.

Hospitality Operations
On November 30, 2018, FHC subscribed to 2.5 million common shares of EHSI. The resulting ownership interest of FHC and FAI in EHSI after subscription is 76.9%, and 23.1%, respectively. Prior to the subscription, EHSI is 100.0% owned by FAI. Its primary purpose is to own, lease, operate and/or manage one or more hotels, resorts, villas, service apartments and condotels, and all adjuncts and accessories and other related activities.

On August 24, 2018, Fora Services, Inc. (Fora Services), Fora Restaurants, Inc. (FRI), and Nature Specialists, Inc. (NSI), wholly owned subsidiaries of FHC, were incorporated. The primary purpose of Fora Services is to develop and administer hotels, resorts and entertainment of all kinds. FRI's primary purpose is to maintain, operate and manage restaurants, cafes, bars, and general food catering services while NSI's primary purpose is to sell, use, assign, transfer, dispose, hold, mortgage, and lease purchased and owned real property and personal property of all kinds. Fora Services, FRI and NSI have not started commercial operations as of December 31, 2018.

On November 27, 2017, Dumaguete Cityscapes, Inc. (DCI), a wholly owned subsidiary of FHC, was incorporated to sell, use, assign, transfer, dispose, hold, mortgage, and lease purchased and owned real property and personal property of all kinds. DCI has not started its commercial operations as of December 31, 2018.

On June 6, 2017 and February 9, 2017, Princesa Seascapes, Inc. (PSI) and Cubao Cityscapes, Inc. (CCI), wholly owned subsidiaries of FHC, were incorporated, respectively, with the primary purpose of developing and administering hotels, resorts and entertainment of all kinds and related activities. PSI and CCI have not started commercial operations as of December 31, 2018.

On May 13, 2016, Mimosa Cityscapes, Inc. (MCI), a wholly owned subsidiary of FHC, was incorporated to operate QHCC Clark and Mimosa Golf Clark located in Mimosa Leisure Estate. MCI started its commercial operations in June 2016.

Banking and Financial Services
In July 2016, the BSP approved and confirmed the initial equity investment of East West Banking Corporation (EW) in East West Leasing and Finance Corporation (EWLFC) amounting to ₱100.0 million. EWLFC was registered with the SEC on October 6, 2016, with secondary license to operate as a financing company in accordance with the Financing Company Act of 1998 and its implementing rules and regulations.

On May 6, 2016, EW entered into an Asset and Share Transfer Agreement with Standard Chartered Bank (SCB Philippines) and SCMB Overseas Limited for the acquisition of SCB Philippines' retail banking business (including all SCB Philippines' three branches) and the transfer of 100% ownership of the entities, namely: Price Solutions Philippines, Inc. (PSPI) and Assurance Solutions Insurance Agency, Inc. (ASIA). PSPI was registered with the SEC in 2007, to engage in providing sales and marketing services, while ASIA was incorporated in 2012, to engage in general insurance agency business. On February 22, 2017, the SEC approved the change in corporate name of PSPI to Quest Marketing and Integrated Services, Inc. (QMIS).

Power Operations
On November 22, 2018, Filinvest ENGIE Renewable Energy Enterprise, Inc. (FREE), a joint venture company with ENGIE Services Philippines (ENGIE), was incorporated to engage in the installation and operation of renewable energy facilities, particularly solar rooftop projects. FREE is owned 60.0% by FDCUI and 40.0% by ENGIE. FREE has not started its commercial operations as of December 31, 2018.

On September 22, 2016, FDC Misamis Power Corporation's (FDC Misamis) 3 x 135 MW CFB coal thermal power plant was inaugurated. Located at the Philippine Veterans Investment Development Corporation (PHIVIDEC) Industrial Estate in Villanueva, Misamis Oriental, the plant's 3 units are fully operational with COC received in October 2016 for the first 2 units and in May 2017 for the third unit.

On July 5, 2016, FDC Retail Electricity Sales Corporation (FDC RES Corp.), a wholly owned subsidiary of FDCUI, received its license to operate as a retail electricity supplier from the Energy Regulatory Commission (ERC).

FDC's consolidated revenues are generated from real estate development and leasing, hospitality operations, banking and financial services, power operations, sugar cane farming, milling and sugar trading, from subsidiaries and jointly controlled entities engaged in various business activities, namely:

	Date of Incorporation
Real Estate	
FLI	November 24, 1989
Filinvest AII Philippines, Inc. (FAPI)	September 25, 2006
Homepro Realty Marketing, Inc. (Homepro)	March 25, 1997
FCGCC	February 11, 2016
FBCI	March 16, 2016
CPI	January 14, 2000
FCI	February 4, 2014
Filinvest Asia Corporation (FAC)	January 22, 1997
FCMI	January 23, 2017
FLMI	January 23, 2017
FLC	July 26, 2016
Property Specialist Resources, Inc. (Prosper)	June 10, 2002
Pro-Excel	November 28, 2001
FLTI	November 20, 2017
Festival Supermall, Inc. (FSI)	March 21, 1997
FSM Cinemas, Inc. (FSM Cinemas)	April 23, 1998
Philippine DCS Development Corporation (PDDC)	July 31, 2015
TSNC	May 17, 2004
DPI	January 11, 2017
Property Maximizer Professional Corp. (Promax)	October 3, 1997
Leisurepro, Inc. (Leisurepro)	April 21, 2004
Proleads	March 29, 2017
PLDL	February 7, 2017
RPI	August 3, 2017
GPRDI	August 18, 2006
FMI	March 31, 2016
FAI	August 25, 1993
Northgate Convergence Corporation	October 14, 1999
Proplus, Inc.	February 16, 2000
PPI	July 15, 2016
Hospitality Operations	
FHC	August 22, 2011
MSSI	July 17, 2009
Quest Restaurants, Inc. (QRI)	March 12, 2012
BSI	December 28, 2012
Chinatown Cityscapes Hotel, Inc. (CCHI)	March 22, 2013
Duawon Seascapes Resort, Inc. (DSRI)	April 12, 2013
EHSI	November 28, 2012
MCI	May 13, 2016
CCI	February 9, 2017
PSI	June 6, 2017
DCI	November 27, 2017
Fora Services	August 24, 2018
FRI	August 24, 2018
NSI	August 24, 2018
CHI	November 8, 2008
Banking and Financial Services	
EW	March 22, 1994
East West Rural Bank, Inc. (EWRB)	November 5, 1997
EWIH	July 6, 2015
EW Ageas Life	October 20, 2015
QMIS	July 17, 2007

	Date of Incorporation
ASIA	April 10, 2012
EWLFC	October 6, 2016
FDC Forex Corporation	February 17, 1997
Power Operations	
FDCUI	December 4, 2009
FDC RES Corp.	November 16, 2009
FDC Misamis	November 16, 2009
FDC Davao Power Corporation	March 10, 2011
FDC Camarines Power Corporation	March 23, 2013
FDC Casecnan Hydro Power Corporation	March 23, 2013
FDC Negros Power Corporation	May 22, 2012
FDC Renewables Corporation	July 17, 2012
FGS Renewable Energy, Inc.**	April 23, 2015
FREE	November 22, 2018
***dissolved in February 2013*	
Sugar Operations	
PSHC	June 5, 1989
DSCC	October 4, 1968
CSCC	March 13, 2002
HYSFC	June 8, 1990
Others	
Corporate Technologies Incorporated (CTI)	September 11, 1998
Countrywide Water Services, Inc. (CWSI)	May 18, 2012
Filinvest Development Cayman Islands (FDCI)	March 12, 2013

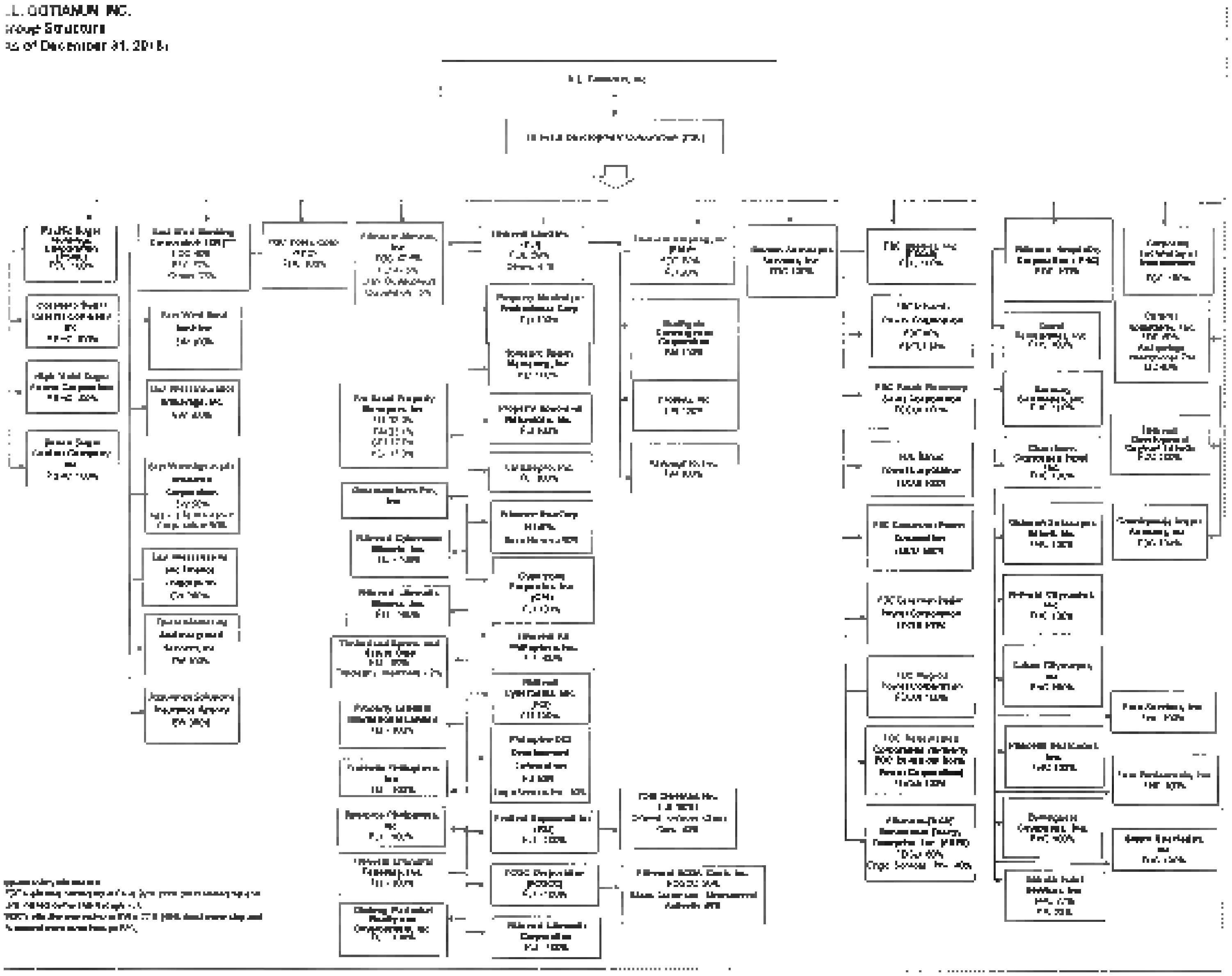
1.2 Bankruptcy, Receivership or Similar Proceedings
There was no bankruptcy, receivership or similar proceedings filed by the Company and/or any of its significant subsidiaries during the past 3 years.

1.3 Material Reclassification, Merger, Consolidation or Purchase or Sale of a Significant Amount of Assets (not ordinary) over the past 3 years

Other than the acquisitions discussed in the preceding section, there were no material reclassifications, mergers, consolidations or purchases or sales of significant amount of assets (not ordinary) by the Company and/or its significant subsidiaries during the past 3 years.

Structure of the Group

Below is a map showing the relationship between and among the Group and its ultimate parent company, subsidiaries, and associates as of December 31, 2018:



1.4 Significant Subsidiaries, Segments and Business Groups

Revenue Mix

Historically, the Group's banking and financial services and real estate operations contributed the bulk of FDC's consolidated revenues. For the year 2018, the Company's consolidated revenues and other income amounted to ₱73.3 billion contributed by:

Real estate operations	39.2%
Hospitality operations	3.7%
Banking and financial services	40.9%
Power operations	12.7%
Sugar operations	3.5%

1.4.1 Real Estate Operations

Filinvest Land, Inc

Business

Brief Description and Recent Developments

FLI is one of the leading real estate developers in the country, providing a wide range of real estate products to residential and commercial customers. FLI (including its predecessor's operations) has over 50 years of real estate expertise and has developed over 2500 hectares of land, having provided home/home sites for over 200,000 families.

FLI is one of the largest nationwide residential developers in 45 cities and towns in 18 provinces in the Philippines. It is also one of the largest mid-rise building (MRB) developers in the country today and a market leader in the affordable and middle-income residential segments. It currently owns a land bank of 2,153 hectares for sustainable future growth.

To augment its traditional residential developments, FLI acquired three strategic investment properties, Festival Supermall, and the PBCom Tower and business process outsourcing (BPO) office buildings through its ownership interest in FAC and CPI

CPI owns and operates the information technology (IT) buildings in Northgate Cyberzone, a Philippine Economic Zone Authority (PEZA) registered BPO park located on a 10-hectare parcel of land within Filinvest City. FLI generates revenues from leasable space in 18 office buildings with a gross leasable area (GLA) of 288,211 square meters (sq.m) as of December 31, 2018.

FLI owns 60% of FAC, which owns 50% of the 52-storey, PBCom Tower located in the Makati's business district. PBCom Tower is a Grade A, PEZA-registered IT/office building in Ayala Avenue, Makati City, Metro Manila with approximate GLA of 55,145 sq.m.

Festival Supermall is a four (4)-storey premier shopping complex situated on a total land area of ten (10) hectares and located within FAI's Filinvest City development in Alabang, Muntinlupa City. FLI is leasing from FAI the 10 hectares of land on which the mall and its adjoining structures (such as parking lots) are situated. The lease is for a term of 50 years from October 1, 2006, renewable for another 25 years, with FLI required to pay either a minimum monthly rental in the amount of P80 per square meter, subject to five percent (5%) escalation per annum or 10% of the gross revenues of Mall, whichever is higher.

As of this date, FLI owns and operates other retail malls, Fora located in Tagaytay City and Main Square Bacoor in Cavite. It intends to undertake commercial and retail projects to complement its residential developments in selected areas.

In 2009, FLI signed an agreement with the Cebu City Government to develop 50.6 hectares of the South Road Properties (SRP), a 300-hectare reclaimed land project located in Cebu City. The agreement involves purchase by FLI of the 10.6 hectares of the property to be developed into a modern urban center consisting of residential, office, commercial, hotel and leisure buildings and a public promenade which is a one km long waterfront lifestyle strip that will offer a range of seaside leisure activities and the development of the remaining 40 hectares of the property under a profit-sharing arrangement with the Cebu City Government. On the 40-hectare property, FLI constructed MRBs known as San Remo and Amalfi while on the 10.6 hectare portion, it developed City de Mare and the Il Corso Mall.

On February 4, 2014, FCI, a wholly owned subsidiary of FLI was incorporated to manage FLI's BPO leasing operations in Cebu, Pasay City, Quezon City and Pasig City. As of December 31, 2018, FCI had a GLA of 37,567 sq.m.

In July 2015, FLI, CPI and FAI (collectively referred to as Filinvest Consortium) won the bidding for a 19.2-hectare lot in Cebu's SRP. Thereafter, on August 7, 2015, Filinvest Consortium entered into a Deed of Sale on Installment (DSI) with the Cebu City Government. In a letter dated January 6, 2017, the Cebu City Mayor questioned the validity of the sale and gave the buyers the option to withdraw from the sale at buyer's discretion. In a letter to the Cebu City Mayor dated February 7, 2017 (the Letter), Filinvest Consortium expressed its intention to rescind the DSI. Under the DSI, Cebu City undertook to comply with several covenants and obligations no later than February 7, 2016 (or 180 days from execution of the DSI). The Letter pointed out that as of February 7, 2017, the said covenants, undertakings and obligations have not been complied with and it does not appear that these will be complied with within a foreseeable reasonable period of time

The rescission of the DSI shall only take effect upon return by Cebu City of the down payment and installment payments made to Cebu City by Filinvest Consortium, plus interests, within 90 days from receipt of the Letter in accordance with Section 5.7 of the DSI. Pending receipt of such payments, the DSI shall remain valid and subsisting by and among the parties

As of March 1, 2019, such payment has not been received and no formal and definitive legal proceeding has been undertaken by the parties on this matter. Consequently, as of said date, the DSI remains valid and Filinvest Consortium has the sole and rightful claim over the property.

The 19.2-hectare property mentioned above is a separate property from the other 2 properties within the SRP which were acquired from Cebu City: a) the 40-hectare property under a joint venture undertaking with Cebu City; and b) the 10-hectare property which was already paid in full by FLI to Cebu City.

FMI, the company formed by the consortium of FDC and FLI, registered with the SEC on March 31, 2016, has signed the lease agreement with CDC for a term of 50 years, renewable for another 25 years. FMI's primary purpose is to engage in and undertake the general business of developing, constructing, establishing, operating, leasing except financial leasing, maintaining, rehabilitating and/or managing commercial and retail centers, residential, office buildings, mixed-use development, infrastructure, utilities and tourism related activities and other allied activities. FMI is owned 47.5% by FLI, 47.5% by FDC and 5.0% owned by CDC.

In September 2015, FLI won the bid for the right to own 55.0% of the joint venture company with the BCDA that will be tasked to develop, market, manage and lease the first phase of Clark Green City. The first phase covers to 288 hectares of land that will form part of the new mixed use metropolis rising in Northern Luzon adjoining Clark Freeport Zone and Clark International Airport.

With a more diversified portfolio, FLI expects to generate stable recurring revenue from its retail and office investment properties. These recurring revenues can, in turn, be used to provide internally generated funding for other projects. FLI is not and has never been a subject of any bankruptcy, receivership, or similar proceedings.

Form and Date of Organization
FLI was incorporated in the Philippines on November 24, 1989 as Citation Homes, Inc. and later changed its name to FLI on July 12, 1993. It started commercial operations in August 1993 after FDC spun off its real estate operations and transferred all related assets and liabilities to FLI in exchange for shares of stock of FLI. FLI shares were listed on the PSE on October 25, 1993. As at December 31, 2018, FDC owns 59.4% of outstanding common shares and 100% of preferred shares of FLI.

FLI Subsidiaries
The consolidated financial statements of FLI include the accounts of FLI and its subsidiaries. The nature of business and the corresponding percentages of ownership of FLI over these entities as at December 31, 2018, 2017 and 2016 are summarized below. The voting rights held by the Group in these subsidiaries are in proportion to its ownership interest.

Subsidiaries	Nature of Business	2018	2017	2016
FAPI	Real estate developer	**100%**	100%	100%
Homepro	Real estate developer	**100%**	100%	100%
FCGCC	Real estate developer	**100%**	100%	100%
FBCI [1]	Real estate developer	**55%**	55%	55%
GPRDI	Real estate developer	**100%**	-	-
CPI	Leasing	**100%**	100%	100%
FCI	Leasing	**100%**	100%	100%
FAC	Leasing	**60%**	60%	60%
FCMI	Leasing	**100%**	100%	
FLC	Property management	**100%**	100%	100%
Prosper	Property management	**100%**	100%	100%
FLMI	Property management	**100%**	100%	–
Pro-Excel [2]	Property management	**74%**	74%	–
FLTI	Property management	**100%**	100%	–
FSI	Property management	**100%**	100%	100%
FSM Cinemas [3]	Theater operator	**60%**	60%	60%
FDDC	District cooling systems, builder and operator	**60%**	60%	60%
TSNC [4]	Recreational sports and nature's club	**98%**	97%	92%
DPI	Construction	**100%**	100%	–
Promax	Marketing	**100%**	100%	100%
Leisurepro	Marketing	**100%**	100%	100%
PCIL	Marketing	**100%**	100%	–
Proleads	Marketing	**100%**	100%	–
RPI	Marketing	**100%**	100%	–

1. FBCI is owned indirectly through FCGCC.
2. The effective ownership interest of FLI includes portion owned indirectly through CPI, FCI and FAC. The acquisition of Pro-Excel in 2017 was accounted for as a business combination under common control using the pooling of interest method.
3. FSM Cinemas is owned indirectly through FSI.
4. In 2018 and 2017, the Parent Company acquired noncontrolling interest in TSNC representing additional 1% and 5% ownership interest, respectively, for a total consideration of ₱16.1 million and ₱138.9 million, respectively.

Detailed discussion of each subsidiary follows:
- Promax was incorporated on October 3, 1997.
- Homepro was incorporated on March 25, 1997 and started commercial operations on January 1, 2004.
- Leisurepro was incorporated on April 21, 2004 and started commercial operations on January 1, 2006.

➢ Prosper was incorporated on June 10, 2002 and started commercial operations on January 1, 2004.

Promax, Homepro and Leisurepro are engaged in real estate marketing business and handle the marketing and sale of residential property development projects of FLI while Prosper is engaged in the purchase, lease and management of hotel and resort properties. Homepro is now also engaged in real estate development as it acquired rawland in Taguig in 2015. Prosper is currently managing the condotel operations of a high-rise condominium (Grand Cenia) and hotel project (Quest Hotel) of FLI. Prior to Prosper's condotel and hotel management business, Prosper was engaged in the business of real estate marketing. The SEC approved the amendment of the primary purpose of Prosper on February 20, 2012.

CPI was incorporated on January 14, 2000 and began commercial operations on May 1, 2001. CPI was registered with the PEZA as an Economic Zone Facilities Enterprise, which entitles CPI to certain tax benefits and non-fiscal incentives such as the 5% tax on its modified gross income in lieu of all national income taxes. CPI is also entitled to zero percent value-added tax on sales made to other PEZA-registered enterprises. CPI owns and operates the IT buildings in Northgate Cyberzone, located on a 10-hectare parcel of land within Filinvest City. Its day-to-day operations are handled by FAI. CPI also leases a parcel of land measuring 2,831 sq.m located along Epifanio delos Santos Avenue (EDSA) on which CPI built a 5 storey BPO building with a total GLA of 7,358 sq.m.

FAPI was incorporated on September 25, 2006 to develop the TSNC and Phase 2 of Timberland Heights.

Timberland Heights is a 677-hectare township project anchored by TSNC, which was designed to be a world-class family country club in a mountain resort setting. Timberland Heights is situated at an elevation of 320 meters above sea level and provides panoramic views of the north of Metro Manila. The master plan for Timberland Heights includes Banyan Ridge, a middle-income subdivision; Mandala Farm Estates: The Ranch and Banyan Crest, a high-end subdivision, The Glades, also a middle- income subdivision, The Leaf, a 4-building 3-storey condotel development; and, a 50-hectare linear greenway that straddles the entire development which will provide a large outdoor open space for residents.

On February 4, 2014, FCI, a wholly owned subsidiary of FLI was incorporated. Its primary purpose is to acquire by purchase, lease, donate and/or to own, use, improve, develop, subdivide, sell, mortgage, exchange, hold for investment and deal with real estate of all kinds.

FLI has 60.0% interest in FAC which was incorporated on January 22, 1997. As of December 31, 2018, FAC is 60.0% owned by FLI and 40.0% owned by Reco Herrera Pte.Ltd. (RHPL). RHPL is 100.0% beneficially owned by the Government of Singapore Investment Corporation Pte. Ltd (GIC). FAC owns 50.0% of the 52-storey PBCom Tower, which is strategically located at the corner of Ayala Avenue and V. A. Rufino Street in the Makati City Central Business District. FAC owns about 36,000 sq.m of leasable office space. The remaining 50.0% of PBCom Tower is owned by the Philippine Bank of Communications.

The PBCom Tower is a PEZA-registered IT building. Consequently, tenants occupying space in PBCom Tower are entitled to avail of certain fiscal incentives, such as a 5.0% tax on modified gross income in lieu of the regular corporate income tax of 30.0%, income tax holidays and Value Added Tax (VAT) exemption in certain cases. Leases at the PBCom Tower are typically for periods ranging from 3 to 5 years, with the lease agreements generally requiring tenants to make a three-month security deposit. Rent is paid on a fixed rate per square meter basis depending on unit size and location.

On April 15, 2015, FLI and Engie Services Philippines (ENGIE) entered into a joint venture agreement to establish PDDC. On July 31, 2015, PDDC was registered with the SEC to engage in the business of building and operation of district cooling system within existing and future buildings at Northgate Cyberzone Area, Filinvest City, Alabang, Muntinlupa City. PDDC is owned 60.0% by FLI and 40.0% by ENGIE.

On December 28, 2015, FLI and FAI, entered into a Deed of Assignment of Shares, wherein FAI agreed to sell its rights, title and interests in the 249,995 common shares of FSI, with par value of ₱1.0 per share and equivalent to 100.0% ownership interest, to FLI for and in total consideration of ₱0.5 million. FSI is the property manager of Festival Supermall and other commercial centers of the Group. FSI also owns 60.0% equity interest in FSM Cinemas which is engaged in theater operations. The transaction was accounted for using the pooling of interest method wherein the assets and liabilities of the combining entities are reflected in the consolidated financial statements at their carrying amounts.

On February 11, 2016, FCGCC was incorporated to undertake the development of the Clark Green City Project under the JVA with BCDA. On March 16, 2016, FBCI, a joint venture company with BCDA, was incorporated to handle the development of the Clark Green City Project. FBCI is owned 55.0% by FCGCC and 45.0% by BCDA.

On March 31, 2016, FMI was incorporated to enter into an agreement with CDC for the lease of the Mimosa Leisure Estate. FMI is owned 47.5% by FLI, 47.5% by FDC and 5% by CDC. FMI started commercial operations in June 2016.

On July 26, 2016, the SEC approved Whiluc's application for increase in its authorized capital stock. Likewise, FLI subscribed and paid P124.7 million to Whiluc. On the same date, the SEC also approved the amendments of its corporate name and principal business address. Whiluc's new corporate name is FLC. Its primary purpose is to invest in, purchase, hold, use, develop, lease, sell, assign, transfer mortgage, enjoy or otherwise dispose of, as may be permitted by law, all properties of every kind, nature and description and wherever situated of any corporation.

In 2016, the Philippine Interpretations Committee (PIC) issued Question and Answer (Q&A) No. 2016-02 to clarify the accounting treatment of club shares held by an entity. The Group has evaluated the accounting treatment of its club shares following the guidance under the above PIC Q&A and has concluded that it exercises control over TSNC. Accordingly, TSNC was consolidated starting 2016. TSNC was registered with the SEC on May 12, 2004 to operate as a not-for-profit corporation.

On January 11, 2017, DPI, a wholly owned subsidiary of FLI was incorporated. Its primary purpose is to engage in a general construction business. DPI started its commercial operations in February 2017.

On January 23, 2017, FCMI and FLMI, wholly owned subsidiaries of FLI were incorporated, with the primary purpose of acquiring by purchase, lease, donation, and/or to own, use, improve, develop, subdivide, sell, mortgage, exchange, hold for investment and deal with real estate of all kinds. During the first quarter of 2017, FCMI started the construction of its first BPO Office, the Filinvest Cyberzone Mimosa Building 1. FCMI started its commercial operations in May 2018. FLMI has not started its commercial operations as of December 31, 2018.

On February 7, 2017, PLIL, a company limited by shares, was registered at the territory of the British Virgin Islands. PLIL has not started its commercial operations as of December 31, 2018.

On March 29, 2017, Proleads, a wholly owned subsidiary of FLI was incorporated. Its primary purpose is to provide management, organizational, and other administrative services and training, on real estate transactions to be negotiated by Philippine-licensed real estate brokers in their personal professional capacities. PPI started its commercial operations in November 2017.

On May 18, 2017, FLI, CPI and FCI, subscribed to 53.0 million common shares of Pro-Excel. The resulting ownership interest of FLI, CPI and FCI in Pro-Excel after subscription is 33.9%, 17.0% and 17.0%, respectively. Prior to the Group's subscription, Pro-Excel is 100% owned by FAI. The primary purpose of Pro-Excel is to engage in the business of administration, maintenance and management of real estate development, controlled development projects and subdivision projects.

On August 3, 2017, RPI, a wholly owned subsidiary of FLI was incorporated. Its primary purpose is to provide administrative support services and skills training primarily through the use of information technology, licensed software, and systems. RPI has started its commercial operations in November 2017.

On November 20, 2017, FLTI, a wholly owned subsidiary of FLI, was incorporated with the primary purpose of acquiring by purchase, lease, donation and/or to own, use, improve, develop, subdivide, sell, mortgage, exchange, lease, hold for investment and deal in real estate of all kinds. FLTI started its commercial operations in March 2018.

On January 19, 2018, FLI entered into a Share Sale and Purchase Agreement to purchase 100% of the total outstanding shares of GPRDI for a total consideration of P1.7 billion. The primary purpose of GPRDI is to hold, purchase, lease, contract or otherwise acquire any and all real and personal properties. GPRDI has not started its commercial operations as of December 31, 2018.

On July 18, 2018, the SEC approved TSNC's application on voluntary revocation of its secondary registration which allowed TSNC to proceed with the transition to its new business model. On November 15, 2018, the BOD approved the amendment to change the primary purpose of the Club from an exclusive recreational sports club to a for profit commercial facility.

FLI's Equity Investment in FAI and FMI

FAI was incorporated on August 25, 1993 and started commercial operations in October 1995. FLI has a 20.0% equity interest in FAI. FAI's major project is the master-planned development of Filinvest City, a 244-hectare premier satellite city development project which has been designed using modern and state of the art, ecological, urban planning with a mixed-use integrated development with office, retail, residential, institutional, leisure and hospitality projects in southern Metro Manila. Located at the southern part of Metro Manila and adjacent to the South Expressway, Filinvest City is approximately 16 kilometers (km) south of Makati, the central business district in Manila and ten km from the Ninoy Aquino International Airport. Filinvest City is surrounded by over 2,800 hectares of developed high-end and middle-income residential subdivisions and commercial developments. The said project is under a joint venture agreement with the Government.

FMI was incorporated on March 31, 2016 and started commercial operations in June 2016. FLI has a 47.5% equity interest in FMI. FMI entered into a long-term lease of the Mimosa Leisure Estate after it bagged the rights to lease, develop and operate the 202-hectare estate development. There is a hotel launched with 303 rooms and a 36-hole golf course.

Business Groups, Product Categories, Target Markets and Revenue Contribution

As a result of the recent business developments, FLI is now composed of two business segments with corresponding product categories, target markets and revenue contributions as follows:

Real Estate Segment

FLI's main real estate activity since it started operations has been the development and sale of residential property, primarily housing units and subdivision lots; in certain cases, provision of financing for unit sales.

Residential Projects

FLI is able to tap the entire residential market spectrum with the following range of housing units catering to various income segments:

(a) *Socialized Housing*:
These developments are marketed and sold under FLI's Pabahay brand and consist of projects where lots typically sell for ₱160,000.0 or less per lot and housing units typically sell for ₱450,000.0 or less per unit. Buyers for these projects are eligible to obtain financing from the Government-mandated Pag-IBIG Fund. Maximum sale prices for the Company's specialized housing products do not exceed the Government-mandated ceilings of ₱450,000.0 per unit. Any income realized from the development and improvement of socialized housing sites are exempt from taxation.

(b) *Affordable Housing*:
These developments are marketed and sold under FLI's Futura Homes brand and consist of projects where lots are typically sold at prices ranging from ₱160,000.0 to ₱750,000.0 and housing units from above ₱450,000.0 to ₱1,500,000.0. FLI designs and constructs homes in this sector with the capacity and structural strength to give the owner the option to build an additional storey, which can double the available floor area. Affordable housing projects are typically located in provinces bordering Metro Manila, including Bulacan, Laguna, Batangas and Cavite, and in key regional cities such as Tarlac, Cebu and Davao. Construction of a house in this sector is usually completed approximately six (6) months from the completion of the required down payment.

(c) *Middle-Income Housing*:
These developments are marketed and sold under FLI's Filinvest brand and consist of projects where lots are typically sold at prices ranging from ₱750,000.0 to ₱1.2 million and housing units from ₱1.5 million to ₱4.0 million. Middle-income projects are typically located within Metro Manila, nearby provinces such as Rizal, Cavite, Pampanga and Laguna, and major regional urban centers in Cebu, Davao and Zamboanga.

(d) *High-End Housing*:
Marketed under Filinvest Premiere brand, these developments consist of projects where lots are sold at prices above ₱1.2 million and housing units for above ₱4.0 million FLI's high-end projects have been located both within Metro Manila and in areas immediately outside Metro Manila.

Other Real Estate Projects

In order to achieve product and revenue diversification, FLI has added the following projects so as to cater to other market niches:

(a) *Townships*

Townships are master-planned communities that include areas reserved for the construction of anchor facilities and amenities. FLI believes that these facilities and amenities will help attract buyers to the project and will serve as the nexus for the township's community. Anchor developments could include schools, hospitals, churches, commercial centers, police stations, health centers and some other government offices; or in the case of Timberland Heights, a private membership club.

FLI has also master-planned and developed the Ciudad de Calamba, Timberland Heights and Havila township projects which are respectively located along the southern, northern and eastern boundaries of Metro Manila. FLI also has a township project in Cebu called *City di Mare*, a seaside township project, spanning 50.6 hectares at Cebu's SRP as part of a JVA between FLI and the Cebu Government. Each township development is designed to include a mix of residential subdivisions from the affordable to the high-end sectors.

Ciudad de Calamba

Ciudad de Calamba is a 350-hectare development located in Calamba, Laguna. This township project is anchored by the Filinvest Technology Park Calamba which is a PEZA-registered special economic zone. Ciudad de Calamba provides both industrial-size lots and ready-built factories to domestic and foreign enterprises engaged in light to medium non-polluting industries. FLI also donated to the city government of Calamba a parcel of land located within the Ciudad de Calamba, which will be used for a city health center and police station. FLI also intends to develop the Ciudad de Calamba Commercial Center as part of this township project.

Havila

Havila is a 335-hectare township along the eastern edge of Metro Manila, which traverses the municipalities of Taytay, Antipolo, Teresa and Angono. It is anchored by two educational institutions: San Beda College Rizal and the Rosehill School. The master plan for Havila provides for a mix of affordable, middle-income and high-end subdivisions on rolling terrain overlooking Metro Manila at an elevation of 200 meters above sea level.

Timberland Heights

Timberland Heights is a 677-hectare township project anchored by TSNC. It is located in the municipality of San Mateo, which is just across the Marikina river from Quezon City, and has been designed to provide residents with leisure facilities and resort amenities while being located near malls, hospitals and educational institutions located in Quezon City.

City di Mare

Inspired by the world's best-loved coastal cities, City di Mare, or "City by the Sea", spans across 50.6 hectares at Cebu's SRP. It is a master-planned development composed of different zones catering to a wide array of lifestyles and activities - Il Corso, the 10.6 hectare waterfront lifestyle strip; the 40-hectare residential clusters; and The Piazza, nestled at the heart of the residential enclaves puts lifestyle essentials such as school, church, shops, and restaurants within the neighborhood. City di Mare is envisioned to be a destination in itself; takes full advantage of the coastal ambience featuring seaside shopping, dining, beach and water sports and more, right by the water's edge.

The 10.6-hectare retail development known as Il Corso shall have a gross leasable area of approximately 32,000 square meters. City di Mare has 4 resort-themed residential enclaves inspired by world-class resorts, with each 10-hectare development flaunting a distinct architectural character. With over 65% of the property allocated for wide, open areas and landscaped greens, City di Mare provides the generous amenity of breathing space and a refreshing dose of nature throughout the site. Residences are spread out over the sprawling development, maximizing the abundant sunlight and allowing the invigorating sea air to circulate freely.

(c) *Leisure Projects*

FLI's leisure projects consist of its residential farm estate developments, private membership club and residential resort development.

Residential Farm Estates

FLI's residential farm estate projects serve as alternative primary homes near Metro Manila to customers, such as retirees and farming enthusiasts. Customers can purchase lots (with a minimum lot size of 750 square meters) on which they are allowed to build a residential unit (using up to 25.0% of the total lot area). The remaining lot area can be used for small-scale farm development, such as fish farming or vegetable farming. Residential farm estates are sold on a lot-only basis, with buyers being responsible for the construction of residential units on their lots. To help attract buyers, FLI personnel are available on site to provide buyers with technical advice on farming as well as to maintain demonstration farms. At present, FLI has three residential farm estates:

- *Nusa Dua Farm Estate (Nusa Dua)* located in Cavite province just south of Metro Manila. The amenities at Nusa Dua include a two-storey clubhouse and a 370 square meter swimming pool.
- *Mandala Residential Farm Estate (Mandala)* located in Rizal province as part of the FLI's Timberland Heights township project. It offers hobby farmers generous lot cuts and Asian-inspired homes that complement the mountain lifestyle.
- *Forest Farms Residential Farm Estate (Forest Farms)* located in Rizal province as part of Company's Havila township project. It is an exclusive mountain retreat and nature park, nestled between the hills of Antipolo and forested area of Angono

Residential Resort Development

Kembali Coast on Samal Island, Davao is a beachfront residential resort development. This 50-hectare Asian-Balinese inspired island getaway offers low-density exclusivity and comes with a 1.8 km beach line that offers unobstructed view of the sea.

Laeuna de Taal (Laeuna) is located in Talisay Batangas with a view of the Taal lake and a lakeside residential community, about a ten (10)-minute drive from the popular tourist destination of Tagaytay. Laeuna is an Asian Tropical-inspired community which offers 3 residential enclaves (Arista, Bahia and Orilla) with a range of property choices for every family. Located on the water front is the Lake Club, a lakeside amenity designed for wellness, recreation and celebration.

(d) *MRBs*

MRB projects are 5-storey to 10-storey buildings clustered around a central amenity area. Marketed under the "Oasis" and "Spatial" brands, FLI's MRBs are intended to provide a quiet environment within the urban setting. The buildings typically occupy 30.0% to 35.0% of the land area, providing a lot of open spaces. "Oasis" is for the middle income market while "Spatial" is for the affordable market. FLI currently has 26 ongoing MRB projects in Luzon, Visayas and Mindanao. Below is a list of FLI's ongoing MRB projects:

Project Name	Location
Metro Manila/ Luzon	
Asiana Oasis	Paranaque City
Bali Oasis	Pasig City
Bali Oasis 2	Pasig City
Capri Oasis	Pasig City
Fora	Tagaytay
Fortune Hill	San Juan City
Futura East	Cainta, Rizal
Maui Oasis	Sta. Mesa, Manila
One Oasis Ortigas	Pasig City
One Spatial	Pasig City
Panglao Oasis	Taguig
Sorrento Oasis	Pasig City
The Signature	Balintawak, Quezon City
Verde Spatial	Quezon City
Alta Spatial	Valenzuela City
Visayas	
Amalfi Oasis	City di Mare, Cebu
Marina Spatial	Dumaguete
One Oasis Cebu	Mabolo, Cebu City
One Spatial Iloilo	Iloilo
San Remo Oasis	City di Mare, Cebu
Umi Garden	City di Mare, Cebu
Mindanao	
Centro Spatial	Davao City
Eight Spatial	Mati, Davao
One Oasis Cagayan de Oro	Cagayan de Oro
One Oasis Davao	Davao City
Veranda Resort Condos	Davao

(c) *High Rise Building (HRB)s*

The Linear
The Linear, a master-planned residential and commercial hub in Makati City. Two L-shaped towers, each 24 storeys high, comprise this dynamic condominium community that perfectly caters to the needs of young urban professionals.

