

**COVER SHEET**

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S.E.C. Registration Number

F I L I N V E S T D E V E L O P M E N T C O R P .

(Company's Full Name)

T H E B E A U F O R T 5 T H A V E N U E C O R N E R

2 3 R D S T . B O N I F A C I O G L O B A L C I T Y

T A G U I G C I T Y

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

c/o Atty. Sharon P. Pagaling-Refuerzo  
Contact Person

7918-8188 / 7798-3958  
Company Telephone Number

**Definitive Information Statement**

Month

Day

Fiscal Year

D I S  
FORM TYPE

Month

Day

Annual Meeting

Secondary License Type; If Applicable

C F D  
Dept. Requiring this Doc.

Amended Articles Number / Section

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = Pls. use black ink for scanning purposes

# FILINVEST DEVELOPMENT CORP.

6th Floor, The Beaufort  
5th Avenue corner 23rd Street  
Bonifacio Global City  
1634 Taguig City, Philippines  
Trunk line: (632) 798-3977  
www.filinvestgroup.com

## NOTICE OF ANNUAL STOCKHOLDERS' MEETING

### TO ALL STOCKHOLDERS:

**NOTICE IS HEREBY GIVEN** that the Annual Stockholders' Meeting of **FILINVEST DEVELOPMENT CORPORATION** ("FDC" or the "Corporation") will be conducted virtually on **30 April 2021(Friday)** at **10:00 a.m.**, at which meeting the following matters shall be taken up:

- I. Call to Order
- II. Proof of Notice of Meeting
- III. Certification of Quorum
- IV. Approval of the Minutes of the Annual Stockholders' Meeting held on 22 June 2020
- V. Presentation of the President's Report
- VI. Ratification of the Audited Financial Statements for the year ended 31 December 2020
- VII. Ratification of the Acts and Resolutions of the Board of Directors, Board Committees and Management from the Date of the Last Annual Stockholders' Meeting up to 30 April 2021
- VIII. Election of the Members of the Board of Directors, including three (3) Independent Directors, to serve for 2021-2022
- IX. Appointment of the External Auditor
- X. Other Matters
- XI. Adjournment

In view of the current circumstances and in support of the efforts to contain the outbreak of COVID-19, stockholders may attend and participate in the meeting only by remote communication, voting *in absentia* and/or appointing the Chairman of the meeting as their proxy. The procedure and requirements for online registration for remote communication and voting *in absentia* are explained in the Information Statement.

Only Stockholders of Record as of 5:00 p.m. of 24 March 2021 shall be entitled to vote at this meeting. Votes cast remotely or *in absentia* should be received by the Corporation on or before 23 April 2021.

Stockholders who wish to vote by proxy shall submit the same on or before 23 April 2021 to the Office of the Corporate Secretary, through Atty. Sharon P. Pagaling-Refuerzo, located at Filinvest Building, 79 EDSA, Highway Hills, Mandaluyong City 1550, Metro Manila, or by email to [FDCASM@filinvestgroup.com](mailto:FDCASM@filinvestgroup.com). A proxy submitted by a corporation should be accompanied by a Corporate Secretary's certificate quoting the board resolution designating a corporate officer to execute the proxy. In addition to the above requirement for corporations, a proxy form given by a broker or custodian bank in respect of shares of stock carried by such broker or custodian bank for the account of the beneficial owner must be accompanied by a certification under oath stating that the broker or custodian bank has obtained the written consent of the account holder.

PLEASE NOTE THAT THE CORPORATION IS NOT SOLICITING PROXIES.

The Corporation's Information Statement, Management Report, and 2020 Audited Financial Statements will be made available in the company website at <https://www.filinvestgroup.com> and in the Philippine Stock Exchange EDGE disclosure system no later than 08 April 2021. Pursuant to SEC Memorandum Circular No. 6, Series of 2020, please be informed that there will be a visual and audio recording of the meeting.

Please be guided accordingly.



**SHARON P. PAGALING-REFUERZO**  
Corporate Secretary

## **EXPLANATION OF AGENDA ITEMS FOR STOCKHOLDERS’ APPROVAL AND/OR RATIFICATION**

### **Call to Order**

The Chairman will formally commence the meeting at approximately 10:00 a.m. on 30 April 2021.

### **Proof of Notice and Certification of Quorum**

The Corporate Secretary will certify that notice of the meeting was duly sent to the stockholders and that a quorum exists for the valid transaction of business.

Pursuant to Sections 23 and 57 of the Revised Corporation Code and SEC Memorandum Circular No. 6, Series of 2020 which provide for remote attendance and voting *in absentia* in stockholders’ meetings, the Company has set up a system and process to allow stockholders to vote online *in absentia* on the matters in the agenda. Only stockholders who successfully registered in the stockholder registration system, together with those who voted *in absentia* or by proxy, will be included in determining the existence of a quorum.

The following are the procedures for the meeting:

- Stockholders who wish to appoint the Chairman as proxy may submit the same on or before 23 April 2021 to the Office of the Corporate Secretary through Atty. Sharon P. Pagaling-Refuerzo, located at Filinvest Building, 79 EDSA, Highway Hills, Mandaluyong City 1550, Metro Manila, or by email to [FDCASM@filinvestgroup.com](mailto:FDCASM@filinvestgroup.com).
- Stockholders who wish to attend the meeting *via* remote communication and/or vote *in absentia* online must register at the following web address: [https://shareholders.filinvest.com.ph/FDC\\_SHAREHOLDERSYSTEM](https://shareholders.filinvest.com.ph/FDC_SHAREHOLDERSYSTEM). After validation, the stockholders will receive an email with instructions on how to access the voting ballot and the meeting. The details of the process are provided in the Information Statement.
- The votes will be tabulated by the Office of the Corporate Secretary and the stock transfer agent. The results will be reported in the meeting.
- Any comments and questions on the agenda should be emailed to [FDCASM@filinvestgroup.com](mailto:FDCASM@filinvestgroup.com) on or before 23 April 2021. The Board of Directors and/or officers will endeavor to answer these questions during the meeting. Due to time constraints, any questions that will not be addressed during the meeting may be answered by email.
- There will be an audio and visual recording of the meeting.

### **Approval of the Minutes of the Annual Stockholders’ Meeting held on 22 June 2020**

The minutes of the meeting held on 22 June 2020 can be viewed at the Company website, <https://www.filinvestgroup.com/>. A copy of the minutes is also attached as Annex “E” of the Information Statement.

## **Presentation of the President's Report**

The President & CEO, Mrs. Lourdes Josephine Gotianun-Yap, will report on the Company's performance for the year 2020 and the outlook for 2021.

## **Ratification of the Audited Financial Statements for the year ended 31 December 2020**

The audited financial statements refer to the financial operations, balance sheet and income statement of FDC as of and for the year ended 31 December 2020. The Company's audited financial statements for 2020 is attached as Annex "C" of the Information Statement and will be made available on the Company website.

## **Ratification of the Acts and Resolutions of the Board of Directors, Board Committees and Management from the Date of the Last Annual Stockholders' Meeting up to 30 April 2021**

The acts of the Board of Directors and its committees, officers and management of the Company since the last annual meeting up to the present, as duly recorded in the corporate books, include the approval of contracts and agreements, application for government permits and licenses, renewal and availment of bank services and credit facilities, approval for the transfer, conveyance or lease of real properties, and other transactions in the general conduct of business. The summary of the major resolutions approved and adopted by the Board and the Board Committees (including the Executive Committee) are discussed in the Information Statement.

## **Election of the Members of the Board of Directors, including three (3) Independent Directors, to serve for 2021-2022**

In accordance with the Company's Revised Manual on Corporate Governance and By-Laws, the stockholders must elect the members of the Board of Directors of the Company comprised of seven (7) directors, including three (3) independent directors, who shall hold office for a term of one (1) year, or until their successors shall have been duly elected and qualified. There will be an election of the members of the Board during the annual stockholders' meeting to serve for the year 2021 to 2022.

The Corporate Governance Committee (acting as Nominations Committee) evaluated the nominees for the Board, including three (3) nominees for independent directors, and they have determined that the nominees have all the qualifications and none of the disqualifications to serve in the Board of Directors. The Final List of Candidates and the qualifications of each nominee director are discussed in the Information Statement.

## **Appointment of the External Auditor**

The Audit and Risk Management Oversight Committee and the Board endorsed to the stockholders the re-appointment of SGV & Co. as the external auditor for the ensuing year. The details of the external auditor are provided in the Information Statement.

**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM 20-IS**

**INFORMATION STATEMENT PURSUANT TO SECTION 20  
OF THE SECURITIES REGULATION CODE**

1. Check the appropriate box:

Preliminary Information Statement

Definitive Information Statement

2. Name of Registrant as specified in its charter: **Filinvest Development Corporation**

3. Province, country or other jurisdiction of incorporation or organization: **Philippines**

4. SEC Identification Number: **51048**

5. BIR Tax Identification Code: **000 - 053 - 167**

6. Address of principal office: **6<sup>th</sup> Floor, The Beaufort, 5<sup>th</sup> Avenue corner 23<sup>rd</sup>  
Street, Bonifacio Global City, Taguig City, Metro Manila**

Postal Code: **1634**

7. Registrant's telephone number, including area code: **(02) 7798 3959**

8. Date, time and place of the meeting of security holders:

Date: **30 April 2021**

Time: **10:00 a.m.**

Place: **No physical venue**

Online web address for registration for remote participation and voting:

**[https://shareholders.filinvest.com.ph/FDC\\_SHAREHOLDERSYSTEM](https://shareholders.filinvest.com.ph/FDC_SHAREHOLDERSYSTEM)**

9. Approximate date on which the Information Statement is first to be sent or given to security holders:

**On or before 08 April 2021**

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Common Shares of Stock Outstanding
<b>Common</b>	<b>8,648,462,987</b>

11. Are any or all of registrant's securities listed in a Stock Exchange? **Yes**

Name of such Stock Exchange and the class of securities listed therein:

**Philippine Stock Exchange / Common shares**

**WE ARE NOT ASKING FOR A PROXY AND YOU ARE NOT BEING REQUESTED  
TO SEND US A PROXY**

## PART I INFORMATION REQUIRED IN INFORMATION STATEMENT

### A. GENERAL INFORMATION

#### **Item 1. Date, Time and Place of the Annual Meeting of Stockholders**

- (a) The annual stockholders' meeting of **FILINVEST DEVELOPMENT CORPORATION** (the "Company" or "FDC") for the year 2021 is scheduled on **30 April 2021, 10:00 a.m.** through virtual meeting.
- (b) The complete mailing address of the principal office of the Company is 6<sup>th</sup> Floor, The Beaufort, 5<sup>th</sup> Avenue corner 23<sup>rd</sup> Street, Bonifacio Global City, Taguig City 1634, Metro Manila.
- (c) This information statement shall be made available to the stockholders no later than **08 April 2021**.

#### **Item 2. Dissenters' Right of Appraisal**

A stockholder of the Company has the right to dissent and demand payment of the fair value of his shares in the following instances: (a) in case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares or any shares of any class, or of extending or shortening the term of corporate existence; (b) in case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Revised Corporation Code of the Philippines ("Revised Corporation Code"); (c) in case of investment of corporate funds in any other corporation or business or for any purpose other than the Company's primary purpose; and (d) in case of merger or consolidation.

The stockholder concerned must have voted against the proposed corporate action in order to avail himself of the appraisal right. As provided in the Revised Corporation Code, the procedure in the exercise of the appraisal right is as follows:

- a. The dissenting stockholder files a written demand within thirty (30) days after the date on which the vote was taken in which he registered a negative vote. Failure to file the demand within the 30-day period constitutes a waiver of the right. Within ten (10) days from demand, the dissenting stockholder shall submit the stock certificates to the corporation for notation that such shares are dissenting shares. From the time of the demand until either the abandonment of the corporate action in question or the purchase of the shares by the corporation, all rights accruing to the shares shall be suspended, except the stockholder's right to receive payment of the fair value thereof.
- b. If the corporate action is implemented, the Company shall pay the stockholder the fair value of his shares upon surrender of the corresponding certificate/s of stock. Fair value is determined by the value of the shares of the Company on the day prior to the date on which vote is taken on the corporate action, excluding any appreciation or depreciation in value in anticipation of the vote on the corporate action.

- c. If the fair value is not determined within sixty (60) days from the date of the vote, it will be determined by three (3) disinterested persons (one chosen by the Company, another chosen by the stockholder, and the third one chosen jointly by the two thus chosen). The findings of the majority of the appraisers will be final, and their award will be paid by the Company within thirty (30) days following such award, provided the Company has sufficient unrestricted retained earnings. Upon such payment, the stockholder shall forthwith transfer his shares to the Company. No payment shall be made to the dissenting stockholder unless the Company has unrestricted retained earnings sufficient to cover such payment.
- d. If the stockholder is not paid within thirty (30) days from such award, his voting and dividend rights shall be immediately restored.

There is no matter to be taken up at the annual meeting on 30 April 2021 which would entitle a dissenting stockholder to exercise the right of appraisal.

**Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon**

- (a) No director or executive officer of the Company or nominee for election as such director or officer has any substantial interest, direct or indirect, in any matter to be acted upon at the annual stockholders' meeting, other than election to office (in the case of directors).
- (b) Likewise, none of the directors has informed the Company of his opposition to any matter to be taken up at the meeting.

**B. CONTROL AND COMPENSATION INFORMATION**

**Item 4. Voting Securities and Principal Holders Thereof**

- (a) As of 26 March 2021, the total number of shares outstanding and entitled to vote in the annual stockholders' meeting is 8,648,462,987 common shares. Each share is entitled to (1) one vote in accordance with the By-laws of the Company.
- (b) The record date for purposes of determining the stockholders entitled to notice of and to vote at the annual stockholders' meeting is **24 March 2021**.
- (c) A stockholder may vote such number of shares for as many persons as there are directors to be elected. He may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares, or he may distribute them on the same principle among as many candidates as he shall see fit: *Provided*, That the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Company multiplied by the whole number of directors to be elected. The stockholder must be a stockholder of record as of **24 March 2021** in order that he may exercise cumulative voting rights. There are no conditions precedent to the exercise of the stockholders' cumulative voting right.

(d) Security Ownership of Certain Record and Beneficial Owners and Management

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 as of 26 March 2021 are as follows:

<b>Title of Class of Securities</b>	<b>Name and Address of Record Owner/ Relationship with FDC</b>	<b>Name of Beneficial Owner/ Relationship with Record Owner</b>	<b>Citizenship</b>	<b>No. of Shares Held</b>	<b>% Held</b>
Common	A.L. Gotianun, Inc. (“ALGI”) <sup>1</sup> (formerly ALG Holdings Corporation) The Beaufort, 5 <sup>th</sup> Avenue corner 23 <sup>rd</sup> Street, Bonifacio Global City, Taguig City, Metro Manila  Majority Owner of the Company	Same as the Record Owner	Filipino	7,587,823,502 (Direct) 61,976,540 (Indirect)	87.74% 0.72%
Common	PCD Nominee Corporation (Filipino) G/F, Philippine Stock Exchange Tower Ayala Avenue, Makati City		Filipino	901,181,272	10.42%

Except as stated above, the Board of Directors 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 or who has voting power or investment power with respect to shares comprising more than five percent (5%) of the Company’s outstanding common stock.

As of 26 March 2021, 38,978,499 or 0.45% of the total outstanding voting shares of FDC is owned by foreigners, as follows:

<sup>1</sup> Ms. Lourdes Josephine Gotianun-Yap is typically named by ALGI as its proxy to vote the shares owned and held by it at the annual meeting of stockholders.

Nationality	Foreign Shares	Rank
American	62,896	00.00%
British	12,332	00.00%
Canadian	950	00.00%
Chinese	99,410	00.00%
Dutch	12,332	00.00%
Foreign	38,654,434	00.41%
Hong Kong	73,992	00.00%
Malaysian	61,660	00.00%
Russian	493	00.00%

The names, citizenship, number of shares held and percentage to total of persons forming part of the Management of the Company as of 26 March 2021 as shown in the Public Ownership Report are as follows:

Title of Class of Securities	Name	Amount and Nature of Ownership	Citizenship	Percentage of Ownership
Common	Mercedes T. Gotianun	1,554 (D) 0 (I)	Filipino	Negligible
Common	Jonathan T. Gotianun	12 (D) 263,925 (I)*	Filipino	Negligible
Common	Lourdes Josephine Gotianun-Yap <sup>2</sup>	6,187,402 (D) 9,395,522 (I)	Filipino	0.07% 0.11%
Common	Michael Edward T. Gotianun	50,501,501 (D) 0 (I)	Filipino	0.58%
Common	Nelson M. Bona	24,664 (D) 0 (I)	Filipino	Negligible
Common	Virginia T. Obcena	1 (D) 0 (I)	Filipino	Negligible
Common	Val Antonio B. Suarez	1 (D) 0 (I)	Filipino	Negligible
Common	Claire A. Huang	1 (D) 0 (I)	Filipino	Negligible
N.A.	Daniel L. Ang Tan Chai	0	Filipino	N.A.
N.A.	Renato Rex Xavier G. Marzan	0	Filipino	N.A.
N.A.	Virginia A. Cayanga	0	Filipino	N.A.
N.A.	Michael Louie T. Garado	0	Filipino	N.A.
N.A.	Patricia Carmen Pineda	0	Filipino	N.A.
N.A.	Sharon P. Pagaling-Refuerzo	0	Filipino	N.A.

\* Includes shares of stock in Filinvest Development Corporation under the names of Berit Holdings Corp., Jabberwock Holdings, Inc. and Chriszen Holdings, Inc.

<sup>2</sup> Composed of 12 direct shares registered under the name L. Josephine Gotianun-Yap; 6,187,390 direct shares registered under the name Joseph M. Yap &/or L. Josephine Gotianun-Yap; and 9,395,522 indirect shares registered under the name Joseph M. Yap &/or L. Josephine Gotianun-Yap.

Total ownership of all directors and officers as a group as of 26 March 2021 is 66,374,583 shares or 0.77% of total outstanding common shares.

No person holds more than 5% of the common stock under a voting trust or similar agreement. There has been no change in control of FDC since the beginning of last year. There were no matters submitted to a vote of the security holders during the fourth quarter of the calendar year covered by this report.

**Item 5. Directors and Principal Officers**

The members of the Board serve for a term of one (1) year and until their successors shall have been duly elected and qualified. The business experience of the directors and officers of the Company named below covers at least the past five (5) years.

The following are the current directors and executive officers of FDC:

<p><b>Mercedes T. Gotianun</b>  <i>Chairperson Emerita</i></p>	<p>Ms. Gotianun, 92, Filipino, served as a Director of FDC from 1980 to 2019. She also served as a Director of FLI from 1989 to 2019 and its Chief Executive Officer from 1997 to 2007. She is also a Director of East West Banking Corporation (“EWBC”), a publicly-listed company, and a Director of Pacific Sugar Holdings Corporation (“PSHC”), FDC Utilities, Inc. (“FDCUI”) and its subsidiary power companies. She obtained her college degree from the University of the Philippines.</p>
<p><b>Jonathan T. Gotianun</b>  <i>Chairperson of the Board and Director</i></p>	<p>Mr. Gotianun, 67, Filipino, was first elected as Director of FDC on 09 July 1993. He also serves as Chairperson of the Board and Director of FLI and EWBC, both publicly-listed companies. He is the President of Davao Sugar Central Co., Inc. and Cotabato Sugar Central Co. Inc. and a Director and Chairperson of the Board of Directors of FDCUI and its subsidiary power companies. He previously served as Director and Senior Vice President of Family Bank &amp; Trust Co. (“Family Bank”) until 1984. He obtained his Master’s Degree in Business Administration from Northwestern University in 1976.</p>
<p><b>Lourdes Josephine Gotianun-Yap</b>  <i>President, Chief Executive Officer and Director</i></p>	<p>Ms. Yap, 65 Filipino, was first elected as Director of FDC on 30 March 1990. She is also a Director, President and Chief Executive Officer of FLI, Chairperson of the Board of Cyberzone Properties, Inc. (“CPI”), and a Director in FAI and FDCUI, as well as various other companies within the Filinvest group. She is currently a Director in three (3) publicly-listed companies: FDC, FLI and EWBC. 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.</p>

<p><b>Michael Edward T. Gotianun</b>  <i>Vice-President and Director</i></p>	<p>Mr. Gotianun, 63, Filipino, was first elected as a Director of FDC on 24 October 2017. He is also a Director of FLI, a publicly-listed company, FAI and Festival Supermall, Inc. He served as the general manager of Filinvest Technical Industries from 1987 to 1990 and as loans officer at Family Bank from 1979 to 1984. He obtained his Bachelor's degree in Business Management from the University of San Francisco in 1979.</p>
<p><b>Nelson M. Bona</b>  <i>Executive Vice-President,                  Treasurer, Chief Finance                  Officer, and Director</i></p>	<p>Mr. Bona, 70, Filipino, is FDC's Executive Vice-President, Treasurer and Chief Financial Officer. He is currently a director of EWBC and FLI, both publicly-listed companies, Filinvest Asia Corporation, TSNC and other companies in the Group. He also serves as Chairman of the Board of FDC Forex Corporation. He was formerly an Executive Vice President of EWBC and Managing Director of Millenia Broadband Communications, Inc. and Filinvest Capital, Inc. He obtained his Bachelor of Arts in Commerce degree from the University of Sto. Tomas. He also earned units towards an MBA from the De La Salle University and attended the Advance Finance Program of Harvard Business School.</p>
<p><b>Virginia T. Obcena</b>  <i>Lead Independent Director</i></p>	<p>Ms. Obcena, 73, Filipino, was first elected as an independent director of FDC on 29 April 2016. She is also an independent director of CPI. She is a member of the Panel of Conciliators of the International Centre for Settlement of Investment Disputes (ICSID) of the World Bank. She served as independent director and head of the Audit Committee of the Capital Markets Integrity Corporation. She was a former partner, member of the management committee and head of quality and risk management at SyCip Gorres Velayo &amp; Co. (SGV). She obtained her Bachelor of Science in Business Administration degree, Magna Cum Laude, at the University of the East and her Master in Business Administration degree at the University of the Philippines. She is a certified public accountant.</p>
<p><b>Val Antonio B. Suarez</b>  <i>Independent Director</i></p>	<p>Mr. Suarez, 62, Filipino, is an independent director of FDC, having been first elected on 30 May 2014. He is the Managing Partner of the Suarez &amp; 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 FLI and Lepanto Consolidated Mining Company, both publicly-listed companies, as well as independent director of CPI. He is 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 degree from Georgetown University Law Center.</p>

<p><b>Claire A. Huang</b>  <i>Independent Director</i></p>	<p>Ms. Huang, 58, Filipino, was first elected as an independent director of FDC on 26 April 2019. She is a member of the board of directors for PODS and Prosper Marketplace. She also served as a director in various U.S.-based companies such as Mirador and Scotttrade. She was the Chief Marketing Officer for J.P. Morgan Chase and Company until 2014. She obtained her Bachelor of Arts degree from De La Salle University in 1983 and finished the Advanced Management Program in IESE Business School in 2016.</p>
<p><b>Daniel L. Ang Tan Chai</b>  <i>Senior Vice-President, Deputy Chief Financial Officer and Compliance Officer</i></p>	<p>Mr. Ang Tan Chai, 62 Filipino, has been the Deputy Chief Financial Officer of the Company since November 2015. He was appointed as Compliance Officer of the Company on June 2020. Prior to joining the Company, he was Executive Vice President and Chief Finance Officer of Philippine Bank of Communications. He also served as Senior Vice President and Chief Finance Officer for Philippine Airlines, and Air Philippines Express, First Vice President and Chief Finance Officer of Metrobank Card Corporation, and Financial Control of 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 degree in Business Administration from the same university.</p>
<p><b>Renato Rex Xavier Marzan</b>  <i>Group Chief Digital Officer &amp; Chief Innovation Officer/ MD of Digital Innovations &amp; Ventures</i></p>	<p>Mr. Marzan, 45, Filipino, is the Company's Group Chief Digital Officer &amp; Chief Innovation Officer/ MD of Digital Innovations &amp; Ventures. Prior to joining FDC, Mr. Marzan served as Board Director and President of True Money Philippines, a part of Ascend Corporation. He also served as Head of Strategy &amp; Corporate Development for Globe Consumer Business and Chief Executive Officer for G-Xchange, Inc. (GCash) of Globe Telecom, Inc. He holds a Bachelor of Science degree, major in Management Engineering from Ateneo de Manila University, and a Master's degree in Business Administration from the Fuqua School of Business of Duke University in North Carolina, USA</p>
<p><b>Virginia A. Cayanga</b>  <i>Vice-President for Risk Management &amp; Chief Risk Officer</i></p>	<p>Ms. Cayanga, 48, Filipino, is the Vice President for Risk Management of the Company starting November 2015. Prior to joining the Company, she served as the Vice President, Multinational Client Services (MCS) Leader of Marsh Philippines, Inc. for fourteen (14) years. She holds a Bachelor of Arts degree, major in Quantitative Economics from the University of Asia and the Pacific.</p>
<p><b>Sharon P. Pagaling-Refuerzo</b>  <i>Corporate Secretary and Corporate Information Officer</i></p>	<p>Atty. Pagaling-Refuerzo, 41, Filipino is concurrently the Vice-President – Corporate Advisory Services and Tax Head of FLI. She is also the Corporate Secretary of FLI, CPI, The Palms Country Club, Inc. (TPCCI) and Timberland Sports</p>

	and Nature Club, Inc., as well as Corporate Secretary of various companies of the Group. Admitted to the Philippine Bar in 2006, she holds an A.B. Philosophy degree from the University of the Philippines and a law degree from San Beda University.
<b>Patricia Carmen D. Pineda</b> <i>Senior Assistant Vice President/ Group Investor Relations</i>	Ms. Pineda, 48, Filipino, is the Senior Assistant Vice-President and Group Investor Relations Officer of the Company. Prior to joining FDC in April 2019, Ms. Pineda served as the Head of Investor Relations for Metropolitan Bank & Trust Company. She also served as the Head of Investor Relations Concurrent Head of Controllershship and Analysis for Manila Water Company, Inc. and Investor Relations Manager for Ayala Land, Inc. She holds a Bachelor of Science degree, major in Economics from the University of the Philippines, and a Master of Science degree in Finance from the same university.
<b>Michael Louie T. Garado</b> <i>Assistant Vice-President for Audit and Chief Audit Executive</i>	Mr. Garado, 39, Filipino, was appointed by the Board of Directors as Chief Audit Executive on 21 May 2018. Prior to joining FDC, he served as an Internal Control Area Manager for Coca-Cola FEMSA Philippines, Inc., Statutory Reporting Manager for Coca-Cola Bottlers Phils., Inc. and Internal Auditor - Corporate Audit of Coca Cola Far East Limited. Mr. Garado is a certified public accountant and obtained his Bachelor of Arts degree, from San Beda University.

A certification that none of the above-named directors and officers works in the government is attached hereto as **Annex "A"**.

The members of the board committees, pursuant to appointments made during the organizational meeting of the Board of Directors of the Company on 22 June 2020, are as follows:

Executive Committee	Chairman: Jonathan T. Gotianun Members: Lourdes Josephine Gotianun-Yap Andrew T. Gotianun, Jr. Michael Edward T. Gotianun
Audit and Risk Management Oversight Committee	Chair: Virginia T. Obcena (Independent Director) Members: Val Antonio B. Suarez (Independent Director) Lourdes Josephine Gotianun-Yap Jonathan T. Gotianun
Compensation Committee	Chairman: Val Antonio B. Suarez (Independent Director) Members: Lourdes Josephine Gotianun Yap Jonathan T. Gotianun

	Virginia T. Obcena (Independent Director)
Corporate Governance Committee	Chairman: Val Antonio B. Suarez (Independent Director) Members: Claire A. Huang (Independent Director) Virginia T. Obcena (Independent Director) Jonathan T. Gotianun
Related-Party Transaction Committee	Chairman: Val Antonio B. Suarez (Independent Director) Members: Virginia T. Obcena (Independent Director) Claire A. Huang (Independent Director) Jonathan T. Gotianun
Digital Committee	Chairman: Claire A. Huang (Independent Director) Members: Lourdes Josephine Gotianun-Yap Jonathan T. Gotianun

There will be an election of the members of the Board during the annual stockholders' meeting. The stockholders of FDC may nominate individuals to be members of the Board of Directors.

All nominations for directors, including the independent directors, shall be addressed to and received by:

THE NOMINATIONS COMMITTEE  
 c/o THE CORPORATE SECRETARY  
 FILINVEST DEVELOPMENT CORPORATION  
 79 EDSA, Highway Hills  
 Mandaluyong City 1550, Metro Manila

and signed by the nominating stockholder/s together with the acceptance and conformity by the nominees. All nominations should include (i) the *curriculum vitae* of the nominee, (ii) a statement that the nominee has all the qualifications and none of the disqualifications, (iii) information on the relationship of the nominee to the stockholder submitting the nomination, and (iv) all relevant information about the nominee's qualifications.

The Corporate Governance Committee, acting as the Nomination Committee, shall endorse nominees to the Board of Directors, including nominees for independent directors for election at the upcoming annual stockholders' meeting, in accordance with the qualifications and disqualifications set forth in FDC's Revised Manual, as follows:

*Qualifications*

1. He is a holder of at least one (1) share of stock of FDC;
2. He shall be at least a college graduate or have sufficient experience in managing the business to substitute for such formal education;
3. He shall be at least twenty-one (21) years old;

4. He shall have proven to possess integrity and probity; and
5. He shall be assiduous.

#### *Permanent Disqualifications*

The following shall be permanently disqualified for election as director:

1. Any person finally convicted judicially of an offense involving moral turpitude or fraudulent acts or transgressions;
2. Any person finally found by the Securities and Exchange Commission or a court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of, any provision of the Securities Regulation Code, the Corporation Code, or any other law administered by the Commission or Bangko Sentral ng Pilipinas, or any rule, regulation or order of the Securities and Exchange Commission or Bangko Sentral ng Pilipinas;
3. Any person judicially declared to be insolvent;
4. Any person finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs;
5. Conviction by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code, committed within five (5) years prior to the date of his election or appointment; and
6. All other grounds for disqualification under FDC's Articles of Incorporation, By-laws, Revised Manual and the Revised Corporation Code.

#### *Temporary Disqualifications*

The following shall be grounds for the temporary disqualification of a director:

1. Refusal to fully disclose the extent of his business interests as required under the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists;
2. Absence or non-participation for whatever reason/s in more than fifty percent (50%) of all meetings, both regular and special, of the Board of Directors during his incumbency, or any twelve (12)-month period during said incumbency. This disqualification applies for purposes of the succeeding election;
3. Dismissal/termination from directorship in another listed corporation for cause. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity;
4. Being under preventive suspension by the Company;
5. If the independent director becomes an officer or employee of FDC, he shall be automatically disqualified from being an independent director; and
6. Conviction that has not yet become final referred to in the grounds for the disqualification of directors.

#### **Nominated Directors for 2021-2022**

The Corporate Governance Committee, acting as the Nomination Committee of the Board of Directors of FDC has determined that the following individuals possess all the qualifications

and none of the disqualifications for directorship set out in FDC's Revised Manual on Corporate Governance, duly adopted by the Board pursuant to SRC Rule 38.1 and SEC Memorandum Circular No. 16, Series of 2002. The list of the nominees for directors as determined by the Corporate Governance Committee shall be final and no other nominations shall be entertained or allowed after the final list of nominees is prepared.

Below is the final list of candidates prepared by the Corporate Governance Committee and the following individuals have been nominated for re-election as directors, including independent directors, at the Annual Stockholders' Meeting on 30 April 2021:

1. Jonathan T. Gotianun
2. Lourdes Josephine Gotianun-Yap
3. Nelson M. Bona
4. Michael Edward T. Gotianun
5. Val Antonio B. Suarez (Independent Director)
6. Virginia T. Obcena (Independent Director)
7. Claire A. Huang (Independent Director)

The qualifications of the nominees for the Board of Directors of FDC are discussed on pages 7 to 10 of this Information Statement.

### **Independent Directors**

The Corporate Governance Committee, upon nomination by Mr. Luis L. Fernandez and following the guidelines provided under FDC's Revised Manual on Corporate Governance and pursuant to SEC Memorandum Circular No. 09, Series of 2011, named Atty. Val Antonio B. Suarez, Ms. Virginia T. Obcena and Ms. Claire A. Huang as nominees for re-election as independent directors for this year's annual meeting. Mr. Fernandez is not related, whether by affinity or consanguinity, to any of these nominees.

The Corporate Governance Committee has determined that these nominees for independent directors possess all the qualifications and have none of the disqualifications for independent directors as set forth in the Revised Manual on Corporate Governance and SEC Memorandum Circular No. 09, Series of 2011. In accordance with SEC Memorandum Circular No. 5, Series of 2017, the Certifications of Independent Directors executed by the aforementioned candidates for independent directors of the Company are attached hereto as **Annexes "B", "B-1" and "B-2"**.

Before the annual meeting, a stockholder of the Company may nominate individuals to be independent directors, taking into account the following guidelines set forth in the Company's Revised Manual on Corporate Governance:

*"Independent director"* means a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director in any corporation that meets the requirements of Section 17.2 of the Securities Regulation Code and includes, among others, any person who:

1. Is not a director or officer or substantial stockholder of the Company or of its related companies or any of its substantial shareholders (other than as an independent director of any of the foregoing);
2. Is not a relative of any director, officer or substantial stockholder of the Company, any of its related companies or any of its substantial stockholders. For this purpose, "relative" includes spouse, parent, child, brother, sister, and the spouse of such child, brother or sister;
3. Is not acting as a nominee or representative of a substantial stockholder of the Company, any of its related companies or any of its substantial stockholders;
4. Has not been employed in any executive capacity by the Company, any of its related companies or by any of its substantial stockholders within the last two (2) years;
5. Is not retained as professional adviser by the Company, any of its related companies or any of its substantial stockholders within the last two (2) years, either personally or through his firm;
6. Has not engaged and does not engage in any transaction with the Company or with any of its related companies or with any of its substantial stockholders, whether by himself or with other persons or through a firm of which he is a partner or a company of which he is a director or substantial stockholder, other than transactions which are conducted at arm's length and are immaterial or insignificant.

When used in relation to FDC subject to the requirements above:

*"Related company"* means another company which is: (a) its holding company, (b) its subsidiary, or (c) a subsidiary of its holding company; and

*"Substantial shareholder"* means any person who is directly or indirectly the beneficial owner of more than ten percent (10%) of any class of its equity security.

An Independent Director of FDC shall have the following qualifications:

1. He shall have at least one (1) share of stock of FDC;
2. He shall be at least a college graduate or he shall have been engaged in or exposed to the business of FDC for at least five (5) years;
3. He shall possess integrity/probity; and
4. He shall be assiduous.

An independent director shall be disqualified during his tenure under the following instances or causes:

1. He becomes an officer or employee of FDC, or becomes any of the persons enumerated under item (A) hereof;
2. His beneficial security ownership exceeds 10% of the outstanding capital stock of FDC;
3. He fails, without any justifiable cause, to attend at least 50% of the total number of board meetings during his incumbency unless such absences are due to grave illness or death of an immediate family member; and
4. If he becomes disqualified under any of the grounds stated in FDC's Revised Manual on Corporate Governance.

Pursuant to SEC Memorandum Circular No. 9, Series of 2011, as amended by SEC Memorandum Circular No. 04, Series of 2017, the following additional guidelines on the term limit of independent directors shall be observed in the qualification of individuals to serve as independent directors:

1. There shall be no limit in the number of covered companies that a person may be elected as independent director, except in business conglomerates where an ID can be elected to only five (5) companies of the conglomerate, i.e., parent company, subsidiary or affiliate;
2. An independent director shall serve for a maximum cumulative term of nine (9) years;
3. After which, the independent director shall be perpetually barred from re-election as such in the same company, but may continue to qualify as non-independent director;
4. In the instance that a company wants to retain an independent director who has served for nine (9) years, the Board should provide meritorious justification/s and seek shareholders' approval during the annual shareholders' meeting; and
5. The reckoning of the cumulative nine-year term is from 2012.

Atty. Suarez was first elected as independent director of FDC in 2014. Therefore, he is qualified to be nominated and elected as independent director until 2023. Ms. Obcena was first elected as an independent director of FDC in 2016. Therefore, she is qualified to be nominated and elected as independent director until 2025. Ms. Huang was first elected as an independent director of FDC on 26 April 2019. Therefore, she is qualified to be nominated and elected as independent directors until 2028.

The Corporate Governance Committee receives nominations for independent directors as may be submitted by the stockholders. Only nominees whose names appear in the Final List of Candidates shall be eligible for election as independent directors. No other nomination shall be entertained after the Final List of Candidates shall have been prepared. No further nomination shall be entertained or allowed on the floor during the annual meeting.

The conduct of the election of independent directors shall be in accordance with the provisions of the Company's Revised Manual and the Amended By-laws consistent with Rule 38 of the Securities Regulation Code. SEC approved the Amended By-laws of the Company incorporating the provisions of SRC Rule 38, as amended, on 14 May 2010.

It shall be the responsibility of the Chairperson of the annual meeting to inform all stockholders in attendance of the mandatory requirement of electing independent directors. He shall ensure that independent directors are elected during the annual meeting. Specific slots for independent directors shall not be filled up by unqualified nominees. In case of failure of election for independent directors, the Chairperson of the meeting shall call a separate election during the same meeting to fill up the vacancy.

### **Other Significant Employees**

FDC considers all its employees significant to the growth of the Company.

## **Family Relationships**

Ms. Mercedes T. Gotianun is the mother of Mr. Jonathan T. Gotianun, Mr. Michael Edward T. Gotianun, and Ms. Lourdes Josephine Gotianun-Yap. All of them are current members of the Board of Directors of the Company.

Other than the foregoing, there are no other family relationships known to the Company.

## **Item 6. Compensation of Directors and Executive Officers**

The aggregate compensation paid or incurred during the last two (2) fiscal years and the estimate for this year are as follows:

<b>Name and Principal Position</b>	<b>Year</b>	<b>Salary</b>	<b>Bonus</b>	<b>Other Annual Compensation</b>	<b>TOTAL</b>
<b>Lourdes Josephine Gotianun-Yap</b> <i>(President and CEO)</i> <b>Jonathan T. Gotianun</b> <i>(Chairperson)</i> <b>Nelson M. Bona</b> <i>(Executive Vice-President, Treasurer, and Chief Financial Officer)</i> <b>Daniel L. Ang Tan Chai</b> <i>(Senior Vice-President, Deputy Chief Financial Officer and Compliance Officer)</i> <b>Renato Rex Xavier G. Marzan</b> <i>(Group Chief Digital Officer &amp; Chief Innovation Officer/ MD of Digital Innovations &amp; Ventures)</i>	2021 - Estimated	₱58.0M	₱8.7M	-	₱66.7M
	2020	₱55.2M	₱8.3M	-	₱63.5M
	2019	₱62.9M	₱8.4M	-	₱71.3M
	CEO and top four (4) highest compensated officers				
All officers and directors as a group unnamed	2021- Estimated	₱78.5M	₱10.7M	-	₱89.2M
	2020	₱74.7M	₱10.2M	-	₱84.9M
	2019	₱83.0M	₱11.4M	-	₱94.4M

Non-executive directors and/or independent directors receive a per diem of Php100,000.00 for every Board meeting attended and Php50,000.00 for every Board committee meeting attended.

For the year 2020, the total per diem for each of the non-executive directors and/or independent directors is as follows:

Name of Director	Amount (in PhP)
Jonathan T. Gotianun*	--
Lourdes Josephine Gotianun-Yap*	--
Michael Edward T. Gotianun*	--
Nelson M. Bona*	--
Val Antonio B. Suarez (Independent Director)	1,450,000.00
Virginia T. Obcena (Independent Director)	1,450,000.00
Claire A. Huang (Independent Director)	1,250,000.00
Total	PhP4,150,000.00

\* These directors do not receive per diem in their capacity as directors of the Company.

Other than as discussed in the Information Statement, there are no other existing arrangements for the payment of compensation or remuneration to the directors in their capacity as such, but the Company may, without any obligation, grant additional compensation if certain performance driven goals are met, subject to such approvals as may be required by law.

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 which are subject to the approval by the stockholders at the annual stockholders' meeting.

There is no action to be taken at the annual meeting of the stockholders on 30 April 2021 with respect to any bonus, profit sharing or other compensation plan, contract or arrangement, and pension or retirement plan, in which any director, nominee for election as a director, or executive officer of the Company will participate which are subject to the approval by the stockholders at the annual stockholders' meeting. Neither is there any proposed grant or extension to any such persons of any option, warrant or right to purchase any securities of the Company which are subject to the approval by the stockholders at the annual stockholders' meeting.

### **Board Evaluation and Assessment**

To ensure board effectiveness and optimal performance, the Board shall conduct annual performance evaluations of the Board of Directors, its individual members and board committees. Through the self-assessment and evaluation process, directors identify areas for improvement, such as:

1. Diversity of the board composition;
2. The frequency and conduct of meetings;

3. The timeliness and completeness of materials and information provided to them;
4. Directors' access to Management;
5. Orientation for new directors and continuing education and training for existing directors.

The criteria for Board self-assessment are:

1. Collective Board Rating
  - a. Board Composition
  - b. Board Meetings and Participation
2. Individual Self-Assessment
  - a. Individual Performance
  - b. Attendance of Board and Committee Meetings
3. Board Committees Rating
  - a. Executive Committee
  - b. Corporate Governance Committee
  - c. Audit and Risk Management Committee
  - d. Compensation Committee
  - e. Related Party Transaction Committee
  - f. Digital Committee
4. Comments and Suggestions

### **Involvement in Certain Legal Proceedings**

The Company is not aware of any legal proceedings where its directors or executive officers have been impleaded in their capacity as such directors or executive officers of the Company.

The Company is not aware of the occurrence of any of the following events within the past five (5) years up to the date of this information statement: (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 (2) 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 of the Company; (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 his/her capacity as director or officer of the Company 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 Securities and Exchange Commission 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 five (5) years.

### **Certain Relationships and Related 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.

The approval process for all Related Party Transactions ("RPTs") are embodied in the Related Party Transaction Policy (the "Policy") approved and adopted by the Board on 25 October 2019.

All RPTs, as may be deemed necessary by Management, shall be subject to the presentation and approval by the Related Party Transaction and Corporate Governance Committee (the "Committee").

Significant related party transactions for the year ended 31 December 2020 are as follows:

- a. The compensation of key management personnel consists of short-term employee salaries and benefits amounting to ₱84.9 million, ₱94.4 million and ₱76.1 million in 2020, 2019 and 2018, respectively. Post-employment benefits of key management personnel amounted to ₱23.2 million, ₱17.0 million and ₱18.0 million in 2020, 2019 and 2018, 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:

	2020			
	Outstanding Balance Due from (Due to)		Terms	Conditions
	(In Thousands)			
<b>Due from related parties</b>				
Real estate operations				
Ultimate Parent Company <sup>(a)</sup>	₱4,388	₱3,171	Noninterest-bearing, collectible on demand	Unsecured, no impairment
Affiliates:				
Share in expenses	175,540	83,257	Noninterest-bearing, collectible on demand	Unsecured, no impairment
	<b>₱179,928</b>	<b>₱86,428</b>		
<b>Due to related parties</b>				
Ultimate Parent Company <sup>(a, b)</sup>				
Interest expense	₱58,112	(₱-)	Bears 3.1% interest per annum, payable within 1 year	Unsecured
Affiliates				
Share in expenses <sup>(a)</sup>	85	(2,465)	Noninterest-bearing, payable on demand	Unsecured
	<b>₱58,197</b>	<b>(₱2,465)</b>		

(a) Share in Group expenses

(b) Availment of loan payable, with interest at prevailing market rate

(c) Management fee charged to hospitality operations by a joint venture.

2019				
		Outstanding Balance Due from (Due to)	Terms	Conditions
(In Thousands)				
Due from related parties				
Real estate operations				
Ultimate Parent Company <sup>(a)</sup>	P3,993	P4,080	Noninterest-bearing, collectible on demand	Unsecured, no impairment
Affiliates:				
Share in expenses	8,072	11,564	Noninterest-bearing, collectible on demand	Unsecured, no impairment
	<b>P12,065</b>	<b>P15,644</b>		

2019				
	Volume	Outstanding Balance Due from (Due to)	Terms	Conditions
(In Thousands)				
Due to related parties				
Ultimate Parent Company <sup>(a, b)</sup>			Bears 3.1% interest per annum, payable within 1 year	
Interest expense	P49,613	(P1,189,588)		Unsecured
Affiliates				
Share in expenses <sup>(a)</sup>	1,533	(8,148)	Noninterest-bearing, payable on demand	Unsecured
Management fee <sup>(c)</sup>				
	<b>P51,146</b>	<b>(P1,197,736)</b>		

(d) Share in Group expenses

(e) Availment of loan payable, with interest at prevailing market rate

(f) Management fee charged to hospitality operations by 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:

	2020	2019
(In Thousands)		
Cash and cash equivalents	<b>P124,482</b>	P26,290
Equity instruments	<b>760,080</b>	782,064
Debt instruments	<b>171,100</b>	158,763
Others	<b>1,857</b>	1,844
	<b>P1,057,519</b>	P968,961

The following are the amounts recognized by the retirement plan arising from its transactions with EW for the years ended December 31, 2020, 2019 and 2018.

	2020	2019	2018
Trust fees	<b>P2,775</b>	P2,682	P2,534
Interest income on savings deposit	<b>318</b>	945	151
Interest income on investments in LTNCD	<b>10,485</b>	7,964	5,044
Gain (loss) on investments in equity shares	<b>(46,776)</b>	230,515	(15,272)

## **Item 7. Independent Public Accountants**

The auditing firm of Sycip, Gorres, Velayo & Co. (“SGV & Co.”) is the current independent auditor of the Company. The Company has not had any disagreement with SGV & Co. on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure.

The Company, in compliance with SRC Rule 68(3)(b)(iv) relative to the seven-year rotation requirement of its external auditors has designated Mr. Michael C. Sabado as its engagement partner starting CY 2018. Thus, Mr. Sabado is qualified to act as such until the year 2025. The same external auditor will be recommended for re-appointment at the scheduled annual stockholders’ meeting. The representatives of SGV shall 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.

The Audit and Risk Management Oversight Committee recommends to the Board of Directors the appointment of the external auditor and the fixing of the audit fees. The Board and the stockholders approve the Audit and Risk Management Oversight Committee’s recommendation.

Under the Charter of the Audit and Risk Management Oversight Committee, the Committee reviews the external auditor’s proposed audit scope and approach, including coordination of audit effort with internal audit. The Revised Manual on Corporate Governance provides that the Committee shall pre-approve all audit plans, scope and frequency before the conduct of external audit.

The Committee also evaluates the performance of the external auditors and exercises final approval on the appointment or discharge of the auditors. The Committee further reviews the independence of the external auditors and meets with the latter separately to discuss any matters that either party believes should be discussed privately.

## **Item 8. Compensation Plan**

There is no action to be taken at the annual stockholders’ meeting with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

## **C. ISSUANCE AND EXCHANGE OF SECURITIES**

### **Item 9. Authorization or Issuance of Securities other than for Exchange**

No matters or actions concerning authorization or issuance of securities will be taken up during the meeting.

### **Item 10. Modification or Exchange of Securities**

There are no matters or actions to be taken up at the annual stockholders’ meeting with respect to the modification of the Company’s securities or the issuance or authorization for issuance of one class of the Company’s securities in exchange for outstanding securities of another class.

## **Item 11. Financial and Other Information**

### **(a) Information Required**

#### **(1) Financial Statements**

The audited financial statements of FDC for the year ended 31 December 2020 is attached as **Annex “C”** to form an integral part hereof.

#### **(2) Management’s Discussion and Analysis, or Plan of Operations**

The Management’s Discussion and Analysis, or Plan of Operations is attached as **Annex “D”** hereof.

#### **(1) Legal Proceedings**

The Company is subject to lawsuits and legal actions in the ordinary course of its real estate development and other allied activities. However, the Company does not believe that any such lawsuits or legal actions will have a significant impact on its financial position or the results of its operations. Noteworthy are the following cases involving the Company and its subsidiaries, Filinvest Land, Inc. (“FLI”) and Pacific Sugar Holdings Corporation (“PSHC”), among others:

- a) *FLI vs. Abdul Backy 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, Hadiji Gulam Ngilay. The Regional Trial Court (“RTC”) of Las Piñas City (Br. 253) decided the case in favor of FLI and upheld the sale of the properties. On appeal, the Court of Appeals rendered a decision partly favorable to FLI but nullified the sale or 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 affirmed the decision of the Court of Appeals but declared with finality that EU’s purchase of sales patents issued in 1991 was void and ordered the Ngilays to return P14, 000,000.00 to FLI. The Regional Trial Court 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, 147-201005034, 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 Supreme Court as invalid. The Sheriff was ordered to look for another property of Ngilay for execution and is to issue an amended certificate of sale for the 3 Ngilay properties in favor of FLI. The Company is waiting for the approval of the Court to issue order approving amended certificate of sale along with resolution of the Court on the Moner Ngilay's Motion to Exclude his property from execution, with FLI's opposition already filed.

*b) Emerlita 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 off titles, maintenance of peaceful possession, enforcement of rights under CARP plus damages before the Regional Agrarian Reform Adjudicator, Adjudication Board, Department of Agrarian Reform. 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.

*c) Republic of the Philippines vs. Rolando Pascual, et al.,  
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 Court of Appeals 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 Supreme Court, 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, the RTC set the case for Judicial Dispute Resolution on August 20, 2019. The Judicial Dispute Resolution was terminated.

On February 13, 2020, FLI filed its Amended Answer incorporating its cross-claim against defendant Rodel Land, Inc. The Pre-Trial set on April 14, 2020 was reset to March 18, 2021 which was again reset to September 23, 2021 due to the COVID-19 pandemic.

*d) 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  
SC-G.R. No. 251303  
(CA-G.R. CV No. 107682)  
Supreme Court*

On February 9, 2009, FLI and its First Vice President, Engr. Antonio E. Cenon (“Plaintiffs”) filed an action (or 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, Riz8l. 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 Regional Trial Court granted both Demurrers to Evidence and dismissed the case for insufficiency of evidence. Plaintiffs appealed to the Court of Appeals. In the Decision dated May 31, 2019, the Court of Appeals denied the plaintiffs’ appeal. Plaintiffs filed a Motion for Reconsideration. (The Motion for Reconsideration was denied in a Resolution of the Court of Appeals dated January 6, 2020. A Motion for Extension of Time to File Petition for Review on Certiorari was filed by plaintiffs with the Supreme Court.)

*e) Coca-Cola Bottlers Philippines, Inc. vs. Pacific Sugar Holdings Corporation*  
*Civil Case No. 10-1067, Branch 146, Regional Trial Court, Makati City; G.R. No.*  
*241333 (CA-G.R. SP No. 143593); G.R. No. 250454 (CA-G.R. CV No. 109827); G.R. No.*  
*233580*

On October 28, 2010, Coca-Cola Bottlers Philippines, Inc. (“Coca-Cola”) filed with the Regional Trial Court of Makati (“RTC”) a civil case against Pacific Sugar Holdings Corporation (“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 subsequently ordered lifted by the court upon motion of PSHC.

G.R. No. 241333 (CA-G.R. SP No. 143593)

Coca-Cola assailed the lifting of the writ of preliminary attachment by filing a petition for certiorari with the Court of Appeals (“CA”) docketed as CA-G.R. SP No. 143593. The CA dismissed the petition and denied the motion for reconsideration filed by Coca-Cola which prompted the latter to file a petition for review with the Supreme Court (“SC”) docketed as G.R. No. 241333. This petition is still pending with the SC.

G.R. No. 250454 (CA-G.R. CV No. 109827)

Meanwhile, PSHC accordingly filed its Answer on April 13, 2011 to refute the claims of Coca-Cola. After trial on the merits, the RTC rendered a decision on August 11, 2017 ordering PSHC to pay Coca-Cola the amounts of ₱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 an appeal with the CA docketed as CA-G.R. CV No. 109827. The CA rendered a decision on February 15, 2019 partially granting the appeal, reducing the actual damages to ₱67,030,420.00, and affirming all other judgment awards. Coca-Cola filed a Motion for Partial Reconsideration of the decision but the same was denied by the CA in its resolution issued on November 12, 2019. Coca-Cola then filed a petition for review with the SC docketed as G.R. No. 250454 to assail the CA decision.

In the proceedings before the SC, a motion for the consolidation of this petition with G.R. No. 233580 also filed by Coca-Cola was allegedly granted by the SC on June 8, 2020 but

neither PSHC nor its counsel received a copy of such order/resolution. To date, PSHC has not received any order or resolution directing it to file its comment on Coca-Cola's petition.

G.R. No. 233580

Coca-Cola also filed another petition for review with the SC asking for the partial modification of the RTC Decision in Civil Case No. 10-1067 by imposing the payment of 6% interest per annum reckoned from the extrajudicial demand by Coca-Cola on PSHC on March 26, 2010. On September 1, 2020, PSHC moved for the dismissal of this petition for being moot and academic in light of the prayer of Coca-Cola for the imposition of 6% interest per annum in its petition in G.R. No. 250454. PSHC's motion to dismiss has not been resolved to date.

*f) 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. The Complaint prayed for the cancellation of FLI's certificates of title that overlap with MPMII's as well as the payment of damages. FLI filed a Motion to Dismiss and in response thereto, MPMII amended the Complaint. FLI then filed a second Motion to Dismiss. Both motions were denied.

On November 3, 2020, the court issued an Order, which, among others, directed MPMII to submit the current tax declarations on its supposed properties. MPMII failed to comply so an Urgent Motion to Dismiss was filed by FLI on February 2, 2021 grounded on the failure of MPMII to submit the said tax declarations. At the March 5, 2021 hearing, the court granted FLI's Urgent Motion to Dismiss and dismissed the case for MPMII's failure to comply with the directive to timely submit the said tax declarations.

**Item 12. No Action to be Taken on Mergers, Consolidations, Acquisitions and Similar Matters**

No action will be taken at the annual stockholders' meeting with respect to any merger or consolidation involving FDC, the acquisition by FDC of another entity, going business or of all of the assets thereof, the sale or other transfer of all or any substantial part of the assets of FDC, or the liquidation or dissolution of FDC.

**Item 13. No Action to be Taken on Acquisition or Disposition of Property**

No action will be taken at the annual stockholders' meeting with respect to any acquisition or disposition of property by FDC requiring the approval of the stockholders.

**Item 14. No Action to be Taken on Restatement of Accounts**

No action will be taken at the annual stockholders' meeting with respect to any restatement of any asset, capital or surplus account of FDC.

**Part III, Paragraph (B) of Annex "C", Changes in and Disagreements with Accountants on Accounting and Financial Disclosures**

- (1) There has been no change during the two most recent fiscal years or any subsequent interim period in the independent accountant who was previously engaged as principal accountant to audit FDC's financial statements.
- (2) 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.

**Information on Independent Accountant**

**(a) 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 Php11.3 million and Php11.2 million, net of VAT in 2020 and 2019, respectively.

In 2020 and 2019, additional fees for other services of external auditor amounted to Php21.6 million and Php27.9 million, respectively.

**(b) Tax Fees**

The fees billed to the Group for tax services which pertained to compliance review amounted to Php9.8 million and Php8.6 million in 2020 and 2019, respectively.

**(c) 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 and Risk Management Oversight 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.

**(d) Approval Policies and Procedures of the Management / Audit and Risk Management Oversight Committee for Independent Accountant's Services**

In giving its stamp of approval to the audit services rendered by the independent accountant and the rate of the professional fees to be paid, the Audit and Risk Management Oversight Committee, with inputs from the Management of the Company, makes a prior independent assessment of the quality of audit services previously rendered by the accountant, the complexity of the transactions subject of the audit, and the consistency of the work output

with generally accepted accounting standards. Thereafter, the Audit and Risk Management Oversight Committee makes the appropriate recommendation to the Board of Directors of the Company.

### **Information on the General Nature and Scope of the Business of FDC and its Subsidiaries/Affiliates**

FDC 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 (Family Bank) 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.

FLI was incorporated on 24 November 1989 as Citation Homes, Inc. and changed its name to FLI on 12 July 1993. 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.

FAI was incorporated on 25 August 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.

In 1994, the Group 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.

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). FDCUI operates a 405 megawatts (3 x 135 MW) power plant with circulating fluidized bed (CFB) clean coal technology in the Philippine Veterans Investment Development Corporation (PHIVIDEC) Industrial Estate, Villanueva, Misamis Oriental, Mindanao.

The Group is also involved in the development, operation and management of hotels and resorts that cater to various market segments. In 2008, FDC entered into a joint venture with Archipelago International Pte. Ltd (AIPL) and created Chroma Hospitality, Inc. (Chroma) to manage and operate the Group's hospitality projects. Chroma is 60% owned by FDC and 40% owned by AIPL. In August 2011, FDC formed its wholly owned subsidiary Filinvest Hospitality Corporation (formerly FDC Hotels Corporation) (FHC) to serve as the primary developer and owners' representative of Group-owned properties.

Following the award of a provisional gaming license to MCI by the Philippine Amusement and Gaming Corporation ("PAGCOR") in April 2018, the Group is planning to extend its hospitality offering to include an integrated resort and casino within the Filinvest Mimosa+ Leisure City development.

As part of the Group's continued expansion, in January 2019, as part of the North Luzon Airport Consortium (NLAC), FDC entered into a 25-year concession agreement for the operation and maintenance of the Clark International Airport (CIA) passenger terminal and the fit-out and operation and maintenance of a new terminal building. In August 2019, the consortium took over the operation and maintenance of the existing terminal.

The Group has also been involved in the water supply business since 2012 through its subsidiary Countrywide Water Services, Inc. (CWSI), which provides water and wastewater services. Its water services include the supply and distribution of potable water to domestic, commercial and industrial users while its wastewater services include the treatment of domestic and commercial sewage.

The Group also signed a joint venture agreement with Japanese company HAQT to establish Filinvest-Hitachi Omni Waterworks, Inc. (FLOW) to tap into the latest developments in water technology such as desalination.

In October 2019, FAI signed a joint venture agreement with Japanese company Mitsubishi Corporation (MC) for the development of a P15-billion multi-tower mixed-use complex within Filinvest City. Mitsubishi will have a 40% stake in the development of a 1.7-hectare prime lot that is seen to bolster mixed-use GLA by approximately 183,000 square meters.

With over 50 years of experience in industries that are 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.

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, associate, and jointly controlled entities engaged in various business activities, namely:

<b>Real Estate</b>	<b>Date of Incorporation</b>
<b>FLI</b>	November 24, 1989
Filinvest AII Philippines, Inc. (FAPI)	September 25, 2006
Home Pro Realty Marketing, Inc. (Homepro)	March 25, 1997
FCGC Corporation (FCGCC)	February 11, 2016
Filinvest BCDA Clark, Inc. (FBCI)	March 16, 2016
Cyberzone Properties, Inc. (CPI)	January 14, 2000
Filinvest Cyberparks, Inc. (FCI)	February 4, 2014
Filinvest Asia Corporation (FAC)	January 22, 1997
Filinvest Clark Mimosa, Inc. (FCMI)	January 23, 2017
Filinvest Lifemalls Mimosa, Inc. (FLMI)	January 23, 2017
Filinvest Lifemalls Corporation (FLC)	July 26, 2016
Property Specialist Resources, Inc. (Prosper)	June 10, 2002
Filinvest Lifemalls Tagaytay, Inc. (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
Timberland Sports and Nature Club, Inc. (TSNC)	May 12, 2004
Property Maximizer Professional Corp. (Promax)	October 3, 1997
Leisurepro, Inc. (Leisurepro)	April 21, 2004
Proleads Philippines, Inc. (Proleads)	March 29, 2017
Property Leaders International Limited (BVI) (PLIL)	February 7, 2017
Realpros Philippines, Inc. (RPI)	August 3, 2017
Gintong Parisukat Realty and Development, Inc. (GPRDI)	August 18, 2006
Filinvest Mimosa, Inc. (FMI)	March 31, 2016
ProOffice Work Services, Inc. (PWSI)	March 18, 2019
Nature Specialists, Inc. (NSI)	August 24, 2018
Dreambuilders Pro, Inc. (DPI)	January 11, 2017
ProMixers Aggregates Corp. (PMAC)	October 11, 2019
Filinvest Alabang, Inc. (FAI)	August 25, 1993
Northgate Convergence Corporation	October 14, 1999
Proplus, Inc.	February 16, 2000
ParkingPro, Inc. (PPI)	July 15, 2016
Pro-Excel Property Managers, Inc. (Pro-Excel)	November 28, 2001
Spectrum Alabang Properties, Inc. (SAPI)	December 16, 2019

<b>Hospitality Operations</b>	<b>Date of Incorporation</b>
Filinvest Hospitality Corporation (FHC)	November 08, 2008
Mactan Seascapes Services, Inc. (MSSI)	July 17, 2009
Quest Restaurants, Inc. (QRI)	March 12, 2012
Boracay Seascapes, Inc. (BSI)	December 28, 2012
Chinatown Cityscapes Hotel, Inc. (CCHI)	March 22, 2013
Duawon Seascapes Resort, Inc. (DSRI)	April 12, 2013

Entrata Hotel Services, Inc. (EHSI)	November 28, 2012
Mimosa Cityscapes, Inc. (MCI)	May 13, 2016
Cubao Cityscapes, Inc. (CCI)	February 09, 2017
Princesa Seascapes, Inc. (PSI)	June 6, 2017
Dumaguete Cityscapes, Inc. (DCI)	November 27, 2017
Fora Services, Inc. (FOSI)	August 24, 2018
Fora Restaurants, Inc. (FRI)	August 24, 2018
Chroma Hospitality, Inc.	August 22, 2011
Dauin Seascapes, Inc. (DSI)	September 09, 2019
Zamboanga Cityscapes, Inc. (ZCI)	January 21, 2019
Halo Halo Hospitality Pte. Ltd.	May 4, 2020
Samui Seascapes Pte. Ltd.	May 4, 2020
Cebu IT Park Cityscapes, Inc. (CIPCI)	March 12, 2020
Gensan Cityscapes, Inc. (GCI)	March 12, 2020

<b>Banking and Financial Services</b>	<b>Date of Incorporation</b>
EW	March 22, 1994
East West Rural Bank, Inc. (EWRB)	November 05, 1997
East West Insurance Brokerage, Inc. (EWIB)	July 06, 2015
East West Ageas Life Insurance Corporation (EW Ageas Life)	October 20, 2015
Assurance Solutions Insurance Agency, Inc. (ASIA)	February 29, 2012
East West Leasing and Finance Corporation (EWLFC)	October 06, 2016
Quest Marketing and Integrated Services, Inc. (QMIS)	July 17, 2007
FDC Forex Corporation (FFC)	February 17, 1997

<b>Power Operations</b>	<b>Date of Incorporation</b>
FDC Utilities, Inc.	December 04, 2009
FDC Retail Electricity Sales Corporation	November 16, 2009
FDC Misamis Power Corporation	November 16, 2009
FDC Water Utilies, Inc.	March 10, 2011
FDC Camarines Power Corporation	March 23, 2011
FDC Casecnan Hydro Power Corporation	March 23, 2011
FDC Negros Power Corporation	May 22, 2012
FDC Renewables Corporation	July 17, 2012
Filinvest-ENGIE Renewable Energy Enterprise, Inc. (FREE)	November 22, 2018

<b>Sugar Operations</b>	<b>Date of Incorporation</b>
Pacific Sugar Holdings Corporation (PSHC)	June 05, 1989
Davao Sugar Central Company, Inc. (DSCCI)	October 04, 1968
Cotabato Sugar Central Company, Inc. (CSCCI)	March 13, 2002
High Yield Sugar Farms Corporation (HYSFC)	June 08, 1990

<b>Others</b>	<b>Date of Incorporation</b>
Corporate Technologies Incorporated	September 11, 1998
Countrywide Water Services, Inc. (CWSI)	May 18, 2012
Filinvest Development Cayman Islands (FDCI)	March 12, 2013
f(dev) Digital Innovations and Ventures, Inc.	October 19, 2020

SharePro, Inc.	November 10, 2020
Professional Operations and Maintenance Experts Incorporated (PROMEI)	July 4, 2019
Filinvest-Hitachi Omni Waterworks, Inc. (FLOW)	October 29, 2019
Luzon International Premiere Airport Development Corp. (LIPADC)	February 11, 2019
Investree Philippines Inc.	March 6, 2020

## D. OTHER MATTERS

### Item 15. Action with Respect to Reports

- (1) Approval of the minutes of the annual meeting of stockholders held on 22 June 2020, hereto attached as **Annex "E"**

Rationale: To allow the stockholders to confirm that the proceedings during the ASM were recorded accurately and truthfully.

The minutes of the meeting held on 22 June 2020 can be viewed at the Company website, <https://www.filinvestgroup.com/>. A copy of the minutes is also attached as Annex "E" of the Information Statement.

- (2) Presentation of the President's Report

Rationale: To present to the stockholders the Company's operating performance, financial condition and outlook.

The President & CEO, Ms. Lourdes Josephine Gotianun-Yap, will report on the Company's 2020 performance and the outlook for this year.

- (3) Ratification of the Audited Financial Statements for the year ended 31 December 2020

Rationale: To apprise the stockholders of the financial results of the Company's operations in 2020.

The audited financial statements refer to the financial operations, balance sheet and income statement of FDC as of and for the year ended 31 December 2020. The Company's audited financial statements for 2020 is attached as **Annex "C"** to form an integral part hereof.

### Item 16. Action to be Taken on Matters Not Required to be Submitted

There is no action to be taken at the annual stockholders' meeting with respect to any matter which is not required to be submitted to a vote of the stockholders.

### Item 17. Amendment of Charter, By-laws or Other Documents

There is no action to be taken at the annual stockholders' meeting with respect to any amendment of the Company's Articles of Incorporation or By-laws.

## **Item 18. Other Proposed Actions**

- (1) General ratification of the acts of the Board of Directors, Board Committees (including the Executive Committee) and the management from the date of the last annual meeting up to the date of the upcoming meeting

Rationale: To ratify the actions and resolutions of the Board of Directors and management in the regular course of business.

The major acts of the Board of Directors and Officers include –

- (a) Appointment of the members of the board committees
- (b) Appointment of officers
- (c) Approval of audited financial statements
- (d) Appointment of external auditor
- (e) Declaration of cash dividends
- (f) Approval of the schedule of Board and Board Committee meetings for 2021
- (g) Approval of the date of annual stockholders' meeting, record date, the agenda of the meeting, and the mechanics for participation in the meeting through remote communication and voting in absentia
- (h) Appointment of authorized representatives and signatories for various transactions, contracts and legal proceedings
- (i) Authority to participate in and submit bid proposal/s for projects
- (j) Authority to enter into bank transactions needed for its business and appointment of authorized representatives
- (k) Authority to issue and/or float bonds
- (l) Renewal/availment of bank services and credit facilities
- (m) Appointment and/or updating of bank signatories
- (n) Authority to enter into joint venture agreements
- (o) Authority to transfer/convey /lease out real property
- (p) Authority for applications for government registration, clearance, permits and licenses

- (2) Election of the Members of the Board of Directors, including three (3) Independent Directors for 2021-2022

Rationale: To allow stockholders to elect the Company's Board of Directors for the ensuing year.

In accordance with the Company's Revised Manual on Corporate Governance and By-laws, the stockholders must elect the members of the Board of Directors of the Company composed of seven (7) directors, including three (3) independent directors, who shall hold office for a term of one (1) year, or until their successors shall have been duly elected and qualified. There will be an election of the members of the Board during the annual stockholders' meeting to serve for the year 2021 to 2022.

- (3) Appointment of External Auditor

Rationale: To appoint an auditing firm to provide assurance on the integrity, objectivity and independence in the preparation of the Company's financial statements.

The Audit and Risk Management Oversight Committee and the Board endorsed to the stockholders the re-appointment of SGV & Co. as the external auditor for the ensuing year. The details of the external auditor is provided in the Information Statement.

**Item 19. Voting Procedures**

(a) *Vote required for approval.*

The approval of the minutes of the annual stockholders' meeting held on 22 June 2020 and the audited financial statements for the year ended 2020, the ratification of corporate acts, the election of the directors and the appointment of external auditors for 2021 shall be decided by the majority vote of the stockholders present in person or by proxy and entitled to vote thereat, a quorum being present. A stockholder voting electronically *in absentia* shall be deemed present for purposes of quorum.

In the election of the members of the Board of Directors, the candidates garnering the seven (7) highest number of votes shall be declared elected as directors of the Company to serve as such for the year 2021-2022.

(b) *Method by which votes will be counted.*

A stockholder may vote by appointing the Company's Chairman as proxy or electronically *in absentia* by registering at the online web address [https://shareholders.filinvest.com.ph/FDC\\_SHAREHOLDERSYSTEM](https://shareholders.filinvest.com.ph/FDC_SHAREHOLDERSYSTEM). After validation, the stockholder will receive an email with instructions to access the ballot. The ballots submitted shall then be counted by the Corporate Secretary, with the assistance of representatives of the Company's stock transfer agent, Stock Transfer Service, Inc., which is an independent party. The results of the voting shall be announced during the meeting.

**Item 20. Participation of Stockholders by Remote Communication**

In support of the government's efforts to contain the spread of COVID-19 and to ensure the safety and welfare of its stockholders, directors, officers and employees, the Company will dispense with physical attendance of stockholders at the meeting and will allow attendance only by remote communication.

In order for the Company to properly conduct validation procedures, stockholders who wish to participate in the meeting via remote communication and/or vote *in absentia* must register at [https://shareholders.filinvest.com.ph/FDC\\_SHAREHOLDERSYSTEM](https://shareholders.filinvest.com.ph/FDC_SHAREHOLDERSYSTEM) on or before 15 April 2021.

Details of the requirements and process are provided in Annex "F".

**Item 21. Market for Issuer's Common Equity and Related Stockholder Matters**

The shares of the Company are traded on the PSE under the symbol "FDC." The shares were listed on the PSE on 22 December 1982.

The following table shows, for the periods indicated, the high, low and period end closing prices of the shares as reported in the PSE.

	<b>Period</b>	<b>High</b>	<b>Low</b>	<b>End</b>
2021	26 March 2021	8.15	8.15	8.15
2020	4th Quarter	10.10	8.51	9.44
	3rd Quarter	9.12	7.80	8.60
	2nd Quarter	9.88	7.62	7.90
	1st Quarter	13.48	6.50	8.40
2019	4th Quarter	13.50	12.94	13.00
	3rd Quarter	14.18	13.00	13.00
	2nd Quarter	15.66	12.34	14.00
	1st Quarter	16.30	11.80	15.08
2018	4th Quarter	13.80	7.00	11.80
	3rd Quarter	7.30	6.83	7.11
	2nd Quarter	7.68	7.00	7.10
	1st Quarter	7.80	7.20	7.55

As of 26 March 2021, FDC's shares closed at the price of Php8.15 per share. The number of shareholders of record as of said date was 4,026. Common shares outstanding as of 26 March 2021 is 8,648,462,987.

The top 20 stockholders of FDC's common shares as of 26 March 2021 are as follows:

	<b>NAME</b>	<b>NO. OF SHARES</b>	<b>% TO TOTAL</b>
1	A.L. Gotianun, Inc. (formerly ALG Holdings Corp.)	7,587,823,502	87.74%
2	PCD Nominee Corporation (Filipino)	901,181,272	10.42%
3	Michael Edward T. Gotianun	50,501,501	0.58%
4	PCD Nominee Corporation (Non-Filipino)	38,603,836	0.45%
5	Ricardo Alonzo	28,627,534	0.33%
6	Andrew T. Gotianun., Jr.	3,371,995	0.04%
7	Lourdes Josephine G. Yap	3,370,091	0.04%
8	Joseph M. &/or Lourdes Josephine G. Yap	2,817,311	0.03%
9	Helen Reyes	2,692,544	0.03%
10	Emily Benedicto	2,466,400	0.03%
11	H.K. Hedinger	2,023,508	0.02%
12	Santiago Go	1,707,066	0.02%
13	Executive Optical, Inc.	1,023,556	0.01%
14	AMA Rural Bank of Mandaluyong, Inc.	616,600	0.01%
15	Manuel Benipayo	527,141	0.01%
16	Salud Borromeo	501,655	0.01%
17	Francisco Benedicto	493,280	0.01%
18	Edan Corporation	387,224	0.00%
19	Ma. Consuelo R. Medrano &/or Victoriano S. Medrano	308,300	0.00%
20	Alfonso Siy &/or Ang Pue Tin	246,640	0.00%
	<b>Total</b>	<b>8,629,290,956</b>	<b>99.78%</b>

## **Recent Sale of Unregistered Securities**

No securities were sold by the Company in the past three (3) years, which were not registered under the Code.

## **Declaration of Dividends**

On April 28, 2017, the Board of Directors of FDC approved the declaration and payment of cash dividends of Php0.059 per share or a total of Php550.27 million to all shareholders of record as of May 28, 2017, payable on June 21, 2017.

On May 4, 2018, the Board of Directors of FDC approved the declaration and payment of cash dividends of Php0.0765 per share or a total of Php661.2 million to all shareholders of record as of June 3, 2018, payable on June 28, 2018.

On April 26, 2019, the Board of Directors of FDC approved the declaration and payment of cash dividends of Php0.10 per share or a total of Php864.8 million to all shareholders of record as of May 26, 2019, payable on June 19, 2019.

On 22 June 2020, the Board of Directors of FDC approved the declaration and payment of cash dividends of Php0.1384 per share or a total of Php1,196.9 million to all shareholders of record as of July 22, 2020, payable on August 17, 2020.

The declaration of cash dividends depends upon the 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 Company needs the lenders' prior consent in cases of cash dividend declaration.

## **COMPLIANCE WITH LEADING PRACTICES ON CORPORATE GOVERNANCE**

The Company is in compliance with its Revised Manual for Corporate Governance as demonstrated by the following: (a) the election of three (3) independent directors to the Board; (b) the appointment of members of the Board Committees, namely the Executive Committee, the Audit and Risk Management Oversight Committee, the Related-Party Transaction Committee, the Corporate Governance Committee, Compensation Committee and the Digital Committee of the Company; (c) the conduct of regular quarterly board meetings and special meetings, the faithful attendance of the directors at these meetings and the proper discharge of the duties and responsibilities as such directors; (d) the adoption of Related-Party Transaction Policy; (e) the submission to the SEC of reports and disclosures required under the Securities Regulation Code; (f) the Company's adherence to national and local laws pertaining to its operations; (g) submission of Sustainability Report; (h) 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 conducted by SEC-accredited institutions.

The Company welcomes proposals, especially from institutions and entities such as the SEC, PSE the Institute of Corporate Directors and SyCip Gorres Velayo & Co., to improve corporate governance.

There is no known material deviation from the Company's Revised Manual on Corporate Governance.

**UNDERTAKING:** The Company will provide without charge its Annual Report on SEC Form 17-A to its stockholders upon receipt of written request addressed to: The Office of the Corporate Secretary, 79 EDSA, Highway Hills, Mandaluyong City 1550, Metro Manila. The Annual Report shall also be made available on the company website at <https://www.filinvestgroup.com/>.

**PART II**  
**SIGNATURE**

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct.

This report is signed in the City of Mandaluyong on the 7<sup>th</sup> day of April 2021.

**FILINVEST DEVELOPMENT CORPORATION**

By:



**SHARON P. PAGALING-REFUERZO**  
Corporate Secretary

**FILINVEST DEVELOPMENT CORPORATION**

**SECRETARY'S CERTIFICATE**

I, **SHARON P. PAGALING-REFUERZO**, Filipino, of legal age, and with office address at the 6<sup>th</sup> Floor, Filinvest Building, 79 EDSA, Highway Hills, Mandaluyong City 1550, Metro Manila, after having been duly sworn in accordance with law, hereby certify that:

1. I am the Corporate Secretary of **FILINVEST DEVELOPMENT CORPORATION** (the "Corporation"), a corporation duly organized and existing under the laws of the Republic of the Philippines, with principal office address at The Beaufort, 5<sup>th</sup> Avenue corner 23<sup>rd</sup> Street, Bonifacio Global City, Taguig City 1634, Metro Manila

2. Based on the records of the Corporation, none of its incumbent directors and executive officers named in the Corporation's Information Statement (SEC Form 20-IS) for the Annual Stockholders' Meeting to be held on 30 April 2021 is connected with and/or working in the government.

3. This Certification is being issued as an annex to the Information Statement (SEC Form 20-IS) of the Corporation in connection with its Annual Stockholders' Meeting for the year 2021.

**IN WITNESS WHEREOF**, I have hereunto set my hand this 22<sup>nd</sup> day of March 2021 in Mandaluyong City, Metro Manila.



**SHARON P. PAGALING-REFUERZO**  
Corporate Secretary

**SUBSCRIBED AND SWORN TO** before me this 22<sup>nd</sup> day of March 2021 in Mandaluyong City, Metro Manila, affiant exhibiting to me her Philippine Passport No. P2852223B, bearing her photograph and signature, issued by Department of Foreign Affairs NCR-East, and valid until 23 August 2029.

Doc. No. 266;  
Page No. 29;  
Book No. 12;  
Series of 2021.

**JOVEN G. SEMILLANO**  
NOTARY PUBLIC FOR CITY OF MANDALUYONG  
COMMISSION NO. 0285-19 VALID UNTIL JUNE 30, 2021  
AS PER SC EN BANC RESOLUTION DATED DECEMBER 1, 2020  
ROLL NO. 53970  
IBP LIFETIME NO. 011302; 12-28-12; RIZAL  
PTR NO. 4581076; 1-4-21; MANDALUYONG  
MCLE COMPLIANCE NO. VI 0017960 14 APRIL 2022  
METRO MART COMPLEX, MANDALUYONG CITY

## CERTIFICATION OF INDEPENDENT DIRECTOR

I, **VAL ANTONIO B. SUAREZ**, Filipino, of legal age, with postal office address at Unit 5C, OPL Building, 100 C. Palanca Street, Legaspi Village, Makati City 1229, after having been duly sworn in accordance with the law do hereby declare that:

1. I am a nominee for Independent Director of Filinvest Development Corporation and have been an independent director thereof since 2014.
2. I am affiliated with the following companies or organizations or organizations (including Government-Owned and Controlled Corporations):

Company/Organization	Position/Relationship	Period of Service
Suarez & Reyes Law Offices	Managing Partner	2000 to Present
Filinvest Land, Inc.	Lead Independent Director, Chairman, Compensation Committee; Chairman, Corporate Governance Committee; Chairman, Related-Party Transaction Committee	2015 to Present
Cyberzone Properties, Inc.	Independent Director	2017 to Present
Lepanto Consolidated Mining Company	Independent Director, Executive Committee	2011 to Present
Tayabas Resources Ventures Corporation	Director and Corporate Secretary	2003 to Present
Southeast Cable TV Corporation	Director and Corporate Secretary	2003 to Present
Asian Vision Cable Holdings Group of Companies	Corporate Secretary	2003 to Present
Ambassador Suarez Development Corporation	Chairman and President	2003 to Present
Five Karats Property Holdings, Inc.	Director and Treasurer	2003 to Present
Gendrugs, Inc.	Director and Treasurer	2008 to Present
Amun Ini Resort and Spa, Inc.	Director and Corporate Secretary	2010 to Present
Carmen's Best Dairy Products, Inc.	Director and Corporate Secretary	2011 to Present
Headland Road Capital, Inc.	Chairman and President	2012 to Present
Camiguin Gendrugs, Inc.	Director and President	2013 to Present
Avocado Broadband Telecoms, Inc.	Director and Corporate Secretary	2015 to Present
Gendrugs Distributors, Inc.	Director and Treasurer	2016 to Present
Cebu Gendrugs, Inc.	Director and Treasurer	2016 to Present
Chocohills Generics, Inc.	Director and Treasurer	2016 to Present
Vertere Global Solutions, Inc.	Chairman	2017 to Present
Vertere Venture Capital, Inc.	Director	2017 to Present

R&S Development Corporation	Director and Treasurer	2017 to Present
Suarez Bridge Ventures, Inc.	Chairman and President	2018 to Present
Financial Executives Institute of the Phils.	Member	2010 to Present
Integrated Bar of the Philippines – Makati Chapter	Member	1986 to Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Filinvest Development Corporation, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other Securities and Exchange Commission (SEC) issuances.
4. I am related to the following director/officer/substantial shareholders of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code:

Name of Director/Officer/ Substantial Shareholder	Company	Nature of Relationship
N/A	N/A	N/A

5. I disclose that I (together with the other members of the Board of Directors of Filinvest Land, Inc. (FLI)) am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

Offense Charged/ Investigated	Tribunal or Agency Involved	Status
Complaint for Syndicated Estafa filed by Manila Paper Mills International, Inc. (MPMI) dated April 12, 2016	Department of Justice	Petition for Review pending after Complaint was dismissed by City Prosecutor of Dasmariñas for no probable cause*

\* In its Resolution dated November 16, 2016 (“Resolution”), the Office of the City Prosecutor Dasmariñas ruled against MPMII, finding that there was no probable cause to charge the respondents and upholding the validity of FLI’s titles to the property. MPMII then filed with the Secretary of Justice (SOJ) a Petition for Review dated February 21, 2017 questioning the Resolution. On March 21, 2017, the respondents who are directors and officers of FLI filed their Comment on the Petition. The Petition is still pending resolution by the SOJ.

