

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 **26 April 2024 (Friday) at 9:00 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 28 April 2023
- V. Presentation of the President's Report;
- VI. Approval of the Listing of Preferred Shares;
- VII. Ratification of the Audited Financial Statements for the year ended 31 December 2023;
- VIII. 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 26 April 2024;
- IX. Election of the Members of the Board of Directors, including three (3) Independent Directors, to serve for 2024-2025 (with two new nominees for director contingent on the approval by the Securities and Exchange Commission of the Amendment of Articles of Incorporation and By-Laws);
- X. Appointment of the External Auditor
- XI. Other Matters; and
- XII. Adjournment

We have elected to conduct the meeting remotely. 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 29 March 2024 shall be entitled to vote at this meeting. Votes cast remotely or *in absentia* should be received by the Corporation on or before 19 April 2024.

Stockholders who wish to vote by proxy shall submit the same on or before 17 April 2024 to the Office of the Corporate Secretary, through Attys. Lindeza R. Rogero-Gavino or Ma. Ruiza R. Hernane, located at The Beaufort, 5th Avenue corner 23rd Street, Bonifacio Global City, Taguig 1634, Metro Manila, or by email to 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 nomination and election of the members of the Board of Directors should be in accordance with the nomination forms, procedures and requirements adopted by the Board of Directors. Any stockholder may obtain the required nomination form from, and must submit his nominations to, the Corporate Secretary at The Beaufort, 5th Avenue corner 23rd Street, Bonifacio Global City, Taguig 1634, Metro Manila, not later than 5 March 2024.

All nominations shall be in writing duly signed by the nominating stockholders or their duly authorized (in writing) representatives, with the written acceptance and conformity of their nominee. The nomination must indicate whether the nominees are intended to be independent directors. Further, 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, such as the nominee's age, educational attainment, full disclosure of work and/or business experience and/or affiliations. The directors and independent directors shall be elected from among FDC's stockholders. All nominees for directors and independent directors must possess the minimum requirements/qualifications and none of the disqualifications prescribed by the Securities and Exchange Commission and in FDC's Revised Manual on Corporate Governance.

The Corporation's Information Statement, Management Report, and 2023 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 3 April 2024. 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.


LINDEZA R. ROGERO GAVINO
Corporate Secretary

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- 000**

6. Address of principal office: **The Beaufort, 5th Avenue corner 23rd 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: **26 April 2024**

Time: **09:00 a.m.**

Place: **No physical venue**

Online web address for registration for remote participation and voting:

FDC ASM Registration Form 2024

https://shareholders.filinvest.com.ph/FDC_SHAREHOLDERSYSTEM

FDC Ballot Form 2024

https://shareholders.filinvest.com.ph/FDC_ASMVOTING

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

On or before 3 April 2024

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 | Amount of Debt Outstanding |
|-------------------------------------|--|----------------------------|
| Common | 8,648,462,987 | |
| Bonds Payable (Consolidated) | | 47,365,239,722 |

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 2024 is scheduled on **26 April 2024, 09:00 a.m.** through virtual meeting.
- (b) The complete mailing address of the principal office of the Company is at The Beaufort, 5th Avenue corner 23rd Street, Bonifacio Global City, Taguig City 1634, Metro Manila.
- (c) This information statement shall be made available to the stockholders on or before **3 April 2024**.

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 26 April 2024 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 **29 February 2024**, 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 **29 March 2024**.
- (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 **29 March 2024** 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 29 February 2024 are as follows:

| Title of Class of Securities | Name and Address of Record Owner/ Relationship with FDC | Name of Beneficial Owner/ Relationship with Record Owner | Citizenship | No. of Shares Held | % Held |
|------------------------------|--|---|-------------|---|---|
| Common | A. L. Gotianun, Inc. ("ALGI") ¹ (formerly ALG Holdings Corporation) 32 nd Floor, Parkway Corporate Center, Corporate Avenue, Filinvest City, Alabang, Muntinlupa City Majority Owner of the Company | Michael Edward T. Gotianun | Filipino | 7,587,823,501 (Direct) 61,976,540 (Indirect) | 87.74% (Direct) 0.72% (Indirect) |
| Common | PCD Nominee Corporation (Filipino) G/F, Philippine Stock Exchange Tower Ayala Avenue, Makati City | | Filipino | 903,703,464 | 10.45% |

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 29 February 2024, 0.43% of the total outstanding voting shares of FDC is owned by foreigners.

The names, citizenship, number of shares held and percentage to total of persons forming part of the Management of the Company as of 29 February 2024 as shown in the Public Ownership Report are as follows:

¹ 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.

| Title of Class of Securities | Name | Amount and Nature of Ownership | Citizenship | Percentage of Ownership |
|-------------------------------------|---|---------------------------------------|--------------------|--------------------------------|
| Common | Jonathan T. Gotianun | 12 (D) 263,925 (I)* | Filipino | Negligible |
| Common | Lourdes Josephine Gotianun-Yap ² | 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 | Rhoda A. Huang | 1 (D) 0 (I) | Filipino | Negligible |
| Common | Francis Nathaniel C. Gotianun | 1 (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 |
| N.A. | Ysmael V. Baysa | 211,000 (I) | Filipino | Negligible |
| N.A. | Brian T. Lim | 0 | Filipino | N.A. |
| N.A. | Millette Asuncion-Arnedo | 0 | Filipino | N.A. |
| N.A. | Renato Rex Xavier G. Marzan | 0 | Filipino | N.A. |
| N.A. | Ven Christian S. Guce | 3,400 (I) | Filipino | Negligible |
| N.A. | Sheriben Marie D. M. Paraguas | 0 | Filipino | N.A. |
| N.A. | Susana Martha P. Naval | 0 | Filipino | N.A. |
| N.A. | Andrew Gerard D. Gotianun III | 0 | Filipino | N.A. |
| N.A. | Maria Chiara D. Miraflores | 0 | Filipino | N.A. |
| N.A. | Patricia Carmen Pineda | 0 | Filipino | N.A. |
| N.A. | Michael Louie T. Garado | 0 | Filipino | N.A. |
| N.A. | Mark Tom Q. Mulingbayan | 3,000 (I) | Filipino | Negligible |
| N.A. | Rommel Anthony Reyes | 0 | Filipino | N.A. |
| N.A. | Lindeza R. Rogero-Gavino | 0 | Filipino | N.A. |
| N.A. | Ma. Ruiza R. Hernane | 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.

Total ownership of all directors and officers as a group as of 29 February 2024 is 66,565,766 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.

² 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.

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:

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| <p>Jonathan T. Gotianun <i>Chairperson of the Board and Director</i></p> | <p>Mr. Gotianun, 70, Filipino, was first elected as Director of FDC on 09 July 1993. He also serves as Chairman of the Board and Directors of Filinvest Land, Inc. and East West Banking Corporation, both publicly-listed companies. He is also the Chairman of the Board of Davao Sugar Central Co., Inc.; Cotabato Sugar Central Co., Inc., and FDC Utilities, Inc. (“FDCUI”) and its subsidiary power companies. He previously served as Director and Senior Vice President of Family Bank & Trust Co. (“Family Bank”) until 1984. He obtained his Master’s Degree in Business Administration from Northwestern University in 1976.</p> |
| <p>Lourdes Josephine Gotianun-Yap <i>Vice-Chairperson and Director</i></p> | <p>Mrs. Yap, 68, Filipino, a seasoned business professional with over three decades of experience, was first elected as Director of FDC on March 30, 1990. She holds several prominent positions within the Filinvest group, including Director, President and CEO of Filinvest Land, Inc., Chairperson of the Board of Filinvest REIT Corp., and Director in Filinvest Alabang, Inc. and FDC Utilities, Inc., among others. Mrs. Yap is a trailblazer in the real estate industry, making history as the first female recipient of the Real Estate Personality award at Property Guru's Philippines Property Awards. Her expertise in the field have earned her recognition as a prominent figure who sets the bar high for women in the real estate industry. She holds a Master's Degree in Business Administration from the University of Chicago, which she obtained in 1977.</p> |
| <p>Rhoda A. Huang <i>President, Chief Executive Officer and Director</i></p> | <p>Ms. Huang, 61, Filipino, was elected Director of FDC and member of the Executive Committee on July 26, 2023. She was subsequently appointed as President & CEO of the Company effective August 1, 2023. She was the former President of BPI Capital Corporation. Prior to joining BPI Capital Corporation, Ms. Huang was Credit Suisse Philippines Branch Head of Investment Banking, with responsibility for coverage of Philippine corporates, financial institutions, and the sovereign. Her experience also includes 19 years with JPMorgan Chase and its predecessor institutions with responsibility of the firm’s major corporate relationships. She brings more than thirty (30) years of experience in investment banking. She completed her bachelor’s degree in business administration and accountancy at the University of the Philippines and is a Certified Public Accountant.</p> |

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| <p>Michael Edward T. Gotianun <i>Vice-President and Director</i></p> | <p>Mr. Gotianun, 66, Filipino, was first elected as a Director of FDC on 24 October 2017. He is also a Director of Filinvest Land, Inc., a publicly-listed company, Filinvest Hospitality Corporation, FDC Utilities Inc. and Filinvest Alabang 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>Francis Nathaniel C. Gotianun <i>First Senior Vice President and Director</i></p> | <p>Mr. Gotianun, 40, Filipino, is the First Senior Vice-President of Filinvest Hospitality Corporation, a subsidiary of FDC, the primary purpose of which is to evaluate, plan, develop and optimize potential and current hospitality investments of the Filinvest Group. He serves as a director of Filinvest Mimosa, Inc. and as the President and CEO of The Palms Country Club, Inc. He also serves as a Director of Filinvest REIT Corp., and Filinvest Land, Inc., both publicly-listed companies. He obtained his Bachelor's Degree in Commerce from the University of Virginia in 2005 and his Master's in Business Administration degree in IESE Business School – University of Navarra in 2010.</p> |
| <p>Virginia T. Obcena <i>Lead Independent Director</i></p> | <p>Ms. Obcena, 76, Filipino, was first elected as an independent director of FDC on 29 April 2016. She is also an Independent Director of Filinvest REIT Corp. She was a former member of the Panel of Conciliators of the International Centre for Settlement of Investment Disputes 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 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>Val Antonio B. Suarez <i>Independent Director</i></p> | <p>Mr. Suarez, 65, Filipino, is an independent director of FDC, having been first elected on 30 May 2014. He is the Managing Partner of the Suarez & Reyes Law Offices and was the former President and Chief Executive Officer of the Philippine Stock Exchange. Mr. Suarez is also an independent director of Filinvest Land, Inc., Filinvest REIT Corp. and Lepanto Consolidated Mining Company, all publicly-listed companies. 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> |

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| <p>Claire L. Huang* <i>Independent Director</i></p> <p>* resigned effective 26 July 2023</p> | <p>Ms. Huang, 59, 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 Scottrade. She was 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. She resigned as Independent Director effective 26 July 2023.</p> |
| <p>Ysmael V. Baysa <i>Chief Operations Officer</i></p> | <p>Mr. Baysa, 68, has worked in the consumer sector in the fields of Accounting and Finance. He has a wealth of experience working on the local and international operations of Procter & Gamble (P&G) and Jollibee Foods Corporation (JFC). At P&G, he occupied various local and regional positions, the most notable of which was as Head of its Finance function for the Philippines, Malaysia and Singapore. More recently, he was the Chief Finance Officer of JFC, one of Asia's largest restaurant companies. He graduated with a degree in Bachelor of Science in Business Administration (Accountancy) from Manuel S. Enverga University Foundation in 1976.</p> |
| <p>Brian T. Lim <i>Treasurer and Chief Finance Officer</i></p> | <p>Mr. Lim, 38, was the Group Financial Controller of Prime Infrastructure Holdings, Inc. and former Chief Financial Officer of D.M. Consunji, Inc., as well as VP for Finance of DMCI Holdings Inc. He was also a former audit manager in SGV & Co. Mr. Lim has over 16 years of experience and proficiency in accounting, taxation, corporate finance, treasury and audit. A Certified Public Accountant, he graduated from the University of St. La Salle in Bacolod City as <i>summa cum laude</i> and class valedictorian with a Bachelor's degree in Accountancy. He placed first in the 2007 CPA Board exams. He completed the Executive Program in General Management of MIT Sloan Executive Education in 2022.</p> |
| <p>Millette Asuncion-Arnedo <i>Senior Vice-President, General Counsel and Compliance Officer</i></p> | <p>Ms. Arnedo, 50, Filipino, is the Senior Vice-President, General Counsel and Compliance Officer of the Company. Prior to joining FDC, she has over 25 years of experience as a Chief Counsel for multinational companies performing various legal functions for markets covering Asia, Latin America, Africa, and the Middle East. Before joining Filinvest, she was the Vice President, International Legal Lead for Asia Pacific and China of Pfizer Inc. and thereafter, Vice President, Chief Counsel for Emerging Markets of Viatrix Inc., a spin off company of Pfizer Ms. Arnedo graduated Cum Laude at De La Salle University where she took up AB Political Science. She pursued her Juris Doctor in Ateneo De Manila University where she received second honours. In 2014 and 2023, she was awarded as one of Legal 500's Top 100 Lawyers in Asia.</p> |

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| <p>Renato Rex Xavier Marzan <i>Group Chief Digital Officer & Chief Innovation Officer/ President and Chief Executive Officer of f(dev) Digital Innovations and Ventures, Inc.</i></p> | <p>Mr. Marzan, 48, Filipino, is the Company's Group Chief Digital Officer & Chief Innovation Officer/ President and Chief Executive Officer of f(dev) Digital Innovations & Ventures, Inc. ("FDEV"), 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 & 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>Ven Christian S. Guce <i>Senior Vice-President/ Group Strategy, Strategic Finance, and Special Projects Head</i></p> | <p>Mr. Guce, 46, Filipino, is the Senior Vice-President for the Group Strategy, Strategic Finance, and Special Projects Head. Prior to joining FDC, Ven was the CFO of Growsari which is the Philippines' leading B2B e-commerce company. He led the completion of Growsari's most recent fund raise which was recognized as the largest fund raise so far for a Philippine start-up. He previously worked with Jollibee Foods Corporation where he led the group's corporate finance, corporate planning, financial planning & analysis, M&A and global treasury functions. Ven successfully led and completed JFC's maiden US dollar bond and Philippine Peso preferred shares issuances. Ven holds post-graduate degrees/certificates in Economics, Supply Chain Management and Finance. Ven finished his Master of Science in Industrial Economics Degree From the University of Asia and the Pacific (Salutatorian), his Bachelor of Arts degree in Economics, with specialization in Quantitative Economics from the same university and a Post Graduate Diploma in Purchasing and Supply Chain Management from the De La Salle University and the Philippine Institute for Supply Management. Ven is currently taking courses in advanced finance and strategy from the Wharton School of the University of Pennsylvania.</p> |
| <p>Susana Martha P. Naval <i>Vice- President and Corporate Communications Head</i></p> | <p>Ms. Naval, 54, Filipino, is the Vice-President and Corporate Communications Head of the Company starting November 2022. Prior to joining Filinvest Development Corporation, Suzette worked as Corporate Communications Manager of Ayala Land Inc. where she handled reputation management initiatives since 2008. She grew her communications experience and practice in her previous work managing corporate brand narratives, reputational risks, internal publications, and the company's online channels. She graduated from St. Scholastica's College with a Bachelor of Arts degree in Mass Communication. She is also a member of the Public Relations Society of the Philippines and a certified Digital Marketing Professional.</p> |

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| <p>Andrew G. Gotianun III <i>Vice President - Supply Chain Management Head</i></p> | <p>Mr. Gotianun III, 47, Filipino, is the Vice-President and Head of Filinvest's Supply Chain Management which covers the group's Real Estate, Hospitality, Banking, Power, and Sugar Business. In May 2008, he was appointed as a Special Assistant to the President under Filinvest Development Corporation. In January 2011, he was promoted to Assistant Vice President. He obtained his Bachelor of Arts Degree in Management from Concordia University Irvine.</p> |
| <p>Mark Tom Q. Mulingbayan <i>Chief Sustainability Officer</i></p> | <p>Mr. Mulingbayan, 51, Filipino, is the Chief Sustainability Officer of the Company. He has over 26 years of experience in environmental and sustainability work. Before joining FDC, Mr. Mulingbayan was the Chief Sustainability Officer and Enterprise Risk Management Department Head of Manila Water Company. During his tenure in Manila Water, he was also involved in wastewater treatment operations, environmental compliance and sustainability, regulatory advocacy and technical support services. Mr. Mulingbayan previously served as co-chairman of the Environment and Climate Change Committee of the Philippine Chamber of Commerce and Industry, being involved in advocacy for policies that support climate-resilient and environmentally responsible businesses. He also worked in the construction sector and served a local government unit in Batangas as its municipal environment and natural resources officer. Mr. Mulingbayan holds an undergraduate degree in civil engineering and a master's degree in environmental engineering, both from the University of the Philippines at Diliman. He has attended technical and management courses at the Association for Overseas Technical Cooperation and Sustainable Partnerships (AOTS) in Tokyo, UNESCO IHE Institute for Water Education in Delft, Asian Institute of Management (AIM) and the Asian Risk Management Institute (AriMI). He also was in the pioneering class of the Temasek Foundation Water Leadership Programme at the Lee Kuan Yew School of Public Policy.</p> |
| <p>Sheriben Marie D. Paraguas <i>First Vice President for HR Strategy & Center of Excellence</i></p> | <p>Ms. Paraguas, 47, is the First Vice-President for HR Strategy and Center of Excellence since October 2021. Ms. Paraguas brings with her 26 years of experience in various HR areas such as Strategic HR Business Partnership, Organization Development, Leadership Development, Talent Management, and Learning. Before joining FDC, she held key HR leadership roles in multinational and local companies in the financial services, technology, business process outsourcing, and telco industries. She was previously Head of HR of IBM, Head of HR of Accenture Technology, Director for Country Talent Strategy of Accenture, and Director & HR Business Partner Lead for Globe Telecom. Ms. Paraguas has also been part of the academe since 2004, teaching Human Resources courses at the Ateneo De Manila University's John Gokongwei School of Management.</p> |

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| | <p>She obtained her Bachelor of Science degree in Legal Management (Cum Laude) from the Ateneo De Manila University.</p> |
| <p>Patricia Carmen D. Pineda <i>Senior Assistant Vice-President/ Group Investor Relations Head</i></p> | <p>Ms. Pineda, 51, Filipino, is the Senior Assistant Vice-President and Group Investor Relations Head 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.</p> |
| <p>Michael Louie T. Garado <i>Assistant Vice-President for Audit and Chief Audit Executive</i></p> | <p>Mr. Garado, 42, 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 earned his degree in Accountancy from San Beda University.</p> |
| <p>Maria Chiara D. Miraflores <i>Vice-President for FDC Shared Services</i></p> | <p>Ms. Miraflores, 51, Filipino, was appointed as the Vice-President for Shared Services in August 2022. Her main function is to manage financial operations, reporting and control of specific FDC subsidiaries namely, SharePro, Inc., Corporate Technologies, Inc. and Countrywide Water Services, Inc. She joined FDC in May 2021 as VP for Special Projects & Quality Assurance, and prior to that, she had been in the practice of accounting profession holding various positions in different industries. She is a certified public accountant and earned her bachelor's degree from Assumption Sapang Palay College in 1993.</p> |
| <p>Lindeza R. Rogero-Gavino <i>Corporate Secretary, Corporate Information Officer, Corporate Governance Lead</i></p> | <p>Ms. Rogero-Gavino, 54, Filipino, was appointed as FDC's Corporate Secretary and Corporate Information Officer on January 25, 2023. Prior to joining FDC, she served as the Corporate Secretary & Compliance Officer of the Philippine Postal Corporation. She was previously the Director of the Cebu Extension Office of the Securities & Exchange Commission. She obtained her Bachelor of Arts degree major in Economics from the University of San Carlos in Cebu and her Bachelor of Laws degree from the University of the Philippines Diliman.</p> |
| <p>Ma. Ruiza R. Hernane <i>Assistant Corporate Secretary, Corporate Tax Legal Lead</i></p> | <p>Ms. Hernane, 42, Filipino, was appointed as FDC's Assistant Corporate Secretary on January 25, 2023. Prior to joining Filinvest in January 2020, Ruiza was the legal counsel, acting corporate secretary and acting compliance officer of Leisure &</p> |

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| | Resorts World Corporation. She has more than ten (10) years of experience in the practice of corporate and tax laws. Ruiza graduated at University of Philippines in 2001 where she took up BA History and thereafter pursued her law degree in Ateneo De Davao University in 2007. |
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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 28 April 2023, are as follows:

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|---|--|
| Executive Committee | Chairman: Jonathan T. Gotianun Members: Lourdes Josephine Gotianun-Yap Michael Edward T. Gotianun Francis Nathaniel C. Gotianun Rhoda A. Huang (elected as director and appointed to the Committee on 26 July 2023) |
| Audit and Risk Management Oversight Committee | Chairman: 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 L. Huang (Independent Director, resigned on 26 July 2023) 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 L. Huang (Independent Director, resigned on 26 July 2023) |
| Digital Committee | Chairman: Claire L. Huang (Independent Director, resigned on 26 July 2023) Members: |

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|--|--|
| | Lourdes Josephine Gotianun-Yap Jonathan T. Gotianun |
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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. The deadline for submission of nominees was on 05 March 2024.

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
The Beaufort, 5th Avenue corner 23rd Street, Bonifacio Global City, Taguig 1634,
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. Within five (5) years prior to the election or appointment, the director, trustee, or officer was convicted by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years;
2. Within the tenure, the director, trustee, or officer was convicted by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years;
3. Within five (5) years prior to the election or appointment, the director, trustee, or officer was convicted by final judgment for violating the Revised Corporation Code;

4. Within the tenure, the director, trustee, or officer was convicted by final judgment for violating the Revised Corporation Code;
5. Within five (5) years prior to the election or appointment, the director, trustee, or officer was convicted by final judgment for violating the Securities Regulation Code;
6. Within the tenure, the director, trustee, or officer was convicted by final judgment for violating the Securities Regulation Code;
7. Within five (5) years prior to the election or appointment, the director, trustee, or officer was found administratively liable, by final judgment, for any offense involving fraudulent acts punishable under Republic Act No. 11232, otherwise known as the Revised Corporation Code of the Philippines, Republic Act No. 8799, otherwise known as the Securities Regulation Code, and other laws, rules or regulations enforced or implemented by the Commission;
8. Within the tenure, the director, trustee, or officer was found administratively liable, by final judgment, for any offense involving fraudulent acts punishable under Republic Act No. 11232, otherwise known as the Revised Corporation Code of the Philippines, Republic Act No. 8799, otherwise known as the Securities Regulation Code, and other laws, rules or regulations enforced or implemented by the Commission;
9. Within five (5) years prior to the election or appointment, the director, trustee, or officer was convicted or found administratively liable by a foreign court or equivalent foreign regulatory authority for acts, violations or misconduct similar to those enumerated in paragraphs (a) and (b) of Section 26 of the RCC;
10. Within the tenure, the director, trustee, or officer was convicted or found administratively liable by a foreign court or equivalent foreign regulatory authority for acts, violations or misconduct similar to those enumerated in paragraphs (a) and (b) of Section 26 of the RCC; or
11. Within five (5) years prior to the election or appointment, or within the tenure, the director, trustee or officer was found administratively liable, by final judgment, for refusal to allow the inspection and/or reproduction of corporate records.

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 2024-2025

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. 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 election/re-election as directors, including independent directors, at the Annual Stockholders’ Meeting on 26 April 2024:

1. Jonathan T. Gotianun
2. Lourdes Josephine Gotianun-Yap
3. Rhoda A. Huang
4. Francis Nathaniel C. Gotianun
5. Michael Edward T. Gotianun
6. Isabelle Therese G. Yap
7. Virginia T. Obcena (Independent Director)
8. Marievic G. Ramos-Añonuevo (Independent Director)
9. Mina C. Figueroa (Independent Director)

Except for Isabelle Therese G. Yap, Marievic G. Ramos- Añonuevo and Mina C. Figueroa, whose qualifications are provided below, the qualifications of the nominees for the Board of Directors of FDC are discussed on pages 7 to 13 of this Information Statement.

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| Isabelle Therese G. Yap | Ms. Yap, 34, Filipino, is being nominated to be part of FDC’s Board for the technology and business expertise that she brings. She is currently and Executive Director and the Vice President for Special Projects of East West Banking Corporation and the Chairperson for f(dev) Digital Innovations and Ventures, Inc. These are the banking and digital venture arms of the Filinvest Group, an area of focus for FDC in the coming years. Prior to working with these Filinvest companies, Ms. Yap was in the Management Associate Program at Singapore Telecommunications (SingTel) and worked as a Consultant for McKinsey and Co. She graduated cum laude from the Singapore Management University where she obtained her Bachelor of Business Management degree. She further obtained an MBA Degree from Harvard Business School. |
| Marievic G. Ramos-Añonuevo | Atty. Añonuevo, 66, Filipino, is nominated as an independent director to replace Atty. Val Antonio B. Suarez, who has reached the maximum nine (9)-year term and was extended for the year 2023-2024. Atty. |

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|-------------------------|---|
| | <p>Añonuevo was a senior partner at SyCip Salazar Hernandez & Gatmaitan, until her retirement in August 2022. With 40 years of law practice, she has acquired substantial experience advising major local and foreign clients in the fields of banking, project finance, privatization, infrastructure, power and energy, foreign investments, mergers and acquisitions, corporate rehabilitation and restructuring, securities and land acquisition and development. Ms. Añonuevo serves as Corporate Secretary, Trustee and Vice President of Marubeni Scholarship Foundation, Inc. from 1989 to present. She also served as Corporate Secretary and Trustee of Friends of Hope, Inc. from 2012 to 2020. She is also the Corporate Secretary and Trustee of Breaking Free Foundation Inc., whose advocacy is to assist women and children who are victims of domestic violence. She received her Bachelor of Science in Business Economics and Bachelor of Laws degrees from the University of the Philippines and was admitted to the Bar in 1983.</p> |
| <p>Mina C. Figueroa</p> | <p>Ms. Figueroa, 67, Filipino, is being nominated to sit as a third independent director. Ms. Figueroa started her career in Sycip, Gorres, Velayo, and Co. in 1977. She worked from 1979 to 1989 for the treasury department of the Central Bank of the Philippines (now Bangko Sentral ng Pilipinas). She joined the Bureau of Treasury as Deputy Treasurer in 2001, and was appointed Treasurer of the Philippines in 2004 where she was responsible for the daily operations of the Philippine Treasury. After her stint with the government, Ms. Figueroa served as consultant to USAID and Credit Suisse (Hongkong), Ltd. in various projects of the government. She served as an independent director of Equicom Savings Bank until 2021. She is currently an independent director for Philippines Ratings Services Corp. and for Credit Suisse Securities (Phils.) Inc. which has ceased operations and is undergoing liquidation. She received her Bachelor of Science in Commerce, Major in Accounting, from the University of Santo Tomas in 1976. She is a Certified Public Accountant.</p> |

There are 5 non-independent directors being nominated and an application for amendment of Article Sixth of FDC's Articles of Incorporation increasing the number of Board of Directors

from seven (7) to nine (9) is currently being processed by the Securities and Exchange Commission (“SEC”).

The additional two nominees, Ms. Isabelle Therese G. Yap and Ms. Mina C. Figueroa, shall only be considered as elected after the SEC approval of the amended Articles of Incorporation and By-Laws.

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 Ms. Virginia T. Obcena, Atty. Marievic G. Ramos-Añonuevo, and Ms. Mina C. Figueroa as nominees for re-election/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.

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. Both Marievic G. Ramos-Añonuevo and Ms. Mina C. Figueroa are new nominees for independent directors and qualified to be nominated and elected as independent directors for the year 2024 to 2025.

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

Mr. Jonathan T. Gotianun, Mr. Michael Edward T. Gotianun, and Ms. Lourdes Josephine Gotianun-Yap are siblings. Mr. Francis Nathaniel C. Gotianun is the son of Mr. Jonathan Gotianun and the nephew of Mr. Michael Edward T. Gotianun and Ms. Lourdes Josephine Gotianun-Yap. Ms. Isabelle Therese G. Yap is the daughter of Ms. Lourdes Josephine Gotianun-Yap and the niece of Messrs. Jonathan T. Gotianun and Mr. Michael Edward T. Gotianun. 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:

| Name and Principal Position | Year | Salary | Bonus | Other Annual Compensation | TOTAL |
|---|-----------------|----------|---------|---------------------------|----------|
| Rhoda A. Huang** (President and Chief Executive Officer) | | | | | |
| Jonathan T. Gotianun (Chairperson of the Board) | | | | | |
| Lourdes Josephine Gotianun-Yap* (Vice Chairperson of the Board) | | | | | |
| Ysmael V. Baysa*** (Executive Vice President – Chief Operations Officer) | | | | | |
| Ven Christian S. Guce (Senior Vice President – Strategy, Strategic Finance & Special Projects Head) | | | | | |
| | | | | | |
| CEO and top four (4) highest compensated officers | 2024 (estimate) | ₱97.14M | ₱8.10M | ₱0.00M | ₱105.24M |
| | 2023 | ₱71.16M | ₱16.19M | ₱3.22M | ₱90.57M |
| | 2022 | ₱56.30M | ₱9.56M | ₱2.07M | ₱67.93M |
| All officers and directors as a group unnamed | 2024 (estimate) | ₱73.37M | ₱6.11M | ₱0.00M | ₱79.48M |
| | 2023 | ₱68.50M | ₱11.86M | ₱2.44M | ₱82.79M |
| | 2022 | ₱37.55M | ₱5.98M | ₱0.66M | ₱44.19M |
| All officers and directors as a group | 2024 (estimate) | ₱170.51M | ₱14.21M | ₱0.00M | ₱184.72M |
| | 2023 | ₱139.66M | ₱28.05M | ₱5.66M | ₱173.36M |
| | 2022 | ₱93.85M | ₱15.54M | ₱2.73M | ₱112.13M |

NOTES:

1. This report includes levels VPs and higher
2. Compensation data is based on FDC nationality
3. Retirement of 1 key officer for 2023
4. Legends

* In the capacity as President & CEO until July 31, 2023; as Vice Chairman starting August 1, 2023

**Starting August 1, 2023

***Starting June 1, 2023

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 2023, 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* | -- |
| Francis Nathaniel C. Gotianun* | -- |

| | |
|--|-----------------|
| Rhoda A. Huang* (elected as Director on 26 July 2024) | -- |
| Val Antonio B. Suarez (Independent Director) | 1,050,000.00 |
| Virginia T. Obcena (Independent Director) | 1,050,000.00 |
| Claire L. Huang (Independent Director, resigned on 26 July 2023) | 550,000.00 |
| Total | PhP2,650,000.00 |

* 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.

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 (please see **Annex "C"**)
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").

The transactions with related parties for the year ended December 31, 2023 shall be discussed in the Company's 2023 Audited Financial Statements.

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 Audit and Risk Management Oversight Committee recommended the re-appointment of SGV & Co. as the Company's external auditor for the year 2024. The said recommendation

was approved by the Board of Directors on 26 March 2024 and will be presented for approval and ratification 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.

The Audit and Risk Management Oversight Committee will discuss the re-appointment of SGV as the Company's external auditor for the year 2024-2025 in its next meeting and will thereafter endorse the same for the approval of the Board of Directors and shareholders.

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 2023 is attached herewith as **Annex “D”** to form an integral part hereof.

FDC’s external auditors, SGV & Co. are expected to be present at the 26 April 2024 stockholders’ meeting. They will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to questions.

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

The Management’s Discussion and Analysis, or Plan of Operations is attached herewith as **Annex “E”** to form an integral part hereof.

(3) 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 the financial position³ or result of operations of the Company. Noteworthy is the following case involving the Company’s subsidiary, FDC Misamis Power Corporation [“FDCMPC”]:

FDCMPC v. First Bukidnon Electric Cooperative (“FIBECO”)
Civil Case No. 897, RTC Taguig City, Br. 153

On 18 November 2022, FDCMPC filed a civil case for collection of sum of money (with claims for attorney’s fees and costs of suit) against FIBECO, in connection with the latter’s failure to pay its obligations under the Electric Power Purchase Agreement (EPPA) dated 4 February 2013 (including subsequent amendments to the EPPA), amounting to Php1,370,504,141.71 as of 5 October 2022. Pre-Trial is scheduled on 18 April 2024, at 8:30 a.m.

FDCMPC is represented in this case by its external counsel, Tantoco Villanueva & De Guzman Law Offices.

Item 12. 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.

³ Materiality, for purposes of reporting cases and determining whether it will affect the Company’s financial condition, is based on risk exposure with value to at least ten percent (10%) of the Company’s total assets as reported in its latest available Audited Financial Statement (AFS).

Item 13. 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. 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.

- (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

1. The aggregate fees billed to the Group, including associate and joint ventures, for professional services rendered by the external auditor for the examination of the annual financial statements amounted to Php21.6 million and Php16.9 million, net of VAT in 2023 and 2022, respectively.
2. In 2023, additional fees of the external auditor for FDC and a subsidiaries' bond issuance and other advisory services within the Group amounted to Php16.0 million. In 2022, additional fees for one of FDC's subsidiaries' bond issuance, technology consulting and other advisory services amounted to Php5.3 million.

(b) Tax Fees

The fees billed to the Group for tax services which pertained to compliance review amounted to Php0.2 million and Php1.1 million in 2023 and 2022, 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

Filinvest Development Corporation (FDC) was incorporated in the Philippines on April 27, 1973, building on businesses that the Gotianun Family had established since 1955. The company started by financing second-hand cars on a small scale but soon expanded into consumer finance in partnership with foreign institutions like Chase Manhattan Bank, Westinghouse Electric Corporation, and Ford Philippines. By the early 1980s, FDC's predecessor, Filinvest Credit Corporation, had become one of the top consumer finance companies in the Philippines. Over time, the Filinvest name became well-known not only in financing and banking but also in real estate development and other lines of business.

Established in Real Estate

In 1967, the Gotianun Family entered the real estate business with the establishment of Filinvest Realty Corporation, which developed residential subdivisions. In 1984, the family consolidated its real estate interests in FDC after divesting its shares in Family Bank and Trust Company and the Insular Bank of Asia and America. By 1990, FDC expanded its product line to include low-cost and medium-cost housing units' construction and sale. The product line was further expanded to include commercial districts, leisure projects like farm estates and sports clubs, and construction of residential and office condominiums.

Filinvest Land Inc. (FLI) was incorporated on November 24, 1989, as Citation Homes, Inc. and changed its name to FLI on July 12, 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. Today, FLI is one of the largest property developers in the country. It has projects in various locations, including Metro Manila, Cebu, Davao, Iloilo, Batangas, Cavite, Laguna, and Pampanga, among others.