Studio City
Studio City is a community composed of 5-tower residential condominium complex within the Filinvest City to serve the demand for housing of the growing number of professionals working within Filinvest City and in the nearby Madrigal Business Park. Since it is located within the Filinvest City, residents will enjoy proximity to Festival Supermall, Westgate Center, Northgate Cyberzone, Asian Hospital and Medical Center, and other commercial, educational and medical institutions. The development consists of 18 storeys per building with commercial units at the ground floor. All residential floors will have 25 studio units per floor. Studio Tower 5 has just been launched.

The Levels
Located at one of the highest points of Filinvest City at around 23 meters above sea level, The Levels is a one-block, 4-tower residential condominium development that features a laidback suburban living inside a fast-paced business district. The residential development is set in a tropical landscape, with its 4 towers uniquely designed with terracing levels, giving it a castle-effect look. The high-rise sections will be set in lush greenery, providing residents with views of the gardens. The second tower has just been launched.

Vinia Residences
Vinia Residences is a 25-storey condominium development located along EDSA in Quezon City, right across TriNoma and just steps away from the MRT-North Avenue station. With its coveted location, it offers a world of ease and convenience to young professionals and families looking for quality homes, as well as budding entrepreneurs who want to start a home-based business at the heart of the city.

Studio Zen
Studio Zen is a 21-storey condominium development located along Taft Avenue in Metro Manila. Student-oriented amenities, Zen-inspired features, and functional building facilities make it an ideal residence for students living independently and a great investment opportunity for entrepreneurs who want to take advantage of the ready rental market in the area.

Studio A
Studio A is a single tower 34-storey high-rise residential condominium located in Loyola Heights in Quezon City. The project is conveniently situated near premier universities, the LRT 2 line and other commercial establishments.

100 West
100 West is a single tower 38-storey high rise commercial and residential condominium with office spaces located in Gen. Gil Puyat Avenue corner Washington St. in Makati City. 100 West is in the Makati Business District and accessible to both north and south of Metro Manila.

Studio 7
Studio 7 is a mixed-use development that will have office and residential towers complemented with retail outlets, located in Quezon City along EDSA very close to the GMA-Kamuning MRT station. "Studio 7"will have studios as well as one bedroom residential units.

<u>*Activa*</u>
Activa is a mixed use development with residential, office, retail and hotel components. It is entrenched in the heart of Quezon City's busiest and liveliest district, Cubao. Situated at the crossroads of two of the metro's most vital thoroughfares, Activa connects to the north and south via EDSA, and to the east and west via Aurora Boulevard. It also has direct access to the MRT and LRT lines, and accessible by various modes of transportation like buses and jeepneys.

(f) *Condotel*

Grand Cenia
The Grand Cenia Hotel and Residences is a 25-storey development located along Archbishop Reyes Avenue in Banilad, Cebu, on the 4,213 sq.m property strategically located close to the Cebu Business Park. Some unit buyers/owners entered their units into a rental pool to operate collectively as hotel. In January 2012, the hotel started operating as the Quest Hotel and Conference Center, a three-star hotel complete with business and conference facilities. The 25-storey structure has 432 condotel rooms and 119 residential condominium units.

The Leaf
The Leaf is a condotel type development stategically located on a mountainside setting beside the Timberland Sports and Nature Club in Timberland Heights. *The Leaf* consists of eight low density mid-rise buildings of threefloors each with an average size of 31 sq.m each unit. *The Leaf* is approximately 300 meters above sea level with a 180 degrees view of Metro Manila.

Fora
The townscape at Fora, Tagaytay includes condotel units for sale which will be operated as Quest Hotel Tagaytay.

Analysis of Real Estate Sales

The table below shows a comparative breakdown of FLI's journalized real estate sales into various product categories for the years ended December 31, 2018, 2017 and 2016 (amounts in ₱ millions).

Category	2018		2017		2016	
	Amount	%	Amount	%	Amount	%
Residential Lots, House & Lot Packages, MRBs and HRBs						
Socialized	**₱274.2**	**1.9%**	₱174.5	1.2%	₱523.4	3.7%
Affordable	**4,770.5**	**33.1%**	4,894.1	35.6%	2,670.9	18.7%
Middle-Income	**7,847.3**	**54.5%**	6,685.3	48.6%	8,893.0	62.4%
High-end and Others	**1,249.2**	**8.7%**	1,761.6	12.8%	1,859.4	13.0%
Industrial Lots	**48.3**	**0.3%**	21.5	0.2%	27.4	0.2%
Residential Farm Estate	**156.4**	**1.1%**	149.9	1.1%	147.4	1.0%
Leisure	**58.3**	**0.4%**	61.5	0.5%	134.4	0.9%
Total	**₱14,404.2**	**100.0%**	₱13,748.4	100.0%	₱14,255.9	100.0%

Analysis of Cost of Sales

The table below shows a comparative breakdown of FLI's journalized cost of sales by cost component for the years ended December 31, 2018, 2017 and 2016 (in ₱ millions):

	2018	2017	2016
Land acquisition cost	1,926.5	1,852.3	1,858.2
Land development and construction cost	6,412.7	6,199.1	6,453.8
Cost of club share sold		0.5	10.3
Total	8,339.2	8,051.9	8,322.3

Leasing Segment

FLI's investment properties are categorized into retail and office leasing.

2018 turned out to be a milestone year for the Filinvest Lifemalls' Commercial Centers. The opening of several malls fortified the company's thrust to expand its retail foot print.

Festival Alabang
The landmark project, Festival Alabang, carries on its position as the prime destination for recreation and retail in southern Metro Manila. With more 'firsts' on its offerings and a better shopping ambiance, the mall has altered the retail experience in the south.

As the existing mall continued to have major improvements undertaken for its facilities, architectural works that gave the mall a refreshed look and modernized ambiance complementing the opening of its expansion. Festival took the market by surprise when it opened its doors for Decathlon, a French sporting goods retailer with approximately more than 3,500 sq.m of leasable space, which added to the roster of anchors pulling in drove of shoppers from catchments all over Luzon.

Simultaneously, the tenants of the mall expansion with over 46,000 sq.m of gross leasable area, have gradually opened in 2017 bringing in a mix of fashion and food concepts such as Powermac, Cole Haan, Anello, Cotton On, Keds, Geox, Boarding Gate among others. The introduction of new and unique food establishments has made Festival a gastronomic destination having brands such as Mary Grace, Cinnabon, Petit Bistro, Café Seolbwa, Gustav Café, Tenya, Tori Ichi, All for U, NY Café, and Mesa to name a few, ushering in new markets and strengthening traffic of its core target market.

Festival Mall Expansion's new supermarket and department store partner anchor, Landmark, occupying around 30,000 sq.m of floor area, further made the mall and Filinvest City's traffic more dynamic. Festival patrons are also enjoying the Water Garden, a distinctly refreshing outdoor amenity and convergence zone.

In 2017, two new additional malls, Fora in Tagaytay and Main Square in Bacoor, have opened which contributed more than 50,000 sq.m of leasable space.

Fora Mall
Conveniently located right by the city's landmark, Tagaytay Rotunda is Fora Mall, the first regional mall in the area fronting a mixed-use leisure development consisting of a condotel and residential buildings. This prime retail destination provides about 31,000 sq.m of leasable space amidst nature, open spaces, and a beautifully-landscaped amphitheater, primarily serving the strengthening local market and burgeoning tourist influx from the city and neighboring towns. It has partnered with brands such as Uniqlo, Giordano, Levi's, Mujosh, Vision Express, Penshoppe, Regatta, ForMe, Oxygen, Memo, etc for its fashion offerings. A number of local and popular food concepts, coupled with national brands, have initially opened. A strong wellness category is also in place and junior anchors such as Ace Hardware, Abenson and La Sedia. Super Metro, its anchor, opened last June 2017 with the first hypermarket format operating for 24 hours. The 4 digital cinemas launched last November 2017 is now the locals' go to place for recreation.

Main Square
With a smaller format of over 18,000 sq.m leasable area, Main Square is the first and only mall along Bacoor Blvd. close to Bacoor City Hall and fronting Princeton Heights. Positioned as the reliable one-stop hub for neighboring gated villages of Bacoor, it provides basic shopping, wellness, service and convenience offerings from partner brands such as Anytime Fitness, Watson's, Ace Hardware, Western Appliances, Japan Home, and DIY. The mall's supermarket anchor for this development is Robinsons Supermarket which has become the most convenient basic shopping destination in the area.

PBCom Tower
The PBCom Tower, is a 52-floor, Grade A, PEZA-designated IT office building in Ayala Avenue, Makati City, Metro Manila. FLI owns part of the PBCom Tower thru FAC. FLI earns 60.0% of revenues from the 35,148 sq.m leasable space owned by FAC in this building. EPD Asia had been hired to provide day-to-day property management services for PBCom Tower. In addition, pursuant to a

management agreement, FAI provides the following services: general management services, accounting services, operations, legal review and documentation, office rental services and recruitment and training services.

Northgate Cyberzone
Northgate Cyberzone is a PEZA registered BPO IT park within Filinvest City. FLI earns revenues from approximately 288,215 sq.m leasable space.

Construction is ongoing for new BPO office buildings located at Northgate Cyberzone – particularly *Filinvest Axis 2*.

Current buildings with leases are the following:

- Plaza A: This is a six-storey building with an approximate GFA of 11,575 sq. m. and an approximate GLA of 10,860 sq. m.
- Plaza B and Plaza C: Plaza B and Plaza C are four-storey buildings, each with an approximate GFA of 7,150 sq. m. Plaza B has an approximate GLA of 6,488 sq. m. and Plaza C, 6,540 sq. m. for a combined GLA of 13,028 sq. m.
- Plaza D: This is a six-storey building with the same specifications as Plaza A and with an approximate GFA of 11,575 sq. m. and an approximate GLA of 10,860 sq. m.
- Plaza E: This is a twelve-storey building, situated between Plaza A and Plaza D, with approximate GFA of 16,281 sq. m. and an approximate GLA of 14,859 sq. m.
- Convergys Building: This is a three-storey building with an approximate GFA of 6,466 sq. m. and an approximate GLA of 6,399 sq. m. It was a "built-to-suit" (BTS) building to meet the requirements of Convergys.
- HSBC Building: This is another building that was constructed on a BTS basis to meet the requirements of HSBC. The HSBC building has an approximate GLA of 18,000 sq. m.
- IT School: This is a three-storey building with an approximate GFA of 3,297 sq. m. and an approximate GLA of 2,595 sq. m.
- Building 5132: This is a six-storey building with an approximate GFA of 10,560 sq. m. and an approximate GLA of 9,408 sq.m
- iHub I and iHub II: This is a two-tower complex (one with six-storey and the other with nine-storey). iHub I has an approximate GLA of 9,480 sq. m. iHub II has an approximate GLA of 14,181 sq. m.
- Vector One: an 11-storey building with an approximate GFA of 19,545 sq. m. and an approximate GLA of 17,764 sq. m.
- Vector Two: This building has the same configuration as with Vector One. It is also 14 storeys high with an approximate GLA of 17,889 sq. m.
- Filinvest One *(formerly called AZ Building)*: This is a 10-storey building with a GLA of approximately 19,637 sq. m.
- Filinvest Two and Three: This is a twin-tower project located along Alabang Zapote Road. Each building has a GLA of approximately 23,784 sq. m or a total of 47,568 sq. m. The buildings were completed in the 4th quarter of 2015.
- Vector Three with a GLA of 36,345 sq. m. was completed in 2017.
- Axis One with a GLA of 39,340 sq. m. has just been completed.

EDSA Transcom Building
This five-storey BPO building is located along EDSA in Mandaluyong City and have approximately 7,318 sq. m. of GLA. This is FLI's first BPO office building outside Northgate Cyberzone.

Other projects outside Alabang
To tap the lucrative opportunities in the BPO sector, FLI is expanding its office portfolio in more areas outside of Northgate to meet the demands of the industry. The following are the ongoing new BPO office buildings located in various locations:

- *Filinvest Cyberzone Pasay* is the first development of Filinvest Cyberparks, Inc. and is the Filinvest Group's first LEED-certified project in Metro Manila outside of Northgate Cyberzone. Within the Bay Reclamation Area in Pasay City, it provides a total of 80,000 sq. m. of office space. It is meant to cater to the office accommodation needs of the still growing outsourcing sector, and address retail support requirements of companies and government agencies that will set up shop in the surrounding area.

- *Filinvest Cebu Cyberzone* Tower 1 is the first BPO building located at the 1.2 - hectare joint venture project with the Provincial Government of Cebu. This is the first building of the four-building complex with 13 storeys and approximate GLA of 19,937 sq. m. Tower 2 is nearing completion.

- *Clark Mimosa Cyberzone* Buildings 1 and 2 of the planned 8 buildings have been completed with a total GLA of 21,446 sq. m. Building 3 is under construction.

- Construction is underway for two sites along EDSA for the development of mixed use complexes that both contain BPO office spaces. *Studio 7*, a mixed-use project in South Triangle near GMA Network, will have a BPO office component, aside from residential and retail facilities. Its office portion, called *Studio 7 Cyberzone*, will provide 36,594 sq. m. of GLA by

2019. Another dynamic mixed-use development located at the corner of EDSA and Aurora Boulevard, which shall be called *Activa*, will also play host to BPO offices by providing an estimated 49,700 sq. m. of GLA

- Construction of One Filinvest Ortigas, which will have traditional office and retail components is currently underway. This is located in the Ortigas Business District (former Philcomcen property).

- Construction of Activa, which will have residential, retail and office components, is currently underway. This is located in Cubao, Quezon City and will have 52,012 sq.m. of office space.

The Group will continue to carry out an intensive marketing campaign so to maintain high occupancy rates in its investment properties to maximize leasing revenues

The table below shows a breakdown of FLI's recorded gross leasing revenues for the years ended December 31, 2018, and 2017 (amounts in ₱ millions):

	Years ended December 31			
	2018		2017	
	Amount	**% to total**	Amount	% to total
Office	₱3,858.2	68.8%	₱2,838,640	64.30%
Retail/Commercial	1,750.1	31.2%	1,576,025	35.70%
Total	₱5,608.3	100.0%	₱4,414,665	100.00%

Marketing and Sales

Real Estate Segment

FLI develops customer awareness through marketing and promotion efforts as well as referrals from satisfied customers. The Group has a real estate marketing team and a network of sales offices located in the Philippines, Italy and Japan, as well as accredited agents in other parts of Europe, HongKong, Singapore, and the Middle East. FLI's marketing personnel, together with in-house sales agents and accredited agents, gather demographic and market information to help assess the feasibility of new developments and to assist in future marketing efforts for such developments.

FLI conducts advertising and promotional campaigns principally through print and broadcast media, including billboards, fliers, and brochures designed specifically for its target markets. Advertising and promotional campaigns are conceptualized and conducted by FLI's marketing personnel and by third-party advertising companies. These campaigns are complemented by additional advertising efforts, including booths at shopping centers, such as Festival Supermall, and other high traffic areas, to promote open houses and other events.

FLI also believes that the Overseas Filipino Worker (OFW) population, as well as expatriate Filipinos, constitutes a significant portion of the demand for affordable and middle-income housing either directly or indirectly by remitting funds to family members in the Philippines to purchase such properties. As a result, FLI has appointed and accredited independent brokers in countries and regions with large concentrations of OFWs and expatriate Filipinos, such as Italy, Japan, the United Kingdom and the Middle East. These brokers act as the Company's marketing and promotion agents in these territories to promote the Company and its products. The Company also sponsors road shows to promote its projects, including road shows in Europe, targeting the OFW and Filipino expatriate markets. FLI also markets its properties on the Internet.

Sales for FLI's housing and land development projects are made through both in-house sales agents and independent brokers. Both FLI's in-house sales agents and independent brokers are compensated through commissions on sales. In-house sales agents also receive a monthly allowance and are provided administrative support by FLI, including office space and expense allowances.

In addition to in-house sales agents and independent brokers, FLI also employs representatives who staff its sales offices and provide customers with information about FLI's products, including financing packages and technical development assistance. FLI also assigns each project a sales and operations coordinator who will provide customers with assistance from the moment they make their sales reservation, during the process of obtaining financing, and through the steps of establishing title on their new home. FLI also has personnel who can advise customers on financing options, collecting necessary documentation and applying for a loan. FLI also helps design down payment plans for its low-cost housing customers that are tailored to each customer's economic situation. Further, once a house is sold and delivered, FLI has customer service personnel who are available to respond to technical questions or problems that may occur after delivery of the property.

Leasing Segment

Various professional, multinational commercial real estate leasing agents (including, but not limited to Jones Lang LaSalle, CB Richard Ellis and Colliers) are accredited to scout for tenants for its office spaces. These agents work on a non-exclusive basis and earn commissions based on the term of the lease.

FLI also maintains, through its subsidiaries, an in house sales team to market its office & commercial spaces.

Customer Financing for Real Estate Projects

The ability of customers to obtain financing for purchases of subdivision lots or housing units is a critical element in the success of FLI's housing and land development business. Customer financing is particularly important in relation to sales of FLI's socialized housing projects, where most prospective buyers require financing for up to 100.0% of the purchase price. FLI therefore assists qualified homebuyers in obtaining mortgage financing from government-sponsored mortgage lenders, particularly for its socialized housing projects, and from commercial banks. FLI also provides a significant amount of in-house financing to qualified buyers. The interest rates charged by FLI for in-house financing typically range from 11.5% per annum to 19.0% per annum, depending on the terms of the loan.

In-house financing

FLI offers in-house financing to buyers who chose not to avail of Government or bank financing. FLI typically finances 80.0% of the total purchase price, which is secured primarily by a first mortgage over the property being sold. The loans are then repaid through equal monthly installments over periods ranging from five to ten years. The interest rates charged by FLI for in-house financing typically range from 11.5% per annum to 19.0% per annum, depending on the terms of the loan.

Pag-IBIG Fund

A substantial number of buyers of FLI's socialized housing units, as well as some affordable housing units, finance their purchases through the Home Development Mutual Fund or Pag-IBIG Fund. To provide a liquidity mechanism to private developers, the Pag-IBIG Fund has instituted a take-out mechanism for conditional sales contract receivables and mortgages and repurchases receivables from housing loans of its members.

Mortgage Loans

Mortgage loans from commercial banks are usually available to individuals who meet the credit risk criteria set by each bank and who are able to comply with each bank's documentary requirements. In addition to taking security over the property, a bank may also seek repayment guarantees from the Home Guaranty Corporation. To assist prospective buyers obtain mortgage financing from commercial banks, FLI also has arrangements with several banks to assist qualified customers to obtain financing for housing unit purchases.

Deferred Cash Purchases

In recent years, in addition to the aforementioned financing arrangements, FLI has offered so-called "deferred cash" purchases, particularly for its high-end and leisure developments. Under this arrangement, the entire purchase price is amortized in equal installments over a fixed period, which is typically 24 months. (Title to the property passes to the buyer only when the contract price is paid in full or when the buyer executes a real estate mortgage in favor of FLI which can be annotated on the title to the property.)

Real Estate Development

FLI's real estate development activities principally include the purchase of undeveloped land or entering into JVAs covering undeveloped land, the development of such land into residential subdivisions or other types of development projects, the sale of lots, the construction and sale of housing units and the provision of financing for some sales.

The development and construction work is contracted out to a number of qualified independent contractors on the basis of either competitive bidding or the experience FLI has had with a contractor on prior project. FLI weighs each contractor's experience, financial capability, resources and track record of adhering to quality, cost and time of completion commitments. FLI maintains relationships with over 100 independent contractors and deals with them on an arm's length basis.

FLI does not enter into long-term arrangements with contractors and construction contracts typically cover the provision of contractor's services in relation to a particular project or phase of a project. FLI also provides, in certain cases financial guarantees of payment to FLI-specified suppliers for purchases of construction materials. Progress payments are made to contractors during the course of a project development upon the accomplishment of pre-determined project performance milestones. Generally, FLI retains 10.0% of each progress payment in the form of a guarantee bond or cash retention for up to one (1) year from the date the contracted work is completed and accepted by FLI to meet contingency costs.

FLI is not and does not expect to be dependent upon one or a limited number of suppliers or contractors. Its agreements with its contractors are in the nature of supply of labor and materials for the development and/or construction of its various real estate projects.

During 2018, FLI launched a total of 17 new projects and phases with an estimated sales value of ₱16.0 billion. This brought to 231 the number of ongoing projects and phases FLI has as of the end of 2018.

Research and Development

Although the Company engages in research and development activities focusing on the house designs, types of construction materials to be used for its housing units, construction methodology, value-engineering for its projects and quality assurance, the expenses incurred by the Company in connection with these activities are not material.

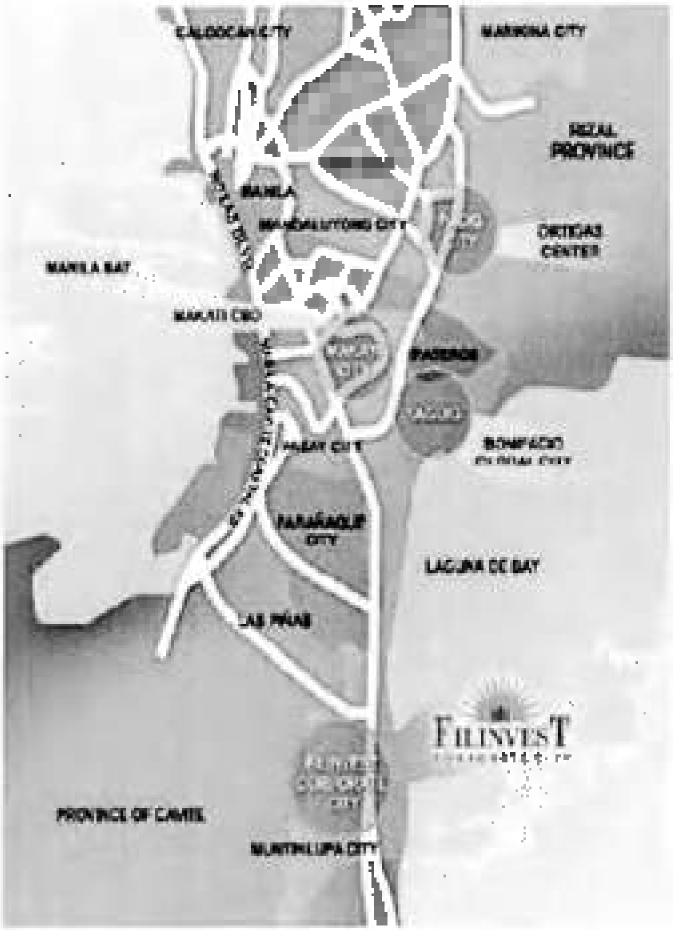
Filinvest Alabang, Inc.

FAI's main project is the master-planned development of Filinvest City, a 244-hectare premier satellite city located in Alabang, Muntinlupa City in the southern part of Metro Manila approximately 16 km south of Makati, the central business district in Manila and ten km from the Ninoy Aquino International Airport. Filinvest City is a fully integrated, self-contained satellite city which serves as a viable urban residential and business alternative to Makati for the southern Metro Manila area and a business centre for the southern Tagalog provinces. The mixed-use development concept incorporates commercial and residential properties in a complementary manner and provides for a balance of recurring rental income from office and retail space as well as trading income from sale of lots and condominium units. Filinvest City is a joint venture development with Government entities, namely the Department of Environment and Natural Resources (DENR) and the Philippine Reclamation Authority, in which FAI has a 74.0% interest. Over the past few years, land sale prices in Filinvest City have risen, driven by improved accessibility and economic growth. In particular, the completion of the Skyway extension from Socat to Alabang in April 2011 has caused land prices in the surrounding area to increase. As of December 31, 2018, FAI recorded a record high land sale price of ₱351,000 per sq.m.

The development obligations of FAI in Filinvest City have been substantially completed. Construction of the entry/exit of the Skyway into Filinvest City was completed and opened to the public in May 2011.

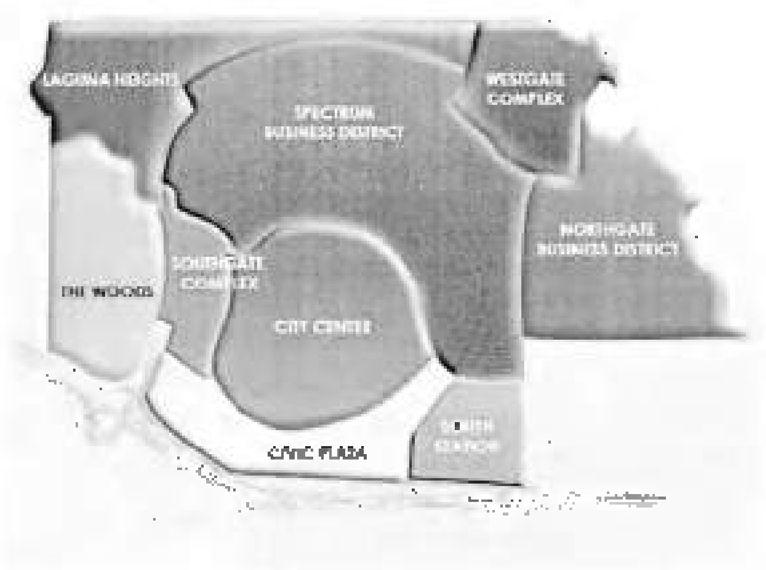
Location

Set out below is a map showing the location of Filinvest City relative to the Makati, Ortigas and Bonifacio Global City.



Site Development

Set out below is the site development concept of Filinvest City. The model below may not necessarily represent the eventual state of the actual property development.



Land Use

The following table shows the estimated mix of office, retail, residential, institutional and leisure properties that Filinvest City is expected to have when the project is fully completed, as well as certain details relating to developments at Filinvest City as of December 31, 2018. The land use and gross floor area estimates below may be adjusted as market trends develop and may not necessarily represent the eventual state of the actual property development.

Land Use	Lot area allocated (sq.m)	Expected gross floor area (sq.m)
High-rise office and condominium	711,095	5,636,136
Commercial and mixed-use	518,794	1,499,620
Residential subdivision	49,182	49,182
Leisure/hospitality	91,475	278,140
Institutional/government	241,458	325,012
Roads and open space	835,539	—
Total	2,447,543	7,788,090

As of December 31, 2018, FAI beneficially owns 79 hectares of unsold lots in Filinvest City comprising 30 hectares of unsold lots held through joint ventures (in which FAI beneficially owns 22 hectares) and 57 hectares of unsold lots owned directly by FAI. Of the 57 hectares, 23 hectares remain unused. 34 hectares are either rented out or being used for recurring business.

Office and Condominium Zone

The office zone is currently concentrated in two districts of Filinvest City, the Spectrum and Northgate districts. A variety of office centres are owned and operated, or under development, by third parties in these districts. FLI's Northgate Cyberzone, is located at Northgate District. For details, see "— Filinvest Land, Inc. — Northgate Cyberzone." FAI also develops its own buildings in the office zone under the concept of small office-home office (SOHO). SOHO buildings are compact units designed to provide a flexible, efficient work place and living space. The SOHO units are developed for sale rather than for lease.

Commercial and Mixed-Use Zone

A variety of major retail establishments at Filinvest City are owned and operated by third parties. In addition, FLI owns Festival Supermall, which is located at Filinvest City. See "— Filinvest Land, Inc. — Festival Supermall." FAI also develops its own retail leasing projects.

Marketing and Management

The day-to-day operations in the retail zone, including leasing and general mall management, is managed by FSI pursuant to various management contracts entered into by FSI with the owners and developers of various retail projects. The contracts are on a continuing basis until terminated with 90-day advance notice by any of the parties.

As of December 31, 2018, FSI had approximately 339 personnel in its organization, responsible for the day-to-day operations of the retail zone. Engineering, maintenance, security and janitorial services for the mall and other retail establishments are outsourced to reputable third-party service providers on an annual contractual basis and reviewed annually by FSI.

Residential Zone

Filinvest City provides an urban residential alternative to the surrounding residential subdivisions. FAI is engaged in the development of a number of high-rise residential condominiums within Filinvest City. Each condominium's design varies according to its target market and income segment.

Leisure and Hospitality Zone

Filinvest City includes several hotels and condotels owned and managed by third parties, in addition to CECM, a hotel that FAI launched in December 2012 within its mixed-use Entrata complex. CECM has 345 rooms on 27 storeys and is managed by CHI under the Crimson brand. The hotel had its grand opening in March 2015.

In addition to hotels and condotels, Filinvest City is also the site of leisure projects, including the Palms Country Club. To enhance the value of its high-end residential projects in Filinvest City and to attract buyers to these projects, FAI established its own exclusive sports and leisure club, a 30,000-sq.m private membership club that hosts banquets, corporate functions and other events for its members. FAI sells individual and corporate club shares.

Institutional and Government Zone
Filinvest City has institutional establishments, including both the private sector and Government entities. Filinvest City has become a hub for health and medical care and home to Asian Hospital, Ospital ng Muntinlupa, Food and Drug Administration and other Government-run medical facilities.

Competition

Real Estate Segment
Real estate development and selling is very competitive. FLI believes it is strongly positioned in the affordable housing income and middle-income residential subdivision market and in the farm estates. Success in these market segments depends on acquiring well-located land at attractive prices often in anticipation of the direction of urban growth. FLI believes that its name and reputation it has built in the Philippine property market contributes to its competitive edge over the other market players. On the basis of publicly available information and its own market knowledge, FLI's management believes that it is among the leading housing and land project developers in the Philippines, particularly in the socialized to middle-income housing sectors. FLI's management also believes that FLI is able to offer competitive commissions and incentives for brokers, and that FLI is able to compete on the basis of the pricing of its products, which encompasses products for different market sectors, as well as its brand name and its track record of successful completed quality projects.

FLI directly competes with other major real estate companies positioned either as a full range developer or with subsidiary companies focused on a specific market segment and geographic coverage. Its direct competitors include Ayala Land Inc., Vista Land, Robinsons Land, DMCI and SMDC.

FLI faces significant competition in the Philippine property development market. In particular, FLI competes with other developers in locating and acquiring, or entering into joint venture arrangements to develop, parcels of land of suitable size in locations and at attractive prices. This is particularly true for land located in Metro Manila and its surrounding areas, as well as in urbanized areas throughout the Philippines.

FLI's continued growth also depends in large part on its ability either to acquire quality land at attractive prices or to enter into JVAs with land-owning partners under terms that can yield reasonable returns. Based on FLI's current development plans, it believes that it has sufficient land reserves for property developments for the next several years. If the Philippine economy continues to grow and if demand for residential properties remains relatively strong, it expects that competition among developers for land reserves that are suitable for property development (whether through acquisitions or JVAs) will intensify and that land acquisition costs, and its cost of sales, will increase as a result.

Leasing Segment
With regard to the Company's acquired assets dedicated to office space leasing and shopping mall operations, the Company competes with property companies such as Ayala Land, Inc. Robinsons Land Corporation and SM Prime Holdings, Inc. In office space leasing,

particularly to call centers and other BPO operators, the Company competes with companies such as Robinsons Land Corporation, Ayala Land, Inc., Eton Properties Philippines, Inc. and Megaworld Corporation.

1.4.2 Hospitality

The Group's hospitality business is operated through both CHI and FHC.

The Group's first operating property is the 5-star CRSM. The resort is directly owned by FDC through MSSI which was incorporated on July 17, 2009. CRSM is an award-winning deluxe resort located on the island of Mactan, Cebu, Philippines. The resort features 290 guest rooms including 40 villas with private plunge pools, five Food and Beverage Outlets, a Gym, a Children's play area and 2 Ballrooms. CRSM was formally launched on October 8, 2010. The flagship Azure Beach Club was launched on October 24, 2014. The resort completed its renovation of the infinity pool, and opened the Spanish-themed Enye restaurant in 2017. The property also launched the 3,700-sq.m Cowazone, which features family-oriented facilities, children's play area, dedicated pool and snack bar. MSSI is currently constructing a 229 room expansion with additional food and beverage outlets and function spaces.

In September 2012, the Group opened its second property under the Quest Brand. QHCC Cebu is a 427-key Condotel in FLI's Grand Cenia Development in Cebu City. The condotel units are owned by third parties and are locked in a 25-year rental pool. The hotel is located in the Cebu Business Park and includes ten meeting rooms, a 300 seat capacity all-day dining restaurant and a swimming pool.

In March 2013, the Group opened its third property, CFCM in Alabang, under EHSI, which was incorporated on November 28, 2012. The hotel is part of the Entrata Urban Complex which features 343 keys, extensive meeting facilities, five F&B outlets, a gym, a spa and a swimming pool, with plans to enhance amenity areas, new ballroom spaces and food outlets.

On January 27, 2016, the Group was given a Notice of Award by the CDC for the lease, development, operation and management of the former Mimosa Leisure Estate covering 201.6 hectares through a 50-year lease agreement, renewable for another 25 years. The lease agreement between CDC and Filinvest Mimosa, Inc. (an entity owned by FDC (47.5%), FLI (47.5%) and CDC (5%)) was signed on April 22, 2016. The lease agreement requires FMI to investment of at least P5 billion over a period of 5 years.

The property, which is located in Clark Freeport Zone approximately 100 km north of Metro Manila, includes a hotel with 303 rooms, as well as 36-hole golf course, which are now operating as QCC Clark and Mimosa Golf, Clark under MCI which was incorporated on May 13, 2016. MCI is a wholly owned subsidiary of FHC.

In June 2016, MCI signed a sublease agreement with FMI following the terms of lease of FMI with CDC. Over the lease period, MCI will operate the existing hotel and golf courses of the estate and the right to develop the leased portion of the estate. During the ASEAN Summit in November 2017, its property QHCC Clark showcased the opening of the Grand Villas, newly-refurbished hotel rooms and event facilities.

In 2012, FDC was able to acquire a prime lot in Boracay with its own beachfront. Planning commenced in the same year and site development started in early 2014. By mid-2015, two buildings were topped off. The resort, which is directly owned by FHC through its wholly owned subsidiary BSI, is designed to have a total of 192 keys with 20 pool villas, meeting facilities, 4 F&B outlets, a gym, spa and a swimming pool. CRSB started its operation in November 2018 with 100 rooms available for occupancy. Construction works remain ongoing on the hotel as of December 31, 2018

Competition

The Company faces significant competition in the Philippine Hospitality market. By not only developing hotel projects but also having hotel management capability, the Company believes that it is strongly positioned to take advantage to the expected emergence of a robust tourism market in the Philippines. The Company believes that success in the Philippine Hospitality market depends on a mix of external factors and internal capabilities.

External factors which can greatly affect the Philippine Hospitality include political and economic stability, climate change and general security. These external factors affect the attractiveness of the Philippines for both local and domestic, leisure and business travelers. Internally the Company is confident due to Filinvest's background in real estate development in its ability to acquire, lease or joint venture the right pieces of property and execute the right type of hospitality development. Also the Company believes that it has a strong management capability gained through its partnership with Archipelago International. Despite the short operating history of the Company, its hotel assets have been able to compete with even entrenched players as evidenced by the strong performance of the operating hotel properties.

The Company competes with local and foreign hospitality developers, owners and operators to acquire, lease or joint-venture appropriate hotel locations the main tourist and business destinations. Its hotel assets also compete for room and banquet business among the hospitality or hospitality like products serving the markets where these assets are located. Major competitor includes – SM, Ayala, Waterfront, Shangri-la, Bellevue, and Movenpick.

1.4.3 Banking and Financial Services

EW

EW (or the Bank) was granted authority by the BSP to operate as a commercial bank under Monetary Board (MB) Resolution No. 101 dated July 6, 1994, and commenced operations on July 8, 1994. The Bank was also granted authority by the BSP to operate an expanded foreign currency deposit unit under MB Resolution No. 832 dated August 31, 1994. Subsequently in 2012, EW was authorized by the BSP to operate as a universal bank. As of December 31, 2018, EW is 77.2% effectively owned by FDC.

On February 17, 2014, the SEC approved the application of EW to change its registration from a "Government Securities Eligible Dealer" (with broker-dealer of securities functions) to an "Underwriter of Securities Engaged in Dealing Government Securities" (with broker-dealer of securities functions), in accordance with the SRC and other applicable laws, rules and regulations. EW's registration as an "Underwriter of Securities Engaged in Dealing Government Securities" had an initial validity of up to December 31, 2014, and has been extended until 2019.

The Bank's shares were listed on the PSE on May 7, 2012.

Mergers and Acquisitions

In 2003, EW merged with Ecology Savings Bank, Inc. ("ESBI"). EW, as the surviving corporation, purchased all the outstanding capital stock of ESBI from EBC Strategic Holdings Corp. Consequently, as set forth in the Articles of Merger dated January 31, 2003, all rights, business, assets and liabilities of ESBI were conveyed, assigned and transferred to EW. The merger was approved by the BSP and the SEC on August 6, 2003 and June 26, 2003, respectively.

On January 23, 2009, EW and American International Group, Inc. ("AIG") and certain AIG subsidiaries, including AIG Philam Savings Bank ("AIGPASB"), entered into a Share Sale Agreement for EW to acquire all of the shares of the AIGPASB and its constituent companies. On March, 2009, a Deed of Absolute Sale of Shares was executed between EW and each of the respective sellers.

On August 19, 2011, EW entered into a deed of assignment for the purchase of a majority of the outstanding shares and control of GBI. Consequently, GBI became a subsidiary of EW. On July 11, 2012, EW acquired an 85.17% interest in FRBI, a rural bank engaged in the business of extending credit to farmers, tenants, and rural enterprises. EW subsequently increased its ownership in FRBI to 100.00% through additional share acquisitions and capital contributions in 2012 and 2013. In May 2013, FRBI changed its name to East West Rural Bank, Inc. ("EWRB") and entered into an asset purchase agreement with GBI, effectively consolidating all of the Bank's rural banking business in EWRB.

On March 28 and June 5, 2014, the BSP and the SEC respectively, approved the proposed merger between EW and GBI. On July 31, 2014, the merger between EW and GBI was completed.

On May 6, 2016, EW and SCB entered into an agreement for SCB PH retail business. Under the agreement, the credit cards, personal loans, wealth management and deposits of SCB in the Philippines will be migrated to EW. The transaction also includes the transfer of following entities:

- ASIA, a wholly owned subsidiary of SCB which provides sales and marketing services directed exclusively to SCB PH clients for bancassurance products; and
- QMIS (formerly Price Solutions Philippines, Inc.), a wholly owned subsidiary of SCMB Overseas Limited providing sales and marketing services to SCB PH for credit cards and personal lending products.

In 2016, the BSP approved and confirmed the initial equity investment in EWLFC of ₱100.0 million. It was registered with the SEC in October 2016 with secondary license to operate as a financing company in accordance with the Financing Company Act of 1998 and its implementing rules and regulations. EWLFC's registered business address is at East West Corporate Center The Beaufort, 5th Avenue corner 23rd Street, Bonifacio Global City, Taguig City.

Securities Issuances

On July 2, 2010, the Bank issued Lower Tier 2 unsecured subordinated notes with a total value of ₱1.5 billion with a coupon rate of 7.5% maturing on January 2, 2021 with a call option date of January 2, 2016. On January 4, 2016 the Bank exercised its call option. The redemption was approved by the BSP on October 8, 2015.

On July 4, 2014, the Bank completed its issuance of Basel III-compliant Tier 2 unsecured subordinated notes with a total value of ₱5.0 billion with a coupon rate of 5.5% maturing in January 2025 with a call option date of January 4, 2020.

On January 29, 2015, the Board of Directors approved the common shares rights offering. In March 2015, the Board of Directors approved the application of the Bank to list up to 371,574,000 common shares with par value of ₱10 per share to cover its stock rights offering. On May 8, 2015, a total of 371,574,000 common shares were listed at the PSE with ₱10.00 par value per share. The total proceeds raised by EW from the sale of the said shares amounted to ₱8.00 billion while the net proceeds (after deduction of direct costs related to equity issuance) amounted to ₱7.95 billion. The net proceeds were used to invest in securities allowed under BSP regulation and to fuel growth in loans.