6. (For those in government service/affiliated with a government agency or GOCC) I have the required written permission or consent from the   N/A   to be an independent director in   N/A  , pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.
7. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and Other SEC issuances.

8. I shall inform the Corporate Secretary of Filinvest Development Corporation of any changes in the above-mentioned information within five days from its occurrence.

Done, this MAR 23 2021 at MANDALUYONG CITY.

  
VAL ANTONIO B. SUAREZ  
Affiant

MANDALUYONG CITY  
SUBSCRIBED AND SWORN to before me this MAR 23 2021 at \_\_\_\_\_, affiant personally appeared before me and exhibited to me his IBP Lifetime Member No. 01967 issued by the IBP Pasig City.

Doc. No. 392 ;  
Page No. 72 ;  
Book No. 12 ;  
Series of 2021.

JOVEN G. SEVILLANO  
NOTARY PUBLIC FOR CITY OF MANDALUYONG  
COMMISSION NO. 0285-19 VALID UNTIL JUNE 30, 2021  
AS PER SC EN BANC RESOLUTION DATED DECEMBER 1, 2020  
ROLL NO. 53970  
IBP LIFETIME NO. 011302; 12-28-12; RIZAL  
PTR NO. 4581076; 1-4-21; MANDALUYONG  
MCLE COMPLIANCE NO. VI 0017960 14 APRIL 2022  
METRO MART COMPLEX, MANDALUYONG CITY

## CERTIFICATION OF INDEPENDENT DIRECTOR

I, VIRGINIA T. OBCENA, of legal age, Filipino, single, with postal address at 339 Beata Street, Ayala Alabang Village, Muntinlupa City, Metro Manila, after having been duly sworn in accordance with the law do hereby declare that:

1. I am a nominee for Independent Director of Filinvest Development Corporation and have been an independent director since April 29, 2016.
2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
International Centre for Settlement of Investment Disputes (ICSID), World Bank	Member, Panel of Conciliators	2015-2021
Cyberzone Properties, Inc.	Independent Director	2019 to Present

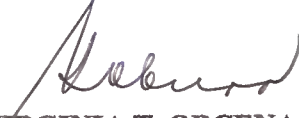
3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Filinvest Development Corporation, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other SEC issuances.
4. I am related to the following directors/officers/substantial shareholders of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code:

Name of Director/Officer/ Substantial Shareholder	Company	Nature of Relationship
N/A	N/A	N/A

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. (For those in government service/affiliated with a government agency or GOCC) I have the required written permission or consent from the   N/A   to be an independent director in   N/A  , pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.
7. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and Other SEC issuances.

8. I shall inform the Corporate Secretary of Filinvest Development Corporation of any changes in the above-mentioned information within five days from its occurrence.

Done, this MAR 23 2021 at MANDALUYONG CITY



**VIRGINIA T. OBCENA**  
Affiant

SUBSCRIBED AND SWORN to before me this MAR 23 2021 at Mandaluyong City, affiant personally appeared before me and exhibited to me her Passport No. P7582624A issued on 19 June 2018 by the Department of Foreign Affairs - NCR South.

Doc. No. 307 ;  
Page No. 03 ;  
Book No. 12 ;  
Series of 2021.

**JOVEN G. SEVILANO**  
NOTARY PUBLIC FOR CITY OF MANDALUYONG  
COMMISSION NO. 0285-19 VALID UNTIL JUNE 30, 2021  
AS PER SC EN BANC RESOLUTION DATED DECEMBER 1, 2020  
ROLL NO. 53970  
IBP LIFETIME NO. 011302; 12-28-12; RIZAL  
PTR NO. 4581076; 1-4-21; MANDALUYONG  
MCLE COMPLIANCE NO. VI 0017960 14 APRIL 2022  
METRO MART COMPLEX, MANDALUYONG CITY

## CERTIFICATION OF INDEPENDENT DIRECTOR

I, CLAIRE A. HUANG, of legal age, Filipino, single, with postal office address at 1100 Park Avenue, Apartment 11C, New York, NY 10128, after having been duly sworn in accordance with the law do hereby declare that:

1. I am a nominee for Independent Director of Filinvest Development Corporation for the year 2021-2022.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

Company/Organization	Position/Relationship	Period of Service
Sigfig	Board Director	2021 to present
Zions Bancorporation	Board Director	2020 to present
PODS	Board member	2018 to present
Prosper	Board member	2017 to present
Mirador	Board member	2016 to 2018
Scottrade	Board member	2015 to 2017
Foster farms	Board member	2008 to 2017
Stag's Leap Wine Cellars	Board member	2001 to 2007
Conquer Cancer Foundation	Board member	2014 to 2019
IESE Business School	US Advisory Council Member	2010 to present
Fisherman Foundation	Founder and Board Chair	2007 to present
J.P. Morgan Chase and Company	Chief Marketing Officer	2012 to 2014
Bank of America Corporation	Head of Global Marketing, International Communications and Corporate Social Responsibility	2008 to 2012

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Filinvest Development Corporation, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other Securities and Exchange Commission (SEC) issuances.
4. I am related to the following director/officer/substantial shareholders of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code:

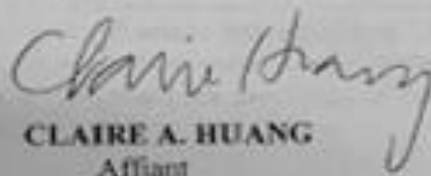
Name of Director/Officer/ Substantial Shareholder	Company	Nature of Relationship
N/A	N/A	N/A

5. I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

Offense Charged/ Investigated	Tribunal or Agency Involved	Status
N/A	N/A	N/A

6. (For those in government service/affiliated with a government agency or GOCC) I have the required written permission or consent from the N/A to be an independent director in N/A, pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.
7. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and Other SEC issuances.
8. I shall inform the Corporate Secretary of Filinvest Development Corporation of any changes in the above-mentioned information within five days from its occurrence.

Done, this 29 day of March at New York City.

  
**CLAIRE A. HUANG**  
Affiant

CALIFORNIA ACKNOWLEDGMENT

CIVIL CODE § 1189

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California }
County of Riverside }
On 3/24/2021 before me, Celia Greeman, Notary Public
Date Here Insert Name and Title of the Officer
personally appeared Claire A. Huang
Name(s) of Signer(s)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.



I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Place Notary Seal and/or Stamp Above

Signature Celia Greeman
Signature of Notary Public

OPTIONAL

Completing this information can deter alteration of the document or fraudulent reattachment of this form to an unintended document.

Description of Attached Document

Title or Type of Document: Certification of Independent Director

Document Date: 3/24/2021 Number of Pages: 3

Signer(s) Other Than Named Above: n/a

Capacity(ies) Claimed by Signer(s)

Signer's Name:
[ ] Corporate Officer - Title(s)
[ ] Partner - [ ] Limited [ ] General
[ ] Individual [ ] Attorney in Fact
[ ] Trustee [ ] Guardian or Conservator
[ ] Other:
Signer is Representing:

# COVER SHEET

for  
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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**COMPANY NAME**

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

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

T	H	E		B	E	A	U	F	O	R	T	,		5	T	H		A	V	E	N	U	E		C	O	R	N	E
R		2	3	R	D		S	T	R	E	E	T	,		B	O	N	I	F	A	C	I	O		G	L	O	B	A
L		C	I	T	Y	,		T	A	G	U	I	G		C	I	T	Y	,		M	E	T	R	O		M	A	N
I	L	A																											

Form Type

A	A	C	F	S
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Department requiring the report

S	E	C
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Secondary License Type, If Applicable

N	A	
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**COMPANY INFORMATION**

Company's Email Address	Company's Telephone Number	Mobile Number
www.filinvestgroup.com	7798-3959	NONE
No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
4,035	Last Friday of April	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	7798-3977	N/A

**CONTACT PERSON'S ADDRESS**

The Beaufort, 5th Avenue Corner 23rd Street, Bonifacio Global City, Taguig City 1634, Metro Manila
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**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.





# ACKNOWLEDGMENT

EMBASSY OF THE PHILIPPINES )  
Consular Section ) S.S.  
Singapore )

**BEFORE ME** RENEE GAYLE M. CHUA, Vice Consul

in and for Singapore, duly commissioned and qualified, personally appeared

<u>LOURDES JOSEPHINE GOTIANUN YAP,</u>	<u>PASSPORT P1463447A</u>
_____	_____
_____	_____
_____	_____
_____	_____

known to me and to me known as the same person(s) who executed the annexed instrument

### STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

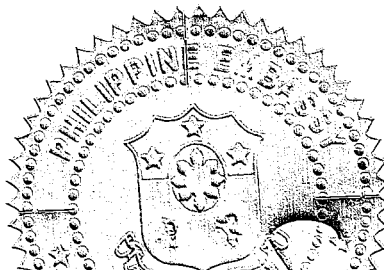
and acknowledged to me that the same was done as a free act and voluntary deed.

This instrument, consisting of 4 pages, including this page on which this acknowledgment is written, has been signed on the left margin of each and every page thereof by the same person(s) and witnesses.

**WITNESS MY HAND AND SEAL** at the Embassy of the Philippines  
in Singapore this day of 18 March 2021

  
**RENEE GAYLE M. CHUA**  
Vice Consul

Doc. No. :3386  
Book No. :1  
Series of :2021  
O.R. No. :0  
Fee Paid :GRATIS



# FILINVEST DEVELOPMENT CORP.

1000 The Beaufort  
Building corner 23rd Street  
Alibonico Global City  
634 Taguig City, Philippines  
Trunk line: (632) 798-3977  
www.filinvestgroup.com

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **FILINVEST DEVELOPMENT CORPORATION** (the Company) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2020, 2019 and 2018, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

JONATHAN T. GOTIANUN  
Chairman of the Board

  
LOURDES JOSEPHINE G. YAP  
President and Chief Executive Officer

NELSON M. BONA  
Treasurer and Chief Financial Officer

Signed this 18<sup>th</sup> day of March, 2021

18 MAR 2021

**SUBSCRIBED AND SWORN** to before me this \_\_\_\_\_, affiants exhibiting to me their  
Passport Nos., as follows:

<b>Names</b>	<b>Passport No.</b>	<b>Date of Expiration</b>	<b>Place of Issue</b>
JONATHAN T. GOTIANUN	P5509919A	01/02/2028	DFA MANILA
LOURDES JOSEPHINE G. YAP	P1463447A	01/06/2022	DFA MANILA
NELSON M. BONA	P4220004A	08/29/2022	DFA MANILA

Doc No. \_\_\_\_\_  
Page No. \_\_\_\_\_  
Book No. \_\_\_\_\_  
Series of \_\_\_\_\_.

# FILINVEST DEVELOPMENT CORP.

6th Floor, The Beaufort  
5th Avenue corner 23rd Street  
Bonifacio Global City  
1634 Taguig City, Philippines  
Trunk line: (632) 798-3977  
www.filinvestgroup.com

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

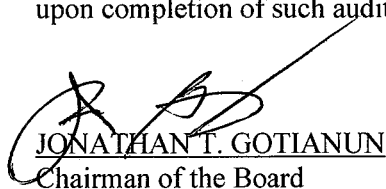
The management of **FILINVEST DEVELOPMENT CORPORATION** (the Company) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2020, 2019 and 2018, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

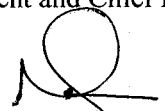
The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders.

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



JONATHAN T. GOTIANUN  
Chairman of the Board

LOURDES JOSEPHINE G. YAP  
President and Chief Executive Officer



NELSON M. BONA  
Treasurer and Chief Financial Officer

Signed this 18<sup>th</sup> day of March, 2021

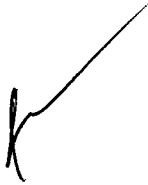
MAR 18 2021

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_, affiants exhibiting to me their  
Passport Nos., as follows:

Names	Passport No.	Date of Expiration	Place of Issue
JONATHAN T. GOTIANUN	P5509919A	01/02/2028	DFA MANILA
LOURDES JOSEPHINE G. YAP	P1463447A	01/06/2022	DFA MANILA
NELSON M. BONA	P4220004A	08/29/2022	DFA MANILA

Doc No. 110  
Page No. 13  
Book No. 12  
Series of 724

**JOVEN G. SEYMALANO**  
NOTARY PUBLIC FOR CITY OF MANDALUYONG  
COMMISSION NO. 0285-19 VALID UNTIL JUNE 30, 2021  
AS PER SC EN BANC RESOLUTION DATED DECEMBER 1, 2020  
ROLL NO. 53970  
IBP LIFETIME NO. 011302; 12-28-12; RIZAL  
PTR NO. 4581076; 1-4-21; MANDALUYONG  
MCLE COMPLIANCE NO. VI 0017960 14 APRIL 2022  
METRO MART COMPLEX, MANDALUYONG CITY





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

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

BOA/PRC Reg. No. 0001,  
October 4, 2018, valid until August 24, 2021  
SEC Accreditation No. 0012-FR-5 (Group A),  
November 6, 2018, valid until November 5, 2021

## INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors  
Filinvest Development Corporation  
The Beaufort, 5th Avenue corner 23rd Street  
Bonifacio Global City, Taguig City, Metro Manila

### Opinion

We have audited the accompanying consolidated financial statements of Filinvest Development Corporation (FDC or the Parent Company) and its subsidiaries (collectively referred to as “the Group”), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

### Basis for Opinion

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.



We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

### ***Accounting for Rental Concessions***

In line with the rental relief framework implemented by the government to support businesses and the broader economy due to the impact of COVID-19, the Group waived its right to collect rent and other charges from the lessees of its commercial spaces. The Group assessed that the rental concessions it granted to lessees do not qualify as lease modifications since the terms and conditions under the corresponding lease contracts have not been modified by the waiver. The Group accounted for the rental concessions in the form of negative variable rent which the Group recorded when the concession is granted regardless of the period to which the concession pertains. The Group's accounting of the rental concession under PFRS 16 is significant to our audit because the Group has a high volume of rental concessions granted during the period; the recorded amounts are material to the consolidated financial statements; and accounting for rental concession involves application of significant judgement in determining whether the rental concession will be accounted for as lease modification.

Refer to Notes 2 and 3 to the consolidated financial statements for the disclosures about rental concessions.

### ***Audit Response***

We obtained an understanding of the type, extent and periods covered of the rental concessions granted by the Group, including the determination of the population of the lease contracts covered by the rental concession granted by the Group during the period.

We tested the population of lease agreements covered by the rental concession by comparing the lessees in the calculation of the financial impact prepared by the management with the list of lessees granted with rent concession per operations report.

We inspected the communications of the Group in connection with the rental concessions granted to the lessees and, on a test basis, traced these terms and conditions to the calculation of the financial impact of rental concession prepared by the management. We test computed the rental concession impact prepared by management on a sample basis.

We obtained management assessment, and a legal opinion from the Group's internal legal counsel supporting the assessment that the rental concession granted does not qualify as a lease modification. We involved our internal specialist in evaluating the legal basis supporting the management assessment and legal position.



### ***Real Estate Revenue Recognition***

The Group's revenue recognition process, policies and procedures are significant to our audit because these involve application of significant judgment and estimation: (1) assessment of the probability that the entity will collect the consideration from the buyer; (2) application of the output method as the measure of progress in determining real estate revenue; (3) determination of the actual costs incurred as cost of sales; and (4) recognition of cost to obtain a contract.

In evaluating whether collectability of the amount of consideration is probable, the Group considers the significance of the buyer's initial payments (buyer's equity) in relation to the total contract price. Collectability is also assessed by considering factors such as past history with buyers, age of residential and office development receivables and pricing of the property. Management regularly evaluates the historical sales cancellations and back-outs, after considering the impact of coronavirus pandemic, if it would still support its current threshold of buyer's equity before commencing revenue recognition.

In measuring the progress of its performance obligation over time, the Group uses the output method. This method measures progress based on physical proportion of work done on the real estate project which requires technical determination by the Group's project engineers and managers.

In determining the actual costs incurred to be recognized as cost of sales, the Group estimates costs incurred on materials, labor and overhead which have not yet been billed by the contractor.

The Group identifies sales commission after contract inception as the cost of obtaining the contract. For contracts which qualified for revenue recognition, the Group capitalizes the total sales commission due to sales agent as cost to obtain contract and recognizes the related commission payable. The Group uses percentage of completion (POC) method in amortizing sales commission consistent with the Group's revenue recognition policy.

Refer to Notes 2 and 35 to the consolidated financial statements for the disclosures on revenue recognition.

### ***Audit Response***

We obtained an understanding of the Group's revenue recognition process.

For the buyers' equity, we evaluated management's basis of the buyer's equity by comparing this to the historical analysis of sales cancellations from buyers with accumulated payments above the collection threshold. We also considered the impact of the coronavirus pandemic to the level of cancellations during the year.

In determining revenue from real estate sales, we obtained an understanding of the Group's processes for determining POC under the output method and performed tests of relevant controls. We obtained certified POC reports prepared by internal project engineers for mid-rise real estate development and third-party project managers for high-rise real estate development. We assessed the competence and objectivity of the project engineers and managers by reference to their qualifications, experience and reporting responsibilities. For selected projects, we conducted ocular inspections, made relevant inquiries, including inquiries on how the coronavirus pandemic affected the POC during the period, and obtained supporting details of POC reports.



For the cost of real estate sales, we obtained an understanding of the Group's cost accumulation process and performed tests of relevant controls. For selected projects, we traced costs accumulated, including those incurred but not yet billed, to supporting documents such as project accomplishment reports and progress billings from contractors.

For the recognition of costs to obtain a contract, we obtained an understanding of the sales commission process. For selected contracts, we agreed the basis for calculating sales commission capitalized and portion recognized in profit or loss, particularly: (a) the percentage of commission due against contracts with sales agents, (b) the total commissionable amount (e.g., net contract price) against the related contract to sell, and, (c) the POC against the POC used in recognizing the related revenue from real estate sales.

### ***Adequacy of Allowance for Credit Losses on Loans and Receivables from the Banking and Financial Services Segment***

The application of the expected credit losses (ECL) model of the Group's banking and financial services segment in calculating the allowance for credit losses on loans and receivables is significant to our audit as it involves the exercise of significant management judgment. Key areas of judgment include: segmenting the Group's credit risk exposures; determining the method to estimate ECL; defining default; identifying exposures with significant deterioration in credit quality, taking into account extension of payment terms and payment holidays provided as a result of the coronavirus pandemic; determining assumptions to be used in the ECL model such as the counterparty credit risk rating, the expected life of the financial asset and expected recoveries from defaulted accounts, and impact of any credit enhancements extended by any party; and incorporating forward-looking information (called overlays), including the impact of the coronavirus pandemic, in calculating ECL.

Refer to Notes 3 and 9 to the consolidated financial statements for the related disclosure and details of the allowance for credit and impairment losses using the ECL model.

### ***Audit Response***

We obtained an understanding of the board-approved methodologies and models used for the Group's different credit exposures and assessed whether these considered the requirements of PFRS 9 to reflect an unbiased and probability-weighted outcome, and to consider time value of money and the best available forward-looking information. We also inspected and considered the results of PFRS 9 model validation performed by management's specialist.

We (a) assessed the Group's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) tested the definition of default and significant increase in credit risk criteria against historical analysis of accounts and credit risk management policies and practices in place, and management's assessment of the impact of the coronavirus pandemic on the counterparties; (c) tested the Group's application of internal credit risk rating system, including the impact of the coronavirus pandemic on the borrowers, by reviewing the ratings of sample credit exposures; (d) assessed whether expected life is different from the contractual life by testing the maturity dates reflected in the Group's records and considering management's assumptions regarding future collections, advances, extensions, renewals and modifications; (e) tested loss given default by inspecting historical recoveries and related costs, write-offs and collateral valuations, and the effects of any credit enhancements provided by any party; (f) tested exposure at default considering outstanding commitments and repayment scheme; (g) checked the forward-looking information used for overlay, including considerations to overlay for the



impact of the coronavirus pandemic, through statistical test and corroboration using publicly available information and our understanding of the Group's lending portfolios and broader industry knowledge; and (h) tested the effective interest rate used in discounting the expected loss.

Further, we checked the data used in the ECL models by reconciling data from source system reports to the data warehouse and from the data warehouse to the loss allowance analysis/models and financial reporting systems. To the extent that the loss allowance analysis is based on credit exposures that have been disaggregated into subsets of debt financial assets with similar risk characteristics, we traced or re-performed the disaggregation from source systems to the loss allowance analysis. We also assessed the assumptions used where there are missing or insufficient data.

We recalculated impairment provisions on a sample basis. We reviewed the adequacy of the disclosures made in the financial statements.

We involved our internal specialists in the performance of the above procedures.

#### ***Accounting for Disposals of Investment Securities under a Hold-to-Collect Business Model***

In 2020, the Group's banking and financial services segment disposed investment securities managed under the hold-to-collect (HTC) business model with aggregate carrying amount of ₱27,893.4 million. The disposals resulted in a gain of ₱3,675.2 million. Investment securities held under the HTC business model, which are classified as 'Investment securities at amortized cost', are managed to realize cash flows by collecting contractual payments over the life of the instrument.

The accounting for the disposals is significant to our audit because the amounts involved are material. Moreover, it involves the exercise of significant judgment by management in assessing that the disposals are consistent with the HTC business model and that it would not impact the measurement of the remaining securities in the affected portfolios.

Refer to Notes 3 and 12 to the consolidated financial statements for the disclosures about the disposals of investment securities.

#### ***Audit Response***

We obtained an understanding of the Group's objectives for disposals of investment securities at amortized cost through inquiries with management and review of approved internal documentations, including governance over the disposals. We evaluated management's assessment of the impact of the disposals on the affected portfolios in reference to the Group's business models and relevant risk management policies, and the provisions of the relevant accounting standards and regulatory issuances. We also reviewed the calculation of the gains on the disposals and the measurement of the remaining securities in the affected portfolios.

We reviewed the disclosures related to the disposals based on the requirements of PFRS 7, *Financial Instruments: Disclosures* and Philippine Accounting Standard 1, *Presentation of Financial Statements*.



### ***Assessment of Goodwill***

Under PFRS, the Group is required to test the amount of goodwill for impairment at least annually. As of December 31, 2020, the Group's goodwill attributable to the acquisition of the sugar business amounted to ₱6,177.3 million, which is considered significant as it represents 59.5% of the total goodwill. Management's assessment process requires significant judgment and is based on assumptions which are subject to higher level of estimation uncertainty due to the current economic conditions which have been impacted by the coronavirus pandemic, specifically, growth rate gross margin and discount rate.

Refer to Notes 3 and 4 to the consolidated financial statements for the disclosures about goodwill.

### ***Audit Response***

We involved our internal specialist in evaluating the methodology and the assumptions used, including growth rate, gross margin and discount rate.

We compared the key assumptions used, such as growth rate and gross margin against the historical performance of the cash-generating unit industry outlook, and other relevant external data, taking into consideration the impact associated with the coronavirus pandemic. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically, those that have the most significant effect on the determination of the recoverable amount of goodwill.

### **Other Information**

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

Our opinion on the consolidated financial statements does not cover Other Information and we will not express any form of assurance conclusion thereon.

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

### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.



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

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

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

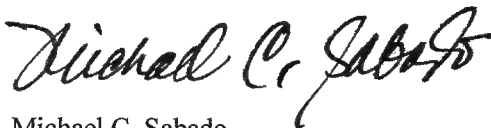
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Michael C. Sabado.

SYCIP GORRES VELAYO & CO.



Michael C. Sabado

Partner

CPA Certificate No. 89336

SEC Accreditation No. 0664-AR-4 (Group A),

November 11, 2019, valid until November 10, 2022

Tax Identification No. 160-302-865

BIR Accreditation No. 08-001998-073-2020,

December 3, 2020, valid until December 2, 2023

PTR No. 8534357, January 4, 2021, Makati City

March 18, 2021



**FILINVEST DEVELOPMENT CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Amounts in Thousands of Pesos)

	December 31	
	2020	2019
<b>ASSETS</b> (Note 35)		
Cash and cash equivalents (Note 6)	<b>₱90,858,875</b>	₱52,096,201
Loans and receivables		
Real estate operations (Notes 7, and 26)	<b>8,751,353</b>	5,124,116
Hospitality operations (Notes 8 and 26)	<b>185,750</b>	213,490
Banking and financial services (Note 9)	<b>230,762,200</b>	254,106,944
Power operations (Notes 10 and 26)	<b>1,617,610</b>	2,045,037
Sugar operations (Note 11)	<b>93,913</b>	108,090
Financial assets at fair value through profit or loss (Note 12)	<b>7,523,592</b>	16,840,709
Financial assets at fair value through other comprehensive income (FVOCI) (Note 12)	<b>30,068,350</b>	5,323,670
Investment securities at amortized cost (Note 12)	<b>20,899,699</b>	49,386,071
Contract assets (Note 13)	<b>9,391,817</b>	14,848,213
Real estate inventories (Note 14)	<b>73,953,136</b>	71,363,524
Coal, spare parts and other inventories (Note 15)	<b>949,078</b>	710,341
Investment properties (Note 16)	<b>89,039,002</b>	85,990,286
Property, plant and equipment (Note 17)	<b>42,592,468</b>	43,155,481
Investments in joint ventures and associate (Note 18)	<b>1,394,910</b>	1,005,340
Deferred tax assets - net (Notes 34)	<b>5,802,412</b>	3,255,431
Right-of-use assets (Note 32)	<b>3,589,554</b>	3,575,814
Goodwill (Note 4)	<b>10,381,152</b>	10,381,152
Other assets - net (Notes 13 and 20)	<b>20,160,114</b>	22,624,965
	<b>₱648,014,985</b>	₱642,154,875

**LIABILITIES AND EQUITY**

<b>Liabilities</b> (Note 35)		
Deposit liabilities (Note 21)	<b>₱306,201,960</b>	₱284,767,905
Bills and acceptances payable (Note 22)	<b>3,568,803</b>	30,949,753
Accounts payable, accrued expenses and other liabilities (Note 23)	<b>35,777,125</b>	40,456,537
Contract liabilities (Note 13)	<b>3,723,474</b>	3,468,232
Long-term and short-term debt (Note 24)	<b>136,192,164</b>	130,221,265
Income tax payable (Note 34)	<b>500,609</b>	901,755
Retirement liabilities (Notes 26 and 30)	<b>1,702,616</b>	1,139,672
Lease liabilities (Note 32)	<b>7,357,058</b>	6,885,178
Deferred tax liabilities - net (Note 34)	<b>11,384,354</b>	11,214,592
<b>Total Liabilities</b>	<b>₱506,408,163</b>	₱510,004,889

(Forward)



	December 31	
	2020	2019
<b>Equity</b>		
Equity attributable to equity holders of the Parent Company		
Capital stock - ₱1 par value (Note 25)		
Authorized common shares - 15,000,000,000		
Authorized preferred shares - 2,000,000,000		
Issued common shares - 9,319,872,387	<b>₱9,319,872</b>	₱9,319,872
Treasury shares - 671,409,400 (Notes 25 and 31)	<b>(3,614,474)</b>	(3,614,474)
Additional paid-in capital (Note 25)	<b>11,900,015</b>	11,900,015
Retained earnings (Note 25)	<b>89,931,059</b>	82,601,866
Other comprehensive income - net of tax		
Revaluation reserve on financial assets at FVOCI (Note 12)	<b>408,785</b>	373,644
Remeasurement losses on retirement plans (Note 30)	<b>(286,300)</b>	(61,627)
Cash flow hedge reserve (Note 37)	-	(72,770)
Translation adjustment	<b>87,056</b>	68,650
Share in other components of equity in joint ventures	<b>724</b>	724
<b>Total</b>	<b>107,746,737</b>	100,515,900
Noncontrolling interest (Notes 1, 2 and 5)	<b>33,860,085</b>	31,634,086
<b>Total Equity</b>	<b>141,606,822</b>	132,149,986
	<b>₱648,014,985</b>	₱642,154,875

*See accompanying Notes to Consolidated Financial Statements.*



**FILINVEST DEVELOPMENT CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME**

(Amounts in Thousands of Pesos, Except Earnings Per Share Figures)

	Years Ended December 31		
	2020	2019	2018
<b>REVENUES</b> (Note 35)			
Real estate operations			
Sale of lots, condominium and residential units	<b>₱10,453,334</b>	₱21,453,544	₱20,362,799
Mall and rental revenues (Notes 16, 20 and 32)	<b>6,667,896</b>	7,464,297	6,174,384
Hospitality operations	<b>1,235,476</b>	3,311,183	2,665,466
Banking and financial services (Notes 6, 9 and 12)	<b>30,266,701</b>	29,139,017	23,794,478
Power operations	<b>8,427,749</b>	10,113,074	8,630,461
Sugar operations	<b>3,666,210</b>	3,367,879	3,287,221
	<b>60,717,366</b>	74,848,994	64,914,809
<b>OTHER INCOME</b> (Notes 27 and 35)			
Real estate operations	<b>4,321,259</b>	2,143,350	2,236,798
Hospitality operations	<b>2,420</b>	49,350	39,839
Banking and financial services	<b>6,873,985</b>	7,218,485	6,212,376
Power operations	<b>51,180</b>	26,071	659,299
Sugar operations	<b>40,246</b>	31,059	89,238
	<b>11,289,090</b>	9,468,315	9,237,550
<b>Total Revenues and Other Income</b>	<b>72,006,456</b>	84,317,309	74,152,359
<b>COSTS</b> (Note 28)			
Real estate operations			
Sale of lots, condominium and residential units (Note 14)	<b>5,857,591</b>	11,570,158	10,321,891
Mall and rental services (Notes 16 and 20)	<b>829,043</b>	1,048,106	880,597
Hospitality operations	<b>1,011,417</b>	1,655,265	1,345,245
Banking and financial services (Notes 21, 22 and 24)	<b>3,999,482</b>	7,923,837	4,793,961
Power operations	<b>4,291,933</b>	5,220,583	4,733,704
Sugar operations	<b>3,074,935</b>	2,823,490	2,768,345
Other operations (Note 24)	<b>267,790</b>	716,156	640,020
	<b>19,332,191</b>	30,957,595	25,483,763
<b>EXPENSES</b> (Note 29)			
Real estate operations	<b>8,075,793</b>	7,320,242	6,153,344
Hospitality operations	<b>944,023</b>	1,220,281	929,790
Banking and financial services	<b>26,266,162</b>	20,657,422	19,520,951
Power operations	<b>2,394,772</b>	2,465,011	2,537,670
Sugar operations	<b>201,976</b>	232,239	346,359
Other operations	<b>2,038,994</b>	1,197,358	1,292,572
	<b>39,921,720</b>	33,092,553	30,780,686
<b>Total Cost and Expenses</b>	<b>59,253,911</b>	64,050,148	56,264,449

*(Forward)*

	Years Ended December 31		
	2020	2019)	2018
<b>INCOME BEFORE INCOME TAX</b>	<b>₱12,752,545</b>	₱20,267,161	₱17,887,910
<b>PROVISION FOR INCOME TAX (Note 34)</b>			
Current	3,756,827	4,428,591	3,907,704
Deferred	(2,509,514)	(43,685)	547,007
	<b>1,247,313</b>	4,384,906	4,454,711
<b>NET INCOME (Note 35)</b>	<b>₱11,505,232</b>	₱15,882,255	₱13,433,199
Net income attributable to:			
Equity holders of the Parent Company (Note 31)	<b>₱8,460,929</b>	₱11,970,302	₱9,768,663
Noncontrolling interest	<b>3,044,303</b>	3,911,953	3,664,536
	<b>₱11,505,232</b>	₱15,882,255	₱13,433,199
Basic/Diluted Earnings Per Share Attributable to the Equity			
Holders of the Parent Company (Note 31)	<b>₱0.98</b>	₱1.38	₱1.13

*See accompanying Notes to Consolidated Financial Statements.*



**FILINVEST DEVELOPMENT CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(Amounts in Thousands of Pesos)

	Years Ended December 31		
	2020	2019	2018
<b>NET INCOME</b>	<b>₱11,505,232</b>	<b>₱15,882,255</b>	<b>₱13,433,199</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods</b>			
Net movement on cash flow hedges, net of tax (Note 37)	72,770	(107,458)	67,388
Translation adjustment (Note 2)	23,642	184,387	(98,084)
	<b>96,412</b>	<b>76,929</b>	<b>(30,696)</b>
<b>Other comprehensive income (loss) not to be reclassified to profit or loss</b>			
Changes in fair value of financial assets through other comprehensive income (Note 12)	58,615	285,302	44,355
Remeasurement gains (losses) on retirement plans, net of tax (Note 30)	(283,008)	123,688	(104,940)
	<b>(224,393)</b>	<b>408,990</b>	<b>(60,585)</b>
	<b>(127,981)</b>	<b>485,919</b>	<b>(91,281)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱11,377,251</b>	<b>₱16,368,174</b>	<b>₱13,341,918</b>
Total comprehensive income attributable to:			
Equity holders of the Parent Company	₱8,362,573	₱12,353,032	₱9,723,568
Noncontrolling interest	3,014,678	4,015,142	3,618,350
	<b>₱11,377,251</b>	<b>₱16,368,174</b>	<b>₱13,341,918</b>

*See accompanying Notes to Consolidated Financial Statements.*



# FILINVEST DEVELOPMENT CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in Thousands of Pesos)

	Equity Attributable to Equity Holders of the Parent Company											Total	Noncontrolling Interest (Note 5)	Total
	Capital Stock (Note 25)	Additional Paid-in Capital (Note 25)	Retained Earnings (Note 25)	Revaluation Reserve on Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI) (Note 12)	Re- measurement Losses on Retirement Plans (Note 30)	Cash Flow Hedge Reserve (Note 37)	Translation Adjustment (Note 2)	Share in Other Components of Equity in Joint Ventures (Note 18)	Treasury Shares (Notes 25 and 31)	Total	Noncontrolling Interest (Note 5)			
<b>For the Year Ended December 31, 2020</b>														
<b>Balances as at January 1, 2020</b>	<b>₱9,319,872</b>	<b>₱11,900,015</b>	<b>₱82,601,866</b>	<b>₱373,644</b>	<b>(₱61,627)</b>	<b>(₱72,770)</b>	<b>₱68,650</b>	<b>₱724</b>	<b>(₱3,614,474)</b>	<b>₱100,515,900</b>	<b>₱31,634,086</b>	<b>₱132,149,986</b>		
Net income	-	-	8,460,929	-	-	-	-	-	-	8,460,929	3,044,303	11,505,232		
Other comprehensive income	-	-	-	35,141	(224,673)	72,770	18,406	-	-	(98,356)	(29,625)	(127,981)		
Total comprehensive income	-	-	8,460,929	35,141	(224,673)	72,770	18,406	-	-	8,362,573	3,014,678	11,377,251		
Acquisition of noncontrolling interest (Note 5)	-	-	39,904	-	-	-	-	-	-	39,904	(68,268)	(28,364)		
Change in ownership interest of a subsidiary (Note 1)	-	-	25,310	-	-	-	-	-	-	25,310	(25,310)	-		
Dividends declared (Notes 5 and 25)	-	-	(1,196,950)	-	-	-	-	-	-	(1,196,950)	(695,101)	(1,892,051)		
<b>Balances as of December 31, 2020</b>	<b>₱9,319,872</b>	<b>₱11,900,015</b>	<b>₱89,931,059</b>	<b>₱408,785</b>	<b>(₱286,300)</b>	<b>₱-</b>	<b>₱87,056</b>	<b>₱724</b>	<b>(₱3,614,474)</b>	<b>₱107,746,737</b>	<b>₱33,860,085</b>	<b>₱141,606,822</b>		
<b>For the Year Ended December 31, 2019</b>														
Balance as at January 1, 2019, as previously reported	₱9,319,872	₱11,900,015	₱69,979,249	₱118,061	(₱152,683)	₱34,688	(₱74,899)	₱724	(₱3,614,474)	₱87,510,553	₱32,179,921	₱119,690,474		
Effect of adoption of PFRS 16 (Note 2)	-	-	163,086	-	-	-	-	-	-	163,086	28,125	191,211		
Balance as at January 1, 2019 (as restated)	₱9,319,872	₱11,900,015	₱70,142,335	₱118,061	(152,683)	₱34,688	(₱74,899)	₱724	(3,614,474)	₱87,673,639	₱32,208,046	₱119,881,685		
Net income	-	-	11,970,302	-	-	-	-	-	-	11,970,302	3,911,953	15,882,255		
Other comprehensive income	-	-	-	255,583	91,056	(107,458)	143,549	-	-	382,730	103,189	485,919		
Total comprehensive income	-	-	11,970,302	255,583	91,056	(107,458)	143,549	-	-	12,353,032	4,015,142	16,368,174		
Investment from noncontrolling interest	-	-	-	-	-	-	-	-	-	-	40,984	40,984		
Acquisition of noncontrolling interest (Note 5)	-	-	1,354,075	-	-	-	-	-	-	1,354,075	(3,795,584)	(2,441,509)		
Reduction in noncontrolling interest	-	-	-	-	-	-	-	-	-	-	(9,274)	(9,274)		
Dividends declared (Notes 5 and 25)	-	-	(864,846)	-	-	-	-	-	-	(864,846)	(825,228)	(1,690,074)		
<b>Balances as of December 31, 2019</b>	<b>₱9,319,872</b>	<b>₱11,900,015</b>	<b>₱82,601,866</b>	<b>₱373,644</b>	<b>(₱61,627)</b>	<b>(₱72,770)</b>	<b>₱68,650</b>	<b>₱724</b>	<b>(₱3,614,474)</b>	<b>₱100,515,900</b>	<b>₱31,634,086</b>	<b>₱132,149,986</b>		



Equity Attributable to Equity Holders of the Parent Company

	Capital Stock (Note 25)	Additional Paid-in Capital	Retained Earnings (Note 25)	Revaluation Reserve on Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI) (Note 12)	Re- measurement Losses on Retirement Plans (Note 30)	Cash Flow Hedge Reserve (Note 37)	Translation Adjustment (Note 2)	Share in Other Components of Equity in Joint Ventures (Note 18)	Treasury Shares (Notes 25 and 31)	Total	Noncontrolling Interest (Note 5)	Total
For the Year Ended December 31, 2018												
Balance as at January 1, 2018	₱9,319,872	₱11,900,015	₱60,872,194	₱72,281	(₱70,122)	(₱32,700)	₱803	₱724	(₱3,614,474)	₱78,448,593	₱29,369,765	₱107,818,358
Net income	-	-	9,768,663	-	-	-	-	-	-	9,768,663	3,664,536	13,433,199
Other comprehensive income	-	-	-	45,780	(82,561)	67,388	(75,702)	-	-	(45,095)	(46,186)	(91,281)
Total comprehensive income	-	-	9,768,663	45,780	(82,561)	67,388	(75,702)	-	-	9,723,568	3,618,350	13,341,918
Acquisition of noncontrolling interest	-	-	-	-	-	-	-	-	-	-	(16,093)	(16,093)
Dividends declared (Notes 5 and 25)	-	-	(661,608)	-	-	-	-	-	-	(661,608)	(792,101)	(1,453,709)
Balances as of December 31, 2018	₱9,319,872	₱11,900,015	₱69,979,249	₱118,061	(₱152,683)	₱34,688	(₱74,899)	₱724	(₱3,614,474)	₱87,510,553	₱32,179,921	₱119,690,474

See accompanying Notes to Consolidated Financial Statements.



**FILINVEST DEVELOPMENT CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Amounts in Thousands of Pesos)

	Years Ended December 31		
	2020	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	<b>₱12,752,545</b>	₱20,267,161	₱17,887,910
Adjustments for:			
Provision for probable losses (Note 29)	<b>10,715,853</b>	4,421,260	4,595,309
Depreciation and amortization (Notes 16, 17 and 20)	<b>5,098,968</b>	4,789,661	3,846,027
Interest expense (Notes 28 and 29)	<b>5,891,338</b>	4,731,680	3,660,367
Loss on modification of loans (Note 27)	<b>2,718,323</b>	-	-
Amortization of premium on financial assets at fair value through other comprehensive income (FVOCI) and investment securities at amortized cost (Notes 12, 27 and 35)	<b>1,277,479</b>	1,301,570	-
Share in net loss of joint ventures (Notes 18, 27 and 29)	<b>398,005</b>	358,199	364,328
Loss on asset foreclosure and dacion transactions (Note 27)	<b>152,135</b>	199,991	212,896
Provision for retirement benefits, net of contribution (Notes 30)	<b>158,648</b>	101,298	95,086
Accretion expense on liability on Independent Power Producer Administration (IPPA) contract and financial liability on lease contract (Note 29)	-	-	60,987
Loss (gain) on sale of property and equipment and investment properties	<b>(86,048)</b>	(94,840)	23,594
Gain on sale of investment securities at amortized cost (Notes 12 and 27)	<b>(3,675,195)</b>	-	-
Gain on deconsolidation (Notes 18 and 27)	<b>(2,900,410)</b>	-	-
Interest income (Note 27)	<b>(526,337)</b>	(580,025)	(996,788)
Operating income before changes in operating assets and liabilities	<b>31,975,304</b>	35,495,955	29,749,716
Decrease (increase) in:			
Loans and receivables	<b>7,362,027</b>	(27,982,590)	(9,440,015)
Financial assets at fair value through profit and loss	<b>9,317,117</b>	(12,501,915)	2,974,389
Contract assets	<b>5,456,396</b>	(3,392,767)	(11,455,446)
Real estate inventories	<b>(2,179,023)</b>	9,098,248	(12,703,702)
Coal, spare parts and other inventories	<b>(238,737)</b>	(9,759)	(124,016)
Increase (decrease) in:			
Deposit liabilities	<b>21,434,055</b>	17,841,761	25,361,611
Accounts payable, accrued expenses and other liabilities	<b>(3,109,501)</b>	2,903,251	337,914
Contract liabilities	<b>255,244</b>	(2,222,494)	5,690,728
Cash generated from operations	<b>70,272,882</b>	19,229,690	30,391,179
Income taxes paid	<b>(4,157,973)</b>	(4,133,296)	(4,016,310)
Net cash provided by operating activities	<b>66,114,909</b>	15,096,394	26,374,869

(Forward)



	<b>Years Ended December 31</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisitions of:			
Financial assets at FVOCI	(₱46,299,305)	(₱5,055,641)	₱-
Investment properties and property and equipment (Notes 16 and 17)	(7,454,246)	(19,039,563)	(7,339,784)
Investment securities at amortized cost	(1,639,187)	(15,315,252)	(32,952,657)
Investments in joint ventures and associate	(607,224)	(624,413)	-
Intangible assets (Notes 19 and 20)	(100,131)	(125,972)	311,580
Proceeds from sale of:			
Investment securities at amortized cost (Note 12)	31,568,521	-	-
Financial assets at FVOCI (Note 12)	22,149,989	712,171	128,718
Shares in a subsidiary	3,047,040	-	-
Investment properties and foreclosed assets	2,332,012	2,947,345	2,256,783
Maturity of investments securities at amortized cost	394,118	1,040,643	-
Receipts of:			
Interest	526,337	580,025	996,788
Dividends (Notes 12 and 18)	39,593	29,996	26,243
Decrease (increase) in:			
Due from related parties	(69,305)	(11,093)	27,763
Other assets	1,950,405	(665,611)	(4,607,044)
<b>Net cash provided by (used in) investing activities</b>	<b>5,838,617</b>	<b>(35,527,365)</b>	<b>(41,151,610)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from long-term and short-term debt	35,124,054	17,156,631	7,142,412
Increase (decrease) in			
Bills and acceptances payable	(27,380,950)	12,979,827	13,810,232
Due to related parties	(1,711,600)	(516,328)	162
Payments of:			
Long-term and short-term debt	(28,763,802)	(16,459,513)	(6,468,584)
Interest	(7,249,234)	(3,545,427)	(5,377,623)
Dividends (Notes 5 and 25)	(1,892,051)	(1,690,074)	(1,450,771)
Financial liabilities on lease contract (Note 32)	(1,288,905)	(1,118,715)	-
Finance lease obligation (Note 32)	-	-	(60,695)
Acquisition of noncontrolling interest (Note 5)	(28,364)	(2,441,509)	(16,093)
Increase in investment from noncontrolling interest	-	40,984	-
<b>Net cash provided by (used in) financing activities</b>	<b>(33,190,852)</b>	<b>4,405,876</b>	<b>7,579,040</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>38,762,674</b>	<b>(16,025,095)</b>	<b>(7,197,701)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>52,096,201</b>	<b>68,121,296</b>	<b>75,318,997</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)</b>	<b>₱90,858,875</b>	<b>₱52,096,201</b>	<b>₱68,121,296</b>

*See accompanying Notes to Consolidated Financial Statements.*



# **FILINVEST DEVELOPMENT CORPORATION AND SUBSIDIARIES**

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## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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### **1. Corporate Information**

Filinvest Development Corporation (FDC or the “Parent Company”) is a stock corporation incorporated on April 27, 1973, with the expiration of its corporate life 50 years thereafter, under the laws of the Philippines where its shares are publicly traded. The Parent Company and its subsidiaries (collectively referred to as the “Filinvest Group” or the “Group”) are engaged in real estate operations as a developer of residential subdivisions and mixed-use urban projects, including condominiums, commercial buildings, industrial parks and farm estates. The Filinvest Group is also involved in leasing operations, hospitality operations, banking and financial services, power operations and sugar farming and milling business. A.L. Gotianun, Inc. (ALGI) is the Group’s ultimate parent company and was incorporated in the Philippines.

The Parent Company’s registered business address is at The Beaufort, 5th Avenue Corner 23rd Street, Bonifacio Global City, Taguig City, Metro Manila.

#### Real Estate Operations

On December 23, 2020, Cyberzone Properties, Inc. (CPI) entered into a Deed of Assignment to sell its interest in ProOffice Works Services, Inc. (ProOffice) to Filinvest Land, Inc. (FLI) for a total consideration of ₱17.2 million. The resulting ownership interest of FLI and Filinvest Cyberparks Inc. (FCI) in ProOffice after the transfer is 75.0% and 25.0%, respectively. The transaction has no impact on the consolidated financial statements. ProOffice, which was incorporated on March 18, 2019 to engage in the business of administration, maintenance and management of real estate developments and projects, started its commercial operations in August 2019.

On December 21, 2020, FDC subscribed to 110.0 million common shares of Dreambuilders Pro, Inc. (DPI). The resulting ownership interest of FDC and FLI in DPI after the subscription is 55.0% and 45.0%, respectively. Prior to the subscription, DPI was 100.0% owned by FLI. This change in ownership interest without loss of control is treated as an equity transaction and resulted in adjustments to retained earnings and noncontrolling interest amounting to ₱25.3 million. DPI, which was incorporated on January 11, 2017 to engage in a general construction business, started its commercial operations in February 2017.

On December 16, 2020, FLI subscribed to 382,500 shares (120,000 common shares and 262,500 preferred shares) both with par value of ₱100.0 per share for total consideration of ₱47.3 million of Nature Specialists, Inc. (NSI). The resulting ownership interest of FLI and Filinvest Hotels Corporation (FHC) in NSI after the subscription is 75.0% and 25.0%, respectively. Prior to the subscription, NSI was 100.0% owned by FHC. There is no change in control over NSI at the consolidated level. NSI was incorporated on August 24, 2018 to conduct real estate activities primarily focusing on hotels, inns, resorts, lodging houses and all adjunct accessories thereto, including restaurants, cafes, bars, stores, and offices. NSI has not started commercial operations as of December 31, 2020.

On June 24, 2020, a Deed of Absolute Sale of Spectrum Alabang Properties, Inc. (SAPI) shares from Filinvest Alabang, Inc. (FAI) to Mitsubishi Corporation (MC) was executed upon satisfaction of the conditions under the joint venture agreement. As a result, FAI conveyed 40% of the issued and outstanding common shares and 40% of the issued and outstanding redeemable preferred shares of SAPI to MC which resulted to deconsolidation of SAPI from FAI. SAPI, which is now accounted as investment in joint venture, was incorporated on December 16, 2019 to engage in the developments of real estate properties and/or managing commercial, recreational facilities and residential, office



buildings and other related activities (see Notes 18 and 27). SAPI has not started commercial operations as of December 31, 2020.

On December 26, 2019, CPI and FCI, wholly owned subsidiaries of FLI, entered into a Deed of Assignment to sell its ownership in Pro-Excel Property Managers, Inc. (Pro-Excel) to 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 October 11, 2019, ProMixers Aggregates Corp. (PMAC), a wholly owned subsidiary of DPI, was incorporated mainly to operate concrete batching plant, manufacture and supply of pre-cast and construction equipment and rental. PMAC has not started commercial operations as of December 31, 2020.

On July 18, 2018, the Securities and Exchange Commission (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, 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 July 24, 2019, TSNC submitted its Amended Articles of Incorporation to SEC. The amendments include (a) change of the primary purpose of TSNC from that of an exclusive recreational sports club to a real estate development Company; (b) change of TSNC's principal address from No. 173 P. Gomez Street, San Juan, Metro Manila to Timberland Heights, Barangay Malanday, San Mateo Rizal; (c) conversion of TSNC's capital stock from no par value club shares to par value shares; (d) removal of provisions which characterizes TSNC as an exclusive non-profit association; and (e) removal of paragraphs which relate to the operations of an exclusive recreational sports club. On August 1, 2019, the SEC approved TSNC's application on voluntary revocation of its secondary registration. On August 18, 2019, the SEC approved TSNC's Amended Articles of Incorporation.

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 commercial operations as of December 31, 2020. The acquisition of GPRDI was accounted for as an asset acquisition (see Note 3).

#### Hospitality Operations

On May 4, 2020, Halo Halo Hospitality Pte. Ltd (Halo Halo) and Samui Seascapes Pte. Ltd. (Samui Seascapes), wholly owned subsidiaries of FHC, were incorporated. Halo Halo and Samui Seascapes, which are private companies limited by shares under the Singapore Companies Act, with registered offices situated in the Republic of Singapore, have not started commercial operations as of December 31, 2020.

On March 12, 2020, Cebu IT Park Cityscapes, Inc. (CIPCI) and Gensan Cityscapes, Inc. (GCI), wholly owned subsidiaries of FHC, were incorporated to sell, use, assign, transfer, dispose, hold, mortgage, and lease purchased and owned real property and personal property of all kinds. CIPCI and GCI have not started commercial operations as of December 31, 2020.

On September 9, 2019, Dauin Seascapes, Inc. (DSI), a wholly owned subsidiary of FHC, was incorporated with primary purpose of developing, administering hotels, resorts and entertainment of all kinds and related activities. DSI has not started commercial operations as of December 31, 2020.



On January 21, 2019, Zamboanga Cityscapes, Inc. (ZCI), 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. ZCI has not started commercial operations as of December 31, 2020.

On November 30, 2018, FHC subscribed to 2.5 million common shares of Entrata Hotel Services, Inc. (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 was 100.0% owned by FAI. Its primary purpose is to own, lease, operate and/or manage 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) and Fora Restaurants, Inc. (FRI), wholly owned subsidiaries of FHC, were incorporated. The primary purpose of Fora Services is to purchase and own real properties and personal property of all kinds, to sell, lease, maintain and manage while FRI's primary purpose is to maintain, operate and manage restaurants, cafes, bars, and general food catering services. Fora Services and FRI started commercial operations in April 2019.

#### Power Operations

On September 8, 2020, the SEC approved the amended Articles of Incorporation of FDC Danao Power Corporation (FDC Danao), a wholly owned subsidiary of FDC Utilities, Inc. (FDCUI), to change its corporate name to FDC Water Utilities, Inc. (FDC Water), and its primary purpose to carry on general business of operating waterworks, sewerage and sanitation system.

On November 22, 2018, Filinvest ENGIE Renewable Energy Enterprise, Inc. (FREE), a joint venture company with Engie Services Asia Pacific Pte. Ltd. doing business as 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 commercial operations as of December 31, 2020.

Power operations has 3 x 135 megawatts (MW) circulating fluidized bed (CFB) coal thermal power plants located at Philippine Veterans Investment Development Corporation (PHIVIDEC) Industrial Estate in Villanueva, Misamis Oriental.

#### Other Operations

On November 10, 2020, SharePro, Inc. (SharePro), a wholly owned subsidiary of FDC, was incorporated to engage primarily in the business of providing technical, management, administrative, business process and consultancy services. SharePro has not started commercial operations as of December 31, 2020.

On October 19, 2020, f(dev) Digital Innovations and Ventures, Inc. (FDEV), a wholly owned subsidiary of FDC, was incorporated to engage primarily in the business of a holding company and invest, purchase and acquire any shares or interest in corporations, associations, partnerships or any other technology-based business entity.

#### Approval of Consolidated Financial Statements

The consolidated financial statements as of December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 were approved and authorized for issue by the Parent Company's BOD on March 18, 2021.



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## 2. Summary of Significant Accounting Policies

### Basis of Preparation

The consolidated financial statements are prepared using the historical cost basis, except for financial assets at fair value through profit or loss (FVPL), financial assets at fair value through other comprehensive income (FVOCI) and derivative financial instruments that have been measured at fair value. The Group's consolidated financial statements are presented in Philippine Peso (₱) and all amounts are rounded to the nearest thousand except when otherwise indicated.

The functional currency of the Parent Company, its subsidiaries, associate and joint ventures is the Philippine Peso, except for the Foreign Currency Deposit Unit (FCDU) of East West Banking Corporation (EW). The functional currency of the FCDU is the United States Dollar (USD). For financial reporting purposes, FCDU accounts and foreign currency-denominated accounts of the Group are translated into their equivalents in Philippine Peso (see accounting policy on foreign currency transactions and translations).

The consolidated financial statements provide comparative information in respect of the previous period. The accompanying consolidated financial statements have been prepared under the going concern assumption. The Group believes that its businesses would remain relevant despite challenges posed by the COVID-19 pandemic.

### Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS), which include the avilment of the relief granted by the SEC under Memorandum Circular ("SEC MC") Nos. 4-2020, 3-2019 and 14-2018 as discussed in the sections below under "Changes in Accounting Policies and Disclosures" and "Significant Accounting Policies".

PFRSs include Philippine Accounting Standards (PAS) and Interpretations issued by Philippine Interpretations Committee (PIC).

### Presentation of Financial Statements

The Group presents its consolidated statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (noncurrent) is presented in Note 40 to the consolidated financial statements.

### Basis of Consolidation

The consolidated financial statements include the financial statements of the Parent Company and its subsidiaries. All of the Parent Company's subsidiaries were incorporated in the Philippines, except for Filinvest Development Cayman Islands (FDCI), which was incorporated under the laws of Cayman Islands, Property Leaders International Limited (PLIL), which was incorporated in British Virgin Islands and Halo Halo and Samui Seascapes which were both incorporated in the Republic of Singapore.

The financial statements of the subsidiaries, joint ventures and associate are prepared for the same reporting period as the Parent Company, except for Pacific Sugar Holdings Corporation (PSHC) whose reporting period starts from October 1 and ends on September 30. Adjustments are made to effect the significant transactions or events that occur between the reporting period of PSHC and the date of the Group's consolidated financial statements.



A subsidiary is an entity which the Group controls. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has: (a) power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee); (b) exposure, or rights, to variable returns from its involvement with the investee; and (c) the ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including: (a) the contractual arrangement with the other vote holders of the investee; (b) rights arising from other contractual arrangements; and (c) the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one (1) or more of the three (3) elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the noncontrolling interests, even if this results in the noncontrolling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any noncontrolling interests
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.



The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries, with the corresponding percentages of ownership of the immediate parent company as at December 31. The voting rights held by the Group in these entities are in proportion to their ownership interest.

	Percentage of Interest in Common Shares of the Immediate Parent Company		
	2020	2019	2018
<b>Subsidiaries:</b>			
EW <sup>(1)</sup>	78	78	77
East West Rural Bank, Inc. (EWRB)	100	100	100
East West Insurance Brokerage, Inc.	100	100	100
East West Leasing and Finance Corporation	100	100	100
Quest Marketing and Integrated Services, Inc. (QMIS)	100	100	100
Assurance Solutions Insurance Agency (ASIA)	100	100	100
FDC Forex Corporation (FFC)	100	100	100
FLI	65	65	59
Filinvest All Philippines, Inc.	100	100	100
Homepro Realty Marketing, Inc.	100	100	100
FCGC Corporation (FCGCC)	100	100	100
Filinvest BCDA Clark, Inc. (FBCI)	55	55	55
CPI	100	100	100
FCI	100	100	100
Filinvest Asia Corporation (FAC)	60	60	60
Filinvest Cyberzone Mimosa, Inc.	100	100	100
Filinvest Lifemalls Mimosa, Inc.	100	100	100
Filinvest Lifemalls Corporation	100	100	100
Property Specialist Resources, Inc.	100	100	100
Pro-Excel <sup>(3)</sup>	33	33	74
Filinvest Lifemalls Tagaytay, Inc.	100	100	100
Festival Supermall, Inc.	100	100	100
FSM Cinemas, Inc.	60	60	60
Philippine DCS Development Corporation (PDDC)	60	60	60
TSNC <sup>(2)</sup>	98	98	98
DPI <sup>(8)</sup>	45	100	100
PMAC	100	100	-
Property Maximizer Professional Corp.	100	100	100
Leisurepro, Inc.	100	100	100
Proleads Philippines, Inc. (PPI)	100	100	100
PLIL	100	100	100
Realpros Philippines, Inc.	100	100	100
GPRDI	100	100	100
ProOffice	100	100	-
NSI <sup>(9)</sup>	75	-	-
FAI <sup>(4)</sup>	93	93	92
Northgate Convergence Corporation	100	100	100
Proplus, Inc.	100	100	100
ParkingPro, Inc.	100	100	100
EHSI <sup>(5)</sup>	23	23	23
SAPI <sup>(10)</sup>	60	100	-
Pro-Excel <sup>(3)</sup>	67	67	-
FDCUI	100	100	100
FDC Casecanan Hydro Power Corporation	100	100	100
FDC Retail Electricity Sales Corporation	100	100	100
FDC Water (Formerly FDC Danao, see Note 1)	100	100	100
FDC Camarines Power Corporation	100	100	100
FDC Misamis Power Corporation (FDC Misamis) <sup>(6)</sup>	100	100	100
FDC Negros Power Corporation	100	100	100
FDC Renewables Corporation	100	100	100
FREE	60	60	60
PSHC	100	100	100
Davao Sugar Central Company, Inc. (DSCC)	100	100	100
Cotabato Sugar Central Company, Inc. (CSCC)	100	100	100
High Yield Sugar Farms Corporation (HYSFC)	100	100	100
Mactan Seascapes Services, Inc. (MSSI)	100	100	100

(Forward)



Subsidiaries:	Percentage of Interest in Common Shares of the Immediate Parent Company		
	2020	2019	2018
FHC	100	100	100
Quest Restaurants, Inc.	100	100	100
Boracay Seascapes, Inc. (BSI)	100	100	100
Chinatown Cityscapes Hotel, Inc.	100	100	100
Duawon Seascapes Resort, Inc. (DSRI)	100	100	100
EHSI <sup>(5)</sup>	77	77	77
Mimosa Cityscapes, Inc. (MCI)	100	100	100
Cubao Cityscapes, Inc.	100	100	100
Princesa Seascapes, Inc.	100	100	100
Dumaguete Cityscapes, Inc.	100	100	100
Fora Services	100	100	100
FRI	100	100	100
NSI <sup>(9)</sup>	25	100	100
ZCI	100	100	—
DSI	100	100	—
Halo Halo	100	—	—
Samui Seascapes	100	—	—
Filinvest Mimosa, Inc. (FMI) <sup>(7)</sup>	95	95	95
Corporate Technologies Incorporated (CTI)	100	100	100
FDCI	100	100	100
Countrywide Water Services, Inc. (CWSI)	100	100	100
DPI <sup>(8)</sup>	55	—	—
FDEV	100	—	—
SharePro	100	—	—

1. The percentage ownership in EW includes indirect ownership through FFC of 37.9%, 37.9%, and 37.2% as of December 31, 2020, 2019 and 2018, respectively.
2. In 2018 and 2017, FLI acquired noncontrolling interest in TSNC representing additional 1.0% and 5.0% ownership interest, respectively, for a total consideration of ₱16.1 million and ₱138.9 million, respectively.
3. CPI and FCI sold its ownership in Pro-Excel to FAI (see Note 1). The percentage ownership includes 67.1% share in Pro-excel of FAI and 32.9% share of FLI (see Note 1).
4. The percentage ownership in FAI includes 20.0% share of FLI in FAI.
5. EHSI is owned 76.9% by FHC and 23.1% by FAI in 2020 and 2019 (see Note 1).
6. The percentage ownership in FDC Misamis includes 87.7% share of the Parent Company as of December 31, 2020, 2019 and 2018.
7. The percentage ownership in FMI includes 47.5% share of FLI in FMI as of December 31, 2020, 2019 and 2018.
8. DPI is owned 55.0% by FDC and 45.0% by FLI in 2020. DPI is 100% owned by FLI in 2019 and 2018 (see Note 1).
9. NSI is owned 75.0% by FLI and 25.0% by FHC in 2020. NSI is 100% owned by FHC in 2019 and 2018 (see Note 1).
10. Deconsolidated in 2020 (see Notes 1 and 18).

### Noncontrolling Interest

Noncontrolling interest represents the portion of profit or loss and net assets not owned, directly or indirectly, by the Group.

Noncontrolling interests are presented separately in the consolidated statement of income, consolidated statement of comprehensive income, and within equity in the consolidated statement of financial position, separately from parent shareholder's equity. Any losses applicable to the noncontrolling interests are allocated against the interests of the noncontrolling interest even if this results in the noncontrolling interest having a deficit balance.

The acquisition of an additional ownership interest in a subsidiary without a change of control is accounted for as an equity transaction. Any excess or deficit of consideration paid over the carrying amount of the noncontrolling interest is recognized in equity under "Retained earnings" of the parent in transactions where the noncontrolling interest are acquired or sold without loss of control.

### Business Combination and Goodwill

Business combinations are accounted for using the acquisition method. This involves recognizing identifiable assets (including previously unrecognized intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any noncontrolling interest in the acquiree.



For each business combination, the acquirer measures the noncontrolling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed in the consolidated statement of income.

When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognized in accordance with PFRS 9, *Financial Instruments: Classification and Measurement* either in profit or loss or as a change to OCI. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Under the transition provision of PFRS 3, *Business Combination* (as revised 2008), the standard shall be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after July 1, 2009. When a business combination agreement provides for an adjustment to the cost of the business combination contingent on future events, PFRS 3 (2007) requires the acquirer to include the amount of the adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably.

If the future events do not occur or the estimate needs to be revised, the cost of the business combination is adjusted accordingly. Any subsequent adjustment in respect of such contingent consideration is reflected in the carrying amount of goodwill.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGUs) or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or group of units.

Where goodwill forms part of a CGU or group of CGUs and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

Acquisitions of noncontrolling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill or profit or loss is recognized as a result. Adjustments to noncontrolling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.



### Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the Group's consolidated financial statements are consistent with those of the previous financial years, except for the adoption of the following amendments in PFRSs and PAS which became effective January 1, 2020. Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the Group.

- Amendments to PFRS 3, *Business Combinations, Definition of a Business*

The amendments to PFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs.

- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform*

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

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

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

- Conceptual Framework for Financial Reporting issued on March 29, 2018

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

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



- Amendments to PFRS 16, *COVID-19-related Rent Concessions*

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

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

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

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

The Group adopted the amendments beginning January 1, 2020. These amendments had no impact on the Group as there were no rent concessions granted to the Group as a lessee.

#### Future Changes in Accounting Policies

The Group will adopt the following standards and interpretations when these become effective. Except as otherwise stated, the Group does not expect the adoption of these standards to have a significant impact on the consolidated financial statements.

#### *Effective Beginning on or After January 1, 2021*

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

The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

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

The Group shall also disclose information about:

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2021 and apply retrospectively, however, the Group is not required to restate prior periods.



*Effective Beginning on or After January 1, 2022*

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

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*

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

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

The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.



- *Annual Improvements to PFRSs 2018-2020 Cycle*

- *Amendments to PFRS 1, First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

- *Amendments to PFRS 9, Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

- *Amendments to PAS 41, Agriculture, Taxation in fair value measurements*

The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

*Effective Beginning on or After January 1, 2023*

- *Amendments to PAS 1, Classification of Liabilities as Current or Non-current*

The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right



- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

- PFRS 17, *Insurance Contracts*

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

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted. The Group is currently assessing the impact of adopting this standard.

#### *Deferred Effectivity*

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

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

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

The Group is currently assessing the impact of adopting these amendments.



- *Deferral of Certain Provisions of PIC Question and Answer (Q&A) 2018-12, PFRS 15 Implementation Issues Affecting the Real Estate Industry (as amended by PIC Q&As 2020-02 and 2020-04)*

On February 14, 2018, the PIC issued PIC Q&A 2018-12 which provides guidance on some PFRS 15 implementation issues affecting the real estate industry. On October 25, 2018 and February 08, 2019, the SEC issued SEC MC No. 14-2018 and SEC MC No. 3-2019, respectively, providing relief to the real estate industry by deferring the application of certain provisions of this PIC Q&A for a period of three years until December 31, 2020. On December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020 which further extended the deferral of certain provisions of this PIC Q&A until December 31, 2023. A summary of the PIC Q&A provisions covered by the SEC deferral and the related deferral period follows:

	Deferral Period
a. Assessing if the transaction price includes a significant financing component as discussed in PIC Q&A 2018-12-D (as amended by PIC Q&A 2020-04)	Until December 31, 2023
b. Treatment of land in the determination of the POC discussed in PIC Q&A 2018-12-E	Until December 31, 2023
c. Treatment of uninstalled materials in the determination of the POC discussed in PIC Q&A 2018-12-E (as amended by PIC Q&A 2020-02)	Until December 31, 2020
d. Accounting for CUSA Charges discussed in PIC Q&A No. 2018-12-H	Until December 31, 2020

The SEC Memorandum Circulars also provided the mandatory disclosure requirements should an entity decide to avail of any relief. Disclosures should include:

- The accounting policies applied.
- Discussion of the deferral of the subject implementation issues in the PIC Q&A.
- Qualitative discussion of the impact on the financial statements had the concerned application guidelines in the PIC Q&A been adopted.
- Should any of the deferral options result into a change in accounting policy (e.g., when an entity excludes land and/or uninstalled materials in the POC calculation under the previous standard but opted to include such components under the relief provided by the circular), such accounting change will have to be accounted for under PAS 8, i.e., retrospectively, together with the corresponding required quantitative disclosures.

In November 2020, the PIC issued the following Q&As which provide additional guidance on the real estate industry issues covered by the above SEC deferrals:

- PIC Q&A 2020-04, which provides additional guidance on determining whether the transaction price includes a significant financing component
- PIC Q&A 2020-02, which provides additional guidance on determining which uninstalled materials should not be included in calculating the POC

After the deferral period, real estate companies would have to adopt PIC Q&A No. 2018-12 and any subsequent amendments thereto retrospectively or as the SEC will later prescribe.



The Group availed of the SEC reliefs to defer the above specific provisions of PIC Q&A No. 2018-12. Had these provisions been adopted, the Group assessed that the impact would have been as follows:

- a. The mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments provided for in the contract to sell might constitute a significant financing component. In case of the presence of significant financing component, the guidance should have been applied retrospectively and would have resulted in restatement of prior year financial statements. Adoption of this guidance would have impacted interest income, interest expense, revenue from real estate sales, contract assets, provision for deferred income tax, deferred tax asset or liability for all years presented, and the opening balance of retained earnings. The Group has yet to assess if the mismatch constitutes a significant financing component for its contracts to sell.
- b. Had the Group accounted for the revenue from air-conditioning services, CUSA and handling services as principal, this would have resulted in the gross presentation of the related revenue, costs and expenses. Currently, the related revenue is presented net of costs and expenses. There is no impact on opening retained earnings, income and expense and the related balance sheet accounts.

The above would have impacted the cash flows from operations and cash flows from financing activities for all years presented.

- Deferment of Implementation of *IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (IAS 23, Borrowing Cost)* for the Real Estate Industry

In March 2019, IFRIC published an Agenda Decision on whether borrowing costs can be capitalized on real estate inventories that are under construction and for which the related revenue is/will be recognized over time under par. 35(c) of IFRS 15. IFRIC concluded that borrowing costs cannot be capitalized for such real estate inventories as they do not meet the definition of a qualifying asset under IAS 23 considering that these inventories are ready for their intended sale in their current condition.

The IFRIC agenda decision would change the Group's current practice of capitalizing borrowing costs on real estate projects with pre-selling activities.

On February 21, 2020, the Philippine SEC issued MC No. 4, Series of 2020, providing relief to the Real Estate Industry by deferring the mandatory implementation of the above IFRIC Agenda Decision until December 31, 2020. Further, on December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020, which extends the relief on the application of the IFRIC Agenda Decision provided to the Real Estate Industry until December 31, 2023. Effective January 1, 2024, the Real Estate Industry will adopt the IFRIC agenda decision and any subsequent amendments thereto retrospectively or as the SEC will later prescribe. A real estate company may opt not to avail of the deferral and instead comply in full with the requirements of the IFRIC agenda decision.

For real estate companies that avail of the deferral, the SEC requires disclosure in the Notes to the Financial Statements of the accounting policies applied, a discussion of the deferral of the subject implementation issues, and a qualitative discussion of the impact in the financial statements had the IFRIC agenda decision been adopted.



The Group opted to avail of the relief as provided by the SEC. Had the Group adopted the IFRIC agenda decision, borrowing costs capitalized to real estate inventories related to projects with pre-selling activities should have been expensed out in the period incurred. This adjustment should have been applied retrospectively and would have resulted to restatement of prior year financial statements. A restatement would have impacted interest expense, cost of sales, provision for deferred income tax, real estate inventories, deferred tax liability and opening balance of retained earnings. The above would have impacted the cash flows from operations and cash flows from financing activities for all years presented.

As prescribed by SEC MC No. 34-2020, for financial reporting periods beginning on or after January 1, 2021, the availment of the above deferrals will impact the Group's financial reporting during the period of deferral as follows:

- a. The financial statements as not considered to be in accordance with PFRS and should specify in the "Basis of Preparation of the Financial Statements" section of the financial statements that the accounting framework is *PFRS, as modified by the application of the following financial reporting reliefs issued and approved by the Securities and Exchange Commission in response to the COVID-19 pandemic*:
  1. Assessing if the transaction price includes a significant financing component (as amended by PIC Q&A 2020-04)
  2. Application of IFRIC Agenda Decision on Over Time Transfer of Constructed Goods under PAS 23
- b. The Auditor's report will:
  1. Reflect in the Opinion paragraph that the financial statements are prepared in accordance with the compliance framework described in the notes to the financial statements; and
  2. Include an Emphasis of Matter paragraph to draw attention to the basis of accounting that has been used in the preparation of the financial statements.

Upon full adoption of the above deferred guidance, the accounting policies will have to be applied using full retrospective approach following the guidance under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

The Group intends to adopt the additional deferrals of the adoption of the PIC Q&A's above as allowed under SEC MC No. 34-2020.

- *Deferral of PIC Q&A 2018-14, Accounting for Cancellation of Real Estate Sales (as amended by PIC Q&A 2020-05)*

On June 27, 2018, PIC Q&A 2018-14 was issued providing guidance on accounting for cancellation of real estate sales. Under SEC MC No. 3-2019, the adoption of PIC Q&A No. 2018-14 was deferred until December 31, 2020. After the deferral period, real estate companies will adopt PIC Q&A No. 2018-14 and any subsequent amendments thereto retrospectively or as the SEC will later prescribe.

On November 11, 2020, PIC Q&A 2020-05 was issued which supersedes PIC Q&A 2018-14. This PIC Q&A adds a new approach where the cancellation is accounted for as a modification of the contract (i.e., from non-cancellable to being cancellable). Under this approach, revenues and related costs previously recognized shall be reversed in the period of cancellation and the inventory shall be



reinstated at cost. PIC Q&A 2020-05 will have to be applied prospectively from approval date of the Financial Reporting Standards Council which was November 11, 2020.

The Group availed of the SEC relief to defer the adoption of this PIC Q&A until December 31, 2020. Currently, the Group records the repossessed inventory at an amount equal to the outstanding balance of the contracts receivables at the date of repossession. The Group is still evaluating the approach to be availed among the existing options. Had the relief not been adopted and the current practice would be different from the approach to be implemented, this could have impacted the recording of revenue, cost of sales, valuation of repossessed inventory and gain or loss from repossession in 2020.

### Significant Accounting Policies

#### Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

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

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

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



External valuers are involved for valuation of significant assets, such as investment properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

The Group, in conjunction with the external valuers, also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

#### Financial Instruments - Initial Recognition and Subsequent Measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### *Financial Assets - Initial Recognition and Measurement*

Financial assets are classified, at initial recognition, as either subsequently measured at amortized cost, at FVOCI, or at FVPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under PFRS 15. Refer to accounting policies on Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortized cost or at FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest' (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the settlement date, i.e., the date that an asset is delivered to or by the Group. Settlement date accounting refers to (a) the recognition of an asset on the day it is received by the Group, and (b) the derecognition of an asset and recognition of any gain or loss on disposal on the day that it is delivered by the Group. Securities transactions and related commission income and expense are recorded also on a settlement date basis. Deposits, amounts due to banks and customers, and loans and receivables are recognized when cash is received by the Group or advanced to the borrowers.

Derivatives are recognized on trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. Trade date accounting refers to (a) the recognition of an asset to be received and the liability to pay for it on the trade date, and (b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.



As of December 31, 2020 and 2019, the Group's financial assets comprise of financial assets at amortized cost, financial assets at FVPL and financial assets at FVOCI.

*Financial Assets - Subsequent Measurement*

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVPL

*Financial Assets at Amortized Cost*

Financial assets are measured at amortized cost if both of the following conditions are met:

- the asset is held within the Group's business model whose objective is to hold assets in order to collect contractual cash flows; and,
- the contractual terms of the instrument give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Financial assets at amortized costs are subsequently measured at amortized cost using the effective interest rate (EIR) method less any impairment in value, with the interest calculated recognized as interest income in the consolidated statements of income.

The Group classified cash and cash equivalents, loans and receivables (excluding advances to officers, employees and sugar planters), investments in government securities and private bonds as financial assets at amortized cost (see Notes 6, 7, 8, 9, 10, 11 and 12).

The Group may irrevocably elect at initial recognition to classify a financial asset that meets the amortized cost criteria above as at FVPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortized cost. For the years ended December 31, 2020 and 2019, the Group has not made such designation.

*Financial Assets at FVOCI (Debt Instruments)*

The Group measures debt instruments at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Included under this category are the Group's investment in government debt securities (see Note 12).



*Financial Assets Designated at FVOCI (Equity Instruments)*

Upon initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the consolidated statement of income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

Included under this category are the Group's investments in quoted and unquoted equity securities (see Notes 12 and 36).

*Financial Assets at FVPL*

Debt instruments that do not meet the amortized cost criteria, or that meet the criteria but the Group has chosen to designate as at FVPL at initial recognition, are measured at FVPL.

Equity investments are classified as at FVPL, unless the Group designates an investment that is not held for trading as at FVOCI at initial recognition.

The Group's financial assets at FVPL include investments in government securities, private bonds, equity securities held for trading purposes and derivative assets (see Note 12).

Financial assets at FVPL are carried at fair value, and fair value gains and losses on these instruments are recognized as Trading and securities gain in the consolidated statement of income. Interest earned on these investments is reported in the consolidated statement of income under Interest income while dividend income is reported in the consolidated statement of income under Other income when the right of payment has been established. Quoted market prices, when available, are used to determine the fair value of these financial instruments. If quoted market prices are not available, their fair values are estimated based on inputs provided by the Bangko Sentral ng Pilipinas (BSP), Bureau of Treasury and investment bankers. For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques.

The fair value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the Bankers Association of the Philippines or BAP closing rate at the statement of financial position date. The foreign exchange component forms part of its fair value gain or loss. For financial assets classified as at FVPL, the foreign exchange component is recognized in the statement of income. For financial assets designated as at FVOCI, any foreign exchange component is recognized in OCI. For foreign currency-denominated debt instruments classified at amortized cost, the foreign exchange gains and losses are determined based on the amortized cost of the asset and are recognized in the consolidated statement of income.

This category includes private bonds, government securities, equity securities held for trading purposes and derivative assets as of December 31, 2020 and 2019 (see Notes 12 and 20).

*Reclassification of Financial Assets*

The Group can reclassify financial assets if the objective of its business model for managing those financial assets changes. The Group is required to reclassify the following financial assets:

- from amortized cost to FVPL if the objective of the business model changes so that the amortized cost criteria are no longer met; and,



- from FVPL to amortized cost if the objective of the business model changes so that the amortized cost criteria start to be met and the instrument's contractual cash flows meet the amortized cost criteria.

Reclassification of financial assets designated as FVPL at initial recognition is not permitted.

A change in the objective of the Group's business model must be effected before the reclassification date. The reclassification date is the beginning of the next reporting period following the change in the business model.

#### *Financial Liabilities - Initial Recognition and Measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

#### *Day 1' Difference*

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

#### *Financial Liabilities - Subsequent Measurement*

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at FVPL
- Financial liabilities at amortized cost (loans and borrowings)

#### *Financial Liabilities at FVPL*

Financial liabilities are classified as at FVPL when the financial liability is either held for trading or is designated as at FVPL.

A financial liability is held for trading if:

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

Management may designate a financial liability at FVPL upon initial recognition when the following criteria are met, and designation is determined on an instrument by instrument basis:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognizing gains or losses on them on a different basis; or



- The liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

As of December 31, 2020 and 2019, the Group's financial liabilities at FVPL include derivative liabilities (see Note 23).