On August 25, 1993, Filinvest Alabang Inc. was incorporated to spearhead the joint development of Filinvest City in Alabang, Muntinlupa City. This marked a significant turning point for FDC and its subsidiaries as the group began to focus on central business district development. The successful development of Filinvest City enabled the Filinvest Group to venture into various sectors, including retail, office, high-rise residential, and leisure club development.

Back to Banking and Diversification

In 1994, the Group decided to re-enter the banking and financial services business based on the Philippine economy's strengthening fundamentals 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 acquired 100% 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), which operates a 405-megawatt power plant with circulating fluidized bed clean coal technology in the Philippine Veterans Investment Development Corporation (PHIVIDEC) Industrial Estate, Villanueva, Misamis Oriental, Mindanao.

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.

Promoting Filipino Hospitality

The Filinvest Group is a diversified conglomerate that also specializes in the development, operation, and management of hotels and resorts to cater to a diverse range of market segments. In 2008, FDC entered a joint venture with Archipelago International Pte. Ltd (AIPL) and established Chroma Hospitality, Inc. (Chroma) to oversee and operate the Group's hospitality projects. FDC owns 60% and AIPL owns 40% of Chroma. In August 2011, FDC formed Filinvest Hospitality Corporation (FHC), which is now a wholly owned subsidiary. FHC serves as the primary owners' representative of the Group-owned properties.

In April 2018, the Philippine Amusement and Gaming Corporation (PAGCOR) awarded a provisional gaming license to Mimosa Cityscapes, Inc. (MCI). As a result, the Filinvest Group plans to expand its hospitality offerings by including an integrated resort and casino within the Filinvest Mimosa+ Leisure City development.

Contributing to Progress

As part of its commitment to be an active partner in nation-building, FDC entered into a 25-year concession agreement for the operations and maintenance of Clark International Airport in January 2019. The project was awarded to Luzon International Premier Airport Development (LIPAD), a consortium composed of FDC, JG Summit Holdings Inc., Philippine Airport Ground Support Solutions Inc., and Changi Airports Philippines (I) Pte. Ltd., a wholly owned subsidiary of Changi Airports International. With vast experience in property development,

FDC is expected to leverage its expertise to contribute to the development of the airport's surrounding areas.

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 more than 50 years of experience in industries that have weathered financial crises, market downturns, and political upheavals, the Filinvest Group has proven to be a robust and resilient business. 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 and utility operations, sugar cane farming, milling and sugar trading, from subsidiaries, associate, and jointly controlled entities engaged in various business activities, namely:

| Real Estate | Date of Incorporation |
|---|------------------------------|
| Filinvest Land, Inc. (FLI) | November 24, 1989 |
| Filinvest Alabang, Inc. (FAI) | August 25, 1993 |
| Filinvest Asia Corporation (FAC) | January 22, 1997 |
| Festival Supermall, Inc. (FSI) | March 21, 1997 |
| Home Pro Realty Marketing, Inc. (Homepro) | March 25, 1997 |
| Property Maximizer Professional Corp. (Promax) | October 3, 1997 |
| SJR Developers Inc. | February 16, 1998 |
| FSM Cinemas, Inc. (FSM Cinemas) | April 23, 1998 |
| Northgate Convergence Corporation | October 14, 1999 |
| Filinvest REIT Corp. (formerly, Cyberzone Properties, Inc.) | January 14, 2000 |
| Proplus, Inc. | February 16, 2000 |
| Pro-Excel Property Managers, Inc. (Pro-Excel) | November 28, 2001 |
| Property Specialist Resources, Inc. (Prosper) | June 10, 2002 |
| Leisurepro, Inc. (Leisurepro) | April 21, 2004 |
| Timberland Sports and Nature Club, Inc. (TSNC) | May 12, 2004 |
| Niyog Property Holdings, Inc. | September 13, 2005 |
| Gintong Parisukat Realty and Development, Inc. (GPRDI) | August 18, 2006 |
| Filinvest AII Philippines, Inc. (FAPI) | September 25, 2006 |
| Cajel Realty Corporation | February 29, 2008 |
| Filinvest Cyberparks, Inc. (FCI) | February 4, 2014 |
| Philippine DCS Development Corporation (PDDC) | July 31, 2015 |
| FCGC Corporation (FCGCC) | February 11, 2016 |
| Filinvest BCDA Clark, Inc. (FBCI) | March 16, 2016 |
| Filinvest Mimosa, Inc. (FMI) | March 31, 2016 |
| ParkingPro, Inc. (PPI) | July 15, 2016 |
| Filinvest Lifemalls Corporation (FLC) | July 26, 2016 |
| Dreambuilders Pro, Inc. (DPI) | January 11, 2017 |
| Filinvest Clark Mimosa, Inc. (FCMI) | January 23, 2017 |
| Filinvest Lifemalls Mimosa, Inc. (FLMI) | January 23, 2017 |

| | |
|---|-------------------|
| Property Leaders International Limited (BVI) (PLIL) | February 7, 2017 |
| Proleads Philippines, Inc. (Proleads) | March 29, 2017 |
| Realpros Philippines, Inc. (RPI) | August 3, 2017 |
| Filinvest Lifemalls Tagaytay, Inc. (FLTI) | November 20, 2017 |
| Nature Specialists, Inc. (NSI) | August 24, 2018 |
| ProOffice Work Services, Inc. (PWSI) | March 18, 2019 |
| ProMixers Aggregates Corp. (PMAC) | October 11, 2019 |
| Spectrum Alabang Properties, Inc. (SAPI) | December 16, 2019 |
| FREIT Fund Managers, Inc. (FREITFM) | April 13, 2021 |
| Co-Living Pro Managers Corp. (CPMC) | August 2, 2021 |
| SouthGate Alabang Land, Inc. | August 2, 2021 |
| OurSpace Solutions, Inc. (OSSI) | May 26, 2022 |

| Hospitality Operations | Date of Incorporation |
|---|------------------------------|
| Filinvest Hospitality Corporation (FHC) | November 08, 2008 |
| Mactan Seascapes Services, Inc. (MSSI) | July 17, 2009 |
| Chroma Hospitality, Inc. | August 22, 2011 |
| Quest Restaurants, Inc. (QRI) | March 12, 2012 |
| Entrata Hotel Services, Inc. (EHSI) | November 28, 2012 |
| Boracay Seascapes, Inc. (BSI) | December 28, 2012 |
| Chinatown Cityscapes Hotel, Inc. (CCHI) | March 22, 2013 |
| Duawon Seascapes Resort, Inc. (DSRI) | April 12, 2013 |
| Mimosa Cityscapes, Inc. (MCI) | May 13, 2016 |
| Baker J Concepts, Inc. (formerly Cubao Cityscapes, Inc.) | 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 |
| Zamboanga Cityscapes, Inc. (ZCI) | January 21, 2019 |
| Dauin Seascapes, Inc. (DSI) | September 09, 2019 |
| Baguio Mountainscapes, Inc. (BMI) (formerly, Cebu IT Park Cityscapes, Inc.) | March 12, 2020 |
| Gensan Cityscapes, Inc. (GCI) | March 12, 2020 |
| Hospitality Enterprise Resources Corporation (HERC) | June 3, 2022 |

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

| Power Operations | Date of Incorporation |
|--|------------------------------|
| FDC Utilities, Inc. | December 04, 2009 |
| FDC Retail Electricity Sales Corporation | November 16, 2009 |
| FDC Misamis Power Corporation | November 16, 2009 |
| FDC Water Utilities, Inc. | March 10, 2011 |
| FDC Green Energy, Corp. (<i>FDC Camarines Power Corporation</i>) | March 23, 2011 |
| FDC Casecan 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 |

| Water Operations | Date of Incorporation |
|--|------------------------------|
| FDC Water Utilities, Inc. | March 10, 2011 |
| FDC Water-FLOW Marigondon, Co. Inc. | September 14, 2021 |
| FDC Water-FLOW SRP, Co. Inc. | September 14, 2021 |
| FDC Water-FLOW Talisay, Co. Inc. | September 14, 2021 |
| Countrywide Water Services, Inc. (CWSI) | May 18, 2012 |
| Filinvest-Hitachi Omni Waterworks, Inc. (FLOW) | October 29, 2019 |

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

| Others | Date of Incorporation |
|---|------------------------------|
| Corporate Technologies Incorporated | September 11, 1998 |
| Filinvest Development Cayman Islands (FDCI) | March 12, 2013 |
| Luzon International Premiere Airport Development Corp. (LIPADC) | February 11, 2019 |
| Professional Operations and Maintenance Experts Incorporated (PROMEI) | July 4, 2019 |
| Investree Philippines Inc. | March 6, 2020 |
| Filinvest International Pte. Ltd. (formerly, Halo Halo Hospitality Pte. Ltd.) | May 4, 2020 |
| f(dev) Digital Innovations and Ventures, Inc. | October 19, 2020 |
| SharePro, Inc. | November 10, 2020 |
| Qwote Marketplace Technologies, Inc. | July 8, 2021 |
| Corptech Network Communities, Inc. | August 13, 2021 |
| ProActive Professionals Corp.* | August 9, 2023 |
| Filinvest Infra-Solutions Ventures, Inc.* | January 13, 2024 |
| *new corporation | |

D. OTHER MATTERS

Item 15. Action with Respect to Reports

- (1) *Approval of the minutes of the annual meeting of stockholders held on 28 April 2023, hereto attached as Annex "F"*

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 28 April 2023 can be viewed at the Company website, <https://www.filinvestgroup.com/wp-content/uploads/2024/02/fdc-minutes-2023-annual-stockholders-meeting-28april2023.pdf>. A copy of the minutes is also attached as Annex "F" 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. Rhoda A. Huang, will report on the Company's 2023 performance and the outlook for this year.

- (3) *Ratification of the Audited Financial Statements for the year ended 31 December 2023*

Rationale: To apprise the stockholders of the financial results of the Company's operations in 2023.

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 2023. The Company's audited financial statements for 2023 will be incorporated in the Definitive Information Statement and will be made available on the Company website.

The items above will be part of the agenda of the annual stockholders' meeting of the Company to be held on 26 April 2024 and are subject to the approval by the stockholders.

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. Listing of Preferred Shares

The listing of the Company's preferred shares shall be proposed for the approval of the stockholders.

On 26 March 2024, the Board of Directors of FDC approved to offer for sale the Company's preferred shares by way of public offering or private placement transaction and under terms and conditions that its Management may determine to be most beneficial to FDC. The Board

of Directors also resolved to delegate the authority to the Company's Management Team Members, namely, President and Chief Executive Officer, Ms. Rhoda A. Huang, and/or the Corporation's Chief Operations Officer, Mr. Ysmael V. Baysa and/or the Company's Chief Finance Officer, Mr. Brian T. Lim to: (a) determine relevant terms and conditions in accordance with market condition; (b) to further negotiate, agree on and approve the final terms and conditions of the offer share; and (c) engage the services of underwriters, advisors, legal counsels, stock and transfer agents, receiving agent/bank, and other parties as may be necessary, proper, or desirable to effect issuance and sale of the offer shares, registration and licensing of the Offer Shares with the SEC and listing of the Offer Shares with the PSE, under such terms and conditions as management may deem advantageous and to the best interest of the Company and as agreed upon by said parties.

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) Declaration of cash dividends
 - (e) Approval of the schedule of Board and Board Committee meetings for 2024
 - (f) Approval to offer and issue fix-rate peso denominated bonds
 - (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 enter into bank transactions needed for its business and appointment of authorized representatives
 - (j) Renewal/availment of bank services and credit facilities
 - (k) Appointment and/or updating of bank signatories
 - (l) Authority to transfer/convey /lease out real property; and
 - (m) 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 2024-2025.

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

nine⁴ (9) 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 2024 to 2025.

(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 shall endorse 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.

Item 19. Voting Procedures

(a) *Vote required for approval.*

The approval of the minutes of the annual stockholders' meeting held on 28 April 2023 and the audited financial statements for the year ended 2023, the ratification of corporate acts, the election of the directors and the appointment of external auditors for 2024 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 2024-2025. The additional nominees mentioned in pages 16-17 shall be deemed elected after the amendments to FDC's Articles of Incorporation and By-Laws are fully approved.

(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 addresses:

FDC ASM Registration Form 2024

https://shareholders.filinvest.com.ph/FDC_SHAREHOLDERSYSTEM

FDC Ballot Form 2024

https://shareholders.filinvest.com.ph/FDC_ASMVOTING

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.

⁴ Number of seats is subject to SEC approval.

Item 20. Participation of Stockholders 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 below online links on or before **17 April 2024**:

FDC ASM Registration Form 2024

https://shareholders.filinvest.com.ph/FDC_SHAREHOLDERSYSTEM

FDC Ballot Form 2024

https://shareholders.filinvest.com.ph/FDC_ASMVOTING

Details of the requirements and process are provided in **Annex “G”**.

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.

| | Period | High | Low | End |
|------|---------------|-------------|------------|------------|
| 2023 | 4th Quarter | 5.60 | 4.99 | 5.35 |
| | 3rd Quarter | 5.80 | 4.86 | 5.22 |
| | 2nd Quarter | 5.89 | 5.18 | 5.20 |
| | 1st Quarter | 6.64 | 5.12 | 5.50 |
| 2022 | 4th Quarter | 6.93 | 6.40 | 6.42 |
| | 3rd Quarter | 7.08 | 6.60 | 6.84 |
| | 2nd Quarter | 7.19 | 6.74 | 7.02 |
| | 1st Quarter | 7.90 | 6.62 | 6.97 |
| 2021 | 4th Quarter | 8.12 | 7.50 | 7.97 |
| | 3rd Quarter | 8.30 | 7.40 | 7.75 |
| | 2nd Quarter | 8.90 | 7.85 | 8.06 |
| | 1st Quarter | 9.65 | 7.99 | 8.67 |
| 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 |

As of 29 February 2024, FDC’s shares closed at the price of Php5.79 per share. The number of shareholders of record as of said date was 3,978. Common shares outstanding as of 29 February 2024 is 8,648,462,987.

The top 20 stockholders of FDC's common shares as of 29 February 2024 are as follows:

| | NAME | NO. OF SHARES | % TO TOTAL |
|----|--|---------------|------------|
| 1 | A. L. Gotianun, Inc. | 7,587,823,501 | 87.74% |
| 2 | PCD Nominee Corporation (Filipino) | 903,703,464 | 10.45% |
| 3 | Michael Edward T. Gotianun | 50,501,501 | 0.58% |
| 4 | PCD Nominee Corporation (Non-Filipino) | 36,697,406 | 0.42% |
| 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 | Helen Reyes | 2,692,544 | 0.03% |
| 9 | Emily Benedicto | 2,466,400 | 0.03% |
| 10 | Joseph Del Mar Yap & or Lourdes Josephine G. Yap | 2,083,000 | 0.02% |
| 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 | Joseph M. &/or Lourdes Josephine G. Yap | 734,311 | 0.01% |
| 15 | AMA Rural Bank of Mandaluyong, Inc. | 616,600 | 0.01% |
| 16 | Manuel Benipayo | 527,141 | 0.01% |
| 17 | Salud Borromeo | 501,655 | 0.01% |
| 18 | Francisco Benedicto | 493,280 | 0.01% |
| 19 | Edan Corporation | 387,224 | 0.00% |
| 20 | Ma. Consuelo R. Medrano &/or Victoriano S. Medrano | 308,300 | 0.00% |
| | Total | 8,629,660,077 | 99.78% |

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 28 April 2023, the Board of Directors of FDC approved the declaration and payment of cash dividends of Php 0.06534 per share or a total of Php 565.1 million to all shareholders of record as of 22 May 2023, payable on 14 June 2023.

On 29 April 2022, the Board of Directors of FDC approved the declaration and payment of cash dividends of Php 0.07014 per share or a total of Php606.6 million to all shareholders of record as of 20 May 2022, payable on 14 June 2022.

On 30 April 2021, the Board of Directors of FDC approved the declaration and payment of cash dividends of Php 0.098 per share or a total of Php847.5 million to all shareholders of record as of 21 May 2021, payable on 15 June 2021.

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 22 July 2020, payable on 17 August 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 if it is in default under such loan agreements.

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 sufficient number of 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; and (i) Annual Board Assessment Survey (Self-Evaluation) aimed at measuring or determining the level of compliance of the Board of Directors and Top Level Management with its Manual of Corporate Governance.

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: Atty. Lindeza R. Rogero-Gavino and/or Atty. Ma. Ruiza R. Hernane, the Corporate Secretary and the Assistant Corporate Secretary, respectively, at the The Beaufort, 5th Avenue corner 23rd Street, Bonifacio Global City, Taguig 1634, Metro Manila. The Annual Report shall also be made available on the company website at <https://www.filinvestgroup.com/>.

--Signature page follows--

**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 **27th day of March 2024**.

FILINVEST DEVELOPMENT CORPORATION

By:



LINDEZA R. ROGELIO-GAVINO
Corporate Secretary

FILINVEST DEVELOPMENT CORPORATION

SECRETARY'S CERTIFICATE

I, **LINDEZA R. ROGERO-GAVINO**, Filipino, of legal age, and with office address at the 14th Floor, San Miguel Properties Centre Building, St. Francis Square, Ortigas Center 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, 5th Avenue corner 23rd 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 26 April 2024 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 2024.

IN WITNESS WHEREOF, I have hereunto set my hand this MAR 11 2024 day of March 2024 in Mandaluyong City, Metro Manila.


LINDEZA R. ROGERO-GAVINO
Corporate Secretary

SUBSCRIBED AND SWORN to before me this MAR 11 2024 in Mandaluyong City, Metro Manila, affiant exhibiting to me her Passport No. [REDACTED], as competent evidence of her identity, bearing her photograph and signature, issued by the Department of Foreign Affairs-Manila and valid until [REDACTED]

Doc. No. 159 ;
Page No. 33 ;
Book No. 11 ;
Series of 2024.

JOVEN G. ZWILLANO
NOTARY PUBLIC FOR CITY OF MANDALUYONG
COMMISSION NO. 0285-23 UNTIL DECEMBER 31, 2024
IBP LIFETIME NO. 011302; 12-28-12; RIZAL
ROLL NO. 53970
PTR NO. 5420812; 1-3-24; MANDALUYONG
MCLE COMPLIANCE NO. VII 0010250 14 APRIL 2025
UG03 CITYLAND SHAW TOWER,
SHAW BLVD. MANDALUYONG CITY

CERTIFICATION OF INDEPENDENT DIRECTOR

I, VIRGINIA T. OBCENA, of legal age, Filipino, single, with postal address at [REDACTED] 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 2024-2025 and have been an independent director since April 29, 2016.
2. I am/was affiliated with the following companies or organizations:

| Company/Organization | Position/Relationship | Period of Service |
|--|--|--------------------------|
| Filinvest REIT Corp. | Independent Director; Chairperson, Audit & Risk Management Oversight Committee; Member, Compensation Committee; Member, Corporate Governance Committee; Chairperson, Related-Party Transaction Committee | July 17, 2019 to Present |
| International Centre for Settlement of Investment Disputes (ICSID), World Bank | Member, Panel of Conciliators | 2015 to June 2021 |

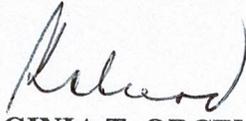
3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Filinvest Development Corporation, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other SEC issuances.
4. I am related to the following 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 08 2024 at Mandaluyong City.


VIRGINIA T. OBCENA
Affiant

SUBSCRIBED AND SWORN to before me this MAR 08 2024 at Mandaluyong City, affiant personally appeared before me and exhibited to me her Passport No. [REDACTED] issued on [REDACTED] by the Department of Foreign Affairs - [REDACTED]

Doc. No. h2 ;
Page No. 22 ;
Book No. n ;
Series of 2024.

JOVEN G. SEVILLANO
NOTARY PUBLIC FOR CITY OF MANDALUYONG
COMMISSION NO. 0285-23 UNTIL DECEMBER 31, 2024
IBP LIFETIME NO. 011302; 12-28-12; RIZAL
ROLL NO. 53970
PTR NO. 5420812; 1-3-24; MANDALUYONG
MCLE COMPLIANCE NO. VII 0010250 14 APRIL 2025
UG03 CITYLAND SHAW TOWER,
SHAW BLVD. MANDALUYONG CITY

ANNEX "B-1"

CERTIFICATION OF INDEPENDENT DIRECTOR

I, MINA C. FIGUEROA, of legal age, Filipino, single, with postal address at _____ after having been duly sworn in accordance with the law do hereby declare that:

1. I am a new nominee for Independent Director of Filinvest Development Corporation for the year 2024-2025.
2. I am/was affiliated with the following companies or organizations:

| Company/Organization | Position/Relationship | Period of Service |
|--|--|--|
| Philippine Ratings Services Corp. | Independent Director | August 2021 to present |
| Credit Suisse Securities (Phils.), Inc.* | Independent Director | May 2021 up to Present* |
| Equicom Savings Bank | Independent Director Chairman, Audit Committee Member, Corporate Governance Committee, Member, Risk Management Committee, Member, Related Party Transactions Committee | January 2008 to September 2021 July 2013 to September 2021 February 2016 to September 2021 |

*(ceased operations and undergoing liquidation)

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 08 2024 at Mandaluyong City.



MINA C. FIGUEROA
Affiant

MAR 08 2024

SUBSCRIBED AND SWORN to before me this _____ at
Mandaluyong City, affiant personally appeared before me and exhibited to me her Unified
Multi-Purpose ID No. _____

Doc. No. 100 ;
Page No. 2 ;
Book No. 11 ;
Series of 2024.

JOVEN G. REVILLANO
NOTARY PUBLIC FOR CITY OF MANDALUYONG
COMMISSION NO. 0285-23 UNTIL DECEMBER 31, 2024
IBP LIFETIME NO. 011302; 12-28-12; RIZAL
ROLL NO. 53970
PTR NO. 5420812; 1-3-24; MANDALUYONG
MCLE COMPLIANCE NO. VII 0010250 14 APRIL 2025
UG03 CITYLAND SHAW TOWER,
SHAW BLVD. MANDALUYONG CITY ✓

ANNEX "B-2"

CERTIFICATION OF INDEPENDENT DIRECTOR

I, MARIEVIC G. RAMOS-AÑONUEVO, of legal age, Filipino, with postal address at [REDACTED] after having been duly sworn in accordance with the law do hereby declare that:

1. I am a new nominee for Independent Director of Filinvest Development Corporation for the year 2024-2025.
2. I am/was affiliated with the following companies or organizations:

| Company/Organization | Position/Relationship | Period of Service |
|---------------------------------------|---|-------------------|
| Marubeni Scholarship Foundation, Inc. | Corporate Secretary, Trustee and Vice President | 1989 to present |
| Breaking Free Foundation, Inc. | Trustee and Corporate Secretary | 2022 to present |
| Friends of Hope, Inc. | Corporate Secretary, Trustee | 2012 to 2020 |

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 08 2024 at Mandaluyong City.


MARIEVIC G. RAMOS-AÑONUEVO
Affiant

MAR 08 2024

SUBSCRIBED AND SWORN to before me this _____ in Mandaluyong City, Metro Manila, affiant exhibiting to me her Passport _____ as competent evidence of her identity, bearing her photograph and signature, issued by the Department of Foreign Affairs- _____ and valid until _____

Doc. No. 101 ;
Page No. 22 ;
Book No. 11 ;
Series of 2024.

JOVEN G. SIVILLANO
NOTARY PUBLIC FOR CITY OF MANDALUYONG
COMMISSION NO. 0285-23 UNTIL DECEMBER 31, 2024
IBP LIFETIME NO. 011302; 12-28-12; RIZAL
ROLL NO. 53970
PTR NO. 5420812; 1-3-24; MANDALUYONG
MCLE COMPLIANCE NO. VII 0010250 14 APRIL 2025
UG03 CITYLAND SHAW TOWER,
SHAW BLVD. MANDALUYONG CITY

ANNEX “C”

Members of the Board of Directors, Attendance and Committee Memberships

The following table lists down the members of the Board of Directors and their attendance in Board Meetings in 2023 and during the April 28, 2023 Annual Stockholders’ Meeting, and their memberships in the different Committees:

| Name | Date of Election | Board Meetings Attended/Held | % Attendance | Attended Annual Stockholders’ Meeting | Committee Membership |
|--|------------------|---|--------------|---------------------------------------|--|
| Jonathan T. Gotianun (Chairman) | April 28, 2023 | 7/7 | 100% | Yes | Executive (Chairman) Audit & Risk Management Oversight (Member) Compensation (Member) Digital (Member) Corporate Governance (Member) |
| Lourdes Josephine Gotianun-Yap | April 28, 2023 | 7/7 | 100% | Yes | Executive (Member) Audit & Risk Management Oversight (Member) Compensation (Member) Digital (Member) |
| Michael Edward T. Gotianun | April 28, 2023 | 7/7 | 100% | Yes | Executive (Member) |
| Francis Nathaniel C. Gotianun | April 28, 2023 | 7/7 | 100% | Yes | Executive (Member) |
| Rhoda A. Huang | July 26, 2023 | 2/2 Note: Ms. Huang was elected on July 26, 2023 | 100% | No | Executive (Member) |
| Claire L. Huang (Independent Director) | April 28, 2023 | 5/5 Note: Ms. Huang resigned on July 26, 2023. | 100% | Yes | Digital (Chairperson) Corporate Governance (Member) Related Party Transaction (Member) |
| Virginia T. Obcena (Lead Independent Director) | April 28, 2023 | 7/7 | 100% | Yes | Audit & Risk Management Oversight (Chairperson) Compensation (Member) Corporate Governance (Member) Related Party Transaction (Member) |
| Val Antonio B. Suarez (Independent Director) | April 28, 2023 | 7/7 | 100% | Yes | Compensation (Chairman) Corporate Governance (Chairman) Related Party Transaction (Chairman) Audit & Risk Management Oversight (Member) |

Duties and Responsibilities of the Different Board Committees

Executive Committee

Committee Members

| Office | Name | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | % Attendance | Length of Service in the Committee (*) |
|--|-------------------------------|---|----------------------|--------------------------|--------------|--|
| Chairman | Jonathan T. Gotianun | April 28, 2023 | 6 | 6 | 100% | 1 year |
| Member <i>(ED until July 31, 2023, became a non-executive director starting August 1, 2023)</i> | L. Josephine Gotianun-Yap | April 28, 2023 | 6 | 6 | 100% | 1 year |
| Member (ED) | Michael Edward T. Gotianun | April 28, 2023 | 6 | 6 | 100% | 1 year |
| Member (ED) | Francis Nathaniel C. Gotianun | April 28, 2023 | 6 | 6 | 100% | 1 year |
| Member (ED) | Rhoda A. Huang | April 28, 2023 Note: Ms. Huang was elected on July 26, 2023. | 3 | 3 | 100% | < 1 year |

(*) The Committee members are elected annually.

Audit and Risk Management Oversight Committee

Committee Members

| Office | Name | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | % Attendance | Length of Service in the Committee (*) |
|--|---------------------------|---------------------|----------------------|--------------------------|--------------|--|
| Chairperson (ID) | Virginia T. Obcena | April 28, 2023 | 3 | 3 | 100% | 1 year |
| Member <i>(ED until July 31, 2023, became a non-executive director starting August 1, 2023)</i> | L. Josephine Gotianun-Yap | April 28, 2023 | 3 | 3 | 100% | 1 year |
| Member (NED) | Jonathan T. Gotianun | April 28, 2023 | 4 | 3 | 75% | 1 year |
| Member (ID) | Val Antonio B. Suarez | April 28, 2023 | 3 | 3 | 100% | 1 year |

(*) The Committee members are elected annually.

Compensation Committee

Committee Members

| Office | Name | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | % Attendance | Length of Service in the Committee (*) |
|--|---------------------------|---------------------|----------------------|--------------------------|--------------|--|
| Chairman (ID) | Val Antonio B. Suarez | April 28, 2023 | 1 | 1 | 100% | 1 year |
| Member <i>(ED until July 31, 2023, became a non-executive director starting August 1, 2023)</i> | L. Josephine Gotianun-Yap | April 28, 2023 | 1 | 1 | 100% | 1 year |
| Member (NED) | Jonathan T. Gotianun | April 28, 2023 | 1 | 1 | 100% | 1 year |
| Member (ID) | Virginia T. Obcena | April 28, 2023 | 1 | 1 | 100% | 1 year |

(*) The Committee members are elected annually.

Corporate Governance Committee

Committee Members

| Office | Name | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | % Attendance | Length of Service in the Committee (*) |
|---------------|-----------------------|--|----------------------|--------------------------|--------------|--|
| Chairman (ID) | Val Antonio B. Suarez | April 28, 2023 | 3 | 3 | 100% | 1 year |
| Member (NED) | Jonathan T. Gotianun | April 28, 2023 | 3 | 3 | 100% | 1 year |
| Member (ID) | Virginia T. Obcena | April 28, 2023 | 3 | 3 | 100% | 1 year |
| Member (ID) | Claire L. Huang | April 28, 2023 Note: Ms. Huang resigned on July 26, 2023. | 1 | 1 | 100% | < 1 year |

(*) The Committee members are elected annually.

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

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

| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| 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

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| A | A | C | F | S |
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Department requiring the report

| | | |
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| S | E | C |
|---|---|---|

Secondary License Type, If Applicable

| | |
|---|---|
| N | A |
|---|---|

COMPANY INFORMATION

| | | |
|-------------------------|------------------------------|---------------------------|
| Company's Email Address | Company's Telephone Number | Mobile Number |
| www.filinvestgroup.com | 7798-3977 | NONE |
| No. of Stockholders | Annual Meeting (Month / Day) | Fiscal Year (Month / Day) |
| 3,998 | Last Friday of April | 12/31 |

CONTACT PERSON INFORMATIONThe designated contact person **MUST** be an Officer of the Corporation

| | | | |
|------------------------|------------------------------|--------------------|---------------|
| Name of Contact Person | Email Address | Telephone Number/s | Mobile Number |
| Mr. Brian T. Lim | brian.lim@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 |
|---|

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.



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

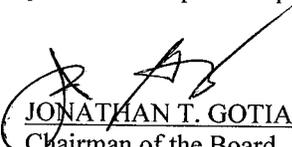
The management of **FILINVEST DEVELOPMENT CORPORATION** (the Company) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2023, 2022 and 2021, in accordance with the prescribed financial 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.

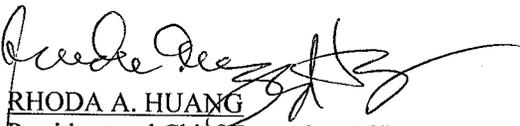
In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the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

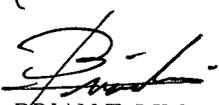
The Board of Directors is responsible for overseeing the Company's financial reporting process.

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


RHODA A. HUANG
President and Chief Executive Officer


BRIAN T. LIM
Treasurer and Chief Financial Officer

SUBSCRIBED AND SWORN TO BEFORE ME in the City
of Mandaluyong this 26 day of MAR 2024
I, Notary Public, exhibiting to me his/her
competent evidence of identity.

Signed this 26th day of March, 2024.

Doc. No. 482
Page No. 98
Book No. 12
Series of 2024

JOVEN G. SEVILANO
NOTARY PUBLIC FOR CITY OF MANDALUYONG
COMMISSION NO. 0285-23 UNTIL DECEMBER 31, 2024
IBP LIFETIME NO. 011302; 12-28-12; RIZAL
ROLL NO. 53970
PTR NO. 5420812; 1-3-24; MANDALUYONG

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

Report on the Audit of the Consolidated Financial Statements

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, 2023 and 2022, 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, 2023, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023 are prepared in all material respects, in accordance with Philippine Financial Reporting Standards (PFRSs), as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission (SEC), as described in Note 2 to the consolidated financial statements.

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.

Emphasis of Matter

We draw attention to Note 2 to the consolidated financial statements, which indicates that the consolidated financial statements have been prepared in accordance with PFRSs, as modified by the application of the financial reporting reliefs issued and approved by the SEC in response to the COVID-19 pandemic. The impact of the application of the financial reporting reliefs, which are applicable to the Group's Real Estate Segment, on the 2023 consolidated financial statements are discussed in detail in Note 2. Our opinion is not modified in respect of this matter.



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.

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 and (2) application of the output method as the measure of progress in determining real estate revenue.

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 third-party project managers.

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.



For the application of output method in determining real estate revenue, we obtained an understanding of the Group's processes for determining percentage-of-completion (POC) and performed tests of relevant controls. We inspected 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 and assessed their competence and objectivity by reference to their qualifications, experience and reporting responsibilities. For selected projects, we conducted ocular inspections, made relevant inquiries and inspected supporting details of POC reports showing the completion of the major activities of the project construction.

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; 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 financial support and 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, *Financial Instruments*, to reflect an unbiased and probability-weighted outcome, the time value of money, and the best available forward-looking information.

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; (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 including the timing, related direct costs, write-offs and collateral valuations, and the effects of any financial support and credit enhancements provided by any party; (f) tested exposure at default considering outstanding commitments and repayment scheme; (g) evaluated 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.