On February 20, 2017, EW's subsidiary, EWRB, issued 5.50% Lower Tier 2 unsecured subordinated notes with par value of ₱1.25 billion maturing on August 20, 2027 but callable on August 20, 2022.

In 2017, the Bank issued 4.0% fixed coupon rate unsecured long-term negotiable certificates of deposit (LTNCD) maturing in September 2022. The first tranche of LTNCD amounting to ₱2.7 billion was issued in March 2017. The second to fifth tranches of LTNCD aggregating ₱7.3 billion were issued during April to August 2017.

In June 2018, EW issued the first tranche of its ₱15 billion LTNCD program, amounting to ₱2.45 billion. The issued LTNCDs will mature on December 7, 2023 and will carry a fixed coupon of 4.625% payable quarterly.

On July 13, 2017 and August 30, 2017, the Board of Directors approved and the stockholders ratified, respectively, the following (i) increase in EW's authorized capital stock from ₱20.00 billion to ₱50.00 billion consisting of 4.50 billion common shares with par value of ₱10.00 per share or a total par value of ₱45.00 billion and 500 million preferred shares with par value of ₱10.00 per share or a total par value of ₱5.00 billion and (ii) declaration of 50% stock dividends equivalent to ₱7.50 billion from the Bank's unrestricted retained earnings as of December 31, 2016 to cover the required 25% minimum subscription and payment for the increase of authorized capital stock. The increase in the Bank's authorized capital stock and stock dividend declaration was subsequently approved by the BSP and SEC on February 1, 2018 and February 28, 2018, respectively.

On April 16, 2018, a total of 749,991,801 common shares were listed on the PSE.

Subsidiaries

EWRB
EWRB was incorporated and registered with the SEC on November 5, 1997 with the purpose of accumulating deposits and granting loans to various individuals and corporate entities as well as government and private employees. It started commercial operations in March 1998. EWRB's registered business address is at No. 360 Dr. Sixto Antonio Avenue, Barangay Caniogan, Pasig City.

EWIB
EWIB was incorporated and registered with the SEC on July 6, 2015 with the primary purpose to act as an insurance broker. On September 23, 2015, the IC authorized EWIB to act as an insurance broker. It started commercial operations on September 24, 2015. EWIB's registered business address is at the Beaufort, 5th Avenue Corner 23rd Street, Bonifacio Global City, Taguig City.

EWLFC
EWLFC was registered with the SEC in October 2016 with secondary license to operate as a financing company in accordance with the Financing Company Act of 1998 and its implementing rules and regulations. EWLFC's registered business address is at The Beaufort, 5th Avenue Corner 23rd Street, Bonifacio Global City, Taguig City.

QMIS
In 2016, the Bank acquired 100.0% voting shares of QMIS as part of the asset and share transfer agreement by and between SCB Philippines and SCMB. QMIS was registered with SEC in 2007 primarily to engage in providing sales and marketing services. QMIS' registered business address is at 10th Floor Eton Cyberpod Centris Building, EDSA Corner Quezon Avenue, Quezon City.

ASIA
In 2016, the Bank acquired 100.0% voting shares of ASIA as part of the asset and share transfer agreement by and between SCB and SCMB Overseas Limited. ASIA was registered with the SEC in 2012 primarily to engage in general insurance agency business. ASIA's registered business address is at 5th Floor 6788 Sky Plaza Building, Ayala Avenue, Makati City.

Investment in a Joint Venture
On May 28, 2015, EW and Ageas entered into a JVA to form EW Ageas Life, with ₱2.0 billion capitalization and with EW's ownership interest of 50.0% less 1 share. EW's initial investment amounted to ₱500.0 million. The JVA provided certain conditions that should be satisfied for the consummation of the agreement, which include among others, obtaining all the required regulatory approvals. In October 2015, the SEC approved the registration of EW Ageas Life with the following primary purpose:

1. to undertake and write insurance upon the life of individuals, and every insurance appertaining thereto or connected therewith;
2. to make contracts of insurance providing for all risks, hazards, guarantees and contingencies to which life, accident, or health insurance is applicable;
3. to indemnify against legal liability;
4. to compute endowments and grant, purchase or dispose of annuities;
5. to procure re-insurance of its risks;
6. to issue policies stipulated to be with or without participation in profits; and
7. to purchase for its own benefit any policy of insurance or other obligation as well as claims of policyholders.

In November 2015, EW Ageas Life and EW entered into a 20-year exclusive distribution agreement. Under the distribution agreement, EW Ageas Life will have exclusive access to the branch network of EW for the distribution of its insurance products (the exclusive bancassurance access).

In 2016, upon obtaining all the required regulatory approvals from the Insurance Commission and the BSP, the establishment of EW Ageas Life was consummated and EW received a consideration from Ageas. The consideration attributable to the exclusive bancassurance access was deferred and will be recognized as income over the life of the distribution agreement. The consideration attributed to the investment transaction increased EW's investment in EW Ageas Life by ₱505.0 million and resulted in a gain on capital transaction of ₱1.0 billion.

Under the joint venture agreement, within a period of 7 years from consummation, the joint venture entity may at any time request for additional funding from EW and Ageas. On September 6, 2018, EW and Ageas each infused additional capital to EW Ageas Life amounting to ₱250.00 million.

In 2017, EW Ageas Life requested for additional funding from Ageas aggregating to ₱1,330.0 million. As half of the capital infusions made by Ageas was for the account of EW, this increased EW's investment in the joint venture by ₱665.0 million, which was recognized as gain on capital transaction.

For the years ended December 31, 2018, 2017 and 2016, share in net losses of EW Ageas Life amounted to ₱395.8 million, ₱449.1 million and ₱357.0 million, respectively. There were no dividends received from EW Ageas Life in 2018, 2017 and 2016.

As of December 31, 2018 and 2017, the carrying value of investment in EW Ageas Life amounted to ₱689.5 million and ₱835.3 million, respectively.

Principal Business Activities

Retail Banking

The retail banking segment mainly covers traditional branch banking products and services such as deposits, back-to-back/emerging market loans and other over-the-counter transactions. It also caters to the needs of high net-worth clients for alternative investment channels and cash management requirements of mid-market corporates. It includes entire transaction processing, service delivery and infrastructure consisting of the Bank's network of branch stores, automated teller machines (ATMs), as well as its internet banking platform.

Deposit Products
The Bank offers a comprehensive range of deposit products consisting primarily of Peso demand, savings and time deposits. Offered also are United States (U.S.) Dollar and third currency savings and time deposits. As of December 31, 2018 and 2017, the Bank's total deposits amounted to ₱288.2 billion and ₱258.7 billion, respectively.

Access to Investment Products
The Bank also offers investors access to investment products such as treasury bills and bonds, fixed rate treasury notes and retail treasury bonds. Customers can also invest in long-term fixed income debt instruments issued by public and private entities.

Cash Management Services
The Bank offers a wide range of cash management solutions to assist mid-market corporates, composed primarily of entrepreneurial and family-owned businesses, including (i) a facility for payroll preparation and crediting, (ii) an interest-earning checking account that provides a customized standalone check-writing facility and a comprehensive accounts payable system, (iii) an end-to-end automated solution for the creation, disbursement and monitoring of checks, (iv) a check depot service whereby the Bank retains a corporate customer's post-dated checks for immediate deposit to the customer's account on the same date indicated on the checks, (v) a bill collection service whereby the Bank acts as a collecting agent and transmits consolidated payments to the customer online or via electronic file transfer and (vi) deposit pickup services, in which the Bank sends an armored vehicle to pick up cash and check deposits at the customer's premises.

Consumer Lending

The Bank offers various types of consumer lending products to individuals, which consist principally of credit cards, auto loans, residential mortgage loans and personal loans. The Bank considers various factors in pricing its loan products, including the capacity of the borrower to repay the loan, estimated delinquency rates, funding costs, expenses related to making loans and a target spread. Loan terms are differentiated according to factors such as customer's financial condition, age, loan purpose, collateral and the quality of relationship with the Bank.

Credit Cards
In 2004, the Bank began issuing MasterCard credit cards under the name "East West Bank MasterCard" in partnership with AIG. In 2009, the Bank acquired the Philam Savings Bank, which issues Visa credit cards. After the acquisition, the Bank integrated its Visa and MasterCard businesses into a single business unit. From an initial base of 10,000 credit cards issued during 2004, the Bank has since grown to have issued over 1.0 million credit cards, comprising 14.3% of the total market share for credit cards in the Philippines (excluding Banco de Oro Unibank, Inc. which ceased to be a member of the Credit Cards Association of the Philippines since 2013), as of December 31, 2018. Revenues from the credit card operations consist principally of annual fees paid by cardholders, interest on deferred and installment payments, cash advance fees, interchange fees paid by service establishments and late payment charges. Annual cardholder fees range from ₱1,400 to ₱2,750. As of December 31, 2018, the interest rate on deferred payments range from 1.99% to 3.50% per month and the interest rate on installment payments range from zero to 2.0% per month. One-time fees for cash advances are approximately 3.0% of the total cash advance amount or ₱600 whichever is higher, late fees accounting for 8.0% of the minimum amount due of late payment accounts, and interchange fees range from 0.3% to 2.3% of the purchased amount. Revenues relating to the credit card business are reflected in the Bank's financial statements as interest income and other operating income from service charges, fees and commissions.

The Bank seeks to diversify its distribution channels, form alliances with merchants and manage its product portfolio in order to continue the growth of its credit card business. The Bank currently markets and sells its credit cards directly to customers, as well as through third party telemarketing agencies. Credit Card customers may participate in a variety of instant and loyalty based rewards programs that allow them to redeem merchandise or gift certificates at partner establishments. The Bank attempts to identify and capitalize on gaps in the market by offering products tailored to meet the needs of underserved markets. The Bank's credit card products come in different grades, from regular cards to premium class cards at different annual membership fees.

Auto Loans
The Bank's auto loans are offered through car dealerships (including second-hand car dealers), independent sales agents and the Bank's branches. The Bank provides economic incentives to car dealerships and independent sales agents based on each approved auto loan amount. A key competitive factor in the automotive loan business is the speed by which a bank can process an automotive loan, as dealers will offer a loan to multiple banks and the Bank offers a three-hour auto loan approval process, which the Bank believes is an important aspect to its success in growing its auto loan portfolio. The Bank's auto loan business also engages in strategic partnerships with major car brands to develop exclusive programs. Additionally, the Bank cross-sells its auto loans with the products of other units and offers special plans for existing and repeat customers.

All of the Bank's auto loans are secured by a chattel mortgage over the car being purchased. In addition to being subject to the Bank's internal credit checks, the Bank generally requires the borrower to make a minimum down payment of 20.0% (or a minimum down payment of 15.0% for long-term customers with verifiable good credit) of the purchase price. Depending on whether the car being purchased is a new car or a second-hand car, the interest rate of the Bank's auto loans can range from 8.5% to 18.0%, with an average maturity of 55 months. Generally, when an installment payment falls 90 days past due, the Bank may commence foreclosure proceedings. Foreclosed cars are generally sold by the Bank through public auction.

Residential Mortgage Loans
The large majority of EW's residential mortgage loans are extended to property buyers in the Philippines who intend to occupy residential units in the form of house and lot, townhouse or condominiums, with a small proportion being extended to individuals purchasing lots for investment purposes or for future dwelling via house construction loans. EW's home loan is secured by a first mortgage on the property and each applicant undergoes a stringent credit evaluation process. EW requires its borrowers to make a minimum down payment of 10% of the total appraised value for the various loan purposes. EW also refinances existing housing loans in the form of a loan takeout. EW offers loans at competitive and fixed interest rates.

EW uses its branch store network as a key distribution channel and maintains marketing campaigns to attract property buyers independently from real estate developers which serve as distribution channels for home loan providers. The average loan term of EW's home loan is thirteen years. In line with industry practice in the Philippines, interest rate on EW's home loan is set at a fixed rate applicable for an initial period of between one and five years, depending on the maturity of the loan. Upon expiry of the fixing period, the interest rate is reset at a fixed rate applicable for succeeding periods.

EW currently offers various home financing products with differentiating features, which includes a mix of competitive interest rates and what the Bank believes to be the longest payment term in the market of up to 30 years. As most residential mortgage loans available in the market only allow up to a maximum payment term of 20 years, EW's longer payment term means lower and consequently lighter amortization payments for the borrower. EW also gives the borrowers the option to adopt a fixed-term pricing scheme to protect borrowers against the risk of fluctuating interest rates.

EW's home loans are available in different loan packages, tailored to fit the needs of specific markets. LotAcquire is a loan specifically designed for the acquisition of a vacant lot. Other products offered by EW include HomeAcquire, HomeConstruct and HomeImprove.

Personal Loans
The Bank's personal loans business provides unsecured, uncollateralized consumer loans to qualified individuals for multi purpose personal use. The primary distribution channels for personal loans are the Bank's branches and third party sales agencies. The Bank offers personal loans to employed and self-employed individuals with annual income of of at least ₱15,000 or basic annual income of not less than ₱180,000. The monthly add-on interest rates for a personal loan ranges from 1.49% to 1.89% and is payable in fixed equal monthly installments from 12 to 36 months.

Corporate Banking

The Corporate Banking Group is responsible for the overall management and development of the Bank's corporate relationships. Although the activities of the EW group are primarily focused on the working capital, term funding and project finance requirements of its core mid-market customer base, which is predominantly comprised of entrepreneurial or family-owned businesses, it also has relationships with large corporate accounts. The Corporate Banking Group also offers the entire array of the Bank's products and services which includes cash management services, foreign exchange and deposit and investment products to its corporate customers. The Bank believes that successfully identifying and offering holistic solutions to the banking needs of its corporate client base is essential to placing EW at the top of its clients' minds in their choice of a banking relationship.

Credit Products
The Bank provides a wide range of loan products and services to its corporate customers, including revolving credit lines, domestic and foreign bills purchase, acceptances, trade finance facilities, bank guarantees and term loans. In line with its strategy to create a balanced and diversified portfolio, the Bank's corporate customers are engaged in various industries and located in key geographical areas in the Philippines. Credit facilities offered to corporate customers include both secured and unsecured loan products, depending on the credit risks associated with the customer and its business.

The Bank intends to continue to expand its corporate banking portfolio by increasing its share of its existing customers' working capital requirements as well as supporting their expansion projects. The Bank also aims to continue to enlarge its client base by targeting new corporate customers through the Bank's expanded combined customer network.

Rural Banking

To extend its reach to underserved segments of the market that have the potential for growth, the Bank has established a rural bank arm. Backed by the strong track record of its predecessor entities, EWRB is capable of catering to the banking needs of customers outside the urban areas in the country and provide wider access to innovative products and delivery channels. EWRB currently offers the following products:

- Department of Education (DepEd) Teacher Loan – Allows public school teachers (permanent personnel of the Philippine DepEd) to borrow a maximum of ₱1.0 million up to a maximum term of three years.
- Small Business Loan – Intended for all Small-Medium Enterprises (SMEs), with a maximum loan limit of ₱5.0 million.
- Social Security System (SSS) Pensioners' Loan – Intended for all SSS retirees, survivorship and total disability pensioners whose SSS pension is directly credited to savings accounts with EWRB.

As of December 31, 2018, EWRB has a network of 76 branches, and 18 branch-lites spread all over the country.

Treasury and Trust

Treasury

The Bank's treasury has primary responsibility for managing the Bank's liquidity, interest rate and foreign exchange exposures. The Bank manages its liquidity position by regularly reviewing its cash flow position, debt maturity profiles, availability of credit facilities and overall liquidity position to mitigate the effects of fluctuations in cash flow. The Bank's treasury actively engages in trading for its own proprietary account. It trades local treasury bills and bonds, foreign-currency denominated bonds and foreign exchange. The Bank is an accredited Government Securities Eligible Dealer.

As of December 31, 2018, the Bank had ₱41.1 billion of trading and investment securities, which accounted for 11.2% of the Bank's total assets. As of December 31, 2018, 91.2% of the Bank's trading and investment securities portfolio was invested in government securities, a majority of which are Philippine Government debt instruments.

Trust

The Bank offers a wide range of trust products and services, including fund management, investment management services, custodianship, administration and collateral agency services and stock and transfer agency services. In addition to offering trust services to corporate and high net-worth individual customers (customers with a total relationship balance of ₱2.5 million), the Bank provides retail customers with alternative investment opportunities through its unit investment trust funds (UITFs), which are available in Peso and U.S. dollar denominated UITFs. In a UITF, funds of various investors are pooled and invested in a diversified portfolio of liquid securities, term deposits, money market instruments or stocks in accordance with the investment objectives and restrictions stated in the Declaration of Trust. For the year ended December 31, 2018, the combined trust and managed funds of the Trust Department of EW amounted to ₱24.5 billion and income from its trust operations amounted to ₱51.3 million

Branch Store Network

Branch Network

The branch network is focused more on the Philippines' major industrial and commercial regions in Metro Manila and has key locations outside of Metro Manila such as Metro Cebu, Metro Daveo, Northern Luzon, South Luzon Industrial Zone, Iloilo, Bacolod and Mindanao. Within these regions, EW has strategically positioned its branches in key business and commercial centers, which are areas that generally boast of higher per capita incomes, and have higher growth and traffic, thereby maximizing the number of transactions and deposits per branch.

Each branch is managed by a branch head responsible for both the sales and operational functions of the branch. Each branch head reports to a division head, which supervises 11 to 20 branches. Branches are grouped geographically and such groups include North Luzon, South Luzon, Southern Metro Manila, Eastern Metro Manila, Northern Metro Manila, Downtown Manila, Visayas and Mindanao.

As of December 31, 2018, the Parent Bank has 390 branches in various parts of the country, majority of which are located within Metro Manila.

	As of December 31		
	2018	**2017**	**2016**
Metro Manila	212	210	211
Other areas of Luzon	100	100	99
Visayas	39	39	39
Mindanao	39	39	38
Total Branches	390	388	387
ATMs	583	572	580

EWRB Branch Store Network

As of December 31, 2018, EWRB, a wholly owned subsidiary of EW, has a network of 76 branches mostly located in Visayas and Mindanao. The table below sets out the details of EWRB's branches and ATMs in the Philippines in operation as of the specified dates.

	As of December 31,		
	2018	**2017**	**2016**
Metro Manila	1	1	1
Other areas of Luzon	22	19	19
Visayas	22	16	16
Mindanao	31	22	22
Total Branches	76	58	58

ATM Network

EW provides 24-hour banking services through its network of 583 ATMs as of December 31, 2018, compared with 572 ATMs as of December 31, 2017. Of these 583 ATMs, 399 are located at EW's branches while 184 are located off-site. Customers are given access to the ATM facilities through ATM cards and debit cards, which are available to checking and savings account holders. The Bank also is a member of Bancnet, which is an ATM network that allows its member banks customers to use ATM terminals operated by other Bancnet member banks. Furthermore, Bancnet has agreements with other ATM networks in the Philippines, namely Expressnet and Megalink, which gives its customers access to all ATMs in the Philippines. Customers of the Bank that use ATMs operated by other banks must pay a service charge for accessing these networks.

Status of Publicly-Announced New Product or Service

All publicly-announced new products or services of the Bank are in commercial distribution.

Competition

The banking industry in the Philippines is composed of universal banks, commercial banks, savings banks, savings and mortgage banks, private development banks, stock savings and loan associations, rural banks and cooperative banks.

As of December 31, 2018, the universal and commercial banking sector consisted of 45 banks, of which 21 were universal banks and 24 were commercial banks. Of the 21 universal banks, 12 were private domestic banks, 3 were government banks and 6 were branches of foreign banks. Of the 24 commercial banks, 5 were private domestic banks, 2 were subsidiaries of foreign banks and 17 were branches of foreign banks.

Commercial banks have all the general powers incident to corporations and all powers that may be necessary to carry on the business of commercial banking, such as the power to accept drafts and to issue letters of credit, discount and negotiate promissory notes, drafts, bills of exchange and other evidences of indebtedness, accept or create demand deposits, receive other types of deposits and deposit substitutes, buy and sell foreign exchange and gold and silver bullion, and lend money on a secured or unsecured basis. Universal banks are banks that have authority, in addition to commercial banking powers, to exercise the powers of investment houses, to invest in the equity of business not related to banking, and to own up to 100% of the equity in a thrift bank, a rural bank, or a financial allied or non-allied enterprise. A publicly-listed universal or commercial bank may own up to 100% of the voting stock of only one other universal or commercial bank.

Thrift banks primarily accumulate the savings of depositors and invest them, together with capital loans secured by bonds, mortgages in real estate and insured improvements thereon, chattel mortgage, bonds and other forms of security or in loans for personal and household finance, secured or unsecured, or in financing for home building and home development; in readily marketable debt securities; in commercial papers and accounts receivables, drafts, bills of exchange, acceptances or notes arising out of commercial transactions. Thrift banks also provide short-term working capital and medium- and long-term financing for businesses engaged in agriculture, services, industry, and housing as well as other financial and allied services for its chosen market and constituencies, especially for small and medium-sized enterprises and individuals. As at December 31, 2018, there were 54 thrift banks.

Rural banks are organized primarily to make credit available and readily accessible in the rural areas on reasonable terms. Loans and advances extended by rural banks are primarily for the purpose of meeting the normal credit needs of farmers and fishermen, as well as the normal credit needs of cooperatives and merchants. As of December 31, 2018, there were 474 rural and cooperative banks.

During the past decade, the Philippine banking industry has been marked by two major trends — the liberalization of the industry, and mergers and consolidation. Foreign bank entry was liberalized in 1994, enabling foreign banks to invest in up to 60% of the voting stock of an existing bank or a new banking subsidiary, or to establish branches with full banking authority. This led to the establishment of ten new foreign bank branches in 1995. The General Banking Law further liberalized the industry by providing that the Monetary Board may authorize foreign banks to acquire up to 100% of the voting stock of one domestic bank. Under the General Banking Law, any foreign bank, which prior to the effectiveness of the said law availed itself of the privilege to acquire up to 60% of the voting stock of a domestic bank, may further acquire voting shares of such bank to the extent necessary for it to own 100% of the voting stock thereof.

The Bank faces competition from both domestic and foreign banks, in part, as a result of the liberalization of the banking industry by the Government. Since 1994, a number of foreign banks, which have greater financial resources than the Bank, have been granted licenses to operate in the Philippines. Such foreign banks have generally focused their operations on the larger corporations and selected consumer finance products, such as credit cards. The foreign banks have not only increased competition in the corporate market, but have as a result caused more domestic banks to focus on the commercial middle-market, placing pressure on margins in both markets. Since September 1998, the BSP has been encouraging consolidation among banks in order to strengthen the Philippine banking system. Mergers and consolidation result in greater competition, as a smaller group of "top tier" banks compete for business.

As of December 31, 2018, the ten largest universal and commercial banks account for approximately 84.5% of total assets and 85.6% of total deposits of the universal and commercial banking system based on published statements of condition.

Sources and Availability of Raw Materials and Names of Principal Suppliers

This is not relevant to the operations of the Bank.

Customer Concentration

The Bank has a diversified customer base and there is no concentration of business in major customer groups. As such, the Bank is not dependent upon a single customer or a few customers.

Amount Spent on Research and Development Activities

The Bank's research and development activities are mainly driven market research and process improvements. EastWest's businesses are heavily dependent on the ability to timely and accurately collect and process a large amount of financial and other information across numerous and diverse markets and products at its various branches, at a time when transaction processes have become increasingly complex with increasing volume.

1.4.4 Power Operations

The Group, through FDC Misamis, completed the construction of its 3 x 135 MW CFB coal thermal power plant in Mindanao. Currently under operation, the plant has off-take agreements for 283 MW with 17 distribution utilities and 1 industrial customer in Mindanao. The plant's 3 units are fully operational with COC received in October 2016 for the first 2 units and in May 2017 for the third unit.

To provide optimal availability and capacity and to protect the value of its asset, FDCUI has engaged the operations & maintenance services of PIC Asia Pacific SDN (PIC) in October 2017. PIC is a world-class provider of project and plant required services and a reliable source of highly skilled professionals. PIC is wholly owned subsidiary of Marubeni Corporation, a Fortune Global 500 company and one of Japan's largest companies.

Aside from its Mindanao power plant, FDCUI was awarded the appointment as an Independent Power Producer Administrator (IPPA) by the Power Sector Assets and Liabilities Management Corporation (PSALM) of 40 strips of energy (equivalent to 40 MW) of the Unified Leyte Geothermal Power Plant (ULGPP) in Tongonan, Leyte and the 100 MW output of the Mindanao I and II (Mt. Apo 1 and 2) Geothermal Power Plants in Kidapawan City, North Cotabato. It successfully assumed control of the power plants' administration in December 2014 and has effectively provided capacity allocation to all its contracted customers. The IPPA contracts for ULGPP and Mt. Apo 1 and 2 were terminated on September 4, 2017 and December 28, 2017, respectively.

FDCUI, through its subsidiary FREC, is currently finalizing several contracts to install and operate solar rooftop facilities for various commercial users.

Supply

As part of FDCUI's fuel sourcing strategy, a continuous process of evaluation and inspection to pre-qualify nominated coal mine source/s and potential suppliers is being implemented. To ensure security of supply and continuous operation of the power plant by providing adequate and economic inventory level of quality fuel, a long term supply contract for a minimum of 5 to 10 years with suppliers to be qualified based on its supply capability, reliability for timely delivery and track record of fulfilling their contractual obligation is being finalized.

Corporate Social Responsibility (CSR) Programs

Committed to continuing the Gotianun tradition of making a difference in the lives of Filipinos, FDCUI through its subsidiary, FDC Misamis, has been implementing social development programs in partnership with host communities. These programs promote environmental stewardship, economic enrichment, enhanced health care initiatives, education for empowerment and help create a positive impact on the communities surrounding the project site. These CSR activities, where employees also actively participate and volunteer, are based on real needs of the community residents as determined through a socio-economic baseline study of the host and affected villages.

Competition

The Department of Energy (DOE) is forecasting that the current oversupply situation in the country will persist in the medium term as newly built power plants commence operation. Competition in the power industry is expected to become stiffer in the coming years with the influx of more players, both local and foreign. The top three major players, which account for about 50% of the total generation capacity in the country and have the most diverse portfolio consisting of natural gas, hydro, geothermal, coal, diesel, etc., continue to dominate the power industry. Other large players also continue to expand their existing capacities. Nonetheless, attractive investment opportunities remain available to FDCUI, especially for renewable energy projects, peaking as well as reserve capacities.

1.4.5 Sugar Business

FDC has a 100.0% ownership interest in PSHC which it acquired in 2007. PSHC wholly owns DSCC, which owns and operates a sugar mill and a refinery in Guihing, Davao del Sur; CSCC, which owns and operates a sugar mill and refinery in Matalam, North Cotabato; and HYSFC, which operates a corporate sugarcane farm in Mindanao. Sugarcane supply for DSCC and CSCC is sourced from HYSFC and various contract farms in Mindanao. PSHC is the holding company of the sugar subsidiaries.

The following table sets forth a summary of key information of PSHC and its subsidiaries (or collectively referred to as the "Sugar Group"):

Subsidiary	Nature of Business	Summary features
DSCC	Manufacture of raw and refined sugar	6,000 tons cane per day raw sugar mill and 350 tons day refinery
CSCC	Manufacture of raw and refined sugar	5,500 tons per day raw mill and 250 tons per day refinery
HYSFC	Sugarcane farming	Farms 1,270 hectares in Davao del Sur and North Cotabato (as of October 1, 2018)

Sugar Production

Production Process and By-products

Raw sugar production process involves cane crushing, clarification and crystallization, and separation, and yields molasses and bagasse as by-products. The molasses is sold and the bagasse is used to generate steam and electricity for the sugar production process. During the crushing season, all of the Sugar Group's power requirements are satisfied from bagasse it produces. The typical sugarcane material balance is as follows: water – 73.0% to 76.0%, soluble solids 8.0% to 16.0%, recoverable sugar (sucrose) – 6.0% to 13.5%, other sugar (fructose, glucose) - 1.5%, fibre – 11.0% to 16.0%, others – 1.0%, based on the Handbook of Cane Sugar Engineering.

Production Capacity and Output

For Crop Year (CY) 2017–18, the Sugar Group's total sugarcane crushing capacity at its 2 sugar mills was 11,500 Tons of Cane per Day (TCD). Sugar production is dependent on the quantity of sugarcane available for crushing and the recovery percentage of sugar from sugarcane. Recovery percentages vary depending on the quality of the sugarcane and the efficiency of the recovery process. PSHC's crop year begins on October 1 of each year and ends on September 30 of the following year. Actual sugar production occurs within this crop year. The duration of the crushing period which is based on the available cane supply generally determines the amount of sugar that is produced.

The following table sets forth the volumes of sugarcane crushed and sugar produced at the Sugar Group's mills for the past 3 crop years.

	Sugarcane Crushed and Sugar production								
	DSCC			CSCC			Total		
	CY 2015-2016	CY 2016-2017	CY 2017-2018	CY 2015-2016	CY 2016-2017	CY 2017-2018	CY 2014-2015	CY 2015-2016	CY 2017-2018
Sugarcane Crushed ('000 MT)	343.3	417.0	426.3	403.8	495.1	522.5	747.1	912.1	948.8
Sugar Production ('000 MT)	33.8	37.6	38.0	41.5	42.6	48.6	75.3	80.2	86.6
Average Recovery rate (% of sugarcane crushed)	10.5	9.1	8.7	10.9	9.1	9.2	10.7	9.1	9.0

The increase in the Group's sugarcane harvest during CY2017-18 compared with CY2016-17 was attributable mainly to the following.

a. Favorable weather condition during the growing months.
b. Favorable impact of the free canepoints program implemented since 2016. This program encouraged planters to revive farms severely damaged by drought 2 years ago.

However, the frequent rains during the milling season affected cane quality resulting to lower sugar yield. Cut canes were exposed to elements while waiting for trucks to get into the field for hauling. Trucks had to wait for the fields to dry enough before they enter and haul the canes. The shortage of manual canecutters aggravated the situation because the mill suffered from frequent stoppage because volume of canes delivered cannot sustain continuous milling.

Raw and Refined Sugar Production

The Group has decided to mothball the CSCC refinery so that it can concentrate on maximizing its raw sugar efficiency and therefore can better compete with the Bukidnon mills in attracting sugar cane planters in areas accessible to both the CSCC and the Bukidnon mills. The depressed margin for refined sugar due to VAT and the soft demand for refined sugar due to the shift of certain major industrial users to the cheaper high fructose corn syrup has made it more beneficial to concentrate on improving raw sugar recovery. As there are loyal local clients for refined sugar and to maintain the skills of the refinery personnel, PSHC still want to produce refined sugar but out of the DSCC facility only. For CY 2017-18, however, the frequent rains and the problem of canecutter shortage prevented accumulation of enough bagasse to produce refined sugar efficiently so after producing about 4,000 bags, it decided to stop refining.

The following table sets out the breakdown of sugar sales between raw and refined sugar of the Group.

	Sugar Sales ('000 MT)					
	CY 2015-16	% of Total	CY 2016-17	% of Total	CY 2017-18	% of Total
Raw sugar	54.8	88.4%	59.3	98.9%	83.8	97.0%
Refined sugar	7.2	11.6%	0.7	1.1%	2.4	3.0%
Total	62.0	100.0%	60.0	100.0%	86.2	100.0%

Molasses and Bagasse Production

The yield of molasses per metric ton of sugarcane crushed is approximately 5.0%, or 47.0 kilos, most of which the Group sells to traders in the domestic market. Molasses can be used to produce ethanol. Each metric ton of sugarcane that Sugar Segment crushes also produces approximately 33.0%, or 330.0 kilos of bagasse, which is fed to a boiler as fuel to produce steam which is then used to generate power necessary for the sugar production process.

Customers and Markets

The Group sells its raw and refined sugar primarily to traders who then sell sugar to end-customers in the Philippines. End customers include wholesalers and retailers as well as food and beverage companies.

The following table sets forth the breakdown of the Group's sales of sugar to traders and industrial users

	% of Total Sugar Sold		
	CY 2015-16	CY 2016-17	CY 2017-18
Traders	100.0%	100.0%	100.0%
Industrial users	0%	0%	0%

Sales and Distribution

For 2018, the Group's sugar sales amounted to ₱2,204.4 million compared to sales of ₱2,143.0 million for 2017. The following table sets out the Group's sales of sugar by destination as a percentage of total sales.

	CY 2015-16	CY 2016-17	CY 2017-18
Mindanao	29%	52%	44%
Luzon	14%	12%	4%
Visayas	57%	21%	46%
Export Sales (primarily to U.S.)	0%	15%	6%

Sugar segment sells the majority of its production in the wholesale market to traders. To mitigate the risk of non-payment, sugar segment generally dispatches orders only after it receives payment although it extends credit in limited circumstances to large customers whom it believes have a strong credit record. Credit terms generally do not exceed 90 days. Increasingly, sugar segment does not have written contractual agreements with its traders, and they do not sell its sugar exclusively. Customers typically obtain delivery of the sugar at the mills and are responsible for transport, packaging and handling. In addition, Sugar segment has an internal sales team to sell and market its sugar. Sugar segment also sells its sugar to industrial buyers. Sugar segment aims to increase its industrial customer base and expand sales in the Luzon region and other areas of the country outside its core market in Southern Mindanao.

Raw Material

Sugarcane is the principal raw material used in the production of sugar. The climate and topography of the southern Philippine regions of the Visayas and Mindanao are ideal for growing sugarcane. According to Sugar Regulatory Administration (SRA) Production Bulletin dated August 31, 2018 Mindanao accounted for 16.5% of the Philippines' sugarcane production in CY 2017-18.

Sugarcane is delivered by farmers to DSCC and CSCC for milling and, in return, the farmers receive a portion of the sugar produced. As a result, DSCC and CSCC do not record any costs for the sugarcane. The Group sources approximately 90% of its sugarcane from approximately 6,000 contract farmers within proximity to the DSCC and CSCC factories, and the remainder is supplied by PSHC's corporate farm, HYSFC.

Sugar segment generally enters into milling contracts with its contract farmer for terms of 15 years. Under a typical milling contract the farmer agrees to deliver all sugarcane grown on a specified area of land to the mills during the milling season, and is obligated to deliver a minimum volume of sugarcane or cultivate sugarcane on a minimum area of land. The time of delivery is based on a delivery program which is determined on the basis of the age of the sugarcane crops. Typically, the farmer receives approximately 62.0% of the raw sugar and molasses from the raw sugar produced by the mill, with the remainder being retained by the mill. The mills issue a receipt, or quedan, to each farmer that specifies the amount of sugar or molasses that is due to the farmer. Upon presentation of the receipt, the farmer can withdraw the sugar or molasses from the warehouses at the mill. Approximately 50.0% to 60.0% of the farmers sell their share of sugar and molasses to the mills. Each of mills manage their sugarcane farmers through a designated cane supply office which has crop advisors and management programs in place to train, manage and support farmers with technical advice for best farming practices. In addition to farmer training and seminars, the cane supply office provides financial assistance programs, including subsidies and loans for crops, cane points, fertilizer and tractors.

Insurance

Sugar segment maintains insurance covers for all its inventory of sugar, packing material, consumables, buildings, machineries and equipment in all its mills and facilities, against fire, lightning, earthquakes, storms, floods and allied perils.

Sugar group does not anticipate having any difficulties in renewing any of its insurance policies and believes that its insurance coverage is consistent with industry standards in the Philippines.

Competition

According to the SRA Production Bulletin dated August 31, 2018, as of CY2017-18, there were 27 operating sugar mills in the Philippines with an aggregate raw sugar production of 2.084 million MT. These mills are located in the Luzon, Visayas and Mindanao regions. There are 4 sugar mills in Mindanao, including DSCC and CSCC.

The following table below sets out the amount of sugarcane crushed and the quantity of sugar produced by PSHC compared to its main competitors in Mindanao in CY 2017-18.

	Sugarcane crushed ('000 MT)	Sugar production ('000 MT)
PSHC	949	85
Bukidnon Sugar Central	1,539	141
Crystal Sugar Central	1,456	130
Total	3,994	356

Source: SRA Production Bulletin dated August 31, 2018

Sugar prices during CY 2017-18 were higher than in 2016-17.

1.5 Intellectual Property of the Group

Banking and Financial Services

In 1994, EW obtained a Certificate of Registration and bank license from the Philippine SEC to operate under the corporate name "East West Banking Corporation." EW uses a variety of names and marks, including the name "East West Banking Corporation" and EW's logo, in connection with its business. The Bank has registered such names and marks with the Intellectual Property Office (IPO) of the Philippines. On January 25, 2012, the Bank obtained a certification from the BSP on a U.S.-based bank using a similar name. As certified by the BSP, the U.S.-based bank has not been issued a license to operate as a banking institution in the Philippines. The BSP also certified that the Bank is among the commercial banks it supervises. On October 10, 2013, the IPO of the Philippines issued a decision in favor of the Bank, cancelling the mark "EAST WEST BANK & COMPASS LOGO" previously registered in the name of a U.S.-based bank.