#### *Financial Liabilities at Amortized Cost*

Issued financial instruments or their components, which are not designated at FVPL, are classified as financial liabilities at amortized cost where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

Amortized cost is calculated by taking into account any discount or premium on the issuance and fees that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of income.

This category generally applies to interest-bearing loans and borrowings. As of December 31, 2020 and 2019, loans and borrowings consist primarily of deposit liabilities, bills and acceptance payable, accounts payable, accrued expenses and other liabilities (excluding payables to government), lease liabilities and long-term debt (see Notes 21, 22, 23 and 24).

#### Derivative Financial Instruments and Hedge Accounting

##### *Initial Recognition and Subsequent Measurement*

The Group uses derivative financial instruments, such as cross currency swaps, to hedge its foreign currency risks and interest rate risks. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

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

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

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



The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined).

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

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

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

#### *Cash Flow Hedges*

As of December 31, 2019, the Group has outstanding cross currency swaps, designated as a cash flow hedge, that are used to hedge both the changes in foreign currency and interest rate exposures on its USD-denominated bonds payable (see Note 37).

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

The Group designated all of the forward contracts as hedging instrument. Any gains or losses arising from changes in the fair value of derivatives were taken directly to profit or loss, except for the effective portion of cash flow hedges, which were recognised in OCI and later reclassified to profit or loss when the hedge item affects profit or loss.

The Group designates only the spot element of forward contracts as a hedging instrument. The forward element is recognised in OCI and accumulated in a separate component of equity under cost of hedging reserve.

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

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



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

#### Impairment of Financial Assets and Contract Assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

#### The Group (Excluding Banking and Financial Services)

The Group recognizes an allowance for ECLs for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The Group applies a simplified approach in calculating ECLs for financial assets at amortized costs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix for other receivables and a vintage analysis for contracts receivable and contract assets that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

#### Banking and Financial Services

##### Staging Assessment

For non-credit-impaired financial instruments:

- Stage 1 is comprised of all non-impaired financial instruments which have not experienced Significant Increase in Credit Risk (SICR) since initial recognition. The Group recognizes a 12-month ECL for Stage 1 financial instruments.
- Stage 2 is comprised of all non-impaired financial instruments which have experienced SICR since initial recognition, evidenced by missed payments (for monthly amortizing exposures) and/or the significant increase in the likelihood of default. The Group recognizes a lifetime ECL for Stage 2 financial instruments.



For credit-impaired financial instruments:

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

For the movement of accounts to better stages (i.e. from stage 2 or 3 to stage 1 or 2):

- Financial instruments are moved to better stages when there is significant improvement to the credit risk such that the criteria for assessment of the better stage are met and there is consistent evidence of good behavior by the borrower.

Financial assets that are credit-impaired on initial recognition are classified as purchased or originated credit-impaired assets. These are recorded at fair value at initial recognition and interest income is subsequently recognized based on a credit-adjusted EIR. ECL is only recognized or released to the extent that there is a subsequent change in the ECLs.

#### *Definition of “Default” and “Cure”*

For the calculations of ECL, the Group defines a financial instrument as in default, which is fully aligned with the definition of credit impaired, in all cases when the borrower becomes: 1) 91 days past due for amortizing exposures; or 2) non-collection of full amounts at maturity date for non-amortizing loans or bullet-payment loans. As a part of a qualitative assessment of whether a customer is in default, the Group also considers a variety of instances that may indicate likelihood of non-payment when an account is under litigation. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted. An instrument is considered to be no longer in default (i.e., cured) when it no longer meets any of the default criteria and there is sufficient evidence to support full collection thru payments received for at least 6 months.

#### *Credit Risk at Initial Recognition*

The Group has an internal credit assessment process to determine the credit risk of exposures at initial recognition. The Group has separate models for its key portfolios in which the customers are rated using internal credit rating grades. The models incorporate both qualitative and quantitative information.

#### *SICR*

The Group monitors all assets subject to ECL. In order to determine whether an instrument or a portfolio of instruments is subject to 12-month ECL or lifetime ECL, the Group assesses whether there has been a SICR since initial recognition. A set of defined empirical-based rules and expert judgment that discriminate good and bad credit make up the SICR model. For corporate loans and investments to debt-type instruments, accounts are considered to have a SICR if the equivalent probability of default (PD) exceeds the Group’s set threshold. The Group also considers an account to have a SICR if contractual payments are more than 30 days past due or the account is considered “watchlist”.

To capture the impact of the pandemic to the credit portfolios, the Group performed the following: 1) updated the macroeconomic forecasts to reflect the downturn caused by the pandemic and the outlook on the recovery; and 2) identified borrower segments that are likely to experience income disruption due to the community quarantine restrictions and factor adjustments are applied to the expected loss parameters based on the estimated potential increase to defaults and/or difficulty in recoveries as determined through expert credit judgment.



### *Restructuring*

In certain circumstances, the Group modifies the original terms and conditions of a credit exposure to create a new loan agreement or payment schedule. The modifications can be given depending on the borrower's or counterparty's current or expected financial difficulty. The modifications may include, but are not limited to, change in interest rate and terms, principal amount, maturity date, date and amount of periodic payments and accrual of interest and charges. Accounts subjected to distressed restructuring with indications of unlikelihood to pay are categorized as impaired accounts and are initially moved to Stage 3.

### *Assessment of ECL on a Collective Basis*

The Group calculates ECL either on an individual or collective basis. The Group performs collective impairment by grouping exposures into smaller homogenous portfolios based on a combination of borrower and account characteristics. Accounts with similar attributes (i.e., type of facility) are pooled together for calculating provisions based on the ECL models.

### *ECL Parameters and Methodologies*

ECL is a function of the PD, exposure at default (EAD) and loss-given default (LGD), with the timing of the loss also considered, and is estimated by incorporating forward-looking economic information and through the use of experienced credit judgment.

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

EAD is modelled on historical data and represents an estimate of the outstanding amount of credit exposure at the time a default may occur. For off-balance sheet and undrawn amounts from irrevocable committed credit lines, EAD includes an estimate of any further amounts to be drawn at the time of default (i.e., credit conversion factor). LGD is the amount that may not be recovered in the event of default and is modelled based on historical cash flow recoveries from collections and the sale of foreclosed assets.

### *Economic Overlays*

The Group incorporates economic overlays into its assessment of SICR and its measurement of ECL. A broad range of economic overlays are considered as economic inputs, such as Gross Domestic Product growth, inflation rates, unemployment rates and interest rates. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect these, quantitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

The Group's loans and receivables consists of different portfolios, such as auto, corporate, credit card receivables, mortgage loans, as well as other receivables (e.g., personal, branch, emerging enterprise lending, and Department of Education (DepEd) loans). In compliance with PFRS 9, the Group has developed ECL parameters and methodologies for each portfolio, using historical data as well as forward-looking inputs and assumptions.



#### *Undrawn Loan Commitments*

Undrawn loan commitments and letters of credit are commitments under which over the duration of the commitment, EW is required to provide a loan with pre-specified terms to the customer. The nominal contractual value of undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded in the statement of financial position. Starting January 1, 2018, these contracts are in the scope of the ECL requirements where EW estimates the expected portion of the undrawn loan commitments that will be drawn over their expected life. The ECL related to financial guarantees and loan commitments without outstanding drawn amounts is recognized in Accounts payable, accrued expenses and other liabilities.

#### *Financial Guarantees*

Financial guarantees are initially recognized at fair value. Subsequent to initial recognition, the Group's liability under each financial guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the income statement and the amount of related ECL.

#### *Restructured Loans*

Loan restructuring may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews restructured loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subjected to an individual or collective impairment assessment, calculated using the loan's original EIR. The difference between the recorded value of the original loan and the present value of the restructured cash flows, discounted at the original EIR, is recognized as part of Expenses in the consolidated statement of income.

#### Derecognition of Financial Assets and Financial Liabilities

##### *Financial Assets*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

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

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

##### *Financial Liabilities*

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



new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

#### *Repurchase Agreements*

Securities sold under agreements to repurchase at a specified future date are not derecognized from the consolidated statement of financial position. The corresponding cash received, including accrued interest, is recognized in the consolidated statement of financial position as a loan to the Group, reflecting the economic substance of such transaction.

#### Offsetting of Financial Instruments

Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and the Group intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, where the related assets and liabilities are presented at gross in the consolidated statement of financial position.

#### Real Estate Inventories

Property acquired or constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is classified as real estate inventories and is measured at the lower of cost and net realizable value (NRV).

Cost includes:

- Land acquisition cost and expenses directly related to acquisition
- Amounts paid to contractors for development and construction
- Borrowing costs, planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other related costs

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less estimated costs of completion and the estimated costs of sale.

Real estate inventories also include land and land development which consist of properties to be developed into real estate projects for sale that are carried at the lower of cost and NRV. The cost of land and land development includes the (a) land acquisition cost, (b) costs incurred relative to the acquisition and transfer of land title in the name of the Group such as transfer taxes and registration fees, (c) costs incurred on initial development of the raw land in preparation for future projects and (d) borrowing costs. These are transferred to subdivision lots and housing units for sale under Real estate inventories when the project plans and development and construction estimates are completed and the necessary permits are secured.

#### Hospitality Inventories

Inventories consisting substantially of food, beverages and supplies, are valued at the lower of cost and NRV. Cost is determined using the moving average method. Cost includes acquisition cost and expenses directly related to the purchase and amounts paid to suppliers. NRV is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale. NRV of supplies inventory is the estimated current replacement cost. Loss on inventory write-down is recognized as part of Expenses in the consolidated statement of income.



Coal, Fuel and Spare Parts Inventories

Inventories are stated at the lower of cost and NRV. Cost is determined based on weighted average cost for coal and fuel inventories and by first-in, first-out method for spare parts inventories. Cost includes acquisition cost and expenses directly related to the purchase and amounts paid to suppliers. NRV is the estimated current replacement cost. Loss on inventory write-down is recognized as part of Expenses in the consolidated statement of income.

Sugar and Molasses Inventories

Inventories are stated at the lower of cost and NRV. Cost is determined by the weighted average production cost for sugar and, by the moving average method for materials and supplies. Cost includes acquisition cost and expenses directly related to the purchase and production of sugar and amounts paid to suppliers. NRV is the estimated selling price in the ordinary course of business, less estimated cost of completion and expenses necessary to consummate the sale. NRV of materials and supplies is the estimated current replacement cost. Loss on inventory write-down is recognized as part of Expenses in the consolidated statement of income.

Investment Properties

Investment properties consist of commercial mall, land, office buildings and other properties held for long-term rental yields and for capital appreciation. Investment properties are carried at cost less accumulated depreciation and any accumulated impairment losses. Land is carried at cost, less impairment in value, if any. Initial cost of investment properties consists of any directly attributable costs of bringing the investment properties to its intended location and working condition, including borrowing costs.

Foreclosed properties are recorded as Investment properties upon: (a) entry of judgment in case of judicial foreclosure; (b) execution of the Sheriff's Certificate of Sale in case of extra-judicial foreclosure; or (c) notarization of the Deed of Dacion in case of dacion in payment (dacion en pago). Subsequent to initial recognition, depreciable investment properties are carried at cost less accumulated depreciation and any impairment in value.

Constructions-in-progress are carried at cost (including borrowing costs) and transferred to the related investment property account when the construction and related activities to prepare the property for its intended use are complete.

For those right-of-use (ROU) assets that qualify as investment properties, i.e., those land that are subleased by the Group, these are classified under investment properties. Consistent with the Group's policy regarding the measurement of investment properties, these assets are subsequently measured at cost less amortization and impairment in value.

Expenses with regard to investment properties are treated as ordinary expenses and are recognized when incurred. Depreciation of investment properties are computed using the straight-line method over the estimated useful lives of these assets as follows:

	Years
Buildings	20-50
Building improvements	10-20
Furniture, fixtures and machineries	2-5

The useful life and the depreciation method is reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefit from items of investment properties.



Investment property is derecognized when it is either disposed of or permanently withdrawn from use and there is no future economic benefit expected from its disposal or retirement. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of income in the year of retirement or disposal.

Transfers are made to investment property when there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sell. Transfers between investment property, owner-occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

#### Property, Plant and Equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing cost for long-term construction projects if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated statement of income as incurred.

The separate recognition of significant components of property, plant and equipment depends on whether these components serve the same purpose as the related items of property, plant and equipment. If the corresponding components do not serve the same purpose, they must be recognized separately. If the component parts serve the same purpose, the need to recognize them separately depends on whether they have the same structure and the same normal useful life as the other component parts of the asset. If the structure and normal useful life are different, the component parts must be recognized individually insofar as they comply with the definition of the assets. Accordingly, the cost of acquisition must be allocated to the individual components over their respective useful lives. The depreciation of the component parts must be recognized for each component part separately. The subsequent expenses for the exchange or replacement of such assets must be recognized as acquisition costs for a separate asset if it meets the asset recognition criteria and are depreciated over their useful life.

The cost of an item of property, plant and equipment also includes the costs of its dismantling, removal or restoration, the obligation for which an entity incurs as a consequence of installing the item.

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits required to settle the obligation, or a change in the discount rate, shall be accounted for as follows:

- a. subject to (b), changes in the liability shall be added to, or deducted from, the cost of the related asset in the current period.
- b. the amount deducted from the cost of the asset shall not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess shall be recognized immediately in profit or loss.
- c. if the adjustment results in an addition to the cost of an asset, the entity shall consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the entity shall test the asset for impairment by estimating its recoverable amount, and shall account for any impairment loss.



The adjusted depreciable amount of the asset is depreciated over its useful life. Once the related asset reached the end of its useful life, all subsequent changes in the liability shall be recognized in profit or loss as they occur.

Construction-in-progress, included in property, plant and equipment, is stated at cost. This includes cost of construction and other direct costs. Construction-in-progress is not depreciated until such time as the relevant assets are completed and are available for use.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

	Years
Buildings	20-50
Coal thermal power plant	10-30
Machinery and equipment	5-20
Transportation equipment	5
Communication equipment	5
Furniture and fixtures	3-5

Leasehold improvements included under Property, plant and equipment are amortized over the term of the lease or their estimated useful lives (3 to 15 years), whichever is shorter.

The useful life and depreciation and amortization method are reviewed at financial year end to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the consolidated statement of income in the year the asset is derecognized.

#### Interests in Joint Arrangements

A joint arrangement may either be a joint venture or a joint operation. A joint venture is a contractual agreement whereby 2 or more parties undertake an economic activity that is subject to joint control.

#### *Joint Venture*

The Group's investments in joint ventures are accounted for using the equity method.

Under the equity method, the investment in a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

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



The Group recognizes its share of the losses of the joint venture until its share of losses equals or exceeds the carrying value of its investment in joint venture, at which point the Group discontinues recognizing its share of further losses. The Group restricts the elimination to the amount required to reduce the investment to zero.

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

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the investment in joint venture and its carrying value, then recognizes the loss in the consolidated statement of income.

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

#### *Joint Operation*

The Group recognizes in relation to its interest in joint operation its: (a) assets, including its share of any assets held jointly; (b) liabilities, including its share of any liabilities incurred jointly; (c) revenue from sale of its share of the output arising from the joint operation; (d) share of the revenue from the sale of the output by the joint operation; and (e) expenses, including its share of any expenses jointly incurred.

The Group's significant investments in joint arrangements include: Chroma Hospitality, Inc. (CHI; 60.0%), East West Ageas Life Insurance Corporation (EW Ageas Life; 50.0%), Professional Operations and Maintenance Experts Incorporated (PROMEI; 47.5%), Filinvest-Hitachi Omni Waterworks, Inc. (FLOW; 60.0%), SAPI (60%), Investree Philippines, Inc. (Investree; 50%), Filinvest Corporate City (FCC; 74.0%) and South Station Terminal (SST; 49.0%). Despite the Group's interest of equal or above 50.0% on the above entities, these are treated as joint arrangements due to existence of contractual arrangements between the parties.

CHI, EW Ageas Life, PROMEI, FLOW, SAPI and Investree are accounted for as joint ventures while FCC and SST are accounted for as joint operations (see Note 18).

#### Investment in Associate

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

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries. The Group's investment in its associate are accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date.



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

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss within share of profit of an associate reported under "Other income" in the consolidated statement of income.

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

#### Goodwill

Goodwill acquired in a business combination is initially measured at cost, being the excess of the consideration transferred over the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

#### Other Intangible Assets

Intangible assets include branch licenses, Build-Transfer-Operate (BTO) rights, capitalized software, customer relationship, core deposits and card acquisition cost which are presented under Other assets. Goodwill is separately presented in the consolidated statements of financial position.

Intangible assets acquired separately are measured on initial recognition at costs. The cost of intangible assets acquired in a business combination or contracted arrangements is their fair value at the date of acquisition. Following initial recognition, intangible assets, excluding goodwill and branch licenses, are carried at cost, less any accumulated amortization and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over the economic useful life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of income.



Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually or more frequently, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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

#### *Branch Licenses*

Branch licenses are determined to have indefinite useful lives. These are tested for impairment annually either individually or at the CGU level. Such intangibles are not amortized. The useful life is reviewed annually to determine whether indefinite useful life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

#### *BTO Rights*

BTO rights pertain to the cost related to the Build, Transfer and Operate agreements entered into by the Group. The rights provided under the BTO agreements are carried at cost less accumulated amortization, and impairment loss, if any. This is amortized using the straight-line method over the term of the BTO agreement (i.e., 25 years) upon conveyance of right to operate and assessed for impairment whether there is an indication that the asset may be impaired. The amortization period and method are reviewed at least each reporting date.

#### *Capitalized Software*

Capitalized software, included in Other assets, as acquired separately is measured at cost on initial recognition. Following initial recognition, capitalized software is carried at cost less accumulated amortization and any accumulated impairment losses. The capitalized software is amortized on a straight-line basis over its estimated useful life of five (5) to 10 years.

#### *Customer Relationship and Core Deposit*

Customer relationship and core deposit included under Other assets account are intangible assets acquired by the Group through business combination. These intangible assets are initially measured at their fair value at the date of acquisition. The fair value of these intangible assets reflects expectations about the probability that the expected future economic benefits embodied in the asset will flow to the Group.

Following initial recognition, customer relationship and core deposits are measured at cost less accumulated amortization and any accumulated impairment losses. Customer relationship related to the credit cards business is amortized on a straight-line basis over its useful life of 40 years while the customer relationship related to the auto loans business and core deposits are amortized on a straight-line basis over its useful life of 13 and 10 years, respectively.

#### *Card Acquisition Costs*

Card acquisition costs represent capitalized commissions paid to third-party brokers for successfully originated credit card accounts, which are amortized over two (2) years, the average relationship life with customers.



#### Repossessed Assets

Repossessed assets comprise of repossessed vehicles which are measured at cost less accumulated depreciation and impairment. Depreciation is calculated on a straight-line basis using the remaining useful life from the time of acquisition of the asset. The useful life of other repossessed assets is estimated to be 5 years.

#### Biological Assets

The Group's biological assets included in the Other assets account consist of sugarcane crops. The costs of planting, fertilizers and other maintenance costs incurred for the sugarcane plantations prior to harvest are capitalized to biological assets and are charged to operations as the sugarcane are harvested.

The Group's biological assets are measured at their fair value. The Group uses the future selling price and gross margin of finished goods less future growing costs applied to the estimated volume of harvest as the basis of fair value.

#### Impairment of Nonfinancial Assets

The carrying values of investment properties, property, plant and equipment, ROU assets and intangible assets (other than goodwill and branch licences reported under "Other assets") and other nonfinancial assets, are reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable.

If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less cost of disposal and value in use (VIU). In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Impairment losses are recognized in the consolidated statement of income.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The carrying amount of the asset is increased to its recoverable amount but the amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income. After such a reversal, the depreciation and amortization expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

The following criteria are also applied in assessing impairment of specific assets:

#### *Property, Plant and Equipment, Investment Properties and ROU Assets*

The carrying values of property, plant and equipment, investment properties and ROU are reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable. If such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amount.



#### *Goodwill*

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or group of CGUs) to which goodwill has been allocated, an impairment loss is recognized immediately in the consolidated statement of income. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods.

#### *Branch Licenses*

Branch licenses are tested for impairment annually at the statement of financial position date either individually or at the CGU level, as appropriate.

#### *Other Intangible Assets*

Other intangible assets such as customer relationship, core deposits, capitalized software, BTO rights, card acquisition costs and development rights are assessed for impairment whenever there is an indication that it may be impaired.

#### Equity

##### *Capital Stock and Additional Paid-in Capital (APIC)*

Capital stock is measured at par value for all shares issued. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

When the shares are issued at a premium, the difference between the proceeds and the par value is credited to APIC account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received.

Direct cost incurred related to the equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are charged to APIC account. In the absence of APIC, such direct costs are treated as Other equity reserve.

##### *Retained Earnings*

Retained earnings represent accumulated earnings of the Group, and any other adjustments to it as required by other standards, less dividends declared. The individual accumulated earnings of the subsidiaries and joint ventures are available for dividend declaration when these are declared as dividends by the subsidiaries as approved by their respective BOD.

Dividends on common shares are deducted from retained earnings when declared and approved by the BOD or shareholders of the Parent Company. Dividends payable are recorded as liability until paid. Dividends for the year that are declared and approved after the reporting date, if any, are dealt with as an event after the reporting date and disclosed accordingly.

##### *Treasury Shares*

Reacquired own equity instruments are carried at cost and are deducted from consolidated equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. When the shares are retired, the capital stock account is reduced by its par value and excess of cost over par value upon retirement is charged to APIC to the extent of the specific or average APIC when the shares were issued and to retained earnings for the remaining balance.



## Revenue Recognition

### *Revenue from Contract with Customers*

The Group is in the business of providing banking and financial services, power supply and hospitality services. The Group is also in the business of selling real estate development projects and sugar.

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled to in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements (except when otherwise stated) because it typically controls the goods or services before transferring them to the customer.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3.

The following specific recognition criteria must also be met before revenue or income is recognized:

#### a. Real Estate Operations

In September 2019, the PIC issued additional guidance to the real estate industry on the implementation of PFRS 15, including guidance on the recording of the difference between the consideration received from the customer and the transferred goods to the customer (ie, measured based on percentage-of-completion or “POC”). The PIC allowed real estate companies to recognize the difference as either a contract asset or unbilled receivable. If presented as a contract asset, the disclosures required under PFRS 15 should be complied with. Otherwise, the disclosures required under PFRS 9 should be provided.

The Group opted to retain its existing policy of recording the difference between the consideration received from the customer and the transferred goods to the customer as contract asset.

#### *Sale of Subdivision Lots and Housing Units, and Condominium Units*

- *Revenue from Sale of Subdivision Lots and Housing Units, and Condominium Units*  
The Group derives its real estate revenue from sale of lots, house and lot and condominium units. Revenue from the sale of these real estate projects under pre-completion stage are recognized over time during the construction period (or POC) since based on the terms and conditions of its contract with the buyers, the Group’s performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

In measuring the progress of its performance obligation over time, the Group uses output method. The Group recognizes revenue on the basis of direct measurements of the value to customers of the goods or services transferred to date, relative to the remaining goods or services promised under the contract. Progress is measured using survey of performance completed to date.

This is based on the project accomplishment reports prepared by the third party project managers for high-rise real estate developments and internal project engineers for mid-rise real estate development as approved by the project technical head which integrates the surveys of performance to date of the construction activities of subcontractors.



Any excess of progress of work over the right to an amount of consideration that is unconditional, recognized as installment contract receivables, under Loans and receivables, is included in the Contract assets account in the asset section of the consolidated statement of financial position.

Any excess of collections over the total of recognized installment contract receivables is included in the Contract liabilities account in the liabilities section of the consolidated statement of financial position.

- *Cost of Sale of Subdivision Lots and Housing Units, and Condominium Units*  
The Group recognizes costs relating to satisfied performance obligations as these are incurred taking into consideration the contract fulfillment assets such as land and connection fees. These include costs of land, land development costs, building costs, professional fees, depreciation, permits and licenses and capitalized borrowing costs. These costs are allocated to the saleable area, with the portion allocable to the sold area being recognized as costs of sales while the portion allocable to the unsold area being recognized as part of real estate inventories.

In addition, the Group recognizes as an asset only costs that give rise to resources that will be used in satisfying performance obligations in the future and that are expected to be recovered.

*Theater and Snack Bar Sales* (included as part of 'Mall and rental revenues')

Revenue from theater sales is recognized over time using output method when theater services are rendered. Revenue from snack bar sales is recognized at a point in time when goods are actually sold to customers.

b. Hospitality Operations

*Hospitality Revenues*

Hospitality revenues consist of revenue from room related services, sale of food and beverage, gift and souvenirs, golf operations and other operating departments. These are accounted for as follows:

- Revenue from sale of food and beverage, and gift shop is recognized at a point in time upon delivery of the goods.
- Revenue from rooms and/or golf operations is recognized over time as the related services are rendered and/or facilities and amenities are used.
- Revenue from other operating departments is recognized over time as the related services are rendered.

c. Financial and Banking Services

*Service Charges and Penalties*

Service charges and penalties earned over a period of time are accrued over that period as the customer simultaneously receives and consumes the benefits provided by the Group. Service charges and penalties are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised services to a customer and excludes amounts collected on behalf of third parties.



*Commissions Earned on Credit Cards*

Commissions earned on credit cards are taken up as income upon receipt from member establishments of charges arising from credit availments by credit cardholders. These commissions are computed based on certain agreed rates and are deducted from amounts remittable to member establishments.

Purchases by credit cardholders, collectible on an installment basis, are recorded at the cost of the items purchased plus certain percentage of cost. The excess over cost is credited to Unearned discount and is shown as a deduction from Loans and receivables in the consolidated statement of financial position.

The unearned discount is taken to income over the installment terms and is computed using the EIR method.

*Customer Loyalty Programmes*

Award credits under customer loyalty programmes are accounted for as a separately identifiable component of the transaction in which they are granted. The Group allocates a portion of the consideration received from interchange from credit cards to the reward points. This allocation is based on the estimated stand-alone selling prices. The amount allocated to the customer loyalty program is deferred, and is recognized as revenue when loyalty points are redeemed or the likelihood of the customer redeeming the loyalty points becomes remote. Income generated from customer loyalty programmes is recognized as part of Service charges, fees and commissions in the consolidated statement of income.

d. Power Operations

*Power Revenues*

Power revenues consist of power revenue from generation and from sale of retail electricity. Revenue is recognized overtime using output method in the period actual capacity is generated since the customer consumes the benefit from the performance of the related dispatched of energy.

As a practical expedient allowed under PFRS 15, the Group recognizes power revenue in the amount to which the Group has a right to invoice since the Group bills a fixed amount for every MW of electricity delivered. The transaction price allocated to the remaining performance obligation is not separately disclosed as the Group recognizes revenue from the satisfaction of the performance obligation in the amount to which the Group has a right to invoice.

Some contracts with customers provide unspecified quantity of energy, includes provisional Energy Regulation Commission (ERC) rates, and volume and prompt payment discounts that give rise to variable consideration. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved.

e. Sugar Operations

*Sugar Sales*

Revenue from sale of sugar and molasses is recognized at the point when control of the goods is transferred to the customer through the endorsement of quedans or physical delivery of the goods.

*Milling Revenue*

Milling revenues pertain to the income from milling planters' sugarcane. Income is recognized when the related services are rendered.



## Contract Balances

### *Receivables*

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

### *Contract Assets*

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

### *Contract Liabilities*

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

The contract liabilities also include payments received by the Group from the customers for which revenue recognition has not yet commenced.

### *Costs to Obtain Contract (Commission Expenses)*

The incremental costs of obtaining a contract with a customer are recognized as an asset if the Group expects to recover them. The Group has determined that commissions paid to brokers and marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Commission expense determined under the POC method is included in the Expenses account in the consolidated statement of income.

Costs incurred prior to obtaining contract with customer are not capitalized but are expensed as incurred.

### *Contract Fulfillment Assets*

Contract fulfillment costs are divided into: (i) costs that give rise to an asset; and (ii) costs that are expensed as incurred. When determining the appropriate accounting treatment for such costs, the Group firstly considers any other applicable standards. If those standards preclude capitalization of a particular cost, then an asset is not recognized under PFRS 15.

If other standards are not applicable to contract fulfillment costs, the Group applies the following criteria which, if met, result in capitalization: (i) the costs directly relate to a contract or to a specifically identifiable anticipated contract; (ii) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (iii) the costs are expected to be recovered. The assessment of this criteria requires the application of judgement, in particular when considering if costs generate or enhance resources to be used to satisfy future performance obligations and whether costs are expected to be recoverable.

The Group's contract fulfillment assets pertain to land acquisition costs.



*Amortization, De-recognition and Impairment of Contract Fulfillment Assets and Capitalized Costs to Obtain a Contract*

Incremental costs of obtaining a contract and certain costs to fulfil a contract is required to be recognized as an asset if certain criteria are met. Any capitalized contract costs assets must be amortized on a systematic basis that is consistent with the Group's transfer of the related goods or services to the customer.

For real estate operations, the Group amortizes contract fulfillment assets and capitalized costs to obtain a contract over the expected construction period using POC following the pattern of real estate revenue recognition. The amortization of contract fulfillment assets and cost to a obtain contract is included within Cost and Expenses, respectively.

A contract fulfillment asset or capitalized costs to obtain a contract is derecognized either when it is disposed of or when no further economic benefits are expected to flow from its use or disposal.

At each reporting date, the Group determines whether there is an indication that the contract fulfillment asset or capitalized cost to obtain a contract maybe impaired. If such indication exists, the Group makes an estimate by comparing the carrying amount of the assets to the remaining amount of consideration that the Group expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Group uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

Where the relevant costs or specific performance obligations are demonstrating marginal profitability or other indicators of impairment, judgement is required in ascertaining whether or not the future economic benefits from these contracts are sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific performance indicators that could trigger variable consideration, or service credits. Where a contract is anticipated to make a loss, there judgements are also relevant in determining whether or not an onerous contract provision is required and how this is to be measured.

Other Revenue and Income Recognition

a. Real Estate Operations

*Mall and Rental Revenues*

Rent income from investment properties is recognized in the consolidated statement of income either on a straight-line basis over the lease term, or based on a certain percentage of the gross revenue of tenants, pursuant to the terms of the lease contracts. Leases under contingent rents are recognized as income in the period in which they are earned. No rental income is recognized when the Group waives its right to collect rent and other charges. This is recognized as a rent concession and reported as a variable payment.

*Income from Forfeited Reservations and Collections*

Income from forfeited reservation and collections is recognized when the deposits from potential buyers are deemed nonrefundable due to prescription of the period for entering into a contracted sale. Such income is also recognized, subject to the provisions of Republic Act (RA) 6552, *Realty Installment Buyer Act*, upon prescription of the period for the payment of required amortizations from defaulting buyers.



*Other Income*

Income from sale of services is recognized upon rendition of the service. Income from sale of goods is recognized upon completion of the earning process and the collectability of the sales price is reasonably assured.

b. Hospitality Operations

*Other Income*

Other income of hospitality operations consist of interest income and share in net earnings of a joint venture which are recognized as the related income accrues.

c. Financial and Banking Services

*Interest Income*

For all financial instruments measured at amortized cost and debt instruments classified as financial assets at FVOCI, interest income is recorded at the EIR, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses. The adjusted carrying amount is calculated based on the original EIR. The change in the carrying amount is recorded as interest income. Once the recorded value of a financial asset or group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original EIR applied to the new carrying amount.

Under PFRS 9, when a financial asset becomes credit-impaired and is, therefore, regarded as Stage 3, interest income is calculated by applying the EIR to the net amortized cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis. Under PAS 39, once the recorded value of a financial asset or group of similar financial assets carried at amortized cost has been reduced due to an impairment loss, interest income continues to be recognized using the original EIR applied to the new carrying amount.

*Trading and Securities Gains and Losses*

Trading and securities gain represents results arising from trading activities including all gains and losses from changes in fair value of financial assets and financial liabilities held for trading.

*Gain on Sale of Assets*

Income from sale of assets include any gains or losses on the retirement or disposal of investment properties and property and equipment. The gain or loss arising from the derecognition is recognized in the consolidated statement of income in the year of retirement or disposal.

*Other Income*

Income from sale of services or properties is recognized when the control of such services or properties are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled to in exchange for those goods or services.



d. Power Operations

*Other Income*

Income from sale of services is recognized upon rendition of the service. Income from sale of goods are recognized upon completion of the earning process and the collectability of the sales price is reasonably assured.

e. Sugar Operations

*Other Income*

Other income includes tolling income, conversion rights income, fertilizer assistance income and storage fees and handling income. Other income is recognized when the related services are rendered and the collectability of the sales price or charges is reasonably assured.

*Interest Income*

Interest income is recognized as the interest accrues taking into account the effective yield on the underlying assets.

*Dividend Income*

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

Cost and Expense Recognition

Cost and expenses are recognized in the consolidated statement of income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Cost and expenses are recognized in the consolidated statement of income:

- On the basis of a direct association between the costs incurred and the earning of specific items of income;
- On the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or,
- Immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the consolidated statement of financial position as an asset.

Retirement Costs

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

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs is comprise of the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset



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

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated statement of income.

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

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

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

#### *Termination Benefit*

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

#### *Employee Leave Entitlement*

Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly within twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

#### Leases (Effective January 1, 2019)

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



*Group as a Lessor*

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Rental income on operating leases is recognized on a straight line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income.

*Lease Modification*

Lease modification is defined as a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease e.g., addition or termination of the right to use one or more underlying assets, or the extension or shortening of the contractual lease term. In case of a lease modification, the lessor shall account for any such modification by recognizing a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

In case of change in lease payments for an operating lease that does not meet the definition of a lease modification, the lessor shall account for any such change as a negative variable lease payment and recognize lower lease income. No rental income is recognized when the Group waives its right to collect rent and other charges. This is recognized as a rent concession and reported as a negative variable lease payment (see Notes 3 and 32).

*Group as a Lessee*

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

ROU Assets

The Group recognizes ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The Group classifies its ROU assets within the same line item as that within which the corresponding underlying assets would be presented if they were owned except for ROU assets related to Property, plant and equipment which are presented separately as ROU assets in the consolidated financial statements.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized ROU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term as follow.

	Years
Land	8-52
Building	4-47
Machinery and equipment	22



ROU assets are subject to impairment. Refer to the accounting policies in Impairment of Nonfinancial Assets.

#### Lease Liabilities

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

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

#### Short-Term Leases and Leases of Low-Value Assets

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

As of January 1, 2019, the net effect of the initial adoption of PFRS 16 amounting to ₱163.1 million and ₱28.1 million had been adjusted to retained earnings and noncontrolling interest, respectively.

#### Leases (Prior to January 1, 2019)

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A reassessment is made after inception of the lease only if one of the following applies:

- (a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
- (b) a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
- (c) there is a change in the determination of whether fulfillment is dependent on a specified asset; or,
- (d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).



*Group as a Lessor*

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Rental income on operating leases is recognized on a straight line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income.

*Group as a Lessee*

Lease payments under operating lease are recognized as expense on a straight line basis over the terms of the lease contract.

Income Taxes

*Current Income Tax*

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

*Deferred Income Tax*

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except; (a) where deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and (b) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Income tax relating to items recognized directly in other comprehensive income is recognized in OCI and not in the consolidated statement of income.

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



### Borrowing Costs

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. They are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. Qualifying assets are assets that necessarily take a substantial period of time to get ready for intended use or sale. Interest and other financing costs incurred during the construction period on borrowings used to finance property development are capitalized as part of development in the consolidated statement of financial position.

Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended sale are complete. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

All other borrowing costs are expensed as incurred.

As discussed in “*Future Changes in Accounting Policy*”, the Group availed of the relief as provided in Philippine SEC MC 4-2020, providing relief to the Real Estate Industry by deferring the mandatory implementation of IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (IAS 23, *Borrowing Cost*) until December 31, 2020.

### Earnings per Share (EPS)

Basic EPS amounts are calculated by dividing net income attributable to equity holders of the Parent Company for the year by the weighted average number of ordinary shares outstanding during the year after giving retroactive effect for any stock dividends, stock options or reverse stock splits during the period.

Diluted EPS is computed by dividing net income attributable to equity holders of the Parent Company by the weighted average number of common shares outstanding during the year, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the year, and adjusted for the effect of dilutive options and dilutive convertible preferred shares and bonds. If the required dividends to be declared on convertible preferred shares divided by the number of equivalent common shares, assuming such shares are converted would decrease the basic EPS, then such convertible preferred shares would be deemed dilutive. Where the effect of the assumed conversion of the preferred shares and the exercise of all outstanding options have anti-dilutive effect, basic and diluted EPS are stated at the same amount.

### Foreign Currency Transactions and Translations

The functional currency of each of the entities in the Group is the Philippine Peso, except for the FCDU of EW. Philippine Peso is also the presentation currency of the consolidated financial statements. For financial reporting purposes, the monetary assets and liabilities of the FCDU and the foreign currency-denominated monetary assets and liabilities of the Group are translated in Philippine Peso based on the closing rate prevailing at the statement of consolidated financial position date and foreign currency-denominated income and expenses, at the prevailing exchange rate at the date of transaction. Foreign exchange differences arising from revaluation and translation of foreign currency-denominated assets and liabilities of the Group are credited to or charged against operations in the period in which the rates change. Exchange differences arising from translation of the accounts of the FCDU to Philippine peso as the presentation currency are taken to the consolidated statement of comprehensive income under Translation adjustment.

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



#### Fiduciary Activities

Assets and income arising from fiduciary activities together with related undertakings to return such assets to customers are excluded from the consolidated financial statements where EW acts in a fiduciary capacity such as nominee, trustee or agent.

#### Provisions

A provision is recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. When the Group expects part or all of provision to be reimbursed or recovered, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain.

#### Contingencies

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

#### Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is one that provides products or services within a particular economic environment that is subject to risks and returns that are different from those segments operating in other economic environments. The Group's operations are organized according to the nature of products and services provided. Two or more operating segments may be aggregated into a single operating segment if the segments have similar economic characteristics, and the segments are similar in each of the following respects: (a) the nature of the products and services; (b) the nature of the production processes; (c) the type or class of customer for their products and services; (d) the methods used to distribute their products or provide their services; and, (e) if applicable, the nature of the regulatory environment. Financial information on business segments is presented in Note 35.

#### Events After the Reporting Date

Post year-end events that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed when material in the consolidated financial statements.

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### **3. Significant Accounting Judgments, Estimates and Assumptions**

The preparation of the consolidated financial statements in compliance with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Future events may occur which can cause the assumptions used in arriving at those estimates to change. The effects of any change in estimates are reflected in the consolidated financial statements as they become reasonably determinable.



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

#### Judgments

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

*a. Evaluation of Business Model for Managing Financial Assets and Sale of Investment Securities at Amortized Cost*

The Group manages its financial assets based on business models that maintain adequate level of financial assets to match expected cash outflows and maintain adequate level of high quality liquid assets while maintaining a strategic portfolio of financial assets for investment and trading activities consistent with its risk appetite.

The Group's business model allows for financial assets to be hold-to-collect (HTC) contractual cash flows even when sales of certain financial assets occur. PFRS 9, however, emphasizes that if more than an infrequent sale is made out of a portfolio of financial assets carried at amortized cost, the entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows.

In making this judgment, the Group considers the following to assess that an increase in the frequency or value of sales of financial instruments in a particular period is not necessarily inconsistent with HTC business model if the Group can explain the reason for those sales and why those sales do not reflect a change in the Group's objective for the business model:

- sales or derecognition of debt instrument under any of the circumstances spelled out under the relevant BSP Circulars on PFRS 9;
- sales in preparation for funding a potential aberrant behavior in the depositors' withdrawal pattern triggered by news of massive withdrawals or massive withdrawal already experienced by other systemically important banks in the industry;
- sales attributable to an anticipated or in reaction to major events in the local and/or international arena that may adversely affect the collectability of the debt instrument and seen to prospectively affect adversely the behavior of deposits or creditors; and
- sales that the Asset-Liability Management Committee (ALCO) deems appropriate to be consistent with managing the Group's balance sheet based upon but are not limited to the set risk limits and target ratios that have been approved by the BOD.

In 2020, the Group sold investment securities managed under the HTC business model with aggregate carrying amount of ₱27,893.4 million, resulting in gain on sale of investment securities of ₱3,675.2 million (see Note 27). These sales were made in response to regulatory changes and unanticipated significant changes in the current market conditions brought by the COVID-19 pandemic which the Group assessed to have significant impact on its operations. Certain investments were sold in order to shorten the duration of financial assets and reduce interest rate risk of the Group necessary as a response to significant changes in current market conditions.

The Group assessed that the sales do not reflect a change in business of the Group. Accordingly, the remaining investment securities in the affected HTC portfolio are continued to be measured at amortized cost.



b. *Determination of Joint Control over EW Ageas Life and SAPI*

Control is presumed to exist when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. On the other hand, joint control is presumed to exist when the investors contractually agree on the sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Based on the provisions of the joint venture arrangements, the parties to the joint venture arrangements have to agree in order for any resolution to be passed relating to the joint venture entity's relevant activities. This joint arrangement is classified as a joint venture since the parties have rights to the net assets of the joint venture entity.

As discussed in Note 1, FAI assessed that it has joint control over SAPI and has accounted for its investment as investment in joint venture. The joint control assessment was primarily based on the board reserve matters requiring unanimous consent of both FAI and MC over SAPI's relevant activities.

c. *Lease Commitments*

- *Determination of Lease Term of Contracts with Renewal and Termination Options - Group as a Lessee* (Effective January 1, 2019)

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

Upon adoption of PFRS 16, the Group determined that generally, the options to extend or terminate the lease to extend or terminate the lease are not included in the determination at the lease term. These optional periods are not enforceable, as the Group cannot enforce the extension of the lease without the agreement from the lessor, and therefore, the Group does not have the right to use the asset beyond the non-cancellable period.

- *Lease Commitments - Group as a Lessee* (Prior to January 1, 2019)

The Group has entered into a lease agreement with Clark Development Corporation (CDC) for the lease of Mimosa Leisure Estate. The Group has determined that all significant risks and rewards of ownership of the building and golf course are transferred to the Group considering that the lease term is for the significant part of the useful life of these assets. Therefore these components of the lease agreement which CDC are accounted for as finance lease (see Notes 17 and 32).

In addition, the Group assessed that all significant risks and rewards of ownership for the land component of the lease agreement with CDC is retained by the lessor since the present value of the minimum lease payment attributable to the land does not amount to at least substantially the fair value of the land. Thus, this is accounted for as an operating lease (see Note 32).



d. *Revenue Recognition of Real Estate Operation*

• *Revenue from Sale of Lots, Condominium and Residential Units*

*Existence of a Contract*

The Group's primary document for a contract with a customer is a signed contract to sell. It has determined however, that in cases wherein contract to sell are not signed by both parties, the combination of its other signed documentation such as reservation agreement, official receipts, quotation sheets and other documents, would contain all the criteria to qualify as contract with the customer under PFRS 15.

In addition, part of the assessment process of the Group before revenue recognition is to assess the probability that the Group will collect the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity considers the significance of the customer's initial payments in relation to the total contract price. Collectability is also assessed by considering factors such as past history customer, age and pricing of the property. Management regularly evaluates the historical cancellations and back-outs, after considering the impact of coronavirus pandemic, if it would still support its current threshold of customers' equity before commencing revenue recognition.

*Revenue Recognition Method and Measure of Progress*

The Group concluded that revenue from sale of lots, condominium and residential units is to be recognized over time because (a) the Group's performance does not create an asset with an alternative use and; (b) the Group has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Group's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date.

The Group has determined that output method used in measuring the progress of the performance obligation faithfully depicts the Group's performance in transferring control of real estate development to the customers.

e. *Segment Reporting*

The Group aggregates 2 or more operating segments into a single operating segment when separately, each operating segment has similar economic characteristics. The Group considers banking and financial services, real estate operations, power operations, hospitality operations, sugar operations, and other operations as its operating segments and are aggregated as such based on the source and types of revenues (see Note 35).

f. *Business Combination*

In determining whether a transaction or an event is a business combination, the Group assessed whether the assets acquired and liabilities assumed constitute a business. A business is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants. Further, a business consists of inputs and processes applied to those inputs that have the ability to create outputs.



For the acquisition of GPRDI, based on the provisions of the Share Sale and Purchase Agreement to acquire 100% shares of GPRDI (see Note 1), FLI assessed that the acquisition does not constitute a business. In making the judgment, FLI considered that it lacks 2 of the 3 components required to meet the definition of a business (i.e., processes and output). While FLI acquired inputs (i.e., land), FLI did not acquire any process. As such, the transaction was accounted for as an acquisition of an asset and the entire consideration was recognized as part of real estate inventories in the consolidated statement of financial position (see Note 14).

*g. Contingencies and Provisions*

In the normal course of business, the Group is currently involved in various legal proceedings and assessments. The assessment of probability and estimate of the probable costs for the resolution of the related claims has been developed in consultation with outside counsel handling the defense in these matters and based upon analysis of potential results. The Group currently does not believe these proceedings will have material effect on the Group's financial position and results of operations. It is possible, however, that future results of operations may be affected by changes in the assessment of probability and estimates of potential outflow or in the effectiveness of the strategies relating to these proceedings (see Note 33).

*h. Significant Influence in Luzon International Premiere Airport Development Corp. (LIPAD Corp.)*

The Group considers that it has significant influence over investees when it has board representation which allows them to participate in the financial and operating policy decisions but is not in control or joint control of those policies (see Note 18).

*i. Assessment on Whether Rental Concessions Granted Constitute a Lease Modification*

In line with the rental relief framework implemented by the government to support businesses and the broader economy due to the impact of COVID-19, the Group waived its right to collect rent and other charges from the lessees of its commercial spaces.

The Group applies judgment when assessing whether the rent concessions granted is considered a lease modification under PFRS 16. In making this judgment, the Group determines whether the rent concessions granted has changed the scope of the lease, or the consideration thereof, that was not part of the original terms and conditions of the lease. The Group assessed that the rental concessions it granted to lessees do not qualify as lease modifications since the terms and conditions under the corresponding lease contracts have not been modified by the waiver and therefore, is not a lease modification under PFRS 16.

The rental concessions granted by the Group for the year ended December 31, 2020 amounted to ₱734.4 million (see Note 32).

*j. Judgements Made in Determining Taxable Profit (Tax Loss), Tax Bases, Unused Tax Losses, Unused Tax Credits and Tax Rates Applying Paragraph 122 of PAS 1, Presentation of Financial Statements*

The Group has assessed whether it has any uncertain tax position. The Group applies significant judgement in identifying uncertainties over its income tax treatments. The Group determined, based on its tax compliance review, in consultation with its tax counsel, that it is probable that its uncertain income tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities.



### Management's Use of Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

*a. Revenue Recognition and Measure of Progress for Real Estate Sales*

The Group's revenue recognition policy requires management to make use of estimates and assumptions that may affect the reported amounts of revenues and costs. The Group's revenue from real estate sales recognized based on the POC are measured principally on the basis of physical completion of real estate project.

Sale of condominium and residential units based on POC amounted to ₱9,837.1 million, ₱17,013.1 million and ₱16,751.1 million for the years ended December 31, 2020, 2019 and 2018, respectively.

*b. Fair Value of Financial Instruments*

Certain financial assets and financial liabilities are required to be carried at fair value and disclosure of certain fair value information, the determination of which requires the use of accounting estimates and judgments. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rate and interest rate), the amount of changes in fair value would differ due to usage of different valuation methodology. Any change in fair value of these financial assets and financial liabilities would affect directly the consolidated statement of income, OCI or the disclosed fair value. See Note 36 for the related fair values of the Group's financial assets and financial liabilities.

*c. Impairment of Loans and Receivables, Contract Assets, Financial Assets at FVOCI and Investment Securities at Amortized Cost*

*Real Estate Segment*

The Group uses the vintage analysis to calculate ECLs for contracts receivables and contract assets. The loss rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by product type, market segment and collateral type).

The vintage analysis (the model) are initially based on the Group's historical observed default rates. The Group will calibrate the model to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (e.g., gross domestic product, inflation) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions (e.g., gross domestic product and inflation rate) and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The Group has considered impact of COVID-19 pandemic and revised its assumptions in determining the macroeconomic variables and loss rates in the computation of ECL. The changes in the gross carrying amount of receivables from sale of real estate during the year and impact of COVID-19 pandemic did not materially affect the Group's allowance for ECL.



The information about the ECLs on the Group's contract receivables and contract assets is disclosed in Notes 7, 9 and 13.

*Financial and Banking Segment*

The COVID-19 pandemic is bringing the economy globally in a very uncertain state. Disruptions in many businesses have overtaken leading to further downward income, heightened debt, climbing costs, bankruptcies and defaults which are now felt in many countries. As the impact of the pandemic grows, the Group made changes in the methodology used in calculating for the ECL.

Among the significant components with amendments in 2020 ECL model estimates includes the following:

- Segmenting the Group's credit exposures  
The micro-segmentation performed was further itemized to include additional factors that have impact on the debt service capability of an individual borrower.
- Forward looking information  
The "house view" scenario specifically to the foreseen macroeconomic condition and operating environment was adopted.

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

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and interdependencies. Significant elements of the models include, among others:

- segmenting the Group's credit risk exposures;
- the Group's definition of default;
- determining the method to estimate ECL;
- identifying exposures with significant deterioration in credit quality;
- determining assumptions to be used in the ECL model such as the counterparty credit risk rating;
- the expected life of the financial asset and expected recoveries from defaulted accounts; and
- incorporating forward-looking information (called overlays) in calculating ECL.

Factors considered in doing the impairment assessment are discussed further in Note 37.

As of December 31, 2020 and 2019, loans and receivables and contract assets amounted to ₱250,802.6 million and ₱276,445.9 million, respectively (see Notes 7, 8, 9, 10, 11 and 13).

Allowance for impairment and credit losses amounted to ₱13,654.7 million and ₱7,532.7 million as of December 31, 2020 and 2019, respectively (see Notes 7, 9, 10 and 11).

The Group has recognized provision for impairment and credit loss amounting to ₱10,175.8 million, ₱3,722.7 million and ₱3,634.1 million for the years ended December 31, 2020, 2019 and 2018, respectively (see Note 29).



The carrying value of financial assets at FVOCI and investment securities at amortized cost and the related allowances are disclosed in Note 12.

*d. Estimating NRV of Real Estate Inventories*

The Group adjusts the cost of its real estate inventories costs to NRV based on its assessment of the recoverability of the inventories. In determining the recoverability of the inventories, management considers whether those inventories have deteriorated or if their selling prices have declined. Likewise, management also considers whether the estimated costs of completion or the estimated costs to be incurred to make the sale have increased. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. In line with the impact of COVID-19, the Group experienced limited selling activities that resulted in lower sales in 2020. In evaluating NRV, recent market conditions and current market prices have been considered.

As of December 31, 2020 and 2019, the carrying value of real estate inventories amounted to ₱73,953.1 million and ₱71,363.5 million, respectively (see Note 14).

*e. Evaluation of Impairment of Goodwill and Branch Licenses*

The Group determines whether goodwill and branch licenses are impaired on an annual basis. The Group's impairment test for goodwill and branch licenses is based on VIU calculations that use a discounted cash flow model. The cash flows are derived from the forecast as approved by the BOD and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset base of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rates used, as well as the expected future cash-inflows, revenue growth rates used and interest margin. The Group has adjusted the cash flows forecast and assumptions in 2020 to consider the impact associated with the COVID-19 pandemic.

Goodwill From Acquisition of PSHC and Subsidiaries (Sugar Business)

The projection period used was 5 years and the cash flows beyond 5 years were included in the terminal value. The pre-tax discount rates used of 6.1% and 5.9% as of December 31, 2020 and 2019, respectively, were determined using capital asset pricing model. Key assumptions in VIU calculation are most sensitive to revenue growth rate, gross margin and discount rate within and beyond the projection period.

The Group assumed a certain growth rate within the budget period based on expected areas to be harvested and the total harvest per area. Growth rate of 1.5% was assumed after the 5-year projection period as of December 31, 2020 and 2019. The Group ascertains that growth rate beyond the projection period is not above the forecasted industry growth rate.

Goodwill from Various Bank Acquisitions and Branch Licenses

Future cash flows from CGUs were estimated based on the theoretical annual income of the CGU. Key assumptions in VIU calculation of the CGUs are most sensitive to: (a) interest margin; (b) discount rates; (c) market share during the budget period; and (d) projected growth rates used to extrapolate cash flows beyond the budget period. The pre-tax discount rates used were 12.3% and 12.0% for American International Group, Inc. Philam Savings Bank Group (AIGPASB), EWRB, Standard Chartered Bank (SCB) and Ecology Savings Bank, Inc. (ESBI) in 2020 and 2019, respectively. The average growth rate was derived from average increase in annual income during the last 5 years, while growth rate used to extrapolate cash flows beyond the forecast 5-year period were 9.7% and 5.0% as of December 31, 2020 and 2019, respectively.



#### Goodwill from Acquisition of CPI

The cash flows were derived from projection period of 10 years. Key assumptions used in VIU calculations are most sensitive to discount rates and growth rates within the budget period and beyond the projection period. The pre-tax discount rate used as of December 31, 2020 and 2019 were 9.0%.

The Group did not recognize impairment loss on its goodwill and branch licenses in 2020, 2019 and 2018. As of December 31, 2020 and 2019, the total carrying value of goodwill and branch licenses amounted to ₱10,381.2 million (see Note 4) and ₱2,167.6 million (see Note 20), respectively.

*f. Evaluation of Impairment of Nonfinancial Assets (other than Goodwill and Branch Licences)*

The Group reviews property, plant and equipment, investment properties, ROU assets, investment in joint ventures and associate and other nonfinancial assets for impairment of value. This includes considering certain indications of impairment such as significant change in asset usage, significant decline in asset's market value, obsolescence or physical damage of an asset, plans of discontinuing the real estate projects, and significant negative industry or economic trends.

If such indications are present, and where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to recoverable amount. The recoverable amount is calculated as the higher of the asset's fair value less cost to sell, or its VIU.

The fair value less cost to sell is the amount to be received from the sale of an asset in an arm's length transaction, while VIU is the present value of estimated future cash flows expected to arise from the nonfinancial assets. Recoverable amounts are estimated for individual assets or, if it is not possible, for the CGU to which the asset belongs.

The carrying values of the Group's nonfinancial assets as of December 31, 2020 and 2019 are included in Notes 16, 17, 18, 20 and 32 to the consolidated financial statements.

In 2020, 2019 and 2018, the Group recognized provision for probable losses on investment properties amounting to ₱17.1 million, ₱31.3 million and ₱47.9 million, respectively (see Note 16).

In 2020, 2019 and 2018, the Group recognized provision for probable losses on property, plant and equipment amounting to ₱14.3 million, ₱43.5 million and ₱82.4 million, respectively (see Note 17).

Also, the Group recognized impairment on other assets amounting to ₱59.7 million, ₱404.2 million and ₱74.1 million in 2020, 2019 and 2018, respectively (see Note 20).

#### *Hospitality Operations*

In view of the continuing community quarantines and restricted travel, the Group's hospitality segment continues to be adversely affected by the lower number of guests and reduced room rates, both of which have significantly impacted the revenues reported for this segment. Also, many restaurants remain closed or allowed limited operations which impacted the food and beverage revenues of the segment. In addition, because of the coronavirus pandemic, there is the heightened level of uncertainty on the future economic outlook and market forecast. These events and conditions are impairment indicators requiring the assessment of the recoverable amount of the property and equipment and ROU assets.



The carrying value of the property and equipment and ROU assets reported under “Investment properties” of the hospitality segment amounted to ₱8,412.5 million and ₱1,935.1 million, respectively, as of December 31, 2020.

The Group estimates the recoverable amount through VIU. In determining the present value of estimated future cash flows expected to be generated from the continued use of these assets of the hospitality segment, the Group is required to make estimates and assumptions that may affect the nonfinancial assets. The significant assumptions used in the valuation are discount rates of 8.8% to 9.2% with an average growth rate of 4.0%. The Group also considered in its assumptions the impact of the pandemic on the occupancy rate and room rates which are not expected to normalize until 2024. No impairment loss was recognized in 2020 for these nonfinancial assets of the hospitality segment.

g. *Estimating Retirement Obligation*

The determination of the Group’s obligation and cost for retirement benefits is dependent on selection of certain assumptions used by the actuaries in calculating such amounts. Those assumptions used are described in Note 30 and include among others, discount rates and rates of salary increase. While the Group believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions materially affect retirement obligations.

As of December 31, 2020 and 2019, the Group has outstanding retirement liabilities amounting to ₱1,702.6 million and ₱1,139.7 million (see Note 30).

h. *Recognition of Deferred Tax Assets*

The Group reviews the carrying amounts of deferred taxes at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Group will generate sufficient taxable profit to allow all or part of its deferred tax assets to be utilized.

As of December 31, 2020 and 2019, the Group’s deferred tax assets amounted to ₱8,197.1 million and ₱5,454.2 million, respectively.

The tax effect of deductible temporary differences and carryforward benefits of NOLCO, provisions and accruals, allowance for ECL, unrealized foreign exchange loss and MCIT for which no deferred tax assets were recognized amounted to ₱1,357.7 million and ₱1,196.3 million as of December 31, 2020 and 2019, respectively (see Note 34).

i. *Estimating the IBR for Leases*

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment. The IBR therefore reflects what the Group ‘would have to pay’, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary’s functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary’s stand-alone credit rating).

The IBR used by the Groups’s to measure lease liabilities ranges from 7.45% to 8.72%.



The Group's lease liabilities amounted to ₱7,357.1 million and ₱6,885.2 million as of December 31, 2020 and 2019, respectively (see Note 32).

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#### 4. Goodwill and Business Combinations

As of December 31, 2020 and 2019, goodwill arising from business combinations in the Group's consolidated statement of financial position consists of (amounts in thousands):

PSHC	₱6,177,310
SCB Philippines' retail banking business, QMIS and ASIA	2,560,561
EWRB and Green Bank, Inc. (GBI)	397,474
CPI	326,553
Other bank acquisitions	919,254
	<hr/> <hr/> ₱10,381,152

##### *Goodwill from Acquisition of PSHC and Subsidiaries*

In June 2007, the Parent Company acquired from ALGI 100.0% interest in PSHC in exchange for its own shares. The acquisition of PSHC includes its wholly owned subsidiaries, DSCC, CSCC and HYSFC (the sugar business). The acquisition was accounted for as a business combination and resulted in recognition of goodwill. The value assigned to the sugar business was based on the valuation done by a third party professional firm, based on factors and assumptions considered relevant at that time. As of December 31, 2020 and 2019, goodwill from the acquisition of PSHC amounted to ₱6,177.3 million.

##### *Asset and Share Transfer Agreement with SCB and SCMB Overseas Limited*

On May 6, 2016, EW entered into an Asset and Share Transfer Agreement (the Agreement) with SCB and SCMB Overseas Limited. The acquisition was approved by the BSP on August 8, 2016. On November 25, 2016, after satisfying all the conditions under the Agreement, the transfer of assets and liabilities was completed. This resulted in goodwill amounting to ₱2,560.6 million.

##### *Goodwill from Acquisitions of EWRB and GBI*

In 2011, the acquisition of GBI resulted in goodwill amounting to ₱374.0 million. In 2012, the acquisition of EWRB resulted in goodwill amounting ₱23.5 million. In October 2013, the branches coming from GBI were combined with the branch operations of EWRB. Consequently, the goodwill from the acquisition of EWRB and GBI were allocated to the branch operations of EWRB, which is considered as a single CGU for purposes of impairment testing.

##### *Goodwill from Acquisition of CPI*

In February 2010, FLI acquired 40.0% interests in CPI from another stockholder to obtain full control of the then joint venture. The acquisition resulted in CPI becoming wholly owned subsidiary of FLI. The acquisition of the joint venture partner's interest was accounted for as business combination and resulted in recognition of goodwill amounting to ₱326.6 million.

##### *Goodwill from Other Bank Acquisitions*

The business combination between EW and AIGPASB in 2009 resulted in goodwill amounting to ₱769.0 million, which has been allocated to the auto and credit cards lending unit acquired from the AIGPASB.



The business combination between EW and ESBI in 2003 resulted in goodwill amounting to ₱172.8 million, which has been allocated to various branches acquired from ESBI. As of December 31, 2020 and 2019, the carrying amount of goodwill, after impairment of ₱22.6 million recognized in prior years, amounted to ₱150.2 million.

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## 5. Subsidiaries with Noncontrolling Interest

As of December 31, 2020 and 2019, the noncontrolling interest in EW represents 22.1% while the noncontrolling interest in FLI represents 35.1% (2019: 35.2%). Other noncontrolling interest pertains to the 7.0% equity interest in FAI as of December 31, 2020 and 2019, respectively, and 5.0% equity interest of CDC in FMI as of December 31, 2020 and 2019.

### *Acquisition of Noncontrolling Interest*

On February 28, 2020, the Group purchased FLI shares amounting to ₱28.4 million which resulted in an increase in the Group's ownership interest in FLI from 64.8% to 64.9%.

On March 27, May 29, June 21 and June 28, 2019, the Group purchased FLI shares amounting to ₱44.8 million, ₱4.8 million, ₱8.7 million and ₱2,231.5 million, respectively, which resulted in an increase in the Group's ownership interest in FLI from 59.4% to 64.8%.

On June 28, July 1, July 19 and July 22, 2019, the Group purchased EW shares amounting to ₱89.4 million, ₱53.8 million, ₱5.2 million and ₱3.3 million, respectively, which resulted in an increase in the Group's ownership interest in EW from 77.2% to 77.9%.

The above purchase of additional shares resulted in a reduction in noncontrolling interest and addition to retained earnings amounting to ₱68.3 million and ₱39.9 million, respectively, as of December 31, 2020 and ₱3,795.6 million and ₱1,354.1 million, respectively, as of December 31, 2019.

### *Dividend Declaration*

On June 11, 2020, the BOD of FLI approved the declaration and payment of cash dividend of ₱0.0648 per share or total of ₱1,571.4 million for all common shareholders of record as of July 10, 2020. FLI has remaining unpaid cash dividend amounting to ₱49.0 million as of December 31, 2020. On the same date, the BOD of FLI approved the additional declaration and payment of cash dividend of ₱0.0006 per share or a total of ₱5.1 million for all preferred shareholders of record as of July 10, 2020. FLI also paid dividends amounting ₱42.4 million for dividends in arrears for preferred shareholders. The share of the noncontrolling interest related to these dividend declarations amounted to ₱551.2 million.

On March 11, 2020, the BOD of FAC approved the first quarter distribution of cash dividends amounting to ₱160.0 million to stockholders of record as of March 11, 2020. On December 17, 2020, the BOD of FAC approved the second distribution of cash dividends in the amount of ₱200.0 million to stockholders of record as of December 17, 2020 and subsequently paid on December 29, 2020. No dividends are outstanding as of December 31, 2020. The share of the noncontrolling interest related to these dividend declarations amounted to ₱143.9 million.

In March 2019, the BOD of FAC approved the declaration and payment of cash dividends of ₱85.0 million or ₱85.0 per share for every common share. This was paid on March 31, 2019. Additional declaration of cash dividends was approved on December 21, 2019 amounting to ₱460.0 million or ₱460.0 per share for every common share. The share of the noncontrolling interest related to these dividend declarations amounted to ₱218.0 million.



On April 22, 2019, the BOD of FLI approved the declaration of and payment of cash dividends of ₱0.0619 per share for every common share with an aggregate amount of ₱1,501.1 million for all shareholders of record as of May 22, 2019. This was paid on June 17, 2019. The share of the noncontrolling interest related to this dividend declaration amounted to ₱607.2 million.

In 2018, the BOD of FAC approved quarterly distribution of cash dividends amounting ₱100.0 million each on March, May and September 2018, and ₱160.0 million on December 2018. These were fully paid in 2019. The share of the noncontrolling interest related to this dividend declaration amounted to ₱184.0 million.

On April 20, 2018, the BOD of FLI approved the declaration and payment of cash dividend of ₱0.0618 per share or total of ₱1.50 billion for all shareholders of record as of May 20, 2018. This was also paid on June 17, 2019. The share of the noncontrolling interest related to this dividend declaration amounted to ₱608.1 million.

The summarized financial information of EW and FLI are provided below. This information is based on amounts after consolidation but before intercompany eliminations.

*Summarized Statements of Financial Position for the Years Ended December 31, 2020 and 2019*

	2020		2019	
	FLI	EW	FLI	EW
	(In Thousands)			
<b>Assets:</b>				
Cash and cash equivalents	₱6,693,557	₱85,544,768	₱4,773,621	₱47,837,735
Loans and receivables	7,519,122	243,716,429	4,621,237	267,647,738
Financial assets at FVPL	–	7,523,592	–	16,840,709
Financial assets at FVOCI	15,624	29,471,707	15,624	4,650,636
Investment securities at amortized cost	–	20,899,699	–	49,386,070
Contract assets	8,934,062	–	13,115,742	–
Real estate inventories	65,544,567	–	63,018,436	–
Investment properties	69,264,957	981,147	66,568,987	949,138
Property and equipment	3,348,145	1,997,750	3,288,718	2,346,369
Investment in a joint venture	–	665,313	–	694,114
Investment in associates	4,772,163	–	4,170,682	–
Deferred tax assets - net	82,405	5,169,692	52,435	2,821,217
Goodwill	4,567,242	3,877,289	4,567,242	3,877,289
ROU assets	–	3,091,779	–	3,090,392
Other assets	10,263,302	5,262,835	9,503,707	6,182,882
<b>Liabilities:</b>				
Deposit liabilities	–	(329,055,950)	–	(304,726,155)
Bills and acceptance payable	–	(3,568,803)	–	(30,949,753)
Accounts payable, accrued expenses and other liabilities	(21,566,246)	(10,759,551)	(23,328,957)	(11,463,205)
Contract liabilities*	(2,016,269)	–	(1,752,406)	–
Retirement liabilities	(580,119)	(547,867)	(512,442)	–
Income tax payable	(29,022)	(402,325)	(142,736)	(595,851)
Long-term and short-term debt	(69,768,551)	(4,918,219)	(63,412,920)	(6,219,011)
Lease liability	(6,152,960)	(3,466,742)	(5,870,064)	(3,302,981)
Deferred tax liabilities - net	(6,513,036)	–	(6,512,613)	–
<b>Total Equity</b>	<b>₱74,378,943</b>	<b>₱55,482,543</b>	<b>₱72,164,293</b>	<b>₱49,067,333</b>
<b>Attributable to:</b>				
Equity holders of the Parent Company	₱54,472,855	₱43,134,949	₱52,685,168	₱38,177,626
Noncontrolling interest	19,600,013	12,347,594	19,253,357	10,889,707
Noncontrolling interest in subsidiaries	306,075	–	225,768	–

\*Contract liabilities of EW are presented under accounts payable, accrued expenses and other liabilities



*Summarized Statements of Comprehensive Income for the Years Ended December 31, 2020 and 2019:*

	2020		2019	
	FLI	EW	FLI	EW
	(In Thousands)			
Revenues and other income	<b>₱16,968,196</b>	<b>₱37,590,367</b>	₱25,271,785	₱36,988,673
Equity in net income (loss) of associates and joint venture	<b>516,450</b>	<b>(300,623)</b>	401,525	(339,482)
Costs and operating expenses	<b>(9,917,624)</b>	<b>(30,271,752)</b>	(14,905,577)	(28,738,619)
Interest and other finance charges	<b>(3,189,462)</b>	–	(2,492,965)	–
Income before income tax	<b>4,377,560</b>	<b>7,017,992</b>	8,274,768	7,910,572
Provision for income tax	<b>(476,666)</b>	<b>(510,158)</b>	(1,754,968)	(1,668,634)
Net income	<b>3,900,894</b>	<b>6,507,834</b>	6,519,800	6,241,938
Other comprehensive income	<b>(9,146)</b>	<b>127,682</b>	124,296	176,211
<b>Total comprehensive income</b>	<b>₱3,891,748</b>	<b>₱6,635,516</b>	₱6,644,096	₱6,418,149
Attributable to noncontrolling interest:				
Net income	<b>₱1,411,638</b>	<b>₱1,441,348</b>	₱2,388,636	₱1,382,458
Total comprehensive income	<b>1,455,367</b>	<b>1,488,140</b>	2,432,365	1,429,250
Dividends paid to noncontrolling interest	<b>695,101</b>	–	825,228	–

*Summarized Statements of Cash Flow Information for the Years Ended December 31, 2020 and 2019:*

	2020		2019	
	FLI	EW	FLI	EW
	(In Thousands)			
Cash flows from (used in):				
Operating activities	<b>₱7,292,351</b>	<b>₱60,186,555</b>	₱8,925,124	(₱10,836,753)
Investing activities	<b>(5,621,163)</b>	<b>7,260,692</b>	(9,088,932)	(17,105,988)
Financing activities	<b>248,748</b>	<b>(29,740,214)</b>	(1,482,131)	12,017,171
<b>Net decrease in cash and cash equivalents</b>	<b>₱1,919,936</b>	<b>₱37,707,033</b>	(₱1,645,939)	(₱15,925,570)

As of December 31, 2020 and 2019, there are no significant restrictions, outside the ordinary course of business, on the Parent Company's ability to access or use assets and settle the liabilities of these subsidiaries.

## 6. Cash and Cash Equivalents

This account consists of:

	2020	2019
	(In Thousands)	
Cash	<b>₱11,235,632</b>	₱10,550,179
Short-term placements	<b>2,227,357</b>	1,162,912
Due from BSP (Note 21)	<b>48,892,706</b>	34,287,302
Due from other banks	<b>11,392,088</b>	3,403,926
Interbank loans receivable (IBLR)	<b>17,111,092</b>	2,691,882
	<b>₱90,858,875</b>	₱52,096,201

Cash includes cash on hand and in banks. Cash in banks earn interest at the respective bank deposit rates. Short-term placements are made for varying periods of up to 3 months and earn interest at the respective short-term deposit rates. Interest income earned on the Group's cash and short-term placements amounted to ₱242.0 million, ₱145.8 million and ₱76.8 million in 2020, 2019 and 2018, respectively (see Note 27).

Interest earned on the Group's Due from BSP, Due from other banks and IBLR amounted to ₱307.1 million, ₱62.1 million and ₱101.8 million in 2020, 2019 and 2018, respectively (see Note 35).



## 7. Loans and Receivables - Real Estate Operations

This account consists of:

	2020			2019		
	Due Within One Year	Due After One Year	Total	Due Within One Year	Due After One Year	Total
	(In Thousands)					
Contracts receivable	₱4,651,077	₱-	₱4,651,077	₱1,878,043	₱-	₱1,878,043
Receivables from tenants	2,676,962	-	2,676,962	1,996,515	-	1,996,515
Advances to officers and employees	305,973	-	305,973	462,328	-	462,328
Management income	235,492	-	235,492	120,859	-	120,859
Receivables from Homeowners Association (HOA)	214,611	-	214,611	139,362	-	139,362
Receivables from service fees	200,595	-	200,595	146,377	-	146,377
Receivable from government and other financial institutions	193,388	-	193,388	192,580	-	192,580
Receivables from buyers	129,773	-	129,773	139,875	-	139,875
Due from related parties (Note 26)	73,617	-	73,617	15,644	-	15,644
Others	105,725	2,488	108,213	35,129	4,317	39,446
	8,787,213	2,488	8,789,701	5,126,712	4,317	5,131,029
Less allowance for ECL	38,348	-	38,348	6,913	-	6,913
	<b>₱8,748,865</b>	<b>₱2,488</b>	<b>₱8,751,353</b>	<b>₱5,119,799</b>	<b>₱4,317</b>	<b>₱5,124,116</b>

Contracts receivables are collectible within the year. These receivables arising from real estate sales are collateralized by the corresponding real estate properties sold.

On March 25, 2020, Republic Act No. 11469, otherwise known as the Bayanihan to Heal as One Act ("Bayanihan 1 Act") was enacted. Bayanihan 1 Act provides that all covered institutions shall implement a 30-day grace period for all loans with principal and/or interest and lease amortization falling due within the ECQ Period without incurring interest on interest, penalties, fees and other charges. Subsequently, on September 11, 2020, Republic Act No. 11494, otherwise known as the Bayanihan to Recover as One Act ("Bayanihan 2 Act"), was enacted. Under Bayanihan 2 Act, a one-time sixty (60)-day grace period is granted for the payment of all existing, current and outstanding loans falling due, or any part thereof, on or before December 31, 2020, without incurring interest on interests, penalties, fees, or other charges and thereby extending the maturity of the said loans. Furthermore, a minimum 30-day grace period shall also be granted by covered institutions to all payments due within the period of community quarantine on rent and utility-related expenditures without incurring penalties, interest and other charges.

In 2020, the Group, provided reliefs under Bayanihan 1 Act and Bayanihan 2 Act, which offered financial reliefs to its borrowers/counterparties as a response to the effect of the COVID-19 pandemic. These relief measures included the restructuring of existing receivables including extension of payment terms.

Based on the Group's assessment, the modifications in the contractual cash flows as a result of the above reliefs are not substantial and therefore do not result in the derecognition of the affected financial assets.

Interest income recognized on contracts receivable and others amounted to ₱355.1 million, ₱403.9 million and ₱809.5 million in 2020, 2019 and 2018, respectively (see Note 27). Interest rates on contracts receivable range from 11.5% to 19.0% per annum in 2020, 2019 and 2018.



The Group has a mortgage insurance contract with Home Guaranty Corporation (HGC), a government insurance company for a retail guaranty line. As of December 31, 2020 and 2019, the contracts (comprise of both contract receivables and contract assets at gross amount) covered by the guaranty line amounted to ₱460.3 million and ₱803.3 million, respectively.

As of December 31, 2020 and 2019, the remaining unutilized guaranty line amounted to ₱2,042.9 million and ₱2,061.6 million, respectively.

Receivables from tenants represent charges to tenants for rentals and utilities which are normally collectible within 1 year.

Advances to officers and employees are advances for project costs, marketing activities, travel and other expenses arising from the ordinary course of business which are liquidated upon accomplishment of the purposes for which the advances were granted.

Management income represents charges to affiliates for management services binding for a period of one (1) year and automatically renewable for another year.

Receivables from HOA represent claims of the Group's projects for the payments of expenses on behalf of the association.

Receivables from service fees represent charges for maintenance expenses, payroll expenses, car rentals, and water charges for the use of the Group's facilities.

Receivables from government and other financial institutions pertain to government and bank-financed real estate sales. These are collectible within 1 year.

Receivables from buyers mainly pertain to advances for fit-out funds and other advances relating to insurance and other expenses chargeable to buyers.

Others represent advances for selling, marketing and administrative expenses of international sales offices arising from the ordinary course of business which are liquidated upon accomplishment of the purposes for which the advances were granted.

The reconciliation of allowance for impairment losses for individually assessed receivables from tenants and HOA under real estate operations of the Group as of December 31, 2020 and 2019 follows:

	2020	2019
		(In Thousands)
Balances at beginning of year	<b>₱6,913</b>	₱49,532
Provisions (Note 29)	<b>31,435</b>	10,514
Reversal/Write-off (Note 29)	—	(53,133)
Balances at end of year	<b>₱38,348</b>	₱6,913



## 8. Loans and Receivables - Hospitality Operations

This account consists of:

	2020	2019
	(In Thousands)	
Trade	₱174,954	₱206,549
Advances to officers and employees	10,686	6,941
Others (Note 26)	110	-
	<b>₱185,750</b>	<b>₱213,490</b>

Trade receivables pertain to receivables from credit card companies, travel agents and corporate guests, which are non-interest bearing and are collectible within 1 year.

Advances to officers and employees refer to advances for travel, sales and marketing expenses, insurance and other expenses arising from ordinary course of business. These are liquidated within seven (7) days after actual use of the advances.

## 9. Loans and Receivables - Banking and Financial Services

This account consists of:

	2020	2019
	(In Thousands)	
Receivables from customers:		
Corporate lending	₱46,459,829	₱57,366,786
Consumer lending	179,851,550	189,806,049
	<b>226,311,379</b>	247,172,835
Unamortized premium	6,261,342	8,391,667
	<b>232,572,721</b>	255,564,502
Unquoted debt securities		
Private bonds	335,668	344,188
	<b>335,668</b>	344,188
Other receivables	11,145,731	5,587,470
	<b>244,054,120</b>	261,496,160
Less allowance for ECL	13,291,920	7,389,216
	<b>₱230,762,200</b>	<b>₱254,106,944</b>

In 2020, in relation to the Bayanihan Act 1 and 2, the Group provided payment extensions to its employees and customers. Accrued interest receivable reported under "other receivables" has increased due to this payment deferrals (see Note 27).

Consumer lending receivables include gross credit card receivables amounting to ₱31,479.4 million and ₱35,306.4 million as of December 31, 2020 and 2019, respectively.



Receivables from customers consist of:

	2020	2019
	(In Thousands)	
Loans and discounts	<b>₱221,933,707</b>	₱241,359,118
Customers' liabilities under letters of credit/trust receipts	<b>3,736,680</b>	4,993,191
Bills purchased (Note 23)	<b>640,992</b>	820,526
	<b>₱226,311,379</b>	₱247,172,835

Interest income from these loans and receivables in 2020, 2019 and 2018 amounted to ₱27,561.0 million, ₱26,623.9 million and ₱22,544.5 million, respectively (see Note 35).

A reconciliation of allowance for ECL per class of loans and receivables follows:

	2020			
	Corporate Lending	Consumer Lending	Others	Total
	(In Thousands)			
At January 1	₱753,567	₱5,487,739	₱1,147,910	₱7,389,216
Provision for probable losses (Note 29)	586,977	8,747,116	507,473	9,841,566
Write-off and others	(137,861)	(3,726,010)	(72,369)	(3,936,240)
Revaluation due to change in foreign currency	-	-	(2,622)	(2,622)
At December 31	<b>₱1,202,683</b>	<b>₱10,508,845</b>	<b>₱1,580,392</b>	<b>₱13,291,920</b>

	2019			
	Corporate Lending	Consumer Lending	Others	Total
	(In Thousands)			
At January 1	₱368,088	₱5,923,836	₱999,958	₱7,291,882
Provision for probable losses (Note 29)	385,479	2,893,506	421,838	3,700,823
Write-off and others	-	(3,329,603)	(273,886)	(3,603,489)
At December 31	<b>₱753,567</b>	<b>₱5,487,739</b>	<b>₱1,147,910</b>	<b>₱7,389,216</b>

## 10. Loans and Receivables - Power Operations

This account consists of:

	2020	2019
	(In Thousands)	
Trade	<b>₱1,900,566</b>	₱2,038,131
Due from related parties (Note 26)	<b>12,701</b>	-
Other receivables	<b>4,343</b>	6,906
	<b>1,917,610</b>	2,045,037
Less allowance for ECL (Note 29)	<b>(300,000)</b>	-
	<b>₱1,617,610</b>	₱2,045,037

Trade receivables pertain to receivables from electric cooperative for the transmitted power. These receivables are non-interest bearing and are due every 25th of the month of the immediately succeeding billing period.



The allowance pertains to the receivables that were specifically identified as impaired as of December 31, 2020.

Other receivables pertain mainly to advances to officers and employees, which will be liquidated or charged against salary.

## 11. Loans Receivables - Sugar Operations

This account consists of:

	2020	2019
	(In Thousands)	
Trade	<b>₱1,549</b>	₱428
Advances to:		
Sugar planters (Note 33)	<b>111,189</b>	125,192
Officers and employees	<b>5,606</b>	4,547
	<b>118,344</b>	130,167
Less allowance for ECL	<b>24,431</b>	22,077
	<b>₱93,913</b>	₱108,090

Advances to sugar planters are for various incentives such as fertilizers, crop loans and tractor services. These are usually offset against the planter's share of sales proceeds.