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



Assessment of Goodwill

Under PFRSs, the Group is required to test the amount of goodwill for impairment at least annually. As of December 31, 2023, 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, 2023, 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, 2023 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 of these consolidated financial statements in accordance with PFRSs, as modified by the application of the financial reporting reliefs issued and approved by the SEC, as described in Note 2 to the consolidated financial statements, 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 accordance with PFRSs, as modified by the application of the financial reporting reliefs issued and approved by the SEC, as described in Note 2 to the consolidated financial statements.
- 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

Tax Identification No. 160-302-865

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

BIR Accreditation No. 08-001998-073-2023, October 23, 2023, valid until October 22, 2026

PTR No. 10082007, January 6, 2024, Makati City

March 26, 2024



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

| | December 31 | |
|---|---------------------|--------------|
| | 2023 | 2022 |
| ASSETS (Note 35) | | |
| Cash and cash equivalents (Note 6) | ₱48,962,146 | ₱71,311,956 |
| Loans and receivables | | |
| Real estate operations (Notes 7, and 26) | 9,285,775 | 9,739,631 |
| Hospitality operations (Notes 8 and 26) | 247,570 | 121,924 |
| Banking and financial services (Note 9) | 281,253,378 | 241,976,635 |
| Power and utility operations (Notes 10 and 26) | 4,861,962 | 3,679,767 |
| Sugar operations (Note 11) | 134,639 | 101,803 |
| Financial assets at fair value through profit or loss (Note 12) | 4,112,322 | 1,958,310 |
| Financial assets at fair value through other comprehensive income (FVOCI) (Note 12) | 19,411,425 | 17,377,325 |
| Investment securities at amortized cost (Note 12) | 75,401,019 | 63,546,191 |
| Contract assets (Note 13) | 9,867,642 | 7,609,532 |
| Real estate inventories (Note 14) | 81,004,413 | 79,659,361 |
| Coal, spare parts and other inventories (Note 15) | 1,665,772 | 2,316,669 |
| Investment properties (Note 16) | 98,240,278 | 95,503,366 |
| Property, plant and equipment (Note 17) | 45,103,226 | 44,716,866 |
| Investments in joint ventures and associate (Note 18) | 1,907,136 | 1,948,608 |
| Deferred tax assets - net (Notes 34) | 5,628,946 | 5,167,717 |
| Right-of-use assets (Note 32) | 4,150,658 | 4,566,463 |
| Goodwill (Note 4) | 10,381,152 | 10,381,152 |
| Other assets - net (Notes 13 and 20) | 33,314,574 | 25,137,333 |
| | ₱734,934,033 | ₱686,820,609 |

LIABILITIES AND EQUITY

| | | |
|--|---------------------|--------------|
| Liabilities (Note 35) | | |
| Deposit liabilities (Note 21) | ₱338,781,312 | ₱312,374,479 |
| Bills and acceptances payable (Note 22) | 15,403,706 | 6,761,456 |
| Accounts payable, accrued expenses and other liabilities (Note 23) | 46,888,946 | 40,303,983 |
| Contract liabilities (Note 13) | 2,996,852 | 3,923,011 |
| Long-term and short-term debt (Note 24) | 132,371,944 | 137,224,888 |
| Income tax payable (Note 34) | 488,470 | 248,839 |
| Retirement liabilities (Notes 26 and 30) | 1,575,028 | 1,671,162 |
| Lease liabilities (Note 32) | 8,454,337 | 8,507,757 |
| Deferred tax liabilities - net (Note 34) | 10,281,563 | 10,132,992 |
| Total Liabilities | ₱557,242,158 | ₱521,148,567 |

(Forward)



| | December 31 | |
|---|---------------------|--------------|
| | 2023 | 2022 |
| Equity | | |
| 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 | ₱9,319,872 | ₱9,319,872 |
| Treasury shares - 671,409,400 (Notes 25 and 31) | (3,614,474) | (3,614,474) |
| Additional paid-in capital (Note 25) | 11,900,015 | 11,900,015 |
| Retained earnings (Note 25) | 119,711,533 | 111,329,156 |
| Other comprehensive income - net of tax | | |
| Revaluation reserve on financial assets at FVOCI (Note 12) | (302,556) | (1,326,191) |
| Remeasurement losses on retirement plans (Note 30) | (176,065) | (186,845) |
| Translation adjustment | 201,167 | (159,838) |
| Share in other components of equity in joint ventures | 724 | 724 |
| Total | 137,040,216 | 127,262,419 |
| Noncontrolling interest (Notes 1, 2 and 5) | 40,651,659 | 38,409,623 |
| Total Equity | 177,691,875 | 165,672,042 |
| | ₱734,934,033 | ₱686,820,609 |

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 | | |
|---|-------------------------|-------------|-------------|
| | 2023 | 2022 | 2021 |
| REVENUES (Note 35) | | | |
| Real estate operations | | | |
| Sale of lots, condominium and residential units | ₱16,094,806 | ₱13,314,664 | ₱11,966,859 |
| Mall and rental revenues (Notes 16, 20 and 32) | 7,663,855 | 6,732,189 | 5,878,300 |
| Hospitality operations | 2,856,543 | 1,928,979 | 1,206,684 |
| Banking and financial services (Notes 6, 9 and 12) | 33,943,051 | 25,652,661 | 22,795,094 |
| Power and utility operations | 17,207,202 | 12,899,789 | 9,395,168 |
| Sugar operations | 5,027,067 | 4,280,178 | 4,096,201 |
| | 82,792,524 | 64,808,460 | 55,338,306 |
| OTHER INCOME (Notes 27 and 35) | | | |
| Real estate operations | 1,647,576 | 1,180,709 | 1,417,709 |
| Hospitality operations | 563,913 | 4,195 | 2,453 |
| Banking and financial services | 7,429,236 | 4,912,360 | 6,037,061 |
| Power and utility operations | 358,236 | 139,059 | 73,942 |
| Sugar operations | 50,056 | 78,809 | 37,511 |
| | 10,049,017 | 6,315,132 | 7,568,676 |
| Total Revenues and Other Income | 92,841,541 | 71,123,592 | 62,906,982 |
| COSTS (Note 28) | | | |
| Real estate operations | | | |
| Sale of lots, condominium and residential units (Note 14) | 8,534,325 | 7,521,107 | 6,748,421 |
| Mall and rental services (Notes 16 and 20) | 2,824,608 | 2,366,540 | 2,266,103 |
| Hospitality operations | 1,827,843 | 1,334,216 | 1,010,347 |
| Banking and financial services (Notes 21, 22 and 24) | 5,986,364 | 2,593,840 | 2,041,869 |
| Power and utility operations | 12,060,599 | 8,700,791 | 5,420,167 |
| Sugar operations | 4,061,398 | 3,554,776 | 3,520,107 |
| Other operations (Note 24) | 518,016 | 470,272 | 420,536 |
| | 35,813,153 | 26,541,542 | 21,427,550 |
| EXPENSES (Note 29) | | | |
| Real estate operations | 7,217,548 | 6,419,775 | 5,987,613 |
| Hospitality operations | 1,392,562 | 1,192,396 | 943,292 |
| Banking and financial services | 27,907,904 | 22,097,839 | 20,859,672 |
| Power and utility operations | 2,151,071 | 2,264,496 | 2,122,328 |
| Sugar operations | 183,996 | 160,302 | 177,813 |
| Other operations | 2,674,014 | 1,755,697 | 1,559,542 |
| | 41,527,095 | 33,890,505 | 31,650,260 |
| Total Cost and Expenses | ₱77,340,248 | ₱60,432,047 | ₱53,077,810 |

(Forward)



| | Years Ended December 31 | | |
|---|-------------------------|--------------|--------------|
| | 2023 | 2022 | 2021 |
| INCOME BEFORE INCOME TAX | ₱15,501,293 | ₱10,691,545 | ₱9,829,172 |
| PROVISION FOR INCOME TAX (Note 34) | | | |
| Current | 3,482,679 | 2,059,068 | 1,264,526 |
| Deferred | (118,196) | 329,817 | (321,101) |
| | 3,364,483 | 2,388,885 | 943,425 |
| NET INCOME (Note 35) | ₱12,136,810 | ₱8,302,660 | ₱8,885,747 |
| Net income attributable to: | | | |
| Equity holders of the Parent Company (Note 31) | ₱8,947,468 | ₱5,650,674 | ₱6,065,764 |
| Noncontrolling interest | 3,189,342 | 2,651,986 | 2,819,983 |
| | ₱12,136,810 | ₱8,302,660 | ₱8,885,747 |
| Basic/Diluted Earnings Per Share Attributable to the Equity Holders of the Parent Company (Note 31) | ₱1.03 | ₱0.65 | ₱0.70 |

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 | | |
|---|-------------------------|-------------|------------|
| | 2023 | 2022 | 2021 |
| NET INCOME | ₱12,136,810 | ₱8,302,660 | ₱8,885,747 |
| OTHER COMPREHENSIVE INCOME | | | |
| Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods | | | |
| Net movement on cash flow hedges, net of tax (Note 37) | — | — | — |
| Translation adjustment (Note 2) | 369,315 | 186,498 | (505,120) |
| | 369,315 | 186,498 | (505,120) |
| Other comprehensive income (loss) not to be reclassified to profit or loss | | | |
| Changes in fair value of financial assets through other comprehensive income (Note 12) | 1,255,367 | (1,985,126) | (266,608) |
| Remeasurement gains (losses) on retirement plans, net of tax (Note 30) | (5,612) | 17,851 | 104,784 |
| | 1,249,755 | (1,967,275) | (161,824) |
| | 1,619,070 | (1,780,777) | (666,944) |
| TOTAL COMPREHENSIVE INCOME | ₱13,755,880 | ₱6,521,883 | ₱8,218,803 |
| Total comprehensive income attributable to: | | | |
| Equity holders of the Parent Company | ₱10,342,888 | ₱4,292,505 | ₱5,541,518 |
| Noncontrolling interest | 3,412,992 | 2,229,378 | 2,677,285 |
| | ₱13,755,880 | ₱6,521,883 | ₱8,218,803 |

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 | Total | | | |
| For the Year Ended December 31, 2023 | | | | | | | | | | | | | | |
| Balances as at January 1, 2023 | ₱9,319,872 | ₱11,900,015 | ₱111,329,156 | (₱1,326,191) | (₱186,845) | ₱- | (₱159,838) | ₱724 | (₱3,614,474) | ₱127,262,419 | ₱38,409,623 | ₱165,672,042 | | |
| Net income | - | - | 8,947,468 | - | - | - | - | - | - | 8,947,468 | 3,189,342 | 12,136,810 | | |
| Other comprehensive income | - | - | - | 1,023,635 | 10,780 | - | 361,005 | - | - | 1,395,420 | 223,650 | 1,619,070 | | |
| Total comprehensive income | - | - | 8,947,468 | 1,023,635 | 10,780 | - | 361,005 | - | - | 10,342,888 | 3,412,992 | 13,755,880 | | |
| Dividends declared (Notes 5 and 25) | - | - | (565,091) | - | - | - | - | - | - | (565,091) | (1,170,956) | (1,736,047) | | |
| Balances as of December 31, 2023 | ₱9,319,872 | ₱11,900,015 | ₱119,711,533 | (₱302,556) | (₱176,065) | ₱- | ₱201,167 | ₱724 | (₱3,614,474) | ₱137,040,216 | ₱40,651,659 | ₱177,691,875 | | |
| For the Year Ended December 31, 2022 | | | | | | | | | | | | | | |
| Balances as at January 1, 2022 | ₱9,319,872 | ₱11,900,015 | ₱106,285,085 | ₱214,100 | (₱223,775) | ₱- | (₱305,031) | ₱724 | (₱3,614,474) | ₱123,576,516 | ₱37,534,392 | ₱161,110,908 | | |
| Net income | - | - | 5,650,674 | - | - | - | - | - | - | 5,650,674 | 2,651,986 | 8,302,660 | | |
| Other comprehensive income | - | - | - | (1,540,291) | 36,930 | - | 145,193 | - | - | (1,358,168) | (422,609) | (1,780,777) | | |
| Total comprehensive income | - | - | 5,650,674 | (1,540,291) | 36,930 | - | 145,193 | - | - | 4,292,506 | 2,229,377 | 6,521,883 | | |
| Dividends declared (Notes 5 and 25) | - | - | (606,603) | - | - | - | - | - | - | (606,603) | (1,354,146) | (1,960,749) | | |
| Balances as of December 31, 2022 | ₱9,319,872 | ₱11,900,015 | ₱111,329,156 | (₱1,326,191) | (₱186,845) | ₱- | (₱159,838) | ₱724 | (₱3,614,474) | ₱127,262,419 | ₱38,409,623 | ₱165,672,042 | | |



Equity Attributable to Equity Holders of the Parent Company

| | 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) | Total |
|--|----------------------------|---|-----------------------------------|--|---|--|---------------------------------------|--|--|--------------|--|--------------|
| For the Year Ended December 31, 2021 | | | | | | | | | | | | |
| Balances as at January 1, 2021 | P9,319,872 | P11,900,015 | P89,931,059 | P408,785 | (P286,300) | P- | P87,056 | P724 | (P3,614,474) | P107,746,737 | P33,860,085 | P141,606,822 |
| Net income | - | - | 6,065,764 | - | - | - | - | - | - | 6,059,764 | 2,819,983 | 8,885,747 |
| Other comprehensive income | - | - | - | (194,685) | 62,525 | - | (392,087) | - | - | (524,247) | (142,698) | (666,945) |
| Total comprehensive income | - | - | 6,065,764 | (194,685) | 62,525 | - | (392,087) | - | - | 5,541,517 | 2,677,285 | 8,218,802 |
| Adoption of CREATE Act (Note 34) | - | - | 670,151 | - | - | - | - | - | - | 670,151 | - | 670,151 |
| Change in noncontrolling interest (Note 5) | - | - | 10,465,660 | - | - | - | - | - | - | 10,465,660 | 1,664,245 | 12,129,905 |
| Dividends declared (Notes 5 and 25) | - | - | (847,549) | - | - | - | - | - | - | (847,549) | (667,223) | (1,514,772) |
| Balances as of December 31, 2021 | P9,319,872 | P11,900,015 | P106,285,085 | P214,100 | (P223,775) | P- | (P305,031) | P724 | (P3,614,474) | P123,576,516 | P37,534,392 | P161,110,908 |

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 | | |
|--|-------------------------|--------------|-------------|
| | 2023 | 2022 | 2021 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Income before income tax | ₱15,501,293 | ₱10,691,545 | ₱9,829,172 |
| Adjustments for: | | | |
| Provision for probable losses (Note 29) | 7,620,095 | 5,248,699 | 4,823,533 |
| Depreciation and amortization (Notes 16, 17 and 20) | 5,204,280 | 5,368,959 | 5,790,301 |
| Interest expense (Notes 28 and 29) | 5,165,195 | 4,969,279 | 4,968,943 |
| Share in net loss of joint ventures and an associate (Notes 18, 27 and 29) | 307,472 | 348,166 | 256,798 |
| Loss (gain) on sale of property and equipment and investment properties | 183,080 | 105,349 | 223,613 |
| Loss on asset foreclosure and dacion transactions (Note 27) | (614,532) | 9,445 | 524,816 |
| Interest income (Note 27) | (559,530) | (458,894) | (497,350) |
| 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) | 532,150 | (5,435,965) | (1,340,345) |
| Gain on sale of investment securities at amortized cost (Notes 12 and 27) | – | – | (1,847,046) |
| Loss (gain) on modification of loans (Note 27) | – | – | (346,769) |
| Movements in retirement liabilities (Notes 30) | – | – | (60,931) |
| Operating income before changes in operating assets and liabilities | 33,339,503 | 20,846,583 | 22,324,735 |
| Decrease (increase) in: | | | |
| Loans and receivables | (47,828,683) | (48,249,644) | 18,157,574 |
| Financial assets at fair value through profit or loss | (2,154,012) | 2,098,541 | 3,466,741 |
| Contract assets | (2,258,110) | 1,287,985 | 494,300 |
| Real estate inventories | (2,695,159) | (1,123,954) | (2,650,969) |
| Coal, spare parts and other inventories | 650,897 | (907,109) | (460,482) |
| Increase (decrease) in: | | | |
| Deposit liabilities | 26,406,833 | (2,100,838) | 8,273,357 |
| Accounts payable, accrued expenses and other liabilities | 7,891,993 | 5,815,323 | (3,107,079) |
| Contract liabilities | (926,159) | 437,700 | (238,161) |
| Cash generated from (used in) operations | 12,427,103 | (21,895,413) | 46,260,016 |
| Income taxes paid | (3,243,048) | (1,999,022) | (1,576,342) |
| Net cash provided by (used in) operating activities | 9,184,055 | (23,894,435) | 44,683,674 |

(Forward)



| | Years Ended December 31 | | |
|---|--------------------------------|----------------|----------------|
| | 2023 | 2022 | 2021 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Acquisitions of: | | | |
| Financial assets at FVOCI | (P5,543,251) | (P211,908,930) | (P200,565,241) |
| Investment properties and property and equipment (Notes 16 and 17) | (6,382,001) | (13,922,581) | (7,952,958) |
| Investment securities at amortized cost | (12,039,512) | (38,371,279) | (12,246,156) |
| Investments in joint ventures and associate | (216,000) | (802,292) | (386,084) |
| Intangible assets (Notes 19 and 20) | - | - | (100,131) |
| Shares in subsidiary (Note 1) | (50,000) | - | - |
| Proceeds from sale of: | | | |
| Investment securities at amortized cost (Note 12) | - | 235,817,583 | 13,879,335 |
| Investment properties and repossessed assets | 2,743,162 | 6,375,723 | 2,332,012 |
| Maturity of investments securities at amortized cost | - | 111,672 | 601,788 |
| Financial assets at FVOCI (Note 12) | 4,442,304 | - | 189,123,604 |
| Receipts of interest | 559,530 | 458,894 | 497,350 |
| Decrease (increase) in: | | | |
| Due from related parties | 49,585 | 18,289 | 23,706 |
| Other assets | (7,459,830) | (3,067,358) | 1,512,685 |
| Net cash used in investing activities | (23,896,013) | (25,290,279) | (13,280,090) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from long-term and short-term debt | 38,811,359 | 26,012,626 | 41,165,803 |
| Increase (decrease) in | | | |
| Bills and acceptances payable | 8,444,195 | 6,663,306 | (3,470,653) |
| Due to related parties | 18,476 | 32,175 | 10,245 |
| Payments of: | | | |
| Long-term and short-term debt | (44,190,637) | (25,589,119) | (38,738,071) |
| Interest | (7,546,485) | (6,852,117) | (7,484,120) |
| Dividends (Notes 5 and 25) | (1,736,047) | (1,960,750) | (1,514,772) |
| Financial liabilities on lease contract (Note 32) | (1,438,713) | (884,432) | (1,285,815) |
| Increase in investment from noncontrolling interest | - | - | 12,129,905 |
| Net cash provided by (used in) financing activities | (7,637,852) | (2,578,311) | 812,522 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (22,349,810) | (51,763,025) | 32,216,106 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 71,311,956 | 123,074,981 | 90,858,875 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6) | P48,962,146 | P71,311,956 | P123,074,981 |

See accompanying Notes to Consolidated Financial Statements.



FILINVEST DEVELOPMENT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information and Approval of Consolidated Financial Statements

Corporate Information

Filinvest Development Corporation (FDC or the “Parent Company”) is a stock corporation incorporated on April 27, 1973 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 and utility operations, sugar farming and milling business and digital ventures. 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 August 9, 2023, ProActive Professionals Corp. (ProActive) was incorporated to provide business process outsourcing services. ProActive is owned 40% by FDC, 40% by Filinvest Land, Inc. (FLI) and 20% by Filinvest Alabang Inc. (FAI). ProActive has not started commercial operations as of December 31, 2023.

On July 14, 2023, FLI entered into a Share Purchase Agreement with Rizal Commercial Banking Corporation (RCBC) to purchase all outstanding shares of stock of Niyog Property Holdings, Inc. (NPHI) and Cajel Realty Corporation (CRC) for a total consideration of ₱633.26 million payable over until July 5, 2028, taking over the two latter companies’ joint land development activities in Bacoor City, Cavite.

On December 28, 2022, Filinvest Alabang Inc. (FAI) entered into a Deed of Absolute Sale of Shares to sell portion of its interest in Pro-excel Property Managers, Inc. (Pro-excel) to Filinvest Land, Inc. (FLI) and FDC for a total consideration of ₱14.7 million. The resulting ownership interest of FAI, FLI and FDC in Pro-excel after the transfer is 47.5%, 47.5% and 5.0%, respectively. 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. This is a non-event at the consolidated financial statements level.

On December 16, 2022, FAI purchased the 76.9% ownership interest in Entrata Hotel Services, Inc. (EHSI) from Filinvest Hospitality Corporation (FHC) for a total consideration of ₱27.3 million. After the transfer, EHSI is 100.0% owned by FAI. The primary purpose of EHSI is to own, lease, operate and/or manage hotels, resorts, villas, service apartments and condotels, and all adjuncts and accessories and other related activities. This is a non-event at the consolidated financial statements level.

On December 14, 2022, FLI entered into a Deed of Assignment to purchase 100% ownership in SJR Developers, Inc. (SDI). Total acquisition price amounted to ₱0.60 million. The primary purpose of SDI is to own, use, improve, develop, subdivide, sell, exchange, lease and hold for investment or otherwise, real estate of all kinds, including buildings, house, apartment and other structures. The acquisition of SDI has no material effect to the consolidated financial statements.



On May 26, 2022, OurSpace Solutions, Inc. (OSI), a wholly owned subsidiary of FLI, was incorporated with primary purpose of developing, operating, managing and maintaining commercial buildings to be used as coworking spaces. On May 22, 2023, OSI issued a resolution authorizing the issuance of additional shares out of its unissued authorized capital stock, pursuant to the provisions of the Joint Venture Agreement entered into by KMC Community, Inc. (KCI) and FLI. On August 2, 2023, FLI subscribed to an additional 45 million common shares for a total consideration of ₱45.00 million. On the same date, a Subscription Agreement was executed to issue the 30 million common shares of OSI to KCI, resulting in FLI's 70% ownership in OSI for a total consideration of ₱30.00 million. OSI has started commercial operations on November 1, 2023.

On December 17, 2021, FDC entered into a Share Purchase Agreement to sell portion of its ownership in SharePro, Inc. (SPI) to FLI and FAI for a total of ₱16.3 million. The resulting ownership interest in SPI of FDC, FLI and FAI after the transfer is 35.0%, 45.0% and 20.0%, respectively. SPI, which was incorporated on November 10, 2020 to engage primarily in the business of providing technical, management, administrative, business process and consultancy services, started its commercial operations in September 2021. This is a non-event at the consolidated financial statements level.

On August 12, 2021, Filinvest REIT Corp. (FILRT) has been listed and traded in the PSE under the PSE ticker symbol FILRT. After the listing, the resulting ownership of FLI in FILRT is 63.3%. This transaction resulted in changes to the Group's Cash, Retained earnings and Noncontrolling interest (see Note 5).

On August 2, 2021, Co-Living Pro Managers Corp. (CPMC), a wholly owned subsidiary of FLI, was incorporated with primary purpose of developing, operating and maintaining dormitels, lots and buildings. On the same date, Southgate Alabang Land, Inc. (SALI), a wholly owned subsidiary of FAI, was incorporated to engage in developing, constructing, leasing except financial leasing, operating commercial, retail centers, residential, office buildings and other related activities. SALI has not started commercial operations as of December 31, 2023. CPMC has started its commercial operations last November 2023.

On July 2, 2021, SEC approved the following amendments to CPI's Articles of Incorporation: (i) change of name from "Cyberzone Properties, Inc." to "Filinvest REIT Corp."; (ii) reduction of the par value of its shares; and (iii) increase of the CPI's authorized capital stock.

On April 13, 2021, FREIT Fund Managers, Inc. (FFMI), a wholly owned subsidiary of FLI, was incorporated to engage in the business of providing fund management services to the REIT companies. FFMI started its commercial operations in August 2021.

On February 15, 2021, the Securities and Exchange Commission (SEC) approved the following amendments to Articles of Incorporation of Filinvest Cyberzone Mimosa, Inc.: (i) change of name to Filinvest Clark Mimosa, Inc. (FCMI), (ii) change in its principal office address, and (iii) increase in its authorized capital stock.

On January 20, 2021, the Board of Directors (BOD) of FLI approved the transition of Cyberzone Properties, Inc. (CPI) into a Real Estate Investment Trust (REIT) company. CPI is intended to be listed on the Philippine Stock Exchange (PSE) in compliance with the minimum public ownership requirements under Philippine securities regulations and the Real Estate Investment Trust Act of 2009 and its implementing rules and regulations and under such terms and conditions as FLI's BOD may subsequently approve.



Hospitality Operations

On October 2, 2023, Archipelago International Pte. Ltd., (AIPL) entered into a Deed of Assignment for its 40% ownership in Chroma Hospitality, Inc. (CHI) to FDC for a total consideration of ₱50.0 million. The resulting ownership interest of FDC in CHI after the transfer is 100%.

On June 3, 2022, Hospitality Enterprise Resources Corporation (HERC), a wholly owned subsidiary of FHC, was incorporated to engage primarily in the business of providing technical, management, administrative, business process and consultancy services. HERC started commercial operations on January 1, 2023.

On March 31, 2022, the Accounting and Corporate Regulatory Authority of Singapore approved the transfer of ownership in Filinvest International Pte. Ltd. (FIPL, formerly Halo Halo Hospitality Pte. Ltd.) from FHC to FDC. FIPL, which was incorporated on May 4, 2020 as a private company limited by shares under the Singapore Companies Act, with registered offices situated in the Republic of Singapore, has not started commercial operations as of December 31, 2022. This is a non-event at the consolidated financial statements level.

Banking and Financial Services

On November 26, 2021, the SEC approved the application for increase in authorized capital stock of FDC Forex Corporation (FFC) from ₱1,600.0 million, divided into 16.0 millions common shares with par value of ₱100.0 per share to ₱6,600.0 million divided into 16.0 million common shares with par value of ₱100.0 per share and 50.0 million of preferred shares with par value of ₱100.0 per share. Of the increase in authorized capital stock of ₱5,000.0 million, ₱2,575.1 million with an additional paid-in capital of ₱2,575.1 million has been subscribed and paid by FDC by way of conversion of advances into equity. This transaction does not have an effect at the consolidated level. On the same date, the SEC also approved the change in name of FFC to FDC Ventures, Inc. (FVI), its primary purpose is to engage in the business of a holding company and the change in its principal business address.

Power and Utility Operations

On June 6, 2022, the SEC approved the following amendments to Articles of Incorporation of FDC Camarines Power Corporation, a wholly owned subsidiary of FDC Utilities, Inc. (FDCUI): (i) to change of name to FDC Green Energy Corp (FGEC); and (ii) its primary purpose to engage in the development and utilization of renewable energy resources, construction, rehabilitation and operation of renewable energy systems and facilities.

On December 3, 2021, Filinvest-ENGIE Renewable Energy Enterprise Inc. (FREE), a joint venture company, owned 60% by FDCUI and 40% by Engie Services Asia Pacific Pte. Ltd. Doing business as Engie Services Philippines (Engie), completed installation of the 2.8-megawatt (MW) Festival Mall-Solar Rooftop Facility in Alabang, Muntinlupa. Commercial operation was declared on January 1, 2022 after testing and commissioning

On September 14, 2021, FDC Water-FLOW Marigondon Co., Inc. (FDC FLOW Marigondon), FDC Water-FLOW Talisay Co., Inc. (FDC FLOW Talisay), and FDC Water-FLOW SRP Co., Inc. (FDC FLOW SRP), wholly owned subsidiaries of FDC Water Utilities, Inc.(FWUI), were incorporated to engage in the business of supplying potable water to domestic, commercial, and industrial users. These subsidiaries have not started commercial operations as of December 31, 2022.

On May 19, 2021, FDCUI entered into a Deed of Sale of Shares to sell its 100% ownership in FDC Negros Power Corporation (FDC Negros) for a total consideration of ₱4.0 million.



Other Operations

On January 6, 2022, the SEC resolved to grant Investree Philippines, Inc. (Investree) a permanent license to operate as a crowdfunding intermediary and funding platform, following a review of Investree's operations since the issuance of its provisional license on January 7, 2021. Investree is a joint venture between FDC's wholly-owned subsidiary, f(dev) Digital Innovation and Ventures Inc. (FDEV) and Investree Singapore Pte. Ltd. (Investree SG). On March 26, 2021, FDC entered into a Deed of Assignment to sell its ownership in Investree to FDEV amounting to ₱6.5 million. After the sale, Investree is owned 50.0% by FDEV and 50% by Investree SG. Investree was incorporated on May 6, 2020 to engage primarily in the business of software integration and providing IT solutions.

On August 13, 2021, Corptech Network Communities Inc. (CNC), a wholly owned subsidiary of Corporate Technologies, Inc. (CTI), was incorporated with primary purpose of providing information and communication services by enhancing its facilities with the use of most advanced technologies. CNC has not started commercial operations as of December 31, 2022.

On July 8, 2021, Qwote MarketPlace Technologies, Inc. (Qwote), a wholly owned subsidiary of FDEV, was incorporated to engage primarily in developing, operating and providing information technology (IT) solutions. Qwote started its commercial operations in October 2021.

Approval of Consolidated Financial Statements

The consolidated financial statements as of December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023 were approved and authorized for issue by the Parent Company's BOD on March 26, 2024.

2. Summary of Material Accounting Policy Information

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.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs), as modified by the application of the reporting reliefs issued and approved by the SEC under Memorandum Circular (MC) No. 34-2020 in response to the COVID-19 pandemic.



These reporting reliefs which apply to the Group's Real Estate Segment are as follows:

1. Assessing if the transaction price includes a significant financing component as discussed in Philippine Interpretations Committee (PIC) Questions and Answers (Q&A) No. 2018-12-D
2. Application of International Financial Reporting Interpretation Committee (IFRIC) Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, *Borrowing Cost*).

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 FIPL which was 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.

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.



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 Ownership Interest of the Immediate Parent Company | | |
|--|---|------|------|
| | 2023 | 2022 | 2021 |
| Subsidiaries: | | | |
| EW ⁽¹⁾ | 78 | 78 | 78 |
| East West Rural Bank, Inc. (EWRB) | 100 | 100 | 100 |
| East West Insurance Brokerage, Inc.(ESBI) | 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 |
| FVI | 100 | 100 | 100 |
| FLI | 65 | 65 | 65 |
| Filinvest AII Philippines, Inc. | 100 | 100 | 100 |
| Homepro Realty Marketing, Inc. | 100 | 100 | 100 |
| FCGC Corporation | 100 | 100 | 100 |
| Filinvest BCDA Clark, Inc. | 55 | 55 | 55 |
| FILRT | 63 | 63 | 63 |
| FCI | 100 | 100 | 100 |
| Filinvest Asia Corporation (FAC) | 60 | 60 | 60 |
| FCMI | 100 | 100 | 100 |
| Filinvest Lifemalls Mimosa, Inc. | 100 | 100 | 100 |
| Filinvest Lifemalls Corporation | 100 | 100 | 100 |
| Property Specialist Resources, Inc. | 100 | 100 | 100 |
| Filinvest Lifemalls Tagaytay, Inc. | 100 | 100 | 100 |
| Festival Supermall, Inc. | 100 | 100 | 100 |
| FSM Cinemas, Inc. | 60 | 60 | 60 |
| Philippine DCS Development Corporation | 60 | 60 | 60 |
| Timberland Sports and Nature Club | 98 | 98 | 98 |
| Property Maximizer Professional Corp. | 100 | 100 | 100 |
| Leisurepro, Inc. | 100 | 100 | 100 |
| Proleads Philippines, Inc. | 100 | 100 | 100 |
| PLIL | 100 | 100 | 100 |
| Realpros Philippines, Inc. | 100 | 100 | 100 |
| Gintong Parisukat Realty and Development, Inc. | 100 | 100 | 100 |
| ProOffice | 100 | 100 | 100 |
| NSI ⁽²⁾ | 75 | 75 | 75 |
| FFMI | 100 | 100 | 100 |
| CPMC | 100 | 100 | 100 |
| OSI | 100 | 100 | – |
| SDI | 100 | – | – |
| NPHI | 100 | – | – |
| CRC | 100 | – | – |
| Pro-excel ⁽¹¹⁾ | – | – | 33 |
| Filinvest Mimosa, Inc. (FMI) ⁽³⁾ | 78 | 78 | 78 |
| DPI ⁽⁴⁾ | 84 | 84 | 84 |
| ProMixers Aggregates Corp. | 100 | 100 | 100 |
| FAI ⁽⁵⁾ | 93 | 93 | 93 |
| Northgate Convergence Corporation | 100 | 100 | 100 |
| Proplus, Inc. | 100 | 100 | 100 |
| ParkingPro, Inc. | 100 | 100 | 100 |
| EHSI ⁽⁶⁾ | 100 | 100 | 23 |
| SALI | 100 | 100 | 100 |
| Pro-excel ⁽¹¹⁾ | – | – | 67 |
| FDCUI | 100 | 100 | 100 |
| FDC Casecanan Hydro Power Corporation | 100 | 100 | 100 |
| FDC Retail Electricity Sales Corporation | 100 | 100 | 100 |
| FWUI | 100 | 100 | 100 |
| FDC FLOW Marigondon | 100 | 100 | 100 |
| FDC FLOW Talisay | 100 | 100 | 100 |
| FDC FLOW SRP | 100 | 100 | 100 |
| FGEC | 100 | 100 | 100 |
| FDC Misamis Power Corporation (FDC Misamis) ⁽⁷⁾ | 100 | 100 | 100 |

(Forward)



| | Percentage of Ownership Interest of the Immediate Parent Company | | |
|---|---|------|------|
| | 2023 | 2022 | 2021 |
| Subsidiaries: | | | |
| FDC Renewables Corporation | 100 | 100 | 100 |
| Countrywide Water Services, Inc. (CWSI) | 100 | 100 | 100 |
| 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 |
| 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 |
| 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, Inc. | 100 | 100 | 100 |
| Fora Restaurants, Inc. | 100 | 100 | 100 |
| NSI ⁽²⁾ | 25 | 25 | 25 |
| Zamboanga Cityscapes, Inc. | 100 | 100 | 100 |
| Dauin Seascapes, Inc. | 100 | 100 | 100 |
| GCI | 100 | 100 | 100 |
| BMI | 100 | 100 | 100 |
| HERC | 100 | 100 | – |
| FIPL ⁽⁸⁾ | – | – | 100 |
| Samui Seascapes ⁽⁸⁾ | – | – | 100 |
| CHI ⁽⁹⁾ | 100 | 60 | 60 |
| FIPL ⁽⁸⁾ | 100 | 100 | – |
| CTI | 87 | 87 | 87 |
| CNC | 100 | 100 | 100 |
| FDCI | 100 | 100 | 100 |
| FDEV | 100 | 100 | 100 |
| Qwote | 100 | 100 | 100 |
| SPI ⁽¹⁰⁾ | 83 | 83 | 83 |
| Pro-Excel ⁽¹¹⁾ | 84 | 84 | – |
| Pro-Active ⁽¹²⁾ | 84 | – | – |

1. The percentage ownership in EW includes indirect ownership through FVI of 37.9%
2. NSI is owned 75.0% by FLI and 25.0% by FHC (see Note 1)
3. The percentage ownership in FMI includes 47.5% share of FLI
4. The percentage ownership in DPI includes 45.0% share of FLI (see Note 1)
5. The percentage ownership in FAI includes indirect ownership through FLI of 20.0%
6. EHSI is 100% owned by FAI in 2022 (see Note 1), and owned 76.9% by FHC and 23.1% by FAI in 2021
7. The percentage ownership in FDC Misamis includes Parent Company share of 85.7% in 2022 and 2021
8. In 2022, FHC transferred its ownership in FIPL to the Parent Company (see Note 1); Samui Seascapes was dissolved in 2022
9. CHI is 100% owned by the Parent Company (see Note 1), previously held as investment in associate.
10. The percentage ownership in SPI includes 45.0% and 20.0% share of FLI and FAI in 2022 and 2021 (see (Note 1)
11. The percentage ownership in Pro-excel includes 47.5% share each of FLI and FAI in 2022 (see (Note 1).

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.



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.

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 Philippine Accounting Standards (PAS) which became effective January 1, 2023. Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the Group.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

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

The amendments to the Practice Statement provide non-mandatory guidance. The amendments have had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's consolidated financial statements.