Real Estate

The "Filinvest" trademark was registered with the IPO on September 15, 2011. "Filinvest" is the brand FLI uses for the names of certain real estate products and for trademarks relating to the "FLI" brand. Below are FLI service marks registered with the IPO:

TRADEMARK	DATE OF REGISTRATION	TRADEMARK	DATE OF REGISTRATION
One Oasis	10 Dec 2009	Meridian Place	08 Sept 2016
One Oasis Ortigas	10 Dec 2009	Alta Spatial	30 Sept 2016
One Oasis Ortigas & Design	10 Dec 2009	Kembali Coast	30 Sept 2016
We Build the Filipino Dream (Slogan)	10 Dec 2009	The Tropics	30 Sept 2016
The Linear Makati & Design	12 Aug 2010	Maui Oasis	20 Oct 2016
Filinvest (New Logo)	15 Sept 2011	Ashton Fields	03 Nov 2016
Studio A	20 Dec 2012	Sandia Homes	24 Nov 2016
The Signature	17 Apr 2014	Valle Alegre	24 Nov 2016
Fortune Hill	22 May 2014	Valle Dulce	24 Nov 2016
Fora Rotunda Tagaytay	14 Aug 2014	Havila	08 Dec 2016
The Leaf	20 Nov 2014	Princeton Heights	08 Dec 2016
Vinia	20 Nov 2014	Asenso Village	29 Dec 2016
Citi di Mare	15 Dec 2014	Hampton Orchards	29 Dec 2016
One Binondo	12 Feb 2015	Tierra Vista	29 Dec 2016
I-Go	20 Feb 2015	Blue Isle	19 Jan 2017
Bali Oasis	26 Feb 2015	Palmridge	19 Jan 2017
Bali Oasis 2	26 Feb 2015	Cyberzone Properties, Inc.	16 Feb 2017
Citi di Mare (Logo and Tagline)	26 Feb 2015	Spring Heights	27 April 2017
Kembali	26 Feb 2015	The Enclave at Filinvest	27 Apr 2017
One Spatial	26 Feb 2015	Filinvest International	04 May 2017
Serulyan Mactan	26 Feb 2015	The Filinvest IT Zone	11 May 2017
Capri Oasis	05 Mar 2015	8 Spatial	22 June 2017
Timberland Heights (Horizontal	14 May 2015	Ciudad de Calamba	06 July 2017
Timberland Heights (Stacked Orientation)	14 May 2015	Verde Spatial	06 July 2017
Kembali (Reversed Logo)	25 June 2015	One Filinvest	14 July 2017
The Glades	09 July 2015	Marina Town	30 July 2017
100 West	23 July 2015	The Levels	30 July 2017
Activa	13 Aug 2015	Marina Spatial	10 Aug 2017
The Veranda	27 Aug 2015	Grand Cenia Residences	17 Aug 2017
Studio 7	12 Nov 2015	Sanremo Oasis	17 Aug 2017
Umi Garden Suites	11 Feb 2016	East Spatial	24 Aug 2017
The Enclave Alabang	11 Feb 2016	Phuket Oasis	24 Aug 2017
Filinvest (Reversed Logo)	24 Mar 2016	Sorrento Oasis	24 Aug 2017
Filinvest Premiere	24 Mar 2016	Studio Zen	24 Aug 2017
Futura	24 Mar 2016	Austine Homes	14 Sept 2017
The Ranch	12 May 2016	Palm Estates	14 Sept 2017
The Prominence	26 May 2016	Park Spring	02 Nov 2017
Aldea Real	07 July 2016	Aspire by Filinvest	07 Dec 2017
Filinvest Technology Park	07 July 2016	Filinvest Aspire	07 Dec 2017
La Brisa Townhomes	07 July 2016	Filinvest Futura	07 Dec 2017
Montebello	07 July 2016	Filinvest Prestige	07 Dec 2017
Punta Altezza	07 July 2016	Futura by Filinvest	07 Dec 2017
Springfield View	07 July 2016	Prestige by Filinvest	07 Dec 2017
The Glens	07 July 2016	Brentville International	17 Dec 2017
Vista Hills	07 July 2016	New Leaf	04 Jan 2018
Woodville	07 July 2016	The Wood Estates	18 Jan 2018
Panglao Oasis	14 July 2016	Asiana Oasis	15 Feb 2018
Amare Homes	04 Aug 2016	Ventura Real	29 Mar 2018
Nusa Dua	04 Aug 2016	Nature Grove	19 Apr 2018
Pine View	04 Aug 2016	Belize Aspire	19 Apr 2018
Santoso Villas	04 Aug 2016	Southwind	12 July 2018
Blue Palm Estate	11 Aug 2016	Centro Spatial	02 Sept 2018
Bluegrass County	11 Aug 2016	Futura East	02 Sept 2018

TRADEMARK	DATE OF REGISTRATION	TRADEMARK	DATE OF REGISTRATION
Pueblo Solana	11 Aug 2016	Futura Tierra	02 Sept 2018
Summerbreeze	11 Aug 2016	Manna East by Filinvest	04 Oct 2018
Savannah Fields	01 Sept 2016		

FLI has pending applications with the IPO for the following trademarks:

Eastbay Palawan
Studio City
Laguna de Taal
Amalfi
Filinvest Cyberzone
Futura Vista
Belize Oasis

The Company has likewise filed an application with the World Intellectual Property Office (WIPO) for the international registration of the "Filinvest" trademark under the Madrid Protocol. Accordingly, "Filinvest" is now registered in the following countries:

COUNTRY	DATE OF REGISTRATION
Malaysia	04 Mar 2015
United States of America	08 Mar 2016
Qatar	15 May 2016
Kuwait	04 Sept 2016
United Arab Emirates	22 Mar 2017
Japan	22 June 2018
Taiwan	01 July 2018
Hong Kong	24 Aug 2018
Korea	19 Nov 2018

Statements of Certificate of Protection of the "Filinvest" trademark have also been issued by the following countries:

COUNTRY	DATE OF ISSUANCE
United Kingdom	14 April 2015
Australia	01 July 2015
Denmark	14 Sept 2015
Norway	16 Sept 2015
Switzerland	11 Dec 2015
Austria	16 Aug 2018
Benelux	20 Aug 2018
Sweden	14 Nov 2018

Hotel

Below are the Hotel Group's trademarks registered with the IPO:

TRADEMARK	DATE OF REGISTRATION
Crimson Hotels & Resorts- Ph	June 24, 2010
Crimson & Design-Ph	July 22, 2010
Crimson And Device- Singapore	March 21, 2012
Crimson And Device - Vietnam	June 18, 2012
Crimson & Logo-Thailand	October 24, 2012
Score Sports Bar	November 27, 2014
Tempo	November 27, 2014
Aum Spa & Wellness Center	March 26, 2015
Saffron Café	April 09, 2015

TRADEMARK	DATE OF REGISTRATION
Azure	October 08, 2015
Azure Rock Bar	October 08, 2015
Azure Sky Bar	October 08, 2015
Azure Sunset Bar	October 08, 2015
Chroma Live Vivid	November 26, 2015
Crimzone Active Kids	December 03, 2015
Art Cebu	January 01, 2016
Art Palawan	January 01, 2016
Art Bohol	January 21, 2016
Art Boracay	January 21, 2016
Chroma Driven Hospitality	January 21, 2016
Locale Hostel	January 21, 2016
Azure Beach Club	August 18, 2016
Charley's	October 27, 2016
Chroma Hospitality	October 27, 2016
Chroma Leisure	October 27, 2016
Art Banawe	November 03, 2016
Art Quezon City	November 10, 2016
Mimosa	November 24, 2016
Azure Beach Club (Old Logo)	April 13, 2017
In A Heart Beat	November 09, 2017
Quest Serviced Residences	November 18, 2017
Grafik	November 09, 2017
Graphic	February 15, 2018

Hotel Group has pending applications with the IPO for the following trademarks:

Alabang In a Heartbeat	Alitaptap & Device	Canvas - SG
Art Manila	Azure Beach Club (New Logo)	Canvas - China
Boracay in a Heart	Canvas – PH	Canvas Hotels - HK
Canvas – HK	Canvas - Thai	Canvas Resorts - PH
Canvas Hotels – PH	Canvas Hotels - SG	Canvas Resorts - Thai
Canvas Hotels – Thai	Canvas Hotels - China	Crimson in a heartbeat
Canvas Resorts – SG	Canvas Resorts - HK	Graphic Hotels and Resorts
Canvas Resorts – China	Cebu in a Heartbeat	Manila in a Heartbeat
Filinvest City in a Heartbeat	Filinvest Hospitality	Alibi Bar + Lounge
Grapik Hotels & Resorts	Mactan in a Heartbeat Graphic	Baker J
In a Heartbeat	Art Alabang	Firehouse Pizza

1.6 Government Regulations and Environmental Laws

Banking and Financial Services

Need for Government Approval of Principal Products or Services

The Bank's principal products and services are offered to customers only upon receipt of the necessary regulatory approvals or clearances. The Bank strictly complies with the related regulatory requirements such as reserves, liquidity position, loan exposure limits, cap on foreign exchange holdings, provision for losses, anti money laundering provisions and other reportorial requirements.

Effect of Existing or Probable Governmental Regulations on the Business

The Bank strictly complies with the BSP requirements in terms of capitalization reserves, liquidity position, limits on loan exposure, cap on foreign exchange holdings, provision for losses, anti-money laundering provisions and other reportorial requirements as well as other regulatory agencies such as the SEC, PSE, Philippine Deposit Insurance Corporation and the Bureau of Internal Revenues, among others.

Real Estate

The real estate business in the Philippines is subject to significant government regulations over, among other things, land acquisition, development planning and design, construction and mortgage financing and refinancing.

After the project plan for subdivision is prepared, FLI applies for a development permit with the local government. If the land is designated agricultural land, FLI applies with the Department of Agrarian Reform (DAR) for a Certificate of Conversion or Exemption, as may be proper. A substantial majority of FLI's existing landbank is subject to the DAR conversion process. Approval of development plans is conditioned on, among other things, completion of the acquisition of the project site and the developer's financial, technical and administrative capabilities. Approvals must be obtained at both the national and local levels. Evidently, FLI's results of operations are expected to continue to be affected by the nature and extent of the regulation of its business, including the relative time and cost involved in procuring approvals for each new project, which can vary for each project.

The real estate companies are also subject to the application of the Maceda Law, which gives purchasers of real property purchased on an installment basis certain rights regarding cancellations of sales and obtaining refunds from developers.

The Group believes that the real estate business has complied with all applicable Philippine environmental laws and regulations. Compliance with such laws, is not expected to have a material effect on FLI's capital expenditures, earning or competitive position.

Power Business

The **Electricity Power Industry Reform Act (EPIRA)**, which brought about the changes needed in the power industry since the National Power Corporation (NPC) was established in 1936, is now on its 17th year of implementation. EPIRA was enacted to overhaul the power industry. Among its goals are (1) the deregulation of the generation sector, (2) creation of a government-owned transmission company and the eventual privatization of the operation of the transmission system; (3) unbundling of supply activities from the regulated distribution sector, (4) elimination of cross-subsidies within and among various grids, and among various classes of consumers; (5) Creation of an independent regulatory body ERC and a Joint Congressional Power Commission to oversee implementation of the law. The EPIRA also called for the privatization and sale of NPC assets and contracts with Independent Power Producers (IPPs) which would help the government pay off NPC's debts and invite the participation of private sector in the industry, creation of a wholesale electricity spot market for the trading of energy and the implementation of retail competition and open access.

Renewable Energy (RE) Act of 2008. The RE Law aims to accelerate the development and use of renewable energy resources and reduce the country's dependence on fossil fuels. The law provides for a set of incentives to RE businesses such as income tax holiday (ITH), duty-free importation and special realty tax rates on equipment and machinery, corporate tax rate of 10% after seven years of ITH and zero percent value added tax rate on the sale of fuel or power generated from RE.

The RE Law also creates the Renewable Portfolio Standards which sets a minimum percentage of generation from eligible RE resources and the Feed-in Tariff System, which determines the fixed tariff to be paid to electricity from emerging RE technologies and gives priority connection, purchase and transmission of electricity generated from RE.

ERC. The enactment of the EPIRA law created the ERC to replace the Energy Regulatory Board. The ERC is an independent regulatory body with quasi-judicial, quasi-legislative and administrative functions in the electric industry. The primary responsibilities of the ERC are to ensure consumer education and protection and to promote competitive operations in the electricity market.

DOE. The DOE was created under Republic Act (RA) 7638 in 1992. Its mandate is to "prepare, integrate, coordinate, supervise and control all plans, programs, projects and activities of the Government relative to energy exploration, development, utilization, distribution and conservation". The DOE has developed a 10-year Philippine Energy Plan with the goal of enhancing energy security/independence and implementing market sector reforms to enable a more efficient sector's operation and ensure proper supply of a growing energy demand.

Hotel Operations

Need for Government Approvals on Services

Rules and regulations to govern the accreditation of hotels, tourists inns, motels, apartels, resorts, pension houses and other accommodation establishments pursuant to the provisions of Executive Order (EO) 120 in relation to RA No. 7160, otherwise known as the Local Government Code of 1991 on the devolution of Department of Tourism's (DOT) regulatory function over tourist establishments have promulgated governing rules and regulations.

The DOT may issue an accreditation in favor of a hotel and resort, certifying that the establishment is recognized as having complied with the DOT's minimum standards of operation and that the establishment will ensure the safety, comfort and convenience of tourists.

Environmental Laws

The operation of the resorts operated by the Group and any further development thereon require an Environmental Compliance Certificate (ECC) issued by the DENR, certifying that:

(a) The proposed project will not cause significant negative environmental impact; and

(b) The project proponent has complied with all the requirements of the Environmental Impact Statement (EIS) System and has committed to implement its approved Environmental Management Plan (EMP).

An ECC contains specific measures and conditions with which that the project proponent undertakes to comply before and during the operation of the project, and where applicable, during the project's abandonment phase for the purpose of mitigating the project's impact to the environment. An EIS is a document prepared and submitted by the project proponent or an Environmental Impact Assessment Consultant that serves as an application for an ECC, which includes a comprehensive study of the significant environmental impact of the project and an EMP that the project proponent will fund and implement. An EMP details the prevention, mitigation, compensation, contingency and monitoring measures that the project proponent intends to undertake to enhance the positive impact and to minimize the negative effect of a proposed project.

To determine whether or not a project requires an ECC, the following factors are considered: (a) the nature of the project and its potential to cause significant negative environmental impacts, and (b) the sensitivity or the vulnerability of environmental resources in the project area.

Any project not covered by the EIS System may be covered by a Certificate of Non-Coverage from the EMB as proof that no ECC is required for its commencement. An ECC of a project must be implemented within five years from the date of issuance, reckoned from the date of ground breaking based on the project proponent's work plan submitted to the EMB. An ECC not implemented within said period will be deemed expired. A new ECC must be secured by the project proponent from the EMB should the project proponent intend to pursue the project.

In the event that the project proponent abandons a project covered by an ECC, the project proponent must inform the EMB of such abandonment; otherwise, the project proponent must continue to comply with the conditions of the ECC. Any abandonment of or decommissioning plan over a project covered by an ECC will be subject to the prior approval of the EMB, which plan must be submitted to the EMB at least 6 months prior to the intended abandonment/decommissioning. The implementation of such abandonment/decommissioning will be verified by the EMB.

Sugar Operations

Environment

The sugar production process generates waste such as soot and dust, water and solid materials as well as noise at various stages of the production process. The Group aims to develop its business without compromising environmental protection. The primary waste produced in Group's sugar segment's production facilities is bagasse, which is fed to a boiler as fuel to produce steam which is then used to generate power necessary for the sugar production process. In addition, water treatment and scrubber systems are installed in PSHC's production facilities to control wastewater discharge and clean waste gases that are emitted during the production process. PSHC has obtained all environmental licenses from the relevant authorities in the Philippines that are necessary to conduct its business. The environmental licenses obtained by PSHC are annually renewed. As of this date, PSHC has not been subject to any material fines or legal action involving non-compliance with any relevant environmental laws and regulations in the Philippines.

Sugar Regulatory Administration

In 1986, EO 18 dated May 28, 1986 created the SRA. The SRA has the following powers and functions: (i) to recommend the establishment of a sugar production, coefficient and production quota which is attached the land for each planter; (ii) to institute regulations for implementing, controlling and monitoring the production quotas, (iii) to establish domestic, export and reserve allocations; (iv) to explore and expand the domestic market and foreign markets for sugar and its by-products; (v) to assure mutual benefits to consumers and producers, to promote and maintain proper balance of production of sugar and its by-products; (vi) to institute, implement and regulate an orderly system of Quedanning, disposition and withdrawals of various forms of sugar from warehouses; (vii) to evaluate and recommend to the President new projects involving the production of sugar and its by-products and other products derived from sugarcane and sugar; (viii) to issue permits and licenses and collect corresponding fees and levies on the processing and manufacture of sugar and its by-products and other products derived from sugarcane and sugar; (ix) to enter, make and execute routine contracts that may be necessary for, or incidental to, the attainment of its purposes between any persons, firm, public or private, and the Government, and (x) to do all such other things, transact such other businesses and perform such functions directly or indirectly necessary incidental or conducive to the attainment of the purposes of the SRA.

All corporate powers of the SRA are vested in, and exercised by, the Sugar Board, which has the power, among others: (i) to establish policies pertaining to sugar and sugarcane production control and Quedanning of sugar produced; withdrawals from sugar warehouses; issuance of permits and licenses in the processing and manufacture of raw sugar, refined and other classes of sugar; issuance of permits and licenses and other related issues pertaining to the specific and general powers prescribed in EO 18; and (ii) to enter into contracts, transactions, or undertakings of whatever nature which are necessary or incidental to its functions and objectives.

Under EO 338 dated January 10, 2001, the SRA became an attached agency of the DA. Under Memorandum Order No. 134 dated February 9, 2004, the Philippine Department of Finance and its attached bureaus, particularly, the Philippine Bureau of Customs (BOC) and the BIR, were mandated to consult and coordinate with the SRA in the determination of the appropriate classification of sugar products for certain purposes including, but not limited to, imposing the proper import duties, and/or assessing value added or other taxes thereon. The BOC is required to notify the SRA in case of any importation, exportation or withdrawal from customs bonded warehouses, of sugar, and all forms thereof, prior to their release and allow the SRA to inspect the shipment or warehouse to verify compliance with its rules and regulations. The entry to and exit from special economic zones of sugar products is also covered by Memorandum Order No. 134.

Sugar, molasses, and muscovado traders and processors of sugar-based products for export are required to register with the SRA pursuant to SRA Order No. 006 dated June 24, 2005. Moreover, importers and exporters are required to secure a clearance from the SRA for the export of sugar and molasses and the importation of refined sugar, raw sugar and molasses

The SRA periodically issues a list of sugar traders registered with the SRA for a particular crop year and only persons and entities duly registered with the SRA as sugar traders are authorized to withdraw sugar for export and domestic use from the warehouses of mill companies and sugar refineries in accordance with the existing rules and regulations promulgated by the SRA. Sugar producers are allowed to withdraw their respective shares of their own sugar production from mill and refinery warehouses for domestic consumption in the Philippines only

The SRA also issues a listing of registered molasses and muscovado traders with the SRA for a particular crop year and only persons and entities duly registered with the SRA as molasses traders are authorized to withdraw molasses for export and domestic use from the storage tanks of mill companies and sugar refineries in accordance with the existing rules and regulations promulgated by the SRA. Sugar producers are allowed to withdraw their respective shares of their own molasses production from mill and refinery warehouses for domestic consumption in the Philippines only.

1.7 Employees and Labor

As of December 31, 2018, FDC's 13,371 employees (including 27 consultants) categorized by function are as follows:

	As of December 31, 2018
Banking and Financial Services	
Operations	5,484
Administrative and Support	292
Technical	260
Sales and Marketing	2,150
Total	8,186
Real Estate	
Operations	516
Administrative and Support	735
Technical	466
Marketing	498
Total	2,215
Power Generation	
Operations	58
Administrative and Support	103
Technical	82
Marketing	21
Total	264
Sugar	
Operations	450
Administrative and Support	78

	As of December 31, 2018
Technical	48
Marketing	3
Total	579
Hotel	
Operations	1,503
Administrative and Support	279
Technical	167
Marketing	63
Total	2,012
Others	
Operations	72
Administrative and Support	31
Technical	8
Marketing	4
Total	115

FDCUI expects to increase the number of its employees to support the efficient operation of its 405 MW CFB coal plant. To support the growing hospitality segment, FHC also expects to increase its headcount in subsequent year.

The sugar segment provides canteen facilities, medical clinic and other benefits to its employees. Sugar Group has a retirement plan for its regular employees. Most of DSCC's employees are members of the trade union Nagkahiusang Mamumuo sa DASUCECO, which is affiliated with the Philippine National Federation of Labour. The collective bargaining agreement between DSCC and the National Federation of Labour was renewed effective July 1, 2015. The current labor union has been representing DSCC's rank and file workers for more than 30 years and has had not experienced work disruptions even when negotiations were not proceeding smoothly. While negotiations sometimes resulted to deadlock on the issue of wages and signing bonus, Management does not anticipate disruption in operations. The requirement of allocating a certain volume of production for exports is also an advantage because it gives producers governmental protection from work disruption. CSCC's and HYSFC's employees are not covered by trade unions or collective bargaining agreements.

The Group provides managers, supervisors and general staff the opportunity to participate in both in-house and external training and development programs which are designed to help increase efficiency and to prepare employees for future assignments. The Group has also provided a mechanism through which managers and staff are given feedback on their job performance, which the Group believes will help to ensure continuous development of its employees' knowledge base. The Group also offers employee benefits and salary packages that it believes are in line with industry standards in the Philippines and which are designed to help it compete in the marketplace for quality employees. It is The Group's goal to position itself as an employer of choice in the Philippines.

1.8 Major Risks, Risk Management, Strengths and Strategies

The growth and success of the Group depends on its ability to understand and respond to the challenges of an uncertain and changing world. This uncertainty generates risk which is among the critical issues that should be undertaken in ensuring the best performance in the organization. By understanding and managing risk, the Group provides greater certainty and confidence for all the stakeholders.

Banking and Financial Business

Risk Management

To ensure that corporate goals and objectives, and business and risk strategies are achieved, EW utilizes a risk management process that is applied throughout the organization in executing all business activities. Employees' functions and roles fall into one of the three categories where risk must be managed in the business units, operating units and governance units.

EW's activities are principally related to the use of financial instruments and are exposed to credit risk, liquidity risk, operational risk and market risk, the latter being subdivided into trading and non-trading risks. Forming part of a coherent risk management system are the risk concepts, control tools, analytical models, statistical methodologies, historical researches and market analysis, which are being employed by EW. These tools support the key risk process that involves identifying, measuring, controlling and monitoring risks.

Risk Management Structure

a. BOD

EW's risk culture is practiced and observed across the Group putting the prime responsibility on its BOD. It establishes the risk culture and the risk management organization and incorporates the risk process as an essential part of the strategic plan of the Group. The BOD approves EW's articulation of risk appetite which is used internally to help management understand the tolerance for risk in each of the major risk categories, its measurement and key controls available that influence EW's level of risk taking. All risk management policies and policy amendments, risk-taking limits such as but not limited to credit and trade transactions, market risk limits, counterparty limits, trader's limits and activities are based on EW's established approving authorities which are approved by EW's BOD. At a high level, the BOD also approves EW's framework for managing risk.

b. Executive Committee

This is a board level committee, which reviews the bankwide credit strategy, profile and performance. It approves the credit risk-taking activities based on EW's established approving authorities and likewise reviews and endorses credit-granting activities, including the Internal Credit Risk Rating System. All credit proposals beyond the credit approving limit of the Loan and Investments Committee passes through this committee for final approval.

c. Loan and Investments Committee

This committee is headed by the Chairman of EW whose primary responsibility is to oversee EW's credit risk-taking activities and overall adherence to the credit risk management framework, review business/credit risk strategies, quality and profitability of EW's credit portfolio and recommend changes to the credit evaluation process, credit risk acceptance criteria and the minimum and target return per credit or investment transaction. All credit risk-taking activities based on EW's established approving authorities are evaluated and approved by this committee. It establishes infrastructure by ensuring business units have the right systems and adequate and competent manpower support to effectively manage its credit risk.

d. Asset-Liability Management Committee (ALCO)

ALCO, a management level committee, meets on a weekly basis and is responsible for the over-all management of EW's market, liquidity, and financial position related risks. It monitors EW's liquidity position and reviews the impact of strategic decisions on liquidity. It is responsible for managing liquidity risks and ensuring exposures remain within established tolerance levels. The ALCO's primary responsibilities include, among others, (a) ensuring that EW and each business unit holds sufficient liquid assets of appropriate quality and in appropriate currencies to meet short-term funding and regulatory requirements, (b) managing financial position and ensuring that business strategies are consistent with its liquidity, capital and funding strategies, (c) establishing asset and/or liability pricing policies that are consistent with the financial position objectives, (d) recommending market and liquidity risk limits to the Risk Management Committee (RMC) and BOD and (e) approving the assumptions used in contingency and funding plans. It also reviews cash flow forecasts, stress testing scenarios and results, and implements liquidity limits and guidelines.

e. RMC

RMC is a board level committee that convenes monthly and is primarily responsible to assist the Board in managing EW's risk taking activities. This is performed by the committee by institutionalizing risk policies and overseeing the EW's risk management system. It develops and recommends risk appetite and tolerances for EW's major risk exposures to the Board. Risk management principles, strategies, framework, policies, processes, and initiatives and any modifications and amendments thereto are reviewed and approved by RMC. It oversees and reports to the Board the effectiveness of the risk management system, overall risk profile, and compliance with the risk appetite and tolerances that the Board approved.

f. Risk Management Subcommittee (RMSC)

RMSC is a management level committee that convenes, at least 4 times in a year, and is responsible to assist RMC in fulfilling its responsibilities in managing EW's risk taking activities. This is performed by the committee by implementing the risk management principles, strategies, framework, policies, processes, and initiatives across the EW. It leads the effective conduct of risk and capital management. It oversees and directs the management of the EW's overall risk profile. The committee likewise oversees risk incidents, control gaps, and control deficiencies and management actions in implementing the corresponding corrective actions.

g. Audit Committee (Audit Com)

The Audit Com assists the BOD in fulfilling its responsibilities for overseeing senior management in establishing and maintaining an adequate, effective and efficient internal control framework. It ensures that systems and processes are designed to provide reasonable assurance in areas including reporting, monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of operations, and safeguarding of assets. It is tasked to discuss with management EW's major risk exposures and ensures accountability on the part of management to monitor and control such exposures including EW's risk assessment and risk management policies. The Audit Com oversees the internal audit function and is responsible for monitoring and reviewing its effectiveness while ensuring its independence.

h. Corporate Governance and Compliance Committee (CGCC)

The CGCC leads the bank in defining and fulfilling the corporate governance policies and attaining best practices while overseeing the implementation of the bank's compliance program, money laundering and terrorist financing prevention program and ensuring that regulatory compliance issues are resolved expeditiously. In addition to its governance role, the CGCC also assumes the nomination function whereby it reviews and evaluates the qualifications of all persons nominated to the Board, all direct reports of the President and CEO, Heads of Governance Units regardless of rank, and other positions of the bank requiring appointment by the Board of Directors. The committee oversees the annual performance evaluation of the Board, its committees, and individual directors and conducts an annual self-evaluation of its performance as prescribed under and in accordance with the Corporate Governance Manual and SEC Code of Corporate Governance for Publicly Listed Companies.

i. Related Party Transactions (RPT) Committee

The RPT Committee assists the Board in ensuring that the transactions with related parties of EW are handled in a sound and prudent manner, with integrity and in compliance with the applicable laws and regulations to protect the interest of depositors, creditors and other stakeholders. It also ensures that related party transactions are conducted on an arm's length basis and that no stakeholder is unduly disadvantaged by such transactions.

j. Asset Impairment Committee (AIC)

AIC is a management level committee that convenes at least two times in a year, and shall officially represent EW's source of experienced credit judgement insofar as the asset impairment exercise is concerned. This experienced credit judgment is tapped to provide guidance under the following, but not limited to, conditions: 1) The result of the calculation is assessed to be unreasonable that it is considered as not fairly representative of EW's historical experience, current, and prospective credit condition or other conditions deemed relevant in reasonably determining EW's assets' recoverable value; 2) There is an adverse change in the prevailing or foreseen prospective economic condition relative to the embedded presumption in the existing impairment framework; and 3) The data set in the calculation parameters is not available or insufficient to complete the calculation.

k. Risk Management Division (RMD)

RMD performs an independent risk governance function within EW. RMD is tasked with identifying, measuring, controlling and monitoring existing and emerging risks inherent in EW's overall portfolio (on- or off-balance sheet). RMD develops and employs risk assessment tools to facilitate risk identification, analysis and measurement. It is responsible for developing and implementing the framework for policies and practices to assess and manage enterprise-wide market, credit, operational, and all other risks of the Bank. It also develops and endorses risk tolerance limits for BOD approval, as endorsed by the RMC, and monitors compliance with approved risk tolerance limits. Finally, it regularly apprises the BOD, through the RMC, the results of its risk monitoring.

l. Internal Audit Division (IAD)

IAD provides an independent assessment of the adequacy of EW's internal controls, risk management, governance framework and execution/operational practices. Internal audit activities are conducted in accordance with the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics. IAD has an adopted a risk assessment methodology, which provides a sound basis in the selection of areas of coverage and frequency of audit for the preparation of the annual audit plan. IAD employs a risk-based audit approach that examines both the adequacy of the policies and the Bank's compliance with the procedures while assuring audit coverage of the areas identified as representing the greatest current risk. It discusses the results of assessments with management, and reports its findings and recommendations to the Audit Com. IAD's activities are suitably designed to provide the BOD with reasonable assurance that significant financial and operating information is materially complete, reliable and accurate; internal resources are adequately protected; and employee performance is in compliance with the Bank's policies, standards, procedures and applicable laws and regulations.

m. Compliance Division

Compliance Division is vested with the responsibility of overseeing the design of EW's Compliance Program and coordinating its effective implementation towards the sound management of Business and Compliance Risks. Its mandate is to ensure that EW is compliant with relevant and applicable laws, rules, regulations, codes of conduct and standards of good practice while avoiding an overly risk-averse environment that inhibits business growth. It serves as EW's central point of contact with banking regulators.

Credit Risk

Credit risk refers to the potential loss of earnings or capital arising from an obligor's, customer's or counterparty's failure to perform and/or to meet the terms of any contract with EW. Credit risks may last for the entire tenor and set at the full amount of a transaction and in some cases, may exceed the original principal exposures. The risk may arise from lending, trade financing, trading, investments and other activities undertaken by EW. To identify and assess this risk, EW has: 1) approval process per the borrower or business and/or product segment, and 2) structured and standardized credit rating for corporate loans and risk acceptance criteria for consumer loans. For large corporate credit transactions, EW has a comprehensive procedure for credit evaluation, risk assessment and well-defined concentration limits, which are established for each type of borrower. EW's credit risk is managed at the portfolio level, which may be on an overall or by product perspective.

Credit concentration

Excessive concentration of lending plays a significant role in the weakening of asset quality. EW reduces this risk by diversifying its loan portfolios across various sectors and borrowers. EW believes that good diversification across economic sectors and geographic areas, among others, will enable it to ride through business cycles without causing undue harm to its asset quality.

EW's loan portfolio is in line with EW's policy of not having significant concentrations of exposure to specific industries or group of borrowers. Management of risk concentration is by client/counterparty, by industry sector, and by geographical location. For risk concentration monitoring purposes, the financial assets are broadly categorized into loans and receivables, loans and advances to banks, and investment securities. EW ensures compliance with BSP's limit on exposure to any single person or group of connected persons by closely monitoring large exposures and top 20 borrowers for both single and group accounts.

Aside from ensuring compliance with BSP's limit on exposures to any single person or group of connected persons, it is the bank's policy to keep the expected loss (determined based on the credit risk rating of the account) of large exposure accounts to, at most, one and a half percent (1.5%) of their aggregate outstanding balance. This is to maintain the quality of the Group's large exposures. With this, accounts with better risk grades are given priority in terms of being granted a bigger share in EW's loan facilities.

Aligned with the Manual of Regulations for Banks definition, EW considers its loan portfolio concentrated if it has exposures of more than thirty percent (30.0%) to an industry.

Collateral and Other Credit Enhancements

Collaterals are taken into consideration during the loan application process as they offer an alternative way of collecting from the client should a default occur. The percentage of loan value attached to the collateral offered is part of EW's lending guidelines. Such percentages take into account safety margins for foreign exchange rate exposure/fluctuations, interest rate exposure, and price volatility.

Collaterals are valued according to existing credit policy standards and, following the latest appraisal report, serve as the basis for the amount of the secured loan facility. Premium security items are collaterals that have the effect of reducing the estimated credit risk for a facility. The primary consideration for enhancements falling under such category is the ease of converting them to cash. EW is not permitted to sell or re-pledge the collateral in the absence of default by the owner of the collateral. It is EW's policy to dispose foreclosed assets in an orderly fashion. The proceeds of the sale of the foreclosed assets, included under Investment Properties, are used to reduce or repay the outstanding claim. In general, EW does not occupy repossessed properties for business use.

As part of EW's risk control on security/collateral documentation, standard documents are made for each security type and deviation from the pro-forma documents are subject to legal review prior to implementation.

As for the computation of credit risk weighs, hold-out on deposits with the bank, Home Guaranty cover, and Philippine sovereign guarantees are the only credit risk mitigants considered as eligible.

Internal Credit Risk Rating System
EW employs a credit scoring system for all corporate borrowers to assess risks relating to the borrower and the loan exposure. Borrower risk is evaluated by considering (a) quantitative factors under financial condition and (b) qualitative factors, such as management quality and industry outlook.

Applicable beginning January 1, 2018
EW's new rating system assesses default risk based on financial profile, management capacity, industry performance, and other factors deemed relevant. Credit rating that exceeds the defined threshold, thus signaling significant risk, among other account-level profile and performance factors, define whether the accounts are classified in either Stage 1, Stage 2, or Stage 3 per PFRS 9 loan impairment standards.

The credit rating for each borrower is reviewed annually. A more frequent review is warranted in cases where the borrower has a higher risk profile or when there are extraordinary or adverse developments affecting the borrower, the industry and/or the Philippine Economy.

The consumer loan portfolio of EW is composed of the following product lines: credit cards, auto, mortgage, salary, personal and branch loans. Each of these products has established credit risk guidelines and systems for managing credit risk across all business. For credit cards, auto and mortgage loans, application and behavioral scoring models are in place that primarily consider demographic variables and payment behavior, respectively, for the assessment of the likelihood of default by the borrower. For the other consumer loans, minimum risk acceptance criteria was set for each portfolio according to the nature of the product and the target market, and is used for the evaluation of the credit quality of borrowers at origination.

Applicable prior to January 1, 2015

Financial condition assessment focuses on profitability, liquidity, working capital management, and leverage. Management quality determination is based on the borrower's strategies, management competence and skills, and management of banking relationship while industry outlook is evaluated based on its importance to the economy, growth, industry structure and relevant government policies.

Based on these factors, each borrower is assigned a Borrower Risk Rating (BRR), that ranges from 1 to 6. A borrower may be downgraded when it exhibits the characteristics of a classified account described below, in which case it will be assigned a risk rating ranging from 7 to 10.

Consideration is also given to security arrangements in computing for the final BRR. Depending on certain requisites, an account secured by real estate mortgages and hold-out on deposits or guarantees may be upgraded to better risk classifications.

The BRR for each borrower is reviewed annually. A more frequent review is warranted in cases where the borrower has a higher risk profile or when there are extraordinary or adverse developments affecting the borrower, the industry and/or the Philippine economy.

The following is a brief explanation of EW's risk grades:

Rating	Description	Account/Borrower Characteristics
1	Excellent	• low probability of going into default within the coming year; very high debt service capacity and balance sheets show no sign of any weakness • has ready access to adequate funding sources • high degree of stability, substance and diversity • of the highest quality under virtual economic conditions
2	Strong	• low probability of going into default in the coming year • access to money markets is relatively good • business remains viable under normal market conditions • strong market position with a history of successful financial performance • financials show adequate cash flows for debt servicing and generally conservative balance sheets
3	Good	• sound but may be susceptible, to a limited extent, to cyclical changes in the markets in which they operate • financial performance is good and capacity to service debt remains comfortable • cash flows remain healthy and critical balance sheet ratios are at par with industry norms • reported profits in the past three years and expected to sustain profitability in the coming year
4	Satisfactory	• clear risk elements exist and probability of going into default is somewhat greater, as reflected in the volatility of earnings and overall performance • normally have limited access to public financial markets • able to withstand normal business cycles, but expected to deteriorate beyond acceptable levels under prolonged unfavorable economic period • combination of reasonably sound asset and cash flow protection
5	Acceptable	• risk elements for the Parent Bank are sufficiently pronounced, but would still be able to withstand normal business cycles • immediate deterioration beyond acceptable levels is expected given prolonged unfavorable economic period • there is sufficient cash flow either historically or expected in the future in spite of economic downturn combined with asset protection

Rating	Description	Account/Borrower Characteristics
5B	Acceptable	• financial condition hard to ascertain due to weak validation of financial statements coupled by funding leakages to other business interests whose financial condition is generally unknown • continuous decline in revenues and margins due to competition; increasing debt levels not commensurate to growth in revenues and funding requirements • thin margin business with banks financing bulk of working capital and capex requirements coupled by substantial dividend pay-outs • chronically tight cashflows with operating income negative or barely enough for debt servicing • lines with banks maxed out and availments evergreen with minimal payments made over time or with past record of past due loans with other banks, cancelled credit cards and court cases
6	Watchlist	• affected by unfavorable industry or company-specific risk factors • operating performance and financial strength may be marginal and ability to attract alternative sources of finance is uncertain • difficulty in coping with any significant economic downturn; some payment defaults encountered • net losses for at least 2 consecutive years
7	Special Mention	• ability or willingness to service debt are in doubt • weakened creditworthiness • expected to experience financial difficulties, putting EW's exposure at risk
8	Substandard	• collectability of principal or interest becomes questionable by reason of adverse developments or important weaknesses in financial cover • negative cash flows from operations and negative interest coverage • past due for more than 90 days • there exists the possibility of future loss to EW unless given closer supervision
9	Doubtful	• unable or unwilling to service debt over an extended period of time and near future prospects of orderly debt service are doubtful • with non-performing loan (NPL) status • previously rated 'Substandard' by the BSP • loss on credit exposure unavoidable
10	Loss	• totally uncollectible • prospect of re-establishment of creditworthiness and debt service is remote • lender shall take or has taken title to the assets and is preparing foreclosure and/or liquidation although partial recovery may be obtained in the future • considered uncollectible or worthless and of such little value that continuance as bankable assets is not warranted although the loans may have some recovery or salvage value

It is EW's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates a focused management of the applicable risk and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with EW's rating policy. The risk ratings are assessed and updated regularly.

Borrowers with unquestionable repaying capacity and to whom EW is prepared to lend on an unsecured basis, either partially or totally, are generally rated as High Grade borrowers. Included in the High-Grade category are those accounts that fall under 'Excellent', 'Strong', 'Good' and 'Satisfactory' categories under ICRRS (with rating of 1-4).

Standard rated borrowers normally require tangible collateral, such as real estate mortgage (REM), to either fully or partially secure the credit facilities as such accounts indicate a relatively higher credit risk than those considered as High Grade. Included in Standard Grade category are those accounts that fall under 'Acceptable' and 'Watchlist' categories under ICRRS (with rating of 5-6).

Substandard Grade accounts pertain to unsecured revolving credit facilities.

Those accounts that are classified as unrated include unquoted debt securities, accounts receivable, accrued interest receivable and sales contract receivable for which EW has not yet established a credit rating system.

Impairment Assessment – Applicable prior to January 1, 2018
On a regular basis, the Group conducts an impairment assessment exercise to determine expected losses on its loans portfolio.

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue by more than 30 to 90 days as applicable, or if there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Group addresses impairment assessment in two areas: specific or individually assessed allowances and collectively assessed allowances.

a. Specific Impairment Testing
Specific impairment testing is the process whereby classified accounts are individually significant subject to impairment testing. Classified accounts are past due accounts and accounts whose credit standing and/or collateral has weakened due to varying circumstances. This present status of the account may adversely affect the collection of both principal and interest payments.

The net recoverable amount is computed using the present value approach. The discount rate used for loans with fixed and floating interest rate is the original effective interest rate and last repriced interest rate, respectively. Net recoverable amount is the total cash inflows to be collected over the entire term of the loan or the expected proceeds from the sale of collateral. Specific impairment testing parameters include the account information (original and outstanding loan amount), interest rate (nominal and historical effective) and the business plan. Also included are the expected date of recovery, expected cash flows, probability of collection, and the carrying value of loan and net recoverable amount.

EW conducts specific impairment testing on classified (i.e. rated 7-10) and restructured corporate accounts. Indicators of credit quality deterioration that merit specific impairment testing include past due status of the accounts, decline in credit rating from independent rating agencies for investment securities and recurring net losses.

b. Collective Impairment Testing
All other accounts which were not individually assessed are grouped based on similar credit characteristics and are collectively assessed for impairment under the Collective Impairment Testing. This is also in accordance with Philippine Accounting Standards (PAS) 39, which provides that all loan accounts not included in the specific impairment test shall be subjected to collective testing.

Collective Impairment Testing of Corporate Accounts
Corporate accounts, which are unclassified and with current status are grouped in accordance with the EW's internal credit risk rating. Each internal credit risk rating would fetch an equivalent loss impairment where the estimated loss is determined in consideration of the EW's historical loss experience. Impairment loss is derived by multiplying the outstanding loan balance on a per internal credit risk rating basis against a factor rate. The factor rate, which estimates the expected loss from the credit exposure, is the product of the Default Rate (DR) and the Loss Given Default Rate (LGDR). DR is estimated based on the 3-year historical average default experience by internal credit risk rating of EW, while, LGDR is estimated based on loss experience (net of recoveries from collateral) for the same reference period.