Advances to officers and employees represent advances for travel, marketing and other expenses, loans availed by employees and officers, including educational and loans arising from ordinary course of business. These are liquidated upon the accomplishment of the purposes for which the advances were granted or deducted from the salaries of officers and employees.

As of December 31, 2020 and 2019, loans and receivables from sugar operations are collectible within 1 year.

The reconciliation of allowance for ECL which pertains to the Group's advances to sugar planters specifically identified to be impaired as of December 31, 2020 and 2019 follows:

	2020	2019
	(In Thousands)	
Balances at beginning of year	<b>₱22,077</b>	₱11,863
Provisions (Note 29)	<b>2,805</b>	11,355
Write-off	<b>(451)</b>	(1,141)
	<b>₱24,431</b>	₱22,077



**12. Financial Assets at FVPL, Financial Assets at FVOCI and Investment Securities at Amortized Cost**

*Financial Assets at FVPL*

This account consist of:

	2020	2019
	(In Thousands)	
Government securities	₱7,475,347	₱16,768,178
Private bonds	37,907	62,188
Equity securities	10,338	10,343
	<b>₱7,523,592</b>	<b>₱16,840,709</b>

Financial assets at FVPL include net unrealized loss amounting to ₱99.6 million and net unrealized gain amounting to ₱193.3 million, respectively, as of December 31, 2020 and 2019.

*Financial Assets at FVOCI*

This account consist of:

	2020	2019
	(In Thousands)	
Government debt securities	₱29,021,537	₱4,650,635
Private bonds	450,169	-
Quoted equity securities	561,102	460,100
Unquoted equity securities	35,542	212,935
	<b>₱30,068,350</b>	<b>₱5,323,670</b>

The private equity securities were designated as at FVOCI on the basis that these are not held for trading. These include shares in a real estate company and a golf club. No dividend income was recognized in 2020 and 2019 for these securities.

The rollforward of revaluation reserve on financial assets at FVOCI is as follows:

	2020	2019
	(In Thousands)	
Balances at beginning of year	₱419,327	₱134,025
Changes in fair value of financial assets at FVOCI	58,615	285,302
Balances at end of year	<b>₱477,942</b>	<b>₱419,327</b>

The cumulative unrealized gain on financial assets at FVOCI presented as Revaluation reserve on financial assets at FVOCI amounted to ₱408.8 million and ₱373.6 million as of December 31, 2020 and 2019, respectively, and is net of the share of noncontrolling interest.



*Investment Securities at Amortized Cost*  
This account consist of:

	2020	2019
	(In Thousands)	
Government securities	<b>₱14,863,467</b>	₱40,245,948
Private bonds	<b>6,067,164</b>	9,142,388
	<b>20,930,631</b>	49,388,336
Allowance for impairment loss	<b>(30,932)</b>	(2,265)
	<b>₱20,899,699</b>	₱49,386,071

In 2020, EW sold investment securities classified as Investment securities at amortized cost with total carrying amount of ₱27,893.4 million resulting in gain on sale of investment securities at amortized cost totaling to ₱3,675.2 million (see Note 27). The sales were made as part of the Group's capital raising activities.

In aggregate, the sales in 2020 are considered to be more than insignificant but not more than infrequent as this was in response to an extraordinary event that prevented EW from raising capital through more conventional means. Further, EW assessed that the sales do not reflect a change in the Group's objectives for the HTC business model. Accordingly, the remaining investment securities in the affected HTC portfolio are continued to be measured at amortized cost.

Peso-denominated government bonds have effective interest rates ranging from 4.9% to 8.1% in 2020, 4.5% to 8.1% in 2019 and 2018. Foreign currency-denominated bonds have EIRs ranging from 2.8% to 7.8% in 2020, 2.1% to 7.8% in 2019 and 1.6% to 7.1% in 2018.

Interest income on trading and investment securities amounted to ₱2,398.6 million, ₱2,453.0 million and ₱1,148.2 million in 2020, 2019 and 2018, respectively (see Note 35).

Trading and securities gain (loss) of the Group on financial assets at FVPL, financial assets at FVOCI, futures and interest rate swaps consist of (see Note 27):

	2020	2019	2018
	(In Thousands)		
Financial assets at FVPL	<b>₱1,145,860</b>	₱1,095,381	(₱185,008)
Financial assets at FVOCI	<b>504,280</b>	11,963	(10,848)
US treasury futures	<b>(116,509)</b>	(90,243)	(71,913)
Interest rate swaps	<b>(69,600)</b>	(51,371)	31,852
	<b>₱1,464,031</b>	₱965,730	(₱235,917)

As of December 31, 2020 and 2019, ₱3.6 billion and ₱30.9 billion, respectively, of bills and acceptances payable are secured and collateralized by investment in government securities with face value of ₱3.9 billion and ₱28.2 billion, respectively, and fair value of ₱3.9 billion and ₱32.9 billion, respectively (see Note 22).



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### 13. Contract Balances

#### Contract Assets and Contract Liabilities

As of December 31, 2020 and 2019, the Group's contract assets amounted to ₱9,391.8 million and ₱14,848.2 million, respectively, while contract liabilities amounted to ₱3,723.5 million and ₱3,468.2 million, respectively.

Contract assets represent the right to consideration that was already delivered by the Group in excess of the amount recognized as contracts receivable. This is reclassified to contracts receivable when the monthly amortization of the customer is already due for collection.

In 2020 and 2019, FLI entered into an Agreement for Purchase of Contract Assets with a local bank. The bank agreed to buy the contract assets on a without recourse basis, and FLI agreed to sell, assign, transfer and convey to the bank all its rights, titles, and interest in and to the contract assets. Total proceeds from these transactions equivalent to the carrying value of the contract assets sold as of December 31, 2020 and 2019 amounted to ₱900.5 million and ₱1,539.9 million, respectively.

Contract liabilities amounting to ₱2,019.0 million and ₱1,967.6 million as of December 31, 2020 and 2019, respectively, pertains to collections from real estate customers which have not reached the equity threshold to qualify for revenue recognition and excess of collections over the good and services transferred by Group based on POC.

Contract liabilities also include deferred credit card and loyalty point, membership fees and dues and deferred exclusive bancassurance access fee amounting to ₱1,605.9 million and ₱1,500.7 million, as of December 31, 2020 and 2019, respectively.

The significant movement in contract liability is mainly due to revenue recognition of completed performance obligations.

#### Performance Obligation

Information about the Group's performance obligations are summarized below:

##### *Real Estate Operations*

The Group entered into contracts to sell with one identified performance obligation which is the sale of the real estate unit together with the services to transfer the title to the buyer upon full payment of contract price. The amount of consideration indicated in the contract to sell is fixed and has no variable consideration.

The sale of real estate unit may cover either the (a) lot; (b) house and lot; and (c) condominium unit and the Group concluded that there is one performance obligation in each of these contracts. The Group recognizes revenue from the sale of these real estate projects under pre-completed contract over time during the course of the construction.

Payment commences upon signing of the purchase application form and the consideration is payable in cash or under various financing schemes entered with the customer. The financing scheme would include downpayment of 20% to 30% of the contract price spread over a certain period (e.g., 1 to 2 years) at a fixed monthly payment with the remaining balance payable (a) in full at the end of the period either through cash or external financing; or (b) through in-house financing which ranges from 2 to 10 years with fixed monthly payment. The amount due for collection under the amortization schedule for each of the customer does not necessarily coincide with the progress of construction, which results to either a contract asset or contract liability.



The performance obligation is fully satisfied upon delivery of the completed real estate unit. The Group provides one year warranty to repair minor defects on the delivered house and lot and condominium unit. This is assessed by the Group as a quality assurance warranty and not treated as a separate performance obligation.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) as at December 31, 2020 and 2019 amounted to ₱3,750.7 million and ₱1,788.2 million, respectively. Performance obligation for the transaction price amounting to ₱2,719.6 million and ₱1,226.5 million will be satisfied within one year as of December 31, 2020 and 2019, respectively

The remaining performance obligations expected to be recognized within one year and in more than one year relate to the continuous development of the Group's real estate projects. The Group's mid-rise condominium units and high rise condominium units are completed within three (3) and five (5) years, respectively, from start of construction while house and lots are expected to be completed within 12 months.

#### *Hospitality Operations*

The Group's hospitality operations deal with guests who are required to pay hotel room charges which cover room services, or room services and breakfast. The Group concluded that providing room services and selling of breakfast are 2 distinct performance obligation. The hotel room rate is fixed and has no variable consideration. In allocating the hotel room charges, the Group considers the cost plus a predetermined margin for the breakfast and assigns the remaining transaction price to revenue from room services.

Guest usually pays in advance either in full or partially to guarantee reservation. Guest are required to settle all outstanding bills before check-out. Corporate account and travel agencies are required to pay 30 days from billing date.

Revenue from golf operations includes golf playing rights dues, green fees, golf cart rentals and other fees. Revenue from golf operations are recognized over the period the related services are rendered.

Revenue from other operating departments include services availed by guest related to spa, sports, leisure, guest transportation, laundry and telephone and internet connections. These are recognized as revenue when the related services are rendered.

#### *Banking and Financial Services*

Interest income is recognized for all financial instruments measured at amortized cost and interest-bearing financial instruments classified as FVPL. Interest income is recorded at the EIR. The adjusted carrying amount is calculated based on the original EIR. The change in carrying amount is recorded as interest income.

Award credits under customer loyalty programmes are accounted for as a separately identifiable component of the transaction in which they are granted. The fair value of the consideration received in respect of the initial sale is allocated between the award credits and the other components of the sale. Income generated from customer loyalty programmes is recognized as part of Service charges, penalties, fees and commissions in the consolidated statement of income.

Service charges, fees and commission income are recognized only upon collection or accrued when there is a reasonable degree of certainty as to its collectibility. These fees are generally payable within 1 year.



### *Power Operations*

Power revenues consist of revenue from generation and from sale of retail electricity. Revenue from generation pertains to the operation of the 3x135 MW CFB coal thermal power plant while revenue from sale of retail electricity (non-generation) pertains to the sale to customers of electricity purchased from Wholesale Electricity Spot Market (WESM) and sold to customers at contract price.

The Group entered into Electric Power Purchase Agreement (EPPA) and retail supply contracts (RSC) with 2 identified performance obligations which is to deliver electric power to customers and provide ancillary services to customers. These 2 performance obligations are to be combined as one performance obligation since these are not distinct within the context of the contract as the buyer cannot benefit from the contracted capacity alone without the corresponding energy and the buyer cannot obtain energy without contracting a capacity. The combined performance obligation qualifies as a series of distinct goods or services that are substantially the same and have the same pattern of transfer. Revenue is recognized over time using output method in the period actual capacity is generated since the customer consumes the benefit from the performance of the related dispatched of energy.

As a practical expedient allowed under PFRS 15, the Group recognizes power revenue in the amount to which the Group has a right to invoice since the Group bills a fixed amount for every MW of electricity delivered. The transaction price allocated to the remaining performance obligation is not separately disclosed as the Group recognizes revenue from the satisfaction of the performance obligation in the amount to which the Group has a right to invoice.

Some contracts with customers provide unspecified quantity of energy and/or includes provisional ERC rates, and volume and prompt payment discounts that give rise to variable consideration. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved.

As indicated in the EPPA and RSC, the customer is required to settle within 25 days after the billing cut-off date. In case of delay in payments, a penalty of 3.0% per month is charged for the amount due for the duration of delay. The RSC would typically require a customer to pay a security deposit equivalent to projected highest monthly power bill for the first contract year of the contract to serve as a guarantee for payment of obligation, with the excess to be returned to the customer.

The Group assessed that it is acting as the principal in its RSC arrangements with customers. The Group has assessed that it has the control over the specified good or service before it is transferred to the customers as evidenced by the Power Supply Agreement (PSA) with power suppliers. The Group assessed that it is primarily responsible for providing the services to the customers, has the latitude in establishing prices, and bears the customer's credit risk for the amount of receivable from the customers.

### *Sugar Operations*

The Group enters into milling contracts with various planters, which provide for a sharing between the planters and the Group of the sugar and molasses produced in the sugar mill. The milling contracts are effective for a period of 15 agricultural crop years, subject to extension of another 15 crop years at the option of the Group (see Note 33).

Revenue from processing of the planters' sugarcane to raw sugar (milling) and planter's and other third party's raw sugar into refined sugar (tolling) is recognized over time as the customer receives the benefit from the performance of the related service.



Revenue from sugar sales is recognized at a point when control over the sugar and molasses are transferred to the customer through the endorsement of quedans or physical delivery of the goods.

Cost to Obtain Contracts and Contract Fulfillment Assets

The rollforward of the cost to obtain contract included in the other assets is as follows:

	2020	2019
	(In Thousands)	
Balance at beginning of year	₱467,807	₱278,122
Additions	835,535	908,319
Amortization (Note 29)	(526,547)	(718,634)
Balance at end of year (Note 20)	₱776,795	₱467,807

For the years ended December 31, 2020 and 2019, additions of contract fulfillment costs amounted to ₱921.9 million and ₱281.2 million, respectively, while amortization of contract fulfillment costs amounted to ₱312.7 million and ₱530.2 million, respectively. Contract fulfillment assets is included as part of Real estate inventories.

The Group undertook a review of its major contracts to identify indicators of impairment of contract fulfillment assets. The Group determined whether or not the contract fulfillment assets were impaired by comparing the carrying amount of the asset to the remaining amount of consideration that the Group expects to receive less the costs that relate to providing services under the relevant contract.

In determining the estimated amount of consideration, the Group used the same principles as it does to determine the contract transaction price.

In line with the Group's accounting policy, as set out in Note 2, if a contract or specific performance obligation exhibited marginal profitability or other indicators of impairment, judgement was applied to ascertain whether or not the future economic benefits from these contracts were sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific key performance indicators that could trigger variable consideration, or service credits.

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**14. Real Estate Inventories**

This account consists of:

	2020	2019
	(In Thousands)	
Real estate inventories - at cost		
Lots, condominium and residential units for sale	₱43,708,749	₱41,037,920
Land and land development	30,244,387	30,325,604
	₱73,953,136	₱71,363,524



A summary of the movement in lots, condominium and residential units for sale is set out below:

	2020	2019
	(In Thousands)	
Balances at beginning of year	₱41,037,920	₱45,868,621
Construction/development costs incurred	6,775,005	4,045,040
Land cost transferred from land and land development	1,194,484	1,321,591
Capitalized borrowing costs (Note 24)	663,683	889,543
Net transfer to investment properties	(104,752)	-
Cost of inventories sold (Note 28)	(5,857,591)	(11,086,875)
<b>Balances at end of year</b>	<b>₱43,708,749</b>	<b>₱41,037,920</b>

Borrowing costs capitalized as project costs are interests on loans obtained to finance the Group's ongoing projects. Capitalized borrowing costs amounted to ₱663.7 million, ₱889.5 million, and ₱1,040.6 million in 2020, 2019 and 2018, respectively. The capitalization rates used are 1.5% in 2020, 1.5% in 2019 and 2.0% in 2018.

A summary of the movements in land and land development is set out below:

	2020	2019
	(In Thousands)	
Balances at beginning of year	₱30,325,604	₱33,601,238
Land acquisitions	450,018	2,020,868
Transfers to:		
Lots, condominium and residential units for sale	(1,194,484)	(1,321,591)
Investment properties and other assets - net (Note 16)	281,850	(3,854,113)
Cost of lots sold (Note 28)	-	(483,283)
Site development and incidental costs	381,399	362,485
<b>Balances at end of year</b>	<b>₱30,244,387</b>	<b>₱30,325,604</b>

Borrowing costs capitalized as part of Real estate inventories, where activities necessary to prepare it for its intended use is ongoing, amounted to ₱113.5 million, ₱102.4 million and ₱126.2 million in 2020, 2019 and 2018, respectively (see Note 24). Capitalization rates used range from 2.4% to 4.6% in 2020, 2.8% to 4.7% in 2019 and 2.2% to 4.7% in 2018.

Acquisition of land and land development included under cash flows used in operating activities amounted to ₱1,020.6 million, ₱2,894.5 million and ₱2,014.8 million for the years ended December 31, 2020, 2019 and 2018, respectively.

As of December 31, 2020 and 2019, on account additions to land and land development which remain outstanding amounted to ₱1,195.0 million and ₱3,054.9 million, respectively, and these are recognized as part of Accounts payable, accrued expenses and other liabilities (see Note 23).

In February 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 (see Note 33). The agreement involves:

- (a) purchase by the Group of 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 1 kilometer long waterfront lifestyle strip that will offer a range of seaside



leisure activities. The property was fully paid in 2015. Payments made to the Cebu City Government in 2015 amounted to ₱141.8 million.

- (b) development of the remaining 40 hectares of the property under a profit-sharing arrangement with the Cebu City Government. The profit sharing of FLI and the Cebu City Government is 90.0% and 10.0%, respectively. The 40 hectares will be developed in 4 phases over a 20-year period, with the Group contributing the development costs, as well as the marketing and management services.

In 2015, FLI, CPI and FAI acquired additional 19.2 hectares of SRP from Cebu City Government for a total consideration of ₱3,379.1 million. The purchase transaction was completed upon full payment of the purchase price on December 17, 2019. Lots assigned to FLI and FAI were included as part of Real estate inventories, while lots assigned to CPI were included as part of Investment properties (see Notes 16 and 33). In 2019, portion of lots assigned to FLI and FAI were transferred from real estate inventories to investment properties as a result of the change in use of these lots.

## 15. Coal, Spare Parts and Other Inventories

This account consists of:

	2020	2019
	(In Thousands)	
Power inventories - at cost		
Coal	₱215,760	₱235,093
Spare parts	428,728	190,889
Fuel and others	115,406	73,894
	<b>759,894</b>	499,876
Sugar inventories		
Materials and supplies	104,684	122,606
Sugar and molasses - at cost	16,856	13,853
	<b>121,540</b>	136,459
Hospitality inventories - at cost		
Food and beverage	18,605	23,714
Others	49,039	50,292
	<b>67,644</b>	74,006
	<b>₱949,078</b>	₱710,341

In 2020, the Group acquired additional plant spare parts and supplies due to the expiration of the warranty during the year covering most of the spare parts.

As of December 31, 2020, materials and supplies at cost amounted to ₱104.7 million. As of December 31, 2019, materials and supplies at cost amounting to ₱149.0 million were written down to NRV of ₱122.6 million, respectively. The loss on the write down amounted to ₱26.4 million in 2019 (nil in 2020) (see Note 29).

These inventories were not pledged or used as collateral to secure any obligation as of December 31, 2020 and 2019.



## 16. Investment Properties

The rollforward analysis of this account follows:

	December 31, 2020					Total
	Land	Buildings and Improvements	Furniture, Fixtures and Machineries	Construction in Progress	ROU Assets	
	(In Thousands)					
<b>Cost</b>						
Balances at beginning of year	₱35,828,435	₱30,383,206	₱112,889	₱22,649,397	₱3,515,061	₱92,488,988
Additions	141,108	943,947	154,267	4,225,886	248,189	5,713,397
Disposals/reclassifications/transfers (Note 17)	(1,506,831)	243,581	(39,714)	(35,155)	–	(1,338,119)
<b>Balances at end of year</b>	<b>34,462,712</b>	<b>31,570,734</b>	<b>227,442</b>	<b>26,840,128</b>	<b>3,763,250</b>	<b>96,864,266</b>
<b>Accumulated depreciation and amortization</b>						
Balances at beginning of year	–	6,224,378	95,037	–	96,336	6,415,751
Depreciation and amortization (Notes 28 and 29)	–	877,740	166,557	–	118,244	1,162,541
Disposals/reclassifications (Note 17)	–	186,342	(35,756)	–	–	150,586
<b>Balances at end of year</b>	<b>–</b>	<b>7,288,460</b>	<b>225,838</b>	<b>–</b>	<b>214,580</b>	<b>7,728,878</b>
<b>Accumulated impairment loss</b>						
Balances at beginning of year	62,723	20,228	–	–	–	82,951
Provision for probable losses (Notes 3 and 29)	17,038	73	–	–	–	17,111
Disposals/reclassifications	(566)	(3,110)	–	–	–	(3,676)
<b>Balances at end of year</b>	<b>79,195</b>	<b>17,191</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>96,386</b>
<b>Net book values</b>	<b>₱34,383,517</b>	<b>₱24,265,083</b>	<b>₱1,605</b>	<b>₱26,840,128</b>	<b>₱3,548,670</b>	<b>₱89,039,002</b>

	December 31, 2019					Total
	Land	Buildings and Improvements	Furniture, Fixtures and Machineries	Construction in Progress	ROU Assets	
	(In Thousands)					
<b>Cost</b>						
Balances at beginning of year	₱31,335,565	₱28,887,241	₱198,325	₱14,272,872	₱3,515,061	₱78,209,064
Additions	870,185	1,495,965	25,737	8,376,525	–	10,768,412
Transfers (Note 14)	3,854,113	–	–	–	–	3,854,113
Disposals/reclassifications (Note 17)	(231,428)	–	(111,173)	–	–	(342,601)
<b>Balances at end of year</b>	<b>35,828,435</b>	<b>30,383,206</b>	<b>112,889</b>	<b>22,649,397</b>	<b>3,515,061</b>	<b>92,488,988</b>
<b>Accumulated depreciation and amortization</b>						
Balances at beginning of year	–	5,305,963	152,180	–	–	5,458,143
Depreciation and amortization (Notes 28 and 29)	–	918,415	45,692	–	96,336	1,060,443
Disposals/reclassifications (Note 17)	–	–	(102,835)	–	–	(102,835)
<b>Balances at end of year</b>	<b>–</b>	<b>6,224,378</b>	<b>95,037</b>	<b>–</b>	<b>96,336</b>	<b>6,415,751</b>
<b>Accumulated impairment loss</b>						
Balances at beginning of year	70,237	33,129	–	–	–	103,366
Provision for probable losses (Notes 3 and 29)	26,096	5,179	–	–	–	31,275
Disposals/reclassifications	(33,610)	(18,080)	–	–	–	(51,690)
<b>Balances at end of year</b>	<b>62,723</b>	<b>20,228</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>82,951</b>
<b>Net book value</b>	<b>₱35,765,712</b>	<b>₱24,138,600</b>	<b>₱17,852</b>	<b>₱22,649,397</b>	<b>₱3,418,725</b>	<b>₱85,990,286</b>

The Group reclassified ROU assets in 2019 to conform to the 2020 consolidated financial statement presentation. ROU assets presented separately were reclassified to investment properties. The consolidated statement of financial position as at the beginning of the earliest presented is not presented as the reclassifications have no impact on total consolidated assets as of December 31, 2019 and January 1, 2019.

The Group's investment properties include land and buildings utilized in mall operations, buildings and building improvements, land improvements acquired in settlement of loans and receivables from banking operations, and other properties held for long-term rental yields and for capital appreciation. Land also includes SRP acquired from Cebu City Government in 2015 (see Notes 14 and 33).

As of December 31, 2020 and 2019, additions to investment properties which remain outstanding and are recognized as part of Accounts payable, accrued expenses and other liabilities amounted to ₱1,672.3 million and ₱735.6 million, respectively (see Note 23).



Borrowing costs capitalized as part investment properties amounted to ₱645.3 million, ₱404.1 million and ₱1,132.1 million in 2020, 2019 and 2018, respectively (see Note 24). Capitalization rates used ranges from 1.0% to 6.4%, 1.5% to 7.7% and 1.6% to 5.1% in 2020, 2019 and 2018, respectively.

The aggregate fair value of the Group's investment properties amounted to ₱238,166.7 million and ₱293,346.3 million as of December 31, 2020 and 2019, respectively. The fair values are based on third party appraisals performed in 2019 by an SEC accredited independent appraiser and management appraisal updated using current and year-end values and assumptions.

The aggregate fair value of investment properties from real estate operations was determined using the Income Approach based on discounted cash flow analysis for buildings and Market approach for land. In Income Approach, all expected cash flow from the use of the assets were projected and discounted using the appropriate discount rate reflective of the market expectations.

The aggregate fair value of investment properties from banking and financial services was determined on the basis of recent sales of similar properties in the same areas as the investment properties, taking into account the economic conditions prevailing at the time the valuations were made.

Rental income from investment properties amounted to ₱6,667.2 million, ₱7,464.2 million and ₱6,174.4 million in 2020, 2019 and 2018, respectively (see Note 35). Cost of mall and rental services (excluding amortization of BTO rights) from investment properties amounted to ₱751.1 million, ₱978.6 million and ₱828.8 million in 2020, 2019 and 2018, respectively (see Note 28).

The Group's investment properties were not pledged or used as collateral to secure any obligation as of December 31, 2020 and 2019.

## 17. Property, Plant and Equipment

The rollforward analysis of this account follows:

December 31, 2020								
Land and Buildings	Coal Thermal Power Plant (Note 24)	Machinery and Equipment	Transportation Equipment	Furniture and Fixtures & Communication Equipment	Leasehold Improvements	Construction in Progress	Total	
(In Thousands)								
<b>Cost</b>								
Balances at beginning of year	₱8,534,681	₱30,015,819	₱5,108,456	₱313,887	₱5,272,771	₱4,015,395	₱4,380,880	₱57,641,889
Additions	240,896	12,471	179,389	27,897	191,194	225,123	851,371	1,728,341
Disposals	(13,440)	-	(29,346)	(14,546)	(14,660)	(41,636)	(36,601)	(150,229)
Reclassifications/transfers (Note 16)	3,078,958	-	263,844	5,821	(550,923)	41,636	(2,690,887)	106,813
Balances at end of year	11,841,095	30,028,290	5,522,343	333,059	4,898,382	4,198,882	2,504,763	59,326,814
<b>Accumulated depreciation, amortization and impairment loss</b>								
Balances at beginning of year	1,726,327	3,525,456	2,854,781	222,943	3,313,479	2,843,422	-	14,486,408
Depreciation and amortization (Notes 28 and 29)	243,081	1,027,011	350,904	38,447	397,209	276,558	-	2,333,210
Disposals	-	-	(1,277)	(1,922)	(11,560)	(39,579)	-	(54,338)
Reclassifications (Note 16)	(50,391)	-	-	3,642	1,482	-	-	(45,267)
Provision for impairment loss	-	-	14,333	-	-	-	-	14,333
Balances at end of year	1,919,017	4,552,467	3,218,741	263,110	3,700,610	3,080,401	-	16,734,346
<b>Net book value</b>	<b>₱9,922,078</b>	<b>₱25,475,823</b>	<b>₱2,303,602</b>	<b>₱69,949</b>	<b>₱1,197,772</b>	<b>₱1,118,481</b>	<b>₱2,504,763</b>	<b>₱42,592,468</b>



December 31, 2019								
	Land and Buildings	Coal Thermal Power Plant (Note 24)	Machinery and Equipment	Transportation Equipment	Furniture and Fixtures & Communication Equipment	Leasehold Improvements	Construction in Progress	Total
(In Thousands)								
Cost								
Balances at beginning of year	₱9,126,118	₱30,423,979	₱4,699,848	₱274,882	₱4,539,765	₱3,850,392	₱3,815,615	₱56,730,599
Additions	1,037,482	-	590,005	44,223	654,922	188,293	565,265	3,080,190
Disposals	(888,870)	(139,896)	(181,397)	(5,218)	(33,089)	(23,290)	-	(1,271,760)
Reclassifications (Note 16)	(740,049)	(268,264)	-	-	111,173	-	-	(897,140)
Balances at end of year	8,534,681	30,015,819	5,108,456	313,887	5,272,771	4,015,395	4,380,880	57,641,889
Accumulated depreciation, amortization and impairment loss								
Balances at beginning of year	1,544,609	2,427,792	2,825,704	191,680	2,827,583	2,490,378	-	12,307,746
Depreciation and amortization (Notes 28 and 29)	218,383	1,115,296	123,015	33,968	412,117	370,008	-	2,272,787
Disposals	(12,589)	(17,632)	(137,423)	(2,705)	(29,056)	(16,964)	-	(216,369)
Reclassifications (Note 16)	(24,076)	-	-	-	102,835	-	-	78,759
Provision for impairment loss	-	-	43,485	-	-	-	-	43,485
Balances at end of year	1,726,327	3,525,456	2,854,781	222,943	3,313,479	2,843,422	-	14,486,408
Net book value	₱6,808,354	₱26,490,363	₱2,253,675	₱90,944	₱1,959,292	₱1,171,973	₱4,380,880	₱43,155,481

Construction in progress pertains to buildings under construction which will be used in the operations of the Group. These are not depreciated until such time as the relevant assets are completed and put into operational use.

Construction in progress consists primarily of construction costs, professional services, including architectural and construction management and expenses in relation to the major renovations and landscaping of the Group's hospitality buildings.

Capitalized borrowing cost included as part of additions to construction-in-progress amounted to ₱41.1 million, ₱151.3 million and ₱55.8 million in 2020, 2019 and 2018, respectively (see Note 24). The capitalization rates used are 8.3% in 2020, 2.8% in 2019 and 5% in 2018.

Portion of the Group's properties, plant and equipment were used as collateral to secure loans as of December 31, 2020 and 2019 (see Note 24).

## 18. Investments in Joint Ventures and Associate

The carrying value of the Group's investments in joint ventures and associate follows:

	2020	2019
(In Thousands)		
<i>Investment in Joint Ventures</i>		
EW Ageas Life	₱649,361	₱699,984
SAPI (Note 1)	304,265	-
FLOW	20,663	20,663
PROMEI	12,000	12,000
CHI	9,494	56,365
Investree (Note 1)	6,500	-
	<b>1,002,283</b>	789,012
<i>Investment in Associate</i>		
LIPAD Corp.	392,627	216,328
	<b>₱1,394,910</b>	₱1,005,340



Investments in Joint Ventures

Below is a summary of certain financial information concerning these individually immaterial joint ventures:

	2020	2019
	(In Thousands)	
Acquisition cost		
Balances at beginning of year	₱2,304,465	₱1,921,802
Additions	678,419	382,663
Balances at end of year	2,982,884	2,304,465
Accumulated share in net loss		
Balances at beginning of year	(1,516,177)	(1,187,905)
Share in net loss (Notes 27 and 29)	(425,555)	(298,277)
Dividends received	(39,593)	(29,995)
Balances at end of year	(1,981,325)	(1,516,177)
Accumulated share in OCI		
Balances at beginning and end of year	724	724
	724	724
	<b>₱1,002,283</b>	<b>₱789,012</b>

*EW Ageas Life*

On May 28, 2015, EW and Ageas entered into a joint venture agreement to form EW Ageas Life to engage in the life insurance business with a capitalization of ₱2,010.0 million and with ultimate ownership interest of EW of 50.0% less 1 share. EW's initial investment amounted to ₱500.0 million. The joint venture agreement 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. The registered office address of EW Ageas Life is at One World Place, 32nd Street, Bonifacio Global City, Taguig City.

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). 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 March 23, 2020, EW and Ageas each infused additional capital to EW Ageas Life amounting to ₱250.0 million.

On April 10, 2019, EW and Ageas each infused additional capital to EW Ageas Life amounting to ₱350.0 million.

For the years ended December 31, 2020, 2019 and 2018, share in net losses of EW Ageas Life amounted to ₱300.6 million, ₱339.5 million and ₱395.8 million, respectively (see Note 29). There were no dividends received from EW Ageas Life in 2020, 2019 and 2018.

As of December 31, 2020 and 2019, total cost of investment in EW Ageas Life amounted to ₱2,520.0 million and ₱2,270.0 million, respectively, with carrying value amounting to ₱649.4 million and ₱700.0 million, respectively.



*SAPI*

As discussed in Note 1, SAPI is owned 40.0% by FAI and 60.0% by MC. As of December 31, 2020, FAI recognized investment in joint venture amounting to ₱219.9 million as a result of loss of control to SAPI. Total gain on deconsolidation amounted to ₱2,900.4 million, which is the difference between consideration received and the carrying value of FAI's investment in SAPI (see Note 27). The registered office address is at 6th Floor Vector 1 Building, Northgate Cyberzone, Filinvest Corporate City, Alabang, Muntinlupa City.

In 2020, FDC infused additional capital to SAPI amounting to ₱202.0 million.

For the year ended December 31, 2020, share in net losses of SAPI amounted to ₱117.7 million. As of December 31, 2020, total cost of investment in SAPI amounted to ₱421.9 million with carrying value amounting to ₱304.3 million.

*FLOW*

On August 20, 2019, FDC and Hitachi Aqua-tech Engineering Pte. Ltd. (HAEPL) entered into a joint venture agreement to form FLOW to engage in operating waterwork, sewerage and sanitation systems and services. On October 29, 2019, the SEC approved the registration of FLOW. FLOW is owned 60.0% by FDC and 40.0% owned by HAEPL. The registered office address of FLOW is at Unit D, 11/F Cyber Sigma Building, Lawton Avenue, Mckinley West, Barangay Fort Bonifacio, 1630 Taguig City, Metro Manila.

As of December 31, 2020 and 2019, the carrying value of investment in FLOW amounted to ₱20.6 million.

*PROMEI*

On July 4, 2019, PROMEI, a joint venture company with ENGIE was incorporated to operate, maintain and repair existing and future technical systems, including but not limited to heating, ventilation and air conditioning systems and distributed energy systems, and implement new technologies in connection with saving energy and reducing operating costs. PROMEI is 47.5% owned by FDC and 52.5% owned by ENGIE. PROMEI has not started commercial operations as of December 31, 2020. The registered office address of PROMEI is at Unit 2103, The Orient Square, F. Ortigas, Jr. Rd. Ortigas Centre, San Antonio, Pasig city

As of December 31, 2020 and 2019, the cost and carrying value of investment in PROMEI amounted to ₱12.0 million.

*CHI*

CHI is a joint venture between the FDC and Archipelago International Pte. Ltd. (AIPL), a corporation registered in Singapore. CHI was incorporated in the Philippines and is operating as the management entity of the Group's hotels including Crimson Filinvest City Manila, Crimson Resort and Spa Mactan, Quest Hotel and Conference Center (QHCC) Cebu, QHCC Clark and Mimosa Golf Clark, and Crimson Resort and Spa Boracay. CHI is owned 60.0% by FDC and 40.0% owned by AIPL. The registered office address of CHI is at 8th Floor, Vector Two Building, Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City.

Cost of investment in CHI amounted to ₱1.8 million as of December 31, 2020 and 2019. The Group's share in net loss of CHI amounted to ₱7.3 million in 2020, and share in net income in 2019 and 2018 amounted to ₱41.2 million and ₱31.5 million, respectively (see Note 27). Dividends received amounted to ₱39.6 million, ₱30.0 million and ₱22.2 million in 2020, 2019 and 2018, respectively.



As of December 31, 2020 and 2019, the carrying value of investment in CHI amounted to ₱9.5 million and ₱56.4 million, respectively.

*Investree*

On October 31, 2019, FDC and Investree Singapore Pte., Ltd. (Investree Singapore) entered into a joint venture agreement to form Investree Philippines, Inc. to engage in the business of software integration and providing IT solution. On May 6, 2020, the SEC approved the registration of Investree. Investree is owned 50.0% by FDC and 50.0% owned by Investree Singapore. The registered office address of Investree is at The Beaufort, 5th Ave. corner 23rd St. Bonifacio Global City, Taguig City.

As of December 31, 2020, the cost and carrying value of investment in Investree amounted to ₱6.5 million.

The joint ventures have no contingent liabilities or capital commitments as of December 31, 2020 and 2019.

Investment in Associate

*LIPAD Corp.*

On February 18, 2019, LIPAD Corp. was incorporated to engage in the operation and maintenance of airports. LIPAD Corp. is owned 42.5% by FDC, 33.0% by JG Summit Holdings Inc. (JGSHI), 15.0% by Changi Airports Philippines (I) Pte. Ltd. (CAP) and 9.5% by the Philippine Airport Ground Support Solutions, Inc. (PAGSSI) (collectively referred to as North Luzon Airport Consortium or NLAC).

On January 21, 2019, NLAC signed the contract that grants a 25-year concession to the consortium to develop the commercial assets, operate and maintain project facilities and fit-out the new terminal in Clark.

LIPAD Corp.'s commercial operations started on August 16, 2019 upon the transfer of the operations and maintenance of Clark International Airport (CIA). The registered office address of LIPAD Corp. is at Clark Field, Clark Freeport Zone, Andres Bonifacio Avenue, Clark Special Economic Zone, Dau, Mabalacat City, Pampanga.

In 2020, FDC infused additional capital to LIPAD Corp. amounting to ₱148.8 million.

The Group's share in net income of LIPAD Corp. amounted to ₱27.6 million in 2020 and share in net loss amounted to ₱59.9 million in 2019 (see Note 29). There were no dividends received from LIPAD Corp. in 2020 and 2019.

As of December 31, 2020 and 2019, total cost of investment in LIPAD Corp. amounted to ₱425.0 million and ₱276.3 million, respectively, with carrying value amounting to ₱392.6 million and ₱216.3 million, respectively.

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## 19. Trust Operations

Securities and other properties held by EW in fiduciary or agency capacity for clients and beneficiaries are not included in the accompanying consolidated statements of financial position since these are not assets of EW. The combined trust and managed funds operated by the Trust Department of EW amounted to ₱38,954.3 million and ₱35,044.3 million as of December 31, 2020 and 2019, respectively.



Government securities with a total face value of ₱385.0 million and ₱355.0 million as of December 31, 2020 and 2019, respectively, are deposited with the BSP in compliance with current banking regulations related to EW's trust functions. These government securities are recorded as part of investment securities at amortized costs as of December 31, 2020 and 2019.

In accordance with BSP regulations, 10.0% of the profits realized by EW from its trust operations are appropriated to surplus reserves. The yearly appropriation is required until the surplus reserves for trust operations amounts to 20.0% of EW's authorized capital stock.

EW's income from its trust operations amounted ₱79.3 million, ₱66.4 million and ₱51.3 million in 2020, 2019 and 2018, respectively (see Note 27).

## 20. Other Assets

This account consists of:

	2020	2019
	(In Thousands)	
Intangible assets		
BTO rights (Note 33)	₱3,305,396	₱2,665,515
Branch licenses	2,167,600	2,167,600
Capitalized software	636,985	718,457
Customer relationship and core deposits	141,884	148,358
	<b>6,251,865</b>	5,699,930
Input taxes	3,317,272	4,324,115
Advances to contractors and suppliers	2,620,881	2,629,635
Creditable withholding taxes	1,896,777	1,769,086
Prepaid expenses	1,360,751	1,372,896
Cost to obtain contracts (Note 13)	776,795	467,807
Repossessed assets	716,229	998,616
Deposits	652,214	821,434
Advances to joint venture partners	401,890	408,833
Restricted cash	389,480	359,250
Card acquisition cost	220,854	408,553
Equity on car plan	153,261	161,915
Construction materials and supplies	135,645	82,438
Deferred costs	116,084	87,630
Documentary stamps	92,115	210,060
Stationery and supplies on hand	77,601	71,924
Derivative assets (Notes 36, 37 and 38)	30,037	1,534,551
Biological assets (Notes 28 and 33)	23,845	68,638
Short-term deposits	9,955	47,685
Returned cash and other cash items	6,544	14,465
Interoffice items	3,996	736,788
Others (Note 33)	974,017	683,102
	<b>20,228,108</b>	22,959,351
Less allowance for impairment losses (Note 29)	67,994	334,386
	<b>₱20,160,114</b>	₱22,624,965



a. Intangible assets includes:

*BTO Rights*

BTO rights pertain to the cost related to the Build, Transfer and Operate agreement with the Province of Cebu (Cebu Province) entered into on March 26, 2012. The BTO project relates to the development, construction and operation of business process outsourcing (BPO) complex by the Group at the land properties owned by Cebu Province located at Salinas, Lahug Cebu City (see Note 33). As of December 31, 2020 and 2019, cost of completed portion of the BTO project for which ownership was transferred to Cebu Province in accordance with the BTO agreement in exchange for the right to operate and manage the BPO complex amounted to ₱2,665.5 million. The development costs incurred in 2020 and 2019 amounted to ₱717.8 million and ₱249.1 million, respectively.

In 2020, 2019 and 2018, related amortization recognized as part of Cost of mall and rental services amounted to ₱77.9 million, ₱69.6 million and ₱51.8 million, respectively (see Note 28). Related rent income amounting to ₱215.5 million, ₱106.5 million and ₱142.4 million in 2020, 2019 and 2018, respectively, was recognized as part of Mall and rental revenues in the consolidated statement of income.

*Branch Licenses*

Branch licenses amounting to ₱2,167.6 million as of December 31, 2020 and 2019 represent:

- 1 branch license acquired by EW from the BSP amounting to ₱0.2 million in 2015;
- 25 branch licenses acquired by EW from the BSP amounting to ₱505.2 million in 2014;
- 10 branch licenses acquired by EW from the BSP amounting to ₱214.8 million in 2013;
- 42 branch licenses acquired by EW from the BSP amounting to ₱822.0 million in 2012; and
- 46 branch licenses acquired by EW from the acquisition of GBI amounting to ₱625.4 million in 2011.

*Capitalized Software*

Capitalized software pertains to costs of computer software licenses and programs acquired by the Group for its banking and power operations.

*Customer Relationship and Core Deposits*

Customer relationship and core deposits resulted from the business combination between EW and AIGPASB in 2009 which amounted to ₱154.6 million and ₱40.4 million, respectively.

The rollforward analysis of the Group's intangible assets with finite lives as of December 31 follows:

	2020			Total
	BTO Rights	Capitalized Software	Customer Relationship and Core Deposits	
	(In Thousands)			
<b>Cost</b>				
Balances at beginning of year	₱2,858,460	₱2,353,640	₱259,754	₱5,471,854
Additions	717,809	100,131	4,746	822,686
Balance at end of year	3,576,269	2,453,771	264,500	6,294,540
<b>Accumulated amortization</b>				
Balances at beginning of year	192,945	1,635,183	111,396	1,939,524
Amortization (Notes 28 and 29)	77,928	181,603	11,220	270,751
Balance at end of year	270,873	1,816,786	122,616	2,210,275
<b>Net book value</b>	<b>₱3,305,396</b>	<b>₱636,985</b>	<b>₱141,884</b>	<b>₱4,084,265</b>



	2019			
	BTO Rights	Capitalized Software	Customer Relationship and Core Deposits	Total
	(In Thousands)			
<b>Cost</b>				
Balances at beginning of year	₱2,609,370	₱2,227,668	₱259,754	₱5,096,792
Additions	249,090	125,972	-	375,062
Balance at end of year	2,858,460	2,353,640	259,754	5,471,854
<b>Accumulated amortization</b>				
Balances at beginning of year	123,392	1,499,715	99,942	1,723,049
Amortization (Notes 28 and 29)	69,553	135,468	11,454	216,475
Balance at end of year	192,945	1,635,183	111,396	1,939,524
Net book value	₱2,665,515	₱718,457	₱148,358	₱3,532,330

- b. Input taxes represent the value-added tax (VAT) due or paid on purchases of goods and services subjected to VAT that the Group can claim against any future liability to the Bureau of Internal Revenue for output VAT on sale of goods and services subjected to VAT.
- c. Advances to contractors and suppliers represent downpayment to contractors and suppliers which will be applied against future billings for development and construction contracts.
- d. Creditable withholding taxes are taxes withheld by the withholding agents from payment to the Group which are creditable against the income tax liability of the Group.
- e. Prepaid expenses include commission paid to brokers, deferred rent, insurance, subscription and taxes.
- f. Repossessed assets pertain to other foreclosed properties which do not qualify as land and building. The movements in this account are as follows:

	2020	2019
	(In Thousands)	
<b>Cost</b>		
As of January 1	₱1,173,607	₱934,580
Additions	1,625,938	2,850,155
Disposals	(1,838,445)	(2,611,128)
As of December 31	961,100	1,173,607
<b>Accumulated Depreciation</b>		
As of January 1	174,791	148,575
Depreciation and amortization	389,080	293,233
Disposals	(320,704)	(267,017)
As of December 31	243,167	174,791
<b>Net book value, gross of impairment</b>	<b>717,933</b>	<b>998,816</b>
<b>Accumulated impairment losses</b>		
As of January 1	200	-
Provisions (Note 29)	1,704	2,256
Disposals	(200)	(2,056)
As of December 31	1,704	200
<b>Net book value, net of impairment</b>	<b>₱716,229</b>	<b>₱998,616</b>



- g. Deposits include EW's refundable deposits with Master Card and Visa related to its credit card business and FLI's deposits in escrow for payments of raw land pending finalization of contract to sell.
- h. Advances to joint venture partners are advances (e.g., for property taxes and permits) which are normally applied against the share of the joint venture partners from the sale of the joint venture properties.
- i. Restricted cash pertains to funds intended for debt repayment and is not available to management for any disbursement transactions other than its specified purpose (see Note 24).
- j. Card acquisition costs represent capitalized commissions paid to third-party brokers for successfully originated credit card accounts, which are amortized over 2 years, the average relationship life with customers.
- k. Construction materials and supplies shall be used in the development and construction of the Group's residential subdivisions, condominiums and commercial buildings.
- l. Deferred costs pertain to FDCUI expenditures incurred related to project development and site preparation.
- m. Biological assets of the Group consist of sugarcane crops. The rollforward of the Group's biological assets follows:

	2020	2019
	(In Thousands)	
Balances at beginning of year	<b>₱68,638</b>	₱61,801
Additions (Note 28)	<b>75,987</b>	118,760
Costs of sales (Note 28)	<b>(120,780)</b>	(111,923)
<b>Balances at end of year</b>	<b>₱23,845</b>	<b>₱68,638</b>

The following table shows the estimated physical quantities of the Group's biological assets and raw sugar production:

	2020	2019
Sugarcane crops (in metric tons)	<b>61,438</b>	57,764
Raw sugar (in 50 kilogram bag)	<b>111,153</b>	109,797

There are no restrictions on the Group's biological assets as of December 31, 2020 and 2019.

- n. Short-term deposits pertain to cash placements with maturity of more than 3 months up to 12 months and earn interest at prevailing market rates.

Others include sundry debits, interoffice floats and developmental rights amounting to ₱248.6 million and ₱127.3 million as of December 31, 2020 and 2019, respectively.



The movements in the allowance for impairment losses on other assets of the Group are as follows:

	2020	2019
	(In Thousands)	
Balances at beginning of year	<b>₱334,386</b>	₱8,131
Provision during the year (Note 29)	<b>58,041</b>	335,891
Write-off and others	<b>(324,433)</b>	(9,636)
<b>Balances at end of year</b>	<b>₱67,994</b>	<b>₱334,386</b>

The Group recognized provision for probable losses on other assets amounting to ₱50.2 million, ₱335.9 million and ₱74.1 million in 2020, 2019 and 2018, respectively (see Notes 3 and 29).

The allowance for impairment losses on other assets pertains to the impairment losses on input taxes and impairment losses on EW's other repossessed assets and long outstanding other assets including sundry debits. In 2019, the Group provided an allowance amounting to ₱300.0 million on its long outstanding other assets including sundry debits. These long outstanding assets were subsequently written off in 2020.

## 21. Deposit Liabilities

This account consists of:

	2020	2019
	(In Thousands)	
Time	<b>₱87,846,290</b>	₱104,605,705
Savings	<b>121,848,341</b>	98,007,003
Demand	<b>84,084,353</b>	68,820,166
Long-term negotiable certificates of deposit (LTNCD)	<b>12,422,976</b>	13,335,031
	<b>₱306,201,960</b>	<b>₱284,767,905</b>

Under existing BSP regulations, non-FCDU deposit liabilities of the Parent Company are subject to unified reserve requirements equivalent to 20.00% from May 30, 2014 to March 1, 2018 (under BSP Circular No. 832), 19.00% from March 2, 2018 to May 31, 2018 (under BSP Circular No. 997), 18.00% from June 1, 2018 (under BSP Circular No. 1004), 17% from May 31, 2019 (under BSP Circular No. 1041), 15% from November 1, 2019, 14% from December 6, 2019 and 12% from April 3 to July 31, 2020.

LTNCDs are subject to required reserves of 4.0% if issued under BSP Circular No. 304, and 7.00% if issued under BSP Circular No. 842. On the other hand, EWRB is required to maintain regular reserves equivalent to 3.0% demand and savings deposits.

As of December 31, 2020 and 2019, EW and EWRB is in compliance with such regulations. As of December 31, 2020 and 2019, Due from BSP of EW (see Note 6) amounting to ₱48,892.7 million and ₱34,287.3 million, respectively, were set aside as reserves for deposit liabilities, as reported to the BSP.

Of the total deposit liabilities of EW as of December 31, 2020 and 2019, about 26.4% and 30.2%, respectively, are subject to periodic interest repricing. The remaining deposit liabilities earn annual fixed interest rates ranging from 0.01% to 5.6% in 2020, 0.5% to 5.9% in 2019 and 0.2% to 5.0% in 2018.



The Group's interest expense on deposit liabilities amounted to ₱3,353.3 million, ₱6,431.4 million and ₱4,236.9 million in 2020, 2019 and 2018, respectively (see Note 28).

LTNCD

LTNCD issued by EW includes the following (amounts in millions):

Series	Issue Date	Maturity Date	Face Value	Coupon Rate	Average Effective Interest Rate	Repayment Terms	Carrying Value	
							2020	2019
3	10/23/2014	4/24/2020	925	4.500%	4.42%	Quarterly	₱-	₱925
4	3/21/2017	9/21/2022	10,000	4.000%	4.10%	Quarterly	9,983	9,973
5	6/7/2018	12/7/2023	2,451	4.625%	4.78%	Quarterly	2,440	2,437
Total							<b>₱12,423</b>	<b>₱13,335</b>

LTNCD Due 2020 (LTNCD Series 3)

In 2014, EW issued unsecured LTNCD maturing on April 24, 2020. The first tranche of the LTNCD Series 3 amounting to ₱925.0 million was issued in October 2014. The discount, net of debt issue costs, related to the issuance of the LTNCD Series 3 in 2014 amounted to ₱4.6 million. The LTNCD Series 3 matured on April 24, 2020.

LTNCD Due 2022 (LTNCD Series 4)

In 2017, EW issued unsecured LTNCD maturing on September 21, 2022. The first tranche of the LTNCD amounting to ₱2,703.9 million was issued in March 2017. The second to fifth tranches of the LTNCD aggregating to ₱7,296.1 million were issued in April to August 2017. The debt issue costs related to the issuance of the LTNCD in 2017 amounted to ₱49.9 million.

LTNCD Due 2023 (LTNCD Series 5)

In 2018, EW issued unsecured LTNCD maturing on December 7, 2023. The first tranche of the LTNCD amounting to ₱2,451.0 million was issued on June 7, 2018. The debt issue costs related to the issuance of the LTNCD in 2018 amounted to ₱18.4 million.

As of December 31, 2020 and 2019, current portion of deposit liabilities amounted to ₱287,947.1 million and ₱271,270.8 million, respectively.

The movements in unamortized net discount as of December 31, 2020 and 2019 follow:

	2020	2019
	(In Thousands)	
Balances at beginning of year	<b>₱40,639</b>	₱62,660
Amortization during the year	<b>(12,945)</b>	(22,021)
Balances at end of year	<b>₱27,694</b>	₱40,639

**22. Bills and Acceptances Payable**

This account consists of borrowings from:

	2020	2019
	(In Thousands)	
Banks and other financial institutions	<b>₱3,491,024</b>	₱30,912,930
Outstanding acceptances	<b>77,779</b>	36,823
	<b>₱3,568,803</b>	₱30,949,753



As of December 31, 2020 and 2019, ₱3.5 billion and ₱29.8 billion, respectively, of bills and acceptances payable are secured and collateralized by investment in government securities with face value of ₱3.9 billion and ₱28.2 billion, respectively, and fair value of ₱1.9 billion and ₱32.9 billion, respectively (see Note 12).

Bills payable to the BSP, other banks and other financial institutions are subject to annual interest rates ranging from 0.3% to 3.0% in 2020, 1.9% to 4.4% in 2019 and 2.7% to 5.4% in 2018.

The Group's interest expense on bills and acceptances payable amounted to ₱164.1 million, ₱873.7 million and ₱204.1 million in 2020, 2019 and 2018, respectively (see Note 28).

### 23. Accounts Payable, Accrued Expenses and Other Liabilities

The details of this account follow:

	2020			2019		
	Due Within One Year	Due After One Year	Total	Due Within One Year	Due After One Year	Total
	(In Thousands)					
Accounts payable (Notes 14 and 16)	₱12,716,526	₱4,958,602	₱17,675,128	₱10,633,523	₱9,154,300	₱19,787,823
Accrued expenses	4,850,519	—	4,850,519	5,188,504	—	5,188,504
Deposits from tenants	2,298,831	1,592,714	3,891,545	1,854,119	2,570,466	4,424,585
Retention fee payable	2,078,145	1,066,862	3,145,007	1,832,835	1,451,501	3,284,336
Accrued interest (Note 24)	1,465,744	—	1,465,744	1,550,104	—	1,550,104
Deposits for registration	348,598	1,122,795	1,471,393	147,924	1,141,478	1,289,402
Provision for unused credit lines (Note 37)	603,599	—	603,599	683,425	—	683,425
Bills purchased - contra (Note 9)	490,125	—	490,125	542,664	—	542,664
Asset retirement obligation (ARO)	—	458,853	458,853	—	416,612	416,612
Payment orders payable	26,786	—	26,786	135,461	—	135,461
Derivative liabilities (Notes 37 and 38)	97,042	—	97,042	128,004	—	128,004
Due to related parties (Note 26)	2,465	—	2,465	1,197,736	—	1,197,736
Other payables	1,574,750	24,169	1,598,919	420,309	1,407,572	1,827,881
	<b>₱26,553,130</b>	<b>₱9,223,995</b>	<b>₱35,777,125</b>	<b>₱24,314,608</b>	<b>₱16,141,929</b>	<b>₱40,456,537</b>

- a. Accounts payable include the balance of the purchase price for raw land, investment properties and property, plant and equipment acquired by the Group and payable upon completion of certain requirements and on agreed scheduled payment date.
- b. Accrued expenses pertain to various operating expenses incurred by the Group in the course of business such as unbilled construction cost related to ongoing projects amounting to ₱937.2 million and ₱785.9 million, fines and penalties amounting to ₱660.0 million and ₱553.7 million, payroll and other employee benefits amounting to ₱679.6 million and ₱696.9 million, taxes amounting to ₱399.0 million and ₱381.3 million, manpower expenses amounting to ₱337.4 million and ₱276.4 million, coal inventories amounting to ₱270.1 million and ₱270.1 million, management and professional fees amounting to ₱72.1 million and ₱135.9 million, rent amounting to ₱123.4 million and ₱113.3 million, computer related cost amounting to ₱136.0 million and ₱98.3 million, securities and janitorial amounting to ₱100.0 million and ₱96.8 million, collection and commission fees amounting to ₱121.6 million and ₱88.9 million, advertising and publicity amounting to ₱83.5 million and ₱68.0 million and power, light and water amounting to ₱56.0 million and ₱231.2 million, among others, as of December 31, 2020 and 2019, respectively. Others accruals pertain to accruals for travel expense, repairs and maintenance expense, insurance expense, and banking fees.



- c. Deposits from tenants are advance payments received for rentals, utilities and other fees. These will be applied against rental obligations of tenants once due.
- d. Retention fee payable represents portions deducted from the contractors' and suppliers' billings for the construction and development of the projects of the Group which are normally payable 1 year from the date of acceptance of the work.
- e. Deposits for registration pertain to amounts collected from buyers for payment of registration of real estate properties.
- f. Provision for unused credit lines pertains to ECL related to loan commitments without outstanding drawn amounts.
- g. ARO pertains to the asset retirement obligation of the Group as provided under FDC Misamis' lease agreement with PHIVIDEC to restore the property (where its coal thermal power plant is situated) to its original condition and to bear the cost of dismantling and restoration at the end of the lease term. ARO is accreted over the lease term and the related interest expense recognized amounted to ₱37.0 million, ₱36.9 million and ₱36.3 million in 2020, 2019 and 2018, respectively (see Note 29).
- h. Other payables include withholding taxes, output VAT payables, interest on restructured loans and deferred rental income.

#### 24. Long-term and Short-term Debt

This account consists of the following respective borrowings of the Group and their contractual settlement dates:

	2020	2019	Collateral
	(In Thousands)		
<b>Parent Company</b>			
a. Fixed-rate 10-year bonds with aggregate principal amount of ₱8,800.0 million issued on January 24, 2014 with interest rate of 6.1% per annum payable quarterly in arrears.	<b>₱8,766,506</b>	₱8,756,887	Clean
b. Fixed-rate 5-year loan with principal amount of ₱3,000.0 million obtained on March 20, 2020 with interest rate of 5.4% per annum payable quarterly in arrears.	<b>2,980,477</b>	-	Clean
c. Fixed-rate 7-year loan with principal amount of ₱3,000.0 million obtained on October 7, 2020 with interest rate of 4.3% per annum payable quarterly in arrears.	<b>2,978,185</b>	-	Clean
d. Fixed-rate 5-year loan with principal amount of ₱2,000.0 million obtained on March 26, 2020 with interest rate of 5.4% per annum payable quarterly in arrears.	<b>1,986,989</b>	-	Clean
e. Fixed-rate 5-year loan with principal amounts of ₱1,800.0 million obtained on March 20, 2020 with interest rate of 5.5% per annum payable quarterly in arrears.	<b>1,788,284</b>	-	Clean
f. Fixed-rate 5-year loan with principal amount of ₱1,500.0 million obtained on April 15, 2016 with interest rate of 4.0% per annum payable quarterly in arrears.	<b>1,499,523</b>	1,497,905	Clean
g. Fixed-rate 5-year loan with principal amount of ₱1,000.0 million obtained on June 20, 2016 with interest rate of 4.3% per annum payable quarterly in arrears.	<b>999,481</b>	998,408	Clean

(Forward)



	2020	2019	Collateral
	(In Thousands)		
h. Fixed-rate 5-year loan with principal amount of ₱1,000.0 million obtained on March 20, 2020 with interest rate of 5.4% per annum payable quarterly in arrears.	<b>₱993,492</b>	₱--	Clean
i. Fixed-rate 5-year loan with principal amount of ₱800.0 million obtained on September 9, 2016 with interest rate of 3.8% per annum payable quarterly in arrears.	<b>799,396</b>	798,554	Clean
j. Fixed-rate 5-year loan with principal amount of ₱700.0 million obtained on March 20, 2020 with interest rate of 5.4% per annum payable quarterly in arrears.	<b>695,445</b>	--	Clean
k. Fixed-rate 5-year loan with principal amount of ₱700.0 million obtained on March 20, 2020 with interest rate of 5.4% per annum payable quarterly in arrears.	<b>695,444</b>	--	Clean
l. Fixed-rate 5-year loan with principal amount of ₱150.0 million obtained on December 18, 2019 with interest rate of 4.8% per annum payable quarterly in arrears.	<b>149,026</b>	148,875	Clean
m. Fixed-rate 5-year loan with principal amount of ₱2,970.0 million obtained on October 7, 2015 with interest rate of 4.5% per annum payable quarterly in arrears.	--	2,967,474	Clean
	<b>24,332,248</b>	15,168,103	
<b>FLI</b>			
n. Fixed-rate bonds consisting of i) aggregate principal amount of ₱7,000.0 million comprised of ₱4,300.0 million 7-year bonds and ₱2,700.0 million 10-year bonds issued on November 8, 2013; ii) aggregate principal amount of ₱7,000.0 million issued on December 4, 2014 comprised of ₱5,300.0 million 7-year bonds and ₱1,700.0 million 10-year bonds; iii) aggregate principal amount of ₱8,000.0 million issued on August 20, 2015 comprised of ₱7,000.0 million 7-year bonds and ₱1,000.0 million 10-year bonds; and iv) ₱6,000.0 million 5.5-year bonds issued on July 7, 2017.	<b>31,663,528</b>	27,884,687	Clean
o. Developmental loans from local banks will mature on various dates up to 2025. These Peso-denominated loans bear floating interest rates equal to 91-day Bloomberg Valuation (BVAL) rate, plus a spread of up to 1.0% per annum, or fixed interest rates of 3.8% to 7.7% per annum.	<b>38,105,023</b>	35,528,233	Clean
	<b>69,768,551</b>	63,412,920	
<b>FAI</b>			
p. 5-year loan granted on January 22, 2018 with interest rate equivalent to BVAL plus a spread of 1.0% per annum payable quarterly in arrears. 50% of the loan is payable in equal quarterly amortizations to commence at the end of the 2-year grace period and 50% is payable at maturity.	<b>518,182</b>	600,000	Clean
q. Fixed-rate 5-year loan granted on June 29, 2017 with interest rate of 5.0% per annum payable quarterly in arrears. Fifty percent (50%) of the loan is payable in equal quarterly amortizations to commence at the end of the 2-year grace period and 50% is payable at maturity.	<b>436,364</b>	545,454	Clean
r. Fixed-rate 7-year loan obtained on August 23, 2017 with interest rate equivalent to BVAL rate plus a spread of 1.0% per annum payable after 2-year grace period from date of initial borrowing. 4% of the loan is payable in equal annual amortizations to commence at the end of the 2nd year and 96% is payable at maturity.	<b>396,000</b>	400,000	Clean
s. Fixed-rate 5-year loan granted on July 28, 2016 with interest rate of 3.8% per annum payable quarterly in arrears. 50% of the loan is payable in equal quarterly amortizations to commence at the end of the 2-year grace period and 50% is payable at maturity.	<b>281,250</b>	356,250	Clean

(Forward)



	2020	2019	Collateral
	(In Thousands)		
t. Fixed-rate 5-year loan granted on June 28, 2016 with interest rate of 3.9% per annum payable quarterly in arrears. 50% of the loan is payable in equal quarterly amortizations to commence at the end of the second year and 50% is payable at maturity.	<b>₱233,333</b>	₱300,000	Clean
u. Fixed-rate 5-year loan granted on February 18, 2016 with interest rate of 4.6% per annum payable quarterly in arrears. 50% of the loan is payable in equal quarterly amortizations to commence at the end of the second year and 50% is payable at maturity.	<b>162,500</b>	212,500	Clean
v. Fixed-rate 5-year loan granted on August 3, 2015 with interest rate of 5.0% per annum payable quarterly in arrears.	–	850,000	Clean
w. Fixed-rate 5-year loan granted on September 28, 2015 with interest rate of 4.5% per annum payable quarterly in arrears. 50% of the loan is payable in equal quarterly amortizations to commence at the end of 2-year grace period and 50% is payable at maturity.	–	312,500	Clean
x. Fixed-rate 7-year loan granted on September 5, 2013 with interest rate of 4.8%, payable quarterly in arrears. 50% of the loan is payable in 20 equal quarterly amortizations and 50% is payable at maturity.	–	287,500	Clean
y. Fixed-rate 5-year loan granted on March 3, 2015 with interest rate of 4.3% per annum, fixed for 3 years subject to repricing at the end of the 3rd year, payable in equal quarterly amortizations to commence at the end of the 2-year grace period and 50% is payable at maturity.	–	100,000	Clean
	<b>2,027,629</b>	3,964,204	
<b>FHC</b>			
z. Fixed-rate 12-year loan granted on December 27, 2016 with interest rate of 5.5% per annum, repriceable at the end of 7th year, payable quarterly in arrears. The 50% is payable in 36 equal quarterly amortization to start on the 13th quarter from initial drawdown and 50% is payable at maturity.	<b>940,741</b>	995,993	Clean
aa. Fixed-rate 12-year loans granted by a local bank amounting to ₱160.0 million, ₱60.0 million, ₱270.0 million and ₱165.0 million on June 28, 2016, July 21, 2016, August 24, 2016 and December 14, 2016, respectively, with interest rates of 4.25%, 4.25%, 4.10% and 4.1% per annum, repriceable at the end of 5th year, in the same order as above. The 50% is payable in 36 equal quarterly amortization to start on the 13th quarter from initial drawdown and 50% is payable at maturity.	<b>598,447</b>	634,525	Clean
bb. Fixed-rate 8-years and 6 months loan granted on December 23, 2019 with interest rate of 4.9% per annum, repriceable, at the end of the 5th year. 50% of the principal shall be payable in 36 equal quarterly payments starting September 28, 2019 and remaining 50% payable at maturity	<b>554,309</b>	587,530	Clean
cc. Fixed-rate 12-year loan granted on December 20, 2019, with interest rate of 4.9% per annum, repriceable at the end of 5th year, payable quarterly in arrears. 50% is payable in 36 equal quarterly amortization to commence on March 20, 2023 and remaining balance is payable at maturity.	<b>516,510</b>	516,112	Clean
dd. Fixed-rate 7-year loan of ₱400.0 million availed on August 31, 2017 with interest rate of 5.3% per annum, payable quarterly in arrears. 50% is payable in 16 equal quarterly amortization to start at the end of the 13 <sup>th</sup> quarter from initial drawdown and 50% is payable at maturity.	<b>386,200</b>	398,544	Clean
ee. Fixed-rate 11-year and 11 months loan granted on August 9, 2017 with interest rate of 5.5% per annum, repriceable at the end of 5th year, payable quarterly in arrears. 50% is payable in 36 equal quarterly amortization to start on the 13 <sup>th</sup> quarter from initial drawdown and 50% is payable at maturity	<b>365,342</b>	387,361	Clean

(Forward)



	2020	2019	Collateral
	(In Thousands)		
ff. Fixed-rate 12-year loan granted on March 27, 2017 with interest rate of 5.1% per annum, repriceable at the end of 5th year, payable quarterly in arrears. 50% is payable in 36 equal quarterly amortization to start on the 13th quarter from initial drawdown and 50% is payable at maturity.	<b>₱306,930</b>	₱325,431	Clean
gg. Fixed-rate loan granted on September 5, 2018 with interest rate of 6.8% per annum, repriceable at the end of 5th year, payable quarterly in arrears. 50% of principal payable in 36 equal quarterly amortization to commence at the end of 13th quarter from the initial drawdown date and 50% is payable at maturity.	<b>298,282</b>	298,053	Clean
hh. Fixed-rate 12-year loan granted on September 26, 2017 with interest rate of 5.2% per annum, repriceable at the end of 7th year, payable quarterly in arrears. 50% of the principal is payable in 36 equal quarterly amortization to start on the 13th quarter from initial drawdown date and 50% is payable at maturity.	<b>274,010</b>	298,470	Clean
ii. Fixed-rate 5-year loan granted on September 17, 2019 with interest rate of 5.5% per annum, payable quarterly in arrears. Principal is payable at maturity.	<b>298,361</b>	297,886	Clean
jj. Fixed-rate 7-year loan granted on September 26, 2017 with interest rate of 5.1% per annum for the first 2 years and 5.4% from the beginning of third year until maturity. The 50% is payable in 16 equal quarterly amortization to start at the end of the 13th quarter from initial drawdown and 50% is payable at maturity.	<b>289,634</b>	290,524	Clean
kk. Fixed-rate 10 year and 6 months loan granted on December 13, 2017 with interest rate of 5.6% per annum, repriceable at the end of 7th year, payable quarterly in arrears. 50% is payable in 36 equal quarterly amortization and 50% is payable at maturity..	<b>273,972</b>	290,482	Clean
ll. Fixed-rate 1-year loan granted on June 23, 2020 with interest rate of 4.5% per annum, payable quarterly in arrears.	<b>220,000</b>	-	Clean
mm. Fixed-rate 10-year loan granted on July 17, 2018 with interest rate of 7.1%, repriceable at the end of 5th year, payable quarterly in arrears. 50% is payable in 28 equal quarterly amortization to start at the end of 13th quarter and 50% is payable at maturity.	<b>198,864</b>	198,708	Clean
nn. Fixed-rate 10 year and 2 months loan granted on April 24, 2018 with interest rate of 6.4% per annum, payable quarterly in arrears. 50% is payable in 36 equal quarterly amortization and 50% is payable at maturity.	<b>182,261</b>	193,211	Clean
oo. Fixed-rate 12-year loan granted on December 27, 2016 with interest rate of 5.4% per annum, repriceable at the end of 7th year, payable quarterly in arrears. 50% is payable in 36 equal quarterly amortization to start on the 13th quarter from initial drawdown and 50% is payable at maturity.	<b>169,466</b>	179,376	Clean
pp. Fixed-rate 1-year loan granted on June 23, 2020 with interest rate of 4.5% per annum payable quarterly in arrears.	<b>50,000</b>	-	Clean
	<b>5,923,329</b>	5,892,206	
<b>EW</b>			
qq. Fixed-rate 3-year bonds with aggregate value of ₱3,700.0 million issued on February 20, 2020 with interest rate of 4.5% per annum, payable quarterly in arrears.	<b>3,677,434</b>	-	Clean
rr. Lower Tier 2 subordinated notes issued on February 20, 2017 with interest rate of 5.5% per annum.	<b>1,240,785</b>	1,239,671	Clean
ss. Lower Tier 2 subordinated notes issued on July 4, 2014 with interest rate of 5.5% per annum.	-	4,979,340	Clean
	<b>4,918,219</b>	6,219,011	

(Forward)



	2020	2019	Collateral
	(In Thousands)		
<b>FDCUI</b>			
tt. Fixed-rate 7-year loans amounting to ₱934 million, ₱1,727 million, ₱1,891 million, ₱1,595 million, ₱1,351 million, ₱483 million, ₱158 million, ₱519 million and ₱343 million granted on September 26, 2014, December 1, 2014, March 2, 2015, June 1, 2015, September 1, 2015, December 1, 2015, March 1, 2016, July 1, 2016 and October 3, 2016, respectively.	<b>₱7,785,012</b>	₱8,230,703	Real properties and real rights
uu. Fixed-rate 7-year loans amounting to ₱643 million, ₱1,190 million, ₱1,303 million, ₱1,099 million, ₱931 million, ₱332 million, ₱109 million, ₱357 million, and ₱236 million granted on September 26, 2014, December 1, 2014, March 2, 2015, June 1, 2015, September 1, 2015, December 1, 2015, March 1, 2016, July 1, 2016 and October 3, 2016, respectively.	<b>5,363,006</b>	5,670,037	Real properties and real rights
vv. Fixed-rate 7-year loans amounting to ₱2,500 million, ₱1,250 million, 250 million, ₱250 million, and ₱750 million granted on August 12, 2015, December 1, 2015, March 1, 2016, July 1, 2016 and October 3, 2016, respectively.	<b>4,324,157</b>	4,571,609	Real properties and real rights
ww. Fixed-rate 7-year loans amounting to ₱480 million, ₱720 million and ₱1,200 million granted on March 18, 2016, July 1, 2016 and October 3, 2016, respectively.	<b>2,075,349</b>	2,194,060	Real properties and real rights
	<b>19,547,524</b>	20,666,409	
<b>PSHC</b>			
xx. Fixed-rate 5-year loan granted on September 28, 2016 amounting to ₱600.0 million with interest rate of 4.6% per annum, payable quarterly in arrears.	<b>200,000</b>	400,000	Clean
<b>FDCI</b>			
yy. Fixed-rate 5-year bonds with principal amount of USD200.0 million issued on September 17, 2020 with interest rate of 4.1% per annum.	<b>9,474,664</b>	-	Clean
zz. Fixed-rate 7-year bonds with principal amount of USD286.5 million issued on April 2, 2013 with interest rate of 4.3% per annum.	-	14,498,412	Clean
	<b>9,474,664</b>	14,498,412	
	<b>₱136,192,164</b>	₱130,221,265	

Below are the current and noncurrent portion of the long-term and short-term debt:

	2020	2019
	(In Thousands)	
Current	<b>₱20,489,774</b>	₱32,345,410
Noncurrent	<b>115,702,390</b>	97,875,855
	<b>₱136,192,164</b>	₱130,221,265

As of December 31, 2020 and 2019, short-term debt, presented under current portion amounted to ₱770.0 million and ₱500.0 million, respectively.

The other details on foregoing long-term and short-term debt of the Group follow:

**FLI**

n. *Fixed-rate Bonds*

On June 8, 2012, FLI issued bonds with aggregate principal amount of ₱7,000.0 million and term of 7 years due in 2019. The fixed interest rate is 6.3% per annum, payable quarterly in arrears starting on September 8, 2012. This was fully paid in 2019.



On November 8, 2013, FLI issued bonds with principal amount of ₱7,000.0 million comprised of ₱4,300.0 million 7-year bonds with interest of 4.9% per annum due in 2020 and ₱2,700.0 million 10-year bonds with interest rate of 5.4% per annum due in 2023. As of December 31, 2020, ₱4,300.0 million of the related bonds payable was paid.

On December 4, 2014, FLI issued bonds with an aggregate principal amount of ₱7,000.0 million comprising of ₱5,300.0 million 7-year bonds due in 2021 and ₱1,700.0 million 10-year bonds due in 2024. The 7-year and 10-year bonds carry a fixed rate of 5.4% and 5.6% per annum, respectively.

On August 20, 2015, FLI issued bonds with an aggregate principal amount of ₱8,000.0 million comprised of ₱7,000.0 million 7-year bonds due in 2021 and ₱1,000.0 million, 10-year bonds due in 2025. The 7-year bonds carry a fixed rate of 5.4% and 5.7% per annum, respectively. On July 7, 2017, CPI issued unsecured fixed rate bonds with an aggregate principal amount of ₱6,000.0 million and term of 5.5 years due in 2023. The bonds carry a fixed-rate of 5.1% per annum, payable quarterly in arrears starting on October 7, 2017.

On November 18, 2020, FLI issued unsecured fixed rate bonds with an aggregate principal amount of ₱8,100.0 million comprising of ₱6,335.4 million, 3-year fixed-rate bonds due in 2023 and ₱1,764.6 million, 5.5-year fixed-rate bonds due in 2026. The 3-year bonds carry a fixed rate of 3.3% per annum, while the 5.5-year bonds have a fixed rate of 4.2% per annum.

Unamortized debt issuance cost on bonds payable amounted to ₱136.5 million and ₱115.4 million as of December 31, 2020 and 2019, respectively. Accretion included as part of Interest expense amounted to ₱46.2 million in 2020, ₱50.4 million in 2019 and ₱58.6 million in 2018 (see Note 29).

o. *Developmental Loans*

Developmental loans from local banks will mature on various dates up to 2025. These Peso-denominated loans bear floating interest rates equal to 91-day PDST-F rate and or PDST-R2 rate and or 3 months BVAL rate plus a spread, or fixed interest rates of 2.75% to 6.51% per annum. Additional loans availed in 2020, 2019 and 2018 amounted to ₱10,680.0 million, ₱15,400.0 million and ₱5,500.0 million, respectively. These include availment of short-term loans payable amounting to ₱1,500.0 billion and ₱500.0 million in 2020 and 2019, respectively. Principal payments made in 2020, 2019 and 2018 amounted to ₱8,220.0 million, ₱4,840.0 million and ₱3,840.0 million, respectively.

FAI

The fixed-rate loans availed by FAI bear interest ranging from 3.8% to 5.0% per annum. The term loans availed by FAI that are subject to floating interest set every 90-days payable in arrears has a one-time option to change interest to fixed rate anytime during the life of the loan.

EW

qq. *Bonds Payable*

On February 10, 2020, EW issued 4.5% fixed-rate bonds with issue price at 100.0% face value. The bonds will bear interest at the rate of 4.5% per annum from and including February 21, 2020 to but excluding: (a) February 21, 2023, such date being the maturity date (if the pre-termination option is not exercised); or (b) the pre-termination date (if the pre-termination option is exercised), and the interest will be payable quarterly in arrears at the end of each interest period on February 21, August 21 and November 21 of each year commencing on 2020.



Unless the 2023 Bonds are previously redeemed, the Bonds are repayable to the Bond Holders at 100.0% of their face value on the maturity date or February 21, 2023. As of December 31, 2020, the interest expense on bonds payable and bonds issuance cost amounted to ₱143.8 million and ₱22.6 million, respectively.

rr. *Lower Tier 2 Unsecured Subordinated Notes Due 2027*

On February 20, 2017, EWRB issued 5.5% coupon rate Lower Tier 2 unsecured subordinated note (the 2027 Notes) with par value of ₱1,250.0 million, maturing on August 20, 2027 but callable on August 20, 2022.

Unless the 2027 Notes are previously redeemed, the 2027 Notes are repayable to the Noteholders at 100.0% of their face value or at par on the maturity date of August 20, 2027.

From and including the issue date to, but excluding the optional redemption date of August 20, 2022, the 2027 Notes bear interest at the rate of 5.5% per annum and shall be payable quarterly in arrears on February 20, May 20, August 20, and November 20 of each year, which commenced on February 20, 2017. Unless the 2027 Notes are previously redeemed, the interest rate will be reset at the equivalent of the prevailing 5-year BVAL at reset date plus initial spread (i.e., the difference between the initial interest rate and the prevailing 5-year BVAL at the pricing date of the initial tranche), commencing on August 20, 2022.

The 2027 Notes are redeemable at the option of EWRB, in whole but not in part, on the call option date at 100.0% of the face value plus accrued but unpaid interest, subject to the following conditions:

- a. EWRB has obtained prior written approval and complied with the requirements of the BSP prior to redemption of the 2027 Notes;
- b. the 2027 Notes are replaced with capital of the same or better quality and the replacement of this capital is done at conditions which are sustainable for the income capacity of EWRB, or
- c. EWRB demonstrates that its capital position is above the minimum capital requirements after redemption is exercised;
- d. EWRB is not in breach of (and would not, following such redemption, be in breach) of applicable regulatory capital requirements (including regulatory capital buffers);
- e. EWRB is solvent at the time of redemption of the 2027 Notes and immediately thereafter.

Furthermore, upon the occurrence of a Tax Redemption Event or a Regulatory Redemption Event, the EWRB may, subject to compliance with BSP rules and BSP approval, and upon prior approval of the BSP and with prior written notice to the Noteholders on record, redeem all and not less than all of the outstanding 2027 Notes prior to the stated maturity by paying the Noteholder the Redemption Option Amount which, (a) in the case of a Tax Redemption Event is an amount equal to 100.0% of the face value of the 2027 Notes plus accrued interest at the interest rate relating to the then current interest period up to but excluding the date of such redemption, and (b) in the case of a Regulatory Redemption Event is an amount equal to 100.0% of the face value of the 2027 Notes plus accrued interest at the interest rate relating to the then current Interest Period up to but excluding the date of such redemption (the "Redemption Option Date").

The 2027 Notes have a loss absorption feature which means that the 2027 Notes are subject to a Non-Viability Write-Down in case of a Non-Viability Event. Non-viability is defined as a deviation from a certain level of Common Equity Tier 1 (CET1) Ratio or inability of the EWRB to continue business (closure) or any other event as determined by the BSP, whichever comes



earlier. A Non-Viability Event is deemed to have occurred when EWRB is considered non-viable as determined by the BSP.

Upon the occurrence of a Non-Viability Event, EWRB shall write-down the principal amount of the 2025 Notes to the extent required by the BSP, which could go to as low as zero. Additional Tier 1 (AT1) capital instruments shall be utilized first before Tier 2 capital instruments are written-down, until the viability of the Issuer is re-established. In the event EWRB does not have AT1 capital instruments, then the write-down shall automatically apply to Tier 2 capital.