As a result of the adoption, discussions about new standards and amendments adopted but without effect on the 2023 consolidated financial statements or any prior period and those that are forthcoming that do not have, or not expected to have significant or material impact to the Group have been simplified.

- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to PAS 12, *International Tax Reform – Pillar Two Model Rules*

The amendments introduce a mandatory exception in PAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes.

The amendments also clarify that PAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development (OECD), including tax law that implements qualified domestic minimum top-up taxes. Such tax legislation, and the income taxes arising from it, are referred to as 'Pillar Two legislation' and 'Pillar Two income taxes', respectively.

The temporary exception from recognition and disclosure of information about deferred taxes and the requirement to disclose the application of the exception, apply immediately and retrospectively upon adoption of the amendments in June 2023.



Meanwhile, the disclosure of the current tax expense related to Pillar Two income taxes and the disclosures in relation to periods before the legislation is effective are required for annual reporting periods beginning on or after 1 January 2023.

The amendments had no material impact on the Group.

Future Changes in Accounting Policies

Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective Beginning on or After January 1, 2024

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

The amendments clarify:

- That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current.
- 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, 2024 and must be applied retrospectively. The amendments are not expected to have a material impact on the Group.

- *Deferral of Certain Provisions of PIC 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 MC No. 14-2018 and 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 3 years until December 31, 2020. On December 15, 2020, the SEC issued 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:

| | <u>Deferral Period</u> |
|--|-------------------------|
| 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 percentage-of-completion (POC) discussed in PIC Q&A 2018-12-E | Until December 31, 2023 |

After the deferral period, real estate companies have an accounting policy option of applying either the full retrospective approach or modified retrospective approach as provided under SEC MC 8-2021.



The Group availed of the SEC relief to defer the above specific provision of PIC Q&A No. 2018-12 on determining whether the transaction price includes a significant financing component. Had this provision been adopted, 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. The Group will adopt the guidance using the modified retrospective approach. The adoption of this guidance will impact interest income, interest expense, revenue from real estate sales, contract assets, provision for deferred income tax, deferred tax asset or liability and the opening balance of retained earnings. As of December 31, 2023, the Group is finalizing its quantification analysis of the impact of the adoption.

- 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 International Accounting Standards (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.

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. The Group will adopt the IFRIC agenda decision using the modified retrospective approach. Adoption of this guidance would have impacted net income, real estate inventories, provision for deferred income tax, deferred tax liability, interest and other financing charges and the opening balance of retained earnings for the statement of financial position, and the cash flows from operations and financing activities for the statement of cash flows. As of December 31, 2023, the Group is finalizing its quantification analysis of the impact of the adoption.

- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*
- Amendments to PAS 7 and PFRS 7, *Disclosures: Supplier Finance Arrangements*



Effective Beginning on or After January 1, 2025

- PFRS 17, *Insurance Contracts*

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

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

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

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

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

- Amendments to PAS 21, *Lack of exchangeability*

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*

Material 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.



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, 2023 and 2022, 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 (4) categories:

- Financial assets at amortized 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, 2023 and 2022, 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 recognized 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 recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

Included under this category are the Group's investment in government debt securities and private bonds (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 recognized 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 Notes 12 and 20).

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.

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 recognized 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 2 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, 2023 and 2022, 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 amortization 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, 2023 and 2022, 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 and short-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 at December 31, 2023 and 2022, 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 Net movement on cash flow hedge reserve account, while any ineffective portion is recognized immediately in the consolidated statement of income as part of 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 recognized 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 recognized 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 recognized in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

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

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

Impairment of Financial Assets and Contract Assets

The Group recognizes 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 (GDP) 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 derecognized (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 (SSURA)

Securities sold under agreements to repurchase at a specified future date ("repos") 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.

Modification of financial assets

The Group derecognizes a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new asset, with the difference between its carrying amount and the fair value of the new asset recognized as a derecognition gain or loss in profit or loss, to the extent that an impairment loss has not already been recorded.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Group recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the consolidated statement of income.



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 being 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.

In case of sales cancellation, the Group can repossess the properties and hold it for sale in the ordinary course of business at the prevailing market price. The repossessed properties are accounted for as inventories and recognized at its fair value less cost to repossess at the time of cancellation.

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

Before January 1, 2022

Inventories are stated at the lower of cost and NRV. Cost is determined based on weighted average cost for fuel and spare parts inventories and by first-in, first-out method for coal 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.



Beginning January 1, 2022

Starting January 1, 2022, the Group changed its method of inventory costing for coal fuel from weighted moving average to specific identification on a per shipment basis. In accordance with the standard, the change is considered as a voluntary change in accounting policy and should be applied retrospectively. The impact of the change in cost of services in 2021 amounting to ₱37.6 million, and Coal, Fuel and Spare Parts Inventories as of December 31, 2021 amounting to ₱28.1 million, are not material to the consolidated financial statements taken as a whole and as such, the Group did not restate the 2021 consolidated financial statements.

Inventories are stated at the lower of cost and net realizable value (NRV). Cost is determined using the following method per type of inventory:

- Coal fuel - cost is determined using specific identification method on a per shipment basis
- Diesel fuel and other consumables - cost determined using the weighted moving average method
- Spare parts - cost determined using the first in, first out method

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 “Operating 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: East West Ageas Life Insurance Corporation (EW Ageas Life; 50.0%), Professional Operations and Maintenance Experts Incorporated (PROMEI; 47.5%), FREE (60.0%), Filinvest-Hitachi Omni Waterworks, Inc. (FLOW; 60.0%), SAPI (60.0%), Investree (50.0%), 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.

EW Ageas Life, PROMEI, FREE, 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 recognized at cost. The carrying amount of the investment is adjusted to recognize 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 recognized 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.

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 recognize 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 recognizes the loss within share of profit or loss of an associate reported under Expenses 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 recognized 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, and core deposits 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 ten (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 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, right-of-use (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 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.



The partial disposal or 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.

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 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 Lots, Condominium and Residential Units

- *Revenue from Sale of Lots, Condominium and Residential Units*

The Group derives its real estate revenue from sale of lots, condominium and residential units. Revenue from the sale of 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. The project technical head integrates, reviews and approves 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 is included in the "Contract asset" 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.

In case of sales cancellation, the difference between the fair value of the repossessed property less cost to repossess and the outstanding receivable and related accounts at the time of cancellation is recognized in profit or loss.

- *Cost of Sale of Lots, Condominium and Residential 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.

Common Usage Service Area (CUSA) Charges and Air Conditioning Dues (included as part of 'Rental and related services')

CUSA charges are recognized when the related services are rendered. The Group has generally concluded that it is the principal in its revenue arrangements, except for the provisioning of water, and electricity in its office leasing activities, wherein it is acting as agent. Income from common area and air conditioning dues is computed based on a fixed rate per square meter of the leasable area occupied by the tenant and are presented gross of related cost and expenses.

Other Dues

For the administration fees, electricity and water usage, the Group determined that it is acting as an agent because the promise of the Group to the tenants is to arrange for the electricity and water supply to be provided by a utility company. The utility and service companies, and not the Group, are primarily responsible for the provisioning of the utilities while the Group administers the leased spaces and coordinates with the utility and service companies to ensure that tenants have access to these utilities.



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 and Utility Operations

Power and Utility Revenues

Power revenues consist of 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 and Utility 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 12 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

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 recognizes 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 Group 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.



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 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, 2023.

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.

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 2022 and 2021, EW Company sold investment securities at amortized cost and assessed that the disposal was not inconsistent with the hold-to-collect (HTC) business model (see Note 12).

b. Determination of Joint Control over Investments in Joint Ventures

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.

c. Lease Commitments

• Determination of Lease Term of Contracts with Renewal and Termination Options - Group as a Lessee

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).

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.

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 and utility 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. 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).

g. Significant Influence in Luzon International Premiere Airport Development Corp. (LIPAD)

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).

h. 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 in 2023, 2022 and 2021.

The Group applies judgement 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 years ended December 31, 2023, 2022 and 2021 amounted to ₱70.8 million, ₱314.8 million and ₱734.4 million, respectively (see Note 32).

i. 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.



j. Adoption of a 'No Tax' Regime for FILRT

As a REIT entity, FILRT can choose to operate within one of two tax regimes (i.e., a 'full tax' regime or a 'no tax' regime). The REIT entity can effectively operate under a 'no tax' regime provided that it meets certain conditions (e.g., listing status, minimum required dividend payments). A REIT entity is required to distribute at least 90% of its annual income as dividends to its investors and is allowed to treat the dividend as deduction for tax purposes making it effectively an income tax-free entity.

As of December 31, 2023 and 2022, FILRT met the provisions of the REIT law and complies with the 90% dividend distribution requirement. FILRT has determined, based on its current tax regime and expected dividend distribution in the succeeding periods, that it can effectively operate on a "no-tax" regime. Accordingly, the Group has derecognized deferred taxes of FILRT as of December 31, 2021 and did not recognize any deferred taxes starting in 2022 and 2023.

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 ₱16,094.8 million ₱13,314.7 million and ₱11,966.9 million for the years ended December 31, 2023, 2022 and 2021, respectively.

b. Fair Value of Assets and Liabilities

Certain assets and 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 assets and 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., GDP, 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., GDP 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 information about the ECLs on the Group's contract receivables and contract assets is disclosed in Notes 7, 9 and 13.

Banking and Financial 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.

In 2023, the Group made some enhancements and updates in the ECL model of the Group as follows:

- updating of the coverage data for the historical components of the model, thus, incorporating the impact of the post-pandemic recovery;
- refinements to the segmentation that further granularizes and therefore, differentiates between borrower behavior; and
- refinements to the framework for the selection of the base, best and worst economic outlook to be applied to ECL and their corresponding weights or likelihood of occurrence.

The former is used as basis for establishing the relationship between economic conditions, and the default and recovery experience of the Group, and the latter is used as input for estimating the forward-looking expected loss.

Further, the components of the 2020 ECL models which were based on expert credit judgment and were put in place to address the limitation of the historical data (i.e., no data for the pandemic) are no longer necessary and are, therefore, not included in the 2021 and 2022 recalibrated ECL models because the update in coverage data addressed the limitation.

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.

The carrying values of loans and receivables and the related allowance are disclosed in Note 9, while the carrying values of debt financial assets at FVOCI and amortized cost and their related allowances are disclosed in Note 12. Factors considered in doing the impairment assessment are discussed further in Note 37.

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 evaluating NRV, recent market conditions and current market prices have been considered.

As of December 31, 2023 and 2022, the carrying value of real estate inventories amounted to ₱82,672.0 million and ₱79,659.4 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 2022 and 2021 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 7.9% and 6.9% as of December 31, 2023 and 2022, 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, 2023 and 2022. The Group ascertains that growth rate 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 rate used was 12.3% for American International Group, Inc. Philam Savings Bank Group (AIGPASB), EWRB, Standard Chartered Bank (SCB) and Ecology Savings Bank, Inc. (ESBI) in 2022 and 2021. 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 is 6.0% as of December 31, 2023 and 2022.

Goodwill from Acquisition of FILRT

The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model, as well as revenue growth rates, gross margins and terminal growth rates used. The pre-tax discount rates used in December 31, 2023 and 2022 were 9.3% to 11%. The growth rates used beyond the forecast period for different cash-generating units is 3% to 5%.

The Group did not recognize impairment loss on its goodwill and branch licenses in 2023, 2022 and 2021. As of December 31, 2023 and 2022, 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, 2023 and 2022 are included in Notes 16, 17, 18, 20 and 32 to the consolidated financial statements.

In 2023, 2022 and 2021, the Group recognized provision for probable losses on investment properties amounting to ₱2.9 million, ₱13.4 million and ₱8.5 million, respectively (see Note 16).



Also, the Group recognized impairment on other assets amounting to nil, ₱5.4 million and ₱211.1 million in 2023, 2022 and 2021, respectively (see Note 20).

Hospitality Operations

In view of the impact of COVID-19 pandemic, there is uncertainty on the future economic outlook and market forecast. These events and conditions are 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 of the hospitality segment amounted to ₱9,618.5 million and ₱200.9 million, respectively, as of December 31, 2023, and ₱8,874.3 million and ₱1,917.6 million, respectively, as of December 31, 2022.

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 7.9% to 8.0% in 2023 and 7.9% to 8.0% in 2022, with an average growth rate of 4.0% to 5.0% in 2023 and 4.0% to 5.0% in 2022. The Group also considered in its assumptions the impact of the pandemic on the occupancy rate and room rates which are expected to normalize starting 2024. No impairment loss was recognized in 2023 and 2022 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, 2023 and 2022, the Group has outstanding retirement liabilities amounting to ₱1,575.0 million and ₱1,671.2 million, respectively (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.

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 Group's to measure lease liabilities ranges from 7.5% to 8.7%.

The Group's lease liabilities amounted to ₱8,454.3 million and ₱8,507.8 million as of December 31, 2023 and 2022, respectively (see Note 32).

4. Goodwill and Business Combinations

As of December 31, 2023 and 2022, 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 |
| FILRT | 326,553 |
| Other bank acquisitions | 919,254 |
| | <hr/> <hr/> ₱10,381,152 |

Goodwill from the 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, 2023 and 2022, 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 the 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 the Acquisition of FILRT

In February 2010, FLI acquired 40.0% interests in FILRT from another stockholder to obtain full control of the then joint venture. The acquisition resulted in FILRT 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 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, 2023 and 2022, the carrying amount of goodwill, after impairment of ₱22.6 million recognized in prior years, amounted to ₱150.2 million.

5. Subsidiaries with Noncontrolling Interest

As of December 31, 2023 and 2022, the noncontrolling interest in EW represents 22.1% while the noncontrolling interest in FLI represents 35.1%. Other noncontrolling interest pertains to the 7.0% equity interest in FAI as of December 31, 2023 and 2022, and 5.0% equity interest of CDC in FMI as of December 31, 2023 and 2022.

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%.

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.

Changes in Noncontrolling Interest

On August 12, 2021, FILRT was listed and traded in the PSE under the ticker symbol FILRT. As a result of the listing, FLI's interest in FILRT decreased to 63.3%. The transaction was accounted for as an equity transaction since there was no change in control over FILRT. Net proceeds from the public offering amounted to ₱12,129.9 million and resulted in additions to retained earnings and noncontrolling interest amounting to ₱10,465.7 million and ₱1,664.2 million, respectively as of December 31, 2021.

Dividend Declaration

On February 14 and May 31, August 10, and November 29, 2023, the BOD of FILRT declared cash dividends totaling ₱1,389.5 million. The share of the noncontrolling interest related to these dividend declarations amounted to ₱510.4 million.

On April 24, 2023, the BOD of EW approved the declaration and payment of cash dividends of ₱0.41 per share to stockholders on record as of May 12, 2023. This was paid on May 21, 2023. The share of the noncontrolling interest related to this dividend declarations amounted to ₱204.3 million.

On April 24, 2023, the BOD of FLI approved the declaration and payment of cash dividends of ₱0.036 per share or a total of ₱875.9 million for all common stockholders of record as of May 12, 2023. On the same date, the BOD of FLI approved the declaration and payment of cash dividends of ₱0.00036 per share or a total of ₱2.9 million for all preferred stockholders of record as of May 12, 2023. Both dividends were paid on June 6, 2023. The share of the noncontrolling interest related to these dividend declarations amounted to ₱306.3 million.

On February 15, April 20, August 9, 2022, and November 15, 2022, the BOD of FILRT declared cash dividends totaling ₱2.0 billion. The share of the noncontrolling interest related to these dividend declarations amounted to ₱726.0 million.

On August 31, 2021 and November 18, 2021, the BOD of FILRT declared cash dividends totaling to ₱1.06 billion. The share of the noncontrolling interest related to these dividend declarations amounted to ₱402.63 million.



On June 3, 2022, the BOD of EW approved the declaration and payment of cash dividends of ₱0.40 per share to stockholders on record as of June 14, 2022. This was paid on July 8, 2022. The share of the noncontrolling interest related to this dividend declarations amounted to ₱203.15 million.

On April 22, 2022, the BOD of FLI approved the declaration and payment of cash dividends of ₱0.047 per share or a total of ₱1,142.9 million for all common stockholders of record as of May 11, 2022. On the same date, the BOD of FLI approved the declaration and payment of cash dividends of ₱0.0004 per share or a total of ₱3.2 million for all preferred stockholders of record as of May 11, 2022. Both dividends were paid on June 02, 2022. The share of the noncontrolling interest related to these dividend declarations amounted to ₱401 million.

On April 23, 2021, the BOD of FLI approved the declaration and payment of cash dividends of P0.0155 per share or a total of ₱751.7 million for all common stockholders of record as of May 21, 2021 and November 15, 2021 payable on June 15, 2021 and December 9, 2021, respectively. On the same day, the BOD of FLI approved the declaration and payment of cash dividends of ₱0.000155 per share or a total of ₱2.48 million for all preferred stockholders of record as of May 21, 2021 and November 15, 2021 payable on June 15, 2021 and December 9, 2021, respectively. The share of the noncontrolling interest related to these dividend declarations amounted to ₱264.6 million.

On December 6, 2023, the BOD of FAC approved the distribution of cash dividends in the amount of ₱175.0 million to stockholders of record as of November 30, 2023 and subsequently paid on December 30, 2023. The share of the noncontrolling interest related to these dividend declarations amounted to ₱70.0 million.

On July 11, 2023, the BOD of FAC approved the distribution of cash dividends in the amount of ₱200.0 million to stockholders of record as of July 11, 2023 and subsequently paid on July 28, 2023. The share of the noncontrolling interest related to these dividend declarations amounted to ₱80.0 million.

On March 24, 2022, the BOD of FAC approved the distribution of cash dividends in the amount of ₱60.0 million to stockholders of record as of February 28, 2022 and subsequently paid on March 31, 2022. The share of the noncontrolling interest related to these dividend declarations amounted to ₱24.0 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, 2023 and 2022

| | 2023 | | 2022 | |
|---|-------------------|--------------------|------------|-------------|
| | FLI | EW | FLI | EW |
| | (In Thousands) | | | |
| Assets: | | | | |
| Cash and cash equivalents | ₱5,732,008 | ₱44,452,833 | ₱6,619,135 | ₱59,366,448 |
| Loans and receivables | 5,302,884 | 296,615,471 | 7,953,325 | 258,089,075 |
| Financial assets at FVPL | – | 4,112,322 | – | 1,958,310 |
| Financial assets at FVOCI | 165,535 | 18,483,960 | 165,535 | 16,746,386 |
| Investment securities at amortized cost | – | 75,401,019 | – | 63,546,191 |
| Contract assets | 9,783,769 | – | 7,560,516 | – |
| Real estate inventories | 45,642,483 | – | 71,326,487 | – |
| Investment properties | 79,750,724 | 975,602 | 77,119,677 | 840,242 |
| Land and Land Development | 26,992,347 | – | – | – |
| Property and equipment | 5,673,012 | 1,777,326 | 5,485,279 | 1,755,161 |
| Investment in a joint venture | – | 993,166 | – | 928,977 |
| Investment in associates | 5,219,900 | – | 5,135,018 | – |

(Forward)



| | 2023 | | 2022 | |
|--|---------------------|----------------------|--------------------|--------------------|
| | FLI | EW | FLI | EW |
| | (In Thousands) | | | |
| Deferred tax assets – net | ₱48,483 | ₱4,098,880 | ₱91,383 | ₱3,906,672 |
| Goodwill | 4,567,242 | 3,877,241 | 4,567,242 | 3,877,289 |
| ROU assets | – | 5,387,031 | – | 3,844,797 |
| Other assets | 15,597,691 | 8,030,469 | 14,091,579 | 6,511,985 |
| Liabilities: | | | | |
| Deposit liabilities | – | (356,534,662) | – | (329,166,122) |
| Bills and acceptance payable | – | (15,403,706) | – | (6,761,456) |
| Accounts payable, accrued expenses and other liabilities | (20,851,645) | (16,762,581) | (19,917,941) | (13,999,814) |
| Contract liabilities* | (2,006,651) | (1,375,772) | (2,127,665) | (1,675,350) |
| Retirement liabilities | (437,193) | (582,930) | (431,308) | (530,628) |
| Income tax payable | (83,263) | (297,166) | (19,553) | (126,208) |
| Long-term and short-term debt | (74,456,440) | – | (73,982,269) | (3,698,439) |
| Lease liability | (6,719,861) | (6,073,341) | (6,508,490) | (4,378,945) |
| Deferred tax liabilities – net | (5,649,153) | – | (5,625,210) | – |
| Total Equity | ₱94,271,872 | ₱67,175,162 | ₱91,502,740 | ₱61,034,571 |
| Attributable to: | | | | |
| Equity holders of the Parent Company | ₱70,088,279 | ₱52,299,566 | ₱68,116,298 | ₱47,518,985 |
| Noncontrolling interest | 21,801,932 | 14,875,596 | 20,828,491 | 13,515,586 |
| Noncontrolling interest in subsidiaries | 2,381,661 | – | 2,557,951 | – |

Summarized Statements of Comprehensive Income for the Years Ended December 31, 2023 and 2022:

| | 2023 | | 2022 | |
|---|---------------------|---------------------|-------------------|-------------------|
| | FLI | EW | FLI | EW |
| | (In Thousands) | | | |
| Revenues and other income | ₱22,312,327 | ₱41,997,156 | ₱19,865,392 | ₱31,039,280 |
| Equity in net income (loss) of associates and joint venture | 242,007 | (148,195) | 78,956 | (228,619) |
| Costs and operating expenses | (15,178,556) | (34,236,023) | (13,401,889) | (24,752,057) |
| Interest and other finance charges | (2,434,393) | – | (2,294,243) | – |
| Income before income tax | 4,941,385 | 7,612,938 | 4,248,216 | 6,058,604 |
| Provision for income tax | (645,339) | (1,529,642) | (727,079) | (1,433,280) |
| Net income | 4,296,046 | 6,083,296 | 3,521,137 | 4,625,324 |
| Other comprehensive loss | (1,032) | (647,944) | 84,354 | (2,040,399) |
| Total comprehensive income | ₱4,295,014 | ₱5,435,352 | ₱3,605,491 | ₱2,584,925 |
| Attributable to noncontrolling interest: | | | | |
| Net income | ₱530,656 | ₱– | ₱1,601,783 | ₱1,024,412 |
| Total comprehensive income | 530,295 | (143,506) | 1,631,376 | 572,507 |
| Dividends paid to noncontrolling interest | 667,223 | – | 1,151,001 | 199,329 |

Summarized Statements of Cash Flow Information for the Years Ended December 31, 2023 and 2022:

| | 2023 | | 2022 | |
|--|--------------------|----------------------|---------------------|----------------------|
| | FLI | EW | FLI | EW |
| | (In Thousands) | | | |
| Cash flows from (used in): | | | | |
| Operating activities | ₱9,192,735 | (₱6,590,159) | ₱6,134,394 | (₱38,227,742) |
| Investing activities | (4,343,655) | (11,276,948) | (9,175,859) | (9,235,778) |
| Financing activities | (5,736,207) | 2,953,490 | 2,340 | 3,427,708 |
| Net decrease in cash and cash equivalents | (₱887,127) | (₱14,913,617) | (₱3,039,125) | (₱44,035,812) |

The entire proceeds from FILRT's listing shall be used in accordance with its reinvestment plan.

As a REIT entity, FILRT is subject to externally imposed capital requirements from its debt covenants and based on the requirements of the Aggregate Leverage Limit under the REIT Implementing Rules and Regulations (IRR). Thus, FILRT has made adjustments to its policies and processes for managing capital for the year ended December 31, 2021. Per Section 8 of the REIT IRR issued by the SEC, the total borrowings and deferred payments of a REIT should not exceed thirty-five percent (35%) of its Deposited Property; provided, however, that the total borrowings and



deferred payments of a REIT that has a publicly disclosed investment grade credit rating by a duly accredited or internationally recognized rating agency may exceed thirty-five percent (35%) but not more than seventy percent (70%) of its Deposited Property. Provided, further, that in no case shall a Fund Manager, borrow for the REIT from any of the funds under its management.

As of December 31, 2023 and 2022, the fair value of the deposited properties amounted to ₱49,946.2 million and ₱49,857.9 million, resulting in a debt ratio of 17.2% and 17.8% in 2023 and 2022, respectively. FILRT is compliant to this Aggregate Leverage Limit.

As of December 31, 2023 and 2022, other than the above mentioned matter, 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:

| | 2023 | 2022 |
|-----------------------------------|--------------------|-------------|
| | (In Thousands) | |
| Cash | ₱13,112,008 | ₱16,335,008 |
| Short-term placements | 12,302,781 | 4,323,650 |
| Due from BSP (Note 21) | 16,171,987 | 36,114,397 |
| Due from other banks | 2,469,290 | 4,529,635 |
| Interbank loans receivable (IBLR) | 4,906,080 | 10,009,266 |
| | ₱48,962,146 | ₱71,311,956 |

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 ₱389.3 million, ₱466.5 million and ₱440.0 million in 2023, 2022 and 2021, respectively (see Note 27).

Interest earned on the Group's Due from BSP, Due from other banks and IBLR amounted to ₱390.5 million, ₱527.2 million and ₱591.8 million in 2023, 2022 and 2021, respectively (see Note 35).

7. Loans and Receivables - Real Estate Operations

This account consists of:

| | 2023 | | | 2022 | | |
|--|------------------------|-----------------------|-------------------|------------------------|-----------------------|------------|
| | Due Within One Year | Due After One Year | Total | Due Within One Year | Due After One Year | Total |
| | (In Thousands) | | | | | |
| Contracts receivable | ₱3,582,421 | ₱- | ₱3,582,421 | ₱5,809,068 | ₱- | ₱5,809,068 |
| Receivables from tenants | 2,495,211 | - | 2,495,211 | 2,237,845 | - | 2,237,845 |
| Receivables from buyers | 437,634 | - | 437,634 | 494,680 | - | 494,680 |
| Receivable from government and other financial institutions | 566,778 | - | 566,778 | 424,409 | - | 424,409 |
| Advances to officers and employees | 414,993 | - | 414,993 | 325,601 | - | 325,601 |

(Forward)



| | 2023 | | | 2022 | | |
|--|------------------------|-----------------------|--------------------|------------------------|-----------------------|------------|
| | Due Within One Year | Due After One Year | Total | Due Within One Year | Due After One Year | Total |
| | (In Thousands) | | | | | |
| Receivable from sale of joint venture lots | ₱862,358 | ₱- | ₱862,358 | ₱- | ₱- | ₱- |
| Receivables from Homeowners Association (HOA) | 168,525 | - | 168,525 | 235,481 | - | 235,481 |
| Due from related parties (Note 26) | 24,032 | - | 24,032 | 55,328 | - | 55,328 |
| Others | 828,384 | - | 828,384 | 204,944 | - | 204,944 |
| | 9,380,336 | - | 9,380,336 | 9,787,356 | - | 9,787,356 |
| Less allowance for ECL | 94,561 | - | 94,561 | 47,725 | - | 47,725 |
| | ₱9,285,775 | ₱- | ₱ 9,285,775 | ₱9,739,631 | ₱- | ₱9,739,631 |

Contracts receivables are collectible within the year. These receivables arising from real estate sales are collateralized by the corresponding real estate properties sold.

In 2022, the Group, provided reliefs under Bayanihan Act during the first half of the year and had gradually removed this relief as foot traffic improved and as retail tenants recover by the end of the year. In 2021, the Group provided reliefs under the 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 ₱174.0 million, ₱178.6 million and ₱355.1 million in 2023, 2022 and 2021, respectively (see Note 27). Interest rates on contracts receivable range from 11.5% to 19.0% per annum in 2023, 2022 and 2021.

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, 2023 and 2022, the contracts (comprise of both contract receivables and contract assets at gross amount) covered by the guaranty line amounted to ₱361.5 million and ₱534.1 million, respectively.

As of December 31, 2023 and 2022, the remaining unutilized guaranty line amounted to ₱1.37 billion and ₱1.43 billion, respectively.

Receivables from tenants represent charges to tenants for rentals and utilities which are normally 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.

Receivables from government and other financial institutions pertain to government and bank-financed real estate sales. These are 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.

Receivables from HOA represent claims of the Group's projects for the payments of expenses on behalf of the association.



Others represent receivable from service fees and 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, among others.

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, 2023 and 2022 follows:

| | 2023 | 2022 |
|-------------------------------|----------------|---------|
| | (In Thousands) | |
| Balances at beginning of year | ₱47,725 | ₱41,980 |
| Provisions (Note 29) | 46,836 | 5,745 |
| Balances at end of year | ₱94,561 | ₱47,725 |

8. Loans and Receivables - Hospitality Operations

This account consists of:

| | 2023 | 2022 |
|------------------------------------|-----------------|----------|
| | (In Thousands) | |
| Trade | ₱145,729 | ₱112,095 |
| Advances to officers and employees | 7,098 | 8,911 |
| Others (Note 26) | 94,743 | 918 |
| | ₱247,570 | ₱121,924 |

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:

| | 2023 | 2022 |
|--------------------------------|--------------------|-------------|
| | (In Thousands) | |
| Receivables from customers: | | |
| Corporate lending | ₱44,530,303 | ₱51,160,201 |
| Consumer lending | 230,111,973 | 193,078,406 |
| | 274,642,276 | 244,238,607 |
| Unamortized premium (discount) | 6,873,004 | (1,618,833) |
| | 281,515,280 | 242,619,774 |

(Forward)



| | 2023 | 2022 |
|--------------------------|---------------------|--------------|
| | (In Thousands) | |
| Unquoted debt securities | | |
| Private bonds | – | 74,287 |
| Other receivables | 11,661,815 | 11,513,124 |
| | 293,177,095 | 254,207,185 |
| Less allowance for ECL | 11,923,717 | 12,230,550 |
| | ₱281,253,378 | ₱241,976,635 |

Consumer lending receivables include gross credit card receivables amounting to ₱53,912.9 million and ₱41,050.0 million as of December 31, 2023 and 2022, respectively.

Modification

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 2021, in addition to the reliefs provided under Bayanihan 1 Act and Bayanihan 2 Act, the Parent Company has offered financial reliefs to its borrowers/counterparties as a response to the effect of the COVID-19 pandemic. These relief measures included special payment deferment programs and loan restructuring.

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 in the derecognition of the affected loans. In 2023 and 2022, the Group and the EW recognized modification gain from loans and receivables amounting to nil, respectively. The accretion of modification loss is recognized as part of interest income. As of December 31, 2023 and 2022, the unamortized modification loss from loans and receivables of the Group Company amounted to ₱0.34 billion and ₱0.66 billion, respectively.

Receivables from customers consist of:

| | 2023 | 2022 |
|---|---------------------|--------------|
| | (In Thousands) | |
| Loans and discounts | ₱268,415,166 | ₱236,976,567 |
| Customers’ liabilities under letters of credit/trust receipts | 4,989,399 | 6,195,084 |
| Bills purchased (Note 23) | 1,237,711 | 1,066,956 |
| | ₱274,642,276 | ₱244,238,607 |



Interest income from these loans and receivables in 2023, 2022 and 2021 amounted to ₱29,313.7 million, ₱21,942.7 million and ₱20,644.4 million, respectively (see Note 35).

A reconciliation of allowance for ECL per class of loans and receivables follows:

| | 2023 | | | Total |
|---|-------------------|-------------------|-------------------|--------------------|
| | Corporate Lending | Consumer Lending | Others | |
| | (In Thousands) | | | |
| At January 1 | ₱2,266,010 | ₱8,511,749 | ₱1,452,791 | ₱12,230,550 |
| Provision for probable losses (Note 29) | – | 6,346,027 | 266,108 | 6,612,135 |
| Write-off and others | (89,956) | (6,794,026) | (34,986) | (6,918,968) |
| At December 31 | ₱2,176,054 | ₱8,063,750 | ₱1,683,913 | ₱11,923,717 |

| | 2022 | | | Total |
|---|-------------------|-------------------|-------------------|--------------------|
| | Corporate Lending | Consumer Lending | Others | |
| | (In Thousands) | | | |
| At January 1 | ₱1,811,643 | ₱9,283,468 | ₱1,580,213 | ₱12,675,324 |
| Provision for probable losses (Note 29) | 454,367 | 3,803,309 | (94,870) | 4,162,806 |
| Write-off and others | – | (4,575,028) | (32,552) | (4,607,580) |
| At December 31 | ₱2,266,010 | ₱8,511,749 | ₱1,452,791 | ₱12,230,550 |

10. Loans and Receivables - Power and Utility Operations

This account consists of:

| | 2023 | 2022 |
|------------------------------------|-------------------|-------------------|
| | (In Thousands) | |
| Trade | ₱5,230,296 | ₱4,036,655 |
| Due from related parties (Note 26) | 10,380 | 33,690 |
| Other receivables | 10,811 | 8,388 |
| | 5,251,487 | 4,078,733 |
| Less allowance for ECL (Note 29) | 389,525 | 398,966 |
| | ₱4,861,962 | ₱3,679,767 |

Trade receivables pertain to receivables from electric cooperative for the transmitted power and receivables from water charges. 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, 2023 and 2022.

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:

| | 2023 | 2022 |
|--------------------------|-----------------|----------|
| | (In Thousands) | |
| Trade | ₱31,999 | ₱3,389 |
| Advances to: | | |
| Sugar planters (Note 33) | 122,213 | 116,479 |
| Officers and employees | 4,327 | 4,506 |
| | 158,539 | 124,374 |
| Less allowance for ECL | 23,900 | 22,571 |
| | ₱134,639 | ₱101,803 |

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, 2023 and 2022, 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, 2023 and 2022 follows:

| | 2023 | 2022 |
|-------------------------------|-----------------|----------|
| | (In Thousands) | |
| Balances at beginning of year | ₱22,571 | ₱23,769 |
| Provisions (Note 29) | 18,371 | 18,371 |
| Write-off | (17,042) | (19,569) |
| | ₱23,900 | ₱22,571 |

12. Financial Assets at FVPL, Financial Assets at FVOCI and Investment Securities at Amortized Cost

Financial Assets at FVPL

This account consist of:

| | 2023 | 2022 |
|-----------------------|-------------------|------------|
| | (In Thousands) | |
| Government securities | ₱4,058,236 | ₱1,903,956 |
| Private bonds | 43,707 | 44,011 |
| Equity securities | 10,379 | 10,343 |
| | ₱4,112,322 | ₱1,958,310 |



Financial assets at FVPL include net unrealized loss amounting to P249.4 million and P294.2 million, respectively, as of December 31, 2023 and 2022.