Collective Impairment Testing of Consumer Accounts
Consumer accounts, both in current and past due status are collectively tested for impairment as required under PAS 39. Accounts are grouped by type of product - personal loans, salary loans, housing loans, auto loans and credit cards.

The estimation of the impaired consumer products' estimated loss is based on three major concepts: age buckets, probability of default and recoverability. Per product, exposures are categorized according to their state of delinquency - (1) current and (2) past due (which is subdivided into 30, 60, 90, 120, 150, 180 and more than 180 days past due). Auto, housing and salary loans have an additional bucket for its items in litigation accounts. The Group partitions its exposures as it recognizes that the age buckets have different rates and/ or probabilities of default. The initial estimates of losses per product due to default are then adjusted based on the recoverability of cash flows, to calculate the expected loss of the Group. Auto and housing loans consider the proceeds from the eventual sale of foreclosed collaterals in approximating its recovery rate; while credit cards, salary loans and personal loans depend on the collection experience of its receivables. Further for housing loans, due to the nature of the assets offered as security, and as the exposures are limited to a certain percentage of the same, this product possess the unique quality of obtaining full recoverability. These default and recovery rates are based on the Group's historical experience, which covers a minimum of two to three (2-3) years cycle, depending on the availability and relevance of data.

Collaterals of past due but not impaired loans mostly consist of real estate mortgage (REM) of industrial, commercial, residential and developed agricultural real estate properties.

Liquidity Risk

Liquidity risk is the risk that sufficient funds are unavailable to adequately meet all maturing liabilities, including demand deposits and off-balance sheet commitments. The main responsibility of daily asset liability management lies with EW's Treasury Group, specifically the Liquidity Desk, and the Subsidiary's Fund Management Department which are tasked to manage the balance sheet and have thorough understanding of the risk elements involved in the respective businesses. Both EW's (Parent) and the Subsidiary's liquidity risk management are then monitored through each entity's ALCO. Resulting analysis of the balance sheet along with the recommendation is presented during the weekly ALCO meeting where deliberations, formulation of actions and decisions are made to minimize risk and maximize returns. Discussions include actions taken in the previous ALCO meeting, economic and market status and outlook, liquidity risk, pricing and interest rate structure, limit status and utilization. To ensure that both the Parent Bank and

Subsidiary has sufficient liquidity at all times, the respective ALCO formulates a contingency funding plan which sets out the amount and the sources of funds (such as unutilized credit facilities) available to both entities and the circumstances under which such funds will be used.

By way of the Maximum Cumulative Outflow limit, the Group is able to manage its long term liquidity risks by placing a cap on the outflow of cash on a per tenor and on a cumulative basis. The Group takes a multi-tiered approach to maintaining liquid assets. EW's principal source of liquidity is comprised of Cash and Other Cash Items, Due from BSP, Due from other banks and Interbank Loans Receivable with maturities of less than one year. In addition to regulatory reserves, EW maintains a sufficient level of secondary reserves in the form of liquid assets such as short-term trading and investment securities that can be realized quickly.

The Bank manages liquidity by maintaining sufficient liquid assets in the form of cash and cash equivalents, investment securities and loan receivables. As of December 31, 2018 and 2017, ₱93.0 billion and ₱96.3 billion, respectively, or 39.0% and 48.3%, respectively, of the Bank's total gross loans and receivables had remaining maturities of less than 1 year. The total portfolio of trading and investment securities is comprised mostly of sovereign-issued securities that have high market liquidity. With the above presented liquidity profile, EW remains to be inhibited from liquidity risk that it cannot adequately manage.

Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, and equity prices. EW treats exposures to market risk as either for trading or accrual/balance sheet exposure. The market risk for the trading portfolio is measured using Value at Risk (VaR). Interest rate risk of accrual portfolios in the Banking Book are measured using Earnings at Risk (EaR).

Market Risk in the Trading Books
The Board has set limits on the level of market risk that may be accepted. VaR limits are applied at the business unit level and approved by the BOD based on, among other things, a business unit's capacity to manage price risks, the size and distribution of the aggregate exposure to price risks and the expected return relative to price risks.

EW applies the VaR methodology to assess the market sensitive positions held for trading and to estimate the potential economic loss based on parameters and assumptions. VaR is a method used in measuring market risk by estimating the potential negative change in the market value of a portfolio at a given confidence level and over a specified time horizon.

Objectives and Limitations of the VaR Methodology
EW uses the VaR model of Bloomberg Portfolio Analytics using one-year historical data set to assess possible changes in the market value of the fixed income, equities, and foreign exchange trading portfolio. VaR for the U.S. Treasury Futures is measured using Historical Simulation using the Bloomberg Multi Asset Risk System. The Interest Rate Swaps (IRS) and FX Forwards (Outright and forward leg of FX Swaps) trading portfolio's interest rate risk is measured using Monte Carlo VaR. The VaR models are designed to measure market risk in a normal market environment. The use of VaR has limitations because correlations and volatilities in market prices are based on historical data and VaR assumes that future price movements will follow a statistical distribution. Due to the fact that VaR relies heavily on historical data to provide information and may not clearly predict the future changes and modifications of the risk factors, the probability of large market moves may be underestimated.

VaR may also be under or overestimated due to assumptions placed on risk factors and the relationship between such factors for specific instruments. Even though positions may change throughout the day, VaR only represents the risk of the portfolio at the close of each business day, and it does not account for any losses that may occur beyond the specified confidence level.

In practice, actual trading results will differ from the VaR calculation and, in particular, the calculation does not provide a meaningful indication of profits and losses in stressed market conditions. To determine the reliability of the VaR model, actual outcomes are monitored through hypothetical and actual backtesting to test the accuracy of the VaR model.

Stress testing provides a means of complementing VaR by simulating the potential loss impact on market risk positions from extreme market conditions, such as risk factor movements based on historical financial market stress conditions and scenarios adopted from the uniform stress testing framework of the BSP.

VaR Assumptions
The VaR that EW's use is premised on a 99.0% confidence level that this potential loss estimate is not expected to be exceeded if the current market risk positions were to be held unchanged for a given holding period. Foreign exchange and U.S.Treasury Futures VaR is measured using one day holding period while fixed income VaR has holding period of five days. Furthermore, EW's equity and IRS trading positions are assumed to be closed out in ten days. The use of a 99.0% confidence level means that within the set time horizon, losses exceeding the VaR figure should occur, on average, not more than once every hundred days.

VaR is an integral part of EW's market risk management and encompasses investment positions held for trading. VaR exposures form part of the market risk monitoring which is reviewed daily against the limit approved by the Board. The trading activities are controlled through the Market Risk Limit (MRL), which is a dynamic risk limit anchored on the principle of risk and return which is adjusted for any trading income that would exceed targets throughout the year. RMD reports compliance to the MRL and trader's VaR limits on a daily basis. If the MRL or individual trader's limit is exceeded, such occurrence is promptly reported to the Treasurer, Chief Operating Officer, Chief Risk Officer and the President, and further to the Board through the RMC.

Foreign Currency Risk

EW holds foreign currency denominated assets and liabilities, thus, fluctuations on the foreign exchange rates can affect the financial and cash flows of EW. Managing the foreign exchange exposure is important for banks with exposures in foreign currencies. It includes managing foreign currency positions in order to control the impact of changes in exchange rates on the financial position of EW.

EW's foreign currency exposures emanate from its net open spot and forward FX purchase and sell transactions, and net foreign currency income accumulated over the years of its operations. Foreign currency-denominated deposits are generally used to fund EW's foreign currency-denominated loan and investment portfolio in the FCDU. In the FCDU books, BSP requires banks to match the foreign currency assets with the foreign currency liabilities. Thus, banks are required to maintain at all times a 100.0% cover for their currency liabilities held through FCDU.

Total FX currency position is monitored through the daily BSP FX position reports, which are subject to the overbought and oversold limits set by the BSP at 20.0% of unimpaired capital or $50.0 million, whichever is lower. Internal limits regarding the intraday trading and end-of-day trading positions in FX, which take into account the trading desk and the branch FX transactions, are also monitored.

Market Risk in the Banking Book

Interest Rate Risk
A critical element of risk management program consists of measuring and monitoring the risks associated with fluctuations in market interest rates on the Group's net interest income. The short-term nature of its assets and liabilities reduces the exposure of its net interest income to such risks.

EW employs re-pricing gap analysis on a monthly basis to measure the interest rate sensitivity of its assets and liabilities. The re-pricing gap analysis measures, for any given period, any mismatches between the amounts of interest-earning assets and interest-bearing liabilities that would re-price, or mature (for contracts that do not re-price), during that period. The re-pricing gap is calculated by first distributing the assets and liabilities contained in the Group's statement of financial position into tenor buckets according to the time remaining to the next re-pricing date (or the time remaining to maturity if there is no re-pricing), and then obtaining the difference between the total of the re-pricing (interest rate sensitive) assets and re-pricing (interest rate sensitive) liabilities. If there is a positive gap, there is asset sensitivity which generally means that an increase in interest rates would have a positive effect on the Group's net interest income. If there is a negative gap, this generally means that an increase in interest rates would have a negative effect on net interest income.

The Group also monitors its exposure to fluctuations in interest rates by using scenario analysis to estimate the impact of interest rate movements on its interest income. This is done by modeling the impact to the Group's interest income and interest expenses of different parallel changes in the interest rate curve, assuming the parallel change only occurs once and the interest rate curve after the parallel change does not change again for the next twelve months.

Operational Risk

Operational risk is the loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes legal, compliance and reputational risks but excludes strategic risk.

Other Risk Exposures

Group risk exposures other than credit, market, liquidity and operational, while existent, are deemed insignificant relative to the mentioned risks and if taken in isolation. Hence, management of these risks are instead collectively performed and made an integral part of the Group's internal capital adequacy assessment process and enterprise risk management initiatives.

Real Estate

There are major risk factors that may affect the real estate or its operations. Property values in the Philippines are influenced by the general supply and demand of real estate as well as political and economic developments in the country. In the event new supply exceeds demand as a result of economic uncertainty or slower growth, political instability, or increased interest rates, the financial condition and results of operations of the real estate segment will be materially affected.

Demand for, and prevailing prices of, developed land and house and lot units are directly related to the strength of the Philippine economy (including overall growth levels and interest rates), the overall levels of business activity in the Philippines and the amount of remittances received from OFWs. Demand for housing and land developments is also affected by social trends and changing spending patterns in the Philippines, which in turn are influenced by economic, political and security conditions in the Philippines. The residential housing industry is cyclical and is sensitive to changes in general economic conditions in the Philippines such as levels of employment, consumer confidence and income, availability of financing for property acquisitions, construction and mortgages, interest rate levels, inflation and demand for housing.

The demand for real estate projects from OFWs and expatriate Filipinos may decrease as a result of the following possibilities, i.e. reduction in the number of OFWs, the amount of their remittances and the purchasing power of expatriate Filipinos. Factors such as economic performance of the countries and regions where OFWs are deployed, changes in Government regulations such as taxation on OFWs' income, and, imposition of restrictions by the Government/other countries on the deployment of OFWs may also affect the demand for housing requirements.

There are risks that some projects may not attract sufficient demand from prospective buyers thereby affecting anticipated sales. Stringent government requirements for approvals and permits of new projects may take substantial amount of time and resources. In addition, the time and the costs involved in completing the development and construction of residential projects can be adversely affected by many factors, including unstable prices and supply of materials and equipment and labor, adverse weather conditions, peso depreciation, natural disasters, labor disputes with contractors and subcontractors, accidents, changes in laws or in Government priorities and other unforeseen problems or circumstances. Further, the failure by the Group to substantially complete construction of a project to its planned specifications or schedule may result in contractual liabilities to purchasers and lower returns.

Real estate cost of sales is affected by volatility in the price of construction materials such as lumber, steel and cement. While the Group, as a matter of policy, attempts to fix the cost of materials component in its construction contracts, in cases where demand for steel, lumber and cement are high or when there are shortages in supply, the contractors hire for construction or development work may be compelled to raise their contract prices. As a result, rising cost of any construction materials will impact the construction costs, and the price for products. Any increase in prices resulting from higher construction costs could adversely affect demand for products and the relative affordability of such products as compared to competitors' products. This could reduce the real estate sales.

The real estate segment is also exposed to risks associated with the ownership and operation of its investment properties. Financial performance of the leasing segment could be affected by a number of factors, including:

1. the national and international economic climate;
2. changes in the demand for call center and other BPO operations in the Philippines and around the world;
3. trends in the Philippine retail industry, insofar as the Festival Supermall is concerned;
4. changes in laws and governmental regulations in relation to real estate, including those governing usage, zoning, environment, taxes and government charges;
5. the inability to collect rent due to bankruptcy of tenants or otherwise;
6. competition for tenants;
7. changes in market rental rates;
8. the need to periodically renovate, repair and re-let space and the costs thereof;
9. the quality and strategy of management; and,
10. real estate segment's ability to provide adequate maintenance and insurance.

Power Generation Business

FDCUI faces risks relating to its future power generation projects, including risks relating to project cost, completion time frame and development rights. The time and costs involved in completing the development and construction of power generation projects can be adversely affected by many factors, including but not limited to shortages of materials, equipment and skilled labor, unfavorable weather conditions, peso depreciation, natural disasters, labor disputes with contractors and subcontractors, accidents, changes in laws or in government priorities and other unforeseen problems or circumstances. Where land to be used for a project is occupied by tenants and/or informal settlers, FDCUI may have to take steps, and incur additional costs, to remove such occupants and, if required by law, to provide relocation facilities for them. Any of these factors could result in project delays and cost overruns, which could negatively affect the Group's business, financial condition and results of operations. This may also result in sales and resulting profits from a particular power project not being recognized for the year. There can be no assurance that such events will not occur in a manner that could materially and adversely affect the Group's business, financial condition and results of operations.

Hotel Business

- Changes in the domestic, regional, and global economies, which are affected by factors, including, but not limited to, the political landscape, environmental conditions, and disease epidemics
- Increased threat of terrorism, terrorist events, airline strikes, hostilities between countries, or increased risk of natural disasters that may affect travel patterns and reduce the number of business and commercial travellers and tourists;

- Changes in governmental laws and regulations, fiscal policies, and zoning ordinances and the related costs of compliance with laws and regulations, fiscal policies, and ordinances;
- Increased competition in the hospitality industry, for example new supply in the markets within which the Company operates in or will operate in, which could negatively affect the Group's resort hotel's occupancy;
- Increases in operating costs and occurrence of unanticipated costs due to various reasons, including inflation, labor costs, workers' compensation and health-care related costs, utility and energy costs, property tax, advertising and promotion expenses, insurance, environmental damage and acts of nature and their consequences;
- Changes in interest rates and in the availability, cost, and terms of debt financing and other changes in the business that adversely affect our ability to obtain financing and comply with debt financing covenants;
- Relations between service providers, suppliers, and/or lenders and the Group;
- Difficulties in identifying hospitality assets to acquire and completing and integrating acquisitions;
- Increase in transportation or fuel costs or strikes among workers in the transportation industry, particularly in the aviation industry; and
- Adverse weather patterns.

Sugar Business

- Farmers are not required to grow sugarcane and may cultivate other crops.
- Contract farmers may not repay their crop loans to Sugar Group.
- Adverse weather conditions, crop disease, substandard sugarcane quality and certain sugarcane crop varieties grown by farmers may adversely affect sugarcane crop yields and sugar recovery rates for any given harvest
- The Sugar Group may be adversely affected by price fluctuations in sugar and related markets, such as ethanol, oil and corn.
- The Sugar Group is dependent on certain principal customers and the loss of, or a significant reduction in purchases by such customers could adversely affect the Sugar Subsidiaries' business.
- The Sugar Group sell the majority of their output to traders who are not under any obligation to purchase the Sugar Group's products.
- Because the Sugar Group contracts to cultivate sugarcane are based on the amount of land the farmer cultivates rather than a set quantity or quality of sugarcane, the yield per 10,000 sq.m of land determines in large part the quantity of sugarcane the Sugar Group receive and the Sugar Group cannot guarantee that the supply their mills receive in a given year will be sufficient to meet their needs.
- Because DSCC and CSCC contract with sugarcane farmers to cultivate sugarcane under long term contracts, DSCC and CSCC may be obligated to mill the sugarcane produced, even if they will be unable to sell the resulting sugar.
- In the event that existing barriers to the import of sugar to the Philippines are lifted, the Sugar Subsidiaries may face significant competition from international sugar manufacturers which may adversely affect their profitability
- The Sugar Group are potentially subject to price competition from illegally imported sugar.
- The Sugar Group's results of operations could be adversely affected by a disruption of operations at their manufacturing facilities
- The Sugar Group's turnover is subject to seasonality and price volatility.

Competitive Strengths

The Group believes that its principal strengths are the following:

Strong Track Record of Growing a Diverse Portfolio of Profitable Businesses

The Group has been able to successfully establish and grow its business portfolio over the years. The Group's real estate business has grown over the last 4 decades to become one of the leading real estate developers and operators in the Philippines. In 1994, the Group established EW, which is currently one of the fastest growing universal banks in the Philippine banking industry with a nationwide presence of 466 branches (consolidated) as of December 31, 2018 compared with 446 branches as of December 31, 2017. The Group opened its hospitality projects in Mactan, Cebu City, Muntinlupa City and Clark, Pampanga and Boracay, Aklan in 2010, 2012, 2013, 2016 and 2018, respectively. In recent years, the Group further applied its business expertise to the sugar industry, resulting in a profitable and cash generative sugar business in Mindanao. The Group is continuously exploring new growth areas for further value creation. In 2009, the Group re-entered the power generation business through FDCUI with 405 MW CFB coal thermal power plant in Mindanao which is fully operational with COC received in October 2016 for the first 2 units and in May 2017 for the third unit. Currently under operation, the plant has off-take agreements for 283 MW with 17 distribution utilities and one industrial customer in Mindanao. Projects in other parts of the country are now being assessed for their technical and financial feasibility to capitalize on the attractive high-growth power generation market in the Philippines.

Strategically Positioned in Attractive Sectors

The Group's businesses are well-positioned within industries which it believes are high growth sectors of the Philippine economy. Each of the Group's businesses targets specific market segments. FLI targets the affordable, socialized and middle-income residential markets, which together are believed by the Group to be the largest addressable market in residential development in the Philippines.

FAI's primary project is Filinvest City, a joint venture of the Government and FAI comprising office, retail, residential, institutional, leisure and hospitality projects in southern Metro Manila, approximately 16 km south of Makati. As of December 31, 2018, FLI has a land bank of 2,153 hectares of raw land, which included 229 hectares of raw land held through joint venture arrangements. EW focuses on the high margin consumer lending segments with high returns, and has expanded its lending portfolio in the consumer and middle-market banking sector through the acquisition of AIG PhilAm in 2009, which included substantial auto loan and credit card businesses. EW's 2011 acquisition of GBI enabled EW to significantly expand its branch network by adding 46 branches and 94 kiosks, especially in rural and Restricted Areas. In addition, the Group's sugar business benefits from the industrialization of Luzon, which has increased Mindanao's importance in agribusiness, while the Group's hospitality business in Cebu, Alabang and Boracay is well positioned to benefit from the growing local and international tourism sector in the Philippines. It intends to build hotel and resort developments in location that have current or future mass market appeal. The strategic location of the Group's planned projects in its power generation business in Luzon, the Visayas and Mindanao positions the Group to benefit from the expected growth in demand for electricity in the Philippines.

Diversified Earnings Stream

With business interests in the banking and financial services, real estate, power generation, hotel operations and sugar business, the Group has diverse earning streams. In 2018, the Group's real estate, hospitality, banking and financial services, power operations, and sugar operations accounted for 39.2%, 3.7%, 40.9%, 12.7%, and 3.5% of the Group's consolidated revenues and other income.

Disciplined Financial Management

The Group believes each of its business segments has a strong financial position and a stable earnings base. The Group believes it has strong debt service capabilities and a management team committed to growing its business prudently, while its relatively low leverage in its non-financial services businesses provides significant capacity to take advantage of growth opportunities. The Group believes that its financial strength and conservative leverage enhance its ability to expand and further diversify its business, as well as to capitalize on opportunities in each of its business segments, including the capacity to incur additional debt in order to do so.

Experienced Management Team

The Group's management team has extensive experience in, and in depth knowledge of, the Philippine real estate market, the banking and financial services industry and the sugar business. Members of the Group's management team have an average of more than 30 years' experience in their respective businesses. Several members of the management team have post-graduate degrees from well-known business schools in the U.S. The Group believes its growth and strong financial performance are indicative of the capabilities of its management team. The Group believes that the market experience and knowledge that its key members of management possess across each of the Group's businesses and the business relationships they have developed in the various industries in which they are involved have been, and will continue to be an integral part of the Group's growth strategy.

Banking and Financial Services

Since its formation in 1994, the Bank has experienced strong growth. The Bank believes it is well-positioned in the Philippine market due to the following principal strengths:

Strong Focus on and Growing Market Position in High Growth Consumer Segment

The Bank is primarily focused on the consumer banking segment which accounted for 70.2% and 71.6% of the Bank's gross loans as of December 31, 2018 and 2017, respectively. The Bank's proportion of consumer lending as a percentage of total gross loans is among the highest in the Philippine banking sector. It is one of the largest credit card issuers. The Bank focuses on providing loans and banking services to Philippine consumers, a high growth segment that is supported by strong growth fundamentals in terms of Philippine gross domestic product (GDP) and disposable income growth. According to the National Statistical Coordination Board, Philippine real GDP grew at 6.9%, 6.7% and 6.2% in 2016, 2017 and 2018, respectively. The Bank successfully grew its consumer lending portfolio, which includes residential mortgages, at a compound annual growth rate (CAGR) of 12.4% from December 31, 2016 through December 31, 2018. The Bank believes it is well-positioned to benefit from further consumer demand driven by the expected growth of this segment of the Philippine population.

Tailored Services to Retail Customers and Mid-Market Corporates

The Bank has a strong sales platform focused on delivering quality, convenient and comprehensive services to deposit customers through its branch and electronic banking network. In particular, the Bank targets the large number of underserved medium-sized corporate and retail deposit customers, including high net worth individuals, by tailoring its products and services to this segment with a view to increasing the Bank's access to a large source of low cost deposits for funding. While deposit liabilities grew at a CAGR of 9.5% from December 31, 2016 through December 31, 2018, the Bank's cost of funds ratio (which is the ratio of interest expense to average interest bearing liabilities) was at 1.2%, 1.3% and 1.7% in 2016, 2017 and 2018, respectively. The Bank's investments in its

IT infrastructure is expected to result in improved efficiencies in its operations and provide corporate accounts with convenience through the adoption of mobile/ internet banking and IT integrated cash management services.

Strategically Located Branch Store Network

The Bank has one of the largest consolidated branch store network in the Philippines, with total of 466 branches (consolidated) in the Philippines as of December 31, 2018. EW's branch store network has rapidly grown from 168 branches as of December 31, 2011 to 466 branches as of December 31, 2018. The Bank's branch store network is strategically located to effectively distribute products and services across the Philippines to take advantage of the economic growth throughout the country. EWRB, has a network of 76 branches, with locations in Visayas and Mindanao region serving the unbanked and underserved Filipinos such as farmers, pensioners and small scale businessman. Its strong branch store network in the Visayas and Mindanao allows EWRB to gain entry into the microfinance business in the Philippines.

Prudent Balance Sheet Management to Manage a Predominantly Consumer Loan Portfolio

In recent years the Bank has grown its business without compromising prudent balance sheet management practices. The Bank believes that prudent balance sheet management practices can provide flexibility to react to market uncertainties. As of December 31, 2018, the Bank had return on average equity of 11.0%, return on average assets of 1.4% and with net interest margin on average earning assets of 7.4%. The Bank manages its liquidity to support the growth of its business.

Strong Management Team

The Bank has an experienced management team with an average of more than two decades of operational and management experience in banking and finance. The Bank's management team has extensive experience and in-depth knowledge of the Philippine banking sector, especially as it relates to the mid-market corporate and consumer segments, and has also developed positive relationships with key market participants. Additionally, as a member of the FDC Group, the Bank benefits from FDC's strong reputation in the Philippines and the support of FDC's management.

Real Estate

The Group has been active in the real estate business for over 40 years and believes its real estate business possesses the following principal strengths:

A Market Leader in the Affordable and Middle-Income Residential Real Estate Segment with an Established Reputation and Brand Name

The Group has been involved in the real estate development business through the "Filinvest" brand for more than 40 years. It has become one of the Philippine's leading real estate developers and has successfully developed a large number of high-profile real estate projects, with a particular focus on the affordable and middle-market housing segments. The Group believes that it has a reputation both in the real estate industry and among purchasers, including the significant OFW and expatriate Filipino markets, as a reliable developer that develops and delivers in a timely manner quality products conveniently located near major commercial centres. The Group also has an extensive network of sales offices, in-house sales agents and independent brokers located throughout the Philippines, as well as accredited brokers in countries and regions with large OFW and expatriate Filipino populations. The Group was a pioneer in developing MRB and is now one of the largest developers of MRBs in the Philippines, which has helped them maintain their leadership in the middle-income segment. Low and medium-rise buildings have faster construction periods, which the Group believes helps minimize the risk of construction delays and cost overruns, while also speeding up its cash collection from buyers.

Product, Market and Geographical Diversification

The Group believes it is able to offer customers one of the most diversified ranges of real estate products in the Philippine real estate market. FLI focuses its business on the socialized, affordable and middle-income market segments, while still addressing demand from the high end of the market through select offerings. FLI has also diversified its projects to include new types of residential developments that cater to potentially high-growth niche markets, such as residential farm estate projects, entrepreneurial communities, MRBs, HRBs and township developments. In addition, the Group has entered the hospitality industry to further diversify its real estate development portfolio. The Group's hospitality business shall benefit from its ability to co-alocate with other Filinvest developments to create complete live, work play environments. The Group plans to develop hospitality projects through its various real estate subsidiaries either on a stand-alone basis or to complement the Group's mixed-used developments. The Group believes that FLI and FHI can create synergistic effects by packaging hospitality products with FLI's residential, commercial and retail developments.

Extensive and Diversified Land Bank

The Group believes that it has a low cost land bank that is one of the largest land banks among real estate development companies in the Philippines. As of December 31, 2018, FLI owned or controlled a land bank of 2,153 hectares of raw land which included 279 hectares of raw land held through joint venture arrangements. The Group's land bank consists of land located in several locations throughout the country, especially in growth areas such as greater Metro Manila, Cebu, Davao and General Santos City in South Cotabato province. The Group believes that the diversity of its current projects and land bank will allow it to benefit from continued economic development of these areas, which is expected to result in growth in the demand for residential projects.

Stable and Growing Recurring Income

The Group has a portfolio of well-performing office and retail investment properties, with a total GLA of about 747,402 sq.m. with recurring income from these properties accounting for about 30.0% of the Group's consolidated net income. The Group owns Festival Supermall, the largest mall in the south of Metro Manila which sees daily traffic of approximately 100,000 people, which doubles up on peak shopping seasons. Fora Mall in Tagaytay and Main Square Mall in Bacoor were completed adding 50,000 sq.m GLA to the retail portfolio. It also owns a portfolio of BPO office buildings in Northgate Cyberzone which has consistently enjoyed high occupancies. In 2010, the Group opened its first hospitality project in Mactan, Cebu with 290 rooms. The Group also launched its second hotel with 427 rooms in Cebu City and its third hotel with 345 rooms in Alabang, Muntinlupa City, in 2012 and 2013, respectively. In 2016, the Group was awarded in a bid to operate a hotel in Clark, Pampanga, which it launched with 303-newly refurbished guestrooms. In 2018, the group introduced its new hotel with 192 rooms in Boracay.

Strong Credit Record and Financial Position

The Group believes that it has a strong financial position, with a record of debt service capabilities and a management team committed to maintaining and implementing a prudent financial management program. The Group's sound financial management allowed it to continue to meet its debt service obligations for its peso-denominated debts and to meet and exceed the debt service ratios required under its loan agreements throughout and in the aftermath of the Asian financial crisis and the global financial crisis. The Group believes that its financial strength enhances its ability to expand its business and to capitalize on opportunities in the Philippine housing and land development market. The Philippine Rating Services Corporation (Philratings) maintained the PRS Aaa for FLI's outstanding bonds. (i) ₱7.0 billion bonds due in 2019; (ii) ₱4.3 billion bonds due in 2020 and ₱2.7 billion bonds due in 2023; (iii) ₱5.3 billion bonds due in 2021 and ₱1.7 billion bonds due in 2024 (iv) ₱7.0 billion bonds due in 2022 and ₱1.0 billion bonds due in 2025; and (v) ₱6.0 billion bonds due in 2023. Obligations rated PRS Aaa are of the highest quality with minimal credit risk. FLI's capacity to meet its financial commitment for its obligations is strong. PRS Aaa is the highest rating assigned by Philratings. The rating reflects the following factors: sustained growth of FLI's real estate and leasing operations, resulting in strong income generation and improved cash flows; its conservative debt position and high financial flexibility; its established brand name and track record. The rating also reflects the following factors which were considered when the PRS Aaa rating was maintained for FLI's outstanding bond issues: FLI's established brand name; diversified portfolio; and favorable industry conditions. In 2013, the Philratings has assigned a PRS Aaa rating, the highest possible rating for a bond, for FDC's 10-year ₱8.8 billion bonds due in 2024, on account of the following key considerations: FDC's steady earnings and diversified business portfolio; maintenance and good credit standing even in times of financial crisis; strong financial flexibility, established brand names and good market position of main contributing subsidiaries; subsidiaries operate in growing industries which will benefit significantly from the supportive economic environment; conservative and professional stance of management; and new investments (i.e. power) seen to significantly boost profitability in the medium term.

Benefits of Large Scale Operations

With one of the largest real estate operations in the Philippines and in-depth industry knowledge, the Group believes it is well-positioned to respond promptly to changes in market conditions and capture opportunities. In addition, the Group's scale of real estate business operations enhances its position in negotiations with suppliers, landowners, credible land purchasers and tenants, as well as strengthening its reputation and brand awareness.

Vertically Integrated Sugar Business

Strategically Located in Mindanao

FDC, through its wholly owned subsidiary, PSHC, owns a vertically integrated sugar business, which includes corporate sugarcane farming operations, two sugar mills and two sugar refineries. FDC's sugar business is strategically located in Mindanao, which has fertile land resources and favorable climate while the industrialization of Luzon has increased Mindanao's importance in agribusiness. These conditions are expected to contribute to Sugar Group's ability to expand its sugar business. Since CY 2008–09, PSHC has augmented its milling and refining capacity through an expansion and modernization program, which increased milling capacity to 11,500 TCD and refining capacity to 550 MT of refined sugar per day for CY 2017–18. The additional refining capability is expected to provide Sugar Group with more flexibility and the opportunity to capture higher margins, as well as enabling it to expand its customer base to industrial users which generally have demand for refined sugar only. Moreover, the expansion and modernization program is expected to reduce Sugar Group's marginal costs through the utilization of newer equipment and economies of scale.

Business Strategy

The Group's strategy is to actively grow its business portfolio in a disciplined and systematic way and to benefit from the recent positive economic growth and favorable social trends in the Philippines in each of its segments. After building a strong business foundation for each of its subsidiaries, the Group plans to provide the necessary capital support to its subsidiaries in order for these subsidiaries to expand and grow in their respective target markets. The Group seeks to unlock and maximize subsidiaries' values through accelerated development and greater market reach (both in terms of product offerings as well as geographical coverage), possibly supplementing organic growth through mergers and/or acquisitions. Once the subsidiaries have achieved a strong position in their respective segments, the Group aims to optimize its capital through the public listing of these subsidiaries as it has done in the case of FLI and EW. Proceeds from the Group's subsidiaries will be re-invested in the Group's existing subsidiaries, as well as opportunities in new growth areas, such as the newly identified power business. Specific strategies to achieve these objectives are described for each business segment below.

Across all of its businesses, the Group's financial strategy is to adhere to prudent financial management with a view to sustainable growth and capital sufficiency. The Group also intends to continue strengthening and developing its human resources both at the operating subsidiary and holding company levels. For example, the Group intends to continue to provide its employees with training and development programs to enhance their professional knowledge and experience.

Banking and Financial Services Strategy

The Bank intends to continue to grow as a significant competitor in the financial services industry in the Philippines. The Bank is focused on increasing its asset base, targeting the retail and mid-market segments, expanding its deposit base, optimizing its expanded branch store network, developing new revenue streams, improving its IT, risk management and operational processes, diversifying its distribution channels, strengthening its risk management and internal controls, and enhancing the professional capabilities of its employees.

Optimizing Expanded Branch Store Network

The Bank is focused on growing its asset base to achieve economies of scale and benefit from cost efficiencies thereby improving returns on capital. The Bank believes its strong growth in the last few years, with a total of 466 branches (consolidated) as of December 31, 2018, places the Bank in a favorable position to further expand its overall scale. The Bank will continue to focus on optimizing its expanded branch store network by expanding the range of products for its target market of corporate mid-market and consumer segments, deepening and broadening relationships with existing customers and marketing its products and services to new and existing customers. The Bank plans to open approximately 3 to 5 branch stores per year for the next five years, selectively focusing on potentially profitable locations in Metro Manila and other key cities in Luzon, Visayas and Mindanao. In addition, the Bank will continue to consider further expansion through potential strategic acquisitions alongside its organic growth.

Balanced Loan Growth with a Consumer and Corporate Mid-Market Focus

The Bank will continue to focus on the consumer and mid-market corporate client segments with large corporations as a secondary focus. The Bank plans to increasingly penetrate the consumer and mid-market corporate segments by aggressively cross selling products and offering services tailored towards consumer and middle market clients as it optimizes its expanded distribution network.

Enhance Customer Experience

The Bank will continue to invest in initiatives to enhance its IT and improve its operational processes to achieve customer service excellence. The Bank recently implemented a new core banking system, which is intended to enhance the Bank's efficiency and facilitate an expedient and seamless customer experience by effectively connecting the various elements of the Bank. The Bank is in the process of upgrading its IT platform to establish a more advanced digital banking platform to meet the growing needs of its customers. The state of the art core banking system, together with the Bank's planned enhancement of its digital banking platform, is intended to improve the overall experience of the Bank's customers.

Continue to Strengthen Risk and Governance Framework

The Bank will continue to enhance its various risk monitoring and management tools to improve its risk management capabilities and the quality of its loan portfolio by continuing to (i) improve its credit policies and credit approval procedures, (ii) implement risk management control tools, including, among others, a centralized credit management information system that allows it to standardize credit risk detection, quantification and management and (iii) strengthen internal controls and legal compliance by standardizing internal policies and procedures in accordance with legal and regulatory requirements with a view to establish a comprehensive internal control system.

Attracting, Developing and Retaining Talent

A key to the Bank's success is its ability to attract, retain, train and develop talented and experienced professionals. The Bank plans on enhancing its human resource management to meet its business needs and growth plan. It will also continue to provide its employees with training and development programs through the East West Bank Academy to enhance their professional knowledge and experience. In addition, the Bank plans to incentivize performance by implementing an employee stock option plan. The Bank believes that its commitment to facilitating the career development of and providing incentives for its employees enables it to attract and retain skilled personnel and develop a high quality banking team.

Real Estate Strategy

In the real estate business, FLI, FAI, their respective subsidiaries and the real estate development projects and real estate-related administrative functions undertaken by FDC (collectively, the "Real Estate Group") intend to further accelerate growth and improve their return on equity by aggressively developing their land bank while retaining their current focus on the high-growth affordable and middle market segments where the Real Estate Companies believe they have a competitive advantage based on their current strong position. The Real Estate Companies intend to expand their residential product portfolio, extend their geographic coverage and increase recurring income from their leasing operations.

Continue to Strengthen the Real Estate Group's Leadership Position in the Affordable and Middle Market Segments

The Real Estate Group plans to capitalize on their strong position in the affordable and middle market segments to increase their market share. Driven by strong underlying demographic fundamentals with buyers representing the largest subset of house buyers in the Philippines, and highly fragmented supply, the Real Estate Group believe that these segments provide favourable demand supply dynamics and attractive margins. By focusing on these segments, the Real Estate Companies intend to differentiate themselves from most large developers in the Philippines.

Unlocking Value of Land Bank

The Real Estate Group believes that there is currently significant unrealized value in their land bank based on the balance sheet carrying value of the land bank. The Real Estate Group plans to accelerate the realization of the potential value of their land bank by aggressively rolling out new projects and developments. Given the current projects in their pipeline, the Real Estate Group believes they can benefit from strong economic fundamentals to accelerate the pace of new project launches. For their higher value raw land, the Real Estate Group plans to develop relatively higher density and higher value-added projects with a view to optimizing revenues per area of land bank.

Widen Reach through Product Expansion and Extension of Geographic Coverage

The Real Estate Group plans to maintain their strong position in the affordable and middle market segments by expanding product offerings and land bank into selective regional markets. In particular, the Real Estate Group plans to offer more inner city mixed-used developments and MRB products to capture the growing demand for these types of products in greater Metro Manila, Cebu, Davao, Iloilo and Cagayan de Oro.

Continue to Diversify Income Streams

In addition to retaining their position as one of the leading residential house and lot developers in the Philippines, the Real Estate Group intends to further balance their real estate derived income streams through the expansion of their retail and commercial leasing operations and recently established hospitality business. The Real Estate Group intend to increase recurring rental income through the expansion of Festival Supermall, creation of new leasing projects, enhancement of their existing investment portfolio through proactive leasing and management, and capitalization on their extensive real estate experience, scale and access to resources.

Improve Return on Equity without Compromising the Real Estate Companies' Land Bank Strategy

The Real Estate Group plans to continue increasing return on equity by optimizing balance sheet leverage in funding the accelerated roll-out of their new projects. The Real Estate Group plans to replenish their developed land bank through a combination of direct acquisitions and JVAs with other land owners. The Group intends to continue to acquire raw land for development on a strategic basis in areas where the Group's existing land bank is not sufficient for this purpose

Power Generation Strategy

In order to further diversify its business, the Group, through FDCUI, has successfully re-entered the power generation business industry in the Philippines and has emerged as a major presence in the Mindanao market. It aims to continue pursuing further growth:

Capitalize on Favorable Industry and Regional Dynamics

The Group is seeking to capitalize on ongoing deregulation in the power market. The Philippines power market is undergoing continuing reforms pursuant to EPIRA, which has allowed private enterprises to benefit from favorable market conditions, particularly in the generation side of the industry. The commercial operation of the Wholesale Electricity Spot Market ("WESM") and the implementation of the Retail Competition and Open Access ("RCOA") provide opportunities that, the Group believes, can maximize the benefits of operating its power projects. The EPIRA paved the way for a retail supply sector through the RCOA, which allows contestable customers to choose their electricity supplier. The DOE foresees that this new market will promote true competition, improved efficiency and savings to the consumer and the Group believes that this will maximize its existing plant's capacity as well as widen its market coverage by allowing it to tap customers not being served by distribution utilities it currently supplies energy to.

The Group will continue to pursue opportunities arising from the Renewable Energy Act of 2008 ("RE Act"). The RE Act provides market-based mechanisms and specific project incentives to drive the development of renewable energy projects. Project incentives include income tax holiday, lower duty-free importation, exemption from universal charge, cash incentive for missionary electrification and zero percent value-added tax rate. Market-based mechanisms for renewable energy consist of the feed-in tariff, renewable portfolio standards and green energy options. As such, the Group seeks to balance its existing portfolio by accelerating the development of renewable energy projects such as hydroelectric power, biomass and solar energy.