Loss absorption feature is subject to the following conditions:

- a. the principal amount of all series of Tier 1 Loss Absorbing Instruments outstanding having been Written-Down to zero or converted into common equity of EW (where possible) irrevocably, in accordance with, and to the extent possible pursuant to, their terms (the "Tier 1 Write-Down")
- b. the Tier 1 Write-Down having been insufficient to cure the Non-Viability Event
- c. EW giving the relevant Non-Viability Notice to the Public Trustee and the Registrar and Paying Agent

Each Noteholder irrevocably agrees and acknowledges that it may not exercise or claim any right of set-off in respect of any amount owed to it by EWRB arising under or in connection with the 2027 Notes and it shall, to the fullest extent permitted by applicable law, waive and be deemed to have waived all such rights of set-off.

ss. *Lower Tier 2 Unsecured Subordinated Notes Due in 2025*

On July 4, 2014, EW issued 5.5% coupon rate Lower Tier 2 unsecured subordinated note (the 2025 Notes) with par value of ₱5,000.0 million, maturing on January 4, 2025, but callable on January 4, 2020. The 2025 Notes qualify as Tier 2 capital pursuant to BSP Circular No. 781 (Basel III), BSP Circular No. 826 on risk disclosure requirements for the loss absorption features of capital instruments, and other related circulars and issuances of the BSP.

Unless the 2025 Notes are previously redeemed, the 2025 Notes are repayable to the Noteholders at 100.0% of their face value or at par on the maturity date of January 4, 2025.

From and including the issue date to, but excluding the optional redemption date of January 4, 2020, the 2025 Notes bear interest at the rate of 5.5% per annum and shall be payable quarterly in arrears on January 4, April 4, July 4, and October 4 of each year, which commenced on October 4, 2014. Unless the 2025 Notes are previously redeemed, the interest rate will be reset at the equivalent of the prevailing 5-year BVAL at reset date plus initial spread (i.e. the difference between the initial interest rate and the prevailing 5-year BVAL at the pricing date of the initial tranche), commencing on January 4, 2020.

The 2025 Notes are redeemable at the option of EW, in whole but not in part, on the call option date at 100.0% of the face value plus accrued but unpaid interest, subject to the following conditions:

- a. EW has obtained prior written approval and complied with the requirements of the BSP prior to redemption of the 2025 Notes,
- b. the 2025 Notes are replaced with capital of the same or better quality and the replacement of this capital is done at conditions which are sustainable for the income capacity of EW, or
- c. EW demonstrates that its capital position is above the minimum capital requirements after redemption is exercised,



- d. EW is not in breach of (and would not, following such redemption, be in breach) of applicable regulatory capital requirements (including regulatory capital buffers),
- e. EW is solvent at the time of redemption of the 2025 Notes and immediately thereafter.

Furthermore, upon the occurrence of a Tax Redemption Event or a Regulatory Redemption Event, EW may, subject to compliance with BSP rules and BSP approval, and upon prior approval of the BSP and with prior written notice to the Noteholders on record, redeem all and not less than all of the outstanding 2025 Notes prior to the stated maturity by paying the Noteholder the Redemption Option Amount which, (a) in the case of a Tax Redemption Event is an amount equal to 100.0% of the face value of the 2025 Notes plus accrued interest at the interest rate relating to the then current interest period up to but excluding the date of such redemption, and (b) in the case of a Regulatory Redemption Event is an amount equal to 100.0% of the face value of the 2025 Notes plus accrued interest at the interest rate relating to the then current interest period up to but excluding the date of such redemption (the "Redemption Option Date").

The 2025 Notes have a loss absorption feature which means that the 2025 Notes are subject to a Non-Viability Write-Down in case of a Non-Viability Event. Non-viability is defined as a deviation from a certain level of Common Equity Tier 1 (CET1) Ratio or inability of EW to continue business (closure) or any other event as determined by the BSP, whichever comes earlier. A Non-Viability Event is deemed to have occurred when EW is considered non-viable as determined by the BSP.

Upon the occurrence of a Non-Viability Event, EW shall write-down the principal amount of the 2025 Notes to the extent required by the BSP, which could go to as low as zero. Additional Tier 1 (AT1) capital instruments shall be utilized first before Tier 2 capital instruments are written-down, until the viability of the Issuer is re-established. In the event EW does not have AT1 capital instruments, then the write-down shall automatically apply to Tier 2 capital.

Loss absorption measure is subject to the following conditions:

- a. the principal amount of all series of Tier 1 Loss Absorbing Instruments outstanding having been Written-Down to zero or converted into common equity of EW (where possible) irrevocably, in accordance with, and to the extent possible pursuant to, their terms (the "Tier 1 Write-Down")
- b. the Tier 1 Write-Down having been insufficient to cure the Non-Viability Event
- c. EW giving the relevant Non-Viability Notice to the Public Trustee and the Registrar and Paying Agent

Each Noteholder irrevocably agrees and acknowledges that it may not exercise or claim any right of set-off in respect of any amount owed to it by EW arising under or in connection with the 2025 Notes and it shall, to the fullest extent permitted by applicable law, waive and be deemed to have waived all such rights of set-off.

On October 21, 2019, the BOD of EW approved to exercise the call option on its ₱5.00 Billion Lower Tier 2 (LT2), 5.50% Coupon rate, Unsecured Subordinated notes, with optional redemption date of January 4, 2020 due on January 24, 2025.

On January 4, 2020, EW exercised its redemption option to pre-terminate the 2025 Notes.

The Group's interest expense on subordinated debt amounted to ₱79.8 million, ₱346.0 million and ₱345.9 million in 2020, 2019 and 2018, respectively (see Note 28).



#### FDCUI

FDC Misamis entered into loan facility agreements with local financial institutions to partially finance the construction and operation of the 405 MW CFB coal thermal power plant located inside the PHIVIDEDEC Industrial Estate in Villanueva, Misamis Oriental.

These loan facility agreements provide for a scheduled loan availments within a certain period. These loans are payable in 42 quarterly variable payments. The first installment will be due 42 months from initial availment date or six (6) months from the project completion date, whichever comes first. These loans bear interest of 7-year BVAL (subject to repricing on the 7th year from initial availment date), plus applicable credit spread.

These loans are secured with real properties and real rights, inclusive of FDC Misamis' buildings and other improvements amounting to ₱25,770.5 million and ₱26,872.3 million as of December 31, 2020 and 2019, respectively, and its rights provided under certain agreements (e.g., EPPAs, insurance and lease contracts), chattels, movables and personal properties.

These loans bear interest from 4.7% to 6.4% per annum, subject to repricing after the 7th from initial loan availment until maturity date. Interest is payable quarterly in arrears to start at the end of the first quarter from the date of the release of the loan.

#### FDCI

##### *yy. USD200.0 Million Fixed-rate Bonds*

On September 17, 2020, the Group issued through FDCI fixed-rate 5-year bonds with original issuance amount of USD200.0 million. The bonds bear a fixed interest rate of 4.13% per annum, payable semi-annually in arrears.

##### *zz. USD300.0 Million Fixed-rate Bonds*

On April 2, 2013, the Group issued through FDCI fixed-rate 7-year bonds with original issuance amount of USD300.0 million. The bonds bear a fixed interest rate of 4.3% per annum, payable semi-annually in arrears. These bonds matured on April 2, 2020.

In 2013, the Group repurchased USD13.5 million (₱577.3 million) of the USD300.0 million fixed-rate bonds at a discount. As of December 31, 2019, unamortized debt issuance cost on the bonds amounted to USD0.2 million (₱8.5 million).

The Group's long-term and short-term debt are unsecured and no assets are held as collateral for these debts, except for the loans of FDC Misamis. The agreements covering the abovementioned loans require maintaining certain financial ratios including debt-to-equity ratio of 2.0x to 4.0x; debt service coverage ratio of 1.0x to 1.1x; interest coverage ratio of 2.0x to 3.0x; and minimum current ratio of 2.0x based on the definitions of such ratios in the respective loan agreements.

As of December 31, 2020 and 2019, the Group has complied with these contractual agreements and has not been cited as in default on its outstanding loan obligation.



Total interest on these long-term and short-term debt, including capitalized borrowing costs, and amortization of transaction costs follow:

	2020	2019	2018
	(In Thousands)		
Interest expense			
Real estate operations (Note 29)	<b>₱2,672,371</b>	₱1,923,921	₱1,290,791
Hospitality operations (Note 29)	<b>301,927</b>	194,891	187,628
Banking and financial services (Note 28)	<b>79,830</b>	345,970	345,930
Power operations (Note 29)	<b>1,110,281</b>	1,167,669	1,298,304
Sugar operations (Note 29)	<b>29,572</b>	43,695	34,420
Other operations (Notes 28 and 29)	<b>1,428,655</b>	1,543,198	1,452,935
	<b>5,622,636</b>	5,219,344	4,610,008
Total capitalized borrowing costs (Notes 14, 16 and 17)	<b>1,463,533</b>	1,547,355	2,354,656
	<b>₱7,086,169</b>	₱6,766,699	₱6,964,664

## 25. Equity

### Capital Stock and APIC

On December 22, 1982, the SEC approved the registration of 5.3 million shares, divided into 5.2 million Class A shares, and 100,000 class B shares with par value of ₱10.0 per share.

On April 13, 1992, the SEC approved the registration of 144,575,000 common shares with par value of ₱10.0 per share.

On March 10, 1993, the SEC approved the reduction of par value from ₱10.0 to ₱5.0 per share of the Parent Company's common shares which at that time consisted of ₱1.5 billion authorized common stocks divided into 90,000,000 shares of Class "A" common shares and 60,000,000 shares of Class "B" common shares.

On December 20, 1993, the stockholders approved the reduction of the par value per share from ₱5.0 to ₱1.0 and to unclassify the Parent Company's capital stock.

On October 15, 2010, the stockholders and BOD of the Parent Company approved the increase in its authorized capital stock from ₱10.0 billion, consisting of 10.0 billion common shares with par value of ₱1.0 per share to ₱17.0 billion, consisting of 15.0 billion common shares with par value of ₱1.0 per share and 2.0 billion non-voting and redeemable preferred shares with par value of ₱1.0 per share. Article Seven of the Amended Articles of Incorporation of the Parent Company was amended to effect the increase in the authorized capital stock of the Parent Company.

On August 19, 2011, the SEC approved the increase in the authorized capital stock of the Parent Company.

The preferred shares have the following features:

- a) not entitled to any voting right or privilege, except in those cases expressly provided by law;
- b) redeemable subject to the terms and conditions to be fixed by the BOD;
- c) entitled to dividends at the rate to be determined by the BOD prior to the issuance of shares, to be payable out of the surplus profits of the Corporation so long as the preferred shares are outstanding; and,
- d) may be subject to such other additional terms and conditions to be fixed by the BOD.



As of December 31, 2020 and 2019, authorized capital stock of the Parent Company is 15.0 billion common shares with par value of ₱1.0 per share and 2.0 billion non-voting redeemable preferred shares with par value of ₱1.0 per share.

Below is the summary of the Group's track record of registration of securities with the SEC as of December 31, 2020:

	Number of Shares Registered (In Thousands)	Number of holders of securities as of year end
December 31, 2017	8,648,463	4,092
Movements	-	(22)
December 31, 2018	8,648,463	4,070
Movements	-	(31)
December 31, 2019	8,648,463	4,039
Movements	-	(4)
December 31, 2020	8,648,463	4,035

*Note: Exclusive of 671,409,400 treasury shares (see Note 31) as of December 31, 2020 and 2019.*

#### Treasury Shares

There was no movement in treasury shares for the years ended December 31, 2020 and 2019.

#### Dividend Declaration

On June 22, 2020, the Parent Company's BOD approved the declaration and payment of cash dividends of ₱1,196.9 million or ₱0.1384 per share for every common share of record as of July 22, 2020. This was paid on August 17, 2020.

On April 26, 2019, the Parent Company's BOD approved the declaration and payment of cash dividends of ₱864.8 million or ₱0.10 per share for every common share of record as of May 26, 2019. This was paid on June 19, 2019.

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 3, 2018. This was paid on June 28, 2018.

#### Retained Earnings

Retained earnings include undistributed earnings representing accumulated equity in net earnings of subsidiaries and joint ventures amounting to ₱85,369.9 million and ₱76,619.3 million as of December 31, 2020 and 2019, respectively, which are not available for dividend declaration until received in the form of dividends from such subsidiaries and associates.

Retained earnings are further restricted for the payment of dividends to the extent of the cost of the shares held in treasury and unrealized income recognized amounting ₱3,614.5 million and ₱5,490.0 million as of December 31, 2020 and 2019.

After reconciling items, the Parent Company's retained earnings available for dividend declaration as of December 31, 2020, 2019 and 2018 amounted to ₱11,501.3 million, ₱7,573.7 million and ₱7,117.9 million, respectively.



### Capital Management

The Group monitors its capital and cash positions and manages its expenditures and disbursements. Furthermore, the Group may also, from time to time seek other sources of funding, which may include debt or equity issues depending on its financing needs and market conditions.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. No changes were made in capital management objectives, policies or processes for the years ended December 31, 2020, 2019 and 2018.

Capital management of each segment within the group are further discussed in Note 37.

The Group monitors capital using debt-to-equity ratio, which is the long-term and short-term debt divided by total equity. The Group's policy is to keep the debt to equity ratio not to exceed 2:1.

	<b>2020</b>	2019
		(In Thousands)
Long-term and short-term debt (Note 24)	<b>₱136,192,164</b>	₱130,221,265
Total equity	<b>141,606,822</b>	132,149,986
Debt-to-equity ratio	<b>0.96:2.00</b>	0.99:1.00

The Group is subject to externally imposed capital requirements due its loan covenants (see Note 24).

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## **26. 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.

All material Related Party Transactions ("RPT") with a transaction value that reaches ten percent (10%) of the Group's total consolidated assets shall be subject to the review by the RPT Committee.

Transactions that were entered into with an unrelated party that subsequently becomes a related party shall be excluded from the limits and approval of the Policy on Related Party Transactions ("Policy"). However, any renewal, change in the terms and conditions or increase in exposure level, related to these transactions after a non-related party becomes a related party, shall subject it to the provisions of the the Policy.

In the event wherein there are changes in the RPT classification from non-material to material, the material RPT shall be subject to the provisions of the the Policy.

Outstanding balances at year-end are unsecured, interest free and require settlement in cash, unless otherwise stated. As of December 31, 2020 and 2019, the Group has not made any provision for impairment loss relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.



Significant transactions with related parties are as follows:

- a. The compensation of key management personnel consists of short-term employee salaries and benefits amounting to ₱84.9 million, ₱94.4 million and ₱76.1 million in 2020, 2019 and 2018, respectively. Post-employment benefits of key management personnel amounted to ₱23.2 million, ₱17.0 million and ₱18.0 million in 2020, 2019 and 2018, 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:

2020				
	Amount/ Volume	Outstanding Balance Due from (Due to)	Terms	Conditions
(In Thousands)				
<b>Due from related parties</b>				
Real estate operations (Note 7)				
Ultimate Parent Company <sup>(a)</sup>	₱4,388	₱3,171	Noninterest-bearing, collectible on demand	Unsecured, no impairment
Affiliates: (Notes 7, 8 and 10)				
Share in expenses	175,540	83,257	Noninterest-bearing, collectible on demand	Unsecured, no impairment
	<b>₱179,928</b>	<b>₱86,428</b>		
<b>Due to related parties (Note 23)</b>				
Ultimate Parent Company <sup>(a, b)</sup>			Bears 3.1% interest per annum, payable within 1 year	Unsecured
Interest expense	₱58,112	(₱-)		
Affiliates				
Share in expenses <sup>(a)</sup>	85	(2,465)	Noninterest-bearing, payable on demand	Unsecured
	<b>₱58,197</b>	<b>(₱2,465)</b>		

(a) Share in Group expenses

(b) Availment of loan payable, with interest at prevailing market rate

(c) Management fee charged to hospitality operations by a joint venture.

2019				
	Amount/ Volume	Outstanding Balance Due from (Due to)	Terms	Conditions
(In Thousands)				
<b>Due from related parties</b>				
Real estate operations (Note 7)				
Ultimate Parent Company <sup>(a)</sup>	₱3,993	₱4,080	Noninterest-bearing, collectible on demand	Unsecured, no impairment
Affiliates: (Notes 7 and 8)				
Share in expenses	8,072	11,564	Noninterest-bearing, collectible on demand	Unsecured, no impairment
	<b>₱12,065</b>	<b>₱15,644</b>		



		2019			
		Amount/ Volume	Outstanding Balance Due from (Due to)	Terms	Conditions
		(In Thousands)			
Due to related parties (Note 23)					
Ultimate Parent Company <sup>(a, b)</sup>					
Interest expense	₱49,613	(₱1,189,588)		Bears 3.1% interest per annum, payable within 1 year	Unsecured
Affiliates					
Share in expenses <sup>(a)</sup>	1,533	(8,148)		Noninterest-bearing, payable on demand	Unsecured
Management fee <sup>(c)</sup>					
	<b>₱51,146</b>	<b>(₱1,197,736)</b>			

(d) Share in Group expenses

(e) Availment of loan payable, with interest at prevailing market rate

(f) Management fee charged to hospitality operations by 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 (see Note 30):

	2020	2019
	(In Thousands)	
Cash and cash equivalents	<b>₱124,482</b>	₱26,290
Equity instruments	<b>760,080</b>	782,064
Debt instruments	<b>171,100</b>	158,763
Others	<b>1,857</b>	1,844
	<b>₱1,057,519</b>	₱968,961

The following are the amounts recognized by the retirement plan arising from its transactions with EW for the years ended December 31, 2020, 2019 and 2018.

	2020	2019	2018
Trust fees	<b>₱2,775</b>	₱2,682	₱2,534
Interest income on savings deposit	<b>318</b>	945	151
Interest income on investments in LTNCD	<b>10,485</b>	7,964	5,044
Gain (loss) on investments in equity shares	<b>(46,776)</b>	230,515	(15,272)



## 27. Other Income

Other income from real estate operations consist of:

	2020	2019	2018
		(In Thousands)	
Gain on deconsolidation (Note 1)	<b>₱2,900,410</b>	₱-	₱-
Interest income on cash and cash equivalents, contract receivables (Notes 6 and 7)	<b>507,646</b>	553,905	987,489
Processing fees	<b>104,659</b>	192,643	62,634
Service income	<b>253,760</b>	196,705	252,127
Management fees	<b>93,962</b>	129,635	114,451
Water supply income	<b>92,999</b>	270,362	145,356
Forfeited reservations and payments	<b>80,891</b>	367,151	326,853
Gain on sale of property	<b>65,308</b>	-	-
Sewer treatment services	<b>45,910</b>	135,394	63,631
Parking fees	<b>30,533</b>	75,114	74,886
Income from amusement centers, parking and other lease related activities	<b>9,423</b>	83,556	105,777
Slot rental fees	<b>5,629</b>	12,037	10,432
Others	<b>130,129</b>	126,848	93,162
	<b>₱4,321,259</b>	₱2,143,350	₱2,236,798

Others include membership and maintenance dues, parking fees, late payment charges, gain on sale or exchange of properties and slot rental fees.

Other income from hospitality operations consist of:

	2020	2019	2018
		(In Thousands)	
Interest income	<b>₱823</b>	₱407	₱-
Share in net income of a joint venture (Note 18)	-	41,207	31,489
Others	<b>1,597</b>	7,736	8,350
	<b>₱2,420</b>	₱49,350	₱39,839

Others include insurance fees, bagging fees, and other miscellaneous income.

Other income - net from banking and financial services consist of:

	2020	2019	2018
		(In Thousands)	
Service charges, penalties, fees and commissions	<b>₱3,710,792</b>	₱5,236,443	₱4,888,450
Trading and securities gain (loss) - net (Note 12)			
Investment securities at amortized cost	<b>3,675,195</b>	-	-
Financial assets at FVPL, futures and swaps	<b>1,464,030</b>	965,730	(235,917)
Foreign currency exchange gains - net	<b>346,100</b>	427,050	738,597

(Forward)



	2020	2019	2018
		(In Thousands)	
Recovery on written-off assets	₱291,757	₱526,853	₱739,285
Trust income (Note 19)	79,271	70,535	51,333
Gain on sale of assets	20,740	94,840	139,087
Loss on asset foreclosure and dacion transactions	(152,135)	(199,991)	(212,896)
Modification loss	(2,718,323)	-	-
Others	156,558	97,025	104,437
	<b>₱6,873,985</b>	<b>₱7,218,485</b>	<b>₱6,212,376</b>

#### Modification loss

Bayanihan Act 1 advisory on loan moratorium was applied to loan amortization from March 16 to May 31, 2020. The Group fully supported this law, providing its employees and customers with payment extension for loans with payment due dates during the ECQ cutting off the incurring penalty fees and interest charges. Bayanihan 2 covers loan payments for principal and interest, including amortizations, that fall due between September 15 to December 31, 2020.

The following terms and conditions included in the Bayanihan Act program were observed by the Banking and Financial Services group:

1. Availment of the grace period shall have a corresponding loan maturity date extension equivalent to the availed grace period;
2. The auto-debit arrangement shall be suspended during the grace period which means that the account will not be debited on the said period;
3. The loan will not incur any late payment charges during the grace period; and
4. Due to payment deferrals, there shall be accrual of interest on the unpaid principal portion of the loans which shall be added to the loan's outstanding balance. Any remaining unpaid amount resulting from the deferment of the loan payments during the grace period shall be deducted in full from the settlement account together with the last monthly amortization.

In 2020, the Group, in addition to the reliefs provided under Bayanihan 1 Act and Bayanihan 2 Act, has offered financial reliefs to its borrowers/counterparties as a response to the effect of the COVID-19 pandemic. These relief measures included the following:

- Restructuring of existing receivables including extension of payment terms
- Relief for principal and interest repayments

Based on the Group's assessment, the modifications in the contractual cash flows as a result of the payment moratorium above are not significant and therefore do not result to the derecognition of the affected loans. The impact of loan modification amounted to a loss of ₱2,718.3 million for the Group.

Others include referral income earned on insurance premiums charged through credit cards.

Other income from power operations consist of:

	2020	2019	2018
		(In Thousands)	
Interest income (Note 6)	₱17,341	₱25,713	₱9,299
Income from liquidated damages	-	-	650,000
Others	33,839	358	-
	<b>₱51,180</b>	<b>₱26,071</b>	<b>₱659,299</b>



Income from liquidated damages in 2018 represents the amount of the Group's recovery of lost revenue from the delay in the completion of the power plant. This was applied against retention fees payable to contractor (see Note 23).

Other income from sugar operations consist of:

	2020	2019	2018
		(In Thousands)	
Fertilizers assistance income	<b>₱15,931</b>	₱15,211	₱17,251
Diesel mark-up	<b>9,069</b>	6,505	6,928
Handling income -- net	<b>1,899</b>	2,772	1,427
Storage income	<b>1,162</b>	1,329	1,924
Conversion rights	-	-	42,224
Others	<b>12,185</b>	5,242	19,484
	<b>₱40,246</b>	₱31,059	₱89,238

Fertilizer assistance income and diesel mark-up pertain to income from sale of fertilizer and diesel to planters of sugarcane.

Storage and handling income pertains to income from sugar storage and handling services provided to planters of sugarcane.

Conversion rights income pertain to reclassification of rights over issued quedans as directed by the Sugar Regulatory Administration.

Others include insurance fees, bagging fees and other miscellaneous income from bidding of quedans.

## 28. Costs

Cost of sale of lots, condominium and residential units consists of:

	2020	2019	2018
		(In Thousands)	
Subdivision lots, condominium and residential units (Note 14)	<b>₱5,857,591</b>	₱11,086,875	₱10,114,528
Land and land development costs (Note 14)	-	483,283	207,363
	<b>₱5,857,591</b>	₱11,570,158	₱10,321,891

Cost of mall and rental services consists of:

	2020	2019	2018
		(In Thousands)	
Depreciation (Note 16)	<b>₱646,358</b>	₱572,382	₱619,981
Mall operations	<b>101,038</b>	347,525	142,171
Amortization of BTO Rights (Note 20)	<b>77,928</b>	69,553	51,752
Others	<b>3,719</b>	58,646	66,693
	<b>₱829,043</b>	₱1,048,106	₱880,597

Others pertain to outside services, repairs and maintenance and association dues.



Cost of hospitality operations consists of:

	2020	2019	2018
		(In Thousands)	
Depreciation and amortization (Note 17)	<b>₱324,459</b>	₱329,413	₱207,986
Salaries, wages and employee benefits	<b>196,330</b>	392,328	272,550
Utilities	<b>158,098</b>	259,935	236,129
Food and beverage (Note 15)	<b>130,628</b>	348,125	303,144
Contract services	<b>43,531</b>	53,718	70,551
Guest transportation	<b>26,662</b>	35,808	48,733
Cleaning supplies	<b>22,017</b>	34,597	11,315
Guest laundry and linen	<b>9,619</b>	30,312	19,398
Business entertainment	<b>6,446</b>	2,960	4,650
Complimentary food and services	<b>3,112</b>	12,782	6,165
Kitchen fuels	<b>1,567</b>	14,265	16,775
Equipment rental	<b>1,269</b>	5,422	7,244
Guest amenities	<b>345</b>	38,722	32,826
Others	<b>87,334</b>	96,878	107,779
	<b>₱1,011,417</b>	₱1,655,265	₱1,345,245

Others include dive shop operating expenses, spa expenses, office supplies, banquet expenses, landscaping, cable services and other various expenses for the operations of the other operating departments of the hotel.

Cost of banking and financial services consists of:

	2020	2019	2018
		(In Thousands)	
Interest on:			
Deposit liabilities (Note 21)	<b>₱3,353,349</b>	₱6,431,376	₱4,236,888
Subordinated debt, bills payable and other borrowings (Notes 22 and 24)	<b>646,133</b>	1,492,461	557,073
	<b>₱3,999,482</b>	₱7,923,837	₱4,793,961

Cost of power operations consists of:

	2020	2019	2018
		(In Thousands)	
Coal and fuel cost (Note 15)	<b>₱1,890,539</b>	₱2,565,484	2,555,724
Depreciation and amortization (Note 17)	<b>1,136,666</b>	1,133,317	1,130,371
Purchase of electricity	<b>491,734</b>	737,200	517,597
Distribution and wheeling fees	<b>256,886</b>	309,345	257,208
Material cost	<b>194,181</b>	201,507	120,523
Maintenance cost	<b>109,901</b>	79,297	52,348
Salaries, wages and employee benefits	<b>95,722</b>	100,525	98,950
Outside services	<b>77,082</b>	69,349	773
Others	<b>39,222</b>	24,559	210
	<b>₱4,291,933</b>	₱5,220,583	₱4,733,704



Cost of sugar operations consists of:

	2020	2019	2018
		(In Thousands)	
Costs of sugarcane purchases	<b>₱1,834,111</b>	₱1,496,229	₱1,429,710
Milling cost	<b>533,771</b>	618,482	626,413
Materials and supplies (Note 15)	<b>161,506</b>	180,647	171,254
Salaries, wages and employee benefits	<b>151,562</b>	149,888	145,985
Depreciation and amortization (Note 17)	<b>133,989</b>	119,663	122,319
Cane hauling	<b>97,515</b>	77,189	88,105
Outside services	<b>60,695</b>	53,970	73,509
Taxes and licenses	<b>44,243</b>	45,365	45,716
Communications, light and water	<b>21,176</b>	20,927	20,166
Liens	<b>8,950</b>	8,479	8,490
Repairs and maintenance	<b>5,138</b>	25,987	7,791
Rent (Note 32)	<b>500</b>	2,483	144
Development costs	-	9,584	8,062
Trucking and handling charges	-	7,048	6,602
Others	<b>15,997</b>	33,308	9,893
Cost of goods manufactured	<b>3,069,153</b>	2,849,249	2,764,159
Decrease (increase) in:			
Sugar and molasses inventories	<b>(39,011)</b>	(18,922)	-
Biological assets (Note 20)	<b>44,793</b>	(6,837)	4,186
	<b>₱3,074,935</b>	₱2,823,490	₱2,768,345

Cost of other operations pertains to FDCI's interest expense on fixed-rate dollar bonds amounting to ₱267.8 million, ₱716.2 million and ₱640.0 million in 2020, 2019 and 2018, respectively (see Note 24).

## 29. Expenses

Expenses of real estate operations consists of:

	2020	2019	2018
		(In Thousands)	
Interest expense - loans (Note 24)	<b>₱2,672,371</b>	₱1,923,921	₱1,290,791
Interest expense - lease liabilities (Note 32)	<b>161,859</b>	158,398	-
	<b>2,834,230</b>	2,082,319	1,290,791
General and administrative			
Salaries, wages and employee benefits	<b>882,418</b>	1,152,018	983,028
Taxes and licenses	<b>946,426</b>	453,817	432,476
Depreciation and amortization (Notes 16 and 17)	<b>588,789</b>	487,936	380,553
Repairs and maintenance	<b>324,439</b>	302,102	227,049
Outside services	<b>235,076</b>	352,212	385,065
Bank charges	<b>189,585</b>	50,482	23,910
Travel and transportation	<b>159,137</b>	193,028	169,037
Entertainment, amusement and recreation	<b>122,613</b>	153,197	109,468
Utilities and communication	<b>83,548</b>	98,059	83,487
Electronic data processing charges	<b>87,230</b>	89,696	72,166

(Forward)



	2020	2019	2018
	(In Thousands)		
Retirement costs (Note 30)	₱44,551	₱29,271	₱49,939
Insurance	35,328	44,666	23,563
Provision (reversal of provision) for probable losses - net (Note 7)	31,435	(42,619)	(104,068)
Rent (Note 32)	25,013	66,011	138,676
Dues and subscriptions	20,699	48,652	28,401
Office supplies	11,749	14,170	19,989
Others	268,958	114,431	139,669
	<b>4,056,994</b>	<b>3,607,129</b>	<b>3,162,408</b>
Marketing expenses			
Commission	638,722	995,958	640,730
Selling, advertising and promotions	384,650	336,579	782,254
Sales office direct costs	85,222	92,791	89,733
Service fees	70,642	190,826	136,722
Others	5,333	14,640	50,706
	<b>1,184,569</b>	<b>1,630,794</b>	<b>1,700,145</b>
	<b>₱8,075,793</b>	<b>₱7,320,242</b>	<b>₱6,153,344</b>

Other general and administrative expenses includes postage, freight, office supplies, association dues and other charges.

Expenses of hospitality operations consist of:

	2020	2019	2018
	(In Thousands)		
Interest expense - loans (Note 24)	₱301,927	₱194,181	₱187,628
Interest expense - lease liabilities (Note 32)	114,642	81,472	-
Accretion expense on financial liability on lease contract (Notes 23 and 32)	-	-	60,987
	<b>416,569</b>	<b>275,653</b>	<b>248,615</b>
General and administrative:			
Salaries, wages and employee benefits	135,846	225,744	162,064
Management fees (Note 26)	73,444	131,472	101,694
Outside services	64,155	34,727	42,037
Depreciation and amortization (Note 17)	39,453	34,898	13,868
Association dues	37,096	37,783	38,684
Taxes and licenses	28,649	24,394	19,105
Repairs and maintenance	25,346	43,183	31,519
Insurance	15,589	16,032	11,120
Travel and transportation	12,196	23,413	16,391
Credit card commission	11,688	43,930	35,122
Utilities	4,822	182,278	45,913
Representation and entertainment	3,736	11,001	9,639
Corporate office reimbursable	3,590	20,224	4,047
Pre-operating expense	-	5,201	-
Rent (Note 32)	-	2,294	75,257
Others	35,561	38,886	13,803
	<b>491,171</b>	<b>875,460</b>	<b>620,263</b>
Marketing expenses	29,005	69,168	60,912
Share in net losses of joint venture (Note 18)	7,278	-	-
	<b>₱944,023</b>	<b>₱1,220,281</b>	<b>₱929,790</b>



Expenses of banking and financial services consist of:

	2020	2019	2018
	(In Thousands)		
General and administrative			
Salaries, wages and employee benefits	₱5,548,194	₱5,468,362	₱4,845,815
Taxes and licenses	2,583,184	2,655,618	2,326,683
Depreciation and amortization (Notes 16, 17 and 20)	1,877,283	1,812,369	1,077,209
Outside services	840,510	935,685	753,488
Insurance	706,927	714,434	687,122
Advertising	634,623	708,158	825,272
Service charges, fees and commission	602,317	707,180	601,022
Brokerage fees	591,706	683,167	647,502
Technological fees	586,066	492,652	502,011
Postage, telephone and telegraph	402,060	432,738	386,541
Travel and transportation	227,694	204,156	212,526
Amortization of capitalized software, customer relationships and core deposits (Note 20)	186,275	146,676	188,061
Utilities	176,497	214,164	217,159
Retirement costs (Note 30)	162,549	155,682	140,987
Repairs and maintenance	160,634	155,909	124,018
Stationery and supplies	138,646	136,361	109,978
Rent (Note 32)	90,810	107,121	1,037,898
Entertainment, amusement and recreation	36,007	42,621	46,208
Others (Notes 12 and 20)	579,139	502,415	489,706
	<b>16,131,121</b>	<b>16,275,468</b>	<b>15,219,206</b>
Provision for probable losses (Notes 9 and 16)	9,834,418	4,042,472	3,905,928
Share in net losses of a joint venture (Note 18)	300,623	339,482	395,817
	<b>₱26,266,162</b>	<b>₱20,657,422</b>	<b>₱19,520,951</b>

Others include payments for subscriptions, membership fees, trainings, donations and contributions, delivery and freight expenses, fines, penalties, other charges and clearing fees.

Expenses of power operations consist of:

	2020	2019	2018
	(In Thousands)		
Interest expense - loans (Note 24)	₱1,110,281	₱1,167,669	₱1,298,304
Interest expense - lease liabilities (Note 32)	46,974	48,532	-
Accretion expense on ARO (Note 23)	36,971	36,911	36,309
	<b>1,194,226</b>	<b>1,253,112</b>	<b>1,334,613</b>
General and administrative:			
Provision for probable losses (Notes 10, 23 and 33)	300,000	314,000	199,671
Taxes and licenses	297,963	297,207	294,773
Salaries, wages and employee benefits	160,899	168,076	167,336
Insurance	142,258	93,953	97,912
Outside services	82,795	107,799	85,792
Depreciation and amortization (Notes 17 and 20)	75,867	66,469	42,168

(Forward)



	2020	2019	2018
	(In Thousands)		
Professional fee	<b>₱43,105</b>	₱26,069	₱88,719
Retirement costs (Note 30)	<b>13,628</b>	9,631	4,958
Travel and transportation	<b>12,064</b>	23,420	12,862
Representation and entertainment	<b>10,788</b>	10,466	15,053
Utilities	<b>9,493</b>	9,591	12,689
Repairs and maintenance	<b>8,779</b>	6,343	13,655
Bank charges	<b>4,573</b>	2,655	2,448
Rent	<b>2,409</b>	3,513	98,799
Marketing	<b>—</b>	5,811	5,364
Others	<b>35,925</b>	66,896	60,858
	<b>1,200,546</b>	1,211,899	1,203,057
	<b>₱2,394,772</b>	₱2,465,011	₱2,537,670

Others include office supplies, freight and handling costs, contribution and donation, dues and subscription and financial assistance to host communities.

Expenses of sugar operations consist of:

	2020	2019	2018
	(In Thousands)		
Interest expense - loans (Note 24)	<b>₱29,572</b>	₱43,695	₱34,420
Interest expense - lease liabilities (Note 32)	<b>1,089</b>	—	—
	<b>30,661</b>	43,695	34,420
General and administrative			
Salaries, wages and employee benefits	<b>32,653</b>	34,924	36,394
Provision for impairment loss (Note 17)	<b>14,333</b>	43,485	82,353
Provision for probable losses (Notes 11 and 20)	<b>35,667</b>	11,355	107,358
Taxes and licenses	<b>23,764</b>	12,515	22,355
Outside services	<b>21,252</b>	13,019	21,253
Travel and transportation	<b>7,834</b>	8,695	8,294
Retirement costs (Note 30)	<b>7,365</b>	—	7,800
Entertainment, amusement and recreation	<b>4,807</b>	755	5,300
Supplies	<b>4,165</b>	3,754	3,863
Repairs and maintenance	<b>4,031</b>	4,752	4,021
Communication	<b>3,032</b>	3,701	2,496
Depreciation and amortization (Note 17)	<b>2,844</b>	11,961	4,454
Write-off of receivable	<b>—</b>	19,773	—
Others	<b>9,568</b>	19,855	5,998
	<b>171,315</b>	188,544	311,939
	<b>₱201,976</b>	₱232,239	₱346,359

Expenses of other operations consists of:

	2020	2019	2018
	(In Thousands)		
Interest expense (Note 24)	<b>₱1,160,865</b>	₱827,042	₱812,915
Interest expense - lease liabilities (Note 32)	<b>257</b>	—	—
	<b>1,161,122</b>	827,042	812,915
General and administrative			
Provision for probable losses (Notes 3 and 33)	<b>500,000</b>	—	300,000
Salaries, wages, and employee benefits	<b>64,129</b>	127,178	88,254
(Forward)			



	2020	2019	2018
	(In Thousands)		
Taxes and licenses	₱45,571	₱15,138	₱15,961
Bank charges	45,301	28,469	20,497
Outside services	38,542	47,255	-
Retirement cost	26,916	26,153	17,682
Travel and transportation	11,423	27,295	14,886
Repairs and maintenance	9,143	10,767	-
Depreciation and amortization (Note 16)	9,057	4,780	1,304
Entertainment, amusement and recreation	-	19,629	14,673
Rent	-	3,729	4,919
Others	155,340	-	1,481
	<b>905,422</b>	<b>310,393</b>	<b>479,657</b>
Share in net loss (income) of an associate (Note 18)	<b>(27,550)</b>	<b>59,923</b>	<b>-</b>
	<b>₱2,038,994</b>	<b>₱1,197,358</b>	<b>₱1,292,572</b>

Others pertain to the realized foreign exchange loss.

### 30. Retirement Plan

The Group has a funded, noncontributory defined benefit retirement plan (the “Plan”) covering substantially all of its officers and regular employees. Under the Plan, all covered officers and employees are entitled to cash benefits after satisfying certain age and service requirements. The retirement plan provides retirement benefits equivalent to 70% to 125% of the final monthly salary for every year of service. The funds are administered by the Group’s Treasurer under the supervision of the Board of Trustees of the Plan and are responsible for investment strategy of the Plan. RA 7641 requires a provision for retirement pay to qualified private sector employees provided that the employee’s retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan. The Group updates the actuarial valuation every year by hiring the services of a third party professionally qualified actuary. Changes to the net retirement liabilities recognized in the consolidated statements of financial position are as follows:

	2020		
	Present Value Of Defined Benefit Obligations	Fair Value Of Plan Assets (Note 26)	Net Defined Benefit Liabilities (Notes 20 and 23)
	(In Thousands)		
Balances as at January 1, 2020	₱2,110,285	₱970,613	₱1,139,672
Net benefit costs in profit or loss			
Current service cost	250,297	-	250,297
Net interest	173,523	117,094	56,429
	423,820	117,094	306,726
Remeasurements in other comprehensive income			
Return on plan assets (excluding amount included in net interest)	-	-	-
Actuarial changes arising from experience adjustments	98,304	-	98,304
Actuarial changes arising from changes in financial assumptions	221,081	(113,382)	334,463
	319,385	(113,382)	432,767
Benefits paid	(65,759)	(60,469)	(5,290)
Contributions	-	183,329	-183,329
Transfer in	12,070	-	12,070
Balances as of December 31, 2020	<b>₱2,799,801</b>	<b>₱1,097,185</b>	<b>₱1,702,616</b>



	2019		
	Present Value Of Defined Benefit Obligations	Fair Value Of Plan Assets (Note 26)	Net Defined Benefit Liabilities (Notes 20 and 23)
	(In Thousands)		
Balances as at January 1, 2019	₱1,948,828	₱831,752	₱1,117,076
Net benefit costs in profit or loss			
Current service cost	194,371	–	194,371
Net interest	118,226	91,860	26,366
	312,597	91,860	220,737
Remeasurements in other comprehensive income			
Return on plan assets (excluding amount included in net interest)	(143,449)	–	(143,449)
Actuarial changes arising from experience adjustments	(73,773)	–	(73,773)
Actuarial changes arising from changes in financial assumptions	130,834	90,309	40,525
	(86,388)	90,309	(176,697)
Benefits paid	(137,736)	(85,000)	(52,736)
Contributions	72,984	41,692	31,292
Balances as of December 31, 2019	₱2,110,285	₱970,613	₱1,139,672

The fair value of plan assets by each class are as follows:

	2020	2019
	(In Thousands)	
Cash and cash equivalents	₱124,485	₱26,290
Debt instruments:		
Private securities	84,725	79,775
Government securities	86,374	78,988
Equity instruments:		
Financial services	794,743	778,715
Real estate	5,001	5,001
Holding	–	–
Others	1,857	1,844
Fair value of plan assets	₱1,097,185	₱970,613

The Group's plan assets are carried at fair value. The fair value of investments in equity and debt securities are based on quoted price in the active market. The fair value of other assets and liabilities, which include deposits in banks, accrued interest and other receivables, and trust fee payables, approximate their carrying amount due to the short-term nature of these accounts.

The plan assets are diversified investments and are not exposed to concentration risk.

Each year, an Asset-Liability Matching Study (ALMS) is performed with the result being analyzed in terms of risk-and-return profiles. As of December 31, 2020 and 2019, EW's investment strategy consists of 74.0% of equity instruments, 15.0% of debt instruments, 11.0% cash and 82.0% of equity instruments, 8.0% of debt instruments, 3.0% cash, respectively.

EW expects to contribute ₱201.8 million to the plan in 2020.



The cost of defined benefit retirement plans as well as the present value of the benefit obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension benefits includes discount rates of 4.9% to 7.4% and salary increase of 5.0% to 6.5% in 2020, 2019 and 2018.

If the discount rate would be 100 basis points lower, the defined benefit obligation would increase by ₱165.8 million and ₱114.4 million in 2020 and 2019, respectively. If the discount rate would be 100 basis points higher, the defined benefit obligation would decrease by ₱137.6 million and ₱96.6 million in 2020 and 2019, respectively.

Each sensitivity analysis on the significant actuarial assumptions was prepared by remeasuring the Defined Benefit Obligation (DBO) at the reporting date after first adjusting one of the current assumptions according to the applicable sensitivity increment or decrement (based on changes in the relevant assumption that were reasonably possible at the valuation date) while all other assumptions remained unchanged. The sensitivities were expressed as the corresponding change in the DBO.

Shown below is the maturity analysis of the undiscounted benefit payments of the Group:

	<b>2020</b>	2019
	(In Thousands)	
Less than 1 year	<b>₱250,432</b>	₱415,294
More than 1 year and up to 5 years	<b>76,264</b>	895,545
More than 5 years up to 50 years	<b>5,248,215</b>	2,841,861

### 31. EPS

The following reflects the income and share data used in the basic EPS computations:

	<b>2020</b>	2019	2018
	(In Thousands, Except Per Share Figures)		
a. Net income - attributable to equity holders of the parent	<b>₱8,460,929</b>	₱11,970,302	₱9,768,663
b. Weighted average number of outstanding common shares	<b>8,648,463</b>	8,648,463	8,648,463
c. EPS - Basic (a/b)	<b>₱0.98</b>	₱1.38	₱1.13

There are no potential dilutive shares in 2020, 2019 and 2018.

Treasury shares of 671,409,400 shares in 2020 and 2019 are deducted from the total outstanding shares in computing the weighted average number of outstanding common shares (see Note 25).



### 32. Lease Commitments

#### *Operating Leases - Group as Lessor*

The Group, as a lessor, has future minimum rental receivables under renewable operating leases as of December 31, 2020 and 2019 as follows:

	2020	2019
	(In Thousands)	
Within 1 year	<b>₱5,350,531</b>	₱7,105,376
After 1 year but not more than 5 years	<b>11,503,650</b>	22,477,074
More than 5 years	<b>5,441,241</b>	11,458,327
	<b>₱22,295,422</b>	₱41,040,777

The Group entered into lease agreements with third parties covering real estate properties. These leases generally provide for either (a) fixed monthly rent (b) minimum rent or a certain percentage of gross revenue, whichever is higher. Most lease terms on commercial mall are renewable within one year, except for anchor tenants with terms ranging from 5 to 15 years.

Rental income recognized based on a percentage of the gross revenue of mall tenants amounted to ₱292.6 million, ₱308.3 million and ₱289.6 million in 2020, 2019 and 2018, respectively. In 2020, the Group granted rental concessions to its tenants which were affected by the community quarantine imposed by the government amounting to ₱734.4 million. These rent concessions did not qualify as a lease modification, thus, were accounted for as negative variable lease payments and reported as reduction of lease income in 2020 (see Note 3).

#### *Operating Leases - Group as Lessee*

The Group has lease contracts for various items of properties, machinery, vehicles and other equipment as of January 1, 2019. The Group's obligations under its leases are secured by the lessor's title to the leased assets. The Group has entered into lease arrangements with lease terms of between 4 and 52 years.

The rollforward analysis of ROU assets follows (amounts in thousands):

	December 31, 2020		
	Building	Machinery	Total
<b>Cost</b>			
At January 1	₱4,311,204	₱167,849	₱4,479,053
Additions	969,155	-	969,155
Disposals	344,066	-	344,066
Termination	(356,092)	-	(356,092)
At December 31	5,268,333	167,849	5,436,182
<b>Accumulated Amortization</b>			
At January 1	895,821	7,419	903,240
Amortization (Notes 17, 18, 28 and 29)	900,889	42,499	943,388
At December 31	1,796,710	49,918	1,846,628
<b>Net Book Values</b>	<b>₱3,471,623</b>	<b>₱117,931</b>	<b>₱3,589,554</b>



	December 31, 2019		
	Building	Machinery	Total
Cost			
At January 1	₱3,975,333	₱167,849	₱4,143,182
Additions	335,872	–	335,872
At December 31	4,311,205	167,849	4,479,054
Accumulated Amortization			
At January 1	–	–	–
Amortization (Notes 17, 18, 28 and 29)	895,821	7,419	903,240
At December 31	895,821	7,419	903,240
Net Book Values	₱3,415,384	₱160,430	₱3,575,814

The rollforward analysis of lease liabilities follows (amounts in thousands):

	2020	2019
At January 1	₱6,885,178	₱7,130,249
Additions	1,192,301	335,382
Disposal	(10,867)	–
Accretion of interest expense (Notes 28 and 29)	579,351	538,262
Payments	(1,288,905)	(1,118,715)
As at December 31	₱7,357,058	₱6,885,178
Lease liabilities - current portion	₱1,242,873	₱1,406,807
Lease liabilities - net of current portion	₱6,114,185	₱5,478,371

The following are the amounts recognized in the consolidated statement of income (amounts in thousands):

	2020	2019
	(In Thousands)	
Amortization expense of ROU assets (Notes 28 and 29)	₱1,061,631	₱999,576
Interest expense on lease liabilities (Notes 28 and 29)	579,351	538,262
Rent expense - short-term leases	109,105	165,483
Rent expense - low-value assets	2,973	480
Rent expense - variable lease payments	9,677	8,586
Variable lease payments (included in cost of sales)	–	–

The Group has lease contracts for land that contains variable payments based on a certain percentage of gross rental income of the commercial centers. These terms are negotiated by management for certain commercial spaces without steady customer demand. Management's objective is to align the lease expense with the revenue earned. For the years ended 2020 and 2019, the Group's variable lease payments amounted to ₱9.7 million and ₱8.6 million, respectively.

The significant leases entered into by the Group are as follows:

EW leases several premises occupied by its head office and branches. Some leases are subject to annual escalation of 5.0% to 10.0% and for periods ranging from 5 to 15 years, renewable upon mutual agreement of both parties.



FDC Misamis entered into a noncancellable lease agreement with PHIVIDEC Industrial Authority (PIA) for the lease of undivided parcel of lands containing an aggregate area of 844,921 square meters to be used for its business of power generation, supply and distribution with a term of 25 years, exclusive of 3-year construction period. Construction period and lease period commenced on August 18, 2013 and August 18, 2016, respectively. The lease agreement can be renewed for another 25 years upon expiration at the option of FDC Misamis subject to mutually agreed terms and conditions.

In 2016, FMI entered into a 50-year lease agreement with CDC (see Note 1) for the lease of 201.6 hectares of land and hotel properties (the Mimosa Leisure Estate), renewable for another 25 years. Land component of the lease is accounted for as an operating lease.

#### *Rental Agreements*

The Group entered into lease agreements for its mall retail spaces and office spaces with the following identified performance obligations: (a) lease of space; (b) provisioning of water and electricity; (c) provision of air conditioning and CUSA services; and (d) administration fee.

Revenue from lease of space is recognized on a straight line basis over the lease term while revenue for the remaining performance obligations are recognized when services are rendered. The tenant is required to settle within 7 to 20 days upon receipt of the bill. In case of delay in payments, a penalty of 3.0% to 36.0% per annum is charged for the amount due for the duration of delay. The lease arrangement would typically require a tenant to pay advance rental equivalent to 3 months and a security deposit equivalent to 3 months rental to cover any breakages after the rental period, with the excess returned to the tenant.

In line with the rental relief framework implemented by the government to support businesses and the broader economy due to the impact of COVID-19, the Group waived its right to collect rent and other charges as part of lease concessions it granted to lessees. Rent discounts and concessions given vary for merchants that are (1) allowed to operate during community quarantine and operational (2) allowed to operate during community quarantine but not operational (3) not allowed to operate during community quarantine.

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### **33. Contingencies and Commitments**

#### *Contingencies and Provisions*

The Group is involved in various legal actions, claims and contingencies incident to its ordinary course of the business. Management believes that any amount the Group may have to pay in connection with any of these matters would not have a material adverse effect on the Group's financial position or operating results. The information normally required by PAS 37 is not disclosed as it may prejudice the outcome of the proceedings.

#### PSHC

In connection with an ongoing case, PSHC has posted a standby letter of credit issued by a reputable bank to be the security for any judgment in the case. In August 2017, the Regional Trial Court (RTC) issued a decision in favor of the plaintiff.

On February 15, 2019, the Court of Appeals issued a decision which partially granted the appeal and modified the actual damages in favor of the plaintiff. The plaintiff has filed a Motion for Partial Reconsideration of the said decision of Court of Appeals. PSHC filed its Comment on such Motion on July 8, 2019. On November 12, 2019, the Court of Appeals issued a resolution denying the



Motion for Partial Reconsideration filed by Coca-Cola. Coca-Cola thus filed a petition for review, dated January 3, 2020, with the Supreme Court, to assail the Court of Appeal's decision.

FDCUI

In relation to the termination of IPPA contracts, certain liabilities arose, the settlement of which is currently under negotiation. The potential outcome of the said negotiation cannot be reliably determined.

On May 22, 2020, FDCUI and Power Sector Asset and Liabilities Management (PSALM) entered into an agreement to fully irrevocably release, waive and discharge forever each other from any and all claims, obligations and actions, arising out of or in connection with the dispute. On May 29, 2020, FDCUI has paid PSALM the amount of ₱883.2 million. As of December 31, 2020 and 2019, outstanding balance of accounts payable to PSALM and provision for probable losses arising from legal contingencies and tax assessments amounted to nil and ₱903.6 million, respectively, and is included as part of Accounts payable, accrued expenses and other liabilities (see Note 23).

FDC

On December 13, 2019, FDC entered into a Share Purchase Agreement for the purchase of all the issued shares of Choengmon Real Estate Company Limited (CRE), a limited liability company established under the laws of Thailand, which is currently developing an international five-star luxury quality resort. The resort shall be operated by FDC's subsidiary under the Crimson brand. Closing and completion of the transaction is subject to the satisfaction of certain conditions precedent and completion requirements by each of the parties. In 2020, both FDC and CRE have terminated the Agreement.

*Commitments*

EW

EW has several loan related suits and claims that remain unsettled. It is not practicable to estimate the potential financial impact of these contingencies. However, in the opinion of the management, the suits and claims, if decided adversely, will not involve sums having a material effect on the consolidated financial statements.

The following is a summary of contingencies and commitments of EW at their Peso-equivalent contractual amounts arising from off-balance sheet items of EW:

	2020	2019
	(In Thousands)	
Unused credit line - credit cards	₱67,145,794	₱65,702,553
Trust department accounts (Note 30)	38,954,320	35,044,324
Forward exchange sold	6,015,611	3,211,557
Outstanding guarantees	5,987,675	6,427,055
Spot exchange sold	3,208,171	2,595,228
Interest rate swap	1,920,920	2,025,400
Unused commercial letters of credit	1,793,888	4,301,256
Forward exchange bought	1,208,306	689,217
Spot exchange bought	1,138,347	3,116,937
Financial futures bought	816,061	1,208,990
Inward bills for collection	692,281	639,754

(Forward)



	2020	2019
	(In Thousands)	
Outward bills for collection	<b>₱657,316</b>	₱280,721
Treasurer/cashier/manager's checks	<b>22,883</b>	1,392,247
Late deposits/payments received	<b>8,176</b>	34,480
Items held for safekeeping	<b>1,669</b>	1,700
Others	<b>826</b>	4,677

#### FLI

##### *BTO Agreement with Cebu Province*

In connection with the BTO Agreement with the Cebu Province, the Group is committed to develop and construct a BPO Complex on the properties owned by Cebu Province located at Salinas, Lahug, Cebu City and transfer the ownership of the BPO Complex to the Cebu Province upon completion in exchange for the right to operate and manage the BPO Complex for the entire term of the agreement and its renewal (see Note 20).

##### *Capital Commitments and Obligations*

The Group has contractual commitments and obligations for the construction and development of investment properties and property and equipment items aggregating ₱5,765.0 million and ₱4,783.4 million as of December 31, 2020 and 2019, respectively.

##### *Assignment of Development Rights under a BTO Agreement*

On June 26, 2015, FLI and a third party entered into an agreement whereby the latter agreed to assign its project development rights and benefits under its BTO Agreement with Cebu Province to FLI. In consideration of this assignment, FLI paid upfront fee amounting to ₱50.0 million and ₱150.0 million in 2016 and 2015, respectively. As of December 31, 2020 and 2019, project construction has not started pending approval from the Province of Cebu on cleared site and this upfront fee is recorded as part of Other assets in the consolidated statement of financial position (see Note 20).

##### *Development Agreement with BCDA*

In 2015, FLI won the contract to develop a 288-hectare area in Clark Green City in Pampanga and paid 10% of the bid premium as bid security which amounted to ₱16.0 million. On January 8, 2016, the Joint Venture Agreement with BCDA was signed, and pursuant to the terms of the development of the project, FLI paid the ₱160.0 million bid premium representing the right to own 55.0% of the equity on the joint venture company to be formed with BCDA.

On February 11, 2016, FLI incorporated FCGC and FBCI, the entities that will handle the development of the Clark Green City Project. The bid premium is presented as part of investment properties in the consolidated financial statements.

On March 16, 2016, FCGC and BCDA incorporated FBCI with an initial authorized capital stock of ₱1.0 million divided into 1.0 million common shares with par value of ₱1.0 per share.

On March 29, 2017 and May 17, 2017, FBCI's BOD and stockholders, respectively, approved the application for the increase in the authorized capital stock. On September 28, 2018, the SEC approved the increase in the authorized capital stock of FBCI from ₱1.0 million divided into 1.0 million shares at ₱1.00 par value per share to ₱1.0 billion divided into 1.0 billion shares at ₱1.00 par value per share. FCGC subscribed 282,880,000 shares at par value amounting to ₱282.9 million, out of which ₱267.3 million shares at is still unpaid.



On the other hand, BCDA subscribed 231,000,000 shares amounting ₱231.0 million and paid its subscription thru the assignment of a 50-year DUR over the parcel of land where the CGC project will be developed. The value of the DUR approved by the SEC amounted to ₱231.0 million, which is equal to BCDA's subscription on the increase in authorized capital stock. FCGCC and BCDA subscribed pro rata on the increase in authorized capital stock based on their existing ownership interest. The DUR was recorded in FBCI's books as of December 31, 2020 and 2019 under investment properties.

#### PSHC

##### *Milling Contracts*

DSCC and CCCC (Millers) have milling contracts with various planters which provide for a certain sharing ratio between the Millers and the planters for the resulting sugar and molasses produced in their respective sugar mills. The milling contracts are effective for a period of 15 agricultural crop years, subject to an extension of another 15 crop years at the option of the Millers.

##### *Development Agreements*

HYSFC entered into several Development Agreements (the Agreements) with various landowners for the development and cultivation of certain parcels of agricultural land for sugarcane production. The Agreements are effective for periods of 15 agricultural crop years and renewable for such additional periods under conditions mutually agreed upon by the parties. Under the Agreements, HYSFC shall have the rights and authority to enter into possession of the properties, and to do all acts, deeds, matter and things necessary for its proper and profitable development, cultivation and improvement as viable sugarcane plantation.

Other provisions of the Agreements follow:

- HYSFC shall furnish necessary management expertise, equipment and technology for the agricultural development and cultivation;
- Parties shall be entitled to receive from the income derived from the property during the effectivity of the Agreements;
- HYSFC shall advance to the other party in the Agreements a portion of the latter's share in the profits from the Agreements;
- After satisfying the advance in full, the succeeding annual share in the profits of the other party in the Agreements shall be paid on the first day of the crop year following complete deduction of advances made; and
- The remaining amount in the income from the property shall pertain to the HYSFC as its share in the income on the agricultural development undertaken.

Impacted by the development agreements are the advances to planters and biological assets recorded in the consolidated statements of financial position. The carrying values of the Group's advances to sugar planters (included in Loans and receivables - sugar operations, see Note 11) and biological assets (included in Other assets account, see Note 20) in the consolidated statements of financial position, amounted to ₱111.2 million and ₱23.8 million, respectively, as of December 31, 2020 and ₱125.2 million and ₱68.6 million, respectively, as of December 31, 2019.

#### FAI

On October 3, 2019, FAI entered into a joint venture agreement (the JV Agreement) with Mitsubishi Corporation (MC) to develop upscale mixed used projects in Alabang Muntinlupa City. Immediately upon securing Philippine Competition Commission (PCC) approval and subject to meeting certain conditions in the JV Agreement, FAI shall convey 40% of the issued and outstanding common shares and 40% of the issued and outstanding redeemable preferred shares of SAPI to MC for a consideration of ₱3,047.0 million.



On December 10, 2019, the PCC approved the joint venture between FAI and MC. On December 16, 2019, the Philippine SEC approved the incorporation of SAPI, the joint venture entity which will implement the project.

On June 24, 2020, Deed of Absolute Sale of SAPI shares from FAI to MC was executed upon satisfaction of the conditions under the joint venture agreement. As a result, FAI conveyed 40% of the issued and outstanding common shares and 40% of the issued and outstanding redeemable preferred shares of SAPI to MC which resulted in the deconsolidation of SAPI from FAI.

### 34. Income Tax

The components of net deferred tax assets follow:

	2020	2019
	(In Thousands)	
<b>Deferred tax assets on:</b>		
Allowance for impairment and credit losses	<b>₱4,104,209</b>	₱2,641,701
Lease liabilities	<b>1,142,578</b>	1,077,488
Effects of modification loss	<b>735,935</b>	-
Provision for accruals	<b>343,739</b>	399,724
Provision for retirement and unamortized past service cost	<b>283,133</b>	111,705
Difference in change in depreciation method	<b>226,583</b>	75,354
Depreciation of assets foreclosed or dacioned	<b>174,497</b>	216,000
Unrealized foreign exchange loss	<b>97,443</b>	72,018
Deferred bancassurance fee	<b>67,500</b>	72,000
Advance rentals	<b>48,596</b>	84,994
Cash flow hedge reserve	-	31,187
NOLCO	<b>44,464</b>	15,072
Others	<b>76,156</b>	152,531
	<b>7,344,833</b>	4,949,774
<b>Deferred tax liabilities on:</b>		
ROU assets	<b>(1,014,050)</b>	(1,072,744)
Gain on asset foreclosure and dacion transactions	<b>(164,647)</b>	(219,415)
Branch license acquired from business combination	<b>(187,620)</b>	(187,620)
Remeasurement of EW Ageas Life shares (JV)	<b>(100,750)</b>	(100,750)
Revaluation increment in land	<b>(19,856)</b>	(38,173)
Unrealized trading gains	<b>(18,113)</b>	(34,551)
Excess of fair value over cost of investment property and property and equipment acquired in business combination	<b>(548)</b>	(34,196)
Unrealized foreign exchange gain	-	(53)
Others	<b>(36,837)</b>	(6,841)
	<b>(1,542,421)</b>	(1,694,343)
	<b>₱5,802,412</b>	₱3,255,431



The components of the net deferred tax liabilities follow:

	2020	2019
	(In Thousands)	
Deferred tax liabilities on:		
Capitalized borrowing costs	<b>₱4,944,626</b>	₱4,839,445
Deemed cost revaluation increment in investment properties and property, plant and equipment	<b>4,020,905</b>	4,020,905
Excess of real estate revenue based on financial accounting policy over revenue based on tax rules	<b>3,001,118</b>	2,528,659
ROU assets	<b>174,111</b>	285,189
Excess of fair value over cost of investment property and property and equipment acquired in business combination	<b>37,624</b>	-
Others	<b>58,197</b>	44,792
	<b>12,236,581</b>	11,718,990
Deferred tax assets on:		
NOLCO	<b>(285,488)</b>	-
Lease liabilities	<b>(198,423)</b>	(268,928)
Provision for retirement and unamortized past service cost	<b>(111,410)</b>	(10,512)
Remeasurement losses on retirement plan	<b>(91,505)</b>	(57,778)
Advance rentals	<b>(68,392)</b>	(84,994)
Allowance for ECL	<b>(38,238)</b>	(23,381)
Unrealized foreign exchange loss	<b>(1,914)</b>	(1,830)
Others	<b>(56,857)</b>	(56,975)
	<b>(852,227)</b>	(504,398)
	<b>₱11,384,354</b>	₱11,214,592

The Group did not recognize deferred tax assets on the following temporary differences, NOLCO, allowance for ECL, unrealized foreign exchange loss and MCIT since management believes that their carryforward benefits may not be realized.

	2020	2019
	(In Thousands)	
NOLCO	<b>₱2,882,111</b>	₱2,646,870
Provisions/Accruals	<b>1,306,066</b>	1,011,474
Allowance for ECL	<b>221,191</b>	58,294
Excess MCIT over RCIT	<b>33,292</b>	56,041
Unrealized foreign exchange loss	<b>5,432</b>	84,346

Details of the Group's NOLCO and MCIT are as follows:

Year Incurred	NOLCO	MCIT	Expiry Date
	(In Thousands)		
2020	₱2,260,058	₱10,173	December 31, 2023*
2019	1,063,066	9,638	December 31, 2022
2018	619,910	13,322	December 31, 2021
	<b>₱3,943,034</b>	<b>₱33,133</b>	

\*2025 for NOLCO



The following are the movements in NOLCO and MCIT:

	NOLCO		MCIT	
	2020	2019	2020	2019
	(In Thousands)			
Balances at beginning of year	<b>₱2,697,110</b>	₱2,257,406	<b>₱56,686</b>	₱56,822
Additions	<b>2,260,058</b>	1,063,066	<b>10,173</b>	9,638
Expired/applied	<b>(1,014,134)</b>	(623,362)	<b>(33,726)</b>	(9,774)
Balances at end of year	<b>₱3,943,034</b>	₱2,697,110	<b>₱33,133</b>	₱56,686

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

The reconciliation of the provision for income tax computed at the statutory tax rate to the actual provision for income tax follows:

	2020	2019	2018
	(In Thousands)		
Income tax at statutory rate	<b>₱3,825,764</b>	₱6,080,148	₱5,366,373
Adjustments for:			
Movements in unrecognized deferred tax assets	<b>1,106,856</b>	469,145	162,561
Nondeductible expenses	<b>553,748</b>	570,788	575,371
Capital gains tax	<b>133,121</b>	969	–
FCDU income	<b>(1,510,380)</b>	(720,111)	(420,040)
Gain on deconsolidation	<b>(870,123)</b>	–	–
Income tax holiday availed	<b>(861,113)</b>	(997,186)	(38,630)
Nontaxable income	<b>(423,557)</b>	(381,406)	(172,761)
Rent income covered by Philippine Economic Zone Authority (PEZA)	<b>(436,779)</b>	(446,960)	(307,634)
Income subjected to final tax	<b>(204,563)</b>	(251,855)	(78,017)
Tax-exempt realized gross profit on sold socialized housing units	<b>(8,549)</b>	(14,292)	(2,314)
Expired MCIT	–	965	–
Others	<b>(57,112)</b>	74,701	69,802
	<b>₱1,247,313</b>	₱4,384,906	₱4,454,711

Under Philippine tax laws, the regular banking unit of EW is subject to percentage and other taxes (presented as taxes and licenses in the cost of banking and financial services in the consolidated statements of income) as well as income taxes. Percentage and other taxes consist principally of gross receipt tax and documentary stamp taxes.

Corporate Recovery and Tax Incentives for Enterprises Act” or “CREATE”

On February 1, 2021, the Bicameral Conference Committee, under the 18th Congress of the Philippines, approved the reconciled version of the House Bill No. 4157 and Senate Bill No.1357 (the CREATE). The general features of the CREATE bill are the following:

- Reduction in current income tax rate effective July 1, 2020;
- Proprietary educational institutions and hospitals which are nonprofit previously subject to a tax of 10% on their taxable income, shall be imposed a tax rate of 1% beginning July 1, 2020 until June 30, 2023;



- Increased threshold on sale of real estate properties that is exempt from VAT;
- Regional operating headquarters of multinational companies previously subject to a tax of 10% on their taxable shall be subject to the regular corporate income tax effective December 31, 2020; and
- Effective July 1, 2020 until June 30, 2023, the MCIT rate shall be one percent 1%.

As at March 18, 2021, the harmonized copy of the CREATE bill has been transmitted to the Office of the President for signing or approval into law.

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### 35. Segment Information

Operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision-maker in deciding how to allocate resources and in assessing performance. Generally, financial information is required to be reported on the basis that is used internally for evaluating segment performance and deciding how to allocate resources to segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss, which in certain respects, are measured similarly as net income in the consolidated financial statements.

The chief operating decision-maker has been identified as the Executive Committee. This committee reviews the Group's internal reports in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The Group does not report its results based on geographical segments because the Group currently operates only in the Philippines.

There were no revenue transactions with a single external customer which accounted for 10% or more of the consolidated revenue from external customers as of and for the years ended December 31, 2020, 2019 and 2018.

The Group 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 retail electricity supply operations.

*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, CTI, FDCI, SharePro, FDEV and DPI. 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.

The financial information on the operations of these business segments as shown below are based on the measurement principles that are similar with those used in measuring the assets, liabilities, income and expenses in the consolidated financial statements which is in accordance with PFRS, except for the adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA).



December 31, 2020									
	Real Estate Operations	Hospitality Operations	Banking and Financial Services	Power Operations	Sugar Operations	Other Operations	Combined	Eliminating Entries	Consolidated
(In Thousands)									
<b>Revenues</b>									
External customers	₱17,121,230	₱1,235,476	₱30,266,701	₱8,427,749	₱3,666,210	₱-	₱60,717,366	₱-	₱60,717,366
Inter-segment	490,993	-	443,526	612,186	2,680,551	-	4,227,253	(4,227,253)	-
	17,612,223	1,235,476	30,710,227	9,039,935	6,346,761	-	64,944,619	(4,227,253)	60,717,366
<b>Other income</b>	4,321,259	14,418	6,873,985	51,180	40,246	3,786,634	15,087,722	(3,786,634)	11,301,088
	₱21,933,482	₱1,249,894	₱37,584,212	₱9,091,115	₱6,387,007	₱3,786,634	₱80,032,341	(₱8,013,887)	₱72,018,454
<b>Adjusted EBITDA</b>	₱11,546,492	(₱136,775)	₱9,161,737	₱4,252,818	₱603,502	₱2,609,944	₱28,037,718	(₱4,874,218)	₱23,163,500
<b>Net income</b>	₱6,528,541	(₱753,503)	₱6,507,804	₱1,779,466	₱355,610	₱1,397,324	₱15,815,242	(₱4,310,010)	₱11,505,232
<b>Assets</b>									
Operating assets	₱284,173,340	₱11,784,902	₱415,877,913	₱36,302,599	₱2,560,854	₱10,046,615	₱760,746,223	(₱112,731,238)	₱648,014,985
Less deferred tax asset	145,107	119,788	5,177,682	300,443	175,225	7,237	5,925,482	(123,070)	5,802,412
<b>Net operating assets</b>	₱284,028,233	₱11,665,114	₱410,700,231	₱36,002,156	₱2,385,629	₱10,039,378	₱754,820,741	(₱112,608,168)	₱642,212,573
<b>Liabilities</b>									
Operating liabilities	₱150,982,340	₱9,968,277	₱352,912,154	₱26,987,546	₱1,239,623	₱9,750,412	₱551,840,352	(₱45,432,189)	₱506,408,163
Less deferred tax liabilities	11,093,438	164,646	-	469	7,995	1,897	11,268,445	115,909	11,384,354
<b>Net operating liabilities</b>	₱139,888,902	₱9,803,631	₱352,912,154	₱26,987,077	₱1,231,628	₱9,748,515	₱540,571,907	(₱45,548,098)	₱495,023,809
December 31, 2019									
	Real Estate Operations	Hospitality Operations	Banking and Financial Services	Power Operations	Sugar Operations	Other Operations	Combined	Eliminating Entries	Consolidated
(In Thousands)									
<b>Revenues</b>									
External customers	₱28,917,841	₱3,311,183	₱29,139,017	₱10,113,074	₱3,367,879	₱-	₱74,848,994	₱-	₱74,848,994
Inter-segment	719,286	-	618,926	821,910	2,384,149	-	4,544,271	(4,544,271)	-
	29,637,127	3,311,183	29,757,943	10,934,984	5,752,028	-	79,393,265	(4,544,271)	74,848,994
<b>Other income</b>	2,143,350	49,350	7,218,485	26,071	31,059	1,788,582	11,256,897	(1,788,582)	9,468,315
	₱31,780,477	₱3,360,533	₱36,976,428	₱10,961,055	₱5,783,087	₱1,788,582	₱90,650,162	(₱6,332,853)	₱84,317,309
<b>Adjusted EBITDA</b>	₱15,435,157	₱794,435	₱9,941,365	₱4,965,235	₱500,834	₱972,558	₱32,609,584	(₱3,359,341)	₱29,250,243
<b>Net income</b>	₱8,859,468	₱40,800	₱6,241,906	₱2,352,276	₱281,252	₱17,334	₱17,793,036	(₱1,910,781)	₱15,882,255



December 31, 2019									
	Real Estate Operations	Hospitality Operations	Banking and Financial Services	Power Operations	Sugar Operations	Other Operations	Combined	Eliminating Entries	Consolidated
(In Thousands)									
<b>Assets</b>									
Operating assets	₱273,584,213	₱12,593,558	₱414,035,280	₱39,397,240	₱2,463,373	₱11,667,134	₱753,740,798	(₱111,585,923)	₱642,154,875
Less deferred tax asset	52,921	8,155	2,829,207	128,861	114,556	8,840	3,142,540	112,891	3,255,431
<b>Net operating assets</b>	<b>₱273,531,292</b>	<b>₱12,585,403</b>	<b>₱411,206,073</b>	<b>₱39,268,379</b>	<b>₱2,348,817</b>	<b>₱11,658,294</b>	<b>₱750,598,258</b>	<b>(₱111,698,814)</b>	<b>₱638,899,444</b>
<b>Liabilities</b>									
Operating liabilities	₱145,755,684	₱10,053,470	₱357,449,639	₱29,404,594	₱1,225,267	₱14,712,742	₱558,601,396	(₱48,596,507)	₱510,004,889
Less deferred tax liabilities	11,201,678	14,911	—	816	16,555	6,903	11,240,863	(26,271)	11,214,592
<b>Net operating liabilities</b>	<b>₱134,554,006</b>	<b>₱10,038,559</b>	<b>₱357,449,639</b>	<b>₱29,403,778</b>	<b>₱1,208,712</b>	<b>₱14,705,839</b>	<b>₱547,360,533</b>	<b>(₱48,570,236)</b>	<b>₱498,790,297</b>
December 31, 2018									
	Real Estate Operations	Hospitality Operations	Banking and Financial Services	Power Operations	Sugar Operations	Other Operations	Combined	Eliminating Entries	Consolidated
(In Thousands)									
<b>Revenues</b>									
External customers	₱26,537,183	₱2,665,466	₱23,794,478	₱8,630,461	₱3,287,221	₱—	₱64,914,809	₱—	₱64,914,809
Inter-segment	793,251	—	563,633	681,762	2,569,278	—	4,607,924	(4,607,924)	—
Other income	27,330,434	2,665,466	24,358,111	9,312,223	5,856,499	—	69,522,733	(4,607,924)	64,914,809
	2,236,798	39,839	6,212,376	659,299	89,238	5,015,661	14,253,211	(5,015,661)	9,237,550
	₱29,567,232	₱2,705,305	₱30,570,487	₱9,971,522	₱5,945,737	₱5,015,661	₱83,775,944	(₱9,623,585)	₱74,152,359
<b>Adjusted EBITDA</b>	<b>₱14,414,175</b>	<b>₱546,486</b>	<b>₱7,241,568</b>	<b>₱4,594,725</b>	<b>₱411,472</b>	<b>₱3,469,785</b>	<b>₱30,678,211</b>	<b>(₱5,284,908)</b>	<b>₱25,393,303</b>
<b>Net income</b>	<b>₱9,143,351</b>	<b>₱133,857</b>	<b>₱4,508,062</b>	<b>₱1,866,963</b>	<b>₱147,708</b>	<b>₱2,377,842</b>	<b>₱18,177,783</b>	<b>(₱4,744,584)</b>	<b>₱13,433,199</b>
<b>Assets</b>									
Operating assets	₱257,158,903	₱9,602,327	₱374,845,176	₱37,942,945	₱2,676,305	₱12,329,533	₱694,555,189	(₱104,766,190)	₱589,788,999
Less deferred tax asset	104,921	—	2,265,962	37,770	48,698	48	2,457,399	143,353	2,600,752
<b>Net operating assets</b>	<b>₱257,053,982</b>	<b>₱9,602,327</b>	<b>₱372,579,214</b>	<b>₱37,905,175</b>	<b>₱2,627,607</b>	<b>₱12,329,485</b>	<b>₱692,097,790</b>	<b>(₱104,909,543)</b>	<b>₱587,188,247</b>
<b>Liabilities</b>									
Operating liabilities	₱135,885,785	₱7,851,979	₱324,707,284	₱29,957,346	₱1,655,395	₱15,214,199	₱515,271,988	(₱45,173,463)	₱470,098,525
Less deferred tax liabilities	10,742,612	—	—	4,600	19,091	—	10,766,303	(81,633)	10,684,670
<b>Net operating liabilities</b>	<b>₱125,143,173</b>	<b>₱7,851,979</b>	<b>₱324,707,284</b>	<b>₱29,952,746</b>	<b>₱1,636,304</b>	<b>₱15,214,199</b>	<b>₱504,505,685</b>	<b>(₱45,091,830)</b>	<b>₱459,413,855</b>



The Group's chief operating decision-maker also uses net income per segment after elimination in assessing performance of the identified reportable segments, as follows:

	Net Income (Loss) Before Elimination	Eliminating Entries	Net Income (Loss) After Elimination
(In Thousands)			
<b>December 31, 2020</b>			
Real estate operations	₱6,528,541	(₱510,189)	₱6,018,352
Hospitality operations	(753,503)	22,376	(731,127)
Banking and financial services	6,507,804	(151,716)	6,356,088
Power operations	1,779,466	159,623	1,939,089
Sugar operations	355,610	(7,551)	348,059
Other operations	1,397,324	(3,822,553)	(2,425,229)
	<b>₱15,815,242</b>	<b>(₱4,310,010)</b>	<b>₱11,505,232</b>
<b>December 31, 2019</b>			
Real estate operations	₱8,859,468	(₱427,435)	₱8,432,033
Hospitality operations	40,800	359,835	400,635
Banking and financial services	6,241,906	(138,094)	6,103,812
Power operations	2,352,276	166,115	2,518,391
Sugar operations	281,252	17,694	298,946
Other operations	17,334	(1,888,896)	(1,871,562)
	<b>₱17,793,036</b>	<b>(₱1,910,781)</b>	<b>₱15,882,255</b>
<b>December 31, 2018</b>			
Real estate operations	₱9,143,351	(₱633,358)	₱8,509,993
Hospitality operations	133,857	222,906	356,763
Banking and financial services	4,508,062	(284,336)	4,223,726
Power operations	1,866,963	228,558	2,095,521
Sugar operations	147,708	11,476	159,184
Other operations	2,377,842	(4,289,830)	(1,911,988)
	<b>₱18,177,783</b>	<b>(₱4,744,584)</b>	<b>₱13,433,199</b>

The following table shows a reconciliation of the total adjusted EBITDA to total income before income tax:

	2020	2019	2018
(In Thousands)			
Adjusted EBITDA for reportable segments	₱23,163,500	₱29,250,243	₱25,393,303
Depreciation and amortization (Notes 28 and 29)	(5,098,968)	(4,789,663)	(3,845,026)
Operating profit	18,064,532	24,460,580	21,548,277
Interest expense (Note 29)*	(5,311,987)	(4,193,419)	(3,660,367)
Income before income tax	<b>₱12,752,545</b>	<b>₱20,267,161</b>	<b>₱17,887,910</b>

\* Excluding financial liability on lease contract.



Disaggregated Revenue Information:

The Group derives revenue from the transfer of goods and services over time and at a point in time, in different product types and other geographical location within the Philippines.

*Real Estate Operations*

Disaggregation of each source of revenue from contracts with customers are presented below:

	2020	2019	2018
	(In Thousands)		
<b>Real Estate Sales by Product Type</b>			
Condominium and residential units	₱10,453,334	₱19,471,168	₱17,194,590
Commercial lots	–	1,666,703	2,938,297
Others	–	315,673	229,912
	<b>10,453,334</b>	<b>21,453,544</b>	<b>20,362,799</b>
<b>Cinema Operations by Type of Goods or Services (included as part of Mall and rental revenue)</b>			
Theater sales	₱18,821	150,565	129,333
Snack bar sales	1,920	22,526	16,201
	<b>20,741</b>	<b>173,091</b>	<b>145,534</b>
<b>Total Revenue from Contracts with Customers</b>	<b>10,474,075</b>	<b>21,626,635</b>	<b>20,508,333</b>
<b>Rental and related services</b>			
Office leasing	5,319,220	5,170,892	3,862,758
Mall and retail	1,110,806	1,810,698	2,077,415
Land lease	217,129	309,616	88,677
	<b>6,647,155</b>	<b>7,291,206</b>	<b>6,028,850</b>
<b>Total Revenue</b>	<b>₱17,121,230</b>	<b>₱28,917,841</b>	<b>₱26,537,183</b>

The Group's real estate sales and theater sales are revenue from contracts with customers recognized over time while revenue from snack bar sales is recognized at a point in time.

*Hospitality Operations*

Disaggregation of each source of revenue from contracts with customers are presented below:

	2020	2019	2018
	(In Thousands)		
<b>Hospitality Operations by Type of Services</b>			
Rooms services	₱698,637	₱1,842,294	₱1,400,300
Golf operations related services	115,226	257,305	352,291
Other operating departments	49,892	175,985	65,265
	<b>863,755</b>	<b>2,275,584</b>	<b>1,817,856</b>
<b>Sale of Goods by Product Type</b>			
Food and beverage	371,721	1,035,599	845,619
Souvenirs	–	–	1,991
	<b>371,721</b>	<b>1,035,599</b>	<b>847,610</b>
<b>Total Revenue from Contracts with Customers</b>	<b>₱1,235,476</b>	<b>₱3,311,183</b>	<b>₱2,665,466</b>

The Group recognizes revenue from room services and services of other operating department over time while revenue from sale of food and beverage, souvenirs and others are recognized at a point in time.