Financial Assets at FVOCI

This account consists of:

| | 2023 | 2022 |
|----------------------------|--------------------|-------------|
| | (In Thousands) | |
| Government debt securities | P11,731,842 | P10,220,132 |
| Private bonds | 6,737,050 | 6,511,186 |
| Quoted equity securities | 906,183 | 598,078 |
| Unquoted equity securities | 36,350 | 47,929 |
| | P19,411,425 | P17,377,325 |

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 2023 and 2022 for these securities.

The rollforward of revaluation reserve on financial assets at FVOCI is as follows:

| | 2023 | 2022 |
|--|---------------------|--------------|
| | (In Thousands) | |
| Balances at beginning of year | (P1,773,792) | P211,334 |
| Changes in fair value of financial assets at FVOCI | 1,255,367 | (1,985,126) |
| Balances at end of year | (P518,425) | (P1,773,792) |

The cumulative unrealized gain (loss) on financial assets at FVOCI (net of the share of noncontrolling interest) presented as Revaluation reserve on financial assets at FVOCI amounted to (P302.6) million and (P1,326.2) million as of December 31, 2023 and 2022, respectively.

Investment Securities at Amortized Cost

This account consists of:

| | 2023 | 2022 |
|-------------------------------|--------------------|-------------|
| | (In Thousands) | |
| Government securities | P71,836,021 | P59,953,107 |
| Private bonds | 3,575,706 | 3,604,364 |
| | 75,411,727 | 63,557,471 |
| Allowance for impairment loss | (10,708) | (11,280) |
| | P75,401,019 | P63,546,191 |

On March 2, 2020, the Asset and Liability Management Committee (ALCO) of EW approved the planned sale of all of its HTC portfolio with total face value of P45.19 billion (with carrying amount of P48.96 billion at the date of ALCO approval) to support EW's capital raising requirements. In 2020, the EW sold investment securities managed under the HTC business model with aggregate carrying amount of P27,893.4 million resulting in net gain on sale of investment securities at amortized cost totaling to P3,675.2 million (see Note 27). In January to May 2021, EW sold investment securities managed under the HTC business model with aggregate carrying amount of P11,256.0 million resulting in net gain on sale from investment securities at amortized cost totaling to P1,850.4 million. The sales in 2022 and 2021 are considered to be more than insignificant but not more than infrequent as the disposals are part of the Parent Company's risk management



procedures. Further, EW assessed that the sales do not reflect a change in the Group's objectives for the hold-to-collect business model. Accordingly, the remaining investment securities in the affected hold-to-collect portfolio are continued to be measured at amortized cost.

In October to December 2021, the Bank purchased investment securities at amortized cost amounting to ₱12,806.5 million. The Bank intends to purchase investment securities at amortized cost for the purpose of capital growth and to support the Bank's business with no intention to sell these securities in the future.

Peso-denominated government bonds have effective interest rates ranging from 5.0% to 8.0% in 2023, 5.0% to 7.1% in 2022 and 5.0% to 8.1% in 2021. Foreign currency-denominated bonds have EIRs ranging from 5.0% to 7.1% in 2023, 2.8% to 6.2% in 2022 and 2.8% to 6.7% in 2021.

Interest income on trading and investment securities amounted to ₱4,330.1 million, ₱3,182.5 million and ₱1,558.9 million in 2023, 2022 and 2021, 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):

| | 2023 | 2022 | 2021 |
|---------------------------|-----------------|----------------|------------|
| | | (In Thousands) | |
| Financial assets at FVPL | ₱266,982 | (₱314,511) | (₱665,014) |
| Financial assets at FVOCI | – | (104,575) | (100,098) |
| US treasury futures | 70,845 | 23,448 | (88,618) |
| Interest rate swaps | – | – | 12,315 |
| | ₱337,827 | ₱(395,638) | (₱841,415) |

13. Contract Balances

Contract Assets and Contract Liabilities

As of December 31, 2023 and 2022, the Group's contract assets amounted to ₱9,867.6 million and ₱7,609.5 million, respectively, while contract liabilities amounted to ₱2,996.9 million and ₱3,923.0 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 2023 and 2022, FLI entered into an Agreement for Purchase of Contract Assets with local banks. The banks 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. In 2023 and 2022, total proceeds from these transactions equivalent to the carrying value of the contract assets sold amounted to ₱5.4 billion and ₱2.2 billion, respectively.

Contract liabilities amounting to ₱2,019.1 million and ₱2,206.1 million as of December 31, 2023 and 2022, 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 ₱839.4 million and ₱1,444.5 million, as of December 31, 2023 and 2022, respectively.

Contract liabilities amounting to ₱138.4 million and ₱272.4 million as of December 31, 2023 and 2022, respectively, include deposits received from guests for hotel services.

The movement in contract liability is mainly due to revenue recognition of completed performance obligations. The amount of revenue recognized in 2023 and 2022 from amounts included in contract liabilities at the beginning of the year amounted to ₱1.1 billion and ₱1.3 billion.

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, 2023 and 2022 amounted to ₱2.9 billion and ₱3.1 billion, respectively. Performance obligation for the transaction price amounting to ₱2.5 billion and ₱2.3 billion will be satisfied within one year as of December 31, 2023 and 2022, respectively

The remaining performance obligations expected to be recognized within one year and in more than 1 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 3 and 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 meals. The Group concluded that providing room services and selling of meals 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 meals 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 accounts 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 and Utility Operations

Power revenues consist of revenue from generation and from sale of retail electricity. Revenue from generation pertains to the operation of the 3x135 megawatts (MW) Circulating Fluidized Bed 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 profit 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:

| | 2023 | 2022 |
|----------------------------------|------------------|-----------|
| | (In Thousands) | |
| Balance at beginning of year | ₱473,852 | ₱474,282 |
| Additions | 632,296 | 702,663 |
| Amortization (Note 29) | (738,634) | (703,093) |
| Balance at end of year (Note 20) | ₱367,514 | ₱473,852 |

For the years ended December 31, 2023 and 2022, additions of contract fulfillment costs amounted to ₱648.7 million and ₱786.8 million, respectively, while amortization of contract fulfillment costs amounted to ₱1.07 billion and ₱1.06 billion, 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 on 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.

14. Real Estate Inventories

This account consists of:

| | 2023 | 2022 |
|--|--------------------|--------------------|
| | (In Thousands) | |
| Real estate inventories - at cost | | |
| Lots, condominium and residential units for sale | P47,726,560 | P46,681,349 |
| Land and land development | 33,277,853 | 32,978,012 |
| Balances at end of year | P81,004,413 | P79,659,361 |

A summary of the movement in lots, condominium and residential units for sale is set out below:

| | 2023 | 2022 |
|--|--------------------|--------------------|
| | (In Thousands) | |
| Balances at beginning of year | P46,681,349 | P44,699,774 |
| Construction/development costs incurred | 7,682,932 | 8,145,680 |
| Land cost transferred from land and land development | 648,649 | 786,781 |
| Additions thru asset acquisition (Notes 1 and 3) | 452,578 | - |
| Land acquired during the year | 95,531 | - |
| Capitalized borrowing costs (Note 24) | 699,846 | 576,083 |
| Net transfer to investment properties | - | (5,862) |
| Cost of inventories sold (Note 28) | (8,534,325) | (7,521,107) |
| Balances at end of year | P47,726,560 | P46,681,349 |

Borrowing costs capitalized as project costs are interests on loans obtained to finance the Group's ongoing projects. Capitalized borrowing costs amounted to P699.8 million, P576.1 million, and P495.8 million in 2023, 2022 and 2021, respectively. The capitalization rates used are 5.2% in 2023, 4.7% in 2022 and 4.6% in 2021.



A summary of the movements in land and land development is set out below:

| | 2023 | 2022 |
|--|--------------------|-------------|
| | (In Thousands) | |
| Balances at beginning of year | ₱32,978,012 | ₱32,829,001 |
| Land acquisitions | 51,111 | 747,018 |
| Transfers to lots, condominium and residential units for sale | (648,649) | (786,781) |
| Site development and incidental costs | 897,379 | 188,774 |
| Balances at end of year | ₱33,277,853 | ₱32,978,012 |

Borrowing costs capitalized as part of land and land development costs, where activities necessary to prepare it for its intended use is ongoing, amounted to ₱669.9 million, ₱430.6 million and ₱495.8 million in 2023, 2022 and 2021, respectively (see Note 24). Capitalization rates used were 5.15% in 2023, 4.7% in 2022 and 2.2% to 4.9% in 2021.

As of December 31, 2023 and 2022, on account of additions to land and land development which remain outstanding amounted to ₱4,404.6 million and ₱593.9 million, respectively, and these are recognized as part of Accounts payable, accrued expenses and other liabilities (see Note 23)

15. Coal, Spare Parts and Other Inventories

This account consists of:

| | 2023 | 2022 |
|-----------------------------------|-------------------|------------|
| | (In Thousands) | |
| Power inventories - at cost | | |
| Coal | ₱697,350 | ₱1,214,368 |
| Spare parts | 473,789 | 496,261 |
| Fuel and others | 151,313 | 144,084 |
| | 1,322,452 | 1,854,713 |
| Sugar inventories | | |
| Materials and supplies | 52,503 | 6,703 |
| Sugar and molasses - at cost | 192,721 | 388,141 |
| | 245,224 | 394,844 |
| Hospitality inventories - at cost | | |
| Food and beverage | 41,329 | 28,255 |
| Others | 56,767 | 38,857 |
| | 98,096 | 67,112 |
| | ₱1,665,772 | ₱2,316,669 |

In 2022, the Group changed its method of inventory costing for coal fuel from weighted moving average to specific identification on a per shipment basis (see Note 2).

As of December 31, 2023 and 2022, materials and supplies at cost amounted to ₱52.5 million and ₱6.7 million, respectively.

These inventories are not pledged or used as collateral to secure any obligation as of December 31, 2023 and 2022.



16. Investment Properties

The rollforward analysis of this account follows:

| December 31, 2023 | | | | | | |
|--|--------------------|-------------------------------|---|-----------------------------|-------------------|--------------------|
| | Land | Buildings and Improvements | Furniture, Fixtures and Machineries | Construction in Progress | ROU Assets | Total |
| (In Thousands) | | | | | | |
| Cost | | | | | | |
| Balances at beginning of year | ₱36,668,361 | ₱29,329,777 | ₱504,093 | ₱34,327,269 | ₱3,832,614 | ₱104,662,114 |
| Additions | 220,437 | 3,305,836 | 25,769 | 1,653,227 | 200,169 | 5,405,438 |
| Disposals/reclassifications/others (Note 17) | (582,422) | (75,849) | (122,079) | - | (81,373) | (861,723) |
| Balances at end of year | 36,306,376 | 32,559,764 | 407,783 | 35,980,496 | 3,951,410 | 109,205,829 |
| Accumulated depreciation and amortization | | | | | | |
| Balances at beginning of year | - | 8,175,724 | 377,478 | - | 535,000 | 9,088,202 |
| Depreciation and amortization (Notes 28 and 29) | - | 1,681,261 | 19,235 | - | 153,748 | 1,854,244 |
| Disposals/reclassifications/others (Note 17) | - | (50,483) | - | - | - | (50,483) |
| Balances at end of year | - | 9,806,502 | 396,713 | - | 688,748 | 10,891,963 |
| Accumulated impairment loss | | | | | | |
| Balances at beginning of year | 57,592 | 12,954 | - | - | - | 70,546 |
| Provision for probable losses (Notes 3 and 29) | 14,261 | 1,725 | - | - | - | 15,986 |
| Disposals | (8,448) | (4,496) | - | - | - | (12,944) |
| Balances at end of year | 63,405 | 10,183 | - | - | - | 73,588 |
| Net book values | ₱36,242,971 | ₱22,743,079 | ₱11,070 | ₱35,980,496 | ₱3,262,662 | ₱98,240,278 |

| December 31, 2022 | | | | | | |
|--|--------------------|-------------------------------|---|-----------------------------|-------------------|--------------------|
| | Land | Buildings and Improvements | Furniture, Fixtures and Machineries | Construction in Progress | ROU Assets | Total |
| (In Thousands) | | | | | | |
| Cost | | | | | | |
| Balances at beginning of year | ₱34,242,669 | ₱31,390,431 | ₱367,238 | ₱30,981,017 | ₱3,813,172 | ₱100,794,527 |
| Additions | 2,005,891 | 720,045 | 14,777 | 3,339,563 | - | 6,080,276 |
| Disposals/reclassifications/transfers (Note 17) | 419,801 | (2,780,699) | 122,078 | 6,689 | 19,442 | (2,212,689) |
| Balances at end of year | 36,668,361 | 29,329,777 | 504,093 | 34,327,269 | 3,832,614 | 104,662,114 |
| Accumulated depreciation and amortization | | | | | | |
| Balances at beginning of year | - | 7,903,711 | 364,274 | - | 381,256 | 8,649,241 |
| Depreciation and amortization (Notes 28 and 29) | - | 1,005,126 | 13,204 | - | 153,744 | 1,172,074 |
| Disposals/reclassifications/others (Note 17) | - | (733,113) | - | - | - | (733,113) |
| Balances at end of year | - | 8,175,724 | 377,478 | - | 535,000 | 9,088,202 |
| Accumulated impairment loss | | | | | | |
| Balances at beginning of year | 69,582 | 12,648 | - | - | - | 82,230 |
| Provision for probable losses (Notes 3 and 29) | 6,616 | 6,787 | - | - | - | 13,403 |
| Disposals | (18,606) | (6,481) | - | - | - | (25,087) |
| Balances at end of year | 57,592 | 12,954 | - | - | - | 70,546 |
| Net book values | ₱36,610,769 | ₱21,141,099 | ₱126,615 | ₱34,327,269 | ₱3,297,614 | ₱95,503,366 |

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. Construction in progress pertain to buildings under construction to be leased as retail and office spaces upon completion.

As of December 31, 2023 and 2022, additions to investment properties during the year which remain outstanding and are recognized as part of Accounts payable, accrued expenses and other liabilities amounted to ₱1,043.3 million and ₱504.4 million, respectively (see Note 23).

Borrowing costs capitalized as part investment properties amounted to ₱944.8 million, ₱858.3 million and ₱857.0 million in 2023, 2022 and 2021, respectively (see Note 24). Capitalization rates used ranges from 1.2% to 6.7% in 2023, 1.2% to 6.1% in 2022 and 1.2% to 3.9% in 2021.

The aggregate fair value of the Group's investment properties amounted to ₱336,298.9 million and ₱322,911.1 million as of December 31, 2023 and 2022, respectively. The fair values are based on third party appraisals performed in 2019 to 2021 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.

Mall and rental services income from investment properties amounted to ₱7,663.9 million, ₱6,593.4 million and ₱5,670.4 million in 2023, 2022 and 2021, respectively (see Note 35). Cost of mall and rental services (excluding amortization of BTO rights) from investment properties amounted to ₱2,754.0 million, ₱2,193.4 million and ₱2,213.8 million in 2023, 2022 and 2021, respectively (see Note 28).

The Group's investment properties are not pledged or used as collateral to secure any obligation as of December 31, 2023 and 2022.

17. Property, Plant and Equipment

The rollforward analysis of this account follows:

| December 31, 2023 | | | | | | | | |
|---|--------------------|------------------------------------|-------------------------|--------------------------|--|------------------------|--------------------------|--------------------|
| | 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 | ₱12,612,348 | ₱30,048,664 | ₱7,375,047 | ₱359,269 | ₱10,143,664 | ₱4,500,605 | ₱2,569,661 | ₱67,609,258 |
| Additions | 138,151 | 247,674 | 307,641 | 63,405 | 597,075 | 150,062 | 716,820 | 2,220,828 |
| Transfers/others (Note 16) | (750,865) | 223,509 | – | – | (18,666) | (7,611) | (223,509) | (777,142) |
| Balances at end of year | ₱11,999,634 | ₱30,519,847 | ₱7,682,688 | ₱422,674 | ₱10,722,073 | ₱4,643,056 | ₱3,062,972 | ₱69,052,944 |
| Accumulated depreciation, amortization and impairment loss | | | | | | | | |
| Balances at beginning of year | ₱3,810,452 | ₱6,791,644 | ₱4,043,729 | ₱303,156 | ₱4,231,896 | ₱3,711,515 | ₱– | ₱22,892,392 |
| Depreciation and amortization (Notes 28 and 29) | 187,284 | 1,092,022 | 263,282 | 26,711 | 325,862 | 47,688 | – | 1,942,849 |
| Transfers/others (Note 16) | (866,478) | – | – | – | (19,045) | – | – | (885,523) |
| Balances at end of year | 3,131,258 | 7,883,666 | 4,307,011 | 329,867 | 4,538,713 | 3,759,203 | – | 23,949,718 |
| Net book value | ₱8,868,376 | ₱22,636,181 | ₱3,375,677 | ₱92,807 | ₱6,183,360 | ₱883,853 | ₱3,062,972 | ₱45,103,226 |
| December 31, 2022 | | | | | | | | |
| | 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 | ₱13,678,228 | ₱30,154,360 | ₱6,270,244 | ₱351,851 | ₱5,035,585 | ₱4,397,267 | ₱3,132,421 | ₱63,019,956 |
| Additions | 46,803 | – | 922,895 | 8,712 | 411,408 | 122,587 | 227,158 | 1,739,563 |
| Transfers/others (Note 16) | (1,112,683) | (105,696) | 181,908 | (1,294) | 4,696,671 | (19,249) | (789,918) | 2,849,739 |
| Balances at end of year | 12,612,348 | 30,048,664 | 7,375,047 | 359,269 | 10,143,664 | 4,500,605 | 2,569,661 | 67,609,258 |
| Accumulated depreciation, amortization and impairment loss | | | | | | | | |
| Balances at beginning of year | 2,464,661 | 5,858,027 | 3,655,207 | 292,795 | 4,044,303 | 3,443,053 | – | 19,758,046 |
| Depreciation and amortization (Notes 28 and 29) | 118,598 | 1,112,025 | 261,410 | 14,661 | 174,752 | 245,279 | – | 1,926,725 |
| Transfers/others (Note 16) | 1,227,193 | -178,408 | 127,112 | -4,300 | 12,841 | 23,183 | – | 1,207,621 |
| Balances at end of year | 3,810,452 | 6,791,644 | 4,043,729 | 303,156 | 4,231,896 | 3,711,515 | – | ₱22,892,392 |
| Net book value | ₱8,801,896 | ₱23,257,020 | ₱3,331,318 | ₱56,113 | ₱5,911,768 | ₱789,090 | ₱2,569,661 | ₱44,716,866 |

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.

Typhoon Odette

Certain portions of the resort in Mactan, Cebu were physically damaged by Typhoon Odette when it made landfall in December 2021 resulting in halted operations beginning December 16, 2021. The resort has since reopened partially its specialty food and beverage outlet and guest rooms from February and April 2022, respectively, until July 2022 when its renovation and rehabilitation have commenced simultaneously. The property is covered by insurance.

Portion of the Group's properties, plant and equipment are used as collateral to secure loans as of December 31, 2023 and 2022 (see Note 24).

18. Investment in Joint Ventures and Associate

The carrying value of the Group's investments in joint ventures and associate follows:

| | 2023 | 2022 |
|-------------------------------------|-------------------|------------|
| | (In Thousands) | |
| <i>Investment in Joint Ventures</i> | | |
| EW Ageas Life | ₱993,166 | ₱928,977 |
| SAPI (Note 1) | 454,375 | 460,335 |
| Investree (Note 1) | 6,749 | 28,956 |
| FREE | 34,314 | 33,900 |
| PROMEI | 12,038 | 12,038 |
| CHI (Note 1) | - | 7,907 |
| FLOW | 31,602 | 15,742 |
| Balance brought forward | 1,532,244 | 1,487,855 |
| <i>Investment in Associate</i> | | |
| LIPAD | 438,926 | 460,753 |
| Impairment of investment in JV | (64,034) | |
| | ₱1,907,136 | ₱1,948,608 |

Investments in Joint Ventures

Below is a summary of certain financial information concerning these individually immaterial joint ventures:

| | 2023 | 2022 |
|--------------------------------------|--------------------|-------------|
| | (In Thousands) | |
| <i>Acquisition cost</i> | | |
| Balances at beginning of year | ₱4,001,260 | ₱3,198,968 |
| Additions | 216,000 | 802,292 |
| Balances at end of year | 4,217,260 | 4,001,260 |
| <i>Accumulated share in net loss</i> | | |
| Balances at beginning of year | (2,530,080) | (2,235,841) |
| Share in net loss (Notes 27 and 29) | (125,146) | (278,288) |
| Balances at end of year | (2,655,226) | (2,514,129) |

(Forward)



| | 2023 | 2022 |
|---|-------------------|------------|
| | (In Thousands) | |
| Accumulated share in OCI | | |
| Balances at beginning and end of year | ₱724 | ₱724 |
| Share in OCI | 525 | - |
| | 1,249 | 724 |
| Reclassification due to step-acquisition (Note 1) | (31,039) | - |
| | ₱1,532,244 | ₱1,487,855 |

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. EW and Ageas each infused additional capital to EW Ageas Life amounting to ₱575.0 million in 2022 and ₱200.0 million in 2021.

For the years ended December 31, 2023, 2022 and 2021, share in net losses of EW Ageas Life amounted to ₱152.3 million, ₱275.3 million and ₱236.1million, respectively (see Note 29). There were no dividends received from EW Ageas Life in 2023, 2022 and 2021.

As of December 31, 2023 and 2022, total cost of investment in EW Ageas Life amounted to ₱4,176.0 million and ₱3,295.0 million, respectively, with carrying value amounting to ₱993.2 million and ₱913.0 million, respectively.

The movements in the investments in EWAL is summarized below:

| | 2023 | 2022 |
|--------------------------------------|--------------------|-------------|
| | (In Thousands) | |
| Acquisition cost | | |
| Balances at beginning of year | ₱3,295,000 | ₱2,055,000 |
| Additions | 216,000 | 575,000 |
| Balances at end of year | 3,511,000 | 2,630,000 |
| Share in capital infusion from Ageas | 665,000 | 665,000 |
| Accumulated share in net loss | | |
| Balances at beginning of year | (2,335,335) | (2,106,715) |
| Share in net loss | (152,335) | (228,619) |
| Balances at end of year | (2,487,670) | (2,335,334) |

(Forward)



| | 2023 | 2022 |
|---|-----------------|-----------------|
| | (In Thousands) | |
| Accumulated share in other comprehensive income | | |
| Balances at beginning of year | (P30,689) | P1,209 |
| Share in changes in remeasurement gain (loss) of retirement liabilities of subsidiaries and joint venture | | (1,806) |
| Share in changes in fair value reserves on equity securities of a joint venture | 525 | (30,092) |
| Balances at end of year | (30,164) | (30,689) |
| | P993,166 | P928,977 |

SAPI

In 2022, FAI infused additional capital to SAPI amounting to P151.9 million.

For the years ended December 31, 2023 and 2022, share in net income (losses) of SAPI amounted to (P5.9 million) and P6.2 million, respectively. As of December 31, 2023 and 2022, total cost of investment in SAPI amounted to P573.9 million. The carrying value value of the investment in SAPI amounted to P454.4 million and P460.3 million as of December 31, 2023 and 2022, respectively.

The movements in the investments in SAPI is summarized below:

| | 2023 | 2022 |
|--|-----------------|-----------------|
| | (In Thousands) | |
| Acquisition cost | | |
| Balances at beginning of year | P573,900 | P421,919 |
| Additions | - | 151,981 |
| Balance at end of year | 573,900 | 573,900 |
| Accumulated share in net income (loss) | | |
| Balances at beginning of year | (113,565) | (119,795) |
| Share in net income (loss) | (5,960) | 6,230 |
| Balance at end of year | (119,525) | (113,565) |
| | P454,375 | P460,335 |

FLOW

On August 20, 2019, FDC and Hitachi Aqua-tech Engineering Pte. Ltd. (Hitachi) entered into a joint venture agreement to form FLOW with the primary purpose of 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 Hitachi. 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, 2022 and 2021, the cost of investment in FLOW amounted to P20.7 million. The carrying value value of the investment in FLOW amounted to P31.6 million and P15.7 million as of December 31, 2023 and 2022, respectively.



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. 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, 2023, 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, Crimson Resort and Spa Boracay, Quest Hotel Tagaytay and Timberland Highlands Resort. 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.

On October 2, 2023, Archipelago International Pte. Ltd., (AIPL) entered into a Deed of Assignment for its 40% ownership in Chroma Hospitality, Inc. (CHI) to FDC for a total consideration of ₱50.0 million. The resulting ownership interest of FDC in CHI after the transfer is 100%.

Cost of investment in CHI amounted to ₱1.8 million as of December 31, 2022. The Group's share in net income (loss) of CHI amounted to ₱19.0 million from January 1, 2023 to October 1, 2023, ₱7.5 million in 2022 and (₱9.1 million) in 2021 (see Note 27).

As of December 31, 2023 and 2022, the carrying value of investment in CHI amounted to ₱7.9 million.

Investree

On March 26, 2021, FDC entered into a Deed of Assignment to sell its ownership in Investree to FDEV amounting to ₱6.5 million. After the assignment, Investree is owned 50.0% by Investree SG and 50% by FDEV.

On October 31, 2019, FDC and Investree SG 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 SG. The office address of Investree is at Unit 3012, Park Triangle Corporate Plaza North, 32nd Street corner 11th Avenue Brgy. Fort Bonifacio, Bonifacio, Taguig.

As of December 31, 2022 and 2021, the cost of investment in Investree amounted to ₱64.0 million, respectively. The carrying value of the investment in Investree amounted to (₱57.3 million) and ₱29.0 million as of December 31, 2023 and 2022, respectively.

In 2023, FDEV determined that its investment in Investree Philippines is subject for impairment since the operating partner is no longer willing to provide additional capital infusion which resulted to impairment losses amounting to ₱64.0 million. FDEV also impaired its advances to Investree Philippines amounting to ₱42.8 million (see Note 29).



The joint ventures have no contingent liabilities or capital commitments as of December 31, 2023 and 2022.

Investment in Associate

LIPAD

On February 18, 2019, LIPAD was incorporated to engage in the operation and maintenance of airports. LIPAD 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's commercial operations started on August 16, 2019 upon the transfer of the operations and maintenance of Clark International Airport (CIA). On June 7, 2021, the Parent Company signed a Shareholders' Agreement (SHA) with JG Summit Holdings Inc., Philippine Airport Ground Support Solutions Inc. and Changi Airports Philippines (I) Pte. Ltd. In connection with their ownership interest. Based on the SHA, the Group continues to have a significant influence in LIPAD. The registered office address of LIPAD is at Clark Field, Clark Freeport Zone, Andres Bonifacio Avenue, Clark Special Economic Zone, Dau, Mabalacat City, Pampanga.

In 2021, FDC infused additional capital to LIPAD amounting to ₱170.0 million.

The Group's share in net income (loss) of LIPAD amounted to in (₱21.8 million) 2023, (₱99.6 million) in 2022 and ₱2.3 million in 2021 (see Note 29). There were no dividends received from LIPAD in 2023, 2022 and 2021.

As of December 31, 2022 and 2021, total cost of investment in LIPAD amounted to ₱595.0 million. The carrying value of the investment in LIPAD amounted to ₱438.9 million and ₱460.8 million as of December 31, 2023 and 2022, respectively.

The movements in the investments in LIPAD is summarized below:

| | 2023 | 2022 |
|-------------------------------|------------------|-----------|
| | (In Thousands) | |
| Acquisition cost | ₱595,000 | ₱595,000 |
| Accumulated share in net loss | | |
| Balances at beginning of year | (134,247) | (34,611) |
| Share in net loss | (21,827) | (99,636) |
| Balances at end of year | (156,074) | (134,247) |
| | ₱438,926 | ₱460,753 |

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 ₱61.5 billion and ₱52.4 billion as of December 31, 2023 and 2022, respectively.



Government securities with a total face value of ₱610.0 million and ₱540.0 million as of December 31, 2023 and 2022, 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, 2023 and 2022.

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 ₱126.7 million, ₱121.2 million and ₱99.8 million in 2023, 2022 and 2021, respectively (see Note 27). For the years ended December 31, 2023, 2022 and 2021, the Group and the Parent Company appropriated ₱12.7 million, ₱12.1 million and ₱10.0 million, respectively.

20. Other Assets

This account consists of:

| | 2023 | 2022 |
|---|-------------------|------------|
| | (In Thousands) | |
| Intangible assets | | |
| BTO rights (Note 33) | ₱6,296,211 | ₱5,501,568 |
| Branch licenses | 2,167,600 | 2,167,600 |
| Capitalized software | 822,738 | 768,790 |
| Customer relationship and core deposits | 106,446 | 120,872 |
| | 9,392,995 | 8,558,830 |
| Restricted cash | 6,250,087 | 865,669 |
| Input taxes | 4,456,467 | 4,358,240 |
| Advances to contractors and suppliers | 2,413,916 | 2,139,338 |
| Prepaid expenses | 2,174,632 | 1,563,432 |
| Creditable withholding taxes | 2,075,731 | 2,296,186 |
| Repossessed assets | 2,022,310 | 966,079 |
| Deposits | 624,092 | 606,646 |
| Construction materials and supplies | 456,367 | 332,988 |
| Card acquisition cost | 409,531 | 219,955 |
| Cost to obtain contracts (Note 13) | 367,514 | 473,852 |
| Advances to joint venture partners | 311,157 | 386,074 |
| Deferred costs | 293,482 | 128,992 |
| Documentary stamps | 192,146 | 115,683 |
| Margin account | 167,996 | 87,683 |
| Equity on car plan | 162,658 | 154,406 |
| Investment in bonds | 150,000 | 150,000 |
| Short-term deposits | 96,332 | 75,492 |
| Stationery and supplies on hand | 78,517 | 86,541 |
| Deposits to suppliers | 49,030 | 81,422 |
| Biological assets (Notes 28 and 33) | 38,518 | 20,916 |
| Derivative assets (Notes 36, 37 and 38) | 21,812 | 18,750 |
| Sundry debits | 7,008 | 347,816 |

(Forward)



| | 2023 | 2022 |
|--|--------------------|-------------|
| | (In Thousands) | |
| Returned cash and other cash items | ₱4,879 | ₱1,438 |
| Interoffice items | 2,460 | 322,695 |
| Card supplies | - | 63,186 |
| Others (Note 33) | 1,252,393 | 872,480 |
| | 33,472,030 | 25,294,789 |
| Less allowance for impairment losses (Note 29) | 157,456 | 157,456 |
| | ₱33,314,574 | ₱25,137,333 |

a. Intangible assets includes:

BTO Rights

“BTO rights” relate to the development cost, construction and operation of BPO Complex at the land properties owned by Cebu Province. As of December 31, 2023, cost of completed portion pertaining to Cebu Towers 1 and 2 of the BTO project amounted to ₱2.3 billion. Construction of Cebu Towers 3 and 4 are still on-going and are expected to be completed in 2024.

The rollforward analysis of BTO rights as of December 31 follows:

| | 2023 | 2022 |
|---------------------------------|-------------------|------------|
| | (In thousands) | |
| Cost | | |
| Balance at beginning of year | ₱5,997,831 | ₱4,638,348 |
| Additions | 865,248 | 1,359,483 |
| Balance at end of year | 6,863,079 | 5,997,831 |
| Accumulated Amortization | | |
| Balance at beginning of year | 496,263 | 323,134 |
| Amortization | 70,605 | 173,129 |
| Balance at end of year | 566,868 | 496,263 |
| Net Book Value | ₱6,296,211 | ₱5,501,568 |

In 2023, 2022 and 2021, related amortization recognized as part of Cost of mall and rental services amounted to ₱70.6 million, ₱173.1 million and ₱52.3 million, respectively (see Note 28). Related rent income amounting to ₱455.5 million, ₱290.6 million and ₱207.9 million in 2023, 2022 and 2021, 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, 2023 and 2022 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 and utility 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:

| | 2023 | | | |
|---------------------------------|-------------------|----------------------|---|-------------------|
| | BTO Rights | Capitalized Software | Customer Relationship and Core Deposits | Total |
| | (In Thousands) | | | |
| Cost | | | | |
| Balances at beginning of year | ₱5,997,831 | ₱2,432,253 | ₱264,500 | ₱8,694,584 |
| Additions | 865,248 | 246,660 | - | 1,111,908 |
| Balance at end of year | 6,863,079 | 2,678,913 | 264,500 | 9,806,492 |
| Accumulated amortization | | | | |
| Balances at beginning of year | 496,263 | 1,663,463 | 143,628 | 2,303,354 |
| Amortization (Notes 28 and 29) | 70,605 | 192,712 | 14,426 | 277,743 |
| Balance at end of year | 566,868 | 1,856,175 | 158,054 | 2,581,097 |
| Net book value | ₱6,296,211 | ₱822,738 | ₱106,446 | ₱7,225,395 |
| | | | | |
| | 2022 | | | |
| | BTO Rights | Capitalized Software | Customer Relationship and Core Deposits | Total |
| | (In Thousands) | | | |
| Cost | | | | |
| Balances at beginning of year | ₱4,638,348 | ₱2,219,617 | ₱264,500 | ₱7,122,465 |
| Additions | 1,359,483 | 283,645 | - | 1,643,128 |
| Others/Disposal | - | (71,009) | - | (71,009) |
| Balance at end of year | 5,997,831 | 2,432,253 | 264,500 | 8,694,584 |
| Accumulated amortization | | | | |
| Balances at beginning of year | 323,134 | 1,560,902 | 133,397 | 2,017,433 |
| Amortization (Notes 28 and 29) | 173,129 | 172,318 | 10,231 | 355,677 |
| Others/Disposal | - | (69,757) | - | (69,757) |
| Balance at end of year | 496,263 | 1,663,463 | 143,628 | 2,303,353 |
| Net book value | ₱5,501,568 | ₱768,790 | ₱120,872 | ₱6,391,231 |

- a. 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).
- 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 (BIR) 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. Prepaid expenses include commission paid to brokers, deferred rent, insurance, subscription and taxes.



- e. 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.
- f. Repossessed assets pertain to other foreclosed properties which do not qualify as land and building. The movements in this account are as follows:

| | 2023 | 2022 |
|--|-------------------|-----------------|
| | (In Thousands) | |
| Cost | | |
| As at January 1 | P1,222,755 | P3,084,853 |
| Additions | 3,993,505 | 4,608,142 |
| Disposals/Others | (2,899,681) | (6,470,240) |
| As at December 31 | 2,316,579 | 1,222,755 |
| Accumulated Depreciation | | |
| As at January 1 | 255,385 | 478,402 |
| Depreciation and amortization | 297,679 | 570,558 |
| Disposals | (261,691) | (793,575) |
| As of December 31 | 291,373 | 255,385 |
| Net book value, gross of impairment | 2,025,206 | 967,370 |
| Accumulated impairment losses | | |
| As at January 1 | 1,291 | - |
| Provisions (Note 29) | 4,561 | 5,396 |
| Disposals | (2,956) | (4,105) |
| As at December 31 | 2,896 | 1,291 |
| Net book value, net of impairment | P2,022,310 | P966,079 |

- 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. Construction materials and supplies shall be used in the development and construction of the Group's residential subdivisions, condominiums and commercial buildings.
- i. 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.
- j. 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.
- k. Deferred costs pertain to FDCUI expenditures incurred related to project development and site preparation.
- l. Biological assets of the Group consist of sugarcane crops.
- m. 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.