The Group re-entered the power generation business at an opportune time, when there was a supply deficit in the Mindanao grid as its coal power plant in Misamis Oriental was being developed. Even in the current surfeit of supply of energy, climate change and Mindanao's ageing hydroelectric power plants provide opportunities for the maximization of its capacity. The Group also believes that its location in the PHIVIDEC industrial estate allows it to significantly benefit from the increasing number of industrial projects being established there, providing it with a competitive pricing advantage vis-a-vis other power generators in the region.

Participate in the bidding for Government and Private Power Generation Assets
The Group is seeking to gain market share in the power generation industry by participating in the acquisition of both the Government's and privately owned power generation assets. The Group, through FDC's wholly owned subsidiary FDCUI, is closely monitoring all acquisition opportunities in the market and has been conducting due diligence in advance to prepare for future rounds of bidding.

Niche Marketing, and Strategic Partnerships
The Group plans to develop projects where it believes it has a competitive advantage in terms of the cost and quality. The Group plans to grow its power generation capacity through both the development of greenfield projects and strategic acquisitions. It intends to utilize the incentives offered under the Renewable Energy Law on the development of hydropower and other environmentally-friendly energy resources. FDCUI expects to continue establishing partnerships with indigenous people, local communities and local government units of each location of the proposed projects to ensure unimpeded construction and development.

Sugar Business Strategy

In the sugar business, the Group plans to increase the sugar cane supply by providing additional planters' assistance, among others, focus on cost efficiency and improve its human resources management.

Augment Cane Supply
The Group plans to continue increasing the Sugar Group's production and capacity utilization by expanding sugarcane supply from both independent farmers as well as its own corporate farms. In particular, the Sugar Group will seek to enhance its partnerships with farmers to encourage them to improve their farm's productivity and to plant sugarcane on agricultural land which is currently not being used for sugarcane production. In addition to granting low interest crop loans, the Sugar Group's farmer assistance programs include technical advice. The Management assists planters who decide to expand their farms replant existing farms with new high yielding varieties by providing them planting materials free of charge. This free canepoints program is expected to accelerate the increase in cane supply for the mills. Furthermore, the Sugar Group will utilize technology to monitor farm activities for timely correction of deficiencies.

Reduce Production Cost
A significant known source of additional production cost is the breakdown of factory facilities. In order to control recurring maintenance costs, the Sugar Group will implement a preventive maintenance program and condition monitoring that can fix the damage before resulting to a longer downtime. Additionally, the Sugar Group will continue to implement the effective and efficient use of automations to simplify work and eliminate redundancy in labor.

Develop Human Resources
The Sugar Group is also focused on supporting its growth by expanding and improving its human resources. The Sugar Group plans to implement a development program primarily focused on strengthening its sales and marketing department in anticipation of increasing sugar supplies. The Sugar Group plans to leverage this stronger organizational platform to further increase its sales particularly among industrial users and customers outside Southern Mindanao.

Hotel Operations Strategy

The Group intends to grow its recently established hospitality business through CHI and FHC. FHC intends to take advantage of the Philippine's strong economic fundamentals, travel and tourism trends and competitor footprint by building more hotels in Visayas and Mindanao destinations with growing domestic arrivals. FHC also looks to invest in destinations with potential for upscale resorts to cover both foreign and domestic markets.

Continue to Diversify Income Streams
The Group intends to continue to develop hospitality projects through FHC and CHI, its joint venture with AIPL. For its future hospitality projects, the Group intends to implement hotel management practices that are modeled on AIPL's and its affiliates' past successes in the hospitality sector. The Group plans to develop hospitality projects through its various real estate subsidiaries either on a stand-alone basis or to complement the Group's mixed used developments.

ITEM 2. PROPERTIES

The Parent Company developed the Beaufort, a residential condominium in Bonifacio Global City, Taguig City, Metro Manila and CRSM in Mactan Island, Cebu.

The Beaufort
FDC launched a premier residential condominium in Bonifacio Global City, Metro Manila in 2007 under the Filinvest Premiere Brand. The condominium is located on a lot adjacent to the Manila Golf Club with 2 luxury residential towers rising atop a 6-level banking podium, and a total of 41 storeys with 4 to 6 residential units per floor. Construction of the East and West Tower was in 2014.

2.1 Land Bank
The Group has invested in properties situated in what the Group believes are prime locations across the Philippines for existing and future housing and land development projects. It is important for the Group to have access to a steady supply of land for future projects. In addition to directly acquiring land for future projects, the Group has also adopted a strategy of entering into joint venture arrangements with land owners for the development of raw land into future project sites for housing and land development projects to reduce the capital expenditures for land and to substantially reduce the financial holding costs resulting from owning land for development.

As of December 31, 2018, FLI has a land bank of approximately 2,153 hectares of raw land for the development of its various projects, including approximately 779 hectares of land under JVAs, which the management believes is sufficient to sustain at least several years of development and sales. Details of FLI's raw land inventory as of December 31, 2018 are set out in the table below (area in hectares).

Location	Company Owned	Under Joint Ventures	Total	% to Total
Luzon				
Metro Manila	38	-	38	1.8%
Rizal	715	9	724	33.6%
Bulacan	249	-	249	11.6%
Bataan	12	-	12	0.5%
Pampanga	-	53	53	2.4%
Pangasinan	6	-	6	0.3%
Cavite	298	59	357	16.6%
Laguna	275	1	275	12.8%
Batangas	144	42	186	8.6%
Sub-total	**1,737**	**163**	**1,900**	**88.2%**
Visayas				
Cebu	22	36	58	2.7%
Negros Oriental	0		0	0.0%
Negros Occidental	51	-	51	2.4%
Sub-total	**73**	**36**	**109**	**5.1%**

Location	Company Owned	Under Joint Ventures	Total	% to Total
Mindanao				
Davao	1	30	31	1.4%
Zamboanga del Sur	13	-	13	0.6%
South Cotabato	101	-	101	4.7%
Sub-total	115	30	144	6.7%
Total	1,924	229	2,153	100.0%
% to Total	89.4%	10.6%	100.0%	

2.2 Current Development Projects

The following are the most recently launched projects and projects with new phases and buildings as of December 31, 2018:

PROJECT	TYPE	LOCATION
Amarilyo Crest	Horizontal	Rizal
Pineview	Horizontal	Cavite
Sandia	Horizontal	Batangas
Tierra Vista	Horizontal	Bulacan
The Grove	Horizontal	Rizal
Savannah Place	Horizontal	Cavite
Futura Homes Palm Estates	Horizontal	Bacolod
Futura Homes Mactan	Horizontal	Cebu
Futura Homes Iloilo	Horizontal	Iloilo
Futura Homes Koronadal	Horizontal	South Cotabato
Anila Park Residences	Horizontal	Rizal
Aria at Serra Monte	Horizontal	Rizal
The Prominence	Horizontal	Quezon City
Futura Homes Davao	Horizontal	Davao
New Fields at Manna	Horizontal	Rizal
Meridian Place	Horizontal	Cavite
Valle Dulce	Horizontal	Laguna
Ventura Real	Horizontal	Rizal
Claremont Expansion	Horizontal	Pampanga
Southwinds	Horizontal	Laguna
Futura Zamboanga	Horizontal	Zamboanga
Enclave	MRB	Muntinlupa
One Oasis Cebu	MRB	Cebu
One Oasis Cagayan de Oro	MRB	Cagayan de Oro
Panglao Oasis	MRB	Taguig
One Spatial	MRB	Pasig
San Remo	MRB	Cebu
Centro Spatial	MRB	Davao
One Spatial Iloilo	MRB	Iloilo
Marina Spatial	MRB	Dumaguete
8 Spatial	MRB	Davao
Maui Oasis	MRB	Manila
Alta Spatial	MRB	Valenzuela City
Bali Oasis	MRB	Pasig
Maldives Oasis	MRB	Davao
Sorrento Oasis	MRB	Pasig
Veranda	MRB	Davao
Activa	HRB	Quezon City
Levels	HRB	Alabang
Studio City	HRB	Alabang

On-going developments of the abovementioned projects are expected to require additional funds but FLI believes that it will have sufficient financial resources for these anticipated requirements, both from debt financing and generation from operations.

FLI expects to remain focused on core residential real estate development business which includes MRB projects and high-rise condominium projects, residential farm estates, entrepreneurial communities, and leisure developments in response to the demands of the Philippine market. The Parent Company is also expanding its retail and office-building portfolio to generate recurring revenues.

In 2019, FLI intends to retain its dominant position as the leader in MRB projects by launching 3 new projects nationwide and 9 additional buildings of existing projects. This will bring FLI's total MRB projects to 35 (excluding condotel). These new MRB projects are part of the total ₱30.0 billion estimated sales value of new projects slated for launch by FLI in 2019.

Aside from the MRBs, FLI has pipelined 15 horizontal residential projects and one HRB.

Banking and Financial Services

The Bank's head office is located in East West Corporate Center, The Beaufort, Fort Bonifacio Global City, Taguig City, Philippines.

The Bank believes all its facilities and properties are currently in good condition. As of date of this report, there are no liens or encumbrances on any of the properties of EW. The Bank may consider encumbering some of its properties as part of its normal supplementary funding operations. The Bank will continue to reconfigure the mix of its branches and adjust to the needs of its customers.

Power Generation Operations

In 2016, FDCUI, through FDC Misamis, completed its 405 MW clean coal thermal power plant in Mindanao. The power plant is located inside the 3,000 hectare PHIVIDEC Industrial Estate in Villanueva, Misamis Oriental and is connected to the new Villanueva Substation of the National Grid Corporation of the Philippines. FDC Misamis signed in November 2012 a 25-year lease contract with PHIVIDEC Industrial Authority which is exclusive of a three year construction period.

Hotel Operations

Currently, the Group has full scale operations in four properties located in Cebu City, Mactan, Muntinlupa City, and Clark, Pampanga. Crimson Resort and Spa Boracay was opened in November 2018.

Its maiden project MSSI or the brand Crimson Resort and Spa Mactan is a deluxe 5-star property with 290 rooms, 40 of which are one-bedroom villas with their own pools. Its main recreational facilities are its swimming pool and beachfront. It has 4 food and beverage outlets and two ballrooms, Coral and The Hall which can cater to a total of 400 persons all at the same time. The flagship Azure Beach Club was launched on October 24, 2014. The resort recently completed its renovation of the infinity pool, and opened the Spanish-themed Enye restaurant in 2017. The property also launched the 3,700-sq m Crimzone, which features family-oriented facilities, children's play area, dedicated pool and snack bar. The construction of the 229-room expansion of the property with additional Food and Beverage outlets and function spaces is on-going.

Quest Hotel and Conference Center, located in the heart of Cebu City, is a 3-star standard city hotel with 427 condotel rooms. It has an all-day dining restaurant catering to the breakfast needs of guests and meeting requirements. Small meetings and conferences can be hosted in its ten meeting rooms for a total of 400 persons capacity. Not only does Quest provide for the business related needs of guests, it also has a swimming pool for recreation.

EHSI or the brand Crimson Filinvest City Manila is a deluxe property with 345 rooms offered to guests. Strategically located in Alabang, Muntinlupa City right across the Festival Supermall. It has a total of three food and beverage outlets with Café 8 as the all-day dining while the Deck Bar is a highlight among its recreational facilities being located at near the swimming pool. Its ballroom can accommodate events with as much as 350 participants and supported by 6 other smaller meeting rooms.

Quest Hotel and Conference Center Clark is a 4-star hotel located in the heart of Clark, Pampanga. Having been located in the beautifully landscaped Mimosa Leisure Estate, the hotel offers everything expected from an international destination plus a 36-hole championship golf course, a hub for duty-free shopping, nature walks & activities and a nightlife entertainment hub among others. The hotel itself has 303 newly-refurbished guestrooms, a grand ballroom, meeting rooms and an all-day Café. Its eight spacious meeting rooms can be set up to accommodate the desired number of people. Its grand ballroom can host a total of 575 persons in a banquet set-up. Currently, the hotel has the Café Mequeni and the Charley's Tapas bar as its two food and beverage outlets.

Crimson Resort and Spa Boracay, one of the newest destinations in the island, is a five-star resort situated in an exclusive location, uniquely coined as Station Zero. With breathtaking views, pristine white sand beachfront and state-of-the-art facilities, the resort features 192 keys inclusive of 23 villas. World-class outlets include Saffron Café, Mosaic Latin American Grill, Azure Beach Club and J's Pool Bar. A wide range of leisure activities and meeting facilities are offered through the Events Pavilion, Coral Ballroom, Crimzon Kids' Club, Aum Spa, and generous pool areas.

Sugar Operations

Milling and Refining Facilities
The annual sugarcane harvesting period in Mindanao generally begins during the dry season in November and ends in April the following year. Once sugarcane is harvested, farmers in the vicinity of the mills are responsible for transporting the harvest directly to the mills, generally by truck. The Sugar Group grants certain subsidies to assist most of its contract farmers with their transportation costs. The Sugar Group monitors and coordinates harvesting and transportation operations among farmers to achieve an orderly and uninterrupted schedule of cane supply to its sugar mills. At the beginning of each milling season, the Sugar Group surveys the size of the farmers' crops and organizes the farmers' harvesting and supply schedules, amounts of sugarcane delivered and payments through an electronic database. Data is gathered for the Sugar Group's entire production process, including data relating to sugarcane supply and the Sugar Group's factory operations.

Each of DSCC and CSCC has on-site packaging, distribution capabilities and inventory storage facilities. Each mill operates on the basis of three eight-hour shifts during the milling season. Once every two weeks, DSCC shuts down the mill for about 16 hours for clearing of the evaporators while CSCC does not need to shut down by alternate use of its two sets of evaporators.

Factory Equipment
DSCC owns 1 sugar mill and 1 refinery. The sugar mill equipment includes the following: cane preparation equipment (cane knives and shredder), three 4-roller mills and one five-roller mill, boiling house equipment (heaters, clarifiers, vacuum filters, evaporators, vacuum pans, crystallizers and centrifugals), turbo generators, two boilers and other accessories. The refinery equipment includes the following: melters, affination centrifugals, talo-clarifiers, deep-bed filters, ion-exchange decolorization equipment, refinery evaporator, vacuum pans, crytallizers, centrifugals, a dryer and cooler and other accessories. Steam and electricity are provided by three units of bagasse-fired steam boilers and three units of turbo generators.

CSCC owns one sugar mill and a refinery. The sugar mill equipment includes the following: cane preparation equipment (cane knives and shredder), three 4-roller mills and two five-roller mills, boiling house equipment (heaters, clarifiers, vacuum filters, evaporators, vacuum pans, crystallizers and centrifugals), 4 turbo generators, two boilers and other accessories. The refinery equipment includes the following: melters, affination centrifugals, clarifiers, pressure filters, ion-exchange decolorization equipment, refinery evaporator, vacuum pans, crystallizers, centrifugals, a dryer and cooler and other accessories. Steam and electricity are provided by three units of bagasse-fired steam boilers and three units of turbo generators.

Properties

The following table lists land owned and leased by the Sugar Group:

Sugar Subsidiary	Area (sq. m.)
DSCC	
Mill site compound	539,000
CSCC	
Mill site compound	222,000
Truck yard and access road	391,000
Other	120,000
Sugar Subsidiary	**Area (sq. m.)**
HYSFC	
Proposed office site	49,000
Total	1,321,000

HYSFC has development agreements for a total area of 1,409 hectares with various landowners remaining as of CY 2017-18 after a management decision to drop low yielding and high cost areas. Other reductions are expired agreements that were not renewed by the landowner or renewal not pursued due to unfavourable location. The agreements are generally based on a fixed annual payment from HYSFC to the landowners with terms ranging from 10 years to 15 years. HYSFC develops these areas into sugarcane farms.

Investment in foreign securities

The Company does not have any investment in foreign securities.

Investment Properties

FLI has the following operating strategic investment properties: Festival Supermall, Fora Mall, Main Square Molino, PBCom Tower, Northgate Cyberzone, EDSA Transcom Building, Cebu Cyberzone, Pasay Cyberzone and Clark Mimosa Cyberzone.

Rentals

Banking and Financial Services
The Bank also leases several premises occupied by its branches with annual escalation of 5.0% to 10.0% and for periods ranging from 5 to 15 years, renewable upon mutual agreement of both parties. EW has 466 branches as of December 31, 2018 including its rural bank branches. For the years ended December 31, 2018 and 2017, the total rentals of the banking and financial services charged to operations amounted to ₱1,037.9 million and ₱952.3 million, respectively.

Real Estate
FLI is renting spaces for its sales offices in Quezon City, Rizal, Pampanga, Tarlac, Puerto Princesa City, Davao City, Butuan, Tagum, Cagayan de Oro, and Zamboanga City. The terms of the leases are usually for one year, and thereafter, the terms of the lease are on a month-to-month basis or upon the option of both parties, a new contract is drawn.

Power
FDC Misamis' coal power plant and transmission line is situated in a 114.4 hectares land leased from PHIVIDEC Industrial Authority (PIA) in Misamis, Oriental. The lease agreements are for a period of 25 years, exclusive of 3 year construction period, and subject to an annual escalation of 3% to 5%, renewable for another 25 years upon mutual agreement of the parties.

FDC Misamis also entered into short-term leases of transport and maintenance equipment and facilities used in the operation of the coal power plant.

FDCUI is renting an office space in Taguig City for 5 years with an annual escalation of 5%. For the years ended December 31, 2018 and 2017, total rentals charged to operations amounted to ₱76.3 million and ₱65.2 million, respectively.

ITEM 3. LEGAL PROCEEDINGS

The Group is subject to lawsuits and legal actions in the ordinary course of its activities. However, the Group does not believe that any such lawsuits or legal actions will have a significant impact on the financial position or result of operations of the Group. Following are the major cases involving FDC or its subsidiaries, FLI, FAI and PSHC:

1. *FLI vs. Abdul Racky Ngilay, et. al*
   G.R. No. 174715
   Supreme Court

This is a civil action for the declaration of nullity of deeds of conditional and absolute sale of certain real properties located in Tambler, General Santos City covered by free patents and executed between FLI and the plaintiff's patriarch, Hadji Gulam Ngilay. The Regional Trial Court (RTC) of Las Piñas City (Branch 253) decided the case in favor of FLI and upheld the sale of the properties. On appeal, the Court of Appeals (CA) rendered a decision partly favorable to FLI but nullified the sale of some properties involved. FLI filed a petition for review on certiorari to question that portion of the decision declaring as void the deeds of sale of properties covered by patents issued in 1991. The Supreme Court (SC) affirmed the decision of the CA but declared with finality that FLI's purchase of sales patents issued in 1991 was void and ordered the Ngilays to return ₱14,000,000.00 to FLI. The RTC issued a Writ of Execution dated February 16, 2015. To satisfy the monetary judgment in favor of FLI, four parcels of land owned by the Ngilays and covered by Transfer Certificates of Title ("TCT") Nos. P-6886, 147-2014005034, 147-2014000465, and 147-2014000468, were levied on execution and sold at public auction to FLI as highest bidder. The Sheriff's Certificate of Sale over the properties was registered with the Registry of Deeds of General Santos City. FLI filed a motion for the surrender of the certificates of titles of the Ngilays so that FLI's affidavit of consolidation of ownership can be annotated on the titles and new certificates of title will be issued in FLI's name. This motion was partially granted: 3 titles, namely Transfer Certificates of Title ("TCT") Nos. 147-2014005034, 147-2014000465, and 147-2014000468, are surrendered to the Register of Deeds of General Santos City but Transfer Certificate of Title ("TCT") No. P-6886 was declared sale by the Sheriff invalid because the owner's title was not one of the titles declared by the SC as invalid. The Sheriff was to look for another property of Ngilay for execution.

2. *Emelita Alvarez, et. al. vs. FDC*
   DARAB Case No. IV-RI-010-95
   Adjudication Board, Department of Agrarian Reform

On or about March 15, 1995 certain persons claiming to be beneficiaries under the Comprehensive Agrarian Reform Program (CARP) of the National Government filed an action for annulment/cancellation of sale and transfer of titles, maintenance of peaceful possession, enforcement of rights under CARP plus damages before the Regional Agrarian Reform Adjudicator, Adjudication Board, DAR. The property involved, located in San Mateo, Rizal, was purchased by FDC from the Estate of Alfonso Doronilla. A motion to dismiss is still pending resolution.

3. *Republic of the Philippines vs. Rolando Pascual, et al.*
   SC G.R. NO. 222949
   Supreme Court

The National Government through the Office of the Solicitor General filed suit against Rolando Pascual, Rogelio Pascual, and FLI for cancellation of title and reversion in favor of the Government of properties subject of a joint venture agreement between the said individuals and FLI. The Government claims that the subject properties covering about 73.33 hectares are not alienable and disposable being forest land. The case was dismissed by the RTC of General Santos City (Branch 36) on November 16, 2007 for lack of merit. On appeal, the CA reversed the Decision of the RTC and ordered the case to be remanded for a full-blown trial on the merits. FLI filed a Motion for Partial Reconsideration, which was denied by the CA. On April 4, 2016, FLI filed its Petition for Review with the SC but the SC also affirmed the Decision of the CA remanding the case for reversion filed by the Republic of the Philippines to the RTC of General Santos City for further proceedings. In an Order dated September 18, 2018, the hearing was reset to March 19, 2019.

4. *Antonio E. Cenon and Filinvest Land, Inc. vs. San Mateo Landfill, Mayor Rafael Diaz,*
   Brgy. Pintong Bukawe, Director Julian Amador and the Secretary, Department of Environment and Natural Resources
   Civil Case No. 2273-09
   Branch 75, Regional Trial Court, San Mateo, Rizal
   CA-G.R. CV No. 107682
   Court of Appeals, Manila

On February 9, 2009, FLI and its First Vice President, Engr. Antonio E. Cenon ("Plaintiffs") filed an action for injunction and damages against the respondents to stop and enjoin the construction of a 19-hectare landfill in a barangay in close proximity to Timberland Heights in San Mateo, Rizal. Plaintiffs sought preliminary and permanent injunctive reliefs and damages and the complete and permanent closure of the dump site. After presenting evidence, plaintiffs rested their case. Defendant San Mateo Sanitary Landfill and defendant Mayor separately filed a Demurrer to Evidence. In an Order dated August 22, 2016, the Court granted both Demurrers to Evidence and dismissed the case for insufficiency of evidence. Plaintiffs filed a Notice of Appeal which was granted by the RTC in an Order dated September 23, 2016. The CA issued a Notice to File Brief dated November 3, 2016 which required Plaintiffs to file their Appellants' Brief. On February 15, 2017, plaintiffs filed their Appellants' Brief. San Mateo Sanitary Landfill filed its Brief dated April 7, 2017. Plaintiffs filed their Reply Brief on June 5, 2017. San Mateo Sanitary Landfill filed an Omnibus Motion for Leave to File Rejoinder and to Admit Rejoinder dated June 27, 2017. Pursuant to the October 20, 2017 Resolution of the CA, plaintiffs filed their Comment on the Omnibus Motion on December 18, 2017. Meanwhile, the parties underwent mediation but the case was not settled. In an Order dated August 1, 2018, the CA noted the Mediator's Report that the parties were not able to reach settlement, noted the Omnibus Motion, and submitted the appeal for decision.

5. *Coca-Cola Bottlers Philippines, Inc. vs. Pacific Sugar Holdings Corporation*
   Civil Case No. 10-1067
   Regional Trial Court
   Branch 146, Makati City

On October 28, 2010, Coca-Cola Bottlers Philippines, Inc. ("Coca-Cola") filed a civil case against PSHC demanding the amount of ₱347,410,104.66 allegedly representing damages sustained by Coca-Cola due to the supposed failure by PSHC to deliver certain volume of sugar products. The court issued a writ of preliminary attachment against PSHC, causing the attachment of its personal properties to cover the amount of Coca-Cola's claim. The writ of preliminary attachment was lifted upon filing by PSHC of a stand-by Letter of Credit. Coca-Cola assailed the lifting of the writ by filing a petition with the CA.

Meanwhile, PSHC accordingly filed its Answer on April 13, 2011 to refute the claims of Coca-Cola. After the parties' presentation of evidence, the RTC issued its Decision dated August 11, 2017 which partially granted Coca-Cola's claims, ordering PSHC to pay ₱347,410,104.66 as actual damages, ₱300,000.00 as exemplary damages, ₱1,000,000.00 as attorney's fees, and costs of suit. PSHC filed a timely appeal of this decision with the CA. On February 15, 2019, the CA issued its decision, which partially granted the appeal and modified the actual damages which is reduced to ₱68,030,420.00 and all other judgment awards is affirmed.

6. *Manila Paper Mills International, Inc. vs. Filinvest Land, Inc., et al.*
Civil Case No. DC 721-17
Regional Trial Court
Branch 90, Dasmariñas City, Cavite

In its Complaint dated July 14, 2017, Manila Paper Mills International, Inc. (MPMII) claims it owns three parcels of land in Dasmariñas City, Cavite covered by TCT Nos. T-636128, T-636130 and T-636131 with the following respective areas: 79,999 square meters, 40,000 square meters, and 104,340 square meters, or a total area of 224,339 square meters. These areas allegedly overlap with FLI's lots which now form part of FLI's project, The Glens located in San Pedro Laguna. According to MPMII, plotting for The Glens conducted by a Licensed Geodetic Engineer through Google Maps revealed that portions of the project encroached on said MPMII properties for a total of 208,256 square meters. The Complaint prays for the cancellation of FLI's certificates of title that overlap with MPMII's as well as the payment of damages. MPMII also prayed for the issuance of a temporary restraining order or preliminary injunction to enjoin FLI from possessing, altering, transferring ownership, or disposing of the subject properties. MPMII subsequently amended its complaint to address issues raised by FLI in its first Motion to Dismiss. The main subject of the amendment was the change in the plaintiff from MPMII to "Trustees and Shareholders of MPMII."

In response to the amended complaint, FLI filed its second Motion to Dismiss, where FLI argued, among others, that: (a) the court has no jurisdiction over the amended complaint's prayer for injunctive relief; (b) the amended complaint should be dismissed because the original complaint lacks cause of action (because MPMII's corporate personality has ceased in 2004) and may not therefore be subject to amendment; (c) the correct filing fees were not paid and in view of its impropriety, the amendment circumvents the need for separate filing and payment of new docket fees.

During the proceedings, the court allowed MPMII to present evidence on its prayer for injunction even before the resolution of FLI's motions to dismiss which raised serious grounds. The Presiding Judge proceeded with the hearing of the latter's evidence without the presence and participation of FLI's counsel. Thus, FLI filed a Motion to Recuse which is still pending. In the meantime, the proceedings have not been continued.

The case was then assigned to an Acting Presiding Judge and a hearing was set on January 23, 2019 for the cross-examination of MPMII's witnesses. FLI filed an Omnibus Motion to nullify the proceedings where MPMII presented the above-said evidence/witnesses, to resolve pending motions and to suspend further proceedings. An Order was issued which cancelled the hearing on January 23, 2019 and submitted the Motion to Dismiss for resolution.

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

There were no matters submitted to a vote of security holders during the fourth quarter of the calendar year covered by this report.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

ITEM 5.1 MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Cash Dividends
On April 29, 2016, the Parent Company's BOD approved the declaration and payment of cash dividends of P0.0516 per share to shareholders of record as of May 27, 2016, payable on June 21, 2016.

On April 28, 2017, the Parent Company's BOD approved the declaration of cash dividends in the amount of P0.059 per share to shareholders of record as of May 28, 2017, payable on June 21, 2017.

On May 4, 2018, the Parent Company's Board of BOD approved the declaration and payment of cash dividends of P0.0765 per share for every common share payable on June 28, 2018 to all stockholders of record as of June 5, 2018.

The payment of cash dividends depends upon the Parent Company's earnings, cash flow, financial condition, capital investment requirements and other factors (including certain restrictions on dividends imposed by the terms of loan agreements). Pursuant to the loan agreements entered into by the company and certain financial institutions, the Parent Company needs the lenders' prior consent in cases of cash dividend declaration.

ITEM 5.2 BOND ISSUANCES

On January 24, 2014, FDC issued and listed P8,800.0 million unsecured fixed-rate peso retail bonds due 2024 with annual coupon rate of 6.1458%. Interest is payable quarterly in arrears starting April 24, 2014. Net proceeds from the bonds amounted to P8,754.9 million of which portion was used for refinancing amounting to P4,877.1 million and the balance was used for the capital expenditures of the Hotel and Power operations.

Market Price Information

The Shares are traded on the PSE under the symbol "FDC." The Shares were listed on the PSE on December 22, 1982. The high and low sales prices for the Shares as reported on the PSE for each quarter in 2016, 2017 and 2018 were as follows:

	High	Low	Period End
2016			
First Quarter	5.05	4.10	5.02
Second Quarter	6.60	4.90	6.60
Third Quarter	8.25	6.40	8.06
Fourth Quarter	8.29	7.60	8.24
2017			
First Quarter	8.20	7.90	7.90
Second Quarter	8.00	7.55	7.90
Third Quarter	7.95	7.45	7.83
Fourth Quarter	8.15	7.50	7.75
2018			
First Quarter	7.80	7.20	7.55
Second Quarter	7.68	7.00	7.10
Third Quarter	7.30	6.85	7.11
Fourth Quarter	13.80	7.00	11.80

As of December 31, 2018 and February 28, 2019, the closing price of the Parent Company's shares on the PSE was ₱11.8 per share and ₱13.7 per share, respectively. The number of shareholders of record **(exclusive of treasury)** as of December 31, 2018 and February 28, 2019 were 4,070 and 4,065, respectively. Total common shares issued were 9,319,872,387 and outstanding were 8,648,462,987 as of December 31, 2018.

Top 20 Stockholders
As of December 31, 2018

	Shareholders	Class of Securities	No. of Shares held	% to Total Outstanding
1	A.L. Gotianun, Inc.	Common	7,587,823,502	87.74%
2	PCD Nominee Corporation (Filipino)	Common	884,777,808	10.23%
3	PCD Nominee Corporation (Non-Filipino)	Common	53,878,530	0.62%
4	Michael Gotianun	Common	47,131,422	0.54%
5	Ricardo Alonzo	Common	28,627,534	0.33%
6	Andrew T. Gotianun, Jr.	Common	3,371,995	0.04%
7	Lourdes Josephine Gotianun-Yap	Common	3,370,091	0.04%
8	Michael Edward T. Gotianun	Common	3,370,079	0.04%
9	Joseph M. &/or Lourdes Josephine G. Yap	Common	2,817,511	0.03%
10	Helen Reyes	Common	2,692,544	0.03%
11	Emily Benedicto	Common	2,466,400	0.03%
12	H. K. Hedinger	Common	2,023,508	0.02%
13	Santiago Go	Common	1,707,066	0.02%
14	Executive Optical, Inc.	Common	1,023,556	0.01%
15	Dennis G. Baguyo	Common	800,000	0.01%
16	AMA Rural Bank of Mandaluyong, Inc.	Common	616,600	0.01%
17	Manuel Benipayo	Common	527,141	0.01%
18	Salud Borromeo	Common	501,655	0.01%
19	Francisco Benedicto	Common	493,280	0.01%
20	Edan Corporation	Common	387,724	0.00%
			8,628,407,246	99.77%

Recent Sale of Unregistered Securities

There are no securities sold by the Company in the past 3 years, which were not registered under the Code.2

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS

RESULTS OF OPERATIONS

Year Ended December 31, 2018 Compared With Year Ended December 31, 2017

Revenues

Real Estate Operations

Sale of Lots, Condominium and Residential Units
Sale of lots, condominium and residential units grew by 18.2% or ₱3,132.1 million from ₱17,230.7 million in 2017 to ₱20,362.8 million in 2018, at the back of: (a) FAI's higher sales of commercial lots and condominium units; and (b) FLI's increased real estate sales from middle-income projects.

Mall and Rental Revenues
Mall and rental revenues amounted to ₱6,174.4 million in 2018, an increase of 26.1% or by ₱1,277.2 million from ₱4,897.2 million in 2017. Filinvest Axis Tower 1, located in Northgate Cyberzone Alabang; Filinvest Cyberzone Cebu Tower 2, located in Salinas, Cebu; and Filinvest Cyberzone Mimosa Building 1, located in Mimosa Clark, have been completed adding 76,046 square meters (sq.m.) of gross leasable area (GLA) to the office portfolio. FLI now operates 27 buildings totaling 457,970 sq.m. of GLA. For retail, FLI now has 242,127 sq.m. GLA to the retail portfolio.

Hospitality Operations

Hospitality Revenues
Hospitality revenues amounted to ₱2,665.5 million, a jump of 22.6% or an increase of ₱491.0 million from the ₱2,174.5 million revenues reported in 2017. This was on account of higher room and occupancy rates, increased golf revenues, and the commencement of operations of Crimson Resort and Spa Boracay (Crimson Boracay) in November 2018

Banking and Financial Services

Net Interest Income

Banking and Financial Services Interest Income
The banking and financial services' interest income surged by 10.7% or ₱2,299.8 million from ₱21,494.7 million in 2017 to ₱23,794.5 million in 2018 primarily due to the higher volume of EW's loans and receivables particularly in consumer loans, with growth across EW's auto, credit card and personal loans.

Costs of Banking and Financial Services
Costs of banking and financial services increased by 43.2% or ₱1,447.3 million from ₱3,346.7 million in 2017 to ₱4,794.0 million in 2018 mainly due to the effect of higher deposit rates and increased volume of high-cost time deposit liabilities, which comprised almost half of the Bank's total deposit liabilities as of December 31, 2018.

Net Interest Income
Net interest income increased by 4.7% from ₱18,148.0 million in 2017 to ₱19,000.5 million in 2018 due to the continued growth in EW's consumer portfolio, offsetting the impact of higher volume of high-cost time deposits.

Power Operations

Power Revenues
Power revenues decreased by 13.2% or ₱1,312.0 million from ₱9,942.5 million in 2017 to ₱8,630.5 million in 2018. The revenues reported in previous year included the revenue contribution from Independent Power Producer Administrator (IPPA) contracts which were terminated in the last quarter of 2017. Excluding the contributions from IPPA contracts in 2017, power revenues increased by 27.2% from ₱6,724.0 million to ₱8,555.0 million due to increased energy sales

Sugar Operations

Sugar Sales
The Group's sugar sales increased by 14.3% or ₱305.7 million from ₱2,143.0 million in 2017 to ₱2,448.7 million in 2018 on account of higher sales volumes and improved sugar prices.

Other Income

Other Income — Real Estate Operations
Other income from real estate operations decreased by 8.2% to ₱2,236.8 million in 2018 from ₱2,437.5 million in 2017 due to lower interest income derived from contracts receivable.

Other Income — Hospitality Operations
Other income from hospitality operations increased by 24.7% or ₱7.9 million to ₱39.8 million in 2018 from ₱31.9 million in 2017 mainly due to higher share in net income of a joint venture.

Other Income — Banking and Financial Services
The Group's other income from banking and financial services decreased by 13.7% or ₱985.3 million from ₱7,197.7 million in 2017 to ₱6,212.4 million in 2018. This was primarily on account of EWRB's reduced service charges and fees earned from teachers' loan, as a result of the suspension by the Department of Education (DepEd) of the automatic payroll deduction arrangement starting in November 2017. In June 2018, EWRB signed the new Memorandum of Agreement with DepEd and has resumed providing new loans to public school teachers.

Other Income — Power Operations
Other income from power operations increased by ₱650.2 million from ₱9.1 million in 2017 to ₱659.3 million in 2018 mainly due to compensation received from the power plant contractor amounting ₱650.0 million for lost revenues due to the delay in the completion of the power plant.

Other Income — Sugar Operations
Other income from sugar operations of ₱89.2 million was an increase of almost thrice as much as the reported ₱31.5 million other income in 2017 due to conversion rights income.

Costs

Costs of Sale of Lots, Condominium and Residential Units
Costs of sale of lots, condominium and residential units increased by 12.9% or ₱1,179.2 million from ₱9,142.7 million to ₱10,321.9 million primarily due to increase in the amount of real estate sales booked during the current period. The said increase in costs of sales was lower than the 18.2% increase in the Group's sale of lots, condominium and residential units due to a greater proportion of FAI's sale of commercial lots with relatively higher gross profit margin.

Costs of Mall and Rental Services
Costs of mall and rental services increased by 5.6% or ₱46.4 million from ₱834.2 million in 2017 to ₱880.6 million in 2018 mainly due to depreciation of new buildings for lease that commenced operations in 2018, as mentioned above.

Costs of Hospitality Operations
The Group's costs of hospitality operations increased by 24.9% or ₱268.4 million from ₱1,076.8 million in 2017 to ₱1,345.2 million in 2018, driven by higher manpower costs resulting from wage increase and additional staffing, higher food and beverage costs, salaries and utilities, due to the commencement of operations of Crimson Boracay in 2018 and higher business volume across the Group's other hotel properties.

Costs of Banking and Financial Services
Costs of banking and financial services was accounted for under net interest income in the "Revenues".

Costs of Power Operations
Costs of power operations decreased by 34.7% or ₱2,455.9 million from ₱7,069.7 million in 2017 to ₱4,613.7 million in 2018. The costs of power in 2017 included the incurred costs of the IPPA contracts consisting of ₱2,316.6 million purchased electricity and ₱1,138.6 million amortization of rights under the contracts. These initially qualified as intangible assets but were subsequently derecognized when the IPPA contracts were terminated in 2017.

Costs of Sugar Sales
The Group's costs of sugar sales increased by 8.5% or ₱151.9 million from ₱1,787.1 million in 2017 to ₱1,939.0 million in 2018. Because of higher sales volume, the 8.5% increase in costs of sugar sales was slower than the 14.3% increase in the Group's sugar sales due to improved prices of raw sugar.

Costs of Other Operations
Costs of other operations increased by 5.4% or ₱32.5 million from ₱607.5 million in 2017 to ₱640.0 million in 2018 due to translation adjustment of interest on foreign currency denominated bonds payable.

Expenses

Real Estate Operations
Expenses of real estate operations increased by 22.0% from ₱5,045.0 million in 2017 to ₱6,153.3 million in 2018 attributed to (a) higher business permits and real property taxes as a result of higher revenues and completion of more buildings during the year; (b) full operation of DPI which resulted to higher salaries, wages and benefits; (c) service fees paid by PDDC; and (d) selling and marketing expenses mainly for brokers' commissions and advertising costs

Hospitality Operations
The expenses of hospitality operations increased by 6.0% or ₱53.0 million from ₱876.8 million in 2017 to ₱929.8 million in 2018 on account of higher room occupancy rates and the commencement of operations of Crimson Boracay in 2018, which led to increased manpower cost, higher rent and credit card commission expense.

Banking and Financial Services
The expenses of banking and financial services increased by 3.3% from ₱18,895.7 million in 2017 to ₱19,521.0 million in 2018 on account of: (a) higher tax rates, particularly the documentary stamp tax on time deposits; (b) marketing expenses due to new advertising campaigns; and (c) training exercises for EW's employees to be deployed at its branch stores.

Power Operations
The expenses of power operations decreased by 26.5% or ₱957.1 million from ₱3,614.7 million in 2017 to ₱2,657.6 million in 2018 due to (a) accretion expense on the liability on PPA contracts, incurred only in 2017 as the contracts were terminated in the same year; and (b) 2017 provision for probable losses on contingencies incident to the ordinary course of business operations of the power operations segment.

Sugar Operations
Sugar operating expenses increased by 48.5% from ₱233.3 million in 2017 to ₱346.4 million in 2018 mainly due to additional allowance for impairment losses on certain sugar refinery assets and provision for probable losses on contingencies

Others
Expenses of other operations increased by 90.5% or ₱614.1 million from last year's ₱678.5 million to ₱1,292.6 million. The expenses reported in previous year included a one-time adjustment in borrowing costs pertaining to interest expense which should have been capitalized as part of the cost of a constructed asset that was funded by the bonds in which the borrowing costs were incurred.