*Banking and Financial Services*

Disaggregation of each sources of revenue from banking and financial services are presented below:

	2020	2019	2018
	(In Thousands)		
<b>Interest Income</b>			
Loans and receivables (Note 9)	₱27,560,968	₱26,623,945	₱22,544,540
Financial assets at FVOCI and investment securities at amortized cost (Note 12)	1,901,083	2,037,981	1,029,352
Financial assets as FVPL (Note 12)	497,556	414,970	118,827
Due from other banks and IBLR (Note 6)	307,094	62,121	101,759
<b>Total Interest Income</b>	<b>₱30,266,701</b>	<b>₱29,139,017</b>	<b>₱23,794,478</b>

*Power Operations*

Disaggregation of each sources of revenue from contracts with customers are presented below:

	2020	2019	2018
	(In Thousands)		
<b>Revenue by Type of Services</b>			
Generated power	₱8,223,347	₱9,872,754	₱8,510,726
Retail electricity supply	204,402	240,320	119,735
<b>Total Revenue from Contracts with Customers</b>	<b>₱8,427,749</b>	<b>₱10,113,074</b>	<b>₱8,630,461</b>

The Group's revenue from generated power, retail electricity supply and IPP administration is recognized over time.

*Sugar Operations*

Disaggregation of each sources of revenue from contracts with customers are presented below:

	2020	2019	2018
	(In Thousands)		
<b>By Product Type</b>			
Raw sugar	₱2,385,125	₱2,246,274	₱2,285,467
Milling revenues	908,046	821,118	838,505
Molasses	300,220	211,580	135,674
Refined sugar	72,819	88,907	27,575
<b>Total Revenue from Contracts with Customers</b>	<b>₱3,666,210</b>	<b>₱3,367,879</b>	<b>₱3,287,221</b>

The Group's revenue from raw sugar, refined sugar and molasses is recognized at the point when control of the goods is transferred to customers.



### 36. Fair Value Measurement

The following table sets forth the fair value hierarchy of the Group's assets and liabilities measured at fair value and those for which fair values are required to be disclosed:

	2020				
	Carrying Value	Fair Value			
		Total	Quoted Prices in Active Market (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
(In Thousands)					
<b>Assets measured at fair value</b>					
<b>Financial assets</b>					
Financial assets at FVPL (Note 12)					
Government securities	₱7,475,347	₱7,475,347	₱7,475,347	₱-	₱-
Private bonds	37,907	37,907	37,907	-	-
Equity securities	10,338	10,338	10,338	-	-
	7,523,592	7,523,592	7,523,592	-	-
Derivative assets (Note 20)	30,037	30,037	-	30,037	-
Financial assets at FVOCI (Note 12)					
Government debt securities	29,021,537	29,021,537	29,021,537	-	-
Private bonds	450,169	450,169	450,169	-	-
Quoted equity securities including club shares	561,102	561,102	198,002	363,100	-
Unquoted equity securities	35,542	35,542	-	-	35,542
	30,068,350	30,068,350	29,669,708	363,100	35,542
<b>Assets for which fair values are disclosed</b>					
<b>Financial assets</b>					
Investment securities at amortized cost (Note 12)					
Government securities	14,842,794	17,504,706	17,504,706	-	-
Private bonds	6,056,905	6,882,745	6,882,745	-	-
	20,899,699	24,387,451	24,387,451	-	-
Loans and receivables					
Banking and financial services (Note 9)					
Corporate lending	46,459,829	49,392,321	-	-	49,392,321
Consumer lending	179,851,550	229,250,288	-	-	229,250,288
Unquoted debt securities	335,668	335,668	-	-	335,668
	226,647,047	278,978,277	-	-	278,978,277
Real estate operations (Note 7)					
Contracts receivable	4,651,077	4,651,077	-	-	4,651,077
Receivables from tenants	2,676,962	2,676,962	-	-	2,676,962
	7,328,039	7,328,039	-	-	7,328,039
<b>Nonfinancial assets</b>					
Investment properties (Note 16)	89,039,002	238,166,675	-	-	238,166,675
<b>Total assets</b>	<b>₱381,535,766</b>	<b>₱586,482,421</b>	<b>₱61,580,751</b>	<b>₱393,137</b>	<b>₱524,508,533</b>
<b>Liabilities measured at fair value</b>					
<b>Financial liabilities</b>					
Derivative liabilities (Note 23)					
	₱97,042	₱97,042	₱-	₱97,042	₱-
<b>Liabilities for which fair values are disclosed</b>					
<b>Financial liabilities at amortized costs</b>					
Deposit liabilities (Note 21)					
Time	87,846,290	88,107,593	-	-	88,107,593
LTNCD	12,422,976	15,507,275	-	-	15,507,275
	100,269,266	103,614,868	-	-	103,614,868
Accounts payable, accrued expenses and other liabilities (Note 23)					
Accounts payable	17,675,128	17,608,412	-	-	17,608,412
Retention fee payable	3,145,007	3,042,476	-	-	3,042,476
Deposits for registration	1,471,393	1,416,722	-	-	1,416,722
	22,291,528	22,067,610	-	-	22,067,610
Lease liabilities (Note 32)	7,357,058	9,607,897	-	-	9,607,897
Long-term and short-term debt (Note 24)	136,192,164	145,896,070	-	-	145,896,070
	₱266,207,058	₱281,283,487	₱-	₱97,042	₱281,186,445



2019					
Fair Value					
	Carrying Value	Total	Quoted Prices in Active Market (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
(In Thousands)					
Assets measured at fair value					
Financial assets					
Financial assets at FVPL (Note 12)					
Government securities	₱16,768,178	₱16,768,178	₱16,768,178	₱-	₱-
Private bonds	62,188	62,188	62,188	-	-
Equity securities	10,343	10,343	10,343	-	-
	16,840,709	16,840,709	16,840,709	-	-
Derivative assets (Note 20)	1,534,551	1,534,551	-	1,534,551	-
Financial assets at FVOCI (Note 12)					
Government debt securities	4,650,635	4,650,635	4,650,635	-	-
Quoted equity securities including club shares	475,133	475,133	14,903	460,230	-
Unquoted equity securities	197,902	197,902	-	-	197,902
	5,323,670	5,323,670	4,665,538	460,230	197,902
Assets for which fair values are disclosed					
Financial assets					
Investment securities at amortized cost (Note 12)					
Government securities	40,243,683	44,358,323	44,358,323	-	-
Private bonds	9,142,388	10,060,963	10,060,963	-	-
	49,386,071	54,419,286	54,419,286	-	-
Loans and receivables					
Banking and financial services (Note 9)					
Corporate lending	57,366,786	56,112,036	-	-	56,112,036
Consumer lending	189,806,049	193,211,159	-	-	193,211,159
Unquoted debt securities	344,188	344,188	-	-	344,188
	247,517,023	249,667,383	-	-	249,667,383
Real estate operations (Note 7)					
Contracts receivable	1,625,907	1,625,907	-	-	1,625,907
Receivables from tenants	1,996,515	1,996,515	-	-	1,996,515
	3,622,422	3,622,422	-	-	3,622,422
Nonfinancial assets					
Investment properties (Note 16)	82,571,561	293,346,285	-	-	293,346,285
<b>Total assets</b>	<b>₱406,796,007</b>	<b>₱624,754,306</b>	<b>₱75,925,533</b>	<b>₱1,994,781</b>	<b>₱546,833,992</b>
Liabilities measured at fair value					
Financial liabilities					
Derivative liabilities (Note 23)	₱128,004	₱128,004	₱-	₱128,004	₱-
Liabilities for which fair values are disclosed					
Financial liabilities at amortized costs					
Deposit liabilities (Note 21)					
Time	104,605,705	105,580,442	-	-	105,580,442
LTNCD	13,335,031	13,398,560	-	-	13,398,560
	117,940,736	118,979,002	-	-	118,979,002
Accounts payable, accrued expenses and other liabilities (Note 23)					
Accounts payable	19,787,823	18,833,441	-	-	18,833,441
Retention fee payable	3,284,336	3,180,668	-	-	3,180,668
Deposits for registration	1,289,402	1,289,402	-	-	1,289,402
	24,361,561	23,303,511	-	-	23,303,511
Lease liabilities (Note 32)	6,885,178	7,645,772	-	-	7,645,772
Long-term and short-term debt (Note 24)	130,221,265	144,265,477	-	-	144,265,477
	₱279,536,744	₱294,321,766	₱-	₱128,004	₱294,193,762



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

- *Financial Assets at FVPL:* Fair value is based on quoted prices as of reporting dates.
- *Loans and Receivables:* Fair values of loans and receivables is based on the discounted value of future cash flows using the prevailing interest rates and current incremental lending rates for similar types of receivables for real estate operations and banking and financial services, respectively. Interest rate used was 11.5% - 19.0% in 2020 and 2019. Carrying amounts of cash and cash equivalents approximate fair values considering that these consist mostly of overnight deposits and floating rate placements.
- *Debt Securities:* Fair values are generally based upon quoted market prices. If the market prices are not readily available, fair values are estimated using either values obtained from independent parties offering pricing services or adjusted quoted market prices of comparable investments or using the discounted cash flow methodology.
- *Equity Securities:* Fair values of quoted equity securities are based on quoted market prices.
- *Deposit Liabilities:* Fair values of liabilities approximate their carrying amounts due either to the demand nature or the relatively short-term maturities of these liabilities except for time deposit liabilities whose fair value are estimated using the discounted cash flow methodology using EW's IBR for similar borrowings with maturities consistent with those remaining for the liability being valued.
- *Bills and Acceptances Payable:* The carrying amounts approximate fair values due to short-term nature of transactions.
- *Accounts Payable, Accrued Expenses and Other Liabilities:* On accounts due within 1 year, the fair value of accounts payable, accrued expenses and other liabilities approximates the carrying amounts. On accounts due for more than 1 year, estimated fair value is based on the discounted value of future cash flows using the prevailing interest rates on loans and similar types of payables. Interest rates used range from 4.28% to 7.6% in 2020, 3.1% to 7.6% in 2019 and 4.3% to 7.6% in 2018, respectively.
- *Derivative Instruments:* Fair values of derivative instruments, mainly forwards and swaps, are valued using a valuation technique with market observable inputs. The most frequently applied valuation technique is forward pricing, which uses present value calculations. The model incorporates various inputs including the foreign exchange rates and interest rate curves prevailing at the statement of financial position date.
- *Long-term and Short-term Debt:* Estimated fair value on debts with fixed interest and not subjected to quarterly repricing is based on the discounted value of future cash flows using the applicable risk free rates for similar types of loans adjusted for credit risk. The discount rates used range from 2.9% to 6.5% as of December 31, 2020, 3.8% to 6.5% as of December 31, 2019 and 5.0% to 7.7% as of December 31, 2018. Long-term and short-term debt subjected to quarterly repricing is not discounted since it approximates fair value.

During the years ended December 31, 2020 and 2019, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.



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### 37. Financial Risk Management Objectives and Policies

The Group's principal financial instruments are composed of cash and cash equivalents, financial assets at FVPL, financial assets at FVOCI and investment securities at amortized cost, loans from financial institutions, mortgage and contracts receivables and other receivables. The main purpose of these financial instruments is to raise financing for the Group's operations. The main objectives of the Group's financial risk management are as follows:

- To identify and monitor such risks on an ongoing basis;
- To minimize and mitigate such risks; and,
- To provide a degree of certainty about costs.

#### Banking and Financial Operations

##### *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 1 of the 3 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 EW putting the prime responsibility on the 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 EW. 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 bank-wide 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.

###### 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 an infrastructure by ensuring business units have the right systems and adequate and competent manpower support to effectively manage its credit risk.

d. ALCO

ALCO, a management level committee, meets on a weekly basis and is responsible for the overall 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 I 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 BOD level committee that convenes monthly and is primarily responsible in assisting the BOD in managing the EW's risk taking activities. This is performed by the committee by institutionalizing risk policies and overseeing EW's risk management system. It develops and recommends risk appetite and tolerances for the EW's major risk exposures to the BOD. 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 BOD 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 four 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 EW. It leads the effective conduct of risk and capital management. It oversees and directs the management of 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 Parent Company in defining and fulfilling the corporate governance policies and attaining best practices while overseeing the implementation of EW'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 BOD, all direct reports of the President and Chief Executive Officer (CEO), Heads of Governance Units regardless of rank, and other positions of EW requiring appointment by the BOD. The committee oversees the annual performance evaluation of the BOD, 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. **RPT Committee**  
The RPT Committee assists the BOD 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 2 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 EW.
- 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 appraises 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 (ISPPIA) 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 EW'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 EW'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. It also manages the implementation of the Money Laundering and Terrorist Financing Program. 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.

The major risk types identified by EW Group are disclosed in the following section:

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 borrower or business and/or product segment; 2) structured and standardized credit rating for corporate, credit cards, auto and mortgage loans, and risk acceptance criteria for other 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 portfolio 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 concentration of risk 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 EW'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 percent (1.0%) of their aggregate outstanding balance. This is to maintain the quality of EW'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.

Credit Concentration Profile as of December 31, 2020 and 2019

Maximum Exposure to Credit Risk

The following table shows EW's maximum exposure to credit risk, before and after taking into account any collateral held or other credit enhancements:

	2020				2019			
	Maximum Exposure to Credit Risk [A]	Fair Value of Collateral [B]	Financial Effect of Collateral [C]	Net Exposure [D] = [A] - [C]	Maximum Exposure to Credit Risk [A]	Fair Value of Collateral [B]	Financial Effect of Collateral [C]	Net Exposure [D] = [A] - [C]
(In Millions)								
<b>Loans and receivables</b>								
Receivables from customers*								
Corporate lending	₱59,165,727	₱25,216,102	₱6,996,157	₱52,169,570	₱70,659,248	₱58,920,146	₱9,687,181	₱60,972,067
Consumer lending	180,099,881	105,385,234	80,379,884	99,719,998	190,054,380	126,480,757	98,515,227	91,539,153
	<b>₱239,265,608</b>	<b>₱130,601,336</b>	<b>₱87,376,041</b>	<b>₱151,889,568</b>	<b>₱260,713,628</b>	<b>₱185,400,903</b>	<b>₱108,202,408</b>	<b>₱152,511,220</b>

\*Excludes unamortized premium

For off-balance sheet items, the figures presented below as reported to BSP summarize EW's maximum exposure to credit risk:

	2020					2019				
	Notional Principal Amount	Credit Conversion Factor	Credit Equivalent Amount	Credit Risk Mitigation	Net Credit Exposure	Notional Principal Amount	Credit Conversion Factor	Credit Equivalent Amount	Credit Risk Mitigation	Net Credit Exposure
(In Millions)										
<b>Off-balance sheet items*</b>										
Direct credit substitutes	₱529,136	100%	₱529,136	₱-	₱529,136	₱887,751	100%	₱887,751	₱-	₱887,751
Transaction-related contingencies	1,600,500	50%	800,250	-	800,250	2,338,184	50%	1,169,092	-	1,169,092
Trade-related contingencies arising from movement of goods and commitments with an original maturity of up to 1 year										
Guarantees	5,458,540	20%	1,091,708	-	1,091,708	5,637,203	20%	1,127,441	-	1,127,441
Letters of credit	193,387	20%	38,677	-	38,677	1,865,172	20%	373,034	-	373,034
	<b>₱7,781,563</b>		<b>₱2,459,771</b>	<b>₱-</b>	<b>₱2,459,771</b>	<b>₱10,728,310</b>		<b>₱3,557,318</b>	<b>₱-</b>	<b>₱3,557,318</b>

\*For all other off-balance sheet exposures, credit conversion factor is 0.00%.

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.



### Credit collaterals profile

The table below provides the collateral profile of the outstanding loan portfolio of EW:

	2019		2018	
	Gross Amount	%	Gross Amount	%
Loans secured by:				
Chattel	₱86,152,049	36.01	₱94,457,301	36.23
Real Estate	25,888,994	10.82	44,741,879	17.16
Others*	11,815,628	4.94	10,206,786	3.91
	123,856,671	51.77	149,405,966	57.31
	115,408,937	48.23	111,307,662	42.69
Unsecured	₱239,265,608	100.00	₱260,713,628	100.00

\*Consists of government securities, corporate bonds, shares of stock, hold-out on deposits, assignment of receivables etc.

The credit exposures, after due consideration of the allowed credit enhancements, are considered the maximum credit exposure to any client or counterparty.

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

### Large Exposures and Top 20 Borrowers

The table below summarizes the top 20 borrowers and large exposures of EW:

	2020			
	Top 20 Borrowers		Large Exposures*	
	Single Borrowers	Group Borrowers	Single Borrowers	Group Borrowers
Aggregate Exposure (In Billions)	₱25,628,061	₱27,928,040	₱13,978,102	₱15,105,972
Composite Risk Rating	2.88	3.05	1.73	1.87
Total Expected Loss/Aggregate Exposure	0.29%	0.33%	0.17%	0.20%

\*Large exposures refer to exposures to a counterparty or a group of related counterparties equal to or greater than 5.0% of EW's qualifying capital.

	2019			
	Top 20 Borrowers		Large Exposures*	
	Single Borrowers	Group Borrowers	Single Borrowers	Group Borrowers
Aggregate Exposure (In Billions)	₱29,952,803	₱34,919,805	₱17,659,693	₱23,159,744
Composite Risk Rating	2.95	3.24	2.07	2.54
Total Expected Loss/Aggregate Exposure	1.09%	1.19%	0.83%	0.94%

\*Large exposures refer to exposures to a counterparty or a group of related counterparties equal to or greater than 5.0% of EW's qualifying capital.

### Concentration by Industry

An industry sector analysis of the financial assets of EW follows:

	2020					
	Loans and Receivables		Loans and Advances to Banks*	Investment Securities**	Other Financial Assets***	Total
	Amount	%				
Private households with employed persons	₱155,582,990	65.03	₱-	₱-	₱-	₱155,582,990
Government and foreign sovereign	-	-	-	51,360,350	-	51,360,350
Financial intermediaries	₱8,304,832	3.47	₱77,395,996	₱2,139,417	₱-	87,840,245
Wholesale and retail trade, repair of motor vehicles	16,430,562	6.87	-	-	-	16,430,562
Real estate, renting and business activity	29,390,343	12.28	-	1	-	29,390,344
Electricity, gas, steam and air-conditioning supply	6,466,538	2.70	-	4,426,037	-	10,892,575
Manufacturing	6,233,446	2.61	-	125	-	6,233,571
Accommodation and food service activities	3,057,665	1.28	-	-	-	3,057,665
Transportation and storage	2,401,087	1.00	-	-	-	2,401,087
Construction	1,756,133	0.73	-	-	-	1,756,133
Other service activities	1,429,972	0.60	-	-	-	1,429,972
Holding	-	-	-	-	-	-
Agriculture, fisheries and forestry	971,399	0.41	-	-	-	971,399

(Forward)



2020						
	Loans and Receivables		Loans and Advances to Banks*	Investment Securities**	Other Financial Assets***	Total
	Amount	%				
Administrative and support service activities	₱609,273	0.25	₱-	₱-	₱-	₱609,273
Others****	6,631,368	2.77	-	-	421,695	7,053,063
	239,265,608	100.00	77,395,996	57,925,930	421,695	375,009,229
Allowance for credit losses	11,711,529		110	30,932	-	11,742,571
<b>Total</b>	<b>₱227,554,079</b>		<b>₱77,395,886</b>	<b>₱57,894,998</b>	<b>₱421,695</b>	<b>₱363,266,658</b>

\* Includes Due from BSP, Due from Other Banks and IBLR.  
 \*\* Includes financial assets at FVTPL, financial assets at FVOCI and investment securities at amortized cost.  
 \*\*\* Includes other financial assets presented under 'Other assets' and commitments and contingent accounts  
 \*\*\*\* Includes Arts and recreation activities, mining and quarrying, human health and social activities, education, and information and communication.

2019						
	Loans and Receivables		Loans and Advances to Banks*	Investment Securities**	Other Financial Assets***	Total
	Amount	%				
Private households with employed persons	₱143,790,034	55.15	₱-	₱-	₱-	₱143,790,034
Government and foreign sovereign	-	0.00	-	58,794,838	-	58,794,838
Financial intermediaries	10,873,160	4.17	40,383,203	402,301	-	51,658,664
Wholesale and retail trade, repair of motor vehicles	41,179,879	15.80	-	-	-	41,179,879
Real estate, renting and business activity	28,079,403	10.77	-	22,007	-	28,101,410
Electricity, gas, steam and air-conditioning supply	7,327,647	2.81	-	9,403,667	-	16,731,314
Manufacturing	9,098,860	3.49	-	130	-	9,098,990
Accommodation and food service activities	3,245,335	1.24	-	-	-	3,245,335
Transportation and storage	2,663,253	1.02	-	-	-	2,663,253
Construction	2,120,126	0.81	-	-	-	2,120,126
Other service activities	1,726,380	0.66	-	-	-	1,726,380
Holding	-	0.00	-	1,736,451	-	1,736,451
Agriculture, fisheries and forestry	895,037	0.34	-	-	-	895,037
Administrative and support service activities	742,479	0.28	-	-	-	742,479
Others****	8,972,035	3.44	-	520,286	471,074	9,963,395
	260,713,628	100.00	40,383,203	70,879,680	471,074	372,447,585
Allowance for credit losses	6,241,306		93	2,265	-	6,243,664
<b>Total</b>	<b>₱254,472,322</b>		<b>₱40,383,110</b>	<b>₱70,877,415</b>	<b>₱471,074</b>	<b>₱366,203,921</b>

\* Includes Due from BSP, Due from Other Banks and IBLR.  
 \*\* Includes financial assets at FVTPL, financial assets at FVOCI and investment securities at amortized cost.  
 \*\*\* Includes other financial assets presented under 'Other assets' and commitments and contingent accounts  
 \*\*\*\* Includes Arts and recreation activities, mining and quarrying, human health and social activities, education, and information and communication.

### Geographic Segmentation

The distribution of EW's financial assets and credit commitment items by geographic region as of December 31, 2020 and 2019 follows:

2020					
	Loans and Receivables	Loans and Advances to Banks*	Investment Securities**	Other Financial Assets***	Total
Philippines	₱239,265,608	₱67,908,416	₱23,103,726	₱397,756	₱330,675,506
Asia (excluding Philippines)	-	166,466	12,195,758	134	12,362,358
Australia	-	323,995	-	-	323,995
Europe	-	533,755	-	21,931	555,686
North America	-	-	3,032,792	-	3,032,792
South America	-	-	385,920	-	385,920
USA	-	8,463,364	19,207,734	1,874	27,672,972
	239,265,608	77,395,996	57,925,930	421,695	375,009,229
Allowance for credit losses	11,711,529	110	30,932	-	11,742,571
<b>Total</b>	<b>₱227,554,079</b>	<b>₱77,395,886</b>	<b>₱57,894,998</b>	<b>₱421,695</b>	<b>₱363,266,658</b>

\* Includes Due from BSP, Due from Other Banks and IBLR.  
 \*\* Includes financial assets at FVTPL, financial assets at FVOCI and investment securities at amortized cost.  
 \*\*\* Includes other financial assets presented under 'Other assets' and commitments and contingent accounts

2019					
	Loans and Receivables	Loans and Advances to Banks*	Investment Securities**	Other Financial Assets***	Total
Philippines	₱260,713,628	₱37,142,557	₱50,453,061	₱371,620	₱348,680,866
Asia (excluding Philippines)	-	346,745	15,677,122	-	16,023,867
Australia	-	82,377	-	-	82,377
Europe	-	297,885	404,213	99,454	801,552
North America	-	-	2,364,038	-	2,364,038
South America	-	-	-	-	-
USA	-	2,513,639	1,981,246	-	4,494,885
	260,713,628	40,383,203	70,879,680	471,074	372,447,585
Allowance for credit losses	6,241,306	93	2,265	-	6,243,664
<b>Total</b>	<b>₱254,472,322</b>	<b>₱40,383,110</b>	<b>₱70,877,415</b>	<b>₱471,074</b>	<b>₱366,203,921</b>

\* Includes Due from BSP, Due from Other Banks and IBLR.  
 \*\* Includes financial assets at FVTPL, financial assets at FVOCI and investment securities at amortized cost.  
 \*\*\* Includes other financial assets presented under 'Other assets' and commitments and contingent accounts



The following summarizes EW's credit risk management practices and the relevant quantitative and qualitative financial information regarding the credit exposures according to EW's portfolios:

Internal Credit Risk Rating System

EW's employs a credit scoring system for borrowers to assess risks relating to the borrower and the loan exposure. Borrower risk is evaluated by considering (a) quantitative factors, such as financial condition and (b) qualitative factors, such as management quality and industry outlook.

*Prior to the 2nd quarter of 2020*

For corporate loans, EW's 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.

*Beginning the 2nd quarter of 2020*

For corporate loans, the 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	<ul style="list-style-type: none"> <li>• low probability of going into default within the coming year; very high debt service capacity and balance sheets show no sign of any weakness</li> <li>• has ready access to adequate funding sources</li> <li>• high degree of stability, substance and diversity</li> <li>• of the highest quality under virtual economic conditions</li> </ul>
2	Strong	<ul style="list-style-type: none"> <li>• low probability of going into default in the coming year</li> <li>• access to money markets is relatively good</li> <li>• business remains viable under normal market conditions</li> <li>• strong market position with a history of successful financial performance</li> <li>• financials show adequate cash flows for debt servicing and generally conservative balance sheets</li> </ul>



Rating	Description	Account/Borrower Characteristics
3	Good	<ul style="list-style-type: none"> <li>• sound but may be susceptible, to a limited extent, to cyclical changes in the markets in which they operate</li> <li>• financial performance is good and capacity to service debt remains comfortable</li> <li>• cash flows remain healthy and critical balance sheet ratios are at par with industry norms</li> <li>• reported profits in the past three years and expected to sustain profitability in the coming year</li> </ul>
4	Satisfactory	<ul style="list-style-type: none"> <li>• clear risk elements exist and probability of going into default is somewhat greater, as reflected in the volatility of earnings and overall performance</li> <li>• normally have limited access to public financial markets</li> <li>• able to withstand normal business cycles, but expected to deteriorate beyond acceptable levels under prolonged unfavorable economic period</li> <li>• combination of reasonably sound asset and cash flow protection</li> </ul>
5	Acceptable	<ul style="list-style-type: none"> <li>• risk elements for the Parent Company are sufficiently pronounced, but would still be able to withstand normal business cycles</li> <li>• immediate deterioration beyond acceptable levels is expected given prolonged unfavorable economic period</li> <li>• there is sufficient cash flow either historically or expected in the future in spite of economic downturn combined with asset protection</li> </ul>
5B	Acceptable	<ul style="list-style-type: none"> <li>• 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</li> <li>• continuous decline in revenues and margins due to competition</li> <li>• substantial or unexplained build-up in borrowings with banks financing bulk of working capital and capex requirements coupled by substantial dividends pay-outs</li> <li>• chronically tight cash flows with operating income negative or barely enough for debt servicing</li> <li>• with past record of past due loans with other banks, cancelled credit cards and court cases</li> </ul>
6	Watchlist	<ul style="list-style-type: none"> <li>• with identified disruptions that may negatively affect performance but are likely to be resolved within the year</li> <li>• deteriorating revenue, net income, margins, leverage which may lead to loss on credit exposure if trends are not reversed</li> <li>• thin margin business with high debt burden with increase in debt level not commensurate to growth in revenues and funding requirements</li> </ul>



Rating	Description	Account/Borrower Characteristics
7	Special Mention	<ul style="list-style-type: none"> <li>• not meeting expectations on business projections and/or repayment schedule</li> <li>• experienced sudden and unexpected adverse event which is likely to affect business operations and eventually loan repayment</li> <li>• maxed out lines with banks and availments evergreen with minimal payments made over time</li> <li>• some payment defaults but with probability to revert to current</li> <li>• loan has been restructured but conditions that fully met</li> <li>• litigation is being contemplated</li> </ul>
8	Substandard	<ul style="list-style-type: none"> <li>• net loss for the last 2 years that have eroded capital substantially with no clear prospects of a turnaround or capital infusion from owners</li> <li>• evergreen for 2 years with lines with all creditors maxed-out and no clear source of repayment due to chronic tightness in cashflows</li> <li>• recurring past due status due to cashflow problems with no definite commitment to pay or restructure</li> <li>• restructured but not complied</li> <li>• with serious flaws in Type A documentation that have surfaced after loan release</li> <li>• collection case filed</li> </ul>
9	Doubtful	<ul style="list-style-type: none"> <li>• continuing losses that have totally wiped out equity</li> <li>• business viability uncertain due to adverse business conditions such as substantial loss of market share, unsalable products due to obsolescence, competition, and influx of cheap substitutes</li> <li>• business is bankrupt but may have pending recovery plans such as merger or acquisition, capital infusion and refinancing plans that classification to loss is deferred</li> <li>• with assets for liquidation but full recovery of principal uncertain due to marketability and outstanding claims</li> </ul>
10	Loss	<ul style="list-style-type: none"> <li>• business is non-operational and loans are considered absolutely uncollectible due to presence of fraud and major build-up of claims and litigation</li> <li>• borrower's whereabouts unknown or insolvent or earning power-impaired and guarantors are insolvent or guarantee not financially supported</li> </ul>

It is EW's policy to maintain accurate and consistent risk ratings across the corporate credit portfolio. This facilitates a focused management of the applicable risk and the comparison of credit exposures across all lines of businesses, 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 the EW's rating policy. The risk ratings are assessed and updated regularly.



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.

For purposes of comparison of different exposure types, the credit portfolios of EW are benchmarked against marketable corporate debt securities (using the S&P global study on corporate exposures) based on credit risk rating and corresponding PDs.

EW assigns credit risk using the following credit score masterscale:

<b>Credit quality</b>	<b>Description</b>	<b>Credit rating</b>
Investment Grade	These accounts are of the highest quality and are likely to meet financial obligations.	AAA to AA+ AA AA- A+ A A- BBB+ BBB
Standard Grade	These accounts may be vulnerable to adverse business, financial and economic conditions but are expected to meet financial obligations.	BBB- BB+ BB BB- B+ B B-
Substandard Grade	These accounts are vulnerable to non-payment but for which default has not yet occurred.	CCC+ to C-
Non-Performing	These refer to accounts which are in default or those that demonstrate objective evidence of impairment.	Default

#### External Ratings

EW also uses external ratings, such as Standard & Poor's, Moody's, and Fitch, to evaluate its counterparties and in its assignment of credit risk weights to its banking book exposures. Transactions falling under this category are normally of the following nature: placements with other banks, money market lending, debt security investments, and to some extent, equity security investments.



*Credit Rating Grades of Gross Carrying Amounts of Financial Assets*

The credit quality by class of EW's loans and receivables (gross of allowance for credit losses and unamortized premium) as of December 31, 2020 and 2019 are as follows:

	2020			
	Gross carrying amount			
	Stage 1	Stage 2	Stage 3	Total
<b>Corporate loans*</b>				
Investment Grade	₱42,343	₱-	₱-	₱42,343
Standard Grade	21,740,725	35,241,710	-	56,982,435
Substandard Grade	28,317	99,487	-	127,804
Non-Performing	-	-	2,013,145	2,013,145
	<b>21,811,385</b>	<b>35,341,196</b>	<b>2,013,145</b>	<b>59,165,727</b>
<b>Auto loans</b>				
Investment Grade	1,473,264	58,268	-	1,531,532
Standard Grade	31,907,453	31,300,575	-	63,208,028
Substandard Grade	499,132	12,546,551	-	13,045,683
Non-Performing	-	-	11,622,319	11,622,319
	<b>33,879,849</b>	<b>43,905,394</b>	<b>11,622,319</b>	<b>89,407,562</b>
<b>Credit cards</b>				
Investment Grade	3,229,273	358	-	3,229,631
Standard Grade	13,968,551	5,503,858	-	19,472,409
Substandard Grade	1,621,247	5,341,974	-	6,963,221
Non-Performing	-	-	1,814,157	1,814,157
	<b>18,819,072</b>	<b>10,846,190</b>	<b>1,814,157</b>	<b>31,479,418</b>
<b>Mortgage loans</b>				
Investment Grade	903,707	-	-	903,707
Standard Grade	5,739,198	6,864,647	-	12,603,845
Substandard Grade	6,023	7,263,520	-	7,269,543
Non-Performing	-	-	1,164,477	1,164,477
	<b>6,648,928</b>	<b>14,128,167</b>	<b>1,164,477</b>	<b>21,941,572</b>
<b>Other Consumer Loans**</b>				
Investment Grade	1,402	480	-	1,882
Standard Grade	33,283,989	6,338	-	33,290,327
Substandard Grade	-	911,692	-	911,692
Non-Performing	-	-	3,067,429	3,067,429
	<b>33,285,391</b>	<b>918,510</b>	<b>3,067,429</b>	<b>37,271,330</b>
<b>Unquoted Debt Securities</b>				
Non-Performing	-	-	335,668	335,668
	-	-	335,668	335,668
<b>Other receivables***</b>				
Investment Grade	531,891	574	-	532,465
Standard Grade	4,571,155	2,791,169	-	7,362,324
Substandard Grade	34,465	1,420,634	-	1,455,099
Non-Performing	-	-	1,795,842	1,795,842
	<b>5,137,511</b>	<b>4,212,377</b>	<b>1,795,842</b>	<b>11,145,730</b>
<b>Total</b>	<b>₱119,582,136</b>	<b>₱109,351,834</b>	<b>₱21,813,037</b>	<b>₱250,747,007</b>

\*Include Corporate loans and emerging enterprise loans

\*\*Include Branch loans, DepEd loans, Employee loans, Salary loans, Personal loans

\*\*\*Include Accrued interest receivables, Accounts receivables and Sales contract receivables.



	2019			
	Gross carrying amount			
	Stage 1	Stage 2	Stage 3	Total
<b>Corporate loans*</b>				
Investment Grade	₱9,554,163	₱71,285	₱-	₱9,625,448
Standard Grade	2,228,579	54,802,909	26,252	57,057,740
Non-Performing	-	-	3,976,060	3,976,060
	11,782,742	54,874,194	4,002,312	70,659,248
<b>Auto loans</b>				
Investment Grade	9,281,738	60,515	-	9,342,253
Standard Grade	62,358,272	14,583,686	-	76,941,958
Substandard Grade	-	3,370,718	-	3,370,718
Non-Performing	-	-	4,340,568	4,340,568
	71,640,010	18,014,919	4,340,568	93,995,497
<b>Credit cards</b>				
Investment Grade	6,879,207	7,870	-	6,887,077
Standard Grade	18,017,352	6,562,449	-	24,579,801
Substandard Grade	218,026	2,189,419	-	2,407,445
Non-Performing	-	-	1,389,553	1,389,553
	25,114,585	8,759,738	1,389,553	35,263,876
<b>Mortgage loans</b>				
Standard Grade	17,430,632	3,060,111	-	20,490,743
Substandard Grade	-	812,807	-	812,807
Non-Performing	-	-	970,893	970,893
	17,430,632	3,872,918	970,893	22,274,443
<b>Other Consumer Loans**</b>				
Investment Grade	189,825	1,889	-	191,714
Standard Grade	31,688,818	1,986,460	-	33,675,278
Substandard Grade	1,733,997	91,727	-	1,825,724
Non-Performing	-	-	2,827,848	2,827,848
	33,612,640	2,080,076	2,827,848	38,520,564
<b>Unquoted Debt Securities</b>				
Non-Performing	-	-	344,188	344,188
	-	-	344,188	344,188
<b>Other receivables***</b>				
Investment Grade	441,122	1,560	-	442,682
Standard Grade	766,240	1,401,154	-	2,167,394
Substandard Grade	86,083	621,618	-	707,701
Non-Performing	-	-	1,889,932	1,889,932
	1,293,445	2,024,332	1,889,932	5,207,709
<b>Total</b>	<b>₱160,874,054</b>	<b>₱89,626,177</b>	<b>₱15,765,294</b>	<b>₱266,265,525</b>

\*Include Corporate loans and emerging enterprise loans

\*\*Include Branch loans, DepEd loans, Employee loans, Salary loans, Personal loans

\*\*\*Include Accrued interest receivables, Accounts receivables and Sales contract receivables.

The credit quality by class of EW's financial assets other than loans and receivables (gross of allowance for credit losses) as of December 31, 2020 and 2019 are as follows :

Credit Score	2020			
	Gross carrying amount			
	Stage 1	Stage 2	Stage 3	Total
<b>Due from BSP</b>				
Investment Grade	₱48,892,706	₱-	₱-	₱48,892,706
	48,892,706	-	-	48,892,706
<b>Due from other banks</b>				
Investment Grade	11,392,088	-	-	11,392,088
	11,392,088	-	-	11,392,088

(Forward)



Credit Score	2020			
	Gross carrying amount			Total
	Stage 1	Stage 2	Stage 3	
IBLR				
Investment Grade	₱17,111,092	₱-	₱-	₱17,111,092
	17,111,092	-	-	17,111,092
Financial assets at FVPL				
Investment Grade	7,523,592	-	-	7,523,592
	7,523,592	-	-	7,523,592
Financial assets at FVOCI				
Investment Grade	29,471,707	-	-	29,471,707
	29,471,707	-	-	29,471,707
Investment securities at amortized cost				
Investment Grade	19,657,022	-	-	19,657,022
Standard Grade	-	1,273,609	-	1,273,609
	19,657,022	1,273,609	-	20,930,631
Other financial assets*				
Non-performing	-	-	419,821	419,821
	-	-	419,821	419,821
<b>Total</b>	<b>₱134,048,207</b>	<b>₱1,273,609</b>	<b>₱419,821</b>	<b>₱135,741,637</b>

\*Includes security deposits, derivative assets, downpayments and advanced payments, returned cash and other cash items (RCOCI)

Credit Score	2019			
	Gross carrying amount			Total
	Stage 1	Stage 2	Stage 3	
Due from BSP				
Investment Grade	₱34,287,302	₱-	₱-	₱34,287,302
	34,287,302	-	-	34,287,302
Due from other banks				
Investment Grade	3,404,019	-	-	3,404,019
	3,404,019	-	-	3,404,019
IBLR				
Investment Grade	2,691,882	-	-	2,691,882
	2,691,882	-	-	2,691,882
Financial assets at FVPL				
Investment Grade	16,840,709	-	-	16,840,709
	16,840,709	-	-	16,840,709
Financial assets at FVOCI				
Investment Grade	4,650,636	-	-	4,650,636
	4,650,636	-	-	4,650,636
Investment securities at amortized cost				
Investment Grade	48,820,301	-	-	48,820,301
Standard Grade	-	568,034	-	568,034
	48,820,301	568,034	-	49,388,335
Other financial assets*				
Non-performing	-	-	471,074	471,074
	-	-	471,074	471,074
<b>Total</b>	<b>₱110,694,849</b>	<b>₱568,034</b>	<b>₱471,074</b>	<b>₱111,733,957</b>

\*Includes security deposits, derivative assets, downpayments and advanced payments, returned cash and other cash items (RCOCI)



*Analysis of Movements of Gross Carrying Amounts*

The movements in the EW's total loans and receivables (excluding unamortized premium and allowance for credit and impairment losses) in 2020 and 2019 follow:

	2020			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱161,253,816	₱89,626,177	₱15,765,294	₱266,645,287
Newly originated assets that remained in Stage 1 as at December 31, 2020	43,899,418	-	-	43,899,418
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	-	35,325,939	5,487,041	40,812,980
Movements in receivable balance	(50,537,953)	(45,422,346)	(6,654,641)	(102,614,940)
Write-offs	(288,911)	(196,227)	(3,451,104)	(3,936,242)
Transfers from Stage 1	(53,756,388)	46,271,675	7,484,713	-
Transfers from Stage 2	10,734,270	(16,975,278)	6,241,008	-
Transfers from Stage 3	349,614	305,677	(655,291)	-
Balances at end of year	₱111,653,866	₱108,935,617	₱24,217,020	₱244,806,503

	2019			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱170,975,004	₱62,755,022	₱12,486,242	₱246,216,268
Newly originated assets that remained in Stage 1 as at December 31, 2019	88,804,240	-	-	88,804,240
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	-	39,585,980	4,928,556	44,514,536
Movements in receivable balance	(69,623,600)	(35,070,326)	(4,789,223)	(109,483,149)
Write-offs	-	-	(3,386,116)	(3,386,116)
Transfers from Stage 1	(37,073,103)	32,893,909	4,179,194	-
Transfers from Stage 2	7,863,069	(10,879,365)	3,016,296	-
Transfers from Stage 3	308,206	340,957	(649,163)	-
Others	-	-	(20,492)	(20,492)
Balances at end of year	₱161,253,816	₱89,626,177	₱15,765,294	₱266,645,287

The breakdown of the total gross carrying amounts of the EW's loans and receivables (before taking into account any allowance for credit and impairment losses, and unamortized premium) in 2020 and 2019 is as follows:

	2020			
	Gross carrying amount			
	Stage 1	Stage 2	Stage 3	Total
<b>Corporate loans*</b>				
Balance at beginning of year	₱11,782,742	₱54,874,194	₱4,002,312	₱70,659,248
Newly originated assets that remained in Stage 1 as at December 31, 2020	12,595,968	-	-	12,595,968
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	-	25,917,276	229,658	26,146,934
Movements in receivable balance	(10,890,538)	(38,366,708)	(841,316)	(50,098,562)
Write-offs (Note 15)	-	-	(137,861)	(137,861)
Transfers from Stage 1	(1,171,170)	1,000,205	170,965	-
Transfers from Stage 2	7,164,902	(8,083,771)	918,869	-
Transfers from Stage 3	2,203,210	-	(2,203,210)	-
	21,685,114	35,341,196	2,139,417	59,165,727
<b>Auto loans</b>				
Balance at beginning of year	71,640,010	18,014,919	4,340,568	93,995,497
Newly originated assets that remained in Stage 1 as at December 31, 2020	10,229,471	-	-	10,229,471
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	-	4,735,486	1,936,908	6,672,394

(Forward)



	2020			
	Gross carrying amount			
	Stage 1	Stage 2	Stage 3	Total
Movements in receivable balance	(P15,718,927)	(P4,676,959)	(P867,182)	(P21,263,068)
Write-offs (Note 15)	-	-	(226,733)	(226,733)
Transfers from Stage 1	(33,401,050)	29,720,943	3,680,107	-
Transfers from Stage 2	1,082,696	(4,019,012)	2,936,316	-
Transfers from Stage 3	47,648	130,017	(177,665)	-
	33,879,848	43,905,394	11,622,319	89,407,561
<b>Credit cards</b>				
Balance at beginning of year	25,114,585	8,759,738	1,389,553	35,263,876
Newly originated assets that remained in Stage 1 as at December 31, 2020	698,834	-	-	698,834
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	-	215,981	51,032	267,013
Movements in receivable balance	(2,012,194)	(141,634)	(11,166)	(2,164,994)
Write-offs (Note 15)	(61,573)	(12,859)	(2,510,878)	(2,585,310)
Transfers from Stage 1	(6,917,446)	5,634,233	1,283,213	-
Transfers from Stage 2	1,820,204	(3,434,665)	1,614,461	-
Transfers from Stage 3	23,963	17,953	(41,916)	-
	18,666,373	11,038,747	1,774,299	31,479,419
<b>Mortgage loans</b>				
Balance at beginning of year	17,430,632	3,872,918	970,893	22,274,443
Newly originated assets that remained in Stage 1 as at December 31, 2020	-	-	-	-
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	-	1,636,399	20,257	1,656,656
Movements in receivable balance	(1,499,371)	(311,079)	(179,077)	(1,989,527)
Write-offs (Note 15)	-	-	-	-
Transfers from Stage 1	(9,709,299)	9,477,209	232,090	-
Transfers from Stage 2	387,040	(683,760)	296,720	-
Transfers from Stage 3	39,925	136,481	(176,406)	-
	6,648,927	14,128,168	1,164,477	21,941,572
<b>Other consumer loans**</b>				
Balance at beginning of year	33,612,640	2,080,076	2,827,848	38,520,564
Newly originated assets that remained in Stage 1 as at December 31, 2020	19,762,400	-	-	19,762,400
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	-	1,229,003	3,072,276	4,301,279
Movements in receivable balance	(21,303,945)	(2,452,068)	(642,934)	(24,398,947)
Write-offs (Note 15)	(227,322)	(183,368)	(503,277)	(913,967)
Transfers from Stage 1	(2,236,991)	1,543,475	693,516	-
Transfers from Stage 2	145,928	(587,266)	441,338	-
Transfers from Stage 3	2,452,038	279,667	(2,731,705)	-
	32,204,748	1,909,519	3,157,062	37,271,329
<b>Unquoted debt securities classified as loans and receivables</b>				
Balance at beginning of year	-	-	344,188	344,188
Newly originated assets that remained in Stage 1 as at December 31, 2020	-	-	-	-
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	-	-	-	-
Movements in receivable balance	-	-	(8,520)	(8,520)
Write-offs (Note 15)	-	-	-	-
Transfers from Stage 1	-	-	-	-
Transfers from Stage 2	-	-	-	-
Transfers from Stage 3	-	-	-	-
	-	-	335,668	335,668
<b>Other receivables***</b>				
Balance at beginning of year	1,673,207	2,024,332	1,889,932	5,587,471
Newly originated assets that remained in Stage 1 as at December 31, 2020	5,660,759	-	-	5,660,759

(Forward)



	2020			
	Gross carrying amount			
	Stage 1	Stage 2	Stage 3	Total
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	₱-	₱1,591,289	₱246,198	₱1,837,487
Movements in receivable balance	(49,524)	(1,755,030)	(63,063)	(1,867,617)
Write-offs (Note 15)	-	-	(72,369)	(72,369)
Transfers from Stage 1	(2,854,522)	2,769,614	84,908	-
Transfers from Stage 2	135,334	(206,988)	71,654	-
Transfers from Stage 3	21,568	22,018	(43,586)	-
Others	-	-	-	-
	<b>4,586,822</b>	<b>4,445,235</b>	<b>2,113,674</b>	<b>11,145,731</b>
	<b>₱117,671,832</b>	<b>₱110,768,259</b>	<b>₱22,306,916</b>	<b>₱250,747,007</b>

\*Include Corporate loans and emerging enterprise loans

\*\*Include Branch loans, DepEd loans, Employee loans, Salary loans, Personal loans

\*\*\*Include Accrued interest receivables, Accounts receivables and Sales contract receivables.

	2019			
	Gross carrying amount			
	Stage 1	Stage 2	Stage 3	Total
<b>Corporate loans*</b>				
Balances at beginning of year	₱44,499,389	₱27,725,855	₱708,121	₱72,933,365
Newly originated assets that remained in Stage 1 as at December 31, 2019	9,661,527	-	-	9,661,527
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	-	32,310,377	1,019,914	33,330,291
Movements in receivable balance	(23,201,266)	(21,976,984)	(87,685)	(45,265,935)
Write-offs	-	-	-	-
Transfers from Stage 1	(19,677,647)	17,442,939	2,234,708	-
Transfers from Stage 2	500,739	(628,412)	127,673	-
Transfers from Stage 3	-	419	(419)	-
Balances at end of year	11,782,742	54,874,194	4,002,312	70,659,248
<b>Auto loans</b>				
Balances at beginning of year	55,703,011	18,947,035	3,147,676	77,797,722
Newly originated assets that remained in Stage 1 as at December 31, 2019	37,045,472	-	-	37,045,472
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	-	2,974,896	685,001	3,659,897
Movements in receivable balance	(15,244,675)	(7,571,699)	(1,347,740)	(24,164,114)
Write-offs	-	-	(343,480)	(343,480)
Transfers from Stage 1	(11,946,498)	11,312,699	633,799	-
Transfers from Stage 2	6,054,127	(7,652,763)	1,598,636	-
Transfers from Stage 3	28,573	4,751	(33,324)	-
Balances at end of year	71,640,010	18,014,919	4,340,568	93,995,497
<b>Credit cards</b>				
Balances at beginning of year	20,546,567	9,139,337	1,254,595	30,940,499
Newly originated assets that remained in Stage 1 as at December 31, 2019	8,438,224	-	-	8,438,224
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	-	2,399,833	2,517,334	4,917,167
Movements in receivable balance	(2,727,506)	(3,320,805)	(687,780)	(6,736,091)
Write-offs	-	-	(2,295,923)	(2,295,923)
Transfers from Stage 1	(1,240,877)	895,888	344,989	-
Transfers from Stage 2	90,831	(356,770)	265,939	-
Transfers from Stage 3	7,346	2,255	(9,601)	-
Balances at end of year	25,114,585	8,759,738	1,389,553	35,263,876
<b>Mortgage loans</b>				
Balances at beginning of year	16,025,290	3,533,818	731,750	20,290,858
Newly originated assets that remained in Stage 1 as at December 31, 2019	4,640,968	-	-	4,640,968

(Forward)



	2019			
	Gross carrying amount			
	Stage 1	Stage 2	Stage 3	Total
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	₱-	₱61,303	₱10,552	₱71,855
Movements in receivable balance	(1,945,746)	(555,659)	(227,808)	(2,729,213)
Write-offs	-	-	(25)	(25)
Transfers from Stage 1	(2,337,252)	2,233,310	103,942	-
Transfers from Stage 2	995,831	(1,406,797)	410,966	-
Transfers from Stage 3	51,541	6,943	(58,484)	-
<b>Balances at end of year</b>	<b>17,430,632</b>	<b>3,872,918</b>	<b>970,893</b>	<b>22,274,443</b>
<b>Other consumer loans**</b>				
Balances at beginning of year	32,752,364	1,507,710	3,565,206	37,825,280
Newly originated assets that remained in Stage 1 as at December 31, 2019	27,516,265	-	-	27,516,265
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	-	1,606,616	406,197	2,012,813
Movements in receivable balance	(25,444,991)	(1,338,294)	(1,317,940)	(28,101,225)
Write-offs	-	-	(732,569)	(732,569)
Transfers from Stage 1	(1,506,687)	673,657	833,030	-
Transfers from Stage 2	110,607	(402,734)	292,127	-
Transfers from Stage 3	185,082	33,121	(218,203)	-
<b>Balances at end of year</b>	<b>33,612,640</b>	<b>2,080,076</b>	<b>2,827,848</b>	<b>38,520,564</b>
<b>Unquoted debt securities classified as loans and receivables</b>				
Balances at beginning of year	-	-	341,890	341,890
Newly originated assets that remained in Stage 1 as at December 31, 2019	-	-	-	-
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	-	-	-	-
Movements in receivable balance	-	-	2,298	2,298
Write-offs	-	-	-	-
Transfers from Stage 1	-	-	-	-
Transfers from Stage 2	-	-	-	-
Transfers from Stage 3	-	-	-	-
<b>Balances at end of year</b>	<b>-</b>	<b>-</b>	<b>344,188</b>	<b>344,188</b>
<b>Other receivables***</b>				
Balances at beginning of year	1,448,383	1,901,267	2,737,004	6,086,654
Newly originated assets that remained in Stage 1 as at December 31, 2019	1,501,784	-	-	1,501,784
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	-	232,955	289,558	522,513
Movements in receivable balance	(1,059,416)	(306,885)	(1,122,568)	(2,488,869)
Write-offs	-	-	(14,119)	(14,119)
Transfers from Stage 1	(364,142)	335,416	28,726	-
Transfers from Stage 2	110,934	(431,889)	320,955	-
Transfers from Stage 3	35,664	293,468	(329,132)	-
Others	35,664	-	(20,492)	15,172)
<b>Balances at end of year</b>	<b>1,708,871</b>	<b>2,024,332</b>	<b>1,889,932</b>	<b>5,623,135</b>
	<b>₱161,289,480</b>	<b>₱89,626,177</b>	<b>₱15,765,294</b>	<b>₱266,680,951</b>

\*Include Corporate loans and emerging enterprise loans

\*\*Include Branch loans, DepEd loans, Employee loans, Salary loans, Personal loans

\*\*\*Include Accrued interest receivables, Accounts receivables and Sales contract receivables.



Credit risk weighting as of December 31, 2020 and 2019

*Total Credit Risk Exposure after Risk Mitigation*

The table below shows the different credit risk exposures of EW after credit risk mitigation, by risk weight applied in accordance with BSP Circular No. 538:

	2020							
	Capital Deduction	Risk Buckets						Total
		0%	20%	50%	75%	100%	150%	
Credit risk exposure after risk mitigation	₱12,769,756	₱78,473,165	₱5,844,787	₱55,837,112	₱12,298,983	₱216,084,065	₱11,868,878	₱380,406,990
On-balance sheet assets	-	-	-	-	-	2,459,771	-	2,459,771
Off-balance sheet assets	-	-	-	575,668	-	-	-	575,668
Counterparty in the banking book (derivatives and repo-style transactions)	-	-	-	-	-	-	-	-
Counterparty in the trading book (derivatives and repo-style transactions)	-	-	-	-	-	-	-	-
Credit-linked notes in the banking book	-	-	-	-	-	-	-	-
Securitization exposures	-	-	-	-	-	-	-	-
	₱12,769,756	₱78,473,165	₱5,844,787	₱56,412,780	₱12,298,983	₱218,543,836	₱11,868,878	₱383,442,429
Credit Risk Weighted Assets	₱-	₱-	₱1,168,957	₱28,206,390	₱9,224,237	₱218,543,836	₱17,803,317	₱274,946,738

	2019							
	Capital Deduction	Risk Buckets						Total
		0%	20%	50%	75%	100%	150%	
Credit risk exposure after risk mitigation	₱11,609,246	₱57,435,164	₱6,210,279	₱39,773,465	₱14,761,346	₱235,077,023	₱9,593,811	₱362,851,088
On-balance sheet assets	-	-	-	-	-	3,557,318	-	3,557,318
Off-balance sheet assets	-	-	-	-	-	-	-	-
Counterparty in the banking book (derivatives and repo-style transactions)	-	-	-	6,765,843	-	-	-	6,765,843
Counterparty in the trading book (derivatives and repo-style transactions)	-	-	-	-	-	-	-	-
Credit-linked notes in the banking book	-	-	-	-	-	-	-	-
Securitization exposures	-	-	-	-	-	-	-	-
	₱11,609,246	₱57,435,164	₱6,210,279	₱46,539,308	₱14,761,346	₱238,634,341	₱9,593,811	₱373,174,249
Credit Risk Weighted Assets	₱-	₱-	₱1,242,056	₱23,269,654	₱11,071,010	₱238,634,341	₱14,390,717	₱288,607,778

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, which are tasked to manage the balance sheet and have thorough understanding of the risk elements involved in the respective businesses. Only EW and EWRB are potentially exposed to liquidity risk exposures, where their liquidity risk management are monitored by their respective ALCOs. 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 EW 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 both EW and EWRB have 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 (MCO) limit, EW is able to manage its long-term liquidity risks by placing a cap on the outflow of cash on a cumulative basis. EW takes a multi-tiered approach to maintaining liquid assets. EW's principal source of liquidity is comprised of cash and other cash items (COCI), due from BSP, due from other banks and IBLR 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.



*Analysis of Financial Assets and Liabilities by Remaining Contractual Maturities*

The table below shows the maturity profile of the financial assets and liabilities of EW, based on its internal methodology that manages liquidity based on combined behavioral assumptions and contractual undiscounted cash flows:

	Consolidated						
	2020						
	On demand	Up to 1 month	>1 to 3 months	>3 to 6 months	>6 to 12 months	Beyond 1 year	Total
<b>Financial Assets</b>							
Cash and cash equivalents*	₱50,153,480	₱35,811,092	₱-	₱-	₱-	₱-	₱85,964,572
Investments and trading securities**	-	22,452,377	4,472,043	1,401,939	637,478	49,465,770	78,429,607
Loans and receivables***	-	29,241,457	21,368,067	20,431,855	34,879,526	175,180,006	281,100,911
Contingent assets	-	140,536	-	-	-	281,159	421,695
	<b>50,153,480</b>	<b>87,645,462</b>	<b>25,840,110</b>	<b>21,833,794</b>	<b>35,517,004</b>	<b>224,926,935</b>	<b>445,916,785</b>
<b>Financial Liabilities</b>							
Deposit liabilities****	210,745,306	75,923,595	19,437,740	5,364,401	1,630,580	20,066,669	333,168,291
Bills and acceptances payable	678,795	5,578,412	7,367	179	13,412	126,091	6,404,256
Bonds Payable	-	13,875	27,750	41,625	83,250	3,885,559	4,052,059
Subordinated debt	-	5,729	11,458	17,188	34,375	1,636,098	1,704,848
Lease liability	-	152,624	177,179	260,215	518,306	3,037,817	4,146,141
Other liabilities	26,786	587,167	-	-	4,529,275	40,794	5,184,022
Contingent liabilities*****	-	5,745,731	9,375,179	6,144,218	2,773,621	1,127	24,039,876
	<b>₱211,450,887</b>	<b>₱88,007,133</b>	<b>₱29,036,673</b>	<b>₱11,827,826</b>	<b>₱9,582,819</b>	<b>₱28,794,155</b>	<b>₱378,699,493</b>

- \* Consist of cash and cash other items, due from BSP, due from other banks and interbank loans receivables and SPURA
- \*\* Consist of financial assets at FVPL, investment securities at amortized cost, financial assets at FVOCI and interest receivables from investment securities at amortized cost
- \*\*\* Consist of loans and receivables, sales contract receivables, bills purchased, accrued interest receivables, accounts receivables, and unearned discounts classified as financial assets
- \*\*\*\* Consist of demand and savings deposit, time certificate of deposit, long term negotiable certificates of deposit and interest payable for these deposit liabilities
- \*\*\*\*\* Consists of stand-by letters of credit and forecasted utilization from credit cards lines, and forecasted utilization from CBG credit lines

	2019						
	On demand	Up to 1 month	>1 to 3 months	>3 to 6 months	>6 to 12 months	Beyond 1 year	Total
<b>Financial Assets</b>							
Cash and cash equivalents*	₱47,930,735	₱-	₱-	₱-	₱-	₱-	₱47,930,735
Investments and trading securities**	-	16,798,853	4,767,752	965,046	1,917,694	76,637,754	101,087,099
Loans and receivables***	-	38,312,283	28,706,658	25,139,779	36,810,868	176,038,512	305,008,100
Other assets	-	202,744	-	-	-	268,330	471,074
	<b>₱47,930,735</b>	<b>₱55,313,880</b>	<b>₱33,474,410</b>	<b>₱26,104,825</b>	<b>₱38,728,562</b>	<b>₱252,944,596</b>	<b>₱454,497,008</b>
<b>Financial Liabilities</b>							
Deposit liabilities****	₱186,785,419	₱41,474,984	₱33,948,750	₱3,016,758	₱10,414,946	₱50,579,214	₱326,220,071
Bills and acceptances payable	36,823	29,950,625	979,817	-	-	-	30,967,265
Subordinated debt	-	5,005,729	11,459	17,188	34,375	1,714,063	6,782,814
Lease liability	-	95,882	181,290	269,204	506,353	2,834,572	3,887,301
Other liabilities	135,461	642,712	-	-	4,138,426	42,571	4,959,170
Contingent liabilities*****	-	6,400,485	13,388,913	5,660,493	1,830,080	-	27,279,971
	<b>₱186,957,703</b>	<b>₱83,570,417</b>	<b>₱48,510,229</b>	<b>₱8,963,643</b>	<b>₱16,924,180</b>	<b>₱55,170,420</b>	<b>₱400,096,592</b>

- \* Consist of cash and cash other items, due from BSP, due from other banks and interbank loans receivables and SPURA
- \*\* Consist of financial assets at FVPL, investment securities at amortized cost, financial assets at FVOCI and interest receivables from investment securities at amortized cost
- \*\*\* Consist of loans and receivables, sales contract receivables, bills purchased, accrued interest receivables, accounts receivables, and unearned discounts classified as financial assets
- \*\*\*\* Consist of demand and savings deposit, time certificate of deposit, long term negotiable certificates of deposit and interest payable for these deposit liabilities
- \*\*\*\*\* Consists of stand-by letters of credit and forecasted utilization from credit cards lines, and forecasted utilization from CBG credit lines

EW manages liquidity by maintaining sufficient liquid assets in the form of cash and cash equivalents, investment securities and loan receivables. As of December 31, 2020 and 2019, ₱111.1 billion (44.7%) and ₱117.8 billion (42.9%), respectively, of EW'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 instrument 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 US Treasury Futures is measured using Historical Simulation using an internally developed Excel spreadsheet. The IRS and Foreign Exchange (FX) Forwards (Outright and forward leg of FX Swaps) trading portfolio's interest rate risk is measured using Monte Carlo VaR-using OPICS Risk Plus. 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 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 tEW uses majority of its trading exposures is at 99.0% confidence level, while FX uses a confidence level of 90.0% with a premise 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 US Treasury Futures VaR is measured using one (1) day holding period while fixed income VaR has a holding period of five (5) days. Furthermore, EW's equity and IRS trading positions are assumed to be closed out in ten (10) 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 by net trading gains (added in half) or losses (subtracted in whole). RMD reports compliance to the MRL and trader's VaR limits daily. 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.

The table below pertains to interest rate risk of EW's fixed income trading portfolio.

	2020	2019
	(In Thousands)	
Year-end VaR	<b>₱408,051</b>	₱773,557
Average VaR	<b>633,071</b>	321,085
Highest VaR	<b>952,048</b>	880,070
Lowest VaR	<b>186,625</b>	16,371

The year-end VaR for 2020 was based on EW's fixed income trading book valued at ₱9.5 billion with average yields of 3.5% and 3.3% for the peso and foreign currency denominated bonds, respectively. Its average maturities are 9 years and 5 months for the peso portfolio and 18 years and 8 months for the foreign currency portfolio.

The year-end VaR for 2019 was based on EW's fixed income trading book valued at ₱21.4 billion with average yields of 4.7% and 3.2% for the peso and foreign currency denominated bonds, respectively. Its average maturities are 9 years and 8 months for the peso portfolio and 18 years and 9 months for the foreign currency portfolio.

The market risk in EW's US Treasury Futures trading positions is shown in the table below:

	2020	2019
Year-end VaR	<b>₱2,254</b>	₱5,576
Average VaR	<b>12,234</b>	6,471
Highest VaR	<b>89,329</b>	58,042
Lowest VaR	<b>2,152</b>	3,126

The market risk in EW's IRS trading positions is shown in the table below:

	2020	2019
Year-end VaR	<b>₱4,181</b>	₱11,799
Average VaR	<b>8,744</b>	9,766
Highest VaR	<b>25,039</b>	12,318
Lowest VaR	<b>2,979</b>	7,695



EW's end-2020 and end-2019 IRS positions have a notional amount of USD\$20.0 million where it pays fixed rate and receives floating rate interest.

The interest rate risk in EW's FX forwards positions is shown in the table below:

	<b>2020</b>	2019
Year-end VaR	<b>₱396</b>	₱735
Average VaR	<b>802</b>	582
Highest VaR	<b>2,993</b>	1,849
Lowest VaR	-	80

#### Foreign Currency Risk

EW holds foreign currency denominated assets and liabilities, thus, fluctuations on the foreign exchange rate fluctuations can affect the financials and cash flows of EW. Managing the foreign exchange exposure is important for banks with exposures in foreign currencies. This includes purchase or sell of foreign currency to control the impact of changes in exchange rates on its financial position.

The table below pertains to foreign exchange risk of EW:

	<b>2020</b>	2019
Year-end VaR	<b>₱15,009</b>	₱7,229
Average VaR	<b>10,251</b>	8,022
Highest VaR	<b>15,009</b>	17,889
Lowest VaR	<b>4,918</b>	1,807

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 foreign 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 US\$50.0 million, whichever is lower. Internal limits regarding the intraday trading and end-of-day trading positions in FX, which consider the trading desk and the branch FX transactions, are also monitored.

The tables below summarize the exposure to foreign currencies of EW as of December 31, 2020 and 2019:

	<b>2020</b>					<b>Total</b>
	<b>USD</b>	<b>SGD</b>	<b>JPY</b>	<b>HKD</b>	<b>Other Currencies*</b>	
<b>Assets</b>						
Gross FX assets	<b>\$1,195,048</b>	<b>\$1,431</b>	<b>\$8,151</b>	<b>\$102,586</b>	<b>\$28,051</b>	<b>\$1,335,267</b>
Contingent FX assets	<b>48,861</b>	-	-	<b>2,448</b>	<b>2,757</b>	<b>\$54,066</b>
	<b>1,243,909</b>	<b>1,431</b>	<b>8,151</b>	<b>105,034</b>	<b>30,808</b>	<b>1,389,333</b>

(Forward)



	2020					Total
	USD	SGD	JPY	HKD	Other Currencies*	
<b>Liabilities</b>						
Gross FX liabilities	\$1,081,212	\$1,905	\$5,412	\$82,417	\$30,148	\$1,201,094
Contingent FX liabilities	171,941	–	2,008	23,258	74	\$197,281
	1,253,153	1,905	7,420	105,675	30,222	1,398,375
<b>Net exposure</b>	<b>(\$9,244)</b>	<b>(\$474)</b>	<b>\$731</b>	<b>(\$641)</b>	<b>\$586</b>	<b>(\$9,042)</b>

\*Other currencies include GBP, HKD, AUD, CNY and NZD

	2019					Total
	USD	SGD	JPY	HKD	Other Currencies*	
<b>Assets</b>						
Gross FX assets	\$1,167,384	\$967	\$5,759	\$5,338	\$6,492	\$1,185,940
Contingent FX assets	61,550	–	–	–	15,003	76,553
	1,228,934	967	5,759	5,338	21,495	1,262,493
<b>Liabilities</b>						
Gross FX liabilities	1,120,216	1,501	8,217	6,710	22,315	1,158,959
Contingent FX liabilities	116,067	–	37	–	–	116,104
	1,236,283	1,501	8,254	6,710	22,315	1,275,063
<b>Net exposure</b>	<b>(\$7,349)</b>	<b>(\$534)</b>	<b>(\$2,495)</b>	<b>(\$1,372)</b>	<b>(\$820)</b>	<b>(\$12,570)</b>

\*Other currencies include GBP, HKD, AUD, CNY and NZD

EW's positions in other currencies are not individually significant.

The tables below indicate the sensitivity of the currencies which EW had significant exposures as of December 31, 2020 and 2019:

Foreign currency appreciates (depreciates)	2020			
	USD	SGD	JPY	EUR
+10.00%	(P44,391)	(P2,278)	P3,509	(P3,077)
-10.00%	P44,391	P2,278	(P3,509)	P3,077

Foreign currency appreciates (depreciates)	2019			
	USD	SGD	JPY	EUR
+10.00%	(P37,209)	(P2,704)	(P12,634)	(P6,948)
-10.00%	P37,209	P2,704	P12,634	P6,948

The analysis calculates the effect of a reasonably possible movement of the foreign currency rate against Peso, with all other variables held constant on the statement of income. A negative amount reflects a potential net reduction in statement of income while a positive amount reflects a net potential increase. There is no other impact on EW's equity other than those already affecting the statements of income.

#### Market Risk in the Banking Book

##### Interest Rate Risk

Interest rate risk in the banking book (IRRBB) is inherent in EW's traditional banking activities that include taking deposits to invest or grant loans. The future cash flows from these activities are exposed to variations in interest rates, largely from mismatch in tenors and prices, IRRBB is measured with Earnings-at-Risk (EaR) which is a measure of the net interest income movement due to changes in prevailing interest rates and the balance sheet re-pricing profile of EW. The EaR limit is set as a function of EW's net interest margin (NIM). The EaR limit preserves EW's capital and competitive position by restricting the impact of interest rate sensitivities to NIM within the corridor of above average and within the first quartile of its peer banks. In measuring EaR, EW's interest re-



pricing assets and liabilities are matched by re-pricing (or maturity if non-repricing) buckets covering tenors within a one-year horizon, and corresponding gaps determined. If positive gap is noted, it implies that an increase in interest rates will positively affect the net interest income. Conversely, a negative gap implies that an increase in interest rates will negatively affect the net interest income. The estimated nominal impact to the Bank's earnings is derived by multiplying the volatility of benchmark yields for each tenor bucket to the repricing gap profile. The result is compared vs EaR limit to monitor the compliance with the limit and is reported to the RMC on a monthly basis. Additionally, EaR limit is reviewed and updated annually to ensure its continued relevance and alignment with EW's financial targets, strategies, and overall risk appetite.

To complement EaR and provide Management a more holistic view, EW performs forward looking scenario and sensitivity analysis as well as stress testing activities to identify any vulnerabilities. EW employs 3 methodologies in the conduct of stress testing a) economic/historical stress test which assumes a parallel shift in interest yield curves of 660.0 basis points for Php-denominated assets and liabilities and 270.0 basis points for USD-denominated, b) uniform stress test, a regulatory-prescribed stress test, has 3 scenarios with assumed parallel shift in interest rates for both Php (from 300.0 bps to 500.0 bps) and USD (from 100.0 bps to 300.0 bps), c) reverse stress test, which primarily measures the highest swing in interest rates that can potentially wipe out EW targeted net income and net interest income.

All IRRBB reports are also presented to the ALCO. The ALCO deliberates on matters pertaining to the management of EW's assets and liabilities, such as achieving optimum asset and liability mix, pricing, liquidity levels, repricing gap positions, and asset quality. EW's ALCO meets on a weekly basis.

EW manages its IRRBB through effective diversification of funding sources. By offering various deposit, investment and loan products with differing maturities, EW is able to meet its short, medium and long-term obligations, optimize returns, and provide options that cater to differing preferences of its target market. EW's target funding mix is aligned with the Bank's overall growth plans. While EW mainly manages IRRBB through careful planning of its cashflows, it also has access to various derivative products that provide flexibility in responding to more abrupt market developments.

The following tables provide for the average interest rates by period of re-pricing (or by period of maturity if there is no re-pricing) of EW as of December 31, 2020 and 2019:

	2020				
	Up to 1 month	>1 month to 3 months	>3 months to 6 months	>6 months to 12 months	>12 months
<b>RBU</b>					
<i>Financial assets:</i>					
Cash and cash equivalents*	1.73%	—	—	—	—
Investment securities**	4.09%	—	4.88%	—	6.49%
Loans and receivables	5.92%	7.40%	11.00%	12.50%	12.47%
<i>Financial liabilities:</i>					
Deposit liabilities	0.84%	0.95%	1.38%	2.16%	1.35%
Bills payable	—	—	—	—	—
Bonds payable	—	—	—	—	—
Subordinated debt	—	—	—	—	—
<b>FCDU</b>					
<i>Financial assets:</i>					
Cash and cash equivalents*	0.05%	—	—	—	—
Investment securities**	0.51%	—	4.88%	2.88%	4.42%
Loans and receivables	2.54%	4.17%	3.75%	4.00%	7.52%
<i>Financial liabilities:</i>					
Deposit liabilities	0.93%	1.12%	1.07%	1.34%	2.42%
Bills payable	0.30%	—	—	—	—

\*Pertain to Due from BSP, Due from other banks, IBLR

\*\*Pertain to financial assets at FVTPL, financial assets at FVOCI and investment securities at amortized cost



	2019				
	Up to 1 month	>1 month to 3 months	>3 months to 6 months	>6 months to 12 months	>12 months
<b>RBU</b>					
<i>Financial assets:</i>					
Cash and cash equivalents*	4.02%	—	—	—	—
Investment securities**	6.02%	—	—	—	6.08%
Loans and receivables	6.43%	7.37%	5.84%	11.04%	16.91%
<i>Financial liabilities:</i>					
Deposit liabilities	3.05%	3.31%	3.67%	3.17%	3.73%
Bills payable	4.50%	—	—	—	—
Subordinated debt	5.50%	—	—	—	5.50%
<b>FCDU</b>					
<i>Financial assets:</i>					
Cash and cash equivalents*	1.55%	—	—	—	—
Investment securities**	3.83%	3.95%	—	—	5.23%
Loans and receivables	2.91%	3.75%	4.81%	4.00%	7.31%
<i>Financial liabilities:</i>					
Deposit liabilities	1.71%	1.86%	2.38%	2.19%	2.49%
Bills payable	2.23%	2.21%	—	—	—

\*Pertain to Due from BSP, Due from other banks, IBLR

\*\*Pertain to financial assets at FVTPL, financial assets at FVOCI and investment securities at amortized cost

The following tables provide for the interest rate re-pricing gap of EW as of December 31, 2020 and 2019:

	2020					Total
	Up to 1 month	> 1 to 3 months	> 3 to 6 months	>6 to 12 months	>12 months	
<b>Financial assets</b>						
Cash and cash equivalents	₱35,811,092	₱—	₱—	₱—	₱—	₱35,811,092
Investment securities	22,507,107	4,482,697	1,414,036	637,596	27,685,678	56,727,114
Loans and receivables	31,574,160	11,652,638	12,893,252	24,033,418	104,597,587	184,751,055
Contingent assets *	—	960,460	—	—	—	960,460
<b>Total financial assets</b>	<b>89,892,359</b>	<b>17,095,795</b>	<b>14,307,288</b>	<b>24,671,014</b>	<b>132,283,265</b>	<b>278,249,721</b>
<b>Financial liabilities</b>						
Deposit liabilities	108,749,784	20,405,711	5,520,432	1,157,895	18,189,523	154,023,345
Bills and acceptances payable	3,491,024	—	—	—	—	3,491,024
Bonds payable	—	—	—	—	3,677,434	3,677,434
Subordinated debt	—	—	—	—	1,250,000	1,250,000
Other liabilities	—	—	—	—	14,589	14,589
Contingent liabilities **	—	—	—	—	960,460	960,460
<b>Total financial liabilities</b>	<b>112,240,808</b>	<b>20,405,711</b>	<b>5,520,432</b>	<b>1,157,895</b>	<b>24,092,006</b>	<b>163,416,852</b>
<b>Asset-liability gap</b>	<b>(₱22,348,449)</b>	<b>(₱3,309,916)</b>	<b>₱8,786,856</b>	<b>₱23,513,119</b>	<b>₱108,191,259</b>	<b>₱114,832,869</b>

\* Consist of interest rate swap receivables

\*\* Consist of interest rate swap payables

	2019					Total
	Up to 1 month	> 1 to 3 months	> 3 to 6 months	>6 to 12 months	>12 months	
<b>Financial assets</b>						
Cash and cash equivalents	₱2,691,882	₱—	₱—	₱—	₱—	₱2,691,882
Investment securities	16,799,979	434,286	—	—	54,219,537	71,453,802
Loans and receivables	37,841,333	4,446,187	10,453,784	6,476,761	154,111,407	213,329,472
Contingent assets *	—	759,525	253,175	—	—	1,012,700
<b>Total financial assets</b>	<b>57,333,194</b>	<b>5,639,998</b>	<b>10,706,959</b>	<b>6,476,761</b>	<b>208,330,944</b>	<b>288,487,856</b>
<b>Financial liabilities</b>						
Deposit liabilities	₱83,447,163	₱47,388,399	₱16,084,590	₱2,193,420	₱13,828,598	₱162,942,170
Bills and acceptances payable	29,950,625	962,306	—	—	—	30,912,931
Subordinated debt	5,000,000	—	—	—	1,250,000	6,250,000
Contingent liabilities **	—	—	—	—	1,012,700	1,012,700
<b>Total financial liabilities</b>	<b>118,397,788</b>	<b>48,350,705</b>	<b>16,084,590</b>	<b>2,193,420</b>	<b>16,091,298</b>	<b>201,117,801</b>
<b>Asset-liability gap</b>	<b>(₱61,064,594)</b>	<b>(₱42,710,707)</b>	<b>(₱5,377,631)</b>	<b>₱4,283,341</b>	<b>₱192,239,646</b>	<b>₱87,370,055</b>

\* Consist of interest rate swap receivables

\*\* Consist of interest rate swap payables



EW 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 EW'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.

The following table sets forth, for the period indicated, the impact of changes in interest rates on EW's non-trading net interest income. There is no other impact on EW's equity other than those already affecting the statements of income.

Change in basis points	2020	2019
+100.00 bps	<b>(₱128,055)</b>	(₱964,027)
-100.00 bps	<b>128,055</b>	964,027

#### Market Risk Weighting as of December 31, 2020 and 2019

The table below shows the different market risk weighted assets of EW using the standardized approach which is based on the standard weight per segment or asset class:

Type of Market Risk Exposure	2020	2019
Interest rate exposures	<b>₱8,228,142</b>	₱13,388,521
Foreign exchange exposures	<b>513,712</b>	286,768
	<b>₱8,741,854</b>	₱13,675,289

#### 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.

Adopting the Basic Indicator Approach below, where computation is based on the 15.0% of the average gross income for the past 3 years, it shows the total operational risk-weighted assets of EW.

	2020	2019
	(In Thousands)	
Group	<b>₱48,685</b>	₱44,636

#### Other Risk Exposures

EW 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 EW's internal capital adequacy assessment process (ICAAP) and enterprise risk management initiatives.

#### Banking and Financial Services Capital Management

EW actively manages its capital to comply with regulatory requirements, enable growth targets, withstand plausible stress events and be at par with EW peers. The primary objective of EW's capital management is to ensure that it maintains adequate capital to cover risks inherent to its banking activities without prejudice to optimizing shareholders' value.



*Regulatory Qualifying Capital*

Under existing BSP regulations, the determination of EW's compliance with regulatory requirements and ratios is based on the amount of EW's 'unimpaired capital' (regulatory net worth) reported to the BSP, which is determined on the basis of regulatory policies. In addition, the risk-based Capital Adequacy Ratio (CAR) of a bank, expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than 10.0% for both solo basis (head office and branches) and consolidated basis (EW and subsidiaries engaged in financial allied undertakings). Qualifying capital and risk-weighted assets are computed based on BSP regulations.

Effective January 1, 2014, EW complied with BSP issued Circular No. 781, *Basel III Implementing Guidelines on Minimum Capital Requirements*, which provides the implementing guidelines on the revised risk-based capital adequacy framework particularly on the minimum capital and disclosure requirements for universal banks and commercial banks, as well as their subsidiary banks and quasi-banks, in accordance with the Basel III standards. The Circular sets out a minimum Common Equity Tier 1 (CET1) ratio of 6.0% and Tier 1 capital ratio of 7.5%. It also introduces a capital conservation buffer of 2.5% comprised of CET1 capital. The BSP's existing requirement for Total CAR remains unchanged at 10.0% and these ratios shall be maintained at all times.

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

On June 27, 2014, the BSP issued Circular No. 839, *REST Limit for Real Estate Exposures* which provides the implementing guidelines on the prudential REST limit for universal, commercial, and thrift banks on their aggregate real estate exposures. EW should maintain CET1 and CAR levels at the regulatory prescribed minimums, on a solo and consolidated basis, even after the simulated results of a 25.0% write-off to EW's real estate exposures. These shall be complied with at all times.

The capital-to-risk assets ratio reported to the BSP as of December 31, 2020 and 2019 are shown in the table below:

	<b>2020</b>	2019
CET1 capital ratio	<b>12.62%</b>	10.37%
Tier 1 capital ratio	<b>12.62%</b>	10.37%
Total capital ratio	<b>13.81%</b>	12.95%

The composition of the qualifying capital of EW is shown below:

	<b>2020</b>	2019
	(In Millions)	
Qualifying capital		
Tier 1 capital	<b>₱54,690</b>	₱47,963
CET1 capital	<b>54,690</b>	47,963
Less: Required deductions	<b>12,770</b>	11,609
Net Tier 1 capital	<b>41,920</b>	36,354
Tier 2 capital	<b>3,963</b>	9,036
<b>Total qualifying capital</b>	<b>₱45,883</b>	₱45,390



The capital requirements of EW as of December 31, 2020 and 2019 are shown below:

	<b>2020</b>	2019
	(In Millions)	
Capital requirements:		
Credit risk	<b>₱274,838</b>	₱292,232
Market risk	<b>8,742</b>	13,675
Operational risk	<b>48,685</b>	44,636
<b>Total capital requirements</b>	<b>₱332,265</b>	₱350,543

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

Under Basel III, the regulatory Gross Qualifying Capital of EW consists of Tier 1 (core) and Tier 2 (supplementary) capital. Tier 1 comprises share capital, surplus (including current year profit), and other comprehensive income (cumulative foreign currency translation and net unrealized gains on financial assets at FVOCI). Required deductions include goodwill, intangible assets, investments in equity, deferred tax assets, defined benefit pension assets and unsecured credit accommodations to DOSRI and subsidiaries.