The rollforward of the Group's biological assets follows:

| | 2023 | 2022 |
|--------------------------------|------------------|----------------|
| | (In Thousands) | |
| Balances at beginning of year | ₱20,916 | ₱27,004 |
| Additions (Note 28) | 168,149 | 108,064 |
| Costs of sales (Note 28) | (150,547) | (114,152) |
| Balances at end of year | ₱38,518 | ₱20,916 |

The following table shows the estimated physical quantities of the Group's biological assets and raw sugar production:

| | 2023 | 2022 |
|----------------------------------|----------------|--------|
| | (In Thousands) | |
| Sugarcane crops (in metric tons) | 41,747 | 38,960 |
| Raw sugar (in 50 kilogram bag) | 68,578 | 69,516 |

There are no restrictions on the Group's biological assets as of December 31, 2022 and 2021.

- n. Others include sundry debits, interoffice floats and developmental rights amounting to ₱1,102.4 million and ₱870.5 million as of December 31, 2023 and 2022, respectively. The Group recognized provision for probable losses on other assets amounting to ₱210.8 million in 2021, respectively (nil in 2023 and 2022; 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.

21. Deposit Liabilities

This account consists of:

| | 2023 | 2022 |
|--|---------------------|---------------------|
| | (In Thousands) | |
| Time | ₱64,126,014 | ₱65,824,377 |
| Savings | 152,641,165 | 136,126,924 |
| Demand | 122,014,133 | 107,975,974 |
| Long-term negotiable certificates of deposit (LTNCD) | - | 2,447,204 |
| | ₱338,781,312 | ₱312,374,479 |

Under existing BSP regulations, non-FCDU deposit liabilities of the EW 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, 2023 and 2022, EW and EWRB are in compliance with such regulations. As of December 31, 2023 and 2022, Due from BSP of EW (see Note 6) amounting to ₱16,172.0 million and ₱36,114.4 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, 2023 and 2022, about 17.9% and 19.7%, respectively, are subject to periodic interest repricing. The remaining deposit liabilities earn annual fixed interest rates ranging from 0.01% to 2.5% in 2023, 2022, and 2021.

The Group's interest expense on deposit liabilities amounted to ₱4,880.4 million, ₱2,060.3 million and ₱1,584.2 million in 2023, 2022 and 2021, respectively (see Note 28).

LTNCD

LTNCD issued by EW includes the following:

| Series | Issue Date | Maturity Date | Face Value | Coupon Rate | Average Effective Interest Rate | Repayment Terms | Carrying Value (In Thousands) | |
|--------|------------|---------------|------------|-------------|---------------------------------|-----------------|-------------------------------|------------|
| | | | | | | | 2023 | 2022 |
| 5 | 6/7/2019 | 12/7/2023 | 2,451 | 4.625% | 4.78% | Quarterly | ₱- | ₱2,447,204 |

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. In 2022, the Series 4 was fully settled.

LTNCD Due 2023 (LTNCD Series 5)

In 2019, 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, 2019. The debt issue costs related to the issuance of the LTNCD in 2018 amounted to ₱18.4 million. As of December 31, 2022, the outstanding unamortized debt issue cost amounted to ₱3.5 million (nil in 2023).

As of December 31, 2023 and 2022, current portion of deposit liabilities amounted to ₱338,781.3 million and ₱309,307.0 million, respectively.

The movements in unamortized net discount as of December 31, 2023 and 2022 follow:

| | 2023 | 2022 |
|-------------------------------|----------------|----------|
| | (In Thousands) | |
| Balances at beginning of year | ₱3,466 | ₱14,432 |
| Amortization during the year | (3,466) | (10,966) |
| Balances at end of year | ₱- | ₱3,466 |



22. Bills and Acceptances Payable

This account consists of borrowings from:

| | 2023 | 2022 |
|-------------------------|--------------------|------------|
| | (In Thousands) | |
| SSURA | ₱15,391,794 | ₱6,705,236 |
| Outstanding acceptances | 11,912 | 56,220 |
| | ₱15,403,706 | ₱6,761, |

The following are the fair value of government debt securities (Note 8) pledged and transferred under SSURA transactions of the Group:

| | 2023 | | 2022 | |
|---|--------------------|--------------------|-------------|-------------|
| | Face value | Fair value | Face value | Fair value |
| Investment securities at amortized cost | ₱17,687,183 | ₱17,202,332 | ₱18,230,212 | ₱15,195,386 |

The Group's borrowings are subject to annual interest rates ranging from 4.63% to 5.85% in 2023 and 2.72% to 4.95% in 2022.

The Group's and the Parent Company's interest expense on bills and acceptances payable amounted to ₱45.54 million in 2023, ₱0.37 million in 2022, and nil in 2021.

The Group entered into repurchase agreements to fund its operation amounting to ₱332.80 million and ₱160.00 million in 2023 and 2022, respectively. This excess liquidity is currently deployed in very liquid short-term assets.

The Group's interest expense on SSURA amounted to ₱674.08 million in 2023, ₱74.71 million in 2022, and nil in 2021.

23. Accounts Payable, Accrued Expenses and Other Liabilities

The details of this account follow:

| | 2023 | | | 2022 | | |
|---|------------------------|-----------------------|--------------------|------------------------|-----------------------|-------------|
| | 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) | ₱11,765,518 | ₱5,017,658 | ₱16,783,176 | ₱12,599,897 | ₱4,427,324 | ₱17,027,221 |
| Accrued expenses | 9,546,884 | - | 9,546,884 | 2,673,432 | 610,322 | 3,283,754 |
| Deposits from tenants | 4,539,055 | 1,645,028 | 6,184,083 | 6,773,605 | - | 6,773,605 |
| Deposits for registration | 2,414,005 | 1,573,499 | 3,987,504 | 980,673 | - | 980,673 |
| Retention fee payable | 2,551,557 | 548,521 | 3,100,078 | 2,242,649 | 1,486,496 | 3,729,145 |
| Accrued interest (Note 24) | 1,793,825 | - | 1,793,825 | 1,712,390 | - | 1,712,390 |
| Due to related parties (Note 26) | 856,199 | - | 856,199 | 200,646 | 1,449,396 | 1,650,042 |
| Asset retirement obligation (ARO) | 753,895 | - | 753,895 | 318,594 | - | 318,594 |
| Provision for unused credit lines (Note 37) | 463,860 | - | 463,860 | 107,835 | - | 107,835 |
| Derivative liabilities (Notes 37 and 38) | 103,083 | - | 103,083 | 16,800 | - | 16,800 |
| Payment orders payable | 12,232 | - | 12,232 | 44,855 | - | 44,855 |
| Domestic bills purchased | - | - | - | - | 829,561 | 829,561 |
| Other payables | 2,592,994 | 711,133 | 3,304,127 | 3,663,249 | 166,259 | 3,829,508 |
| | ₱37,393,107 | ₱9,495,839 | ₱46,888,946 | ₱31,334,625 | ₱8,969,358 | ₱40,303,983 |



- 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 consist of 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 ₱1,788.3 million and ₱1,420.1 million, fines and penalties amounting to ₱1,175.7 million and ₱604.8 million, payroll and other employee benefits amounting to ₱107.1 million and ₱11.6 million, taxes amounting to ₱1,710.8 million and ₱375.2 million, collection and commission fees amounting to ₱154.4 million and ₱173.4 million, computer related cost amounting to ₱242.3 million and ₱252.2 million, securities and janitorial amounting to ₱150.9 million and ₱111.3 million, management and professional fees amounting to ₱88.0 million and ₱41.5 million, rent amounting to ₱55.4 million and ₱40.7 million, advertising and publicity amounting to ₱193.1 million and ₱105.9 million and power, light and water amounting to ₱63.0 million and ₱24.7 million, among others, as of December 31, 2023 and 2022, 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. Deposits for registration pertain to amounts collected from buyers for payment of registration of real estate properties.
- e. 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.
- f. ARO pertains to the asset retirement obligation of the Group as provided under FDC Misamis' lease agreement with Philippine Veterans Investment Development Corporation (PHIVIDEC) Industrial Estate 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 ₱48.7 million, ₱50.0 million and ₱40.3 million in 2023, 2022 and 2021, respectively (see Note 29).
- g. Provision for unused credit lines pertains to ECL related to loan commitments without outstanding drawn amounts.
- 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:

| | 2023 | 2022 |
|---|---------------------|--------------|
| | (In Thousands) | |
| Parent Company | | |
| Bank loans - with fixed interest rates ranging from 4.0% to 5.2% per annum with varying maturity up to 2028 | ₱18,886,453 | ₱18,859,072 |
| Bonds | 8,799,207 | 8,787,611 |
| | 27,685,660 | 27,646,683 |
| Subsidiaries | | |
| Loans from banks and other institutions: | | |
| Philippine peso - with interest rates ranging from 4.4% to 7.1% with varying maturity dates up to 2032. | 56,159,036 | 61,893,702 |
| Bonds: | | |
| Philippine peso bonds | 37,468,512 | 36,547,923 |
| Foreign currency bonds | 11,058,736 | 11,136,580 |
| | 104,686,284 | 109,578,205 |
| | ₱132,371,944 | ₱137,224,888 |

Below are the current and noncurrent portion of the long-term and short-term debt:

| | 2023 | 2022 |
|------------|---------------------|--------------|
| | (In Thousands) | |
| Current | ₱29,528,806 | ₱26,912,157 |
| Noncurrent | 102,843,138 | 110,312,731 |
| | ₱132,371,944 | ₱137,224,888 |

As of December 31, 2023 and 2022, short-term debt, presented under current portion amounted to ₱180.5 million and ₱4,425.5 million, respectively.

The other details on foregoing long-term and short-term debt of the Group follow:

FLI

Fixed-rate Bonds

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, 2022, ₱2.70 billion of the related bonds payable remain outstanding.

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, FILRT 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.

On December 21, 2021, FLI issued to the public unsecured fixed rate bonds with an aggregate principal amount of ₱10,000.0 million comprising of ₱5,000.0 million, 4-year fixed rate bonds due in 2025 and 5,000.0 million, 6-year fixed rate bonds due in 2027. The 4-year bonds carry a fixed rate of 4.5% per annum, while the 6-year bonds have a fixed rate of 5.3% per annum.

Unamortized debt issuance cost on bonds payable amounted to ₱82.3 million and ₱103.6 million as of December 31, 2023 and 2022, respectively. Accretion included as part of Interest expense amounted to ₱21.3 million in 2023, ₱27.4 million in 2022 and ₱0.8 million in 2021 (see Note 29).

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 2023, 2022 and 2021 amounted to ₱24.7 billion, ₱12.8 billion and ₱16.6 billion, respectively. These include availment of short-term loans payable amounting to ₱16.5 billion, ₱10.3 billion and ₱9.9 billion in 2023, 2022 and 2021, respectively. Principal payments made in 2023, 2022 and 2021 amounted to ₱20.5 billion, ₱12.2 billion and ₱22.6 billion, 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

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, 2023 and 2022, the interest expense on bonds payable and bonds issuance cost amounted to ₱23.3 million and ₱167.6 million, respectively.

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.

The Group’s interest expense on subordinated debt amounted to nil, ₱44.7 million and ₱69.9 million in 2023, 2022 and 2021, 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 PHIVIDEK 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 ₱22,887.0 million and ₱23,537.6 million as of December 31, 2023 and 2022, 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

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.

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.



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, 2023 and 2022, the Group 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:

| | 2023 | 2022 | 2021 |
|---|-------------------|------------|------------|
| | (In Thousands) | | |
| Interest expense | | | |
| Real estate operations (Note 29) | ₱1,628,904 | ₱1,683,944 | ₱1,604,933 |
| Hospitality operations (Note 29) | 386,428 | 253,842 | 320,675 |
| Banking and financial services (Note 28) | 23,288 | 44,712 | 69,930 |
| Power and utility operations (Note 29) | 641,994 | 904,062 | 1,074,119 |
| Sugar operations (Note 29) | 14,784 | 8,162 | 24,613 |
| Other operations (Notes 28 and 29) | 1,815,400 | 1,771,794 | 1,765,427 |
| | 4,510,798 | 4,666,516 | 4,859,697 |
| Total capitalized borrowing costs (Notes 14, 16 and 17) | 2,258,929 | 1,864,893 | 1,781,634 |
| | ₱6,769,727 | ₱6,531,409 | ₱6,641,331 |

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, 2023 and 2022, 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, 2023:

| | Number of Shares Registered (In Thousands) | Number of holders of securities as of year end |
|--------------------------|---|---|
| December 31, 2021 | 8,648,463 | 4,017 |
| Movements | — | (12) |
| December 31, 2022 | 8,648,463 | 4,005 |
| Movements | — | (7) |
| December 31, 2023 | 8,648,463 | 3,998 |

Note: Exclusive of 671,409,400 treasury shares (see Note 31) as of December 31, 2022 and 2021.

Treasury Shares

There was no movement in treasury shares for the years ended December 31, 2023 and 2022.

Dividend Declaration

On April 28, 2023, the Parent Company's BOD approved the declaration and payment of cash dividends of ₱0.06534 per share for every common share of record as of May 22, 2023. This was paid on June 14, 2023.

On April 29, 2022, the Parent Company's BOD approved the declaration and payment of cash dividends of ₱606.6 or ₱0.07014 per share for every common share of record as of May 20, 2022. This was paid on June 14, 2022.

On April 30, 2021, the Parent Company's BOD approved the declaration and payment of cash dividends of ₱847.5 million or ₱0.098 per share for every common share of record as of May 21, 2021. This was paid on June 15, 2021.



Retained Earnings

Retained earnings include undistributed earnings representing accumulated equity in net earnings of subsidiaries and joint ventures amounting to ₱103,985.5 million and ₱90,870.9 million as of December 31, 2023 and 2022, 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 amounting ₱3,614.5 million as of December 31, 2023 and 2022.

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, 2023, 2022 and 2021.

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.

| | 2023 | 2022 |
|---|---------------------|----------------|
| | | (In Thousands) |
| Long-term and short-term debt (Note 24) | ₱132,371,944 | ₱137,224,888 |
| Total equity | 177,691,875 | 165,672,042 |
| Debt-to-equity ratio | 0.74:1:00 | 0.83:1:00 |

The Group is subject to externally imposed capital requirements due its loan covenants (see Note 24).

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.

Unless otherwise stated, outstanding balances at year-end are unsecured, interest free and require settlement in cash. As of December 31, 2023 and 2022, 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 ₱173.4 million, ₱112.1 million and ₱95.7 million in 2023, 2022 and 2021, respectively. Post-employment benefits of key management personnel amounted to ₱20.7 million, ₱20.5 million and ₱19.2 million in 2023, 2022 and 2021, 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:

| | 2023 | | Terms | Conditions |
|---|-------------------|--|--|-----------------------------|
| | Amount/ Volume | Outstanding Balance Due from (Due to) | | |
| (In Thousands) | | | | |
| Due from related parties | | | | |
| Real estate operations (Note 7) | | | | |
| Ultimate Parent Company ^(a) | (₱360) | ₱320 | Noninterest-bearing, collectible on demand | Unsecured, no impairment |
| Affiliates: (Notes 7, 8 and 10) | | | Non-interest bearing and due on demand except for ₱53.0 million loan subject to interest rate of 3.5% to 3.8% due within 1 year | Unsecured, no impairment |
| Share in expenses | 69,597 | 129,155 | | |
| | ₱69,237 | ₱129,475 | | |
| Due to related parties (Note 23) | | | | |
| Affiliates | | | | |
| Share in expenses ^(a) | | | Noninterest-bearing, | |
| Management fee ^(c) | 217,461 | (63,379) | payable on demand | Unsecured |
| | ₱217,461 | (₱63,379) | | |

(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.



| 2022 | | | | |
|---|-------------------|--|--|-----------------------------|
| | Amount/ Volume | Outstanding Balance Due from (Due to) | Terms | Conditions |
| (In Thousands) | | | | |
| Due from related parties | | | | |
| Real estate operations (Note 7) | | | | |
| Ultimate Parent Company ^(a) | P1,843 | P680 | Noninterest-bearing, collectible on demand | Unsecured, no impairment |
| Affiliates: (Notes 7, 8 and 10) | | | Noninterest-bearing, collectible on demand, except for loan subject to interest rate of 3.5% due within 1 year | Unsecured, no impairment |
| Share in expenses | 150 | 59,558 | | |
| Service Fee | 1,456 | - | | |
| Operational advances and interest | 6,681 | - | | |
| | P10,130 | P60,238 | | |
| Due to related parties (Note 23) | | | | |
| Affiliates | | | | |
| Share in expenses ^(a) | | | Noninterest-bearing, | |
| Management fee ^(c) | P154,082 | (P15,928) | payable on demand | Unsecured |
| | P154,082 | (P15,928) | | |

- (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.

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):

| | 2023 | 2022 |
|---------------------------|-------------------|------------|
| (In Thousands) | | |
| Cash and cash equivalents | P450,032 | P326,440 |
| Equity instruments | 731,196 | 660,931 |
| Debt instruments | 101,471 | 129,847 |
| Others | 1,462 | 1,717 |
| | P1,284,161 | P1,118,935 |

The following are the amounts recognized by the retirement plan arising from its transactions with EW for the years ended December 31, 2023, 2022 and 2021.

| | 2023 | 2022 | 2021 |
|--|---------------|-----------|----------|
| Trust fees | P3,524 | P3,490 | P3,508 |
| Interest income on savings deposit | 2,746 | 1,213 | 453 |
| Interest income on investments in LTNCD | 6,162 | 6,825 | 7,425 |
| Gain (loss) on investments in equity shares | 87,315 | (104,360) | (53,053) |



27. Other Income

Other income from real estate operations consist of:

| | 2023 | 2022 | 2021 |
|---|-------------------|------------|------------|
| | (In Thousands) | | |
| Processing fees | ₱277,026 | ₱322,850 | ₱183,613 |
| Interest income on cash and cash equivalents and contract receivables (Notes 6 and 7) | 344,229 | 254,304 | 419,470 |
| Forfeited reservations and payments | 92,854 | 114,937 | 98,925 |
| Management fees | 75,123 | 88,380 | 75,123 |
| Water supply income | 95,344 | 82,685 | 77,651 |
| Parking fees | 30,533 | 59,850 | 30,533 |
| Sewer treatment services | 43,472 | 41,327 | 38,857 |
| Slot rental fees | 5,629 | 2,416 | 5,629 |
| Income from amusement centers, parking and other lease related activities | 25,386 | 453 | - |
| Service income | 305,767 | - | - |
| Others | 352,213 | 213,507 | 487,908 |
| | ₱1,647,576 | ₱1,180,709 | ₱1,417,709 |

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:

| | 2023 | 2022 | 2021 |
|-----------------|-----------------|--------|--------|
| | (In Thousands) | | |
| Interest income | ₱1,606 | ₱2,198 | ₱180 |
| Others | 562,307 | 1,997 | 2,273 |
| | ₱563,913 | ₱4,195 | ₱2,453 |

Others include insurance fees, bagging fees, and other miscellaneous income.

Other income - net from banking and financial services consist of:

| | 2023 | 2022 | 2021 |
|---|-------------------|------------|------------|
| | (In Thousands) | | |
| Service charges, penalties, fees and commissions | ₱4,769,438 | ₱3,780,805 | ₱3,725,738 |
| Foreign currency exchange gains - net | 656,058 | 571,169 | 989,385 |
| Recovery on written-off assets | 506,339 | 469,030 | 506,339 |
| Trust income (Note 19) | 99,828 | 121,233 | 99,828 |
| Gain (loss) on sale of assets (Notes 16, 17 and 20) | (223,613) | 105,349 | (223,613) |
| Trading and securities gain (loss) - net (Note 12) | | | |
| Investment securities at amortized cost | 337,827 | - | 1,850,425 |
| Financial assets at FVPL, futures and swaps | - | (395,638) | (841,415) |
| Gain on asset foreclosure and dacion transactions | 524,816 | (9,446) | (524,816) |
| Modification loss | 346,769 | - | 346,769 |
| Others | 411,774 | 269,858 | 108,421 |
| | ₱7,429,236 | ₱4,912,360 | ₱6,037,061 |



Modification loss

On March 25, 2020, President Rodrigo R. Duterte signed into law the *Bayanihan to Heal as One Act* (RA 11469), which grants the President special powers to address the COVID-19 outbreak in the country. Bayanihan Act 1 advisory on loan moratorium was applied to loan amortization from March 17 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 penalty fees and interest charges. With the favorable effect of Bayanihan Act 1 to the lives of our countrymen, in September 2020, Bayanihan to Recover as One Act or also known as Bayanihan 2 was followed and enacted. This 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 Bank:

1. Availment of the grace period shall have a corresponding loan maturity date extension equivalent to the availed grace period;
2. Payments were not processed on qualified accounts during the grace period. Auto-debit arrangements were suspended and post-dated checks were either rescheduled later (Bayanihan Act 1) or cancelled (Bayanihan Act 2).
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 due together with the last monthly amortization.

In 2020, EW, 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 special payment deferment programs and loan restructuring.

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 in the derecognition of the affected loans. In 2021, the Group and the EW recognized modification gain (loss) from loans and receivables amounting to ₱347.8 million. The accretion of modification loss is recognized as part of interest income. As of December 31, 2023 and 2022, the unamortized modification loss from loans and receivables of EW amounted to ₱0.34 billion and ₱0.66 billion, respectively.

Others include referral income earned on insurance premiums charged through credit cards.

Other income from power and utility operations consist of:

| | 2023 | 2022 | 2021 |
|--------------------------|-----------------|----------------|---------|
| | | (In Thousands) | |
| Interest income (Note 6) | ₱213,695 | ₱121,534 | ₱68,072 |
| Others | 144,541 | 17,525 | 5,870 |
| | ₱358,236 | ₱139,059 | ₱73,942 |



Other income from sugar operations consist of:

| | 2023 | 2022 | 2021 |
|-------------------------------|----------------|---------|---------|
| | (In Thousands) | | |
| Fertilizers assistance income | ₱8,693 | ₱13,687 | ₱13,090 |
| Diesel mark-up | 4,839 | 7,619 | 8,779 |
| Handling income – net | 682 | 1,073 | 1,336 |
| Storage income | 362 | 570 | 1,412 |
| Others | 35,480 | 55,860 | 12,894 |
| | ₱50,056 | ₱78,809 | ₱37,511 |

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:

| | 2023 | 2022 | 2021 |
|---|-------------------|------------|------------|
| | (In Thousands) | | |
| Subdivision lots, condominium and residential units (Note 14) | ₱8,534,325 | ₱7,521,107 | ₱6,748,422 |

Cost of mall and rental services consists of:

| | 2023 | 2022 | 2021 |
|--------------------------------------|-------------------|------------|------------|
| | (In Thousands) | | |
| Mall operations | ₱1,524,681 | ₱1,354,837 | ₱1,299,788 |
| Depreciation (Note 16) | 1,201,601 | 832,097 | 880,435 |
| Amortization of BTO Rights (Note 20) | 70,605 | 173,129 | 52,261 |
| Others | 27,721 | 6,477 | 33,619 |
| | ₱2,824,608 | ₱2,366,540 | ₱2,266,103 |

Others pertain to outside services, repairs and maintenance and association dues.



Cost of hospitality operations consists of:

| | 2023 | 2022 | 2021 |
|---|-------------------|----------------|------------|
| | | (In Thousands) | |
| Depreciation and amortization (Note 17) | ₱258,770 | ₱270,320 | ₱272,277 |
| Food and beverage (Note 15) | 414,304 | 285,228 | 147,703 |
| Salaries, wages and employee benefits | 343,910 | 275,167 | 181,075 |
| Utilities | 284,211 | 197,031 | 165,042 |
| Cleaning supplies | 54,865 | 27,405 | 27,842 |
| Guest amenities | 42,804 | 39,334 | 19,815 |
| Guest laundry and linen | 41,506 | 15,577 | 9,321 |
| Complimentary food and services | 25,058 | 12,122 | 4,735 |
| Contract services | 18,615 | 4,922 | 6,158 |
| Equipment rental | 7,022 | 3,265 | 3,420 |
| Kitchen fuels | 4,718 | 1,446 | 1,719 |
| Guest transportation | 1,382 | 62 | 11,131 |
| Others | 330,678 | 202,337 | 160,109 |
| | ₱1,827,843 | ₱1,334,216 | ₱1,010,347 |

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:

| | 2023 | 2022 | 2021 |
|---|-------------------|----------------|------------|
| | | (In Thousands) | |
| Interest on: | | | |
| Deposit liabilities (Note 21) | ₱4,880,390 | ₱2,060,300 | ₱1,584,161 |
| Subordinated debt, bills payable and other borrowings (Notes 22 and 24) | 1,105,974 | 533,540 | 457,708 |
| | ₱5,986,364 | ₱2,593,840 | ₱2,041,869 |

Cost of power and utility operations consists of:

| | 2023 | 2022 | 2021 |
|---|--------------------|----------------|------------|
| | | (In Thousands) | |
| Coal and fuel cost (Note 15) | ₱8,226,820 | ₱6,923,491 | ₱3,296,893 |
| Depreciation and amortization (Note 17) | 1,198,509 | 1,139,662 | 1,442,533 |
| Purchase of electricity | 2,090,570 | 172,007 | 62,780 |
| Maintenance cost | 231,672 | 165,681 | 240,028 |
| Material cost | 135,693 | 124,982 | 165,456 |
| Salaries, wages and employee benefits | 121,040 | 113,396 | 106,670 |
| Distribution and wheeling fees | 30,042 | 20,101 | 27,416 |
| Outside services | 18,219 | 33,038 | 65,714 |
| Others | 8,034 | 8,433 | 12,677 |
| | ₱12,060,599 | ₱8,700,791 | ₱5,420,167 |



Cost of sugar operations consists of:

| | 2023 | 2022 | 2021 |
|---|-------------------|----------------|------------|
| | | (In Thousands) | |
| Costs of sugarcane purchases | ₱2,110,531 | ₱2,302,878 | ₱2,008,449 |
| Fair value of raw sugar | 1,287,310 | 663,573 | 737,740 |
| Repairs and maintenance | 201,810 | 171,475 | 115,468 |
| Salaries, wages and employee benefits | 130,870 | 126,602 | 143,005 |
| Depreciation and amortization (Note 17) | 124,010 | 141,860 | 122,526 |
| Materials and supplies (Note 15) | 97,826 | 137,582 | 84,140 |
| Outside services | 82,564 | 123,958 | 75,382 |
| Communications, light and water | 28,853 | 31,752 | 22,336 |
| Cane hauling | 19,550 | 20,124 | 99,214 |
| Rent (Note 32) | 11,391 | 10,152 | 2,099 |
| Trucking and handling charges | 4,726 | 7,179 | 14,034 |
| Taxes and licenses | 9,487 | 2,680 | 53,393 |
| Liens | 3,252 | 1,225 | 8,948 |
| Development costs | - | - | 11,494 |
| Others | 12,621 | 26,633 | 32,894 |
| Cost of goods manufactured | 4,124,801 | 3,767,673 | 3,531,122 |
| Decrease (increase) in: | | | |
| Sugar and molasses inventories | (45,801) | (204,525) | (7,856) |
| Biological assets (Note 20) | (17,602) | (8,372) | (3,159) |
| | ₱4,061,398 | ₱3,554,776 | ₱3,520,107 |

Cost of other operations pertains to FDCI's interest expense on fixed-rate dollar bonds amounting to ₱518.0 million, ₱470.3 million and ₱420.5 million in 2023, 2022 and 2021, respectively (see Note 24).

29. Expenses

Expenses of real estate operations consists of:

| | 2023 | 2022 | 2021 |
|--|-------------------|----------------|------------|
| | | (In Thousands) | |
| Interest expense - loans (Note 24) | ₱1,628,904 | ₱1,683,944 | ₱1,604,933 |
| Interest expense - lease liabilities (Note 32) | 489,388 | 146,351 | 170,036 |
| | 2,118,292 | 1,830,295 | 1,774,969 |
| General and administrative | | | |
| Salaries, wages and employee benefits | 1,267,109 | 961,352 | 777,172 |
| Taxes and licenses | 536,788 | 433,606 | 369,261 |
| Depreciation and amortization (Notes 16 and 17) | 459,603 | 572,056 | 536,204 |
| Repairs and maintenance | 419,895 | 378,510 | 329,340 |
| Outside services | 267,236 | 378,735 | 297,546 |
| Travel and transportation | 151,783 | 136,450 | 134,930 |
| Bank charges | 140,245 | 175,090 | 346,895 |
| Utilities and communication | 106,084 | 84,640 | ₱87,008 |

(Forward)



| | 2023 | 2022 | 2021 |
|--|-------------------|------------|------------|
| | (In Thousands) | | |
| Entertainment, amusement and recreation | ₱101,557 | ₱89,416 | ₱108,647 |
| Electronic data processing charges | 53,483 | 72,122 | 53,483 |
| Retirement costs (Note 30) | 50,986 | 48,587 | 37,089 |
| Rent (Note 32) | 26,078 | 22,707 | 26,840 |
| Office supplies | 12,787 | 14,447 | 12,787 |
| Provision (reversal of provision) for probable losses - net (Note 7) | 4,423 | 2,747 | 3,632 |
| Insurance | 3,161 | 4,782 | 41,881 |
| Others | 9,411 | 2,028 | 103,620 |
| | 3,610,629 | 3,377,275 | 3,266,335 |
| Marketing expenses | | | |
| Commission | 800,207 | 722,734 | 518,581 |
| Selling, advertising and promotions | 259,408 | 154,318 | 157,728 |
| Service fees | 142,740 | 175,299 | 142,740 |
| Sales office direct costs | 50,669 | 117,599 | 50,669 |
| Others | 235,603 | 42,255 | 76,591 |
| | 1,488,627 | 1,212,205 | 946,309 |
| | ₱7,217,548 | ₱6,419,775 | ₱5,987,613 |

Other general and administrative expenses includes postage, freight, office supplies, association dues and other charges.

Expenses of hospitality operations consist of:

| | 2023 | 2022 | 2021 |
|--|-------------------|------------|----------|
| | (In Thousands) | | |
| Interest expense - loans (Note 24) | ₱386,428 | ₱253,842 | ₱320,675 |
| Interest expense - lease liabilities (Note 32) | 24,310 | 114,642 | 113,271 |
| | 410,738 | 368,484 | 433,946 |
| General and administrative: | | | |
| Salaries, wages and employee benefits | 208,188 | 167,672 | 121,185 |
| Management fees (Note 26) | 153,145 | 92,348 | 57,215 |
| Depreciation and amortization (Note 17) | 81,974 | 84,624 | 73,276 |
| Repairs and maintenance | 63,034 | 48,263 | 33,592 |
| Outside services | 56,326 | 46,089 | 38,111 |
| Association dues | 38,193 | 11,897 | 38,987 |
| Credit card commission | 34,985 | 26,230 | 10,866 |
| Insurance | 30,250 | 13,376 | 18,148 |
| Utilities | 28,243 | 71,545 | 8,293 |
| Taxes and licenses | 22,326 | 27,646 | 25,475 |
| Travel and transportation | 20,943 | 17,484 | 11,527 |
| Rent | 19,922 | - | - |
| Corporate office reimbursable | 11,227 | 9,133 | 2,700 |
| Representation and entertainment | 8,844 | 5,833 | 7,236 |
| Others | 170,395 | 173,786 | 31,610 |
| | 947,995 | 795,926 | 478,221 |
| Marketing expenses | (18,985) | 35,507 | 22,017 |
| Share in net losses of joint venture (Note 18) | 52,814 | (7,521) | 9,108 |
| | ₱1,392,562 | ₱1,192,396 | ₱943,292 |



Expenses of banking and financial services consist of:

| | 2023 | 2022 | 2021 |
|--|--------------------|-------------|-------------|
| | (In Thousands) | | |
| General and administrative | | | |
| Salaries, wages and employee benefits | ₱7,420,706 | ₱5,960,407 | ₱5,453,813 |
| Depreciation and amortization (Notes 16, 17 and 20) | 1,611,811 | 1,914,969 | 2,156,059 |
| Taxes and licenses | 2,492,079 | 1,888,699 | 1,903,738 |
| Outside services | 1,146,492 | 876,674 | 861,754 |
| Technological fees | 1,066,579 | 834,096 | 557,368 |
| Brokerage fees | 941,749 | 1,070,788 | 1,411,000 |
| Service charges, fees and commission | 940,593 | 622,911 | 470,116 |
| Advertising | 919,989 | 430,732 | 364,465 |
| Insurance | 777,671 | 756,892 | 754,199 |
| Postage, telephone and telegraph | 474,085 | 439,073 | 428,462 |
| Repairs and maintenance | 328,441 | 282,614 | 200,005 |
| Rent (Note 32) | 368,424 | 258,413 | 259,723 |
| Utilities | 249,126 | 229,368 | 188,993 |
| Stationery and supplies | 218,344 | 150,749 | 140,447 |
| Amortization of capitalized software, customer relationships and core deposits (Note 20) | 199,647 | 181,433 | 168,298 |
| Travel and transportation | 127,647 | 181,645 | 158,106 |
| Entertainment, amusement and recreation | 46,377 | 43,863 | 35,000 |
| Retirement costs (Note 30) | 37,648 | 6,551 | 217,634 |
| Others (Notes 12 and 20) | 785,781 | 788,729 | 744,984 |
| | 20,153,189 | ₱16,918,606 | 16,474,164 |
| Provision for probable losses (Notes 9 and 16) | 7,606,520 | 4,950,614 | 4,149,431 |
| Share in net loss of a joint venture (Note 18) | 148,195 | 228,619 | 236,077 |
| | ₱27,907,904 | ₱22,097,839 | ₱20,859,672 |

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 and utility operations consist of:

| | 2023 | 2022 | 2021 |
|--|-----------------|-----------|------------|
| | (In Thousands) | | |
| Interest expense - loans (Note 24) | ₱641,994 | ₱904,062 | ₱1,074,119 |
| Interest expense - lease liabilities (Note 32) | 106,272 | 47,403 | 47,395 |
| Accretion expense on ARO (Note 23) | 48,736 | 49,959 | 40,252 |
| | 797,002 | 1,001,424 | 1,161,766 |
| General and administrative: | | | |
| Taxes and licenses | 331,885 | 352,854 | 296,561 |
| Insurance | 327,819 | 262,338 | 192,479 |
| Salaries, wages and employee benefits | 266,700 | 190,092 | 174,972 |
| Outside services | 89,222 | 88,582 | 68,149 |

(Forward)



| | 2023 | 2022 | 2021 |
|--|-------------------|------------|------------|
| | (In Thousands) | | |
| Depreciation and amortization (Notes 17 and 20) | ₱83,219 | ₱98,916 | ₱81,528 |
| Travel and transportation | 31,734 | 20,151 | 10,318 |
| Repairs and maintenance | 25,000 | 19,039 | 14,419 |
| Representation and entertainment | 22,170 | 18,382 | 16,234 |
| Utilities | 21,234 | 10,759 | 8,790 |
| Professional fee | 20,304 | 27,304 | 25,607 |
| Rent | 12,100 | 5,318 | 848 |
| Retirement costs (Note 30) | 7,962 | 9,134 | 7,797 |
| Provision (reversal of provision) for probable losses (Notes 10, 23 and 33) | (9,219) | 116,523 | 614 |
| Others | 123,939 | 43,680 | 62,246 |
| | 1,354,069 | 1,263,072 | 960,562 |
| | ₱2,151,071 | ₱2,264,496 | ₱2,122,328 |

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:

| | 2023 | 2022 | 2021 |
|--|-----------------|---------|----------|
| | (In Thousands) | | |
| Interest expense - loans (Note 24) | ₱14,784 | ₱6,946 | ₱24,613 |
| Interest expense - lease liabilities (Note 32) | 1,152 | 1,216 | 1,089 |
| | 15,936 | 8,162 | 25,702 |
| General and administrative | | | |
| Salaries, wages and employee benefits | 38,178 | 34,513 | 32,494 |
| Taxes and licenses | 27,883 | 16,720 | 37,536 |
| Outside services | 21,021 | 26,827 | 24,921 |
| Provision for probable losses (Notes 11 and 20) | 18,371 | 18,371 | 15,983 |
| Supplies | 8,331 | 11,596 | 6,197 |
| Travel and transportation | 8,471 | 7,770 | 6,948 |
| Entertainment, amusement and recreation | 6,267 | 5,266 | 4,721 |
| Communication | 5,016 | 6,195 | 4,208 |
| Depreciation and amortization (Note 17) | 4,761 | 2,460 | 2,769 |
| Repairs and maintenance | 4,644 | 338 | 243 |
| Retirement costs (Note 30) | 3,361 | 776 | 6,292 |
| Write-off of receivable | - | 5,573 | 486 |
| Others | 21,756 | 15,735 | 9,313 |
| | 168,060 | 152,140 | 152,111 |
| | ₱183,996 | 160,302 | ₱177,813 |



Expenses of other operations consists of:

| | 2023 | 2022 | 2021 |
|--|-------------------|------------|------------|
| | (In Thousands) | | |
| Interest expense (Note 24) | ₱1,815,400 | ₱1,301,522 | ₱1,345,168 |
| Interest expense - lease liabilities (Note 32) | 7,827 | - | 257 |
| | 1,823,227 | 1,301,522 | 1,345,425 |
| General and administrative | | | |
| Impairment losses (Note 18) | 106,884 | - | - |
| Provision for probable losses (Notes 3 and 33) | - | 163,191 | - |
| Salaries, wages, and employee benefits | 482,983 | 157,314 | 60,771 |
| Outside services | 84,561 | 108,414 | 31,656 |
| Taxes and licenses | 71,781 | 17,630 | 35,247 |
| Bank charges | 39,518 | 37,238 | 44,308 |
| Retirement cost | 34,292 | 46,735 | 23,870 |
| Travel and transportation | 41,232 | 27,797 | 21,971 |
| Entertainment, amusement and recreation | 29,445 | 25,937 | 19,693 |
| Repairs and maintenance | 29,040 | 19,952 | 8,713 |
| Depreciation and amortization (Note 16) | 18,769 | 8,077 | 2,135 |
| Rent | 8,553 | - | - |
| Others | (195,862) | (257,747) | (36,485) |
| | 751,196 | 354,538 | 211,879 |
| Share in net loss of an associate (Note 18) | 99,591 | 99,636 | 2,238 |
| | ₱2,674,014 | ₱1,755,696 | ₱1,559,542 |

Others include foreign exchange gain.