Provision for Income Tax
Provision for income tax increased by 8.4% or ₱346.3 million from ₱4,108.4 million in 2017 to ₱4,454.7 million in 2018. Provision for current income tax increased by 20.5% or ₱664.6 million attributed to higher taxable income of the real estate operations as a result of increased revenues. Provision for deferred income tax decreased by 36.8% or ₱318.4 million due mainly to temporary differences between financial and taxable income.

Net Income
As a result of the foregoing, consolidated net income increased by 30.7% or ₱3,150.8 million from ₱10,273.3 million in 2017 to ₱13,424.0 million in 2018. Net income attributable to equity holders of the Parent Company increased by 47.6% or ₱3,147.1 million from ₱6,612.4 million in 2017 to ₱9,759.5 million in 2018 while net income attributable to noncontrolling interest amounted to ₱3,664.5 million in 2018.

FINANCIAL CONDITION
As at December 31, 2018 Compared with As of December 31, 2017

Assets

Total consolidated assets as of December 31, 2018 increased by 10.8% from ₱532,833.6 million to ₱590,504.3 million. The changes in asset accounts were accounted as follows:

Cash and cash equivalents decreased by 9.6% or ₱7,197.7 million from ₱75,319.0 million to ₱68,121.3 million. More funds were placed in higher yielding liquid assets which led to lower cash balance particularly on EW's interbank loans receivable.

Loans and receivables of the real estate operations decreased by 80.5% from ₱21,859.7 million to ₱4,261.3 million as a result of the adoption of PFRS 15, Revenue from Contracts with Customers, wherein receivables with maturities exceeding one year were reclassified as Contract assets. Total Receivables and Contract assets of the real estate segment decreased by 28.1% due to strong collections during the period, the majority of which came from middle-income projects.

Loans and receivables of the hospitality operations increased by 112.5% or ₱104.1 million from ₱92.5 million to ₱196.6 million which mainly came from credit card transactions.

Loans and receivables of the banking and financial services increased by 10.7% or ₱22,371.8 million from ₱209,159.1 million to ₱231,530.9 million on account of the growth in EW's consumer loans consisting of auto, personal, credit cards and mortgage loans.

Loans and receivables of the power operations increased by 3.1% or ₱55.5 million from ₱1,786.0 million to ₱1,841.5 million principally due to transition adjustments of ₱200.0 million arising from the adoption of new accounting standards.

Loans and receivables of the sugar operations went down by 9.3% from ₱130.0 million to ₱117.9 million due to lower level of advances to sugar planters related to sugar cane farming operations.

Financial assets at FVTPL decreased by 40.7% or ₱2,974.4 million from ₱7,313.2 million to ₱4,338.8 million which resulted from the movements in EW's proprietary trading portfolio.

Financial assets at FVTOCI increased by 85.4% or ₱345.5 million from ₱404.8 million in 2017 to ₱750.3 million in 2018 mainly due to higher fair values of securities investments.

Investment securities at amortized cost amounted to ₱36,510.5 million which posted an increase of almost 6 times the ₱6,472.2 million balance in year-end of last year, in line with EW's business models.

Contract assets of ₱11,455.4 million was recognized and reclassed from Loans and receivables in compliance with PFRS 15, as previously mentioned.

Real estate inventories went up by 22.2% from ₱65,599.4 million to ₱80,194.3 million due to rawland acquisitions including acquisition of Cleon Properties amounting to ₱4.7 billion and ₱1.9 billion of GPRDI. Moreover, real estate inventories accelerated spending on saleable real estate project costs.

Coal, spare parts and other inventories increased by 19.9% or ₱114.9 million from ₱576.6 million to ₱691.4 million principally due to the higher level of the power segment's coal and fuel inventory as of reporting date.

Investment properties increased by 8.9% or ₱5,634.7 million from ₱63,347.1 to ₱68,981.8 million mainly due to the additional construction costs of new buildings intended for office and commercial buildings for lease. These are primarily located in Northgate Cyberzone in Alabang, Filinvest Cyberzone in Pasay Bay Area, Filinvest Mimosa, Fora Mall in Tagaytay, Main Square in Cavite, and Il Corso in Cebu.

Property, plant and equipment decreased by 1.3% or ₱601.4 million from ₱45,024.3 million to ₱44,422.9 million mainly due to depreciation expense, offset by the additional property and equipment acquired during the year.

Investments in joint ventures decreased by 15.9% or ₱139.2 million from ₱873.8 million to ₱734.6 million attributed mainly to take up of EW's proportionate share in the net loss of its joint venture.

Deferred tax assets increased by 17.5% or ₱387.7 million from ₱2,213.1 million to ₱2,600.8 million due to EW's higher allowances set-up, net of write-offs.

Other assets increased by 4.9% from ₱22,281.9 million to ₱23,372.8 million mainly attributed to the construction costs of the Filinvest Cebu Cyberzone, classified under noncurrent other assets pursuant to BTO agreement with the Government of Cebu.

Liabilities

Total consolidated liabilities amounted to ₱470,822.9 million as at December 31, 2018, 11.1% higher than ₱423,704.0 million balance as at December 31, 2017. Movements in account balances were as follows:

Deposit liabilities stood at ₱266,926.1 million, up by 10.6% from ₱241,417.2 million largely attributable to the growth of high-cost deposits.

Bills and acceptances payable increased by 332.0% or ₱13,810.2 million from ₱4,159.7 million to ₱17,969.9 million due to higher volume of interbank borrowings of EW.

Accounts payable, accrued expenses and other liabilities decreased by 0.8% or ₱318.1 million from ₱40,798.5 million to ₱40,480.4 million as a result of the adoption of PFRS 15, Revenue from Contracts with Customers, wherein accounts payable with maturities exceeding one year were reclassified as Contract liabilities. Total Accounts payable and Contract liabilities increased by 13.2% due to higher level of payables to contractors and suppliers for construction activities.

Contract liabilities of ₱5,690.7 million was recognized in compliance with PFRS 15, as previously mentioned.

Long-term debt increased by 1.2% or ₱1,531.1 million to ₱127,347.5 million from ₱125,816.4 million on account of additional loan availments to finance the ongoing development of the real estate and hospitality operations, partially offset by amortizations paid during the year.

Income tax payable decreased by 15.2% from ₱715.1 million to ₱606.5 million attributable to EW's lower taxable income, to be remitted in 2019.

Deferred tax liabilities increased by 7.3% or ₱722.5 million from ₱9,962.2 million to ₱10,684.7 million due to additional capitalized borrowing costs on long-term debt and other temporary differences of financial and taxable income

Equity

On May 4, 2018, the Parent Company's BOD approved the declaration and payment of cash dividends of ₱661.6 million or ₱0.0765 per share for every common shares of record as of June 28, 2018 share payable on June 3, 2018.

On April 28, 2017, the Parent Company's BOD approved the declaration and payment of cash dividends of ₱549.7 million or ₱0.059 per share for every common shares of record as of May 28, 2017 share payable on June 21, 2017.

On April 29, 2016, the Parent Company's BOD approved the declaration and payment of cash dividends of ₱480.7 million or ₱0.052 per share for every common share payable on June 21, 2016 to stockholders of record as of May 27, 2016.

The Group has commitments for capital expenditures for the project developments of the real estate segment, the requirement of the sugar manufacturing subsidiaries, the development and construction of solar rooftop facilities and other utility projects, the intended construction and management of various hotels, and the bank's expansion and implementation of IT projects, which could be adequately covered by the operating cash flow and availment of medium and long term loans.

Performance Indicators

	As of And For The Year Ended December 31, 2018	As of And For The Year Ended December 31, 2017
Earnings Per Share - Basic (EPS) Net Income (Attributable to Equity Holders of the Parent Company) / Weighted Average Number of Outstanding Shares	₱1.128 /share	₱0.710 /share
Price Earnings Ratio (PE Ratio) Closing Price / EPS	10.46 Times	10.92 Times
Return on Revenue Total Net Income / Total Revenue	18%	15%
Return on Equity (Average) Total Net Income / Average Total Equity	12%	10%
Assets to Equity Ratio Total Assets / Total Equity	4.93 : 1	4.88 : 1

	As of And For The Year Ended December 31, 2018	As of And For The Year Ended December 31, 2017
Debt to Equity Ratio		
a) Long-term Debt / Total Equity	1.06 : 1	1.15 : 1
b) Total Liabilities Excluding Deposit Liabilities, and Bills and Acceptances Payable / Total Equity	1.55 : 1	1.63 : 1
Current Ratio		
a) Including EW — Current Assets / Current Liabilities	0.95 : 1	1.00 : 1
b) Excluding EW — Current Assets / Current Liabilities	5.72 : 1	3.10 : 1
Quick Ratio — Current Assets – Inventories / Current Liabilities	1.41 : 1	1.02 : 1
Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) to Total Interest Expense — EBITDA / Total Interest Expense	6.94 Times	7.17 Times

Notes to Financial Statements and Other Disclosures

1. The attached consolidated financial statements are prepared in compliance with PFRS. The accounting policies and methods of computation followed in the financial statements for the year ended December 31, 2018 are the same as those followed in the annual financial statements of the Company for the year ended December 31, 2017.

2. Except for the sugar business, the operating activities of the Company are carried out uniformly over the calendar year. The sugar milling season of the Company's sugar subsidiaries is usually from November to June of the following year. Except for this milling season, there are no other unusual operating cycles or seasons during the year.

3. Except as disclosed in the Management's Discussion and Analysis of Financial Condition and Results of Operation, there are no unusual items affecting assets, liabilities, equity, net income or cash flows for the current period. There are no known trends, demands, commitments, events or uncertainties that will have a material impact on the Company's liquidity.

4. There are no changes in estimates of amounts reported in the previous period that have material effects in the current period.

5. Except for those discussed in the Management's Discussion and Analysis of Financial Condition and Results of Operations, there are no issuances, repurchases and repayments of debt and equity securities.

6. There were no other dividends paid (aggregate or per share) separately for ordinary shares and other shares during the current period, except as discussed in the previous sections.

7. The Company derives its revenues from the following reportable segments:

   Real Estate Operations
   This involves acquisition of land, planning and development of large-scale fully integrated residential communities as well as the development and sale of residential lots, housing units, medium-rise residential buildings, farm estates, industrial parks, residential resort projects, a private membership club and condominium buildings. This segment also involves operations and management of

cinema and mall, property management and leasing of commercial and office spaces.

Hospitality Operations
This involves operation of hotels, including management of resorts, villas, golf course, service apartment and other services for the pleasure, comfort and convenience of guests in said establishments under its management.

Banking and Financial Services
This involves a wide range of financial services to consumer and corporate clients which includes deposit-taking, loan and trade finance, treasury, trust services, credit cards, cash management, custodial services, insurance services and leasing and finance. The business units in this segment consist of retail banking, corporate banking, consumer banking, and treasury and trust.

Power Operations
This involves the establishment, construction, operation of power plants and supply of power to offtakers and also includes management of power plants' output under the IPPA contracts.

Sugar Operations
This involves operation of agricultural lands for planting and cultivating farm products, operation of a complete sugar central for the purpose of milling or converting sugar canes to centrifugal or refined sugar and selling of sugar and by-products.

Other Operations
This involves other operations of the Parent Company including CWSI, CTI and FDCI. FDCI was incorporated to facilitate the Group's issuance of foreign currency-denominated bonds while CWSI was incorporated to provide maintenance, operation, management and rehabilitation of waterworks sewerage and sanitation system and services specifically for the distribution, supply and sale of potable water to domestic, commercial and industrial. CTI is engaged in providing computer and information technology services including, but not limited to, general consulting, improvement systems planning, network integration, business re-engineering services, systems integration and system development.

Financial information on the operations of these business segments as of and for the years ended December 31, 2018 and 2017 are summarized and included in the accompanying Notes to Consolidated Financial Statements.

8. Except as discussed in the Management's Discussion and Analysis of Financial Condition and Results of Operations, there are no material events subsequent to December 31, 2018 up to the date of this report that have not been reflected in the financial statements for the current period.

9. There have been no changes in the composition of the Company during the current period, such as business combination, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinuing operations, except as discussed in the Developments of the Company and Management's Discussion on its Results of Operations.

10. There are no changes in contingent liabilities or contingent assets since December 31, 2018.

11. There are no material contingencies and any other events or transactions affecting the current period.

12. There are no known events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

13. There are no known material off-balance sheet transactions, arrangements, obligations including contingent liabilities, and other relationships of the Company, with unconsolidated entities or other persons created during the reporting period.

14. There are no significant elements of income or loss, except as discussed in the Management's Discussion on the Results of Operations that did not arise from the Company's continuing operations.

15. There are no known seasonal aspects that had a material effect on the financial condition or results of operations.

16. Aside from the possible material increase in interest rates on the outstanding floating – rate term loans, there are no known trends, events or uncertainties or any material commitments that may result to any cash flow or liquidity problems of the Group within the next 12 months. The Group is not in default or breach of any note, loan, lease or other indebtedness or financing arrangements requiring it to make payments or any significant amount in its accounts payable that have not been paid within the stated terms.

RESULTS OF OPERATIONS

<u>**Year Ended December 31, 2017 Compared With Year Ended December 31, 2016**</u>

Revenues

Real Estate Operations

Sale of Lots, Condominium and Residential Units
Sale of lots, condominium and residential units increased by 5.0% or ₱823.9 million from ₱16,406.8 million in 2016 to ₱17,230.7 million in 2017 as a result of growth in sale of commercial lots and real estate sales from middle-income projects inclusive of MRBs and HRBs.

Mall and Rental Revenues
Mall and rental revenues reached ₱4,897.2 million, an increase of 27.8% or by ₱1,065.3 million from ₱3,831.9 million in 2016. Vector Three, located in Northgate Cyberzone Alabang has been completed and turned over, adding 36,000 square meters of GLA to the office portfolio. FLI now operates 22 buildings totaling 348,000 square meters of GLA. For retail, Fora Mall in Tagaytay and Main Square Mall in Bacoor were completed adding 50,000 square meters GLA to the retail portfolio.

Hospitality Operations

Hospitality Revenues
Hospitality revenues climbed to ₱2,174.5 million in 2017 from ₱1,587.4 million in 2016 which posted a surge of ₱587.1 million or 37.0% atributed mostly to Quest Hotel and Conference Center and Mimosa Golf, Clark which begun contributing revenues in the third quarter of last year. The increase was also backed by higher occupancy and average room rates across all hotels.

Banking and Financial Services

Net Interest Income

Banking and Financial Services Interest Income
Interest income from banking and financial services surged by 21.5% or ₱3,810.2 million from ₱17,684.5 million in 2016 to ₱21,494.7 million in 2017 attributable to double-digit growth in consumer loans led by auto loans, personal loans and mortgage loans.

Costs of Banking and Financial Services
Costs of banking and financial services was higher by 28.1% or ₱734.0 million from ₱2,612.7 million in 2016 to ₱3,346.7 million in 2017 primarily on account of strong growth in deposits and bank's issuance of ₱10.0 billion worth of LTNCDs.

Net Interest Income
As a result of the foregoing, net interest income stood at ₱18,148.0 million, 20.4% or ₱3,076.2 million higher than the ₱15,071.8 million posted last year. Net interest margin remains at an industry leading level of 7.8% as EW remains one of the most consumer focused bank in the industry

Power Operations

Power Revenues
Power revenues amounted to ₱9,942.5 million in 2017, an increase of 32.4% or ₱2,432.5 million from ₱7,510.0 million in 2016. This was attributable to full year operation of the FDC Misamis coal plant which started commercial operation in the last quarter of 2016.

Sugar Operations

Sugar Sales
Sugar sales in 2017 amounted to ₱2,143.0 million, lower by 16.4% or ₱419.5 million from ₱2,562.5 million sales in 2016 mainly caused by decline in sugar prices.

Other Income

Other Income – Real Estate Operations
Other income from real estate operations amounted to ₱2,437.5 million, an increase of 3.3% or ₱78.6 million over the ₱2,358.9 million other income of last year due to higher interest income from contracts receivable, miscellaneous income and various fees charged to buyers and other lease-related activities.

Other Income — Hospitality Operations
Other income from hospitality operations was lower by 23.5% or by ₱9.9 million, from ₱41.8 million in 2016 to ₱31.9 million in 2017, due to a one-time booking of cumulative share in net earnings of CHI in 2016.

Other Income -- Banking and Financial Services
Other income from banking and financial services grew by 10.3% or ₱672.7 million from ₱6,525.0 million in 2016 to ₱7,197.7 million in 2017 due to higher service charges, fees and commissions consisting mostly of consumer loan-related fees and credit card charges.

Other Income – Power Operations
Other income from power operations was lower by ₱26.8 million at ₱9.1 million in 2017 on account of forex adjustments.

Other Income — Sugar Operations
Other income from sugar operations went up by 3.6% or ₱1.1 million from ₱30.4 million in 2016 to ₱31.5 million in 2017 as a result of increase in storage income.

Costs

Costs of Sale of Lots, Condominium and Residential Units
Costs of sale of lots, condominium and residential units amounting to ₱9,142.7 million during the year, was 3.0% or ₱262.8 million higher than ₱ 8,879.9 million of last year mainly on account of higher sales booking during the year.

Costs of Mall and Rental Services
Costs of mall and rental services went up to ₱834.2 million in 2017 or an increase of 43.3% or by ₱251.9 million from ₱582.3 million of last year due to depreciation of new buildings for lease.

Costs of Hospitality Operations
Costs of hospitality operations was at ₱1,076.8 million in 2017, higher by 37.4% or ₱293.0 million from ₱783.8 million in 2016, because of additional business volume from MCI's Quest Hotel and Conference Center and Mimosa Golf, Clark as it becomes full year operational in 2017.

Costs of Banking and Financial Services
Costs of banking and financial services was accounted for under net interest income in the "Revenues and Other Income".

Costs of Power Operations
Costs of power operations at ₱7,069.7 million increased by 12.2% or ₱766.2 million from ₱6,303.5 million cost in 2016. This was due to the full year operation costs of the coal plant.

Costs of Sugar Sales
Costs of sugar sales in 2017 amounted to ₱1,787.1 million, a decrease of 1.8% or ₱32.0 million from the ₱1,819.1 million cost in 2016. The decline resulted mainly from the drop in sugar prices.

Costs of Other Operations
A reduction of 3.8% or ₱24.2 million in costs of other operations was posted from ₱631.7 million in 2016 to ₱607.5 million in 2017 due to an adjustment in accrued interest payable.

Expenses

Real Estate Operations
Expenses of the real estate operations increased by ₱661.7 million or 15.1% to ₱5,045.0 million from ₱4,383.3 million in 2016 due to higher operating expenses related to the opening of new malls and BPO buildings for lease.

Hospitality Operations
Expenses of the hospitality operations decreased by 3.7% or ₱33.5 million from ₱910.3 million in 2016 to ₱876.8 million in 2017 due to capitalized rent expense for renovations made in Quest Hotel and Conference Center and Mimosa Golf, Clark.

Banking and Financial Services
Expenses of the banking and financial services increased year-on-year by 7.0% from ₱17,658.6 million to ₱18,895.7 million which ascribed to higher manpower cost, taxes and licenses, brokerage fees, advertising and insurance, all on account of expanded business stores and operations.

Power Operations

Expenses of the power operations doubled from ₱1,251.3 million in 2016 to ₱2,614.7 million in 2017 primarily due to the impact of the full year operation of Misamis coal plant on depreciation and interest.

Sugar Operations

Expenses of sugar operations went up by 35.7% to ₱233.3 million in 2017 from ₱171.9 million in 2016 mainly because of the provision for impairment of refinery assets.

Others

Expenses of other operations at ₱678.5 million declined by 31.2% or ₱307.2 million from last year's ₱985.7 million as 2017 includes a one-time adjustment in borrowing costs pertaining to interest expense which should have been capitalized as part of the cost of a constructed asset that was funded by the bonds in which the borrowing costs were incurred.

Provision for Income Tax

Provision for income tax increased by 31.5% or ₱983.3 million from ₱3,125.1 million in 2016 to ₱4,108.4 million in 2017. Provision for current income tax increased by 25.9% or ₱666.3 million attributed to higher taxable income of the real estate and banking and financial services. Provision for deferred income tax also increased by 57.8% or ₱317.1 million due mainly to EW's lower provision for probable losses during the current reporting period.

Net Income

As a result of the foregoing factors, consolidated net income surged by 21.2% or ₱1,797.2 million from ₱8,476.1 million in 2016 to ₱10,273.3 million in 2017. Net income attributable to equity holders of the Parent Company amounted to ₱6,617.4 million in 2017, a 20.2% increase from ₱5,502.7 million in 2016.

FINANCIAL CONDITION

As at December 31, 2017 Compared with As at December 31, 2016

Assets

Total consolidated assets stood at ₱532,833.6 million as at December 31, 2017, higher by 6.9% or ₱34,194.5 million from ₱498,639.1 million as at December 31, 2016. The following were the changes in account balances:

Cash and cash equivalents increased by 18.7% or ₱11,840.6 million from ₱63,478.4 million to ₱75,319.0 million on account of EW's growth in bank deposits driven by business expansion.

Loans and receivables of the real estate operations decreased by 14.7% from ₱25,620.0 million to ₱21,859.7 million mainly due to collections of receivables during the period.

Receivables of the hospitality operations expanded by 67.6% or ₱37.3 million from ₱55.2 million to ₱92.5 million mainly due to increased volume of revenues.

Loans and receivables of the banking and financial services climbed by 11.6% or by ₱21,707.7 million from ₱187,451.4 million to ₱209,159.1 million as the bank's consumer loans grew by 16.6% year-on-year from higher business volume of customer loans on auto, personal and mortgage loans.

Receivables of the power operations at ₱1,786.0 million was higher by 18.9% or ₱283.4 million than the ₱1,502.6 million balance as at December 31, 2016 on account of the full year operations of the coal plant.

Receivables of the sugar segment amounted to ₱130.0 million, 12.3% or ₱14.2 million higher than ₱115.8 million balance in end-2016 brought by additional advances to sugar planters.

Financial assets at FVTPL posted a growth of 38.8% or ₱2,045.4 million from ₱5,267.8 million to ₱7,313.2 million due to movements in EW's proprietary trading portfolio.

Financial assets at FVTOCI decreased by 4.0% or ₱16.9 million from ₱421.7 million in 2016 to ₱404.8 million in 2017 on account mainly of changes in fair values during the period

Investment securities at amortized cost amounted to ₱6,472.2 million or a decrease of 41.8% or ₱4,657.3 million from ₱11,129.5 million in line with EW's balance sheet strategy.

Real estate inventories went up to ₱65,633.6 million or a growth of 16.8% or ₱9,428.2 million from ₱56,205.4 million ascribed to additional projects launched and purchases of rawland for development.

Coal, spare parts and other inventories decreased by 15.8% or ₱108.6 million from ₱685.2 million to ₱576.6 million due to lower level of sugar inventories and power segment's increased consumption of coal, diesel, material supplies, spare parts and chemicals.

Investment properties and property, plant and equipment increased by 9.4% and 5.1%, respectively, due to additional costs of buildings for lease and additional construction and development costs of Crimson Resort Boracay.

Investments in joint ventures of ₱873.8 million posted an increase of 34.5% or ₱224.0 million from ₱649.8 million on account of EW's remeasurement of shares in the joint venture offset by its proportionate share in the net loss.

Deferred tax assets went down by 5.4% or ₱125.2 million from ₱2,338.3 million to ₱2,213.1 million on account of the termination of power segment's IPPA contracts.

Goodwill as of December 31, 2017 amounted to ₱10,381.1 million, 26.6% or ₱3,770.2 million lower than ₱14,151.3 million balance as of December 31, 2016. The decrease resulted from the amendment by way of partial rescission of the Deed of Exchange between FDC and ALGI involving the transfer by the latter of 100% ownership in PSHC to the former in exchange for FDC shares.

IPPA rights of ₱7,113.4 million as of December 31, 2016 were fully closed as of December 31, 2017 due to the termination of the IPPA contracts for Mt. Apo 1 and 2 geothermal power plants in December 2017.

Other assets stood at ₱22,281.9 million, an increase of 2.4% or ₱521.2 million from ₱21,760.7 million on account of construction costs of the noncurrent assets in relation to the Build-Transfer-Operate (BTO) agreement with the Government of Cebu and hospitality segment's advances to contractors particularly for Crimson Hotel Boracay.

Liabilities

Total consolidated liabilities amounted to ₱423,704.0 million as at December 31, 2017, 7.4% higher than ₱394,684.2 million balance as at December 31, 2016. Movements in account balances were as follows.

Deposit liabilities stood at ₱241,317.2 million, up by 8.7% from ₱221,979.3 million largely attributable to the growth of low cost deposits (CASA) generated from the Bank's expanded store network. LTNCDs aggregating ₱10.0 billion were also issued during the year.

Bills and acceptances payable increased by 89.5% or ₱1,965.1 million from ₱2,194.6 million to ₱4,159.7 million due to higher volume of interbank and other short term borrowings of EW.

Accounts payable, accrued expenses and other liabilities rose by 16.3% or ₱5,848.5 million from ₱35,885.0 million to ₱41,733.5 million mainly due to the accrual for the purchase of rawland and payables to contractors and suppliers for project constructions.

Liability on IPPA contract of ₱7,530.2 million as of December 31, 2016 was closed in 2017 due to the termination of the IPPA contracts for Mt. Apo 1 and 2 in December 2017, as previously mentioned.

Income tax payable increased by 47.0% from ₱486.5 million to ₱715.1 million attributable to current tax set-up of real estate for the year.

Long-term debt totaled ₱125,816.4 million as of December 31, 2017, an increase of 7.1% or ₱8,380.4 million from the ₱117,436.0 million total debt as at December 31, 2016 on account of the bond issuance by CPI and additional bank loans to finance the ongoing projects and developments of the Group.

Deferred tax liabilities increased by 8.6% or ₱789.4 million from ₱9,172.8 million to ₱9,962.2 million due to additional capitalized borrowing costs on long-term debt and other temporary differences of financial and taxable income.

Equity

On April 28, 2017, the Parent Company's BOD approved the declaration and payment of cash dividends of ₱549.7 million or ₱0.059 per share for every common shares of record as of May 28, 2017 share payable on June 21, 2017.

On April 29, 2016, the Parent Company's BOD approved the declaration and payment of cash dividends of ₱480.7 million or ₱0.052 per share for every common share payable on June 21, 2016 to stockholders of record as of May 27, 2016.

On May 15, 2015, the Parent Company's BOD approved the declaration and payment of cash dividends of ₱465.9 million or ₱0.05 per share for every common share payable on July 2, 2015 to stockholders of record as of June 10, 2015.

The Group has commitments for capital expenditures for the project developments of the real estate segment, the requirement of the sugar manufacturing subsidiaries, the development and construction of power plant and other utility projects, the intended construction and management of various hotels, and the bank's expansion and implementation of IT projects, which could be adequately covered by the operating cash flow and availment of medium and long term loans.

Performance Indicators

	As of And For The Year Ended December 31, 2017		As of And For The Year Ended December 31, 2016	
Earnings Per Share - Basic (EPS) Net Income (Attributable to Equity Holders of the Parent Company) / Weighted Average Number of Outstanding Shares	₱0.710	/share	₱0.591	/share
Price Earnings Ratio (PE Ratio) Closing Price / EPS	10.92	Times	13.94	Times
Return on Revenue Total Net Income / Total Revenue	15%		14%	
Return on Equity (Average) Total Net Income / Average Total Equity	10%		8%	
Assets to Equity Ratio Total Assets / Total Equity	4.88 : 1		4.80 : 1	
Debt to Equity Ratio a) Long-term Debt / Total Equity	1.15 : 1		1.13 : 1	
b) Total Liabilities Excluding Deposit Liabilities, Bills and Acceptances Payable and Liability on IPPA Contract / Total Equity	1.63 : 1		1.57 : 1	
Current Ratio a) Including EW Current Assets / Current Liabilities*	1.00 : 1		1.02 : 1	

	As of And For The Year Ended December 31, 2017		As of And For The Year Ended December 31, 2016	
b) Excluding EW				
Current Assets / Current Liabilities*	5.10 : 1		3.49 : 1	
Quick Ratio	1.02 : 1		1.08 : 1	
Current Assets – Inventories / Current Liabilities*				
Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) to Total Interest Expense	7.15	Times	7.62	Times
EBITDA / Total Interest Expense				

**Excluding current portion of Liability on IPPA Contract*

Notes to Financial Statements and Other Disclosures

1. The attached consolidated financial statements are prepared in compliance with PFRS. The accounting policies and methods of computation followed in the financial statements for the year ended December 31, 2017 are the same as those followed in the annual financial statements of the Company for the year ended December 31, 2016.

2. Except for the sugar business, the operating activities of the Company are carried out uniformly over the calendar year. The sugar milling season of the Company's sugar subsidiaries is usually from November to June of the following year. Except for this milling season, there are no other unusual operating cycles or seasons during the year.

3. Except as disclosed in the Management's Discussion and Analysis of Financial Condition and Results of Operation, there are no unusual items affecting assets, liabilities, equity, net income or cash flows for the current period. There are no known trends, demands, commitments, events or uncertainties that will have a material impact on the Company's liquidity.

4. There are no changes in estimates of amounts reported in the previous period that have material effects in the current period.

5. Except for those discussed in the Management's Discussion and Analysis of Financial Condition and Results of Operations, there are no issuances, repurchases and repayments of debt and equity securities.

6. There were no other dividends paid (aggregate or per share) separately for ordinary shares and other shares during the current period, except as discussed in the previous sections.

7. The Company derives its revenues from the following reportable segments:

   Real Estate Operations
   This involves acquisition of land, planning and development of large scale fully integrated residential communities as well as the development and sale of residential lots, housing units, medium-rise residential buildings, farm estates, industrial parks, residential resort projects, a private membership club and condominium buildings. This segment also involves operations and management of cinema and mall, property management and leasing of commercial and office spaces.

   Hospitality Operations
   This involves operation of hotels, including management of resorts, villas, golf course, service apartment and other services for the pleasure, comfort and convenience of guests in said establishments under its management.

   Banking and Financial Services
   This involves a wide range of financial services to consumer and corporate clients which includes deposit-taking, loan and trade finance, treasury, trust services, credit cards, cash management, custodial services, insurance services and leasing and finance. The business units in this segment consist of retail banking, corporate banking, consumer banking, and treasury and trust.

Power Operations
This involves the establishment, construction, operation of power plants and supply of power to offtakers and also includes management of power plants' output under the IPPA contracts.

Sugar Operations
This involves operation of agricultural lands for planting and cultivating farm products, operation of a complete sugar central for the purpose of milling or converting sugar canes to centrifugal or refined sugar and selling of sugar and by-products.

Other Operations
This involves other operations of the Parent Company including CWSI and FDCI. FDCI was incorporated to facilitate the Group's issuance of foreign currency-denominated bonds while CWSI was incorporated to provide maintenance, operation, management and rehabilitation of waterworks sewerage and sanitation system and services specifically for the distribution, supply and sale of potable water to domestic, commercial and industrial.

Financial information on the operations of these business segments as of and for the years ended December 31, 2017 and 2016 are summarized and included in the accompanying Notes to Consolidated Financial Statements.

8. Except as discussed in the Management's Discussion and Analysis of Financial Condition and Results of Operations, there are no material events subsequent to December 31, 2017 up to the date of this report that have not been reflected in the financial statements for the current period.

9. There have been no changes in the composition of the Company during the current period, such as business combination, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinuing operations, except as discussed in the Developments of the Company and Management's Discussion on its Results of Operations.

10. There are no changes in contingent liabilities or contingent assets since December 31, 2017.

11. There are no material contingencies and any other events or transactions affecting the current period.

12. There are no known events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

13. There are no known material off-balance sheet transactions, arrangements, obligations including contingent liabilities, and other relationships of the Company, with unconsolidated entities or other persons created during the reporting period.

14. There are no significant elements of income or loss, except as discussed in the Management's Discussion on the Results of Operations that did not arise from the Company's continuing operations.

15. There are no known seasonal aspects that had a material effect on the financial condition or results of operations.

16. Aside from the possible material increase in interest rates on the outstanding floating – rate term loans, there are no known trends, events or uncertainties or any material commitments that may result to any cash flow or liquidity problems of the Group within the next 12 months. The Group is not in default or breach of any note, loan, lease or other indebtedness or financing arrangements requiring it to make payments or any significant amount in its accounts payable that have not been paid within the stated terms.

RESULTS OF OPERATIONS
Year Ended December 31, 2016 Compared With Year Ended December 31, 2015

Revenues

Real Estate Operations

Sale of Lots, Condominium and Residential Units and Club Shares
Sale of lots, condominium and residential units and club shares grew by 2.5% or ₱401.0 million from ₱16,005.8 million in 2015 to ₱16,406.8 million in 2016, with the increase in sale of lots in Filinvest City and higher sales from middle-income projects consisting of Medium-Rise Buildings and High-Rise Buildings.

Mall and Rental Revenues
Mall and rental revenues in 2016 amounted to ₱3,831.9 million, an increase of 15.4% or ₱510.5 million from ₱3,321.4 million in 2015. Three (3) new buildings were completed in the last quarter of 2015, and these have started to generate revenues in 2016.

Hospitality Operations
Hospitality revenues surged by 23.4% or ₱301.3 million from ₱1,286.1 million in 2015 to ₱1,587.4 million in 2016 on account of revenues contributed by MCI's Quest Hotel and Golf, Clark which the Group started to operate in 2016.

Banking and Financial Services

Net Interest Income

Banking and Financial Services Interest Income
Interest income from banking and financial services soared 24.8% or by ₱3,514.2 million from ₱14,170.3 million in 2015 to ₱17,684.5 million in 2016 as a result of increase in lending activities, largely driven by growth in auto loans, corporate loans and salary loans to public school teachers.

Costs of Banking and Financial Services
Costs of banking and financial services increased by 27.5% or ₱563.9 million from ₱2,048.8 million in 2015 to ₱2,612.7 million in 2016 attributed primarily to the strong growth in bank deposits.

Net Interest Income
Net interest income rose 24.3% or by ₱2,950.3 million from ₱12,121.5 million in 2015 to ₱15,071.8 million in 2016 mainly ascribed to higher volume of loans from expansion across business units

Power Operations
Power revenues registered a 21.4% growth or an increase of ₱1,321.9 million from ₱6,188.1 million in 2015 to ₱7,510.0 million in 2016 as the coal plant started to contribute revenues when it commenced its operation in October 2016.

Sugar Operations
Sugar operations contributed sales of ₱2,562.5 million in 2016, an increase of 2.0% or ₱50.1 million from ₱2,512.4 million sales in 2015.

Other Income

Other Income - Real estate operations
Other income from real estate operations increased by 36.2% from ₱1,731.1 million in 2015 to ₱2,358.9 million in 2016 due to a ₱450.0 million income from liquidated damages qualified to be recognized as income in 2016.

Other Income - Hospitality Operations
Other income from hospitality operations posted an increase of more than 14 times or by ₱38.9 million from ₱2.9 million in 2015 to ₱41.8 million in 2016 due to share in net income of a joint venture and higher foreign exchange gain and other miscellaneous income.

Other Income - Banking and Financial Services
Other income from banking and financial services jumped by 62.9% or ₱2,520.1 million from ₱4,004.9 million in 2015 to ₱6,525.0 million in 2016 on account of increase in service charges and fees from branch store transaction and consumer loan-related fees.

Other Income - Power Operations
Other income from power operations increased by 62.2% or ₱13.8 million from ₱22.2 million in 2015 to ₱36.0 million in 2016 merely on account of income from scrap sales.

Other Income - Sugar Operations
Other income from sugar operations decreased by 51.3% or ₱32.1 million from ₱62.5 million in 2015 to ₱30.4 million in 2016 due mainly to previous year's higher income from sale of sugar conversion rights.

Costs

Costs of Sale of Lots, Condominium and Residential Units and Club Shares
Costs of sale of lots, condominium and residential units and club shares amounted to ₱8,879.9 million in 2016, higher by 1.7% or ₱146.3 million in 2015 due to movement in the amount of sales booked during the current period.

Costs of Mall and Rental Services
Costs of mall and rental services increased from ₱540.0 million in 2015 to ₱582.3 million in 2016, an increase of 7.8% or ₱42.3 million basically due to depreciation of newly completed investment properties.

Costs of Hospitality Operations
Costs of hospitality operations increased by 99.7% or ₱391.4 million from ₱392.4 million in 2015 to ₱783.8 million in 2016 mainly on account of additional business volume as the Group started to operate the MCI's Quest Hotel and Golf, Clark in 2016, as previously mentioned.

Costs of Banking and Financial Services
Costs of banking and financial services is accounted for under net interest income in the "Revenues and Other Income".

Costs of Power Operations
Costs of power operations in 2016 at ₱6,303.5 million was 15.8% or ₱857.7 million higher than the ₱5,445.7 million cost in 2015 attributed mainly to the operation of FDC Misamis coal plant which commenced in October 2016.

Costs of Sugar Sales
Costs of sugar sales in 2016 of ₱1,819.1 million was slightly lower by 0.6% than the ₱1,830.2 million cost in 2015.

Costs of Other Operations
Costs of other operations increased by 9.5% or ₱54.8 million from ₱577.0 million in 2015 to ₱631.7 million in 2016 primarily attributable to translation adjustments.

Expenses

Real Estate Operations
Expenses incurred for the real estate operations in 2016 amounted to ₱4,383.3 million, an increase of ₱558.7 million from ₱3,824.5 million in 2015, which came primarily from higher level of (a) general and administrative expenses due to some repairs expensed out in 2016 and increases in outside services and utilities; (b) selling and marketing expenses that arose from increase in brokers' commission, and (c) interest and other financial charges driven by newly availed loans in 2016.

Hospitality Operations
The Group's hospitality operating expenses increased by 13.5% or by ₱102.8 million from ₱763.6 million in 2015 to ₱866.4 million in 2016 largely attributed to the operations of MCI's Quest Hotel and Golf, Clark and the recognition of rent expense in Clark Mimosa properties in accordance with PAS 17, *Leases*.

Banking and Financial Services
Expenses of the banking and financial services escalated by 29.1% to ₱17,658.6 million in 2016 from ₱13,681.4 million in 2015 because of (i) higher manpower cost on account of expanded business and stores; (ii) expanded branch network and operations which led to higher taxes and licenses, depreciation and amortization, rent, and miscellaneous expenses; and (iii) higher provision for probable losses as the Bank continued its conservative provisioning on account of its credit expansion.

Power Operations
The Group's power operations' expenses increased by 52.4% or ₱430.3 million from ₱821.0 million in 2015 to ₱1,251.3 million in 2016 merely incurred from FDC Misamis coal plant which started operation in October 2016, consisting of interest expense on loans, manpower cost, professional fees, insurance and outside services.

Sugar Operations
Sugar operating expenses reduced by 11.2% to ₱171.9 million in 2016 from ₱193.6 million in 2015 due mainly to lower depreciation, interest and other expenses.

Others
Other operating expenses remained almost flat at ₱985.7 million in 2016 compared with ₱989.9 million in 2015.

Provision for Income Tax
Income tax provision went up by 28.3% or ₱689.4 million from ₱2,435.7 million in 2015 to ₱3,125.1 million in 2016. Provision for current income tax increased by 44.6% or ₱794.6 million due to higher taxable income of the banking and financial services. On the other hand, provision for deferred income tax decreased by 16.1% or ₱105.2 million on account of EW's higher provision for probable losses, net of write-off, during the current reporting period.

Net Income

As a result of the above, consolidated net income soared by 20.6% or ₱1,445.8 million from ₱7,030.3 million in 2015 to ₱8,476.1 million in 2016.