Tier 2 capital comprise of unsecured subordinated debts and general loan loss provision.

Risk-weighted assets are determined by assigning defined risk weights to the statement of financial position exposure and to the credit equivalent amounts of off-balance sheet exposures. Certain items are deducted from risk-weighted assets, such as the excess of general loan loss provision over the amount permitted to be included in Tier 2 capital. The risk weights vary from 0.0% to 150.0% depending on the type of exposure, with the risk weights of off-balance sheet exposures being subjected further to credit conversion factors.

Below is a summary of risk weights and selected exposure types:

Risk weight	Exposure/Asset type*
0.0%	Cash on hand; claims collateralized by securities issued by the national government, BSP; loans covered by the Trade and Investment Development Corporation of the Philippines; real estate mortgages covered by the Home Guarantee Corporation
20.0%	Cash and other cash items, claims guaranteed by Philippine incorporated banks/quasi-banks with the highest credit quality; claims guaranteed by foreign incorporated banks with the highest credit quality; loans to exporters to the extent guaranteed by Small Business Guarantee and Finance Corporation
50.0%	Housing loans fully secured by first mortgage on residential property; Local Government Unit (LGU) bonds which are covered by Deed of Assignment of Internal Revenue allotment of the LGU and guaranteed by the LGU Guarantee Corporation
75.0%	Direct loans of defined Small Medium Enterprise (SME) and microfinance loans portfolio; non-performing housing loans fully secured by first mortgage
100.0%	All other assets (e.g., real estate assets) excluding those deducted from capital (e.g., deferred income tax)
150.0%	All non-performing loans (except non-performing housing loans fully secured by first mortgage) and all non-performing debt securities

\* Not all inclusive



With respect to off-balance sheet exposures, the exposure amount is multiplied by a credit conversion factor (CCF), ranging from 0.0% to 100.0%, to arrive at the credit equivalent amount, before the risk weight factor is multiplied to arrive at the risk-weighted exposure. Direct credit substitutes (e.g., guarantees) have a CCF of 100.0%, while items not involving credit risk has a CCF of 0.0%.

In the case of derivatives, the credit equivalent amount (against which the risk weight factor is multiplied to arrive at the risk-weighted exposure) is generally the sum of the current credit exposure or replacement cost (the positive fair value or zero if the fair value is negative or zero) and an estimate of the potential future credit exposure or add-on. The add-on ranges from 0.0% to 1.5% (interest rate-related) and from 1.0% to 7.5% (exchange rate-related), depending on the residual maturity of the contract. For credit-linked notes and similar instruments, the risk-weighted exposure is the higher of the exposure based on the risk weight of the issuer's collateral or the reference entity or entities.

The risk-weighted CAR is calculated by dividing the sum of its Tier 1 and Tier 2 capital, as defined under BSP regulations, by its risk-weighted assets. The risk-weighted assets, as defined by the BSP regulations, consist of all of the assets on the balance sheet at their respective book values, together with certain other off-balance sheet items, weighted by certain percentages depending on the risks associated with the type of assets. The determination of compliance with regulatory requirements and ratios is based on the amount of EW's 'unimpaired capital' (regulatory net worth) as reported to the BSP, which is determined on the basis of regulatory accounting practices which differ from PFRS in some respects.

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

#### The Group (Excluding EW)

##### *Interest Rate Risk*

The Group's exposure to the risk for changes in market interest rates relates primarily to the Group's long-term debt obligations with a floating interest rate. The Group's interest rate exposure management policy centers on reducing the Group's overall interest expense and exposure to changes in interest rates. The Group's policy is to manage its interest cost using a mix of fixed and floating interest-rate debts. The Group regularly monitors available loans in the market which is of cheaper interest rate and substitutes high-rate debts of the Group.

The Group's long-term debt with floating interest rate usually mature after 3 to 5 years from the date of availment, while fixed term-loans mature after 5 to 10 years.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax and equity (through the impact on floating rate borrowings). There is no other impact on the Group's OCI other than those already affecting the profit and loss.

	Increase (Decrease) in Bps	Effect on Income Before Income Tax (In Thousands)
<b>2020</b>	<b>+200</b>	<b>(₱119,591)</b>
	<b>-200</b>	<b>119,591</b>
2019	+200	(₱31,734)
	-200	31,734



The following table sets out the carrying amount by maturity, of the Group's long-term debts that are exposed to interest rate risk:

	91-Day Treasury Bills/91-Day BVAL plus 1% to 2% margin					Total
	Below 1 Year	1 to 2 Years	>2 to 3 Years	>3 to 4 Years	Over 4 Years	
As of December 31, 2020	₱1,743,021	₱1,092,034	₱455,569	₱1,442,390	₱1,246,550	₱5,979,564
As of December 31, 2019	₱1,086,764	₱-	₱-	₱-	₱500,000	₱1,586,764

### Liquidity Risk

The Group seeks to manage its liquidity profile to be able to finance capital expenditures and service maturing debts. To cover its financing requirements, the Group uses internally generated funds and available long-term and short-term credit facilities.

As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities, in case any requirements arise. Fund raising activities may include bank loans and capital market issues. Accordingly, its loan maturity profile is regularly reviewed to ensure availability of funding through an adequate amount of credit facilities with financial institutions.

Overall, the Group's funding arrangements are designed to keep an appropriate balance between equity and debt, to give financing flexibility while continuously enhancing the Group's businesses.

The following table summarizes the maturity profile of the Group's financial assets and contract assets held to manage liquidity as of December 31, 2020 and 2019 based on contractual undiscounted payments:

	December 31, 2020						Total
	On demand	Less than 3 months	3 months to 1 year	> 1 year to 3 years	>3 years to 5 years	Over 5 years	
	(In Thousands)						
<b>Financial assets at amortized cost</b>							
<b>Real Estate Operations</b>							
Cash and cash equivalents	₱3,681,608	₱-	₱-	₱-	₱-	₱-	₱3,681,608
Contracts receivable	4,651,077	-	-	-	-	-	4,651,077
Receivable from tenants	2,582,601	94,361	-	-	-	-	2,676,962
Management income	228,795	6,697	-	-	-	-	235,492
Receivable from HOA	214,611	-	-	-	-	-	214,611
Receivables from service fees	150,882	49,713	-	-	-	-	200,595
Receivable from government and other financial institutions	193,388	-	-	-	-	-	193,388
Receivable from buyers	129,773	-	-	-	-	-	129,773
Due from related parties	73,617	-	-	-	-	-	73,617
Others	87,442	14,136	4,147	2,488	-	-	108,213
	11,993,794	164,907	4,147	2,488	-	-	12,165,336
<b>Hospitality Operations</b>							
Cash in bank	655,846	-	-	-	-	-	655,846
Trade receivables	17,177	141,324	16,453	-	-	-	174,954
Others	110	-	-	-	-	-	110
	673,133	141,324	16,453	-	-	-	830,910
<b>Power Operations</b>							
Cash in bank	960,727	-	-	-	-	-	960,727
Trade receivables	893,674	1,006,892	-	-	-	-	1,900,566
Due from related parties	12,701	-	-	-	-	-	12,701
Others	4,343	-	-	-	-	-	4,343
	1,871,445	1,006,892	-	-	-	-	2,878,337
<b>Sugar Operations</b>							
Cash in bank	16,155	-	-	-	-	-	16,155
Trade receivables	1,549	-	-	-	-	-	1,549
Others	92,364	-	-	-	-	-	92,364
	110,068	-	-	-	-	-	110,068
<b>Financial Assets at FVOCI</b>							
Investment in shares of stocks:							
Quoted	-	561,102	-	-	-	-	561,102
Unquoted	-	35,542	-	-	-	-	35,542
	-	596,644	-	-	-	-	596,644
<b>Total financial assets</b>	14,648,440	1,909,767	20,600	2,488	-	-	16,581,295
<b>Contract assets</b>	-	1,420,482	4,263,363	1,448,183	1,025,177	1,234,612	9,391,817
	₱14,648,440	₱3,330,249	₱4,283,963	₱1,450,671	₱1,025,177	₱1,234,612	₱25,973,112



	December 31, 2019						Total
	On demand	Less than 3 months	3 months to 1 year	> 1 year to 3 years	>3 years to 5 years	Over 5 years	
(In Thousands)							
Financial assets at amortized cost							
Real Estate Operations							
Cash and cash equivalents	₱1,488,785	₱1,152,679	₱-	₱-	₱-	₱-	₱2,641,464
Contracts receivable	1,625,907	-	-	-	-	-	1,625,907
Receivable from tenants	1,996,515	-	-	-	-	-	1,996,515
Management income	120,859	-	-	-	-	-	120,859
Receivables from service fees	146,377	-	-	-	-	-	146,377
Receivable from buyers	139,875	-	-	-	-	-	139,875
Receivable from government and other financial institutions	192,580	-	-	-	-	-	192,580
Receivable from HOA	139,362	-	-	-	-	-	139,362
Due from related parties	15,644	-	-	-	-	-	15,644
Others	35,129	-	-	4,317	-	-	39,446
	5,901,033	1,152,679	-	4,317	-	-	7,058,029
Hospitality Operations							
Cash in bank	107,665	-	-	-	-	-	107,665
Trade receivables	206,549	-	-	-	-	-	206,549
Due from related parties	6,941	-	-	-	-	-	6,941
	321,155	-	-	-	-	-	321,155
Power Operations							
Cash in bank	1,501,321	-	-	-	-	-	1,501,321
Trade receivables	-	1,930,544	-	-	-	-	1,930,544
	1,501,321	1,930,544	-	-	-	-	3,431,865
Sugar Operations							
Cash in bank	5,475	-	-	-	-	-	5,475
Trade receivables	428	-	-	-	-	-	428
Others	107,662	-	-	-	-	-	107,662
	113,565	-	-	-	-	-	113,565
Others							
Cash in bank	2,531	-	-	-	-	-	2,531
	7,839,605	3,083,223	-	4,317	-	-	10,927,145
Financial Assets at FVOCI							
Investment in shares of stocks:							
Quoted	-	204,034	-	-	-	-	204,034
Unquoted	-	496,005	-	-	-	-	496,005
	-	700,039	-	-	-	-	700,039
Total financial assets	7,839,605	3,783,262	-	4,317	-	-	11,627,184
Contract assets	-	2,970,401	4,957,073	3,794,439	1,440,424	1,685,876	14,848,213
	₱7,839,605	₱6,753,663	₱4,957,073	₱3,798,756	₱1,440,424	₱1,685,876	₱26,475,397

The tables below summarize the maturity profile of the Group's financial liabilities as of December 31, 2020 and 2019 based on contractual undiscounted payments.

	December 31, 2020						Total
	On demand	Less than 3 months	3 months to 1 year	>1 year to 3 years	>3 years to 5 years	Over 5 years	
(In Thousands)							
Accounts payable, accrued expenses and other liabilities							
Accounts payable	₱8,674,413	₱2,931,349	₱1,110,764	₱2,477,951	₱2,480,651	₱-	₱17,675,128
Deposits from tenants	311,332	5,841	1,981,658	-	1,235,507	357,207	3,891,545
Retention fees payable	1,225,456	684,677	168,012	346,391	397,740	322,731	3,145,007
Accrued expenses	3,748,851	1,101,668	-	-	-	-	4,850,519
Accrued interest	864,270	601,474	-	-	-	-	1,465,744
Due to related parties	2,465	-	-	-	-	-	2,465
Deposits for registration	-	378	348,220	569,341	224,251	329,203	1,471,393
Asset retirement obligation	-	-	-	-	-	458,853	458,853
	14,826,787	5,325,387	3,608,654	3,393,683	4,338,149	1,467,994	32,960,654
Long-term and short-term debt	-	1,457,224	19,032,550	39,427,571	55,681,796	20,593,023	136,192,164
	₱14,826,787	₱6,782,611	₱22,641,204	₱42,821,254	₱60,019,945	₱22,061,017	₱169,152,818



	December 31, 2019						Total
	On demand	Less than 3 months	3 months to 1 year	>1 year to 3 years	>3 years to 5 years	Over 5 years	
	(In Thousands)						
Accounts payable, accrued expenses and other liabilities							
Accounts payable	₱7,540,405	₱2,017,454	₱1,075,664	₱2,823,037	₱6,331,263	₱-	₱19,787,823
Deposits from tenants	4,162,818	74,469	26,467	160,831	-	-	4,424,585
Retention fees payable	1,144,498	682,537	331,568	214,181	585,241	326,311	3,284,336
Accrued expenses	5,188,504	-	-	-	-	-	5,188,504
Accrued interest	1,320,001	230,103	-	-	-	-	1,550,104
Due to related parties	1,190,036	7,700	-	-	-	-	1,197,736
Deposits for registration	-	381	156,798	574,121	226,135	331,967	1,289,402
Asset retirement obligation	-	-	-	416,612	-	-	416,612
	20,546,262	3,012,644	1,590,497	4,188,782	7,142,639	658,278	37,139,102
Long-term and short-term debt	-	2,389,925	29,955,485	34,220,377	55,302,049	8,353,429	130,221,265
	₱20,546,262	₱5,402,569	₱31,545,982	₱38,409,159	₱62,444,688	₱9,011,707	₱167,360,367

*Credit Risk*

It is the Group's policy that buyers who wish to avail the in-house financing scheme are subject to credit verification procedures. Receivable balances are being monitored on a regular basis and subjected to appropriate actions to manage credit risk.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and financial assets at amortized costs, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The table below shows the comparative summary of maximum credit risk exposure on assets as of December 31, 2020 and 2019.

	2020	2019
	(In Thousands)	
<b>Loans and Receivables</b>		
<b>Real Estate Operations</b>		
Cash and cash equivalents	<b>₱3,681,608</b>	₱2,641,464
Contracts receivable	<b>4,651,077</b>	1,878,043
Receivable from tenants	<b>2,676,962</b>	1,996,515
Receivables from HOA - net	<b>214,611</b>	139,362
Receivable from government and other financial institutions	<b>193,388</b>	192,580
Management income	<b>235,492</b>	120,859
Receivables from service fees	<b>200,595</b>	146,377
Receivable from buyers	<b>129,773</b>	139,875
Due from related parties	<b>73,617</b>	15,644
Others	<b>108,213</b>	39,446
	<b>12,165,336</b>	7,310,165
<b>Hospitality Operations</b>		
Cash and cash equivalents	<b>655,846</b>	107,665
Trade receivables	<b>174,954</b>	206,549
Others	<b>110</b>	-
	<b>830,910</b>	314,214

(Forward)



	2020	2019
	(In Thousands)	
<b>Power Operations</b>		
Cash and cash equivalents	₱960,727	₱1,501,321
Trade receivables	1,900,566	2,038,131
Due from related parties	12,701	-
	<b>2,873,994</b>	<b>3,539,452</b>
<b>Sugar Operations</b>		
Cash	16,155	5,475
Trade receivables	1,549	428
Others	92,364	107,662
	<b>110,068</b>	<b>113,565</b>
<b>Other Operations</b>		
Cash and cash equivalents	35,843	2,531
<b>Financial assets at FVOCI</b>		
Quoted equity securities	549,009	204,034
Unquoted equity securities	47,632	496,005
	<b>596,641</b>	<b>700,039</b>
	<b>₱16,612,792</b>	<b>₱11,979,966</b>

The loans and receivable of sugar, hospitality, power and other operations are neither past due nor impaired and are considered high grade.

The succeeding table shows the credit quality by class of asset for loan-related statement of financial position lines, based on the real estate operation's credit rating system as of December 31, 2020 and 2019, based on the Group's credit rating system.

	2020			Total
	Neither Past Due nor Impaired		Past Due or Individually Impaired	
	High Grade	Standard Grade		
	(In Thousands)			
Cash and cash equivalents	₱3,681,608	₱-	₱-	₱3,681,608
Contract assets	8,956,604	435,213	-	9,391,817
Loans and receivables				
Contracts receivable	4,281,012	-	370,065	4,651,077
Receivables from tenants	2,431,453	52,504	193,005	2,676,962
Management income	235,492	-	-	235,492
Receivables from homeowners' association	214,611	-	-	214,611
Receivables from service fees	200,595	-	-	200,595
Receivable from government and other financial institutions	193,388	-	-	193,388
Receivables from buyers	129,773	-	-	129,773
Due from related parties	73,617	-	-	73,617
Others	54,768	-	54,445	109,213
	<b>₱20,452,921</b>	<b>₱487,717</b>	<b>₱617,515</b>	<b>₱21,558,153</b>



	2019			
	Neither Past Due nor Impaired		Past Due or Individually Impaired	Total
	High Grade	Standard Grade		
	(In Thousands)			
Cash and cash equivalents	₱2,641,464	₱-	₱-	₱2,641,464
Contract assets	1,732,471	13,115,742	-	14,848,213
Loans and receivables				
Receivables from tenants	273,900	1,702,442	20,173	1,996,515
Contracts receivable	140,846	1,737,197	-	1,878,043
Management income	120,859	-	-	120,859
Receivables from homeowners' association	-	123,498	15,864	139,362
Receivables from service fees	146,377	-	-	146,377
Receivable from government and other financial institutions	192,580	-	-	192,580
Receivables from buyers	-	139,875	-	139,875
Due from related parties	15,644	-	-	15,644
Others	39,446	-	-	39,446
	₱5,303,587	₱16,818,754	₱36,037	₱22,158,378

The analysis of financial assets as of December 31, 2020 and 2019 is as follows:

	2020								
	Neither past due nor impaired	Past due but not impaired					Subtotal	Impaired	Total
		Less than 30 days	30 to 60 days	61 to 90 days	91 to 120 days	Over 120 days			
	(In Thousands)								
Cash and cash equivalents	₱3,681,608	₱-	₱-	₱-	₱-	₱-	₱-	₱-	₱3,681,608
Contract assets	9,391,817	-	-	-	-	-	-	-	9,391,817
Loans and receivables									
Contracts receivable	4,281,012	22,970	12,129	22,766	-	312,200	370,065	-	4,651,077
Receivables from tenants	2,483,957	-	-	-	-	145,864	145,864	47,141	2,676,962
Management income	235,492	-	-	-	-	-	-	-	235,492
Receivables from homeowners' association	214,611	-	-	-	-	-	-	-	214,611
Receivables from service fees	200,595	-	-	-	-	-	-	-	200,595
Receivable from government and other financial institutions	193,388	-	-	-	-	-	-	-	193,388
Receivables from buyers	129,773	-	-	-	-	-	-	-	129,773
Due from related parties	73,617	-	-	-	-	-	-	-	73,617
Others	53,768	-	-	-	-	54,445	54,445	-	108,213
	₱20,939,638	₱22,970	₱12,129	₱22,766	₱-	₱512,509	₱570,374	₱47,141	₱21,557,153

	2019								
	Neither past due nor impaired	Past due but not impaired					Subtotal	Impaired	Total
		Less than 30 days	30 to 60 days	61 to 90 days	91 to 120 days	Over 120 days			
	(In Thousands)								
Cash and cash equivalents	₱2,641,464	₱-	₱-	₱-	₱-	₱-	₱-	₱-	₱2,641,464
Contract assets	14,848,213	-	-	-	-	-	-	-	14,848,213
Loans and receivables									
Contracts receivable	1,878,043	-	-	-	-	-	-	-	1,878,043
Receivables from tenants	491,281	1,485,061	-	-	-	-	1,485,061	20,173	1,996,515
Management income	120,859	-	-	-	-	-	-	-	120,859
Receivables from homeowners' association	123,498	-	-	-	-	-	-	15,864	139,362
Receivables from service fees	146,377	-	-	-	-	-	-	-	146,377
Receivable from government and other financial institutions	192,580	-	-	-	-	-	-	-	192,580
Receivables from buyers	139,875	-	-	-	-	-	-	-	139,875
Due from related parties	15,644	-	-	-	-	-	-	-	15,644
Others	39,446	-	-	-	-	-	-	-	39,446
	₱20,637,280	₱1,485,061	₱-	₱-	₱-	₱-	₱1,485,061	₱36,037	₱22,158,378

The Group's high-grade receivables pertain to receivables from related parties and third parties which, based on experience, are highly collectible or collectible on demand, and of which exposure to bad debt is not significant. Receivables assessed to be of standard grade are those which had passed a certain set of credit criteria, and of which the Group has not noted any extraordinary exposure which calls for a substandard grade classification.



For Power operations, an impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due of all customers as they have similar loss patterns. Generally, trade receivables are written-off if past due for more than 90 days and are not subject to enforcement activity. The resulting ECL of ₱300.0 million as of December 31, 2020 pertains to receivables aged over 90 days.

#### *Real Estate Operation Capital Management*

Real estate operation's primary objective is to maintain its current sound financial condition and strong debt service capabilities as well as to continuously implement a prudent financial management program.

Real estate operation manage their capital structure and makes adjustments to it, in light of changes in economic conditions. It closely monitors its capital and cash positions and carefully manages its capital expenditures such as land acquisitions, constructions and project developments and fixed charges. Real estate operation prefers to enter into joint venture arrangements with landowners to develop land rather than purchasing land outright, which reduces its capital requirements and can increase returns. Furthermore, real estate operation may also, from time to time, seek other sources of funding, which may include debt or equity issues depending on its financing needs and market conditions.

Real estate operation continues to fund its project developments using medium to long-term financing, which can help mitigate any negative effects of a sudden downturn in the Philippine economy or a sudden rise in interest rates.

#### *Hospitality Operations Capital Management*

Hospitality operation's primary objective is to improve the profitability and continuously implement a prudent financial management program. Capital and cash positions are closely monitored and expenditures and disbursements are carefully managed. Hospitality operation considers total equity as capital.

As of December 31, 2020, MSSSI is not subject to externally imposed capital requirements.

#### *Power Operation*

Power operation's primary objective is to effectively manage its cash flow position. Cash flows are managed by ensuring that billings are prepared and delivered promptly and by working closely with electric cooperatives to ensure timely collection of receivables.

#### *Sugar Operation Capital Management*

Sugar operation manages their capital structure and makes adjustments to it in light of changes in economic conditions. It closely monitors its capital and cash positions and carefully manages its expenditures and disbursements. Furthermore, sugar operation also, from time to time seeks other sources of funding, which may include internal or external borrowings depending on its financing needs and market conditions.

Sugar operation monitors capital using a gearing ratio which is total debt divided by total equity. Debt includes accounts payable, accrued expenses and other liabilities, income tax payable, due to related parties, short-term and long-term debt. The policy is to keep the gearing ratio not to exceed 2.0:1.0.



Derivative Financial Instruments

The Group's freestanding derivative financial instruments, which mainly consist of foreign currency forward contracts and swaps, and interest rate swaps, are transactions not designated as hedges.

The table below sets out information about the Group's derivative financial instruments and the related fair value as of December 31, 2020 and 2019:

<i>Foreign Currency Forward Contracts and Swaps</i>	<b>2020</b>	2019
		(In Thousands)
Notional amount	<b>\$165,191</b>	USD194,699
Derivative assets (Note 20)	<b>₱6,232</b>	₱1,438,339
Derivative liabilities (Note 23)	<b>4,895</b>	5,177
<i>Futures</i>	<b>2020</b>	2019
		(In Thousands)
Notional amount	<b>\$16,993</b>	USD23,877
Derivative assets (Note 20)	<b>₱-</b>	₱-
Derivative liabilities (Note 23)	<b>1,874</b>	7,832
<i>Interest Rate Swaps</i>	<b>2020</b>	2019
		(In Thousands)
Notional amount	<b>\$20,000</b>	USD20,000
Derivative assets (Note 20)	<b>₱21,930</b>	₱96,212
Derivative liabilities (Note 23)	<b>92,147</b>	114,995

The net movements in fair value changes of all derivative instruments are as follows:

	<b>2020</b>	2019
		(In Thousands)
Balances at beginning of year	<b>₱1,414,379</b>	₱1,929,985
Net changes in fair value of derivatives		
Designated as accounting hedges	<b>(49,110)</b>	(445,262)
Not designated as accounting hedges	<b>-</b>	53,697
	<b>1,365,269</b>	1,538,420
Fair value of settled instruments		
Not designated as accounting hedges	<b>5,795</b>	(124,041)
<b>Balances at end of year</b>	<b>₱1,371,064</b>	₱1,414,379

Fair value changes of foreign currency forwards and swaps (not designated as accounting hedge) are recognized as Foreign exchange gain while fair value changes of interest rate swaps are recognized as Trading and securities gain as part of Other income from the financial banking and services.

*Derivatives Designated as Accounting Hedges*

In 2013, the Parent Company entered into two 7-year cross currency swaps (CCS) with an aggregate notional amount of USD150.0 million to hedge its foreign currency risk arising from the USD286.5 million fixed rate bonds issued by FDCI. The Group applies hedge accounting treatment on these cross currency swaps after complying with hedge accounting requirements, specifically on hedge documentation designation and effectiveness testing.



Under the CCS agreements, the Parent Company receives fixed interest of USD at the rate of 4.3% of the USD150.0 million total notional amount and pay fixed interest in Philippine Peso at 6.0% and 5.8% of ₱2.1 billion and ₱4.1 billion, respectively, semi-annually on a 30/360 day count basis. The notional amount of the cross-currency swap equals that of the debt, and all cash flows dates and interest rates coincide between the debt and the CCS.

The maturity date of the CCS contracts coincides with the maturity date of the hedged bonds.

Pertinent details of the CCS are as follows (amounts in millions):

Notional amount	Trade date	Effective date	Maturity date	Swap rate
USD100.0	April 3 2013	April 4, 2013	April 2, 2020	40.9
USD50.0	May17, 2013	May 20, 2013	April 2, 2020	41.2

As of December 31, 2020 and 2019, the fair value of the cross currency swaps designated as hedging instruments amounted to nil and ₱1,534.6 million, respectively, presented as Derivative assets under Other assets in the consolidated statement of financial position (see Note 20). The net movement on cash flow hedges amounted to ₱72.8 million loss, net of deferred tax of ₱3.0 million, ₱107.5 million loss, net of deferred tax of ₱46.1 million and ₱67.4 million gain, net of deferred tax of ₱28.9 million in 2020, 2019 and 2018, respectively, and is presented in the consolidated statements of comprehensive income.

#### *Hedge Effectiveness Results*

Since the critical terms of the hedged bonds and the CCS match, except for 1 to 2 days timing difference on the interest dates, the hedges were assessed to be highly effective. As such, the aggregate fair value changes on these CCS amounting to ₱72.8 million, ₱107.5 million and ₱67.4 million in 2020, 2019 and 2018, respectively, were recognized by the Group under Net movement on cashflow hedges, net of tax account in the consolidation statements of comprehensive income.

No ineffectiveness was recognized in the Group's consolidated statements of income in 2020, 2019 and 2018.

### **38. Offsetting of Financial Assets and Financial Liabilities**

The amendments to PFRS 7, which is effective January 1, 2013, require the Group to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments subject to enforceable master netting agreements or similar arrangements. The effects of these arrangements are disclosed in the succeeding tables.

#### *Financial Assets*

Financial assets recognized at end of reporting period by type	December 31, 2020					
	Gross carrying amounts (before offsetting) [a]	Gross amounts offset in accordance with the offsetting criteria [b]	Net amount presented in the consolidated statements of financial position [a-b] [c]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		Net exposure [c-d] [e]
				Financial instruments [d]	Fair value of financial collateral	
Derivative assets (Note 20)	₱30,037	₱-	₱30,037	₱29,148	₱-	₱-

(In Thousands)



December 31, 2019						
Financial assets recognized at end of reporting period by type	Gross carrying amounts (before offsetting) [a]	Gross amounts offset in accordance with the offsetting criteria [b]	Net amount presented in the consolidated statements of financial position [a-b] [c]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		Net exposure [c-d] [e]
				Financial instruments [d]	Fair value of financial collateral	
(In Thousands)						
Derivative assets (Note 20)	₱1,534,551	₱-	₱1,534,551	₱-	₱-	₱1,534,551

### Financial Liabilities

December 31, 2020						
Financial liabilities recognized at end of reporting period by type	Gross carrying amounts (before offsetting) [a]	Gross amounts offset in accordance with the offsetting criteria [b]	Net amount presented in the consolidated statements of financial position [a-b] [c]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		Net exposure [c-d] [e]
				Financial instruments [d]	Fair value of financial collateral	
(In Thousands)						
Derivative liabilities (Note 23)	₱97,042	₱-	₱97,042	₱92,148	₱-	₱4,894
Bills payable	3,491,024	-	3,491,024	-	3,491,024	-
<b>Total</b>	<b>₱3,588,066</b>	<b>₱-</b>	<b>₱3,588,066</b>	<b>₱92,148</b>	<b>₱3,491,024</b>	<b>₱4,894</b>

December 31, 2019						
Financial liabilities recognized at end of reporting period by type	Gross carrying amounts (before offsetting) [a]	Gross amounts offset in accordance with the offsetting criteria [b]	Net amount presented in the consolidated statements of financial position [a-b] [c]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		Net exposure [c-d] [e]
				Financial instruments [d]	Fair value of financial collateral	
(In Thousands)						
Derivative liabilities (Note 23)	₱128,004	₱-	₱128,004	₱114,995	₱-	₱13,009
Bills payable	29,804,675	-	29,804,675	-	29,804,675	-
<b>Total</b>	<b>₱29,932,679</b>	<b>₱-</b>	<b>₱29,932,679</b>	<b>₱114,995</b>	<b>₱29,804,675</b>	<b>₱13,009</b>

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

## 39. Notes to Statement of Cash Flows

### Changes in Liabilities Arising from Financing Activities

For the Year Ended December 31, 2020

	January 1, 2020	Cashflows	Foreign Exchange Movement	Noncash Movement	December 31, 2020
(In Thousands)					
Long-term and short-term debt	₱130,221,265	₱6,360,252	(₱530,389)	₱141,036	₱136,192,164
Bills and acceptance payable	30,949,753	(27,380,950)	-	-	3,568,803
Lease liabilities	6,885,178	(1,288,905)	-	1,760,785	7,357,058
Accrued interest	1,550,104	(7,249,234)	-	7,164,874	1,465,744
Dividends payable	23,974	(1,892,051)	-	1,868,077	-
Due to related parties	1,197,736	(1,711,600)	-	516,329	2,465
<b>Total</b>	<b>₱170,828,010</b>	<b>(₱33,162,488)</b>	<b>(₱530,389)</b>	<b>₱114,511,011</b>	<b>₱148,586,234</b>



Noncash movements include the effects of declaration of dividends, amortization of debt issuance costs, and accretion of lease liabilities (see Notes 24, 25 and 32).

For the Year Ended December 31, 2019

	January 1, 2019	Cashflows	Foreign Exchange Movement	Noncash Movement	December 31, 2019
(In Thousands)					
Long-term and short-term debt	₱127,347,516	₱697,118	(₱530,389)	₱2,707,020	₱130,221,265
Bills and acceptance payable	17,969,926	12,979,827	–	–	30,949,753
Finance lease obligation	874,521	–	–	(874,521)	–
Lease liabilities	7,130,249	(1,118,715)	–	873,644	6,885,178
Accrued interest	2,061,777	(3,545,427)	–	3,033,754	1,550,104
Dividends payable	23,974	(1,690,074)	–	1,690,074	23,974
Due to related parties	1,714,064	(516,328)	–	–	1,197,736
	<b>₱157,122,027</b>	<b>₱6,806,401</b>	<b>(₱530,389)</b>	<b>₱7,429,971</b>	<b>₱170,828,010</b>

Noncash movements include the effects of declaration of dividends, amortization of debt issuance costs, termination of IPPA contract, accretion of liability under finance lease, and offsetting of amounts receivable from ALGI as a result of the partial rescission against outstanding due to related parties (see Notes 24, 25, 26 and 32).

#### Noncash Transactions Affecting Investing Activities

Transfers from loans and receivables to investment properties as a result of foreclosures amounted to ₱160.2 million, ₱179.3 million and ₱142.5 million in 2020, 2019 and 2018, respectively, for EW (see Note 16). Transfers from loans and receivables to other repossessed assets as a result of foreclosures amounted to ₱1.6 billion, ₱3.0 billion and ₱1.0 billion in 2020, 2019 and 2018 respectively, for EW. Amounts mentioned are exclusive of loss on asset foreclosure and dacion transactions amounting to ₱152.1 million, ₱200.0 million and ₱212.9 million in 2020, 2019 and 2018, respectively. Land and land developments previously presented under inventories were reclassified to investment property amounting to ₱2.0 billion for FLI (see Note 14). Reclassification from property and equipment to investment properties amounting to ₱781.6 million for FLI. Purchases of inventories and investment properties which remain unpaid amounted to ₱2,894.5 million and ₱735.6 million, respectively (see Notes 14 and 16).

#### 40. Maturity Analysis of Assets and Liabilities

The following tables show an analysis of assets and liabilities analyzed according to whether they are expected to be recovered or settled within 1 year and beyond 1 year from the statement of financial position date:

	2020			2019		
	Less than 12 months*	Over 12 months	Total	Less than 12 months**	Over 12 months	Total
(In Thousands)						
<b>Assets</b>						
Cash and other cash items	₱90,858,875	₱–	₱90,858,875	₱52,096,201	₱–	₱52,096,201
Loans and receivables - net						
Real estate operations	8,748,865	2,488	8,751,353	5,119,799	4,317	5,124,116
Hospitality operations	185,750	–	185,750	213,490	–	213,490
Banking and financial services	72,768,675	157,993,525	230,762,200	107,964,043	146,142,901	254,106,944
Power operations	1,617,610	–	1,617,610	2,045,037	–	2,045,037
Sugar operations	93,913	–	93,913	108,090	–	108,090

(Forward)



	2020			2019		
	Less than 12 months*	Over 12 months	Total	Less than 12 months**	Over 12 months	Total
	(In Thousands)					
Financial assets at FVPL	₱7,523,592	₱-	₱7,523,592	₱16,840,709	₱-	₱16,840,709
Financial assets at FVOCI	-	30,068,350	30,068,350	-	5,323,670	5,323,670
Investment securities at amortized cost	536,481	20,363,218	20,899,699	392,088	48,993,983	49,386,071
Contract assets	3,871,555	5,520,262	9,391,817	7,362,914	7,485,299	14,848,213
Real estate inventories	73,953,136	-	73,953,136	71,363,524	-	71,363,524
Coal, spare parts and other inventories	949,078	-	949,078	710,341	-	710,341
Investment properties - net	-	89,039,002	89,039,002	-	82,571,561	82,571,561
Property and equipment - net	-	42,592,468	42,592,468	-	43,155,481	43,155,481
Investment in joint ventures	-	1,394,910	1,394,910	-	1,005,340	1,005,340
Deferred tax assets - net	-	5,802,412	5,802,412	-	3,255,431	3,255,431
ROU assets	-	3,589,554	3,589,554	-	6,994,539	6,994,539
Goodwill	-	10,381,152	10,381,152	-	10,381,152	10,381,152
Other assets	9,190,591	10,969,523	20,160,114	11,815,670	10,809,295	22,624,965
	<b>₱270,298,121</b>	<b>₱377,716,864</b>	<b>₱648,014,985</b>	<b>₱276,031,906</b>	<b>₱366,122,969</b>	<b>₱642,154,875</b>
<b>Liabilities</b>						
Deposit liabilities	₱288,137,020	₱18,064,940	₱306,201,960	₱271,270,806	₱13,497,099	₱284,767,905
Bills and acceptances payable	3,568,803	-	3,568,803	30,949,753	-	30,949,753
Accounts payable and accrued expenses	26,553,130	9,223,995	35,777,125	24,314,608	16,141,929	40,456,537
Contract liabilities	2,120,070	1,603,404	3,723,474	1,174,174	2,294,058	3,468,232
Long-term and short-term debt	20,489,774	115,702,390	136,192,164	32,345,410	97,875,855	130,221,265
Income tax payable	500,609	-	500,609	901,755	-	901,755
Retirement liabilities	-	1,702,616	1,702,616	-	1,139,672	1,139,672
Lease liabilities	1,242,873	6,114,185	7,357,058	1,406,807	5,478,371	6,885,178
Deferred tax liabilities - net	-	11,384,354	11,384,354	-	11,214,592	11,214,592
	<b>₱342,612,279</b>	<b>₱163,795,884</b>	<b>₱506,408,163</b>	<b>₱362,363,313</b>	<b>₱147,641,576</b>	<b>₱510,004,889</b>

\*Includes current assets and current liabilities of EW amounting to ₱167,441,614 and ₱302,218,051 as of December 31, 2020, respectively.

\*\*Includes current assets and current liabilities of EW amounting to ₱181,322,440 and ₱318,702,861 as of December 31, 2019, respectively.

#### 41. Registrations with the PEZA and CSEZ

On February 20, 2017, June 1, 2016, and April 21, 2016, respectively, FCMI, MCI and FMI were registered and granted a Permit-to-Operate as a Clark Freeport enterprises in Clark Clark-Subic Economic Zone (CSEZ). As a registered enterprise, FMI is entitled to a special tax rate of 5% of gross income and tax exemption and duty-free importation in certain purchases directly related to its business activities as approved by CDC.

On December 15, 2015, PDDC was registered with PEZA as an Ecozone Facilities Enterprise. As a registered enterprise, PDDC is entitled to certain tax and non-tax benefits such as exemption from payment of national and local taxes and instead a special tax rate of 5% of gross income. FAC, CPI and PDDC are also entitled to zero percent (0%) VAT for sales to ECOZONE enterprises.

On February 13, 2002, FLI, FAC and CPI were registered with PEZA pursuant to the provisions of the RA No. 7916 as the Ecozone Developer/Operator to lease, sell, assign, mortgage, transfer or otherwise encumber the area designated as a Special Economic Zone (Ecozone) to be known as Filinvest Technology Park-Calamba.

Under the registration, FLI shall enjoy 5% preferential tax privilege on income generated from the Ecozone as opposed to the regular income tax rate.



On June 11, 2001, FAC was registered with PEZA as the developer/operator of PBCom Tower and as such it will not be entitled to any incentives, however, IT enterprises which shall locate in PBCom Tower shall be entitled to tax incentives pursuant to RA No. 7916.

On June 6, 2000, CPI was registered with PEZA as an Ecozone Facilities Enterprise. As a registered enterprise, it is also entitled to certain tax and non-tax benefits such as exemption from payment of national and local taxes and instead a special tax rate of 5% of gross income.

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#### 42. Registration with the BOI

The Group has registered the following New Developer of Low-Cost Mass Housing Projects with the BOI under the Omnibus Investments Code of 1987 (Executive Order No. 226) as of December 31, 2020:

<b>Name</b>	<b>Reg. No.</b>	<b>Date Registered</b>
Marina Spatial Bldg 1	2017-129	05/23/2017
Ventura Real Ph 01	2017-298	11/08/2017
New Fields	2018-016	01/22/2018
Futura Homes Palm Estates Ph 1	2018-156	07/20/2018
Futura Homes Zamboanga Ph1A	2018-200	09/24/2018
New Leaf	2019-054	03/20/2019
Sandia Homes 2	2019-136	07/25/2019
8 Spatial Davao Bldg 5	2019-182	09/26/2019
Marina Spatial Bldg 2	2019-259	12/02/2019

On December 12, 2018, DSRI was registered with BOI as New Operator of Tourist Accommodation Facility under the Omnibus Investment Code of 1987 (Certificate of Registration No. 2013-123).

On September 2, 2014, BSI's registration was upgraded from Non-Pioneer status to Pioneer status in which ITH entitled period was increased from 4 years to 6 years starting December 2017 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration.

On August 30, 2013, the Group's 405 MW Misamis Power Plant was registered as New Operator of Coal Fired Power Project with the BOI under the Omnibus Investment Code of 1987 (Executive Order No. 226).

On June 7, 2013, BSI was registered with BOI as New Operator of Tourist Accommodation Facility under Modernization Program on a Non-Pioneer status (Certificate of Registration No. 2013-123) under Omnibus Investment Code. Under the terms of the Non-Pioneer status with BOI, BSI is entitled to an income tax holiday (ITH) for a period of 4 years from December 2017 or actual start of commercial operations, whichever is earlier than the date of registration.

As a registered enterprise, the Group is entitled to certain tax and nontax incentives, subject to certain conditions.



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#### 43. Events After Reporting Period

##### Initial Public Offering (IPO)

On March 9, 2021, the BOD of FLI has approved the IPO of the common shares of CPI (the Issuer), subject to the registration requirements of the SEC, the listing requirements of the PSE and requirements of the revised implementing rules and regulations of the REIT Act of 2009, under the following terms:

- a. The offer and sale of up to 1,630,762,905 common shares of the Issuer owned by FLI (the “Secondary Offer Shares”) to be offered by way of a secondary offer at an offer price of up to ₱8.30 per share which represent at least one third of the outstanding capital stock of the Issuer after the increase in its authorized capital stock to seven billion one hundred thirty one million eight hundred forty nine thousand pesos (₱7,131,849,000) divided into fourteen billion two hundred sixty three million six hundred ninety eight thousand (14,263,698,000) common shares with a par value of fifty centavos (₱0.50) per share;
- b. The grant by FLI of an over-allotment option pursuant to which a stabilizing agent or its relevant affiliate has the right to purchase up to 163,076,291 common shares of the Issuer owned by FLI (the “Option Shares”) under the same terms and conditions as the Secondary Offer Shares (the Secondary Offer Shares and the Option Shares are collectively the “Offer Shares”).

##### Sale of Investment at Amortized Cost

In January 2021, EW sold its securities in its FCDU portfolio classified as investment at amortized cost with a carrying amount of ₱0.1 billion resulting in a net gain (loss) amounting to ₱0.02 billion. On the following month, EW made another sale of securities in its FCDU portfolio classified as investment at amortized cost with a carrying amount of ₱6.5 billion resulting in a net gain (loss) amounting to ₱1.3 billion. The sales were made in response to the current changes in market conditions brought by the COVID-19 pandemic.

The Group considers the events above as non-adjusting subsequent events, accordingly, no adjustments have been made to the consolidated financial statements as of and for the year ended December 31, 2020.

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#### 44. Other Matters

##### COVID-19 Pandemic

In a move to contain the COVID-19 pandemic in the Philippines, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region (NCR) effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an ECQ throughout the island of Luzon until April 12, 2020, which was subsequently extended to April 30, 2020 and further extended to May 15, 2020. The ECQ shifted to modified enhanced community quarantine (MECQ) until May 31, 2020 and to general community quarantine (GCQ) for NCR and certain provinces until the first part of the third quarter. Subsequently, MECQ was once again imposed on select areas including Metro Manila and a few other provinces in the National Capital Region from August 4 to 18, 2020 then back again to GCQ until December 31, 2020. On January 1, 2021, the Office of the President issued a Memorandum from the Executive Secretary placing the NCR and other highly urbanized cities and independence component cities under GCQ and MGCQ until January 31, 2021, which was further extended until February 28, 2021 and March 31, 2021 for certain parts of the country, including the NCR.



The Group continues to abide by and comply with all rules and regulations issued by the government in relation to the COVID-19 pandemic. In line with applicable rules and regulations, the said risks are mitigated by business continuity strategies set in place by the Group. Measures currently undertaken by the Group to mitigate the risks of COVID-19 pandemic on its operations include workfrom-home arrangements, proper and frequent sanitation of office premises, cancellation of large group meetings in person, an internal ban on foreign business travel, and the practice of social distancing through remote communication, among others.

The quarantine restrictions and recent social distancing guidelines limit the operations of malls and construction completion. Despite the challenges, the Group prioritized easing the burden of its customers by providing payment grace periods or rental relief. Past efforts in process improvement and digitalization allowed the company to operate efficiently and effectively to continue to serve customers.





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BOA/PRC Reg. No. 0001,  
October 4, 2018, valid until August 24, 2021  
SEC Accreditation No. 0012-FR-5 (Group A),  
November 6, 2018, valid until November 5, 2021

## INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors  
Filinvest Development Corporation  
The Beaufort, 5th Avenue corner 23rd Street  
Bonifacio Global City, Taguig City, Metro Manila

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Filinvest Development Corporation and its subsidiaries (the Group), as at December 31, 2020 and 2019, and for each of the three years in the period ended December 31, 2020 and have issued our report thereon dated March 18, 2021. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state in all material respects, the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Michael C. Sabado  
Partner  
CPA Certificate No. 89336  
SEC Accreditation No. 0664-AR-4 (Group A),  
November 11, 2019, valid until November 10, 2022  
Tax Identification No. 160-302-865  
BIR Accreditation No. 08-001998-073-2020,  
December 3, 2020, valid until December 2, 2023  
PTR No. 8534357, January 4, 2021, Makati City

March 18, 2021





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October 4, 2018, valid until August 24, 2021  
SEC Accreditation No. 0012-FR-5 (Group A),  
November 6, 2018, valid until November 5, 2021

## INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors  
Filinvest Development Corporation  
The Beaufort, 5th Avenue corner 23rd Street  
Bonifacio Global City, Taguig City, Metro Manila

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Filinvest Development Corporation and its subsidiaries (the Group) as at December 31, 2020 and 2019, and for each of the three years in the period ended December 31, 2020, and have issued our report thereon dated March 18, 2021. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2020 and 2019, and for each of the three years in the period ended December 31, 2020 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Michael C. Sabado  
Partner  
CPA Certificate No. 89336  
SEC Accreditation No. 0664-AR-4 (Group A),  
November 11, 2019, valid until November 10, 2022  
Tax Identification No. 160-302-865  
BIR Accreditation No. 08-001998-073-2020,  
December 3, 2020, valid until December 2, 2023  
PTR No. 8534357, January 4, 2021, Makati City

March 18, 2021



**FILINVEST DEVELOPMENT CORPORATION AND SUBSIDIARIES**  
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**AND SUPPLEMENTARY SCHEDULES**

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**SUPPLEMENTARY SCHEDULES**

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Annex 68-D - Reconciliation of Retained Earnings Available for Dividend Declaration

Annex 68-E - Financial Soundness Indicators

Map Showing the Relationships Between and Among the Companies in the Group, its Ultimate Parent Company, Co-subsidiaries and Associate

**SCHEDULE A**

**FILINVEST DEVELOPMENT CORPORATION AND SUBSIDIARIES**  
**SUPPLEMENTARY SCHEDULE ON FINANCIAL ASSETS**  
**DECEMBER 31, 2020**

Below is the schedule of financial assets in equity securities of the Group as of December 31, 2020:

Name of Issuing Entity and Association of Each Issue	Number of Shares/Principal Amount of Bonds and Notes	Amount Shown in the Statement of Financial Position	Value Based on Market Quotation at End of Year	Income Received and Accrued
		(In Thousands)		
<b>Financial Assets at Fair Value Through Profit or Loss</b>				
<b>Debt Securities</b>				
Fixed Rate Treasury Notes (FXTN)	2,255,095	₱2,926,801	₱2,926,801	₱273,376
Republic of the Philippines (ROP)	432,207	509,339	509,339	25,525
Retail Treasury Bond (RTB)	3,149,482	3,218,346	3,218,346	159,845
Treasury Bills	385,000	383,247	383,247	-
Petroleos Mexicanos (PEMEX)	480,230	437,614	437,614	30,515
Citibank Manila	73	37,908	37,908	-
		7,513,255	7,513,255	489,261
<b>Equity Securities</b>				
LGU Guarantee Corporation	10,213	10,213	10,213	n/a
Victoria Milling Corporation	125	125	125	n/a
		10,338	10,338	-
		₱7,523,593	₱7,523,593	₱489,261
<b>Financial Assets at Fair Value Through Other Comprehensive Income</b>				
<b>Debt Securities</b>				
US Treasury Notes	19,209,200	₱19,207,734	₱19,207,734	₱432
ROP	5,860,568	5,936,760	5,936,760	88,392
Bangko Sentral ng Pilipinas (BSP)	1,440,690	1,464,505	1,464,505	19,767
INDON	1,018,466	1,052,577	1,052,577	19,997
RTB	550,000	697,186	697,186	41,447
Rizal Commercial Banking Corp	444,213	450,170	450,170	1,669
PEMEX	384,184	350,092	350,092	23,985
FXTN	268,500	312,685	312,685	29,629
		29,471,709	29,471,709	225,318
<b>Quoted</b>				
The Palms Country Club	286	365,909	365,909	-
Manila Golf	2	150,000	150,000	-
Manila Polo Club	1	23,000	23,000	-
Sta Elena Properties Inc.	2	10,000	10,000	-
Riviera Golf	1	100	100	-
		549,009	549,009	-
<b>Unquoted</b>				
The Palms Country Club	1,007	5,360	5,360	-
H.B. Fuller	1,903,767	19,040	19,040	-
Manila Electric Company	1,153,694	6,197	6,197	-
Cebu Country Club	1	6,017	6,017	-
Alabang Country Club	1	2,200	2,200	-
Philippine Long Distance Telephone Company	59,900	716	716	-
Pilipino Telephone Corp.	1,800	8	8	-
Others		8,094	8,094	-
		47,632	47,632	-
		₱30,068,350	₱30,068,350	₱225,318

(Forward)

Name of Issuing Entity and Association of Each Issue	Number of Shares/Principal Amount of Bonds and Notes	Amount Shown in the Statement of Financial Position  (In Thousands)	Value Based on Market Quotation at End of Year	Income Received and Accrued
<b>Investment Securities at Amortized Cost</b>				
ROP	1,489,625	₱1,562,455	₱1,723,075	₱539,560
INDON	2,064,989	2,511,899	3,001,576	148,435
FXTN	2,806,825	2,951,498	3,678,670	211,708
Perusahaan Listrik Negara	2,497,196	2,771,297	3,277,917	159,743
Pertamina Persero	1,104,529	1,135,462	1,347,296	74,692
KSA	2,161,035	2,258,489	2,819,452	108,247
BSP	1,281,646	1,616,810	1,281,646	30,135
SMIC	1,619,336	1,641,127	1,735,782	75,622
Qatar Bonds	960,460	1,001,530	1,283,127	59,716
PEMEX	1,507,922	1,367,612	1,323,073	106,107
MEX	960,460	877,474	1,115,430	45,944
Energy Development Corporation	518,648	519,278	521,750	22,241
BRAZIL	432,207	385,920	513,278	25,949
RTB	91,300	75,590	95,668	10,079
ROP Global Peso Notes	275,354	254,189	300,899	16,502
Allowance for ECL	–	(30,931)	–	–
	<b>19,771,532</b>	<b>₱20,899,699</b>	<b>₱24,018,639</b>	<b>₱1,634,680</b>

**SCHEDULE B**

**FILINVEST DEVELOPMENT CORPORATION AND SUBSIDIARIES**  
**SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM**  
**DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES, AND**  
**PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)**  
**DECEMBER 31, 2020**

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There are no advances to employees with balances above ₱1.0 million as of December 31, 2020.

## SCHEDULE C

### **FILINVEST DEVELOPMENT CORPORATION AND SUBSIDIARIES**

#### **SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS DECEMBER 31, 2020**

Below is the schedule of receivables (payables) with related parties which are eliminated in the consolidated financial statements as of December 31, 2020 (amounts in thousands):

		Volume of Transactions	Receivable (Payable)	Terms
Pacific Sugar Holdings Corporation (PSHC)	Share in expenses	P=	P551,772	Non-interest bearing and to be settled within 1 year
FDC Forex Corporation (FFC)	Share in expenses	3	187,279	Non-interest bearing and to be settled within 1 year
Mactan Seascapes Services, Inc. (MSSI)	Share in expenses Rental income	86,899	85,576	Non-interest bearing and to be settled within 1 year
Corporate Technologies, Inc. (CTI)	Share in expenses Operational advances	65,888	65,867	Non-interest bearing and to be settled within 1 year
Filinvest Hospitality Corporation (FHC)	Share in expenses	46,378	51,807	Non-interest bearing and to be settled within 1 year
Filinvest Land, Inc. (FLI)	Share in expenses Dividend income	1,051,010	50,279	Non-interest bearing and to be settled within 1 year
Boracay Seascapes, Inc. (BSI)	Rental income	32,341	28,093	Non-interest bearing and to be settled within 1 year
F(dev) Digital Innovations and Ventures, Inc. (FDEV)	Share in expenses	27,052	27,052	Non-interest bearing and to be settled within 1 year
Filinvest Alabang, Inc. (FAI)	Share in expenses Dividend income	1,202,663	26,404	Non-interest bearing and to be settled within 1 year except for sale of lots*
Countrywide Water Services Inc. (CWSI)	Share in expenses	25,774	26,098	Non-interest bearing and to be settled within 1 year
FDC Utilities, Inc. (FDCUI)	Share in expenses Dividend income	2,060,510	5,788	Non-interest bearing and to be settled within 1 year
Davao Sugar Central Company, Inc. (DSCC)	Share in expenses	12,375	4,193	Non-interest bearing and to be settled within 1 year
SharePro, Inc. (SharePro)	Share in expenses	353	353	Non-interest bearing and to be settled within 1 year
FDC Misamis Power Corporation (FDC Misamis)	Share in expenses Dividend income	406,250	115	Non-interest bearing and to be settled within 1 year
Entrata Hotel Services, Inc. (EHSI)	Share in expenses	26	87	Non-interest bearing and to be settled within 1 year

(Forward)

	Volume of Transactions	Receivable (Payable)	Terms
Festival Supermall Inc. (FSI)	Share in expenses	₱-	₱11
			Non-interest bearing and to be settled within 1 year
East West Banking Corporation (EW)	Share in expenses Loan	(4,828,405)	(4,828,405)
			Non-interest bearing and to be settled within 1 year except for loan**
		(₱189,117)	(₱3,717,631)

\* Interest-bearing receivable from sale of lots to FAI with equal quarterly amortizations until December 31, 2022.

\*\* Interest-bearing loan with interest rate per annum equivalent to 4.8% fixed payable semi-annually. Principal is due in October 2025.

	Balances at Beginning of Year	Additions/ Reclassifications	Collections/ Reclassification	Balances at End of Year
PSHC	₱651,772	₱-	(₱100,000)	₱551,772
FFC	187,276	3	-	187,279
MSSI	92,281	86,899	(93,604)	85,576
CTI	1,402	65,888	(1,423)	65,867
FHC	5,469	46,378	(40)	51,807
FLI	19,483	1,051,010	(1,020,214)	50,279
BSI	9,475	35,489	(16,871)	28,093
FDEV	-	27,052	-	27,052
FAI	59,845	1,202,663	(1,236,104)	26,404
CWSI	647	25,774	(323)	26,098
FDCUI	4,986	2,060,510	(2,059,708)	5,788
DSCC	25,702	12,375	(33,884)	4,193
SharePro	-	353	-	353
FDC Misamis	115	406,250	(406,250)	115
EHSI	61	26	-	87
FSI	21	-	(10)	11
FDCI	(4,039,437)	-	4,039,437	-
EW	(5,609,459)	(4,840,796)	5,621,850	(4,828,405)
	(₱8,590,361)	(₱179,874)	₱4,692,856	(₱3,717,631)

The intercompany transactions between FDC and the subsidiaries pertain to share in expenses, rental charges, dividend income and management fee. There were no amounts written off during the year and all amounts are expected to be settled within the year except for; (a) FAI, which is inclusive of receivables from sale of lots with equal quarterly amortizations until December 31, 2022, and with interest equivalent to 90-day Bloomberg Valuation (BVAL) plus a spread of 1.0% per annum, subject to quarterly repricing; and (b) EW, which pertains to interest-bearing loans with interest rate per annum equivalent to 4.8% fixed payable semi-annually. Principal is due in October 2025.

#### Related Party Transactions

##### *Due From Related Parties*

Below is the list of outstanding receivables from related parties of the Group presented in the consolidated statements of financial position as of December 31, 2020 (amounts in thousands):

	Relationship	Nature	Balances at End of Year
Chroma Hospitality, Inc.	Joint Venture	b	₱40,056
Filinvest-Hitachi Omni Waterworsk, Inc.	Joint Venture	a	18,128
Spectrum Alabang Properties, Inc.	Joint Venture	a	16,157
A.L. Gotianun, Inc. (ALGI)	Ultimate Parent	a	3,171
Investree Philippines Inc.	Joint Venture	a	2,381
GCK Realty Corporation	Affiliate	a, c	237
Others			1,777
			₱81,907

*Nature of Intercompany Transactions*

The nature of the intercompany transactions with the related parties is described below:

- (a) Expenses – these pertain to the share of the Group’s related parties in various common selling and marketing and general and administrative expenses.
- (b) Management and marketing fee
- (c) Reimbursable commission expense

The outstanding balances of intercompany transactions are due and demandable as of December 31, 2020.

**SCHEDULE D**

**FILINVEST DEVELOPMENT CORPORATION AND SUBSIDIARIES**  
**SUPPLEMENTARY SCHEDULE OF LONG-TERM AND SHORT-TERM DEBT**  
**DECEMBER 31, 2020**

Below is the schedule of long-term and short-term debt of the Group:

	<b>Amount</b>	<b>Current</b>	<b>Noncurrent</b>
	(In Thousands)		
<b>Parent Company</b>			
Unsecured fixed-rate 10-year bonds with aggregate principal amount of ₱8,800.0 million issued on January 24, 2014 with interest rate of 6.1% per annum payable quarterly in arrears.	₱8,766,506	₱–	₱8,766,506
Unsecured fixed-rate 7-year loan obtained on October 7, 2020 with interest rate of 4.3% per annum payable quarterly in arrears.	2,978,185	–	2,978,185
Unsecured fixed-rate 5-year loan obtained on March 20, 2020 with interest rate of 5.4% per annum payable quarterly in arrears.	2,980,477	–	2,980,477
Unsecured fixed-rate 5-year loan obtained on March 20, 2020 with interest rate of 5.4% per annum payable quarterly in arrears.	1,986,989	–	1,986,989
Unsecured fixed-rate 5-year loan obtained on March 20, 2020 with interest rate of 5.6% per annum payable quarterly in arrears.	1,788,284	–	1,788,284
Unsecured fixed-rate 5-year loan obtained on April 15, 2016 with interest rate of 4.0% per annum payable quarterly in arrears.	1,499,523	1,499,523	–
Unsecured fixed-rate 5-year loan obtained on June 20, 2016 with interest rate of 4.3% per annum payable quarterly in arrears.	999,481	999,481	–
Unsecured fixed-rate 5-year loan obtained on March 20, 2020 with interest rate of 5.4% per annum payable quarterly in arrears.	993,492	–	993,492
Unsecured fixed-rate 5-year loan obtained on September 9, 2016 with interest rate of 3.8% per annum payable quarterly in arrears.	799,396	799,396	–
Unsecured fixed-rate 5-year loan obtained on March 20, 2020 with interest rate of 5.4% per annum payable quarterly in arrears.	695,445	–	695,445
Unsecured fixed-rate 5-year loan obtained on March 20, 2020 with interest rate of 5.4% per annum payable quarterly in arrears.	695,444	–	695,444
Unsecured fixed-rate 5-year loan obtained on December 18, 2019 with interest rate of 4.8% per annum payable quarterly in arrears.	149,026	–	149,026
	<b>24,332,248</b>	<b>3,298,400</b>	<b>21,033,848</b>
<b>FLI</b>			
Fixed-rate bonds with aggregate principal amount of ₱8,000.0 million issued by the Group on August 20, 2015. This is comprised of ₱7,000.0 million, 7-year fixed rate bonds with interest rate of 5.4% per annum, and ₱1,000.0 million, 10-year fixed rate bonds with a fixed interest rate of 5.7% per annum.	7,973,628	1,105	7,972,523
Fixed-rate bonds with aggregate principal amount of ₱7,000.0 million issued on December 4, 2014. This is comprised of ₱5,300.0 million, 7-year bonds with interest rate of 5.4% per annum, and ₱1,700.0 million, 10-year bonds with interest rate of 5.6% per annum.	6,987,226	5,293,412	1,693,814
Fixed-rate bonds with aggregate principal amount of ₱8,100.0 million issued on November 18, 2020. This is comprised of ₱6,335.4 million, 3-year bonds with interest rate of 3.3% per annum, and ₱1,764.6 million, 5.5-year bonds with interest rate is 4.2% per annum.	8,035,934	–	8,035,934
Fixed-rate 5.5-year bonds with principal amount of ₱6,000.0 million issued on July 7, 2017 with interest rate of 5.1% per annum	5,974,169	–	5,974,169
Unsecured fixed-rate 5-year loan obtained in June 2019 with interest rate of 4.8%, payable quarterly in arrears. 50% of principal is payable in 12 equal quarterly amortizations to commence in August 2021 and 50% is payable at maturity.	2,985,103	244,875	2,740,228
Unsecured fixed-rate 5-year loan obtained in June 2019 with interest rate of 5.0%, payable quarterly in arrears. 50% of principal is payable in 12 equal quarterly amortizations to commence in September 2021 and 50% is payable at maturity.	1,990,078	163,258	1,826,820
<i>(Forward)</i>			

	Amount	Current	Noncurrent
		(In Thousands)	
Unsecured fixed-rate 5-year loan obtained in June 2019 with interest rate of 5.2%, payable quarterly in arrears. 50% of principal is payable in 12 equal quarterly amortizations to commence in September 2021 and 50% is payable at maturity.	₱1,990,036	₱163,260	₱1,826,776
Unsecured fixed-rate 5-year loan obtained in June 2019 with interest rate of 5.1%, payable quarterly in arrears. The principal is payable at maturity.	1,989,181	2,907	1,986,274
Unsecured fixed-rate 5-year loan obtained in June 2018 with interest rate of 6.2% per annum. The principal is payable at maturity.	1,494,040	2,431	1,491,609
Unsecured fixed-rate 5-year loan obtained in July 2018 with interest rate of 6.5% per annum, payable quarterly in arrears. 50% of principal is payable in 12 equal quarterly amortizations to commence in October 2020 and 50% is payable at maturity.	1,433,108	247,874	1,185,234
Unsecured fixed-rate 7-year loan obtained in October 2016 with interest rate of 4.2% per annum, payable quarterly in arrears. The 50% of principal is payable in 20 equal quarterly amortizations to commence in January 2019 and 50% is payable at maturity.	1,039,502	129,801	909,701
Unsecured fixed-rate 5-year loan obtained in November 2019 with interest rate equal to 5.0% per annum, payable quarterly in arrears. The principal is payable at maturity.	1,000,000	–	1,000,000
Unsecured fixed-rate 5-year loan obtained in May 2016 with interest rate of 4.3% per annum, payable quarterly in arrears. The principal is payable at maturity.	999,605	999,605	–
Unsecured fixed-rate 5-year loan obtained in June 2016 with interest rate of 3.9% per annum, payable quarterly in arrears. The principal is payable at maturity.	999,500	999,500	–
Unsecured fixed-rate 5-year loan obtained in October 2016 with interest rate of 4.3% per annum, payable quarterly in arrears. The principal is payable at maturity.	999,160	999,160	–
Unsecured fixed-rate 90-day loan obtained in November 25, 2020 with interest of 4.4% payable in quarterly in arrears.	998,767	998,767	–
Unsecured fixed-rate 5-year loan obtained in September 2019 with interest rate equal to 5.1% per annum, payable quarterly in arrears. The principal is payable at maturity.	994,269	1,446	992,823
Unsecured fixed-rate 5-year loan obtained in September 2019 with interest rate equal to 5.3% per annum, payable quarterly in arrears. The principal is payable at maturity.	994,238	1,445	992,793
Unsecured fixed-rate 5-year loan obtained in January 2020 with interest rate of 5.1% per annum, payable quarterly in arrears. 50% of principal is payable in 12 equal quarterly amortizations to commence in April 2022 and 50% is payable at maturity.	993,875	–	993,875
Unsecured fixed-rate 5-year loan obtained in July 2020 with interest rate of 5.4% per annum, payable quarterly in arrears. The 50% of principal is payable in 12 equal installments starting October 2022 and the remaining balance is payable at maturity.	993,332	–	993,332
Unsecured fixed-rate 5-year loan obtained in July 2020 with interest rate of 5.5% per annum, payable quarterly in arrears. The 50% of principal is payable in 12 equal installments starting October 2022 and the remaining 50% balance is payable at maturity.	993,163	–	993,163
Unsecured fixed-rate 5-year loan obtained in June 2017 with interest rate of 5.1% per annum, payable quarterly in arrears. The 3% principal is payable in 3 annual amortizations to commence in June 2019 and 97% is payable at maturity.	978,432	8,930	969,502
Unsecured fixed-rate 5-year loan obtained in October 2020 with interest rate of 4.8% per annum, payable quarterly in arrears. The 50% of principal balance is payable in 12 equal quarterly amortization to commence in January 2023 and 50% is payable at maturity.	695,012	–	695,012

(Forward)

	Amount	Current	Noncurrent
	(In Thousands)		
Unsecured fixed-rate 7-year loan obtained in October 2016 with interest rate of 4.5% per annum, payable quarterly in arrears. The 50% of principal is payable in 20 equal quarterly amortizations to commence in January 2019 and 50% is payable at maturity.	₱559,782	₱69,913	₱489,869
Unsecured fixed-rate 5-year loan obtained in October 2019 with interest rate equal to 5.2% per annum, payable quarterly in arrears. The 50% principal is payable in 12 equal installments starting January 2022 and the remaining 50% balance is payable at maturity.	500,000	–	500,000
Unsecured 5-year loan obtained in June 2019 with interest rate equal to 91-day BVAL plus margins, payable quarterly in arrears. The 50% principal is payable in 12 equal quarterly amortizations to commence on September 2021 and 50% payable at maturity.	500,000	83,333	416,667
Unsecured fixed-rate 5-year loan obtained in April 2020 with interest rate of 4.9% per annum, payable quarterly in arrears. The principal is payable at maturity.	500,000	–	500,000
Unsecured fixed-rate 5-year loan obtained in January 2020 with interest rate of 5.3% per annum, payable quarterly in arrears. The 50% principal is payable in 12 equal installments starting April 2022 and the remaining 50% balance is payable at maturity.	500,000	–	500,000
Unsecured fixed-rate 5-year loan obtained in September 2016 with interest rate of 3.9% per annum, payable quarterly in arrears. The 50% of principal is payable in 12 equal quarterly amortizations to commence in December 2018 and 50% is payable at maturity.	499,592	499,592	–
Unsecured fixed-rate 5-year loan obtained in December 2016 with interest rate of 4.9% per annum, payable quarterly in arrears. The principal is payable at maturity.	499,457	499,457	–
Unsecured fixed-rate 1-year term loan obtained in August 2020 with interest rate of 3.7% per annum, payable quarterly in arrears.	497,661	497,661	–
Unsecured fixed-rate 5-year loan obtained in October 2019 with interest rate equal to 5.0% per annum, payable quarterly in arrears. The principal is payable at maturity.	497,052	715	496,337
Unsecured fixed-rate 5-year loan obtained in March 2020 with interest rate of 5.5% per annum, payable quarterly in arrears. The principal is payable at maturity.	496,759	–	496,759
Unsecured fixed-rate 5-year loan obtained in March 2020 with interest rate of 5.5% per annum, payable quarterly in arrears. The principal is payable at maturity.	496,746	–	496,746
Unsecured fixed-rate 5-year loan obtained in June 2018 with interest rate of 6.4% per annum. 6% of the principal balance is payable at 12 equal quarterly amortization to commence in September 2020 and 94% is payable maturity.	493,188	9,250	483,938
Unsecured fixed-rate 7-year loan obtained in June 2017 with interest rate of 5.8% per annum, payable quarterly in arrears. The 50% of principal is payable in 15 equal quarterly amortizations to commence in September 2020 and 50% is payable at maturity.	465,545	66,285	399,260
Unsecured fixed-rate 7-year loan obtained in November 2016 with interest rate of 5.2% per annum, payable quarterly in arrears. The 50% of principal is payable in 16 equal quarterly amortizations to commence in February 2020 and 50% is payable at maturity.	437,347	62,440	374,907
Unsecured fixed-rate 5-year loan obtained in January 2020 with interest rate of 5.3% per annum, payable quarterly in arrears. The 50% of principal balance is payable in 12 equal quarterly amortizations to commence in April 2022 and 50% is payable at maturity.	422,397	–	422,397
Unsecured fixed-rate 7-year loan obtained in July 2014 with interest rate of 4.9% per annum, payable quarterly in arrears. The 50% of principal is payable in 20 equal quarterly amortizations to commence in October 2016 and 50% is payable at maturity.	402,500	402,500	–

(Forward)

	Amount	Current	Noncurrent
	(In Thousands)		
Unsecured fixed-rate 5-year loan obtained in January 2020 with interest rate of 5.3% per annum, payable quarterly in arrears. The 50% of principal balance is payable in 12 equal quarterly amortizations to commence in April 2022 and 50% is payable at maturity.	₱372,735	₱–	₱372,735
Unsecured fixed-rate 5-year loan obtained in March 2017 with interest rate of 5.0% per annum. The 50% principal is payable in 12 equal amortization to commence in June 2019 and 50% is payable at maturity.	353,542	82,833	270,709
Unsecured fixed-rate 7-year loan obtained in November 2016 with interest rate of 4.8% per annum, payable quarterly in arrears. The 50% of principal is payable in 16 equal quarterly amortizations to commence in February 2020 and 50% is payable at maturity.	350,000	50,000	300,000
Unsecured fixed-rate 7-year loan obtained in July 2014 with interest rate of 4.9% per annum, payable quarterly in arrears. The 50% of principal is payable in 20 equal quarterly amortizations to commence in October 2016 and 50% is payable at maturity.	345,000	345,000	–
Unsecured fixed-rate 5-year loan obtained in December 2017 with interest rate of 5.5% per annum. The 50% of principal balance is payable in 12 equal quarterly amortizations to commence in March 2020 and 50% is payable at maturity.	332,533	66,267	266,266
Unsecured fixed-rate 5-year loan obtained in December 2019 with interest rate equal to 5.1% per annum, payable quarterly in arrears. The 50% principal is payable in 12 equal installments starting March 2022 and the remaining 50% balance is payable at maturity.	300,000	–	300,000
Unsecured fixed-rate 5-year loan obtained in September 2019 with interest rate of 5.2% per annum, payable quarterly in arrears. The 50% principal is payable in 12 equal installments starting December 2021 and the remaining 50% is payable at maturity.	300,000	–	300,000
Unsecured fixed-rate 5-year loan obtained in February 2020 with interest rate of 5.0% per annum, payable quarterly in arrears. The principal is payable at maturity.	298,098	–	298,098
Unsecured fixed-rate 5-year loan obtained in April 2020 with interest rate of 4.2% per annum, payable quarterly in arrears. The 50% of principal balance is payable in 12 equal quarterly amortizations to commence in July 2022 and 50% is payable at maturity.	298,088	–	298,088
Unsecured fixed-rate 5-year loan obtained in June 2016 with interest rate of 3.9% per annum, payable quarterly in arrears. The 50% of principal is payable in 12 equal installments starting September 2018 and the remaining 50% balance is payable at maturity.	291,667	291,667	–
Unsecured fixed-rate 5-year loan obtained in May 2020 with interest rate of 4.8% per annum, payable quarterly in arrears. The principal is payable at maturity.	278,136	–	278,136
Unsecured fixed-rate 5-year loan obtained in May 2016 with interest rate of 4.4% per annum. The 50% of principal is payable in 12 equal amortization to commence in August 2018 and 50% is payable at maturity.	233,200	233,200	–
Unsecured fixed-rate 5-year loan obtained in July 2016 with interest rate of 3.8% per annum, payable quarterly in arrears. The 50% of principal is payable in 12 equal quarterly amortization to commence in October 2018 and 50% is payable at maturity.	218,750	218,750	–
Unsecured fixed-rate 5-year loan obtained in March 2020 with interest rate of 5.5% per annum, payable quarterly in arrears. The principal is payable at maturity.	198,725	–	198,725

(Forward)

	Amount	Current	Noncurrent
	(In Thousands)		
Unsecured fixed-rate 5-year loan obtained in March 2020 with interest rate of 5.6% per annum, payable quarterly in arrears. The principal is payable at maturity.	₱198,704	₱-	₱198,704
Unsecured fixed-rate 5-year loan obtained in April 2020 with interest rate equal of 4.2% per annum, payable quarterly in arrears. The principal is payable at maturity.	198,700	-	198,700
Unsecured fixed-rate 5-year loan obtained in July 2020 with interest rate of 5.4% per annum, payable quarterly in arrears. The 50% of principal is payable in 12 equal installments starting October 2022 and the remaining 50% balance is payable at maturity.	198,631	-	198,631
Unsecured fixed-rate 5-year loan obtained in March 2017 with interest rate of 4.9% per annum. The 50% of principal balance is payable in 12 equal quarterly amortization to commence in June 2019 and 50% is payable at maturity in March 2022.	176,792	28,992	147,800
Unsecured fixed-rate 7-year loan obtained in December 2016 with interest rate of 5.4% per annum, payable quarterly in arrears. The 50% principal is payable in 16 equal amortizations to commence in March 2020 and 50% is payable at maturity.	174,619	24,857	149,762
Unsecured fixed-rate 5-year loan obtained in July 2017 with interest rate of 4.9% per annum. The 50% of principal is payable in 12 equal quarterly amortization to commence in October 2019 and 50% is payable at maturity.	138,279	28,992	109,287
Unsecured fixed-rate 5-year loan obtained in December 2016 with interest rate of 4.9% per annum, payable quarterly in arrears. The principal is payable at maturity.	149,841	149,841	-
Unsecured fixed-rate 7-year loan obtained in March 2016 with interest rate of 5.7% per annum. The 50% of principal balance is payable in 20 equal quarterly amortizations to commence in June 2018 and 50% is payable at maturity.	144,690	19,857	124,833
Unsecured fixed-rate 5-year loan obtained in February 2016 with interest rate of 5.1% per annum. The 50% of principal balance is payable in 12 equal quarterly amortizations to commence in May 2018 and 50% is payable at maturity.	108,317	108,317	-
Unsecured fixed-rate 5-year loan obtained in February 2017 with interest rate of 4.7% per annum. The 50% of principal is payable in 12 equal quarterly amortization to commence in May 2019 and 50% is payable at maturity.	70,725	16,567	54,158
Unsecured fixed-rate 5-year loan obtained in September 2016 with interest rate of 3.8% per annum. The 50% of principal is payable in 12 equal quarterly amortization to commence in December 2018 and 50% is payable at maturity.	46,825	46,825	-
	<b>67,075,981</b>	<b>14,160,887</b>	<b>52,915,094</b>

**FAI**

Unsecured 5-year loan granted on January 22, 2018 with interest rate equivalent to BVAL plus a spread of 1.0% per annum payable quarterly in arrears. The 50% of principal is payable in equal quarterly amortizations to commence at the end of the 2-year grace period and 50% is payable at maturity.	518,182	109,091	409,091
Unsecured fixed-rate 5-year loan granted on June 29, 2017 with interest rate of 5.0% per annum, payable quarterly in arrears. The 50% of principal is payable in equal quarterly amortizations to commence at the end of the 2-year grace period and 50% is payable at maturity.	436,364	109,091	327,273

(Forward)

	Amount	Current	Noncurrent
	(In Thousands)		
Unsecured fixed-rate 7-year loan obtained on August 23, 2017 with interest rate equivalent to BVAL rate plus a spread of 1.0% per annum payable after 2-year grace period from date of initial borrowing. The 4% of principal is payable in equal annual amortizations to commence at the end of the 2nd year and 96% is payable at maturity.	₱396,000	₱4,000	₱392,000
Unsecured fixed-rate 5-year loan granted on July 28, 2016 with interest rate of 3.8% per annum, payable quarterly in arrears. The 50% of principal is payable in equal quarterly amortizations to commence at the end of the 2-year grace period and 50% is payable at maturity.	281,250	281,250	–
Unsecured t. Fixed-rate 5-year loan granted on June 28, 2016 with interest rate of 3.9% per annum payable quarterly in arrears. 50% of the loan is payable in equal quarterly amortizations to commence at the end of the second year and 50% is payable at maturity.	233,333	233,333	–
Unsecured fixed-rate 5-year loan granted on February 18, 2016 with interest rate of 4.6% per annum, payable quarterly in arrears. The 50% of principal is payable in equal quarterly amortizations to commence at the end of the second year and 50% is payable at maturity.	162,500	162,500	–
	2,027,629	899,265	1,128,364

#### **FHC**

Unsecured fixed-rate 12-year loan granted on December 27, 2016 with interest rate of 5.5% per annum, repriced at the end of 7th year. The 50% is payable in 36 equal quarterly amortization to start on the 13 <sup>th</sup> quarter from initial drawdown and 50% is payable at maturity.	940,741	55,556	885,185
Unsecured fixed-rate 12-year loans amounting to ₱160.0 million, ₱60.0 million, ₱270.0 million, and ₱165.0 million granted on June 26, 2016, July 21, 2016, August 24, 2016, and December 14, 2016, respectively, with interest rates of 4.2%, 4.2%, 4.1%, and 5.4% per annum, repriced at the end of 5 <sup>th</sup> year, in the same order as above. The 50% is payable in 36 equal quarterly amortization to start on the 13 <sup>th</sup> quarter from initial drawdown and 50% is payable at maturity.	598,447	37,956	560,491
Unsecured fixed-rate 8 year 6 months loan granted on December 23, 2019 with interest rate of 4.9% per annum, repriced at the end of the 5 <sup>th</sup> year. 50% of the principal shall be payable in 36 equal quarterly payments starting September 28, 2019 and remaining 50% payable at maturity.	554,309	33,245	521,064
Unsecured fixed-rate 12-year loan granted on December 20, 2019, with interest rate of 4.9% per annum, repriced at the end of 5 <sup>th</sup> year, payable quarterly in arrears. 50% is payable in 36 equal quarterly amortization to commence on March 20, 2023 and remaining balance is payable at maturity.	516,510	–	516,510
Unsecured fixed-rate 7-year loan availed on August 31, 2017 with interest rate of 5.3% per annum. The 50% is payable in 16 equal quarterly amortization to start at the end of the 13 <sup>th</sup> quarter from initial drawdown and 50% is payable at maturity.	386,200	50,000	336,200
Unsecured fixed-rate 11-year and 11 months loan granted on August 9, 2017 with interest rate of 5.5% per annum, repriced at the end of the 5 <sup>th</sup> year, payable quarterly in arrears. The 50% is payable in 36 equal quarterly amortization to start on the 13 <sup>th</sup> quarter from initial drawdown and 50% is payable at maturity.	365,342	22,027	343,315
Unsecured fixed-rate 12-year loan granted on March 27, 2017 with interest rate of 5.1% per annum, repriced at the end of 5 <sup>th</sup> year, payable quarterly in arrears. 50% is payable in 36 equal quarterly amortization to start on the 13 <sup>th</sup> quarter from initial drawdown and 50% is payable at maturity.	306,930	18,507	288,423

(Forward)

	Amount	Current	Noncurrent
	(In Thousands)		
Unsecured fixed-rate 12-year loan granted on September 5, 2018 with interest rate of 6.8% per annum, repriceable at the end of 5 <sup>th</sup> year, payable quarterly in arrears. The 50% of principal payable in 36 equal quarterly amortization to commence at the end of 13th quarter from the initial drawdown date and 50% is payable at maturity.	₱298,282	₱3,938	₱294,344
Unsecured fixed-rate 12-year loan granted on September 26, 2017 with interest rate of 5.2% per annum, repriceable at the end of 7th year, payable quarterly in arrears. The 50% of the principal is payable in 36 equal quarterly amortization to start on the 13th quarter from initial drawdown date and 50% is payable at maturity.	274,010	16,520	257,490
Unsecured 5-year fixed-rate loan granted on September 17, 2019 with interest rate of 5.5% per annum, payable quarterly in arrears. Principal is payable at maturity.	298,361	–	298,361
Unsecured fixed-rate 7-year loan granted on September 26, 2017 with interest rate of 5.1% per annum for the first 2 years and 5.4% from the beginning of third year until maturity. The 50% is payable in 16 equal quarterly amortization to start at the end of the 13th quarter from initial drawdown and 50% is payable at maturity.	289,634	37,500	252,134
Unsecured 12-year loan granted on December 13, 2017 with interest rate of 5.6% per annum, fixed for 5 years repriceable at the end of 5th year. The 50% is payable in 36 equal quarterly amortization and 50% is payable at maturity.	273,972	16,515	257,457
Unsecured fixed-rate 1-year loan granted on June 23, 2020 with interest rate of 4.5% per annum, payable quarterly in arrears.	220,000	220,000	–
Unsecured fixed-rate 10-year loan granted on July 17, 2018 with interest rate of 7.1% per annum, fixed for 5 years repriceable at the end of 5th year, payable quarterly in arrears. The 50% is payable in 28 equal quarterly amortization to start at the end of 13th quarter and 50% is payable at maturity.	198,864	3,439	195,425
Unsecured fixed-rate 10 years and 2 months loan granted on April 24, 2018 with interest rate of 6.4% per annum, repriceable at the end of 5th year, payable quarterly in arrears. The 50% is payable in 36 equal quarterly amortization and 50% is payable at maturity.	182,261	10,918	171,343
Unsecured fixed-rate 12-year loan granted on December 27, 2016 with interest rate of 5.4% per annum, repriceable at the end of the 7th year, payable quarterly in arrears. The 50% is payable in 36 equal quarterly amortization to start on the 13th quarter from initial drawdown and 50% is payable at maturity.	169,466	9,915	159,551
Unsecured fixed-rate 1-year loan granted on June 23, 2020 with interest rate of 4.5% per annum, payable quarterly in arrears.	50,000	50,000	–
	<u>5,923,329</u>	<u>586,036</u>	<u>5,337,293</u>
<b>EW</b>			
Fixed-rate 3-year bonds with aggregate value of ₱3,700.0 million issued on February 20, 2020 with interest rate of 4.5% per annum, payable quarterly in arrears.	3,677,434	–	3,677,434
Lower Tier 2 subordinated notes issued on February 20, 2017 with interest rate of 5.5% per annum.	1,240,785	–	1,240,785
	<u>4,918,219</u>	<u>–</u>	<u>4,918,219</u>
<b>FDCUI</b>			
Unsecured fixed-rate 7-year loans amounting to ₱934 million, ₱1,727 million, ₱1,891 million, ₱1,595 million, ₱1,351 million, ₱483 million, ₱158 million, ₱519 million and ₱343 million granted on September 26, 2014, December 1, 2014, March 2, 2015, June 1, 2015, September 1, 2015, December 1, 2015, March 1, 2016, July 1, 2016 and October 3, 2016, respectively.	7,785,012	535,807	7,249,205

(Forward)

	Amount	Current	Noncurrent
	(In Thousands)		
Unsecured fixed-rate 7-year loans amounting to ₱643 million, ₱1,190 million, ₱1,303 million, ₱1,099 million, ₱931 million, ₱332 million, ₱109 million, ₱357 million, and ₱236 million granted on September 26, 2014, December 1, 2014, March 2, 2015, June 1, 2015, September 1, 2015, December 1, 2015, March 1, 2016, July 1, 2016 and October 3, 2016, respectively.	₱5,363,006	₱369,111	₱4,993,895
Unsecured fixed-rate 7-year loans amounting to ₱2,500 million, ₱1,250 million, ₱250 million, ₱250 million, and ₱750 million granted on August 12, 2015, December 1, 2015, March 1, 2016, July 1, 2016 and October 3, 2016, respectively.	4,324,157	297,518	4,026,639
Unsecured fixed-rate 7-year loans amounting to ₱480 million, ₱720 million and ₱1,200 million granted on March 18, 2016, July 1, 2016 and October 3, 2016, respectively.	2,075,349	142,750	1,932,599
	19,547,524	1,345,186	18,202,338
<b>PSHC</b>			
Unsecured fixed-rate 5-year term loan granted on September 28, 2016 with interest rate of 4.6% per annum, payable quarterly in arrears. Principal is payable in 12 equal amortizations	200,000	200,000	-
<b>FDCI</b>			
Fixed-rate 7-year bonds with principal amount of USD286.5 million issued on April 2, 2013 with interest rate of 4.3% per annum.	9,474,664	-	9,474,664
	₱136,192,164	₱20,489,774	₱115,702,390

Amounts are presented net of unamortized deferred costs.