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:

| | 2023 | | |
|---|--|---|---|
| | Present Value Of Defined Benefit Obligations | Fair Value Of Plan Assets (Note 26) (In Thousands) | Net Defined Benefit Liabilities (Notes 20 and 23) |
| Balances as at January 1, 2023 | P2,866,785 | P1,195,624 | P1,671,161 |
| Net benefit costs in profit or loss | | | |
| Current service cost | 225,683 | - | 225,683 |
| Net interest | 164,199 | 79,554 | 84,645 |
| | 389,882 | 79,554 | 310,328 |
| Remeasurements in other comprehensive income | | | |
| Return on plan assets (excluding amount included in net interest) | 27,552 | 18,873 | 8,679 |
| Actuarial changes arising from experience adjustments | (53,998) | - | (53,998) |
| Actuarial changes arising from changes in financial assumptions | 128,976 | - | 128,976 |
| | 102,530 | 18,873 | 83,657 |
| Benefits paid | (271,568) | (291,116) | 19,548 |
| Contributions | - | 509,666 | (509,666) |
| Balances as of December 31, 2023 | P3,087,629 | P1,512,601 | P1,575,028 |
| | | | |
| | 2022 | | |
| | Present Value Of Defined Benefit Obligations | Fair Value Of Plan Assets (Note 26) (In Thousands) | Net Defined Benefit Liabilities (Notes 20 and 23) |
| Balances as at January 1, 2022 | P2,737,218 | P1,235,245 | P1,501,973 |
| Net benefit costs in profit or loss | | | |
| Current service cost | 237,396 | - | 237,396 |
| Net interest | 104,474 | - | 104,474 |
| | 341,870 | - | 341,870 |
| Remeasurements in other comprehensive income | | | |
| Return on plan assets (excluding amount included in net interest) | - | 56,791 | (56,791) |
| Actuarial changes arising from experience adjustments | 77,925 | (176,948) | 254,873 |
| Actuarial changes arising from changes in financial assumptions | (46,537) | - | (46,537) |
| | 31,388 | (120,157) | 151,545 |
| Benefits paid | (232,014) | (232,014) | - |
| Contributions | - | 184,141 | (184,141) |
| Transfer in | (11,677) | 128,409 | (140,085) |
| Balances as of December 31, 2022 | P2,866,785 | P1,195,624 | P1,671,162 |



The fair value of plan assets by each class are as follows:

| | 2023 | 2022 |
|----------------------------------|-------------------|-------------------|
| | (In Thousands) | |
| Cash and cash equivalents | ₱526,163 | ₱350,466 |
| Debt instruments: | | |
| Private securities | 858,792 | 60,994 |
| Government securities | 5,914 | 68,853 |
| Equity instruments: | | |
| Financial services | 84,587 | 655,929 |
| Real estate | 35,416 | 5,001 |
| Others | 1,729 | 54,380 |
| Fair value of plan assets | ₱1,512,601 | ₱1,195,625 |

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, 2023 and 2022, EW's investment strategy consists of 54.00% of equity instruments, 8.00% of debt instruments and 37.00% cash and 59.00% of equity instruments, 11.00% of debt instruments, and 29.00% cash, respectively. EW expects to contribute ₱234.3 million to the plan in 2024.

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 5.1% and salary increase of 4.0% to 5.0% in 2023, 2022 and 2021.

If the discount rate would be 100 basis points lower, the defined benefit obligation would increase by ₱114.0 million and ₱119.9 million in 2023 and 2022, respectively. If the discount rate would be 100 basis points higher, the defined benefit obligation would decrease by ₱98.5 million and ₱103.6 million in 2023 and 2022, 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:

| | 2023 | 2022 |
|------------------------------------|------------------|-----------|
| | (In Thousands) | |
| Less than 1 year | ₱301,032 | ₱609,163 |
| More than 1 year and up to 5 years | 1,062,713 | 737,821 |
| More than 5 years up to 50 years | 8,510,265 | 6,893,286 |



31. EPS

The following reflects the income and share data used in the basic EPS computations:

| | 2023 | 2022 | 2021 |
|--|--|------------|------------|
| | (In Thousands, Except Per Share Figures) | | |
| a. Net income - attributable to equity holders of the parent | ₱8,947,468 | ₱5,650,674 | ₱6,065,764 |
| b. Weighted average number of outstanding common shares | 8,648,463 | 8,648,463 | 8,648,463 |
| c. EPS - Basic (a/b) | ₱1.03 | ₱0.65 | ₱0.70 |

There are no potential dilutive shares in 2023, 2022 and 2021.

Treasury shares of 671,409,400 shares in 2023 and 2022 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, 2023 and 2022 as follows:

| | 2023 | 2022 |
|--|--------------------|-------------|
| | (In Thousands) | |
| Within 1 year | ₱4,385,147 | ₱1,352,512 |
| After 1 year but not more than 5 years | 10,103,486 | 3,928,464 |
| More than 5 years | 18,011,009 | 29,398,801 |
| | ₱32,499,642 | ₱34,679,777 |

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 for commercial malls 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 ₱457.3 million, ₱391.6 million and ₱264.9 million in 2023, 2022 and 2021, respectively. In 2023, 2022 and 2021, the Group granted rental concessions to its tenants which were affected by the community quarantine imposed by the government amounting to ₱70.8 million and ₱314.8 million ₱734.4 million in 2023, 2022 and 2021, respectively. 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 2023, 2022 and 2021.

Operating Leases – Group as Lessee

The Group has lease contracts for various items of properties, machinery, vehicles and other equipment.. 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):

| | 2023 | | |
|--|-------------------|-----------------|-------------------|
| | Building | Machinery | Total |
| Cost | | | |
| At January 1 | ₱8,206,696 | ₱167,849 | ₱8,374,545 |
| Additions | 893,166 | 126,596 | 126,596 |
| At December 31 | 9,099,862 | 294,445 | 8,501,141 |
| Accumulated Amortization | | | |
| At January 1 | 3,673,166 | 134,916 | 3,808,082 |
| Amortization (Notes 17, 18, 28 and 29) | 1,423,010 | 12,557 | 542,401 |
| At December 31 | 5,096,176 | 147,473 | 4,350,483 |
| Net Book Values | ₱4,003,686 | ₱146,972 | ₱4,150,658 |

| | 2022 | | |
|--|-------------------|-----------------|-------------------|
| | Building | Machinery | Total |
| Cost | | | |
| At January 1 | ₱6,102,217 | ₱167,849 | ₱6,270,066 |
| Additions | 2,104,479 | - | 2,104,479 |
| Disposals | - | - | - |
| At December 31 | 8,206,696 | 167,849 | 8,374,545 |
| Accumulated Amortization | | | |
| At January 1 | 2,561,313 | 92,417 | 2,653,730 |
| Amortization (Notes 17, 18, 28 and 29) | 1,111,853 | 42,499 | 1,154,352 |
| At December 31 | 3,673,166 | 134,916 | 3,808,082 |
| Net Book Values | ₱4,533,530 | ₱32,933 | ₱4,566,463 |

The rollforward analysis of lease liabilities follows (amounts in thousands):

| | 2023 | 2022 |
|---|--------------------|-------------------|
| At January 1 | ₱7,238,419 | ₱7,355,552 |
| Additions | 2,667,420 | 1,728,241 |
| Accretion of interest expense (Notes 28 and 29) | 547,656 | 308,396 |
| Payments | (1,999,158) | (884,432) |
| As at December 31 | 8,454,337 | 8,507,757 |
| Lease liabilities – current portion | ₱1,325,059 | ₱1,333,432 |
| Lease liabilities – net of current portion | ₱7,129,278 | ₱7,174,325 |

The following are the amounts recognized in the consolidated statement of income (amounts in thousands):

| | 2023 | 2022 |
|--|-------------------|-------------------|
| | (In Thousands) | |
| Amortization expense of ROU assets (Notes 28 and 29) | ₱1,435,567 | ₱1,154,352 |
| Interest expense on lease liabilities (Notes 28 and 29) | 547,656 | 308,396 |
| Rent expense – short-term leases | 588,614 | 392,409 |
| Rent expense – low-value assets | 2,639 | 1,759 |
| Rent expense – variable lease payments | 27,117 | 18,078 |



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 2023 and 2022, the Group's variable lease payments amounted to ₱27.1 million and ₱18.1 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.

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. On September 1, 2020, PSHC filed a Motion for Leave of Court to File and Admit Attached Motion to Dismiss and Motion to Dismiss seeking for the dismissal of Coca-Cola's petition.

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.

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, engaged 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. In 2023, the matter was settled. The information normally required by PAS 37 is not disclosed as it may prejudice the outcome of the proceedings.

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:

| | 2023 | 2022 |
|-------------------------------------|---------------------|-------------|
| | (In Thousands) | |
| Unused credit line - credit cards | ₱190,658,891 | ₱82,738,025 |
| Trust department accounts (Note 30) | 61,529,662 | 52,457,448 |
| Broker customer securities | 40,840,802 | - |
| Spot exchange sold | 11,991,023 | 3,539,459 |
| Forward exchange sold | 7,640,848 | 18,762,151 |

(Forward)



| | 2023 | 2022 |
|-------------------------------------|-------------------|------------|
| | (In Thousands) | |
| Forward exchange bought | ₱4,721,303 | ₱8,028,431 |
| Spot exchange bought | 3,978,326 | 3,206,847 |
| Unused commercial letters of credit | 3,509,978 | 3,452,146 |
| Inward bills for collection | 512,802 | 618,142 |
| Outstanding guarantees | 496,103 | 618,749 |
| Treasurer/cashier/manager's checks | 461,311 | 138,621 |
| Late deposits/payments received | 8,103 | 7,358 |
| Outward bills for collection | 4,398 | 9,486 |
| Items held for safekeeping | 934 | - |
| Others | 167 | - |

Commitments

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 ₱6.4 billion and ₱4.4 billion as of December 31, 2023 and 2022, 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, 2022 and 2021, 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 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, 2022 and 2021 under investment properties.

PSHC

Milling Contracts

DSCC and CSCC (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 (See Note 13).

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 ₱122.2 million and ₱38.5 million, respectively, as of December 31, 2023 and ₱116.5 million and ₱20.9 million, respectively, as of December 31, 2022.



34. Income Tax

The components of net deferred tax assets follow:

| | 2023 | 2022 |
|---|-------------------|------------|
| | (In Thousands) | |
| Deferred tax assets on: | | |
| Allowance for impairment and credit losses | ₱3,025,561 | ₱3,210,791 |
| Provision for accruals | 631,558 | 1,505 |
| Difference in change in depreciation method | 607,183 | 486,216 |
| Lease liabilities | 302,561 | 279,879 |
| Provision for retirement and unamortized past service cost | 230,727 | 217,779 |
| Depreciation of assets foreclosed or dacioned | 182,187 | 169,814 |
| Effects of modification loss | 84,899 | 164,860 |
| Unrealized trading loss | - | 33,485 |
| NOLCO | 1,089 | |
| Advance rentals | 45,753 | - |
| Others | 942,606 | 1,241,708 |
| | 6,054,124 | 5,806,037 |
| Deferred tax liabilities on: | | |
| Unrealized foreign exchange gain | (12,226) | (237,548) |
| Unrealized trading gains | (14,178) | - |
| Revaluation increment in land | (16,547) | (16,547) |
| Remeasurement of EW Ageas Life shares (JV) | (83,958) | (83,958) |
| Branch license acquired from business combination | (156,350) | (156,350) |
| ROU assets | (107,310) | (112,876) |
| Others | (34,609) | (31,041) |
| | (425,178) | (638,320) |
| | ₱5,628,946 | ₱5,167,717 |

The components of the net deferred tax liabilities follow:

| | 2023 | 2022 |
|--|-------------------|------------|
| | (In Thousands) | |
| Deferred tax liabilities on: | | |
| Capitalized borrowing costs | ₱4,375,705 | ₱4,811,343 |
| Deemed cost revaluation increment in investment properties and property, plant and equipment | 3,974,933 | 3,350,754 |
| Excess of real estate revenue based on financial accounting policy over revenue based on tax rules | 1,893,872 | 1,955,221 |
| ROU assets | 1,056,544 | 1,090,627 |
| Others | 658,320 | 725,776 |
| | 11,959,374 | 11,933,721 |

(Forward)



| | 2023 | 2022 |
|---|--------------------|-------------|
| | (In Thousands) | |
| Deferred tax assets on: | | |
| MCIT | P- | (P109,234) |
| Allowance for ECL | (10,243) | (8,123) |
| Provision for retirement and unamortized past service cost | (25,287) | (137,798) |
| NOLCO | (323,611) | (210,721) |
| Remeasurement losses on retirement plan | (127,345) | (18,399) |
| Lease liabilities | (1,171,652) | (1,263,921) |
| Others | (19,673) | (52,533) |
| | (1,677,811) | (1,800,729) |
| | P10,281,563 | P10,132,992 |

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.

| | 2023 | 2022 |
|----------------------------------|-------------------|------------|
| | (In Thousands) | |
| NOLCO | P5,905,369 | P3,560,274 |
| Provisions/Accruals | 1,724,118 | 1,322,771 |
| Allowance for ECL | 160,187 | 160,187 |
| Excess MCIT over RCIT | 12,524 | 24,782 |
| Unrealized foreign exchange loss | - | 790 |

Details of the Group's NOLCO and MCIT are as follows:

| Year Incurred | NOLCO | MCIT | Expiry Date |
|---------------|-------------------|----------------|--------------------|
| | (In Thousands) | | |
| 2023 | P2,120,886 | P3,183 | December 31, 2025 |
| 2022 | 1,335,251 | 8,063 | December 31, 2025 |
| 2021 | 3,447,133 | 6,663 | December 31, 2024* |
| | P6,903,270 | P17,909 | |

*2026 for NOLCO

The following are the movements in NOLCO and MCIT:

| | NOLCO | | MCIT | |
|-------------------------------|-------------------|-------------|----------------|---------|
| | 2023 | 2022 | 2023 | 2022 |
| | (In Thousands) | | | |
| Balances at beginning of year | P7,119,250 | P6,847,065 | P16,836 | P26,474 |
| Additions | 2,120,885 | 1,335,251 | 1,251 | - |
| Expired/applied | (913,699) | (1,063,066) | (9,287) | (9,638) |
| Balances at end of year | P8,326,436 | P7,119,250 | P8,800 | P16,836 |

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 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:

| | 2023 | 2022 | 2021 |
|---|--------------------|-------------------|-----------------|
| | (In Thousands) | | |
| Income tax at statutory rate | ₱3,875,323 | ₱2,672,886 | ₱2,457,293 |
| Adjustments for: | | | |
| Nondeductible expenses | 2,058,417 | 1,527,594 | 407,050 |
| Movements in unrecognized deferred tax assets | 207,039 | 1,104,164 | 1,355,824 |
| Tax-exempt realized gross profit on sold socialized housing units | 9,344 | (10,761) | (17,877) |
| Impact of change in tax rate | - | - | (738,275) |
| Capital gains tax | - | - | 1,305 |
| Expired MCIT | - | - | 1,107 |
| Income subjected to final tax | (32,310) | (123,736) | (99,670) |
| Rent income covered by Philippine Economic Zone Authority (PEZA) | (287,678) | (203,170) | (519,422) |
| Income tax holiday availed | (344,923) | (620,628) | (631,248) |
| FCDU income | (744,264) | (882,788) | (713,374) |
| Nontaxable income | (1,005,806) | (570,946) | (351,950) |
| Others | (370,659) | (503,730) | (207,338) |
| | ₱3,364,483 | ₱2,388,885 | ₱943,425 |

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”

To attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act was signed into law on March 26, 2021- The CREATE Act introduces reforms to the corporate income tax and incentives systems. It took effect on April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Group:

- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.
- For investments prior to effectivity of CREATE:
 - i. Registered business enterprises (RBEs) granted only an ITH – can continue with the availment of the ITH for the remaining period of the ITH.
 - ii. RBEs granted an ITH followed 5% GIT or are currently enjoying 5% GIT – allowed to avail of the 5% GIT for 10 years.

For financial reporting purposes, the changes to the December 31, 2020 balances as a result of the CREATE Act are recognized in the consolidated financial statements as of and year ended December 31, 2021 in accordance with PIC Q&A 2020-07, *Accounting for the Proposed Changes in Income Tax Rates under the CREATE bill* dated January 27, 2021. Decrease in deferred tax liabilities



on the deemed cost revaluation increment in investment properties and property, plant and equipment of a subsidiary amounting to ₱670.1 million was charged directly to equity (Retained earnings).

As of December 31, 2023, provision for current income tax and deferred tax are recognized based on the effective income tax rate of 25%.

Other matters - FILRT

Effective August 12, 2021, as a REIT entity, FILRT is entitled to the following: (a) not subject to 2% MCIT, (b) exemption from VAT and documentary stamp tax on the transfer of property in exchange of its shares, (c) deductibility of dividend distribution from its taxable income, and (d) 50% of the standard DST rate of the transfer of real property into FILRT, including the sale or transfer of any and all security interest thereto, provided it has complied with the requirements under RA No. 9856 and Implementing Rules and Regulations of RA No. 9856.

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. The Group's revenues are earned 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, 2023, 2022 and 2021.

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 and Utility Operations

This involves operation of power plants and supply of power to offtakers and also includes retail electricity supply operations. This segment also involves maintenance, operation and management of waterworks system for distribution and supply of potable water to domestic, commercial, and industrial users.

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 FDCI, CTI, FDEV and SPI. FDCI was incorporated to facilitate the Group's issuance of foreign currency-denominated bonds while CTI is engaged in providing computer and information technology services. FDEV was organized to engage in the business of a holding company and invest in technology-based business entities while SPI was incorporated to provide technical and business process services.

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 Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA).



December 31, 2023

| | Real Estate Operations | Hospitality Operations | Banking and Financial Services | Power Operations | Sugar Operations | Other Operations | Combined | Eliminating Entries | Consolidated |
|-------------------------------|---------------------------|---------------------------|--------------------------------------|---------------------|---------------------|---------------------|--------------|------------------------|--------------|
| (In Thousands) | | | | | | | | | |
| Revenues | | | | | | | | | |
| External customers | ₱23,758,661 | ₱2,856,543 | ₱33,943,051 | ₱17,207,202 | ₱5,027,067 | - | ₱82,792,524 | ₱ | ₱82,792,524 |
| Inter-segment | 563,841 | - | 627,117 | 1,462,363 | 169,594 | - | 2,822,915 | (2,822,915) | - |
| | ₱24,322,502 | ₱2,856,543 | ₱34,570,168 | ₱18,669,565 | ₱5,196,661 | - | ₱85,615,439 | (₱2,822,915) | ₱82,792,524 |
| Other income | 7,076,840 | 704,083 | 7,785,357 | 415,936 | 58,172 | - | 16,040,388 | (5,991,371) | 10,049,017 |
| | ₱31,399,342 | ₱3,560,626 | ₱42,355,525 | ₱19,085,501 | ₱5,254,833 | - | ₱101,655,827 | (₱8,814,286) | ₱92,841,541 |
| EBITDA | ₱10,994,632 | ₱926,594 | ₱9,252,886 | ₱5,507,135 | ₱980,223 | ₱3,166,975 | ₱30,828,445 | (₱4,957,678) | ₱25,870,768 |
| Net income | ₱5,562,613 | (₱52,006) | ₱6,083,296 | ₱2,512,123 | ₱621,450 | ₱952,368 | ₱15,679,844 | (₱3,543,034) | ₱12,136,810 |
| Assets | | | | | | | | | |
| Operating assets | ₱245,812,029 | ₱14,780,326 | ₱464,205,319 | ₱36,807,927 | ₱2,895,694 | ₱88,487,652 | ₱852,988,947 | (₱118,054,914) | ₱734,934,033 |
| Less deferred tax asset | 52,220 | 309,354 | 4,098,880 | 761,746 | 84,527 | 62,252 | 5,368,979 | 259,967 | 5,628,946 |
| Net operating assets | ₱245,759,809 | ₱14,470,972 | ₱460,106,439 | ₱36,046,181 | ₱2,811,167 | ₱88,425,400 | ₱847,619,968 | (₱118,314,881) | ₱729,305,087 |
| Liabilities | | | | | | | | | |
| Operating liabilities | ₱123,234,132 | ₱11,278,953 | ₱397,030,156 | ₱25,301,776 | ₱621,589 | ₱46,714,763 | ₱604,181,369 | (₱46,939,211) | ₱557,242,158 |
| Less deferred tax liabilities | 9,923,955 | 2,286,914 | 6,073,341 | 2,103,189 | - | 336,182 | 20,723,581 | (10,442,018) | 10,281,563 |
| Net operating liabilities | ₱113,310,177 | ₱8,992,039 | ₱390,956,815 | ₱23,198,587 | ₱621,589 | ₱46,378,581 | ₱583,457,788 | (₱36,497,193) | ₱546,960,595 |



December 31, 2022

| | Real Estate Operations) | Hospitality Operations | Banking and Financial Services | Power Operations | Sugar Operations | Other Operations | Combined | Eliminating Entries | Consolidated |
|-------------------------------|----------------------------|---------------------------|--------------------------------------|---------------------|---------------------|---------------------|--------------|------------------------|--------------|
| | (In Thousands) | | | | | | | | |
| Revenues | | | | | | | | | |
| External customers | ₱20,046,855 | ₱1,928,979 | ₱25,652,661 | ₱12,899,789 | ₱4,280,178 | ₱ – | ₱64,808,460 | ₱ – | ₱64,808,460 |
| Inter-segment | 584,063 | – | 467,665 | 1,181,637 | (217,398) | – | 2,015,967 | (2,015,967) | – |
| | ₱20,630,918 | ₱1,928,979 | ₱26,120,326 | ₱14,081,426 | ₱4,062,780 | – | ₱66,824,427 | (₱2,015,967) | ₱64,808,460 |
| Other income | 2,507,716 | 39,775 | 5,259,776 | 222,756 | 65,057 | 2,393,727 | 10,488,807 | (4,173,675) | 6,315,132 |
| | ₱23,138,633 | ₱1,968,754 | ₱31,380,102 | ₱14,304,182 | ₱4,127,837 | ₱2,393,727 | ₱77,313,234 | (₱6,189,642) | ₱71,123,592 |
| EBITDA | ₱8,338,406 | (₱44,764) | ₱8,565,990 | ₱4,300,344 | ₱559,812 | ₱1,925,129 | ₱23,647,657 | (₱2,888,482) | ₱20,759,174 |
| Net income | ₱4,004,395 | (₱645,176) | ₱4,966,098 | ₱2,014,604 | ₱309,220 | (₱124,128) | ₱10,525,013 | (₱2,222,354) | ₱8,302,660 |
| Assets | | | | | | | | | |
| Operating assets | ₱239,305,327 | ₱13,852,233 | ₱429,029,192 | ₱35,067,326 | ₱2,616,541 | ₱81,257,703 | ₱801,128,322 | (₱114,307,713) | ₱686,820,609 |
| Less deferred tax asset | 94,908 | 129,435 | 3,906,672 | 618,461 | 99,166 | 59,108 | 4,907,751 | 259,966 | 5,167,717 |
| Net operating assets | ₱239,210,419 | ₱13,722,798 | ₱425,122,520 | ₱34,448,865 | ₱2,517,375 | ₱81,198,595 | ₱796,220,571 | (₱114,567,679) | ₱682,464,786 |
| Liabilities | | | | | | | | | |
| Operating liabilities | ₱120,192,177 | ₱11,401,439 | ₱360,336,994 | ₱25,366,302 | ₱996,113 | ₱47,566,086 | ₱565,859,111 | (₱44,898,544) | ₱521,148,567 |
| Less deferred tax liabilities | 9,451,709 | 127,087 | – | 8,263 | 3,650 | 53 | 9,590,762 | 542,230 | 10,132,992 |
| Net operating liabilities | ₱110,740,468 | ₱11,274,352 | ₱360,336,994 | ₱25,358,039 | ₱992,463 | ₱47,566,033 | ₱556,268,349 | (₱44,440,879) | ₱511,827,470 |



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) | | | |
| December 31, 2023 | | | |
| Real estate operations | ₱5,562,613 | ₱(25,004) | ₱5,537,609 |
| Hospitality operations | (52,006) | 157,668 | 105,662 |
| Banking and financial services | 6,083,296 | (144,223) | 5,939,073 |
| Power and utility operations | 2,512,123 | 322,437 | 2,834,560 |
| Sugar operations | 621,450 | (16,035) | 605,415 |
| Other operations | 952,368 | (3,837,877) | (2,885,509) |
| | ₱15,679,844 | ₱(3,543,034) | ₱12,136,810 |
| December 31, 2022 | | | |
| Real estate operations | ₱4,004,395 | ₱93,144 | ₱4,097,539 |
| Hospitality operations | (645,176) | 44,830 | (600,346) |
| Banking and financial services | 4,966,098 | (526,040) | 4,440,058 |
| Power and utility operations | 2,014,604 | 173,839 | 2,188,442 |
| Sugar operations | 309,220 | 158,708 | 467,928 |
| Other operations | (124,127) | (2,166,834) | (2,290,961) |
| | ₱10,525,014 | ₱(2,222,353) | ₱8,302,660 |
| December 31, 2021 | | | |
| Real estate operations | ₱4,885,577 | ₱57,153 | ₱4,942,730 |
| Hospitality operations | (755,832) | 37,144 | (718,688) |
| Banking and financial services | 4,478,835 | (138,459) | 4,340,376 |
| Power and utility operations | 1,866,349 | 189,957 | 2,056,306 |
| Sugar operations | 440,629 | (133,960) | 306,669 |
| Other operations | 709,136 | (2,750,782) | (2,041,646) |
| | ₱11,624,694 | ₱(2,738,947) | ₱8,885,747 |

The following table shows a reconciliation of the total EBITDA to total income before income tax:

| | 2023 | 2022 | 2021 |
|--|--------------------|----------------|-------------|
| | | (In Thousands) | |
| EBITDA for reportable segments | ₱25,870,768 | ₱20,759,175 | ₱19,724,358 |
| Depreciation and amortization (Notes 28 and 29) | (5,204,280) | (5,368,958) | (5,478,194) |
| Operating profit | 20,666,488 | 15,390,218 | 14,246,164 |
| Interest expense (Note 29)* | (5,165,195) | (4,698,672) | (4,416,992) |
| Income before income tax | ₱15,501,293 | ₱10,691,545 | ₱9,829,172 |

* 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:

| | 2023 | 2022 | 2021 |
|---|--------------------|-------------|-------------|
| | (In Thousands) | | |
| Real Estate Sales by Product Type | | | |
| Condominium and residential units | ₱16,094,806 | ₱13,314,664 | ₱11,966,859 |
| | 16,094,806 | 13,314,664 | 11,966,859 |
| Cinema Operations by Type of Goods or Services (included as part of Mall and rental revenue) | | | |
| Theater and parking sales | 214,452 | 163,853 | 63,021 |
| Snack bar sales | 14,066 | 8,871 | 10 |
| | 228,518 | 172,724 | 63,031 |
| Tenant Dues | | | |
| Office leasing | 1,149,383 | 1,158,229 | 1,210,100 |
| Mall operations | 379,197 | 344,514 | 282,991 |
| | 1,528,580 | 1,502,743 | 1,493,091 |
| Total Revenue from Contracts with Customers | 17,851,904 | 14,990,131 | 13,522,981 |
| Rental and related services | | | |
| Office leasing | 3,568,857 | 3,450,151 | 3,459,692 |
| Mall and retail | 2,010,394 | 1,444,721 | 649,261 |
| Land lease | 327,506 | 161,850 | 213,225 |
| | 5,906,757 | 5,056,722 | 4,322,178 |
| Total Revenue | ₱23,758,661 | ₱20,046,853 | ₱17,845,159 |

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:

| | 2023 | 2022 | 2021 |
|--|-------------------|------------|------------|
| | (In Thousands) | | |
| Hospitality Operations by Type of Services | | | |
| Rooms services | ₱1,559,733 | ₱941,107 | ₱660,923 |
| Golf operations related services | 383,635 | 214,328 | 132,352 |
| Other operating departments | 141,189 | 68,376 | 30,595 |
| | 2,084,557 | 1,223,811 | 823,870 |
| Sale of Goods by Product Type | | | |
| Food and beverage | 771,986 | 705,168 | 382,814 |
| Total Revenue from Contracts with Customers | ₱2,856,543 | ₱1,928,979 | ₱1,206,684 |

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:

| | 2023 | 2022 | 2021 |
|---|--------------------|-------------|-------------|
| | (In Thousands) | | |
| Interest Income | | | |
| Loans and receivables (Note 9) | ₱29,222,542 | ₱21,942,930 | ₱20,644,412 |
| Financial assets at FVOCI and investment securities at amortized cost (Note 12) | 4,109,779 | 3,018,589 | 1,213,865 |
| Financial assets as FVPL (Note 12) | 220,277 | 163,904 | 345,017 |
| Due from other banks and IBLR (Note 6) | 390,453 | 527,238 | 591,800 |
| Total Interest Income | ₱33,943,051 | ₱25,652,661 | ₱22,795,094 |

Power and Utility Operations

Disaggregation of each sources of revenue from contracts with customers are presented below:

| | 2023 | 2022 | 2021 |
|--|--------------------|-------------|------------|
| | (In Thousands) | | |
| Revenue by Type of Services | | | |
| Generated power | ₱17,207,202 | ₱12,819,596 | ₱9,300,781 |
| Retail electricity supply | - | 80,193 | 94,387 |
| Total Revenue from Contracts with Customers | ₱17,207,202 | ₱12,899,789 | ₱9,395,168 |

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:

| | 2023 | 2022 | 2021 |
|--|-------------------|------------|------------|
| | (In Thousands) | | |
| By Product Type | | | |
| Raw sugar | ₱3,193,067 | ₱2,749,335 | ₱2,450,075 |
| Milling revenues | 1,427,184 | 1,170,153 | 934,869 |
| Molasses | 88,904 | 326,637 | 281,031 |
| Refined sugar | 317,912 | 43,360 | 102,185 |
| Others | | (9,307) | - |
| Total Revenue from Contracts with Customers | ₱5,027,067 | ₱4,280,178 | ₱3,768,160 |