FINANCIAL CONDITION

As at December 31, 2016 Compared with As at December 31, 2015

Assets

Total consolidated assets reached to ₱498,639.1 million as at December 31, 2016, an increase of 18.9% from ₱419,408.9 million as at December 31, 2015. Movements in asset accounts are as follows:

Cash and cash equivalents went up by 17.8% or ₱9,602.2 million from ₱53,876.3 million as at December 31, 2015 to ₱63,478.4 million as at December 31, 2016 ascribed to EW's higher cash level from increased bank deposits as a result of expanded branch store network.

Loans and receivables from real estate operations amounted to ₱27,927.6 million, a slight increase from ₱27,226.6 million which mainly came from additional real estate sales during the period, offset by collections and recoupment of advances from contractors and suppliers.

Loans and receivables from hospitality operations of ₱400.9 million registered a growth of 69.9% from ₱236.0 million at the back of increased volume of revenues and higher level of advances to suppliers related to Boracay project and newly opened Quest Hotel and Golf, Clark

Loans and receivables of the banking and financial services rose by 31.2% or by ₱44,523.5 million from ₱142,927.9 million to ₱187,451.4 million primarily attributable to increased business volume of customer loans on both consumer and mid-market segments.

Loans and receivables from power operations increased by 26.2% or ₱324.2 million from ₱1,238.8 million to ₱1,563.0 million as the operations of FDC Misamis coal plant commenced in 2016.

Sugar operations' receivables went up by 3.5% or ₱4.3 million from ₱122.3 million to ₱126.6 million due to increased level of advances granted to sugar planters as a support to improve their sugar cane harvest

Financial assets at FVTPL decreased by 50.0% or ₱5,273.1 million from ₱10,540.8 million to ₱5,267.8 million due to movements in EW's proprietary trading portfolio.

Financial assets at FVTOCI remained at same level as last year at ₱421.7 million.

Investment securities at amortized cost climbed by 141.0% to ₱11,129.5 million from ₱4,617.9 million in line with EW's balance sheet business model.

Real estate inventories grew by 4.1% or ₱2,198.1 million from ₱54,007.3 million to ₱56,205.4 million, attributed to the additional projects launched and purchase of rawland for development.

Coal, spare parts and other inventories showed an increase of 89.8% or ₱324.2 million from ₱361.0 million to ₱685.2 million attributed to the inventories of power generation operations, consisting of coal and spare parts.

Investment properties and property and equipment expanded by 11.5% and 24.8%, respectively, attributable to: (a) construction costs of new buildings in Northgate Cyberzone and Filinvest Cebu Cyberzone, (b) additional costs incurred for the construction of buildings for commercial lease; (c) cost of FDC Misamis coal plant which was completed in 2016, and (iii) additional construction and development costs of Boracay Seascapes Inc., renovations and improvements of Quest Hotel Clark and Crimson Mactan and the capitalized lease of Clark Mimosa properties in accordance with PAS 17, *Leases*.

Investments in joint ventures amounted to ₱649.8 million, an increase of 37.1% or ₱175.9 million mainly attributable to remeasurement of shares in joint venture offset by the proportionate share of EW in net loss.

Deferred tax assets went up by 32.2% or ₱569.2 million from ₱1,769.1 million to ₱2,338.3 on account of EW's provision for probable losses, net of write-off, during the current reporting period.

Goodwill increased by 20.7% or ₱2,424.7 million from ₱11,726.6 million to ₱14,151.3 million due to additional goodwill from the acquisition of Standard Chartered Bank Philippines' retail portfolio.

IPP Administrator rights reduced by 13.8% or ₱1,141.7 million from ₱8,255.1 million to ₱7,113.4 million, mainly on account of usual take-up of amortization of IPPA intangible asset.

Other assets amounted to ₱19,036.1 million, a rise of 24.3% or ₱3,718.8 million from ₱15,317.3 million mainly due to additional input taxes, various deposits and construction costs of the noncurrent assets acquired in relation to the BTO agreement with the Government of Cebu.

Liabilities

Total liabilities was at ₱394,684.2 million as at December 31, 2016, a 22.4% increase from end-2015 balance of ₱322,494.8 million, with the following movements:

Deposit liabilities soared by 34.6% to ₱221,979.3 million from ₱164,969.1 million largely coming from CASA growth brought about by expanded branch store network.

Bills and acceptances payable decreased by 28.6% or ₱878.9 million from ₱3,073.5 million to ₱2,194.6 million due mainly to EW's lower level of interbank and other borrowings as funding were obtained primarily from deposits.

Accounts payable, accrued expenses and other liabilities rose by 5.8% or ₱1,974.9 million from ₱33,910.1 million to ₱35,885.0 million led by EW's higher level of payables on account of expanded stores.

Liability on IPP Administrator contract reduced by 10.8% or ₱916.1 million from ₱8,446.3 million to ₱7,530.2 million primarily on account of payments to PSALM.

Income tax payable decreased by 14.3% from ₱567.5 million to ₱486.5 million due to higher level of tax payments made in the quarterly filings of the banking and financial services.

Short-term and long-term debt amounted to a total of ₱117,436.0 million, higher by 13.6% or ₱14,053.6 million than the ₱103,382.3 million balance as at December 31, 2015 as the Group availed of additional bank loans to finance its ongoing projects and developments.

Deferred tax liabilities increased by 12.6% or ₱1,026.5 million from ₱8,146.2 million to ₱9,172.8 million recognized from additional capitalized borrowing costs on long-term loans and other temporary differences of financial and taxable income.

Equity

Cash dividends were declared by the Parent and its subsidiary, FLI out of their respective unappropriated retained earnings. On April 29, 2016, the Parent Company's BOD approved the declaration of cash dividends to all stockholders of record as of May 27, 2016, in the amount of ₱0.0516 per share payable on June 21, 2016. On the other hand, on April 22, 2016, the BOD of FLI approved the declaration of cash dividends amounting to ₱0.061 per share to all stockholders of record as of May 22, 2016 and payment date of June 15, 2016. On April 15, 2016, the BOD of EW approved the declaration of cash dividends amounting to ₱400.0 million or ₱0.27 per share with a record date of April 29, 2016 and payment date of May 13, 2016.

The Group had commitments for capital expenditures for the project developments of the real estate segment, the requirement of the sugar manufacturing subsidiaries, the development and construction of power plant and other utility projects, the intended construction and management of various hotels, and the bank's expansion and implementation of IT projects, which could be adequately covered by the operating cash flow and availment of medium and long term loans.

Performance Indicators

	As of And For The Year Ended December 31, 2016	As of And For The Year Ended December 31, 2015
Earnings Per Share -Basic (EPS)	₱0.591 /share	₱0.469 /share

$$\frac{\text{Net Income (Attributable to Equity Holders of the Parent)}}{\text{Weighted Average Number of Outstanding Shares}}$$

	As of And For The Year Ended December 31, 2016		As of And For The Year Ended December 31, 2015	
Price Earnings Ratio (PE Ratio) Closing Price / Earnings Per Share	13.94	Times	9.38	Times
Return on Revenue Total Net Income / Total Revenue	14%		14%	
Return on Equity (Average) Total Net Income / Average Total Equity	8%		8%	
Assets to Equity Ratio Total Assets / Total Equity	4.80: 1		4.32: 1	
Debt to Equity Ratio				
a) Long-term Debt / Total Equity	1.13 : 1		1.04 : 1	
b) Total Liabilities Excluding Deposit Liabilities, Bills and Acceptances Payable and Liability on IPP Administration Contract / Total Equity	1.57 : 1		1.50 : 1	
Current Ratio				
a) Including EW Current Assets / Current Liabilities*	1.02 : 1		1.07 : 1	
b) Excluding EW Current Assets / Current Liabilities*	3.49 : 1		3.79 : 1	
Quick Ratio Current Assets – Inventories / Current Liabilities*	1.08 : 1		1.23 : 1	
EBITDA to Total Interest Expense EBITDA / Total Interest Expense	7.62	Times	8.56	Times

**Excluding current portion of Liability on IPP Administrator Contract*

EPS for 2016 was ₱0.591, higher by 26.0% than the 2015 EPS of ₱0.469 on account of higher net income. PE ratio was at 13.94 times as of December 31, 2016, higher than the 9.38 times PE ratio of end-2015 due to higher EPS and stock price.

Notes to Financial Statements and Other Disclosures

1. The attached consolidated financial statements are prepared in compliance with Philippine Financial Reporting Standards (PFRS). The accounting policies and methods of computation followed in the financial statements for the year ended December 31, 2016 are the same as those followed in the annual financial statements of the Company for the year ended December 31, 2015.

2. Except for the sugar business, the operating activities of the Company are carried out uniformly over the calendar year. The sugar milling season of the Company's sugar subsidiaries is usually from November to June of the following year. Except for this milling season, there are no other unusual operating cycles or seasons during the year.

3. Except as disclosed in the Management's Discussion and Analysis of Financial Condition and Results of Operation, there are no unusual items affecting assets, liabilities, equity, net income or cash flows for the current period. There are no known trends, demands, commitments, events or uncertainties that will have a material impact on the Company's liquidity.

4. There are no changes in estimates of amounts reported in the previous period that have material effects in the current period.

5. Except for those discussed in the Management's Discussion and Analysis of Financial Condition and Results of Operations, there are no issuances, repurchases and repayments of debt and equity securities.

6. There were no other dividends paid (aggregate or per share) separately for ordinary shares and other shares during the current period, except as discussed in the previous sections.

7. The Company derives its revenues from the following reportable segments:

   Real Estate
   This involves acquisition of land, planning and development of large scale fully integrated residential communities as well as the development and sale of residential lots, housing units, medium-rise residential buildings, farm estates, industrial parks, residential resort projects, a private membership club and condominium buildings. This segment also involves operations and management of cinema and mall, property management and leasing of commercial and office spaces.

   Hospitality Operations
   This involves operation of hotels, including management of resorts, villas, golf course, service apartment and other services for the pleasure, comfort and convenience of guests in said establishments under its management.

   Banking and Financial Services
   This involves a wide range of financial services to consumer and corporate clients which includes deposit-taking, loan and trade finance, treasury, trust services, credit cards, cash management, custodial services, insurance services and leasing and finance. The business units in this segment consist of retail banking, corporate banking, consumer banking, and treasury and trust.

   Power Operations
   This involves the establishment, construction, operation of power plants and supply of power to offtakers and also includes management of power plants' output under the IPP Administration contracts.

   Sugar Operations
   This involves operation of agricultural lands for planting and cultivating farm products, operation of a complete sugar central for the purpose of milling or converting sugar canes to centrifugal or refined sugar and selling of sugar.

   Other Operations
   This involves other operations of the Parent Company including CWSI and FDCI. FDCI was incorporated to facilitate the Group's issuance of foreign currency-denominated bonds while CWSI was incorporated to provide maintenance, operation, management and rehabilitation of waterworks sewerage and sanitation system and services specifically for the distribution, supply and sale of potable water to domestic, commercial and industrial.

   Financial information on the operations of these business segments as of and for the years ended December 31, 2016 and 2015 are summarized and included in the accompanying Notes to Consolidated Financial Statements.

8. Except as discussed in the Management's Discussion and Analysis of Financial Condition and Results of Operations, there are no material events subsequent to December 31, 2016 up to the date of this report that have not been reflected in the financial statements for the current period.

9. There have been no changes in the composition of the Company during the current period, such as business combination, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinuing operations, except as discussed in the Developments of the Company and Management's Discussion on its Results of Operations.

10. There are no changes in contingent liabilities or contingent assets since December 31, 2016.

11. There are no material contingencies and any other events or transactions affecting the current period.

12. There are no known events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

ITEM 7. FINANCIAL STATEMENTS

The consolidated financial statements and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules are filed as part of this SEC Form 17-A

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

SyCip, Gorres, Velayo & Co (SGV) has been the duly appointed independent auditors for the years covered by this report.

FDC, in compliance with SRC Rule 68(3)(b)(iv) relative to the five-year rotation requirement of its external auditors, has designated Mr. Michael C. Sabado as its engagement partner starting calendar year 2018. The representatives of SGV are expected to be present at the annual meeting where they will have the opportunity to make a statement if they desire to do so. They are expected to be available to respond to appropriate questions at the meeting.

There has been no disagreement with FDC's independent accountants on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure.

Audit and Audit-Related Fees

The aggregate fees billed to the Group for professional services rendered by the external auditor for the examination of the annual financial statements amounted to ₱9.3 million and ₱9.6 million, net of VAT in 2018 and 2017, respectively.

In 2018 and 2017, additional fees for other services of external auditor amounted to ₱24.0 million and ₱2.6 million, respectively.

Tax Fees

The fees billed to the Group for tax services which pertained to compliance review amounted to ₱6.8 million and ₱2.7 million in 2018 and 2017, respectively.

All Other Fees

There are no other fees billed in each of the last 2 years for products and services provided by the external auditor, other than the services reported under items mentioned above.

The Audit Committee based on the recommendation by the Internal Audit and management, evaluates the need for such professional services and approves the engagement and the fees to be paid for the services

PART III - CONTROL AND COMPENSATION INFORMATION

ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The following are the Directors and Executive Officers of FDC:

Mercedes T. Gotianun
Chairman Emeritus

Mrs. Gotianun, 90, Filipino, was first elected as Director of FDC on April 27, 1973. She is also a Director of FLI and served as its Chairman and Chief Executive Officer from 1997 to 2007. She is also a Director of FAI, PSHC, FDCUI and its subsidiary power companies. She is currently a Director of three publicly-listed companies, FDC, FLI and EW. She obtained her university degree from the University of the Philippines.

Jonathan T. Gotianun
Chairman of the Board

Mr. Gotianun, 65, Filipino, was first elected as Director of FDC on July 9, 1993. He also serves as Chairman of the Board and Director of FLI and EW, both publicly-listed companies. He is the President of DSCC, and CSCC, and Director and Chairman of the Executive Committee of FDCUI and some of its subsidiary power companies. He obtained his Master's Degree in Business Administration from Northwestern University in 1976. He has been a Director of the Company for more than 5 years.

Lourdes Josephine G. Yap
President, Chief Executive Officer and Director

Mrs. Yap, 63, Filipino, was first elected as Director of FDC on March 30, 1990. She is also a Director, President and Chief Executive Officer of FLI, President of FAI and a Director in FDCUI and EW. She is currently a Director of three publicly-listed companies: FDC, FLI and EW. She obtained her Master's Degree in Business Administration from the University of Chicago in 1977. She has been President of the Company since 2000.

Andrew T. Gotianun Jr.
Director

Mr. Gotianun, 66, Filipino, was first elected as a Director of FDC on March 31, 1989. He is also a director of FLI, FAI and FDCUI. He is currently a Director of two publicly-listed companies: FDC and FLI. He has been in realty business for more than 16 years. He obtained his Bachelor of Science (Major in Accounting) degree from the Republican College. He has been a Director of the Company for over 5 years.

Michael Edward T. Gotianun
Vice President

Mr. Gotianun, 61, is also a Director of FAI and FSI. He obtained his Bachelor's Degree in Business Management from the University of San Francisco in 1979. He has been serving the Company as Vice President for more than 5 years.

Virginia T. Obcena
Independent Director

Ms. Obcena, 71, Filipino, was first elected as an independent director of FDC on April 29, 2016. She is presently an independent director, Chair of the Audit Committee and member of the Nominations Committee of Capital Markets Integrity Corporation (CMIC), an independent unit of the PSE for the audit, surveillance and enforcement of the Securities Law, rules and regulations of the SEC, the PSE, CMIC and other relevant regulators of the trading participants, principally the stock brokers. She is also a director and nominal shareholder in 168 Development Corporation, and member of the Panel of Conciliators of the International Centre for Settlement of Investment Disputes of the World Bank. She was a former partner of Sycip Gorres Velayo & Co. and she also worked in the Accounting and Auditing Standards Group of Deloitte and Touche, New York. She obtained her Bachelor of Science in Business Administration degree, *Magna cum Laude*, in the University of the East and her Master in Business Administration degree in the University of the Philippines.

Val Antonio B. Suarez
Independent Director

Mr. Suarez, 59, Filipino, is an independent director of FDC, having been first elected on May 30, 2014. He is the Managing Partner of the Suarez & Reyes Law Offices and was the former President and Chief Executive Officer of The Philippine Stock Exchange. Mr. Suarez is also an independent director of Lepanto Consolidated Mining Company, a publicly-listed company, and a member of the Integrated Bar of the Philippines (Makati Chapter) and New York Bar. He obtained his Bachelor of Laws Degree from the Ateneo De Manila University Law School and a Master of Laws from Georgetown University Law Center.

Nelson M. Bona
Treasurer and Chief Financial Officer

Mr. Bona, 68, is also the Chief Financial Officer of FLI. He was formerly an Executive Vice President of EW and Managing Director of Millenia Broadband Communications, Inc. and Filinvest Capital, Inc.

Daniel L. Ang Tan Chai
Deputy Chief Financial Officer

Mr. Ang Tan Chai, 60, is the Deputy Chief Financial Officer of the Company starting November 2015. He was formerly the Executive Vice President and Chief Finance Officer of Philippine Bank of Communication. He also served as Senior Vice President and Chief Finance Officer for Philippine Airlines, Air Philippines Express, First Vice President and Chief Finance Officer of Metrobank Card Corporate, and Financial Control, Global Consumer Bank of Citibank, N.A. – Philippines. He holds a Bachelor of Science Degree, major in Industrial Engineering from the University of the Philippines, and a Masters in Business Administration from the same university.

Bernadette M. Ramos
Vice President-Marketing

Ms. Ramos, 53, Filipino, rejoined FDC as Vice President for Real Estate Marketing in 2011. She was head of FLI's Corporate and Creative Communications Office from 2005-2007 and Special Assistant to the CEO for Advertising from 2002 to 2005. Prior to that, she held executive positions in various advertising agencies and a major property developer in a career spanning over 20 years of experience in the field.

Virginia A. Cayanga
Vice President for Risk Management

Ms. Cayanga, 46, Filipino, is the Vice President for Risk Management of the Company starting November 2015. She was formerly the Vice President of Multinational Client Service (MCS) Leader of Marsh Philippines, Inc. for fourteen years. She holds a Bachelor of Arts Degree, major in Quantitative Economics from the University of Asia and the Pacific.

Flora Christine R. Lengardo *Corporate Secretary and Compliance Officer*	Atty. Leogardo, 60, was appointed by the BOD as Corporate Secretary and Compliance Officer on May 15, 2015. She is also the Corporate Secretary and Compliance Officer of FLI. Prior to joining the Company, she was a senior partner at Villaraza Cruz Marcelo & Angangco. She is a fellow of the Institute of Corporate Directors, a trustee of the Legal Management Council of the Philippines, was former President and current trustee of the Maritime Law Association of the Philippines, and a member of the Integrated Bar of the Philippines and the Philippine Bar Association. She holds a Bachelor of Arts degree, cum laude, from the University of the Philippines, and a Bachelor of Laws degree from the same university. She retired from the Company effective December 31, 2018, and as such, ceased to function as the Company's corporate secretary on even date
Sharon P. Pagaling-Refuerzo *Assistant Corporate Secretary*	Atty. Refuerzo, 39, Filipino, is the Senior Assistant Vice President, Assistant Corporate Secretary, and Corporate Information Officer of FLI. She is also the Corporate Secretary and Corporate Information Officer of Cyberzone Properties, Inc. She was formerly a Legal Counsel for Robinsons Land Corporation. She graduated Cum Laude from University of the Philippines and obtained her Bachelor of Laws degree from San Beda College of Law

*Each age disclosed was as of December 31, 2018

The members of the board committees, pursuant to appointments made during the organizational meeting of the BOD of the Company on May 4, 2018, are as follows:

Executive Committee:	Jonathan T. Gotianun (Chairman), Mercedes T. Gotianun, L. Josephine Gotianun-Yap, Andrew T. Gotianun, Jr. and Michael Edward T. Gotianun
Nomination Committee:	Mercedes T. Gotianun (Chairman), L. Josephine Gotianun-Yap, Jonathan T. Gotianun, Val Antonio B. Suarez (Independent Director) and Rizalangela L. Reyes (ex-officio)
Audit & Risk Management Oversight Committee:	Virginia T. Obcena (Chairman/Independent Director), Val Antonio B. Suarez (Independent Director), Jonathan T. Gotianun and L. Josephine Gotianun-Yap.
Compensation Committee:	Mercedes T. Gotianun (Chairman), L. Josephine Gotianun-Yap, Jonathan T. Gotianun and Val Antonio B. Suarez (Independent Director)

The directors of the Company are elected at the annual stockholders' meeting to hold office until their respective successors have been duly elected and qualified. Officers are appointed or elected by the BOD typically at its first meeting following the annual stockholders' meeting, each to hold office until his successor shall have been duly elected or appointed and qualified.

The Company is not aware of any legal proceedings where its directors or executive officers have been impleaded in their capacity as directors or executive officers of the Company.

The Company is not aware of the occurrence of any of the following events within the past 5 years up to the date of this annual report: (a) any bankruptcy petition filed by or against any business in which any of its directors or officers was a general partner or officer either at the time of the bankruptcy or within two years prior to that time; (b) any conviction by final judgment in a criminal proceeding, domestic or foreign, of, or any criminal proceeding, domestic or foreign, pending against, any of its directors or officers in his capacity as such director or officer; (c) any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement of any of its directors or officers in any type of business, securities, commodities or banking activities, and (d) any finding by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization that any of its directors or officers has violated a securities or commodities law, and the judgment has not been reversed, suspended or vacated, which occurred during the past 5 years.

There is no person, who is not an executive officer of the Company, who is expected to make a significant contribution to its business. The Company, however, occasionally engages the services of consultants.

There were no transactions during the last 2 years or any proposed transactions, to which the Company was or is to be a party, in which any director or officer, any security holder or any member of the immediate family of any of the foregoing persons had or is to have a direct or indirect material interest.

ITEM 10. EXECUTIVE COMPENSATION

Information as to the aggregate compensation paid or accrued during the last 2 fiscal years and to be paid in the ensuing fiscal year to the Group's executive officers and other officers are as follows:

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

Name and Principal Position	Year	Salary	Bonus	Other Annual Compensation	TOTAL
Josephine G. Yap (President/CEO) Jonathan T. Gotianun (Chairman) Daniel Ang Tan Chai (SVP/Deputy CFO) Michael T. Gotianun (Director/VP) Virginia A. Cayanga (Risk Management Head)					
CEO and top 4 highest compensated officers	2019-Estimated	₱57.6M	₱7.9M		₱65.4M
	2018	₱54.8M	₱7.5M		₱62.3M
	2017	₱49.4M	₱6.6M		₱56.0M
All officers and directors as a group unnamed	2019-Estimated	₱70.1M	₱9.8M		₱79.9M
	2018	₱66.8M	₱9.3M		₱76.1M
	2017	₱61.4M	₱8.1M		₱69.5M

Except for a per diem of Php50,000.00 being paid to each non-executive director for every meeting attended, there are no other arrangements for the payment of compensation or remuneration to the directors in their capacity as such.

There are no outstanding warrants or options held by the Company's CEO, the above-named executive officers, and all officers and directors as a group.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

(1) Security Ownership of Certain Record and Beneficial Owners

The names, addresses, citizenship, number of shares held, and percentage to total of persons owning more than five percent (5%) of the outstanding voting shares of the Company (all common) as of December 31, 2018 are as follows:

Title of Class	Name and Address of Record Owner/ Relationship with Company	Name of Beneficial Owner/ Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage Held
Common	A.L. Gotianun Inc. (formerly ALG Holdings Corporation)[1] 6/F The Beaufort 5th Avenue corner 23rd Street, BGC, Taguig City Majority Owner of the Company	ALGI[2]	Filipino	7,587,823,502 (D) 61,826,540 (I)	87.74% 0.71%
Common	PCD Nominee Corporation (Filipino) G/F, Philippine Stock Exchange Tower, Ayala Avenue, Makati City	(No single shareholder beneficially owns at least 5% of the total shares)	Filipino	884,777,808	10.23%

[1] Mrs. L. Josephine G. Yap are typically named by ALGI as its proxy to vote at the annual meeting of stockholders the shares owned and held by it in the Company
[2] Stockholders are the beneficial owners

Except as stated above, the BOD and management of the Company have no knowledge of any person who, as of the date of the annual report was directly or indirectly the beneficial owner of more than five percent (5%) of the Company's outstanding shares of common stock or who has voting power or investment power with respect to shares comprising more than 5% of the Company's outstanding common stock.

(2) Security Ownership of Management

Title of Class	Name	Citizenship	Amount and Nature of Record/Beneficial Owner	% of Ownership
Common	Mercedes T. Gotianun	Filipino	1,554 (D) 0 (I)	Negligible
Common	Andrew T. Gotianun, Jr.	Filipino	3,371,995 (D) 0 (I)	0.04%
Common	Jonathan T. Gotianun	Filipino	12 (D) 263,925 (I)*	Negligible
Common	L. Josephine Gotianun-Yap	Filipino	6,187,402 (D)** 9,242,922 (I)	0.07% 0.11%
Common	Michael Edward T. Gotianun	Filipino	50,501,501 (D) 0 (I)	0.58%
Common	Virginia T. Obeena	Filipino	3 (D) 0 (I)	Negligible
Common	Val Antonio B. Suarez	Filipino	1 (D) 0 (I)	Negligible
Common	Nelson M. Bona	Filipino	24,664 (D) 0 (I)	Negligible
N.A.	Daniel L. Ang Tan Chai	Filipino	0	N.A.
N.A.	Bernadette M. Ramos	Filipino	0	N.A.
N.A.	Virginia A. Cayanga	Filipino	0	N.A.
N.A.	Michael Louie T. Garado	Filipino	0	N.A.
N.A.	Elma Christine R. Leogardo	Filipino	0	N.A.
N.A.	Sharon P. Pagaling-Refuerzo	Filipino	0	N.A.

The names, citizenship, number of shares held and percentage to total of persons forming part of the management of the Company as of December 31, 2018 are as follows

** Includes shares of stock in FDC under the name Borit Holdings Corp., Jabberwock Holdings, Inc. and Chriscon Holdings, Inc.*
***There are 6,187,402 direct shares and 9,242,922 indirect shares under the name Joseph &/or Josephine C. Yap.*

Total ownership of directors and officers as a group is 69,593,977 shares or 0.80% of total outstanding shares.

3) Voting, Trust Holders of 5% or more

There is no person who holds more than 5% of the common stock under any voting trust or similar agreement.

4) Changes in Control

The Company is not aware of any agreement, which may result in a change in control of the registrant.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

In the normal course of business, the Company and other members of the Group enter into certain related-party transactions.

There were no transactions during the last two years, or any proposed transactions, to which the Company was or is to be a party, in which any director or executive officer, any nominee for election as a director, any security holder or any member of the immediate family of any of the foregoing persons, had or is to have a direct or indirect material interest.

Related Party Transactions

The Group has entered into various transactions with related parties. Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions or the parties are subject to common control or common significant influence (referred to as "Affiliates"). Related parties may be individuals or corporate entities.
Significant transactions with related parties as discussed in the 2018 Audited Financial Statements are as follows.

a. The compensation of key management personnel consists of short-term employee salaries and benefits amounting to ₱76.1 million, ₱69.3 million and ₱78.4 million in 2018, 2017 and 2016, respectively. Post-employment benefits of key management personnel amounted to ₱18.0 million, ₱16.3 million and ₱14.3 million in 2018, 2017 and 2016, respectively.

b. Other transactions with related parties include noninterest-bearing cash advances and various charges to and from non-consolidated affiliates for management fees, rent, share of expenses and commission charges. Transactions with related parties are normally settled in cash.

The amounts and the balances arising from the foregoing significant related party transactions are as follows:

	2018			
	Amount/ Volume	**Outstanding Balance Due from (Due to)**	**Terms**	**Conditions**
	(In Thousands)			
Due from related parties				
Real estate operations				
Ultimate Parent Company [a]	**₱145**	**₱31**	Noninterest-bearing, collectible on demand	Unsecured, no impairment
Affiliates:				
Share in expenses	**8,410**	**4,281**	Noninterest-bearing, collectible on demand	Unsecured, no impairment
	₱8,555	**₱4,312**		

(a) Share in Group expenses
(b) Availment of loan payable, with interest at prevailing market rate
(c) Management fee charged to hospitality operations in a joint venture

	2017			
	Amount/ Volume	Outstanding Balance Due from (Due to)	Terms	Conditions
	(In Thousands)			
Due from related parties				
Real estate operations				
Ultimate Parent Company [a]	₱714	₱444	Noninterest-bearing, collectible on demand	Unsecured, no impairment
Affiliates:				
Share in expenses	62,061	31,632	Noninterest-bearing, collectible on demand	Unsecured, no impairment
	₱62,775	₱32,076		
Due to related parties				
Ultimate Parent Company [a, b]				Unsecured
Interest expense	(₱60,655)	(₱1,689,107)	Bears 3.1% interest per annum, payable on demand	
Payment of advances	(335,745)	–		
Share in expenses	720	–		
Affiliates				
Share in expenses [a]	–	(24,795)	Noninterest-bearing, payable on demand	Unsecured
Management fee [c]	(89,774)	–		

	2017			
	Amount/ Volume	Outstanding Balance Due from (Due to)	Terms	Conditions
	(In Thousands)			
	(₱465,654)	(₱1,713,902)		

(a) Share in Group expenses
(b) Availment of loan payable, with interest at prevailing market rate
(c) Management fee charged to hospitality operations in a joint venture

Transactions with Retirement Plans
Under PFRS, certain post-employment benefit plans are considered as related parties. The Group's retirement plan is in the form of a trust administered by the EW's Trust Division under the supervision of the Retirement Committee. The values of the assets of the fund are as follows:

	2018	2017
	(In thousands)	
Cash and cash equivalents	**₱178,448**	₱200,825
Equity instruments	**557,318**	592,178
Debt instruments	**209,313**	200,810
Others	**2,135**	2,260
	₱945,213	₱996,073

As of December 31, 2018 and 2017, cash and cash equivalents include the savings deposit with EW amounting to ₱176.4 million and ₱78.8 million, respectively, and debt instruments include investments in EW's LTNCD amounting to ₱33.8 million and ₱61.7 million in 2018 and 2017, respectively. Equity instruments include investments in the EW's PhilEquity Institutional Feeder Fund amounting to ₱91.4 million, equivalent to 91,734 shares with fair market value of ₱995.95 per share as of December 31, 2018, and ₱102.9 million, equivalent to 91,734 shares with fair market value of ₱1,129.39 per share as of December 31, 2017, EW's equity securities amounting to ₱212.5 million, equivalent to 17,860,060 common shares with fair market value of ₱11.9 per share as of December 31, 2018, and ₱274.8 million equivalent to 8,601,107 common shares with fair market value of ₱31.95 per share as of December 31, 2017, and EW's PSEi Tracker Fund amounting to ₱214.70 million, equivalent to 2,042,479 shares with fair market value of ₱105.12 per share as of December 31, 2018, and ₱173.0 million, equivalent to 1,441,203 shares with fair market value of ₱120.01 per share as of December 31, 2017. EW's Peso Long Term Fund amounting to ₱28.8 million, equivalent to 20,237 shares with fair market value of ₱1,397.34 per share as of December 31, 2018, and EW's Peso Intermediate amounting to ₱214.7 million, equivalent to 39.56 shares with fair market value of ₱1,852.63 per share as of December 31, 2018.

The following are the amounts recognized by the retirement plan arising from its transactions with EW for the years ended December 31, 2018, 2017 and 2016.

	2018	2017	2016
Trust fees	**₱2,534**	₱2,763	₱2,577
Interest income on savings deposit	**151**	1,240	726
Interest income on investments in LTNCD	**5,044**	2,915	2,921
Loss on investments in equity shares	**(15,272)**	(120,057)	(22,452)

PART IV. COMPLIANCE WITH LEADING PRACTICES ON CORPORATE GOVERNANCE

ITEM 13. CORPORATE GOVERNANCE

The Company is in full compliance with its Revised Manual for Corporate Governance as demonstrated by the following: (a) the election of 2 independent directors to the Board; (b) the appointment of members of the audit, nomination and compensation committees of the Company; (c) the conduct of regular quarterly board meetings and special meetings, the faithful attendance of the directors at these meetings and their proper discharge of duties and responsibilities as such directors; (d) the submission to the SEC of reports and disclosures required under the Securities Regulation Code; (e) the Company's adherence to national and local laws pertaining to its operations, and (f) the observance of applicable accounting standards by the Company.

In order to keep itself abreast with the leading practices on corporate governance, the Company encourages the members of top-level management and the Board to attend and participate at seminars on corporate governance initiated by accredited institutions.

The Company welcomes proposals, especially from institutions and entities such as the SEC, PSE and the Institute of Corporate Directors, to improve corporate governance.

There is no known material deviation from the Company's Revised Manual on Corporate Governance

Per SEC Memorandum Circular No. 15, Series of 2017, the Integrated Annual Corporate Governance Report for 2018 shall be submitted to the SEC on or before May 30, 2019.

PART V. EXHIBITS AND SCHEDULES

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

(a) Exhibits - see accompanying Index to Exhibits
The following exhibits are filed as a separate section of this report:
The other exhibits, as indicated in the Index to Exhibits are either not applicable to the Company or require no answer

(b) Reports on SEC Form 17-C

Reports on SEC Form 17-C were filed during the year covered by this report and are listed below:

	Date
Clarification on news article re: "Super consortium in NAIA bid eyes Changi as partner"	January 15, 2018
Result of BOD Meeting_Approval of Schedule of ASHM 2018	January 24, 2018
Clarification on new article re: "Group taps Changi Operator for Airport Plan"	February 8, 2018
Clarification on new article re: "Super consortium shapes up"	February 9, 2018
Press release - 'Superconsortium' eyes NAIA transformation into a regional hub	February 12, 2018
Clarification on news article re: "Govt rejects Filinvest-JG bid for Clark airport deal"	February 26, 2018
Special BOD approval of Audited FS 2017	February 28, 2018
Result of BOD Meeting Approval of New Schedule of ASHM 2018	February 28, 2018
Press release: Filinvest Mimosa + Leisure City Signs Deal with PAGCOR	April 4, 2018
Press release. Filinvest Group Php10.3B net income up 21%	April 6, 2018
Result of Organizational Meeting	May 4, 2018
Result of Annual Stockholders Meeting	May 4, 2018
Result of Board Meeting_Declaration of Cash Dividends	May 4, 2018
Clarification on news article re: "Filinvest Group sets P45-B capex for 2018"	May 7, 2018
Press release: FDC earmarks Php 45B for 2018 CAPEX	May 7, 2018
Press release - FDC Q1 up 18%	May 15, 2018
Clarification on news article re: "Meralco, FDC eye Ayala coal stake"	May 24, 2018
Approval of re-appointment of external auditor	July 25, 2018
Press release - FDC 7B H1 net income up 45%	August 14, 2018
Press release: 'NAIA Consortium' granted Original Proponent Status	September 13, 2018
Clarification on news article re: "Clark O&M bidding to proceed early November 2018"	October 31, 2018
'North Luzon Airport Consortium' submitted bid docs	November 9, 2018
Press release: FDC posts nine-month net income of Php10.5B	November 13, 2018
Press release: North Luzon Airport Consortium Awarded the O&M Contract for Clark Airport	December 20, 2018
Retirement of Atty. Elma Leogardo	January 2, 2019
Press Release: NLAC-New Clark Int'l Airport to Spur Economic Growth	January 4, 2019
Clark Airport Modernization Kicks Off with Signing of Concession Agreement	January 21, 2019
Notice of Annual or Special Stockholders' Meeting 2019	January 23, 2019
Result of special meeting of the Board of Directors : Approval of Audited Financial Statements for the period ended 31 December 2018	March 1, 2019
Result of special meeting of the Board of Directors	March 13, 2019
Press Release - FDC 2018 Net income up 31% to Php13.4B	March 27, 2019

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned duly authorized, in the City of **Makati City** Metro Manila on APR 1 1 2019.

Jonathan T. Gotianun
Chairman

Josephine G. Yap
President and CEO

Nelson M. Bona
Treasurer and CFO

Sharon P. Pagaling-Refuerzo
Corporate Secretary

SUBSCRIBED AND SWORN to before me this APR 1 1 2019 affiants exhibiting to me their competent evidence of identity as follows:

Name	ID No.	Date of Issue	Date of Expiry	Place of Issue
Jonathan T. Gotianun	Passport No. P5509919A	1/03/18	1/02/28	DFA Manila
Josephine G. Yap	Passport No. P1463447A	1/07/17	1/06/22	DFA Manila
Nelson M. Bona	Passport No. P4220004A	8/30/17	8/29/22	DFA Manila
Sharon P. Pagaling-Refuerzo	Passport No. EC3510951	2/23/15	2/22/20	DFA NCR East

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ATTY. LOURDES A. ONA
NOTARY PUBLIC FOR MAKATI CITY
Appointment No. M-33 until December 31, 2019
Roll No. 33397 / IBP Lifetime No. 02701
PTR No. 7333147 January 3, 2019

FILINVEST DEVELOPMENT CORPORATION AND SUBSIDIARIES
(CONSOLIDATED)

INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
FORM 17-A, Item 8

Consolidated Financial Statements

Statement of Management's Responsibility for Financial Statements
Report of Independent Public Accountants
Consolidated Statements of Financial Position as of December 31, 2018 and 2017
Consolidated Statements of Income for the years ended December 31, 2018, 2017 and 2016
Consolidated Statements of Comprehensive Income for the years ended December 31, 2018, 2017 and 2016
Consolidated Statements of Changes in Equity as of December 31, 2018 and 2017
Consolidated Statements of Cash Flows for the years ended December 31, 2018, 2017 and 2016
Notes to Consolidated Financial Statements

Supplementary Schedules

A.	MARKETABLE SECURITIES - (CURRENT MARKETABLE SECURITIES AND OTHER SHORT-TERM CASH INVESTMENTS)	*
B.	AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN AFFILIATES)	*
C.	NON-CURRENT MARKETABLE EQUITY SECURITIES, OTHER LONG-TERM INVESTMENTS, AND OTHER INVESTMENTS	*
D.	INDEBTEDNESS TO UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES	*
E.	PROPERTY, PLANT AND EQUIPMENT	*
F.	ACCUMULATED DEPRECIATION	*
G.	INTANGIBLE ASSETS / OTHER ASSETS	*
H.	LONG-TERM DEBT	*
I.	INDEBTEDNESS TO AFFILIATES AND RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)	*
J.	GUARANTEES OF SECURITIES OF OTHER ISSUERS	NA
K.	CAPITAL STOCK	*

* These schedules which are required by Part IV of SRC Rule 12 are contained in the Company's Audited Consolidated Financial Statements, in the accompanying Notes to Consolidated Financial Statements, or in Supplementary Information and Disclosures Required on SRC Rule 68 and 68.1 As Amended.

INDEX TO EXHIBITS

Form 17- A

No.		
	Plan of Acquisition, Reorganization, Arrangement, Liquidation, or Succession	*
(5)	Instrument Defining the Rights of Security Holders, Including Indentures	*
(8)	Voting Trust Agreement	*
(9)	Material Contracts	*
(10)	Annual Report to Security Holders, Form 17-Q or Quarterly Report to Security Holders	*
(13)	Letter re Change in Certifying Accountant	*
(16)	Report Furnished to Security Holders	*
(18)	Subsidiaries of the Registrant	A
(19)	Published Report Regarding Matters Submitted to Vote of Security Holders	*
(20)	Consent of Experts and Independent Counsel	*
(21)	Power of Attorney	*
(29)	Additional Exhibits	*

* These exhibits are either not applicable to the Company or require no answer.
A This schedule is contained in Note 1 of the Company's 2018 Audited Consolidated Financial Statements