## SCHEDULE E

**FILINVEST DEVELOPMENT CORPORATION AND SUBSIDIARIES**  
**SUPPLEMENTARY SCHEDULE OF INDEBTEDNESS TO RELATED PARTIES**  
**(LONG-TERM LOANS FROM RELATED COMPANIES)**  
**DECEMBER 31, 2020**

*Due to Related Parties*

Below is the list of outstanding payable to related parties of the Group presented in the consolidated statements of financial position as of December 31, 2020 (amounts in thousands):

	Relationship	Nature	Balances at End of Year
Chroma Hospitality, Inc.	Joint Venture	Expenses	₱152
The Palms Country Club	Affiliate	Expenses	355
Others	Affiliate	Expenses	1,958
			<u>₱2,465</u>

**SCHEDULE F**

**FILINVEST DEVELOPMENT CORPORATION AND SUBSIDIARIES**  
**SUPPLEMENTARY SCHEDULE OF GUARANTEES OF SECURITIES OF**  
**OTHER ISSUERS**  
**DECEMBER 31, 2020**

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The Group does not have guarantees of securities of other issuers as of December 31, 2020.

**SCHEDULE G****FILINVEST DEVELOPMENT CORPORATION AND SUBSIDIARIES**  
**SUPPLEMENTARY SCHEDULE OF CAPITAL STOCK**  
**DECEMBER 31, 2020**

<u>Title of Issue</u>	<u>Number of Shares Authorized</u>	<u>Number of Shares Issued and Outstanding as Shown Under Related Balance Sheet Caption</u>	<u>Number of Shares Reserved for Options, Warrants, Conversion and Other Rights</u>	<u>Number of Shares Held by Related Parties</u>	<u>Directors, Officers and Employees</u>	<u>Others</u>
		(In Thousands)				
Common Shares	15,000,000	8,648,463	—	7,653,635	66,374	928,454
Preferred Shares	2,000,000	—	—	—	—	—

## SCHEDULE H

**FILINVEST DEVELOPMENT CORPORATION AND SUBSIDIARIES**  
**SUPPLEMENTARY SCHEDULE OF BOND ISSUANCES – SECURITIES**  
**OFFERED TO THE PUBLIC**  
**DECEMBER 31, 2020**

On January 24, 2014, FDC issued and listed ₱8,800.0 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.

I.	Proceeds	
	Gross proceeds	₱8,800.0
	Net proceeds	8,754.9
II.	Utilization	
	Refinancing of debt obligations	4,877.1
	Capital expenditures for:	
	Hotel projects	321.5
	Power project	3,556.3
III.	Balance as of December 31, 2020	₱-

**FILINVEST DEVELOPMENT CORPORATION AND SUBSIDIARIES**  
**ANNEX 68-D - RECONCILIATION OF RETAINED EARNINGS AVAILABLE**  
**FOR DIVIDEND DECLARATION**  
**DECEMBER 31, 2020**

(Amounts in Thousand Pesos)

Items	Amount
<b>Unappropriated Retained Earnings, Beginning</b>	<b>₱82,601,866</b>
<b>Adjustments:</b>	
Equity in net income of subsidiaries, associate and joint ventures	(67,835,537)
Reclassification of revaluation reserve on land at deemed cost	(46,331)
Deferred tax assets recognized in prior years	(364,435)
<b>Unappropriated Retained Earnings, as Adjusted, Beginning</b>	<b>14,355,563</b>
<b>Net Income Based on the Face of AFS</b>	<b>8,460,929</b>
<b>Less: Non-actual/Unrealized Income Net of Tax</b>	
Equity in net income of associate and joint ventures	(6,777,423)
Fair value adjustments (M2M gains)	-
Deferred income tax assets that reduced the amount of provision for income tax	273,700
<b>Add: Non-actual Losses</b>	
Deferred income tax liabilities that increased the amount of provision for income tax	-
<b>Net Income Actual/Realized</b>	<b>1,957,206</b>
<b>Less:</b>	
Dividend declarations during the period	(1,196,950)
Appropriations during the year	-
Treasury shares	(3,614,474)
<b>TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DECLARATION</b>	<b>₱11,501,345</b>

**FILINVEST DEVELOPMENT CORPORATION**

**ANNEX 68-E - COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS  
DECEMBER 31, 2020**

Below are the financial ratios that are relevant to the Group as of and for the years ended December 31, 2020 and 2019.

<b>Ratio</b>	<b>Formula</b>	<b>2020</b>	<b>2019</b>
Earnings Per Share (EPS)	Net Income Attributable to Equity Holders divided by Weighted Average Number of Outstanding Shares  Net Income Attributable to Equity Holders <span style="float: right;">₱8,460,929</span> Divide by: Weighted Average Number of Outstanding Shares <span style="float: right;">8,648,463</span> <hr/> EPS <span style="float: right;">0.978</span>	<b>0.978</b>	1.384
Price Earnings Ratio	Closing Price divided by EPS  Closing Price <sup>(1)</sup> <span style="float: right;">₱9.44</span> Divide by: EPS <span style="float: right;">0.978</span> <hr/> Price Earnings Ratio <span style="float: right;">9.65</span>	<b>9.65</b>	9.39
Return on Revenues	Net Income divided by Total Revenues and Other Income  Net Income <span style="float: right;">₱11,505,232</span> Divide by: Total Revenues and Other Income <span style="float: right;">72,006,456</span> <hr/> Return on Revenues <span style="float: right;">16%</span>	<b>16%</b>	19%
Return on Equity (ROE) (average)	Net Income divided by Average Equity  Net Income <span style="float: right;">₱11,505,232</span> Divide by: Average Equity <span style="float: right;">136,878,404</span> <hr/> ROE <span style="float: right;">8%</span>	<b>8%</b>	13%
Long-term and Short-Term Debt to Equity Ratio	Long-term and Short-Term Debt divided by Total Stockholders' Equity  Long-term and Short-Term Debt <span style="float: right;">₱136,192,164</span> Divide by: Total Stockholders' Equity <span style="float: right;">141,606,822</span> <hr/> Long-term and Short-Term Debt to Equity Ratio <span style="float: right;">0.96</span>	<b>0.96</b>	0.99
Total Liabilities to Equity Ratio	Total Liabilities divided by Total Stockholders' Equity  Total Liabilities <sup>(2)</sup> <span style="float: right;">₱188,821,489</span> Divide by: Total Stockholders' Equity <span style="float: right;">141,606,822</span> <hr/> Total Liabilities to Equity Ratio <span style="float: right;">1.33</span>	<b>1.33</b>	1.41

<b>Ratio</b>	<b>Formula</b>	<b>2020</b>	<b>2019</b>
Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) to Total Interest Expense	EBITDA divided by Total Interest Expense  EBITDA <span style="float: right;">₱23,163,500</span> Divide by: Total Interest Expense <sup>(3)</sup> <span style="float: right;">5,311,987</span> <hr/> EBITDA to Total Interest Expense <span style="float: right;">4.36</span>	<b>4.36</b>	6.98
Current Ratio	a. Including EW  Total Current Assets divided by Total Current Liabilities  Total Current Assets <span style="float: right;">₱270,298,121</span> Divide by: Total Current Liabilities <span style="float: right;">342,612,279</span> <hr/> Current Ratio <span style="float: right;">0.79</span>	<b>0.79</b>	0.76
	b. Excluding EW  Total Current Assets divided by Total Current Liabilities  Total Current Assets <span style="float: right;">₱102,856,507</span> Divide by: Total Current Liabilities <span style="float: right;">40,394,228</span> <hr/> Current Ratio <span style="float: right;">0.84</span>	<b>2.55</b>	<b>2.17</b>
Quick Ratio - Excluding EW	Current Asset less Inventories divided by Current Liabilities  Total Current Assets <span style="float: right;">₱270,298,121</span> Less: Inventories <span style="float: right;">74,902,214</span> <hr/> 195,395,907 Divide by: Total Current Liabilities <span style="float: right;">342,612,279</span> <hr/> Quick Ratio - Excluding EW <span style="float: right;">0.69</span>	<b>0.69</b>	0.52
Asset to Equity Ratio	Total Assets divided by Total Equity  Total Assets <span style="float: right;">₱648,014,985</span> Divide by: Total Equity <span style="float: right;">141,606,822</span> <hr/> Solvency Ratio <span style="float: right;">4.58</span>	<b>4.58</b>	4.86

(1) Closing prices at December 29, 2020 and December 27, 2019.

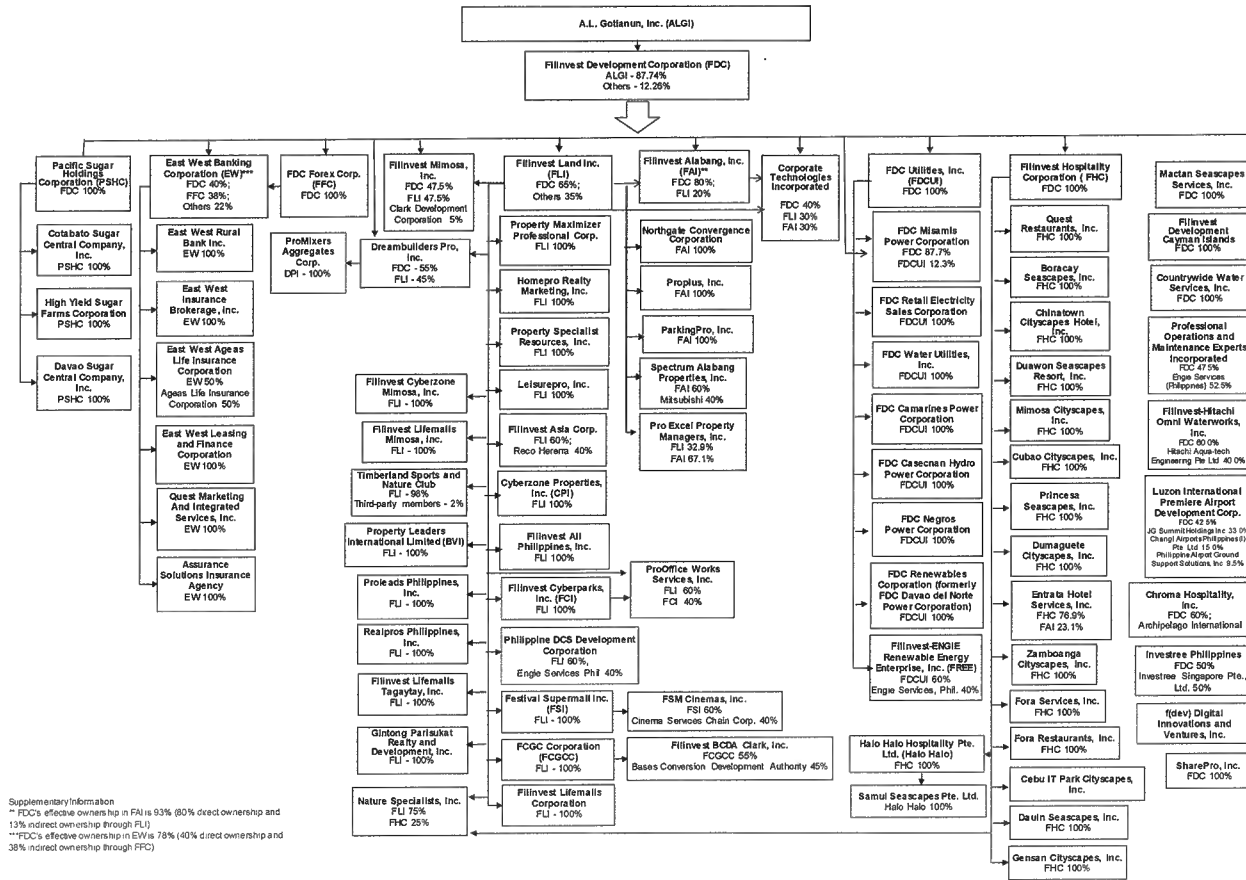
(2) Excluding deposit liabilities, bills and acceptances payable, asset retirement obligation and finance lease liabilities.

(3) Excluding financial liabilities on lease contract

# FILINVEST DEVELOPMENT CORPORATION AND SUBSIDIARIES

## MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT COMPANY, CO-SUBSIDIARIES AND ASSOCIATE DECEMBER 31, 2020

A.L. GOTIANUN, INC.  
MAP SHOWING THE RELATIONSHIP BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT, CO-SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES  
(As of December 31, 2020)



Supplementary Information  
\*\* FDC's effective ownership in FAI is 93% (80% direct ownership and 13% indirect ownership through FLI)  
\*\*\* FDC's effective ownership in EW is 78% (40% direct ownership and 38% indirect ownership through FFC)

**RESULTS OF OPERATIONS****Year Ended December 31, 2020 Compared With Year Ended December 31, 2019****Revenues***Real Estate Operations**Sale of Lots, Condominium and Residential Units*

Sale of lots, condominium and residential units declined by 51.3% or ₱11,000.2 million from ₱21,453.5 million in 2019 to ₱10,453.3 million in 2020 generally because of lower construction percentage of completion due to temporary suspension of construction activities, and decreased collections reaching the required threshold for revenue recognition, as a result of extension of payment due dates in compliance with Bayanihan Act in response to the COVID-19 pandemic.

*Mall and Rental Revenues*

Mall and rental revenues amounted to ₱6,667.9 million in 2020, a decrease of 10.7% or ₱796.4 million from ₱7,464.3 million in 2019 mainly ascribed to the lower rental income from malls and other commercial centers which declined due to their closure and limited operations during quarantine period imposed to control the spread of COVID-19 pandemic. This was partially offset by the increase in office leasing revenue which continued to be 100% operational during the quarantine period.

*Hospitality Operations**Hospitality Revenues*

Hospitality revenues amounted to ₱1,235.5 million in 2020, a decrease of 62.7% or ₱2,075.7 million from the ₱3,311.2 million revenues reported in 2019. This was on account of lower occupancy rates upon imposition of travel restrictions and quarantine measures brought by the COVID-19 pandemic.

*Banking and Financial Services**Net Interest Income**Banking and Financial Services Interest Income*

The banking and financial services' interest income grew by 3.9% or ₱1,127.7 million from ₱29,139.0 million in 2019 to ₱30,266.7 million in 2020, due to higher interest earned from loans and receivables and cash and cash equivalents consisting of due from Bangko Sentral ng Pilipinas (BSP) and interbank loans and receivables.

*Costs of Banking and Financial Services*

Costs of banking and financial services dropped by 49.5% or ₱3,924.4 million from ₱7,923.8 million in 2019 to ₱3,999.5 million in 2020 mainly due to decreasing interest rates on time deposits and other borrowings and growth in low-cost deposits.

*Net Interest Income*

Net interest income surged by 23.8% or ₱5,052.0 million from ₱21,215.2 million in 2019 to ₱26,267.2 million in 2020 as net interest margins increased to 8.1% from 6.9%.

### *Power Operations*

#### *Power Revenues*

Power revenues dropped by 16.7% or ₱1,685.3 million from ₱10,113.1 million in 2019 to ₱8,427.7 million in 2020. This was mainly due to the decreased volume of energy sold resulting from the pandemic.

#### *Sugar Operations*

##### *Sugar Revenues*

The Group's sugar revenues increased by 8.9% or ₱298.3 million from ₱3,367.9 million in 2019 to ₱3,666.2 million in 2020 attributed mainly to higher sales volumes and improved sugar prices.

### **Other Income**

#### *Other Income — Real Estate Operations*

Other income from real estate operations increased by 101.6% or ₱2,177.9 million to ₱4,321.3 million in 2020 from ₱2,143.4 million in 2019. The increase was due to the ₱2,900.4 million gain on deconsolidation recognized by the Group when Spectrum Alabang Properties, Inc. (SAPI), a previously wholly owned subsidiary of Filinvest Alabang, Inc. (FAI), became a joint venture company after FAI sold 40% of SAPI shares to Mitsubishi Corporation (Mitsubishi).

#### *Other Income — Hospitality Operations*

Other income from hospitality operations decreased by 95.1% or ₱46.9 million from ₱49.4 million in 2019 to ₱2.4 million in 2020 due to the share in net earnings of a joint venture earned in 2019 compared with the share in net loss in 2020 reported under Expenses of hospitality operations.

#### *Other Income — Banking and Financial Services*

The Group's other income from banking and financial services went down by 4.8% or ₱344.5 million from ₱7,218.5 million in 2019 to ₱6,874.0 million in 2020 as a result of the decrease in fees and commissions due to lower level of transactions from loan portfolio, and the decline on miscellaneous income due to the impact of losses from the modified payment schemes brought about by Bayanihan Acts 1 and 2.

#### *Other Income — Power Operations*

Other income from power operations increased by 96.3% or ₱25.1 million from ₱26.1 million in 2019 to ₱51.2 million in 2020 mainly due to reversal of excess provision for contingencies related to settlement with the Power Sector Asset and Liabilities Management (PSALM).

#### *Other Income — Sugar Operations*

Other income from sugar operations increased by 29.6% or ₱9.2 million from ₱31.1 million in 2019 to ₱40.2 million in 2020 due to higher diesel mark-up and farmers assistance income.

### **Costs**

#### *Costs of Sale of Lots, Condominium and Residential Units*

Costs of sale of lots, condominium and residential units decreased by 49.4% or ₱5,712.6 million from ₱11,570.2 million in 2019 to ₱5,857.6 million in 2020, primarily due to lower real estate revenues booked during the period.

#### *Costs of Mall and Rental Services*

Costs of mall and rental services decreased by 20.9% or ₱219.1 million from ₱1,048.1 million in 2019 to ₱829.0 million in 2020 on account of lower costs from the interruption of mall operations.

#### *Costs of Hospitality Operations*

The Group's costs of hospitality operations decreased by 38.9% or ₱643.8 million from ₱1,655.3 million in 2019 to ₱1,011.4 million in 2020 mainly attributable to lower business volume as a result of COVID-19 pandemic.

#### *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 17.8% or ₱928.7 million from ₱5,220.6 million in 2019 to ₱4,291.9 million in 2020 primarily due to the decrease in energy sold during the period.

#### *Costs of Sugar Operations*

The Group's costs of sugar operations increased by 8.9% or ₱251.4 million from ₱2,823.5 million in 2019 to ₱3,074.9 million in 2020 related to the increase in sugar sales volume.

#### *Costs of Other Operations*

Costs of other operations decreased by 62.6% or ₱448.4 million from ₱716.2 million in 2019 to ₱267.8 million in 2020 primarily due to lower level of outstanding dollar bonds.

### **Expenses**

#### *Real Estate Operations*

Expenses of real estate operations went up by 10.3% or ₱755.6 million from ₱7,320.2 million in 2019 to ₱8,075.8 million in 2020 because of higher interest expense as the level of outstanding loans increased, offset by the decline in general and administrative expenses and selling and marketing expenses as a result of lower spending and limited selling activities brought about by quarantine measures.

#### *Hospitality Operations*

Expenses of the hospitality operations decreased by 22.6% or ₱276.3 million from ₱1,220.3 million in 2019 to ₱944.0 million in 2020 attributable to lower utilities, sales and marketing expenses, and other guest-related expenses, which were all related to lower occupancy as a result of COVID-19 pandemic, as aforementioned.

#### *Banking and Financial Services*

Expenses of the banking and financial services of the Group increased by 27.2% or ₱5,608.7 million from ₱20,657.4 million in 2019 to ₱26,266.2 million in 2020 primarily due to higher provisions for losses in anticipation of the uncertainties brought by the COVID-19 pandemic.

#### *Power Operations*

Expenses of the power operations decreased by 2.8% or ₱70.2 million from ₱2,465.0 million in 2019 to ₱2,394.8 million in 2020 on account of lower expenses particularly outside services and travel expenses and decline in interest expense at the back of reduced level of loans.

#### *Sugar Operations*

Expenses of sugar operations decreased by 13.0% or ₱30.3 million from ₱232.2 million in 2019 to ₱202.0 million in 2020 mainly as a result of lower provision for probable losses on contingencies and interest expense due to reduced debt level.

### *Others*

Expenses of other operations went up by 70.3% or ₱841.6 million from ₱1,197.4 million in 2019 to ₱2,039.0 million in 2020 due to increase in interest expense from higher level of outstanding loans and recognition of provision for probable losses on some contingencies.

### **Provision for Income Tax**

Provision for income tax decreased by ₱3,137.6 million or 71.60% from ₱4,384.9 million in 2019 to ₱1,247.3 million in 2020. Provision for deferred income tax decreased by ₱2,465.8 million mainly due to the recognition of tax benefit on EW's provisions for losses. Provision for current income tax also decreased by 15.2% or ₱671.8 million due mainly to lower taxable income.

### **Net Income**

As a result of the foregoing, consolidated net income decreased by 27.6% or ₱4,377.0 million from ₱15,882.3 million in 2019 to ₱11,505.2 million in 2020. Net income attributable to equity holders of FDC decreased by 29.3% or ₱3,509.4 million from ₱11,970.3 million in 2019 to ₱8,460.9 million in 2020 while net income attributable to noncontrolling interest amounted from ₱3,912.0 million in 2019 to ₱3,044.3 million in 2020.

## **FINANCIAL CONDITION**

### **As at December 31, 2020 Compared with As at December 31, 2019**

#### **Assets**

Total consolidated assets grew slightly by 0.9% or ₱5,860.1 million from ₱642,154.9 million as of December 31, 2019 to ₱648,015.0 million as of December 31, 2020. The movements in asset accounts were accounted as follows:

Cash and cash equivalents increased by 74.4% or ₱38,762.7 million from ₱52,096.2 million as of December 31, 2019 to ₱90,858.9 million as of December 31, 2020 attributable to EW's higher cash level due to liquidity build-up given the timing of the year-end holidays, increased reserve on higher deposit volume as required by the BSP, and placement of excess funds in BSP's overnight deposit facility for liquidity management.

Loans and receivables of the real estate operations increased by 70.8% or ₱3,627.2 million from ₱5,124.1 million as of December 31, 2019 to ₱8,751.4 million as of December 31, 2020 due to lower collections as a result of payment extension granted to buyers in accordance with the Bayanihan Act.

Loans and receivables of the hospitality operations decreased by 13.0% or ₱27.7 million from ₱213.5 million as of December 31, 2019 to ₱185.8 million as of December 31, 2020 primarily on account of lower business volume.

Loans and receivables of the banking and financial services declined by 9.2% or ₱23,344.7 million from ₱254,106.9 million as of December 31, 2019 to ₱230,762.2 million as of December 31, 2020 due to maturities, changes to credit policies resulting from pandemic response, and lower demand as businesses and households held off borrowing. Business loans accounted for a bigger share of the decline, attributable mainly to contractual maturities and pay-offs. Allowance for probable losses also went up as the Bank anticipate booking of possible losses due to pandemic.

Loans and receivables of the power operations decreased by 20.9% or ₱427.4 million from ₱2,045.0 million as of December 31, 2019 to ₱1,617.6 million as of December 31, 2020 at the back of lower energy sold to other power companies and recognition of provision for probable losses.

Loans and receivables of the sugar operations decreased by 13.1% from ₱108.1 million as of December 31, 2019 to ₱93.9 million as of December 31, 2020 primarily on account of lower level of advances to sugar planters.

Financial assets at fair value through profit or loss was lower by 55.3% or ₱9,317.1 million from ₱16,840.7 million as of December 31, 2019 to ₱7,523.6 million as of December 31, 2020 due to movements in the banking segment's proprietary trading portfolio.

Financial assets at fair value through other comprehensive income increased by more than 5 times the ₱5,323.7 million balance in year-end of 2019 to ₱30,068.4 million as of December 31, 2020, mainly from the movements in proprietary trading portfolio.

Investment securities at amortized cost decreased by 57.7% or ₱28,486.4 million from ₱49,386.1 million as of December 31, 2019 to ₱20,899.7 million as of December 31, 2020 due to sale of investment securities to build capital buffers for the challenges of the pandemic.

Contract assets was lower by 36.7% or ₱5,456.4 million from ₱14,848.2 million as of December 31, 2019 to ₱9,391.8 million as of December 31, 2020 on account mainly of lower revenues.

Real estate inventories increased by 3.6% from ₱71,363.5 million as of December 31, 2019 to ₱73,953.1 million as of December 31, 2020 attributable to lower recognized cost of real estate sales as a result of decline in revenues, and additional spending for development costs.

Coal, spare parts and other inventories increased by 33.6% or ₱238.7 million from ₱710.3 million as of December 31, 2019 to ₱949.1 million as of December 31, 2020 due to the continued build-up of critical spare parts for plant maintenance as of reporting date.

Investment properties increased by 3.5% or ₱3,048.7 million from ₱85,990.3 million as of December 31, 2019 to ₱89,039.0 million as of December 31, 2020 on account of additional construction costs of new buildings for office and commercial lease.

Property, plant and equipment decreased by 1.3% or ₱563.0 million from ₱43,155.5 million as of December 31, 2019 to ₱42,592.5 million as of December 31, 2020 mainly due to depreciation, offset by acquisitions during the year.

Investments in joint ventures and associate posted an increase of 38.8% or ₱389.6 million from ₱1,005.3 million as of December 31, 2019 to ₱1,394.9 million as of December 31, 2020 as SAPI was deconsolidated and the related investment was recognized as a joint venture after FAI sold 40% of shares to Mitsubishi.

Deferred tax assets increased by 78.2% or ₱2,547.0 million from ₱3,255.4 million as of December 31, 2019 to ₱5,802.4 million as of end of 2020 related to the take-up of provision for probable losses by EW, net of write-offs during the period.

Right-of-use assets posted a slight movement of 0.4% or ₱13.7 million from ₱3,575.8 million as of December 31, 2019 to ₱3,589.6 as of December 31, 2020.

Other assets decreased by 10.9% or ₱2,464.9 million from ₱22,625.0 million as of December 31, 2019 to ₱20,160.1 million as of December 31, 2020 on account of matured derivative assets and loan related settlements.

## **Liabilities**

Total consolidated liabilities as at December 31, 2020 amounted to ₱506,408.2 million, a slight 0.7% decrease from ₱510,004.9 million balance as of December 31, 2019, with changes in accounts as follows:

Deposit liabilities grew by 7.5% or ₱21,434.1 million from ₱284,767.9 million as of December 31, 2019 to ₱306,202.0 million as of December 31, 2020 driven by increased volume of demand and savings deposit, partially offset by decrease in time deposits.

Bills and acceptances payable dropped by 88.5% or ₱27,381.0 million from ₱30,949.8 million as of December 31, 2019 to ₱3,568.8 million as of December 31, 2020 mainly from reduced volume of interbank borrowings and repo borrowings.

Accounts payable, accrued expenses and other liabilities decreased by 11.6% or ₱4,679.4 million from ₱40,456.5 million as of December 31, 2019 to ₱35,777.1 million as of December 31, 2020 due to lower level of payables to contractors and suppliers.

Contract liabilities increased by 7.4% or ₱255.2 million from ₱3,468.2 million as of December 31, 2019 to ₱3,723.5 million as of December 31, 2020 attributable to the increased contracts with buyers where realized real estate sales was lower than collections as a result of lower incremental percentage-of-completion due to suspension of construction activities during quarantine periods.

Long-term and short-term debt went up by 4.6% or ₱5,970.9 million from ₱130,221.3 million as of December 31, 2019 to ₱136,192.2 million as of December 31, 2020 primarily due to additional bank loans availed, offset by principal amortizations and repayments during the period.

Income tax payable decreased by 44.5% or ₱401.1 million from ₱901.8 million as of December 31, 2019 to ₱500.6 million as of December 31, 2020 mainly on account of lower taxable income.

Retirement liabilities increased by 49.4% or ₱562.9 million from ₱1,139.7 million as of December 31, 2019 to ₱1,702.6 million as of December 31, 2020 primarily due to actuarial valuation adjustment of retirement obligation.

Lease liabilities went up by 6.9% or ₱471.9 million from ₱6,885.2 million as of December 31, 2019 to ₱7,357.1 million as of December 31, 2020 which resulted from EW's contract renewals.

Deferred tax liabilities was slightly higher by 1.5% or ₱169.8 million from ₱11,214.6 million as of December 31, 2019 to ₱11,384.4 million as of December 31, 2020.

### Equity

On June 22, 2020, FDC's Board of Directors (BOD) approved the declaration and payment of cash dividends of ₱1,196.9 million or ₱0.1384 per share for every common share of record as of July 22, 2020. This was paid on August 17, 2020.

On April 26, 2019, the Parent Company's BOD approved the declaration and payment of cash dividends of ₱864.8 million or ₱0.10 per share for every common share of record as of May 26, 2019. This was paid on June 19, 2019.

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 3, 2018. This was paid on June 28, 2018.

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

	<b>As of And For The Year Ended December 31, 2020</b>	<b>As of And For The Year Ended December 31, 2019</b>
<b>Earnings Per Share - Basic (EPS)</b>	<b>₱0.978/share</b>	<b>₱1.384 /share</b>

	<b>As of And For The Year Ended December 31, 2020</b>	<b>As of And For The Year Ended December 31, 2019</b>
$\frac{\text{Net Income (Attributable to Equity Holders of the Parent Company)}}{\text{Weighted Average Number of Outstanding Shares}}$		
<b>Price Earnings Ratio (PE Ratio)</b>	9.65 Times	9.39 Times
$\frac{\text{Closing Price}^{(1)}}{\text{EPS}}$		
<b>Return on Revenue</b>	16%	19%
$\frac{\text{Total Net Income}}{\text{Total Revenue}}$		
<b>Return on Equity (Average)</b>	8%	13%
$\frac{\text{Total Net Income}}{\text{Average Total Equity}}$		
<b>Assets to Equity Ratio</b>	4.58 : 1	4.86 : 1
$\frac{\text{Total Assets}}{\text{Total Equity}}$		
<b>Debt to Equity Ratio</b>		
a) $\frac{\text{Long-term and Short-term Debt}}{\text{Total Equity}}$	0.96 : 1	0.99 : 1
b) $\frac{\text{Total Liabilities Excluding Deposit Liabilities, Bills and Acceptances Payable, Asset Retirement Obligation and Finance Lease Liabilities}}{\text{Total Equity}}$	1.33 : 1	1.41 : 1
<b>Current Ratio</b>		
a) Including EW $\frac{\text{Current Assets}}{\text{Current Liabilities}}$	0.79 : 1	0.76 : 1
b) Excluding EW $\frac{\text{Current Assets}}{\text{Current Liabilities}}$	2.55 : 1	2.17 : 1
<b>Quick Ratio</b>	0.69 : 1	0.52 : 1
$\frac{\text{Current Assets - Inventories}}{\text{Current Liabilities}}$		

	<u>As of And For The Year Ended December 31, 2020</u>	<u>As of And For The Year Ended December 31, 2019</u>
<b>Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) to Total Interest Expense</b>	4.36 Times	6.98 Times
<hr/> EBITDA <hr/>		
Total Interest Expense <sup>(2)</sup>		

(1) Closing prices at December 29, 2020 and December 27, 2019.

(2) Excluding financial liabilities on lease contract

## RESULTS OF OPERATIONS

### Year Ended December 31, 2019 Compared With Year Ended December 31, 2018

#### Revenues

##### *Real Estate Operations*

##### *Sale of Lots, Condominium and Residential Units*

Sale of lots, condominium and residential units grew by 5.4% or ₱1,090.7 million from ₱20,362.8 million in 2018 to ₱21,453.5 million in 2019 mainly due to FLI's increase in real estate sales attributed to higher percentage of completion for medium-rise and high-rise buildings (or MRBs and HRBs), and higher completion of downpayments from 2018 sales.

##### *Mall and Rental Revenues*

Mall and rental revenues surged by 20.9% to ₱7,464.3 million in 2019 from ₱6,174.4 million in 2018 ascribed to the increase in lease portfolio of office and retail buildings. Filinvest Axis Tower 2, located in Northgate Cyberzone Alabang, was completed in 2019 adding 39,341 square meters of GLA to the office portfolio. FLI now operates 31 buildings totaling 523,902 square meters. For retail, FLI has 243,215 square meters GLA in the retail portfolio in 2019 from 242,127 square meters in 2018.

##### *Hospitality Operations*

##### *Hospitality Revenues*

Hospitality revenues bagged a 24.2% growth from ₱2,665.5 million in 2018 to ₱3,311.2 million in 2019 mainly due to the full year operation of Crimson Resort and Spa Boracay (Crimson Boracay) in 2019 and start of operations of Quest Tagaytay in April 2019. In addition, there was an increase in average room rates and occupancy from other operating hotel properties, consequently the food and beverage revenues also increased.

## *Banking and Financial Services*

### *Net Interest Income*

#### *Banking and Financial Services Interest Income*

The banking and financial services' interest income rose by 22.5% or ₱5,344.5 million from ₱23,794.5 million in 2018 to ₱29,139.0 million in 2019 on account of increase in lending activities, largely driven by growth in loans and investment securities.

#### *Costs of Banking and Financial Services*

Costs of banking and financial services went up by 65.3% or ₱3,129.9 million from ₱4,794.0 million in 2018 to ₱7,923.8 million in 2019, which primarily resulted from increasing interest rates and growth in high-cost deposits and other borrowings amidst a tight liquidity environment during the first half of 2019.

### *Net Interest Income*

Net interest income surged by 11.7% from ₱19,000.5 million in 2018 to ₱21,215.2 million in 2019 due to the growth in interest income driven by higher asset base, coupled with improvement in margins.

### *Power Operations*

#### *Power Revenues*

Power revenues jumped 17.2% or by ₱1,482.6 million from ₱8,630.5 million in 2018 to ₱10,113.1 million in 2019 mainly on account of 24% improvement in energy sold.

#### *Sugar Operations*

##### *Sugar Sales*

Sugar operations' revenues increased by 2.5% or ₱80.7 million from ₱3,287.2 million in 2018 to ₱3,367.9 million in 2019 attributed mainly to higher sales volumes and improved sugar prices.

## **Other Income**

#### *Other Income — Real Estate Operations*

Other income from real estate operations reduced by 4.2% or ₱93.4 million from ₱2,236.8 million in 2018 to ₱2,143.4 million in 2019 driven by the lower interest income derived from contract receivables as more buyers opt to avail of bank financing schemes instead of in-house payment schemes.

#### *Other Income — Hospitality Operations*

Other income from hospitality operations increased by 23.9% or ₱9.5 million from ₱39.8 million in 2018 to ₱49.4 million in 2019 on account of higher share in net income of a joint venture.

#### *Other Income — Banking and Financial Services*

Other income from banking and financial services showed a growth of 16.2% or ₱1,006.1 million from ₱6,212.4 million in 2018 to ₱7,218.5 million in 2019 primarily due to higher securities trading gain and increase in fees and commissions driven by the growth in consumer lending.

#### *Other Income — Power Operations*

Other income from power operations declined by 96.0% or ₱633.2 million from ₱659.3 million in 2018 to ₱26.1 million in 2019 on account of the one-off income in 2018 from liquidated damages claimed against the power plant contractor for the delayed completion of the power plant

#### *Other Income — Sugar Operations*

Other income from sugar operations decreased by 65.2% or ₱58.2 million from ₱89.2 million in 2018 to ₱31.1 million in 2019 due to lower income earned from conversion rights.

## **Costs**

### *Costs of Sale of Lots, Condominium and Residential Units*

Costs of sale of lots, condominium and residential units went up by 12.1% or ₱1,248.3 million from ₱10,321.9 million in 2018 to ₱11,570.2 million in 2019, in line with the higher real estate sales booked during the year.

### *Costs of Mall and Rental Services*

Costs of mall and rental services increased by 19.0% or ₱167.5 million from ₱880.6 million in 2018 to ₱1,048.1 million in 2019 on account of higher depreciation which came from newly completed buildings and from buildings delivered in 2018 which registered full year depreciation in 2019.

### *Costs of Hospitality Operations*

The Group's costs of hospitality operations increased by 23.0% or ₱310.0 million from ₱1,345.2 million in 2018 to ₱1,655.3 million in 2019 mainly due to the full year operation of Crimson Boracay and start of operations of Quest Tagaytay in 2019. The increase was also contributed by higher business volume across the Group's hotel properties at the back of higher occupancy.

### *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 increased by 10.3% or ₱486.9 million from ₱4,733.7 million in 2018 to ₱5,220.6 million in 2019 primarily on account of the 24% increase in energy sold.

### *Costs of Sugar Sales*

Cost of sugar operations increased by 2.0% or ₱55.1 million from ₱2,768.3 million in 2018 to ₱2,823.5 million in 2019 related to higher sales volume.

### *Costs of Other Operations*

Costs of other operations increased by 11.9% or ₱76.1 million from ₱640.0 million in 2018 to ₱716.2 million in 2019 due to translation adjustment of interest on foreign-currency denominated bonds payable.

## **Expenses**

### *Real Estate Operations*

Expenses of real estate operations increased by 19.0% from ₱6,153.3 million in 2018 to ₱7,320.2 million in 2019 due to higher depreciation of property, plant and equipment, repairs and maintenance, insurance, and selling and marketing expenses particularly brokers' commissions and service fees.

### *Hospitality Operations*

Expenses of hospitality operations increased by 31.2% or ₱290.5 million from ₱929.8 million in 2018 to ₱1,220.3 million in 2019 mainly due to the full year operation of Crimson Boracay and start of operations of Quest Tagaytay in 2019. The increase was also attributed by higher operating costs such as manpower, utilities, depreciation and interest expense.

### *Banking and Financial Services*

Expenses of banking and financial services went up by 5.8% from ₱19,521.0 million in 2018 to ₱20,657.4 million in 2019 due to increase in compensation related expenses and higher cost of doing business including gross receipts tax, documentary stamp taxes and intensified marketing acquisition campaigns to generate more loan and retail deposits.

### *Power Operations*

The expenses of power operations decreased by 2.9% or ₱72.7 million from ₱2,537.7 million in 2018 to ₱2,465.0 million in 2019 as a result of adoption of the new accounting standard on leases, PFRS 16, effective January 1, 2019, which led to recognition of amortization of right-of-use assets that was lower than the rent expense booked under the old accounting standard on leases (PAS 17) applied in previous year.

### *Sugar Operations*

Expenses of sugar operations decreased by 32.9% from ₱346.4 million in 2018 to ₱232.2 million in 2019 attributed to previous year's higher booked provision for impairment losses on certain sugar refinery assets and provision for probable losses on contingencies.

### *Others*

Expenses of other operations decreased by 7.4% or ₱95.2 million from last year's ₱1,292.6 million to ₱1,197.4 million in 2019 due to prior year's booking of provision for probable losses on contingencies offset by 2019's share in net loss of an associate.

### **Provision for Income Tax**

Provision for income tax decreased by 1.6% or ₱69.8 million from ₱4,454.7 million in 2018 to ₱4,384.9 million in 2019. Provision for current income tax increased by 13.3% or ₱520.9 million attributed to higher taxable income of the banking and financial services as a result of increased revenues. Provision for deferred income tax decreased by 108.0% or ₱590.7 million due mainly to temporary differences between financial and taxable income arising from recognition of finance lease under the new accounting standard.

### **Net Income**

As a result of the foregoing, consolidated net income increased by 18.2% or ₱2,449.1 million from ₱13,433.2 million in 2018 to ₱15,882.3 million in 2019. Net income attributable to equity holders of the Parent Company increased by 22.5% or ₱2,201.6 million from ₱9,768.7 million in 2018 to ₱11,970.3 million in 2019 while net income attributable to noncontrolling interest amounted from ₱3,664.5 million in 2018 to ₱3,912.0 million in 2019.

## **FINANCIAL CONDITION**

### **As at December 31, 2019 Compared with As at December 31, 2018**

#### **Assets**

Total consolidated assets grew by 8.9% or ₱52,365.9 million from ₱589,789.0 million as of December 31, 2018 to ₱642,154.9 million as of December 31, 2019. The movements in asset accounts were accounted as follows:

Cash and cash equivalents decreased by 23.5% or ₱16,025.1 million from ₱68,121.3 million to ₱52,096.2 million attributable to EW's lower cash level as more funds were placed in higher-yielding liquid assets and due to lower reserve on outstanding deposits as required by the BSP.

Loans and receivables of the real estate operations increased by 20.2% from ₱4,261.3 million to ₱5,124.1 million, and contract assets grew by 29.6% or ₱3,392.8 million from ₱11,455.4 million to ₱14,848.2 million, due to higher revenue for the year and higher mix of cash sales.

Loans and receivables of the hospitality operations increased by 8.6% or ₱16.8 million from ₱196.6 million to ₱213.5 million attributed to Crimson Boracay and Quest Tagaytay.

Loans and receivables of the banking and financial services grew by 9.8% or ₱22,576.0 million from ₱231,530.9 million to ₱254,106.9 million principally driven by the increase in EW's consumer loans across all segments of auto, credit cards, mortgage and personal loans.

Loans and receivables of the power operations increased by 11.1% from ₱1,841.5 million to ₱2,045.0 million at the back of higher power revenues.

Loans and receivables of the sugar operations decreased by 8.3% from ₱117.9 million to ₱108.1 million on account of higher allowance for expected credit losses.

Financial assets at FVPL rose from ₱4,338.8 million to ₱16,840.7 million or by 288.1% or ₱12,501.9 million due to movements in the Bank's proprietary trading portfolio.

Financial assets at FVOCI amounting to ₱5,323.7 million as of December 31, 2019 posted an increase of more than 7 times the ₱750.3 million balance in year-end of 2018 on account of movements in the Bank's proprietary trading portfolio.

Investment securities at amortized cost showed a 35.3% increase from ₱36,510.5 million to ₱49,386.1 million in line with the Bank's strategic direction of improving liquidity profile and accrual income.

Real estate inventories decreased by 10.2% from ₱79,469.9 million to ₱71,363.5 million due to the reclassification of some portion of land and land development costs related to the land located in Mandaluyong City and Cebu to investment property, pursuant to its current plan for the project which are intended to be for leasing.

Coal, spare parts and other inventories increased by 1.4% or ₱9.8 million from ₱700.6 million to ₱710.3 million principally due to higher level of spare parts and fuel inventories driven by the increased inputs needed by the power operations.

Investment properties increased by 19.4% or ₱13,439.1 million from ₱69,132.5 to ₱82,571.6 million due the additional construction costs of new buildings for office and commercial lease amounting to ₱8.2 billion. These are primarily located in Northgate Cyberzone in Alabang, Filinvest Mimosasa, Makati City, Quezon City and Ortigas City.

Property, plant and equipment decreased by 2.9% or ₱1,267.4 million from ₱44,422.9 million to ₱43,155.5 million mainly due to depreciation, offset by acquisitions during the year.

Investments in joint ventures and associate grew by 36.9% or ₱270.7 million from ₱734.6 million to ₱1,005.3 million due to capital infusion into the joint venture and into an associate, offset by the take-up of proportionate share in net loss.

Deferred tax assets increased by 25.2% or ₱654.7 million from ₱2,600.8 million to ₱3,255.4 million on account of EW's provision set-up, net of write-off during the period.

Right-of-use assets amounting to ₱6,994.5 million as of December 31, 2019 resulted from the adoption of PFRS 16 which became effective January 1, 2019.

Other assets decreased by 2.6% or ₱597.1 million from ₱23,222.1 million to ₱22,625.0 million due to lower level of advances to contractors and suppliers and derivative assets.

## **Liabilities**

Total consolidated liabilities as at December 31, 2019 amounted to ₱510,004.9 million, 8.5% higher than ₱470,098.5 million balance as at December 31, 2018. Changes in account balances were as follows:

Deposit liabilities increased by 6.7% or ₱17,841.8 million from ₱266,926.1 million to ₱284,767.9 million primarily due to higher level of bank deposits pertaining to current and savings accounts (or CASA).

Bills and acceptances payable was higher by 72.2% or ₱12,979.8 million from ₱17,969.9 million to ₱30,949.8 million mainly from higher volume of interbank borrowings.

Accounts payable, accrued expenses and other liabilities went up by 1.8% or ₱700.5 million from ₱39,756.0 million to ₱40,456.5 million due to increase in payables to contractors and suppliers for the construction activities.

Contract liabilities decreased by 39.1% or ₱2,222.5 million from ₱5,690.7 million to ₱3,468.2 million mainly due to the higher contracts with buyers that qualified for revenue recognition for the year consistent with the higher real estate sales.

Long-term debt increased by 2.3% or ₱2,873.7 million from ₱127,347.5 million to ₱130,221.3 million on account of newly availed bank loans, offset by payments and amortizations.

Income tax payable was higher by 48.7% or ₱295.3 million from ₱606.5 million to ₱901.8 million due to higher taxable income of the banking and financial services.

Retirement liabilities increased from ₱1,117.1 million to ₱1,139.7 million as a result of higher net defined benefit obligation from the actuarial valuation conducted by independent actuaries.

Lease liabilities of ₱6,885.2 million as of December 31, 2019 resulted from the adoption of PFRS 16 which became effective January 1, 2019.

Deferred tax liabilities increased by 5.0% or ₱529.9 million from ₱10,684.7 million to ₱11,214.6 million attributed to the increased excess of real estate revenue based on financial accounting policy over real estate revenue based on tax rules.

### Equity

On April 26, 2019, the Parent Company's BOD approved the declaration and payment of cash dividends of ₱864.8 million or ₱0.10 per share for every common share of record as of May 26, 2019. This was paid on June 19, 2019.

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 3, 2018. This was paid on June 28, 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. This was paid on June 21, 2017.

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

	<b>As of And For The Year Ended December 31, 2019</b>		<b>As of And For The Year Ended December 31, 2018</b>
<b>Earnings Per Share - Basic (EPS)</b>	₱1.384	/share	₱1.130 /share
Net Income (Attributable to Equity Holders of the Parent Company)	<hr/>		
Weighted Average Number of Outstanding Shares			

	<u>As of And For The Year Ended December 31, 2019</u>		<u>As of And For The Year Ended December 31, 2018</u>	
<b>Price Earnings Ratio (PE Ratio)</b>	9.39	Times	10.46	Times
<u>Closing Price <sup>(1)</sup></u>				
EPS				
<b>Return on Revenue</b>	19%		18%	
<u>Total Net Income</u>				
Total Revenue				
<b>Return on Equity (Average)</b>	13%		12%	
<u>Total Net Income</u>				
Average Total Equity				
<b>Assets to Equity Ratio</b>	4.86 : 1		4.93 : 1	
<u>Total Assets</u>				
Total Equity				
<b>Debt to Equity Ratio</b>				
a) <u>Long-term Debt</u>	0.99 : 1		1.06 : 1	
Total Equity				
b) <u>Total Liabilities Excluding Deposit Liabilities, Bills and Acceptances Payable, Asset Retirement Obligation and Finance Lease Liabilities</u>	1.41 : 1		1.54 : 1	
Total Equity				
<b>Current Ratio</b>				
a) Including EW				
<u>Current Assets</u>	0.76 : 1		0.97 : 1	
Current Liabilities				
b) Excluding EW				
<u>Current Assets</u>	2.17 : 1		3.19 : 1	
Current Liabilities				
<b>Quick Ratio</b>	0.52 : 1		0.78 : 1	
<u>Current Assets – Inventories</u>				
Current Liabilities				
<b>Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) to Total Interest Expense</b>	6.98	Times	6.94	Times
EBITDA				
Total Interest Expense <sup>(2)</sup>				

(1) Closing prices at December 27, 2019 and December 28, 2018.

(2) Excluding accretion expense on liability on IPPA contract and financial liability on lease 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, 2019 are the same as those followed in the annual financial statements of the Company for the year ended December 31, 2018.
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, 2019 and 2018 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, 2019 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, 2019.
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.
17. On known trends, events, or uncertainties that have had or are reasonably expected to have favorable or unfavorable impact on net sales or revenues or income from continuing operations, the Company considers the following:

#### *Outlook for 2020 Amidst the COVID-19 Pandemic*

As of this writing, the world continues to go through the biggest crisis of our generation brought about by the COVID-19 pandemic. In a move to contain the COVID-19 pandemic in the Philippines, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, the government expanded the scope by placing the entire Luzon region under an enhanced community quarantine (ECQ), with major cities in Visayas and Mindanao shortly following suit. On March 24, 2020, Republic Act No. 11469 was enacted declaring the existence of a national emergency arising from the COVID-19 situation and a national policy

effectively authorizing the Philippine President, for a limited period and subject to restrictions, to exercise powers necessary and proper to carry out the declared national policy and for other purposes. On April 1, 2020, the Implementing Rules and Regulations (IRR) of Section 4(aa) of Republic Act No. 11469, otherwise known as the “Bayanihan to Heal As One Act”, was released. On April 7, 2020, the Philippine President announced that the ECQ throughout the island of Luzon has been extended up to April 30, 2020. On April 24, 2020, the Philippine President extended the ECQ in Metro Manila, Central Luzon, CALABARZON and other selected high-risk areas until May 15, 2020. The President also placed some areas in the Visayas and Mindanao under ECQ but subject to reassessment, while provinces or areas which are considered moderate- and low-risk in the spread of COVID-19 were placed under a general community quarantine starting on May 1, 2020.

The government-mandated temporary closure of non-essential shops and businesses are expected to have material effects on the Group’s overall financial performance in 2020. While the Group cannot ascertain at this time the full impact to its financial position, performance and cash flows, the Group is cognizant of the following risks brought about by the disruptions:

- The Real Estate segment may face a decline in revenues following the temporary suspension of construction activities of its residential and commercial properties, and closure of mall operations except for essential business establishments within the malls such as supermarkets, pharmacies, healthcare centers and banks that remain open for limited operating hours. The uncertainties may also impact the office leasing business as tenants adopt a work-from-home scheme or other flexible working arrangements. Additional risks include the possible delays in collection of payments from residential buyers.
- The imposition of travel restrictions and quarantine measures across the globe have immediate negative effects on businesses especially on tourism and hospitality businesses. As an operator of hotels and resorts across the Philippines, a significant decline in occupancy rates is expected. Five out of the six hotels and resorts under the Group’s portfolio remain in operation during the ECQ but on very limited basis to accommodate current business needs. Crimson Boracay however has temporarily ceased operations while the entire island of Boracay is on lockdown. Quest Tagaytay is currently used as a quarantine facility for OFWs and other returning overseas Filipinos.
- The Banking segment is running on skeletal force while under ECQ. Nevertheless, it opens as many branches feasible, ensures cash availability in ATMs and maintains availability of various digital and online products. Following the government’s mandate, it has provided its customers a 30-day grace period for all loans falling due within the ECQ period. Other possible measures of forbearance are likewise being evaluated. An extended disruption to business activities may affect East West Bank’s loan portfolio and asset quality.
- The Company’s 405-megawatt power plant located in Misamis Oriental, Mindanao is fully operational. While relatively less affected because of its geographic location, it has nonetheless undertaken measures called for under the ECQ program. It has employed a rotation setup for its work force and implemented various precautionary measures such as strict adherence to personal hygiene, practices, mandatory temperature checks and social distancing protocols, and proper and frequent sanitation and deep disinfection of plant premises.

The Group considers the events surrounding the outbreak as non-adjusting subsequent events, which do not impact its financial position and performance as of and for the year ended December 31, 2019. However, the outbreak could have a material impact on its 2020 financial results and even periods thereafter. To mitigate the risks of the COVID-19 pandemic on its operations, the Company has undertaken several measures such as the following:

- It has reviewed its capital expenditure program and adjusted it to reflect the expected slowdown in demand as well as construction delays of projects.
- It has put in place mitigation measures to ensure the safety of its customers, homeowners, locators and tenants through sanitation and social distancing practices, and has carried out regular communication through digital means and work-from-home service desks.

- It has implemented various precautionary measures for a safe workplace such as work- from-home arrangements, strict adherence to personal hygiene practices, mandatory temperature checks and social distancing protocols, and proper and frequent sanitation and deep disinfection of premises.
- It has cancelled large group meetings in person and instead utilize technology for remote communication. It will conduct, for the first time, its annual shareholder's meeting virtually with online electronic voting.

Amidst the evolving nature of this outbreak, the Company remains committed to abide by and comply with all rules and regulations issued by the government in relation to the COVID-19 pandemic.

## **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 IPPA 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 at 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 reclassified 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 ₱241,317.2 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

	<b>As of And For The Year Ended December 31, 2018</b>		<b>As of And For The Year Ended December 31, 2017</b>	
<b>Earnings Per Share - Basic (EPS)</b>	₱1.128	/share	₱0.710	/share
Net Income (Attributable to Equity Holders of the Parent Company)	<hr/>			
Weighted Average Number of Outstanding Shares				
<b>Price Earnings Ratio (PE Ratio)</b>	10.46	Times	10.92	Times
Closing Price	<hr/>			
EPS				

<b>Return on Revenue</b>	18%	15%		
$\frac{\text{Total Net Income}}{\text{Total Revenue}}$				
<b>Return on Equity (Average)</b>	12%	10%		
$\frac{\text{Total Net Income}}{\text{Average Total Equity}}$				
<b>Assets to Equity Ratio</b>	4.93 : 1	4.88 : 1		
$\frac{\text{Total Assets}}{\text{Total Equity}}$				
<b>Debt to Equity Ratio</b>				
a) $\frac{\text{Long-term Debt}}{\text{Total Equity}}$	1.06 : 1	1.15 : 1		
b) $\frac{\text{Total Liabilities Excluding Deposit Liabilities, and Bills and Acceptances Payable}}{\text{Total Equity}}$	1.55 : 1	1.63 : 1		
<b>Current Ratio</b>				
a) Including EW				
$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	0.95 : 1	1.00 : 1		
b) Excluding EW				
$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	5.72 : 1	3.10 : 1		
<b>Quick Ratio</b>	1.43 : 1	1.02 : 1		
$\frac{\text{Current Assets} - \text{Inventories}}{\text{Current Liabilities}}$				
	<b>As of And For The</b>	<b>As of And For The</b>		
	<b>Year Ended</b>	<b>Year Ended</b>		
	<b>December 31, 2018</b>	<b>December 31, 2017</b>		
<b>Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) to Total Interest Expense</b>	6.94	Times	7.17	Times
$\frac{\text{EBITDA}}{\text{Total Interest Expense}}$				

#### Notes to Financial Statements and Other Disclosures

- 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.

*For approval by the stockholders at their annual meeting in 2021 stockholders' meeting*

## FILINVEST DEVELOPMENT CORPORATION

### MINUTES OF THE ANNUAL STOCKHOLDERS' MEETING

Held on 22 June 2020, at 10:00 a.m.

Conducted virtually *via* Cisco Webex

#### I. ATTENDANCE

##### STOCKHOLDERS PRESENT/REPRESENTED:

Present by proxies	7,655,116,233	88.51%
Present by remote communication and voting <i>in absentia</i>	3,373,568	0.04%
<b>Total Attendance</b>	<b>7,658,489,801</b>	<b>88.55%</b>

##### ALSO PRESENT:

##### Board of Directors

Name	Position / Board Committees
Mrs. Mercedes T. Gotianun	Chairperson Emerita
Mr. Jonathan T. Gotianun	Chairman of the Board Chairman – Executive Committee Member – Nominations Committee Member – Audit and Risk Management Oversight Committee Member – Compensation Committee Member – Digital Committee
Mrs. L. Josephine Gotianun-Yap	President and Chief Executive Officer Member– Executive Committee Member – Nominations Committee Member – Audit and Risk Management Oversight Committee Member – Compensation Committee Member – Digital Committee
Mr. Andrew T. Gotianun, Jr.	Member – Executive Committee Member – Related-Party Transaction & Corporate Governance Committee
Mr. Michael Edward T. Gotianun	Member – Executive Committee
Ms. Claire A. Huang	Member – Related-Party Transaction & Corporate Governance Committee Chairperson – Digital Committee
Ms. Virginia T. Obcena	Lead Independent Director Chairperson – Audit and Risk Management Oversight Committee Member – Nominations Committee Member – Compensation Committee Member – Related-Party Transaction & Corporate Governance Committee

Atty. Val Antonio B. Suarez	Member – Audit and Risk Management Oversight Committee Chairman – Nominations Committee Chairman – Compensation Committee Chairman – Related-Party Transaction & Corporate Governance Committee
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**Key Officers, Senior Management Officers and Other Officers; Subsidiary Heads**

<b>Name</b>	<b>Position</b>
Mr. Nelson M. Bona	Executive Vice President/Treasurer and Chief Finance Officer
Mr. Daniel L. Ang Tan Chai	Senior Vice President/ Deputy Chief Finance Officer
Mr. Renato Rex Xavier Marzon	Senior Vice President, Group Chief Digital Officer/ MD of Digital Innovations & Ventures
Ms. Bernadette M. Ramos	Vice President - Group Corporate Marketing
Ms. Virginia A. Cayanga	Vice President for Risk Management and Chief Risk Officer
Atty. Sharon P. Pagaling-Refuerzo	Corporate Secretary and Corporate Information Officer
Ms. Arlene San Juan	Senior Assistant Vice President/Accounting & Finance Head
Ms. Patricia Carmen Pineda	Senior Assistant Vice President, Investor Relations
Mr. Michael Louie T. Garado	Assistant Vice President for Audit and Chief Audit Executive
Mr. Francis Nathaniel C. Gotianun	Senior Vice President, Filinvest Hospitality Corporation
Mr. Tristaneil D. Las Marias	Executive Vice President and Chief Strategy Officer, Filinvest Land, Inc.
Ms. Ana Venus A. Mejia	First Senior Vice President, Treasurer and Chief Finance Officer, Filinvest Land, Inc.
Mr. Francis V. Ceballos	Senior Vice President - Business Group Head, Filinvest Land, Inc.
Mr. Antonio C. Moncupa, Jr.	Vice-Chairman/ President and Chief Executive Officer, EastWest Banking Corp.
Ms. Minda L. Cayabyab	First Vice President and Financial Controller, EastWest Banking Corp.
Ms. Isabelle Gotianun Yap	Director, EastWest Banking Corp.
Mr. Juan Eugenio L. Roxas	President and Chief Executive Officer, FDC Utilities, Inc.

## **Independent External Auditor**

<b>Name</b>	<b>Position</b>
Mr. Michael C. Sabado	Partner-In-Charge, Sycip Gorres Velayo & Co.
Mr. J. Carlitos G. Cruz	Partner
Mr. Wilson P. Tan	Partner
Ms. Wanessa Salvador	Partner
Ms. Jane Carol U. Chiu	Senior Manager
Ms. Caroline Malunas	Associate Director, Assurance
Ms. Maria Vivian Ruiz	Head of Assurance Service Line

## **II. NATIONAL ANTHEM**

The meeting started with the singing of the Philippine National Anthem.

## **III. PRESIDING OFFICER AND SECRETARY**

The Chairman of the Board, of Directors of Filinvest Development Corporation (the "Company"), Mr. Jonathan T. Gotianun, presided over the meeting, while the Corporate Secretary, Atty. Sharon P. Pagaling-Refuerzo, recorded the minutes thereof.

## **IV. CALL TO ORDER**

The Chairman called the meeting to order and requested the Corporate Secretary to report on the service of notice of the meeting, and whether there was a quorum at the meeting.

## **V. CERTIFICATION OF SERVICE OF NOTICE AND QUORUM**

The Corporate Secretary reported that the notice of the meeting, together with copies of the Information Statement and the 2019 Audited and Interim Financial Statements of the Company, were posted on the Company's website and disclosed through PSE EDGE, as well as published, both in print and online, in the business sections of The Philippine Daily Inquirer and Business World on 28 May 2020 and in the Philippine Star and Business Mirror on 29 May 2020.

Based on the online registration and report on proxies received by the Office of the Corporate Secretary, with the assistance of the Company's stock and transfer agent, Stock Transfer Service, Inc., the Corporate Secretary certified that out of the **8,648,462,987** total issued and outstanding shares of the Company as of the record date or on 01 June 2020, **7,658,489,801** shares representing **88.55%** of the total issued and outstanding shares of the Company were present at the meeting.

There being a quorum, the Chairman declared the meeting duly convened and open for business.

## **VI. INSTRUCTIONS ON THE RULES AND CONDUCT OF VOTING PROCEDURES**

The Chairman noted that the Company was holding the meeting in virtual format because of the health crisis; however, the Company endeavored to provide the shareholders the opportunity to participate in the meeting through the online registration and voting *in absentia* system. He then asked the Corporate Secretary to share the rules of conduct and voting procedures for the meeting.

The Corporate Secretary explained that the rules of conduct and voting procedures were set forth in the Definitive Information Statement and in the Explanation of Agenda Items, which form part of the Notice of the Annual Stockholders' meeting. She highlighted the following points:

1. Stockholders who successfully registered under the shareholder registration system were provided the instructions to access the digital voting ballot as well as the virtual meeting.
2. The deadline for voting *in absentia* and through proxy was on 15 June 2020.
3. After the voting, the Office of the Corporate Secretary, together with the stock transfer agent, tabulated all the votes cast *in absentia* as well as *via* proxy;
4. The results of the voting would be reported after each item was taken up during the meeting;
5. The stockholders were also given up to 15 June 2020, to submit any questions or comments they may have.

She further informed all the participants of the meeting that there would be a visual and audio recording of the entire proceedings.

## **VII. APPROVAL OF THE MINUTES OF THE ANNUAL MEETING OF THE STOCKHOLDERS HELD ON 26 APRIL 2019**

The Chairman inquired if copies of the minutes of the annual meeting of the stockholders held on 26 April 2019 were furnished to the stockholders.

The Corporate Secretary certified that an electronic copy of the minutes was included in the notice of this year's annual stockholders' meeting and were made available on the Company's website. She reported that the resolution below was approved by majority of the stockholders based on the following tabulation of votes:

**“RESOLVED**, That the minutes of the annual meeting of the stockholders of the Company held on 26 April 2019 is hereby approved.”

	FOR	AGAINST	ABSTAIN
Number of Shares Voted	7,655,116,233	-	4
Percentage of Votes	99.96%	-	0.00%

**VII. PRESENTATION OF THE PRESIDENT’S REPORT AND RATIFICATION OF THE AUDITED FINANCIAL STATEMENTS AS OF AND FOR THE PERIOD ENDED 31 DECEMBER 2019**

The President and Chief Executive Officer of the Company, Mrs. L. Josephine Gotianun-Yap, presented her pre-recorded report on the Company’s operations for the year ended 31 December 2019 and the quarter ended 31 March 2020 based on the Company’s Audited and Interim Financial Statements for the same period, copies of which were made available to all the stockholders of record, together with the Information Statement. The President’s report included the operational and financial highlights of the Company for the year 2019 and the outlook for 2020.

The President also announced to the stockholders that the Board of Directors approved during its special meeting held before the Annual Stockholders’ Meeting on 22 June 2020 the declaration of cash dividends of 13.84 centavos per share. The record date of the said cash dividend is fixed on 22 July 2020, with payment date on 17 August 2020. This constitutes a total cash declaration amounting to Php1.197 billion.

The Chairman thanked the President for her report, then proceeded to the next item in the agenda which was the ratification of the 2019 Audited Financial Statements. He asked the Corporate Secretary if the stockholders were furnished a copy of the 2019 Audited Financial Statements.

The Corporate Secretary responded that an electronic copy of the 2019 Audited Financial Statements was made available on the Company’s website as well as attached to the Information Statement. She reported that the resolution below was approved by majority of the stockholders based on the following tabulation of votes:

**“RESOLVED,** That the Company’s Audited Financial Statements as of and for the year ended 31 December 2019 be approved, confirmed and ratified.”

	FOR	AGAINST	ABSTAIN
Number of Shares Voted	7,654,600,500	-	515,737
Percentage of Votes	99.95%	-	0.01%

**VIII. RATIFICATION OF ALL THE ACTS, RESOLUTIONS AND PROCEEDINGS OF THE BOARD OF DIRECTORS, EXECUTIVE COMMITTEE, OTHER BOARD COMMITTEES AND MANAGEMENT UP TO 22 JUNE 2020**

The next item in the agenda was the ratification of all the acts, resolutions and proceedings of the Board of Directors, Executive Committee, other Board Committees and Management from the date of the last annual stockholders’ meeting until 22 June 2020, a summary of which was included as an annex in the Information Statement sent to all the stockholders of record prior to the annual stockholders’ meeting.

The Corporate Secretary reported that the resolution below was approved by majority of the stockholders based on the following tabulation of votes:

**“RESOLVED,** That all the acts, resolutions and proceedings of the Board of Directors, Executive Committee, other Board Committees and Management from the date of the last annual stockholders’ meeting until 22 June 2020 are hereby approved, confirmed and ratified.”

	FOR	AGAINST	ABSTAIN
Number of Shares Voted	7,654,600,500	-	515,737
Percentage of Votes	99.95%	-	0.01%

## **IX. ELECTION OF DIRECTORS**

The Chairman announced that the next item in the Agenda was the election of seven (7) directors, including three (3) independent directors of the Company for the year 2020 to 2021.

As requested by the Chairman, the Corporate Secretary announced the names of the persons nominated for election as directors and/or independent directors of the Company and who were pre-screened by the Nominations Committee in accordance with the Company’s Revised Manual on Corporate Governance and By-Laws, as follows:

Directors:

1. Mr. Jonathan T. Gotianun
2. Mrs. L. Josephine Gotianun-Yap
3. Mr. Nelson M. Bona
4. Mr. Michael Edward T. Gotianun

Independent Directors:

1. Ms. Claire A. Huang
2. Ms. Virginia T. Obcena
3. Atty. Val Antonio B. Suarez

The Corporate Secretary reported that the resolution below was approved by majority of the stockholders based on the following tabulation of votes:

**“RESOLVED,** That the following persons are hereby declared as duly elected directors of the Company, to serve for a term of one (1) year or until their successors shall have been elected and qualified in accordance with the By-Laws of the Company:

1. Mr. Jonathan T. Gotianun
2. Mrs. L. Josephine Gotianun-Yap
3. Mr. Nelson M. Bona
4. Mr. Michael Edward T. Gotianun
5. Ms. Claire A. Huang (Independent Director)
6. Ms. Virginia T. Obcena (Independent Director)
7. Atty. Val Antonio B. Suarez (Independent Director)

NOMINEE	FOR	AGAINST	ABSTAIN	Percentage
Jonathan T. Gotianun	7,654,021,573	1,094,670	-	99.94%
L. Josephine Gotianun-Yap	7,654,174,972	941,270	-	99.94%
Nelson M. Bona	7,654,597,563	518,670	-	99.95%
Michael Edward T. Gotianun	7,654,597,572	518,670	-	99.95%
Claire A. Huang	7,655,026,133	90,100	-	99.95%
Virginia T. Obcena	7,655,026,133	90,100	-	99.95%
Val Antonio B. Suarez	7,654,539,363	576,870	-	99.95%

**X. APPOINTMENT OF INDEPENDENT EXTERNAL AUDITOR**

Upon the recommendation of the Company’s Audit and Risk Management Oversight Committee and confirmed by the Board of Directors, the stockholders approved the reappointment of the accounting firm of Sycip Gorres Velayo and Co. (“SGV”) as the Company’s external auditor for the year 2020, as follows:

**“RESOLVED**, That the accounting firm of Sycip Gorres Velayo and Co. (SGV) be approved for reappointment as the Company’s external auditor for the year 2020.”

	FOR	AGAINST	ABSTAIN
Number of Shares Voted	7,655,116,233	-	4
Percentage of Votes	99.96%	-	0.00%

**XI. OTHER MATTERS**

After confirming with the Secretary that there were no other matters that require consideration by the stockholders, the Chairman requested her to read aloud the questions and comments of the stockholders.

There was only one question that came from a stockholder. The question was whether the Company had any plans of raising capital for the year 2020, whether through debt or equity.

The President replied that in mid-March, just before the imposition of the enhanced community quarantine (ECQ), FDC was in the middle of floating an P8 Billion peso-denominated bond. But due to the elevated economic uncertainty at that particular point in time, Management decided, together with the underwriters and bookrunners, to defer the bond offering to a later date.

In April, FDC paid its \$300 Million US dollar bond maturity. Management is considering reviving the bond offering now that the ECQ has been lifted. They are evaluating both Php- or USD-denominated bonds, given the attractive rates.

The business segments in the Group have been on expansion and diversification modes and they shall continue to do so in the future. The Company is also on the lookout for possible acquisitions. To maintain such posture, it is imperative to strike a capital structure with a careful balance of equity and debt.

The President added that the Company is especially keen to raising equity, not only to support the expansion of its subsidiaries but also to unlock its untapped value and share this to the public. Currently, public ownership in FDC is at 10.8%. Providing liquidity and marketability in FDC's shares will no doubt redound to the benefit of all its stakeholders. It is just waiting for the right timing for such an offering.

The Chairman thanked the President for responding to the question. He informed the stockholders that Management would like to share a short video on the efforts and activities undertaken by the Company to support the affected communities during the Taal ashfall and the COVID-19 pandemic.

### **XIII. ADJOURNMENT**

After the video ended, there being no further business to transact, the Chairman declared the meeting adjourned. He conveyed his gratitude to the stockholders for attending the meeting and for their continued trust and confidence in the Company and the Management.

CERTIFIED CORRECT:



**SHARON P. PAGALING-REFUERZO**  
Corporate Secretary

ATTESTED BY:

**JONATHAN T. GOTIANUN**  
Chairman of the Board

# ANNEX “F”

## 2021 ANNUAL STOCKHOLDERS MEETING FILINVEST DEVELOPMENT CORPORATION REQUIREMENTS AND PROCEDURE FOR ELECTRONIC VOTING *IN ABSENTIA* AND PARTICIPATION BY REMOTE COMMUNICATION

### I. REGISTRATION

Filinvest Development Corporation (the “Company”) established a designated website in order to facilitate the registration of and voting *in absentia* by the stockholders at the annual meeting, as provided under Sections 23 and 57 of the Revised Corporation Code.

- a. Stockholders as of 24 March 2021 may access the stockholder registration system at the web address: [https://shareholders.filinvest.com.ph/FDC\\_SHAREHOLDERSYSTEM](https://shareholders.filinvest.com.ph/FDC_SHAREHOLDERSYSTEM). The deadline for registration is 15 April 2021.
- b. To register, the stockholders are required to provide the following supporting documents:
  - i. For Individual Stockholders:
    1. A scanned copy of the stockholder’s valid government-issued ID showing photo, signature and personal details, preferably with residential address (in JPG format). The file size should be no larger than 2MB;
    2. A valid and active e-mail address; and
    3. A valid and active contact number.
  - ii. For Individual Stockholders with Joint Accounts
    1. A scanned copy of an authorization letter signed by all stockholders, identifying who among them is authorized to cast the vote for the account;
    2. A scanned copy of the authorized stockholder’s valid government-issued ID showing photo, signature and personal details, preferably with residential address (in JPG format). The file size should be no larger than 2MB;
    3. A valid and active e-mail address; and
    4. A valid and active contact number.
  - iii. For Individual Stockholders under Broker Accounts –
    1. A broker’s certification on the stockholder’s number of shareholdings.
    2. A scanned copy of the stockholder’s valid government-issued ID showing photo, signature and personal details, preferably with residential address (in JPG format). The file size should be no larger than 2MB;
    3. A valid and active e-mail address; and

4. A valid and active contact number.

iv. For Corporate Stockholders

1. A secretary's certificate attesting to the authority of the representative to vote for, and on behalf of the corporation;
2. A scanned copy of a valid government-issued ID of the stockholder's representative showing photo, signature and personal details, preferably with residential address (in JPG format). The file size should be no larger than 2MB;
3. A valid and active e-mail address of the stockholder's representative; and
4. A valid and active contact number of the stockholder's representative.

*Important Note: Incomplete or inconsistent information may result in an unsuccessful registration. As a result, stockholders will not be able to access to vote electronically in absentia, but may still vote through a proxy, by submitting a duly accomplished proxy form on or before 23 April 2021.*

- c. After registration, the Company, together with its stock transfer agent, Stock Transfer Service, Inc. (STSI) will conduct the validation process. Upon validation, the Company will send an email to the stockholder, which shall be sent to the email address of the stockholder indicated in the registration form, containing instructions for voting *in absentia* and remote attendance for the meeting.

## **II. ELECTRONIC VOTING IN ABSENTIA**

- a. Registered stockholders have until 23 April 2021, 11:59 PM (Philippine time) to cast their votes *in absentia*.
- b. All agenda items indicated in the Notice of Meeting will be set out in the digital absentee ballot and the registered stockholder may vote as follows:
  - i. For items other than the election of directors, the registered stockholder has the option to vote: For, Against, or Abstain. The vote is considered cast for all the stockholder's shares.
  - ii. For the election of directors, the registered stockholder has the option to:
    1. Distribute his votes equally among all the candidates;
    2. Abstain;
    3. Cast such number of votes for each nominee as preferred by the stockholder, provided that the total number of votes cast shall not exceed the number of shares owned, multiplied by the number of directors to be elected. Should the votes cast by the stockholder exceed the number of votes he is entitled to, the votes for each nominee shall be reduced in equal proportion, rounded down to the nearest whole number. Any balance shall be considered abstained.

Once voting on the agenda items is finished, the registered stockholder can proceed to submit the accomplished ballot by clicking the “Submit” button.

- c. The Office of the Corporate Secretary of the Company, with the assistance of representatives of the Company’s stock transfer agent, Stock Transfer Service, Inc. (STSI), will count and tabulate the votes cast *in absentia* together with the votes cast by proxy.
- d. During the meeting, the Corporate Secretary shall report the votes received and inform the stockholders if the particular agenda item is carried or disapproved. The total number of votes cast for each item for approval and/or ratification under the agenda will be shown on the screen.

### **III. PARTICIPATION BY REMOTE COMMUNICATION**

- a. Prior to the meeting, the Company will send email instructions to those stockholders who have successfully registered, which shall be sent to the email address of the stockholder indicated in the registration form, on how they can attend the meeting through remote communication and have access to the livestream of the meeting.
- b. Only those stockholders who successfully registered in the stockholder registration system, together with the stockholders who voted *in absentia* or by proxy, will be included in determining the existence of a quorum.
- c. Stockholders may send any questions and/or comments relating to the agenda on or before 23 April 2021 to [FDCASM@filinvestgroup.com](mailto:FDCASM@filinvestgroup.com). Questions or comments received on or before 23 April 2021 may be responded to during the meeting. Any questions not answered during the meeting may be answered *via* email.
- d. Stockholders who register and vote on the website for voting in absentia are hereby deemed to have given their consent to the collection, use, storing, disclosure, transfer, sharing and general processing of their personal data by the Company and by any other relevant third party for the purpose of electronic voting *in absentia* for the Annual Stockholders’ Meeting and for all other purposes for which the stockholder can cast his/her/its vote as a stockholder of the Company.

For any clarifications, please contact us through [FDCASM@filinvestgroup.com](mailto:FDCASM@filinvestgroup.com).