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:

| | 2023 | | | | |
|--|--------------------|--------------------|--|---|---|
| | Carrying Value | Fair Value | | | Significant Unobservable Inputs (Level 3) |
| | | Total | Quoted Prices in Active Market (Level 1) | Significant Observable Inputs (Level 2) | |
| (In Thousands) | | | | | |
| Assets measured at fair value | | | | | |
| Financial assets | | | | | |
| Financial assets at FVPL (Note 12) | | | | | |
| Government securities | 4,058,236 | 4,058,236 | 4,058,236 | - | - |
| Private bonds | 43,707 | 43,707 | 43,707 | - | - |
| Equity securities | 10,379 | 10,379 | 10,379 | - | - |
| | 4,112,322 | 4,112,322 | 4,112,322 | - | - |
| Derivative assets (Note 20) | 21,812 | 21,812 | - | 21,812 | - |
| Financial assets at FVOCI (Note 12) | | | | | |
| Government debt securities | 11,731,843 | 11,731,843 | 11,731,843 | - | - |
| Private bonds | 6,737,050 | 6,737,050 | 6,737,050 | - | - |
| Quoted equity securities including club shares | 906,182 | 906,182 | 906,182 | - | - |
| Unquoted equity securities | 36,350 | 36,350 | 36,350 | - | - |
| | 19,411,425 | 19,411,425 | 19,411,425 | - | - |
| Assets for which fair values are disclosed | | | | | |
| Financial assets | | | | | |
| Investment securities at amortized cost (Note 12) | | | | | |
| Government securities | 71,825,991 | 71,836,021 | 71,836,021 | - | - |
| Private bonds | 3,575,028 | 3,575,706 | 3,575,706 | - | - |
| | 75,401,019 | 75,411,727 | 75,411,727 | - | - |
| Loans and receivables | | | | | |
| Banking and financial services (Note 9) | | | | | |
| Corporate lending | 42,342,410 | 44,192,824 | - | - | 44,192,824 |
| Consumer lending | 228,933,071 | 259,601,838 | - | - | 259,601,838 |
| Unquoted debt securities | 9,977,897 | 11,661,816 | - | - | 11,661,816 |
| | 281,253,378 | 315,456,478 | - | - | 315,456,478 |
| Real estate operations (Note 7) | | | | | |
| Contracts receivable | 3,582,421 | 3,582,421 | - | - | 3,582,421 |
| Receivables from tenants | 2,495,211 | 2,495,211 | - | - | 2,495,211 |
| | 6,077,632 | 6,077,632 | - | - | 6,077,632 |
| Nonfinancial assets | | | | | |
| Investment properties (Note 16) | 96,572,707 | 336,297,865 | - | - | 336,297,865 |
| Total assets | 482,850,295 | 756,789,261 | 98,935,474 | 21,812 | 657,831,975 |
| Liabilities measured at fair value | | | | | |
| Financial liabilities | | | | | |
| Derivative liabilities (Note 23) | 103,083 | 103,083 | - | 103,083 | - |
| Liabilities for which fair values are disclosed | | | | | |
| Financial liabilities at amortized costs | | | | | |
| Deposit liabilities (Note 21) | | | | | |
| Time | 64,126,014 | 64,126,014 | - | - | 64,126,014 |
| Savings | 152,641,165 | 152,641,165 | - | - | 152,641,165 |
| Demand | 122,014,133 | 122,014,133 | - | - | 122,014,133 |
| | 338,781,312 | 338,781,312 | - | - | 338,781,312 |
| Accounts payable, accrued expenses and other liabilities (Note 23) | | | | | |
| Accounts payable | 16,783,176 | 15,702,609 | - | - | 15,702,609 |
| Retention fee payable | 3,100,078 | 2,900,638 | - | - | 2,900,638 |
| Deposits for registration | 3,987,504 | 3,730,616 | - | - | 3,730,616 |
| | 23,870,758 | 22,333,863 | - | - | 22,333,863 |
| Lease liabilities (Note 32) | 8,454,337 | 10,213,638 | - | - | 10,213,638 |
| Long-term and short-term debt (Note 24) | 132,371,944 | 159,917,812 | - | - | 159,917,812 |
| | 503,581,434 | 531,349,708 | - | 103,083 | 531,246,625 |



| | 2022 | | | | |
|--|---------------------|---------------------|--|---|---|
| | Carrying Value | Fair 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 | ₱1,903,956 | ₱1,903,956 | ₱1,903,956 | ₱- | ₱- |
| Private bonds | 44,011 | 44,011 | 44,011 | - | - |
| Equity securities | 10,343 | 10,343 | 10,343 | - | - |
| | 1,958,310 | 1,958,310 | 1,958,310 | - | - |
| Derivative assets (Note 20) | 18,750 | 18,750 | - | 18,750 | - |
| Financial assets at FVOCI (Note 12) | | | | | |
| Government debt securities | 10,220,132 | 10,220,132 | 10,220,132 | - | - |
| Private bonds | 6,511,186 | 6,511,186 | 6,511,186 | - | - |
| Quoted equity securities including club shares | 598,078 | 598,078 | 598,078 | - | - |
| Unquoted equity securities | 47,929 | 47,929 | - | - | 47,929 |
| | 17,377,325 | 17,377,325 | 17,329,396 | - | 47,929 |
| Assets for which fair values are disclosed | | | | | |
| Financial assets | | | | | |
| Investment securities at amortized cost (Note 12) | | | | | |
| Government securities | 59,942,557 | 59,953,107 | 59,953,107 | - | - |
| Private bonds | 3,603,634 | 3,604,364 | 3,604,364 | - | - |
| | 63,546,191 | 63,557,471 | 63,557,471 | - | - |
| Loans and receivables | | | | | |
| Banking and financial services (Note 9) | | | | | |
| Corporate lending | 51,160,201 | 52,011,456 | - | - | - |
| Consumer lending | 193,078,406 | 199,702,259 | - | - | - |
| Unquoted debt securities | 74,287 | 74,287 | - | - | 74,287 |
| | 244,312,894 | 251,788,002 | - | - | 74,287 |
| Real estate operations (Note 7) | | | | | |
| Contracts receivable | 5,809,068 | 5,809,068 | - | - | 5,809,068 |
| Receivables from tenants | 2,237,845 | 2,237,845 | - | - | 2,237,845 |
| | 8,046,913 | 8,046,913 | - | - | 8,046,913 |
| Nonfinancial assets | | | | | |
| Investment properties (Note 16) | 95,503,366 | 322,911,127 | - | - | 322,911,127 |
| Total assets | ₱430,763,749 | ₱665,657,898 | ₱82,845,177 | ₱18,750 | ₱331,080,256 |
| Liabilities measured at fair value | | | | | |
| Financial liabilities | | | | | |
| Derivative liabilities (Note 23) | ₱107,835 | ₱107,835 | ₱- | ₱107,835 | ₱- |
| Liabilities for which fair values are disclosed | | | | | |
| Financial liabilities at amortized costs | | | | | |
| Deposit liabilities (Note 21) | | | | | |
| Time | 65,824,377 | 65,750,292 | - | - | 65,750,292 |
| LTNCD | 2,447,204 | 4,888,686 | - | - | 4,888,686 |
| | 68,271,581 | 70,638,978 | - | - | 70,638,978 |
| Accounts payable, accrued expenses and other liabilities (Note 23) | | | | | |
| Accounts payable | 17,027,221 | 16,602,584 | - | - | 16,602,584 |
| Retention fee payable | 3,283,754 | 3,169,699 | - | - | 3,169,699 |
| Deposits for registration | 1,650,042 | 1,579,491 | - | - | 1,579,491 |
| | 21,961,017 | 21,351,774 | - | - | 21,351,774 |
| Lease liabilities (Note 32) | 8,507,757 | 11,112,919 | - | - | 11,112,919 |
| Long-term and short-term debt (Note 24) | 137,224,888 | 152,416,182 | - | - | 152,416,182 |
| | ₱236,073,078 | ₱255,627,688 | ₱- | ₱107,835 | ₱255,519,853 |



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 2022 and 2021. 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 rate used was 4.28% in 2022 and 2021 and 4.3% to 7.6% in 2020, 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 4.2% to 7.2% and 4.2% to 6.7% as of December 31, 2022 and 2021, respectively. Long-term debt subjected to quarterly repricing and short-term debt are not discounted since it approximates fair value.

During the years ended December 31, 2023 and 2022, 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.



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 over-all management of EW's market, liquidity, and financial position related risks. It monitors EW's liquidity position and reviews the impact of strategic decisions on liquidity. It is responsible for managing liquidity risks and ensuring exposures remain within established tolerance levels. The ALCO's primary responsibilities include, among others, (a) ensuring that EW and each business unit holds sufficient liquid assets of appropriate quality and in appropriate currencies to meet short-term funding and regulatory requirements, (b) managing financial position and ensuring that business strategies are consistent with its liquidity, capital and funding strategies, (c) establishing asset and/or liability pricing policies that are consistent with the financial position objectives, (d) recommending market and liquidity risk limits to the Risk Management Committee (RMC) and BOD and 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 4 times in a year, and is responsible to assist RMC in fulfilling its responsibilities in managing EW's risk taking activities. This is performed by the committee by implementing the risk management principles, strategies, framework, policies, processes, and initiatives across 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 apprises the BOD, through the RMC, the results of its risk monitoring.
- l. Internal Audit Division (IAD)
IAD provides an independent assessment of the adequacy of EW's internal controls, risk management, governance framework and execution/operational practices. Internal audit activities are conducted in accordance with the International Standards for the Professional Practice of Internal Auditing (ISPPA) 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, 2023 and 2022

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:

| | 2023 | | | | 2022 | | | |
|---|-------------------------------------|------------------------------|------------------------------------|------------------------------|-------------------------------------|------------------------------|------------------------------------|------------------------------|
| | 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 Thousands) | | | | | | | | |
| Securities purchased under resell agreement (SPURA) | P15,976,310 | P15,976,310 | P15,976,310 | P- | P- | P- | P- | P- |
| Loans and receivables | | | | | | | | |
| Receivables from customers* | | | | | | | | |
| Corporate lending | 59,632,224 | 26,694,071 | 8,851,633 | 50,780,591 | P68,811,837 | P29,960,135 | P8,279,263 | P60,532,574 |
| Consumer lending | 237,245,147 | 92,740,786 | 71,702,993 | 165,542,154 | 189,920,377 | 77,529,015 | 64,563,550 | 125,209,544 |
| | P312,853,681 | P135,411,167 | P96,530,936 | P216,322,745 | P258,732,214 | P107,489,150 | P72,842,813 | P185,742,118 |

*Excludes unamortized premium

For off-balance sheet items, the figures presented below as reported to BSP summarize EW's maximum exposure to credit risk:

| | 2023 | | | | | 2022 | | | | |
|-----------------------------------|---------------------------|--------------------------|--------------------------|------------------------|---------------------|---------------------------|--------------------------|--------------------------|------------------------|---------------------|
| | 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 Thousands) | | | | | | | | | | |
| Off-balance sheet items* | | | | | | | | | | |
| Direct credit substitutes | P434,151 | 100% | P434,151 | P- | P434,151 | P618,749 | 100% | P618,749 | - | P618,749 |
| Transaction-related contingencies | 3,087,808 | 50% | 1,543,904 | - | 1,543,904 | 2,843,341 | 50% | 1,421,671 | - | 1,421,671 |
| Guarantees | 91,216 | 20% | 18,243 | - | 18,243 | - | 20% | - | - | - |
| Letters of credit | 392,906 | 20% | 78,582 | - | 78,582 | 608,806 | 20% | 121,761 | - | 121,761 |
| | P4,006,081 | | P2,074,880 | P- | P2,074,880 | P4,070,896 | | P2,162,181 | | P2,162,181 |

*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:

| | 2023 | | 2022 | |
|-------------------|---------------------|--------------|--------------|--------|
| | Gross Amount | % | Gross Amount | % |
| Loans secured by: | | | | |
| Chattel | ₱81,558,366 | 27.47 | ₱66,580,479 | 25.73 |
| Real Estate | 22,569,967 | 7.60 | 25,113,211 | 9.71 |
| Others* | 15,516,687 | 5.23 | 15,972,417 | 6.17 |
| | 119,645,020 | 40.30 | 107,666,107 | 41.61 |
| | 177,232,351 | 59.70 | 151,066,107 | 58.39 |
| Unsecured | ₱296,877,371 | 100 | ₱258,732,214 | 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:

| | 2023 | | | |
|--|------------------|-----------------|------------------|-----------------|
| | Top 20 Borrowers | | Large Exposures* | |
| | Single Borrowers | Group Borrowers | Single Borrowers | Group Borrowers |
| Aggregate Exposure (In Billions) | ₱27,605 | ₱29,125 | ₱11,543 | ₱12,287 |
| Composite Risk Rating | 3.24 | 3.39 | 1.00 | 1.00 |
| Total Expected Loss/Aggregate Exposure | 1.38% | 1.69% | 0.01% | 0.02% |

*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.

| | 2022 | | | |
|--|------------------|-----------------|------------------|-----------------|
| | Top 20 Borrowers | | Large Exposures* | |
| | Single Borrowers | Group Borrowers | Single Borrowers | Group Borrowers |
| Aggregate Exposure (In Billions) | ₱27,788 | ₱33,087 | ₱12,350 | ₱19,168 |
| Composite Risk Rating | 2.89 | 3.12 | 1 | 2.01 |
| Total Expected Loss/Aggregate Exposure | 2.21% | 2.05% | 0.01% | 0.39% |

*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:

| 2023 | | | | | | |
|--|-----------------------|-----------|------------------------------|-------------------------|---------------------------|---------------------|
| | Loans and Receivables | | Loans and Advances to Banks* | Investment Securities** | Other Financial Assets*** | Total |
| | Amount | % | | | | |
| Private households with employed persons | ₱212,499,312 | 68.87 | ₱- | ₱ | ₱- | ₱212,499,312 |
| Real estate, renting and business activity | 24,703,996 | 8.01 | - | 15,068 | - | 24,719,064 |
| Wholesale and retail trade, repair of motor vehicles | 22,786,921 | 7.39 | - | - | - | 22,786,921 |
| Financial intermediaries | 10,022,249 | 3.25 | 35,083,516 | 2,411,398 | - | 47,517,163 |
| Manufacturing | 7,449,135 | 2.41 | - | 166 | - | 7,449,301 |
| Electricity, gas, steam and air-conditioning supply | 7,128,870 | 2.31 | - | 2,399,382 | - | 9,528,252 |
| Other service activities | 3,736,544 | 1.21 | - | 1,071,840 | - | 4,808,384 |
| Accommodation and food service activities | 2,466,181 | 0.80 | - | 519,648 | - | 2,985,829 |
| Transportation and storage | 2,136,776 | 0.69 | - | - | - | 2,136,776 |
| Government and foreign sovereign | 1,535,700 | 0.50 | - | 87,626,099 | - | 89,161,799 |
| Construction | 1,509,341 | 0.49 | - | - | - | 1,509,341 |
| Agriculture, fisheries and forestry | 829,046 | 0.27 | - | - | - | 829,046 |
| Administrative and support service activities | 550,605 | 0.18 | - | - | - | 550,605 |
| Holding | 72,204 | 0.02 | - | 3,964,409 | - | 4,036,613 |
| Others**** | 11,112,306 | 3.60 | - | - | 473,125 | 11,585,431 |
| | 308,539,186 | 100 | 35,083,516 | 98,008,010 | 473,125 | 442,103,837 |
| Allowance for credit losses | 11,923,717 | - | 821 | 10,708 | - | 11,935,246 |
| Total | ₱296,615,469 | ₱- | ₱35,082,695 | ₱97,997,301 | ₱473,125 | ₱430,168,590 |

* 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 - 132 -ealth and social activities, education, and information and communication.

| 2022 | | | | | | |
|--|-----------------------|-------|------------------------------|-------------------------|---------------------------|---------------------|
| | Loans and Receivables | | Loans and Advances to Banks* | Investment Securities** | Other Financial Assets*** | Total |
| | Amount | % | | | | |
| Private households with employed persons | ₱170,124,373 | 65.54 | ₱- | ₱- | ₱- | ₱170,124,373 |
| Real estate, renting and business activity | 26,645,121 | 9.86 | - | 15,068 | - | 26,660,189 |
| Wholesale and retail trade, repair of motor vehicles | 22,551,473 | 8.35 | - | - | - | 22,551,473 |
| Financial intermediaries | 10,465,267 | 3.87 | 50,654,495 | 2,390,243 | - | 63,510,005 |
| Manufacturing | 9,714,244 | 3.59 | - | 130 | - | 9,714,374 |
| Electricity, gas, steam and air-conditioning supply | 8,504,601 | 3.15 | - | 2,416,589 | - | 10,921,190 |
| Other service activities | 3,106,516 | 1.16 | - | 1,007,572 | - | 4,114,088 |
| Transportation and storage | 2,514,589 | 0.93 | - | - | - | 2,514,589 |
| Accommodation and food service activities | 2,468,071 | 0.91 | - | 501,711 | - | 2,969,782 |
| Construction | 2,223,701 | 0.82 | - | - | - | 2,223,701 |
| Government and foreign sovereign | 1,161,282 | 0.43 | - | 72,077,196 | - | 73,238,478 |
| Agriculture, fisheries and forestry | 814,372 | 0.30 | - | - | - | 814,372 |
| Administrative and support service activities | 422,712 | 0.16 | - | - | - | 422,712 |
| Holding | 72,706 | 0.03 | - | 3,853,659 | - | 3,926,365 |
| Others**** | 9,530,597 | 0.90 | - | - | 415,173 | 9,945,770 |
| | 270,319,625 | 100 | 50,654,495 | 82,262,168 | 415,173 | 403,651,461 |
| Allowance for credit losses (Note 15) | 12,230,550 | - | 1,197 | 11,280 | - | 12,243,027 |
| Total | ₱258,089,075 | | ₱50,653,298 | ₱82,250,888 | ₱415,173 | ₱391,408,434 |

* 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 - 132 -ealth 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, 2023 and 2022 follows:

| | 2023 | | | | |
|---------------------------------------|-----------------------|------------------------------|-------------------------|---------------------------|--------------|
| | Loans and Receivables | Loans and Advances to Banks* | Investment Securities** | Other Financial Assets*** | Total |
| Philippines | ₱308,190,548 | ₱33,405,685 | ₱81,520,409 | ₱468,834 | ₱423,981,222 |
| Asia (excluding Philippines) | 279,347 | 661,626 | 13,198,807 | - | 14,139,780 |
| Australia | - | 73,293 | - | - | 73,293 |
| Europe | 21,534 | 164,522 | 2,022,107 | 4,272 | 2,212,435 |
| North America | 47,757 | - | 1,266,686 | - | 918,697 |
| South America | - | - | - | - | - |
| USA | - | 778,390 | - | 19 | 778,409 |
| | 308,539,186 | 35,083,516 | 98,008,009 | 473,125 | 442,103,836 |
| Allowance for credit losses (Note 15) | 11,923,716 | 821 | 10,708 | - | 11,935,246 |
| | ₱296,615,470 | ₱35,082,695 | ₱97,997,301 | ₱473,125 | ₱430,168,590 |

* 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

| | 2022 | | | | |
|------------------------------|-----------------------|------------------------------|-------------------------|---------------------------|--------------|
| | Loans and Receivables | Loans and Advances to Banks* | Investment Securities** | Other Financial Assets*** | Total |
| Philippines | ₱269,993,181 | ₱47,631,907 | ₱66,558,598 | ₱414,978 | ₱384,598,664 |
| Asia (excluding Philippines) | 256,671 | 331,094 | 12,446,222 | 57 | 13,034,044 |
| Australia | - | 401,322 | - | - | 401,322 |
| Europe | 21,684 | 500,408 | 2,005,361 | 138 | 2,527,591 |
| North America | 48,089 | - | 1,251,986 | - | 1,300,075 |
| South America | - | - | - | - | - |
| USA | - | 1,722,370 | - | - | 1,722,370 |
| | 270,319,625 | 50,587,101 | 82,262,167 | 415,173 | 403,584,066 |
| Allowance for credit losses | 12,230,550 | 4,549 | 11,280 | - | 12,246,379 |
| | ₱258,089,075 | ₱50,582,552 | ₱82,250,887 | ₱415,173 | ₱391,337,687 |

* 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.

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.

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"> • low probability of going into default within the coming year; very high debt service capacity and balance sheets show no sign of any weakness • has ready access to adequate funding sources • high degree of stability, substance and diversity • of the highest quality under virtual economic conditions |
| 2 | Strong | <ul style="list-style-type: none"> • low probability of going into default in the coming year • access to money markets is relatively good • business remains viable under normal market conditions • strong market position with a history of successful financial performance • financials show adequate cash flows for debt servicing and generally conservative balance sheets |
| 3 | Good | <ul style="list-style-type: none"> • sound but may be susceptible, to a limited extent, to cyclical changes in the markets in which they operate • financial performance is good and capacity to service debt remains comfortable • cash flows remain healthy and critical balance sheet ratios are at par with industry norms • reported profits in the past three years and expected to sustain profitability in the coming year |
| 4 | Satisfactory | <ul style="list-style-type: none"> • clear risk elements exist and probability of going into default is somewhat greater, as reflected in the volatility of earnings and overall performance • normally have limited access to public financial markets • able to withstand normal business cycles, but expected to deteriorate beyond acceptable levels under prolonged unfavorable economic period • combination of reasonably sound asset and cash flow protection |
| 5 | Acceptable | <ul style="list-style-type: none"> • risk elements for the EW are sufficiently pronounced, but would still be able to withstand normal business cycles • immediate deterioration beyond acceptable levels is expected given prolonged unfavorable economic period • there is sufficient cash flow either historically or expected in the future in spite of economic downturn combined with asset protection |



| Rating | Description | Account/Borrower Characteristics |
|--------|-----------------|---|
| 5B | Acceptable | <ul style="list-style-type: none"> • financial condition hard to ascertain due to weak validation of financial statements coupled by funding leakages to other business interests whose financial condition is generally unknown • continuous decline in revenues and margins due to competition • substantial or unexplained build-up in borrowings with banks financing bulk of working capital and capex requirements coupled by substantial dividends pay-outs • chronically tight cash flows with operating income negative or barely enough for debt servicing • with past record of past due loans with other banks, cancelled credit cards and court cases |
| 6 | Watchlist | <ul style="list-style-type: none"> • with identified disruptions that may negatively affect performance but are likely to be resolved within the year • deteriorating revenue, net income, margins, leverage which may lead to loss on credit exposure if trends are not reversed • thin margin business with high debt burden with increase in debt level not commensurate to growth in revenues and funding requirements |
| 7 | Special Mention | <ul style="list-style-type: none"> • not meeting expectations on business projections and/or repayment schedule • experienced sudden and unexpected adverse event which is likely to affect business operations and eventually loan repayment • maxed out lines with banks and availments evergreen with minimal payments made over time • some payment defaults but with probability to revert to current • loan has been restructured but conditions that fully met • litigation is being contemplated |
| 8 | Substandard | <ul style="list-style-type: none"> • net loss for the last 2 years that have eroded capital substantially with no clear prospects of a turnaround or capital infusion from owners • evergreen for 2 years with lines with all creditors maxed-out and no clear source of repayment due to chronic tightness in cashflows • recurring past due status due to cashflow problems with no definite commitment to pay or restructure • restructured but not complied • with serious flaws in Type A documentation that have surfaced after loan release • collection case filed |



| Rating | Description | Account/Borrower Characteristics |
|--------|-------------|--|
| 9 | Doubtful | <ul style="list-style-type: none"> continuing losses that have totally wiped out equity 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 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 with assets for liquidation but full recovery of principal uncertain due to marketability and outstanding claims |
| 10 | Loss | <ul style="list-style-type: none"> business is non-operational and loans are considered absolutely uncollectible due to presence of fraud and major build-up of claims and litigation borrower's whereabouts unknown or insolvent or earning power-impaired and guarantors are insolvent or guarantee not financially supported |

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:

| Credit quality | Description | Credit rating |
|------------------|---|---|
| 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 |



| Credit quality | Description | Credit rating |
|-------------------|---|---|
| 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, 2023 and 2022 are as follows:

| | 2023 | | | |
|-------------------------|-----------------------|-----------|-----------|-------------|
| | Gross carrying amount | | | Total |
| | Stage 1 | Stage 2 | Stage 3 | |
| Corporate loans* | | | | |
| Investment Grade | ₱13,138,763 | ₱- | ₱- | ₱13,138,763 |
| Standard Grade | 41,004,726 | 2,675,587 | - | 43,680,313 |
| Substandard Grade | - | 184,842 | - | 184,842 |
| Non-Performing | - | - | 2,628,226 | 2,628,226 |
| | 54,143,489 | 2,860,429 | 2,628,226 | 59,632,144 |
| Auto loans | | | | |
| Investment Grade | | | | |
| Standard Grade | 63,250,884 | 8,230,182 | - | 71,481,066 |
| Substandard Grade | - | 115,563 | - | 115,563 |
| Non-Performing | - | - | 6,460,218 | 6,460,218 |
| | 63,250,884 | 8,345,745 | 6,460,218 | 78,056,847 |
| Credit cards | | | | |
| Investment Grade | 5,561 | - | - | 5,561 |
| Standard Grade | 44,346,509 | 4,581,719 | - | 48,928,228 |
| Substandard Grade | 259,077 | 2,586,912 | - | 2,845,988 |
| Non-Performing | - | - | 2,133,105 | 2,133,105 |
| | 44,611,147 | 7,168,631 | 2,133,105 | 53,912,882 |
| Mortgage loans | | | | |
| Investment Grade | | | | |
| Standard Grade | 16,590,136 | 3,977 | - | 16,594,113 |
| Substandard Grade | - | 2,197,154 | - | 2,197,154 |
| Non-Performing | - | - | 1,250,576 | 1,250,576 |
| | 16,590,136 | 2,201,131 | 1,250,576 | 20,041,843 |

(Forward)



| | 2023 | | | |
|-------------------------------|-----------------------|--------------------|--------------------|---------------------|
| | Gross carrying amount | | | |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| Other Consumer Loans** | | | | |
| Investment Grade | | | | |
| Standard Grade | ₱71,112,822 | ₱44,705 | ₱- | ₱71,157,527 |
| Substandard Grade | - | 3,860,264 | - | 3,860,264 |
| Non-Performing | - | - | 3,679,323 | 3,679,322 |
| | 71,112,822 | 3,904,969 | 3,679,323 | 78,697,113 |
| Other receivables*** | | | | |
| Investment Grade | 1,737,927 | - | - | 1,737,927 |
| Standard Grade | 5,878,491 | 711,300 | - | 6,589,793 |
| Substandard Grade | - | 622,947 | - | 622,947 |
| Non-Performing | - | - | 2,711,148 | 2,711,149 |
| | 7,616,418 | 1,334,247 | 2,711,148 | 11,661,816 |
| Total | ₱257,324,896 | ₱25,815,152 | ₱18,862,596 | ₱302,002,645 |

*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.

| | 2022 | | | |
|-------------------------------|-----------------------|------------|-----------|-------------|
| | Gross carrying amount | | | |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| Corporate loans* | | | | |
| Investment Grade | ₱28,670,120 | ₱197,000 | ₱- | ₱28,867,120 |
| Standard Grade | 2,428,006 | 34,707,284 | - | 37,135,290 |
| Substandard Grade | - | 76,145 | - | 76,145 |
| Non-Performing | - | - | 2,723,335 | 2,723,335 |
| | 31,098,126 | 34,980,429 | 2,723,335 | 68,801,890 |
| Auto loans | | | | |
| Investment Grade | | | | |
| Standard Grade | 46,171,339 | 7,618,244 | - | 53,789,584 |
| Substandard Grade | - | 2,200,461 | - | 2,200,461 |
| Non-Performing | - | - | 8,204,735 | 8,204,735 |
| | 46,171,339 | 9,818,705 | 8,204,735 | 64,194,780 |
| Credit cards | | | | |
| Investment Grade | | | | |
| Standard Grade | 32,648,161 | 3,629,241 | - | 36,277,402 |
| Substandard Grade | 877,157 | 1,623,553 | - | 2,500,710 |
| Non-Performing | - | - | 2,271,862 | 2,271,861 |
| | 33,525,318 | 5,252,794 | 2,271,862 | 41,049,973 |
| Mortgage loans | | | | |
| Investment Grade | | | | |
| Standard Grade | 16,028,733 | 1,090,230 | - | 17,118,963 |
| Substandard Grade | - | 718,820 | - | 718,820 |
| Non-Performing | - | - | 1,724,914 | 1,724,913 |
| | 16,028,733 | 1,809,050 | 1,724,914 | 19,562,696 |
| Other Consumer Loans** | | | | |
| Investment Grade | - | 5 | - | 5 |
| Standard Grade | 56,517,877 | 52,081 | - | 56,569,959 |
| Substandard Grade | 66,882 | 2,362,086 | - | 2,428,967 |
| Non-Performing | - | - | 2,777,939 | 2,777,939 |
| | 56,584,759 | 2,414,172 | 2,777,939 | 61,776,870 |

(Forward)



| | 2022 | | | |
|----------------------|-----------------------|--------------------|--------------------|---------------------|
| | Gross carrying amount | | | |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| Other receivables*** | | | | |
| Investment Grade | ₱1,358,618 | ₱318 | ₱- | ₱1,358,936 |
| Standard Grade | 5,952,419 | 1,132,745 | - | 7,085,164 |
| Substandard Grade | 27,442 | 648,744 | - | 676,186 |
| Non-Performing | - | - | 2,467,125 | 2,467,126 |
| | 7,338,479 | 1,781,807 | 2,467,125 | 11,587,412 |
| Total | ₱190,746,754 | ₱56,056,957 | ₱20,169,910 | ₱266,973,621 |

*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, 2023 and 2022 are as follows :

| Credit Score | 2023 | | | |
|--|-----------------------|-------------------|-----------------|---------------------|
| | Gross carrying amount | | | |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| Due from BSP | | | | |
| Investment Grade | ₱16,171,987 | ₱- | ₱- | ₱16,171,987 |
| | 16,171,987 | - | - | 16,171,987 |
| Due from other banks | | | | |
| Investment Grade | 2,469,290 | - | - | 2,469,290 |
| | 2,469,290 | - | - | 2,469,290 |
| IBLR and SPURA | | | | |
| Investment Grade | 16,441,418 | - | - | 16,441,418 |
| | 16,441,418 | - | - | 16,441,418 |
| Financial assets at FVTPL | | | | |
| Investment Grade | 4,112,322 | - | - | 4,112,322 |
| | 4,112,322 | - | - | 4,112,322 |
| Financial assets at FVTOCI | | | | |
| Investment Grade | 16,668,957 | - | - | 16,668,957 |
| Standard Grade | 263,723 | 1,551,281 | - | 1,815,003 |
| | 16,932,680 | 1,551,281 | - | 18,483,960 |
| Investment securities at amortized cost | | | | |
| Investment Grade | 74,857,384 | - | - | 74,857,384 |
| Standard Grade | - | 554,343 | - | 554,343 |
| | 74,857,384 | 554,343 | - | 75,411,727 |
| Other financial assets* | | | | |
| Standard Grade | 21,812 | - | - | 21,812 |
| Non-performing | - | - | 622,041 | 622,040 |
| | 21,812 | - | 622,041 | 643,852 |
| Total | ₱131,006,893 | ₱2,105,624 | ₱622,041 | ₱133,734,557 |

*Includes security deposits, derivative assets, downpayments and advanced payments, returned cash and other cash items (RCOCI)

| Credit Score | 2022 | | | |
|-----------------------------|-----------------------|---------|---------|------------|
| | Gross carrying amount | | | |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| Due from BSP | | | | |
| Investment Grade | 36,114,397 | - | - | 36,114,397 |
| | 36,114,397 | - | - | 36,114,397 |
| Due from other banks | | | | |
| Investment Grade | 4,529,635 | - | - | 4,529,635 |
| | 4,529,635 | - | - | 4,529,635 |
| IBLR and SPURA | | | | |
| Investment Grade | 10,009,266 | - | - | 10,009,266 |
| | 10,009,266 | - | - | 10,009,266 |

(Forward)



| Credit Score | 2022 | | | |
|---|-----------------------|-----------|---------|-------------|
| | Gross carrying amount | | | |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| Financial assets at FVTPL | | | | |
| Investment Grade | 1,958,310 | – | – | 1,958,310 |
| | 1,958,310 | – | – | 1,958,310 |
| Financial assets at FVTOCI | | | | |
| Investment Grade | 14,430,399 | – | – | 14,430,399 |
| Standard Grade | 823,961 | 1,492,025 | – | 2,315,987 |
| | 15,254,360 | 1,492,025 | – | 16,746,386 |
| Investment securities at amortized cost | | | | |
| Investment Grade | 62,004,503 | – | – | 62,004,503 |
| Standard Grade | – | 1,552,968 | – | 1,552,968 |
| | 62,004,503 | 1,552,968 | – | 63,557,471 |
| Other financial assets* | | | | |
| Non-performing | 18,750 | – | – | 18,750 |
| | – | – | 486,871 | 486,871 |
| Total | 18,750 | – | 486,871 | 505,621 |
| | 129,889,221 | 3,044,993 | 486,871 | 133,421,086 |

*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 2023 and 2022 follow:

| | 2023 | | | |
|---|--------------|--------------|-------------|---------------|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| Balances at beginning of year | ₱184,310,393 | ₱60,381,569 | ₱21,622,156 | ₱266,314,118 |
| Newly originated assets that remained in Stage 1 as at December 31, 2022 | 154,589,882 | – | – | 154,589,882 |
| Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2022 | – | 10,363,320 | 3,906,099 | 14,269,420 |
| Movements in receivable balance | (77,584,263) | (42,045,768) | (7,054,403) | (126,684,434) |
| Write-offs | (768,772) | (1,128,026) | (4,926,005) | (6,822,803) |
| Transfers from Stage 1 | (15,560,267) | 12,068,311 | 3,491,956 | – |
| Transfers from Stage 2 | 9,744,459 | (13,265,558) | 3,521,099 | – |
| Transfers from Stage 3 | 781,188 | 302,060 | (1,083,248) | – |
| Others | 255,512,620 | 26,675,908 | 19,477,654 | 301,666,183 |
| Balances at end of year | ₱184,310,393 | ₱60,381,569 | ₱21,622,156 | ₱266,314,118 |

| | 2022 | | | |
|---|--------------|--------------|-------------|---------------|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| Balances at beginning of year | 134,559,422 | 63,603,042 | 25,400,344 | 223,562,808 |
| Newly originated assets that remained in Stage 1 as at December 31, 2021 | 109,878,697 | – | – | 109,878,697 |
| Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2021 | – | 39,240,574 | 3,897,558 | 43,138,132 |
| Movements in receivable balance | (62,630,582) | (35,409,703) | (7,827,986) | (105,868,271) |
| Write-offs | (161,160) | (683,234) | (3,552,854) | (4,397,247) |
| Transfers from Stage 1 | (10,915,597) | 8,684,751 | 2,230,846 | – |
| Transfers from Stage 2 | 12,187,209 | (16,230,288) | 4,043,079 | – |
| Transfers from Stage 3 | 1,392,404 | 1,176,428 | (2,568,832) | – |
| Others | 184,310,393 | 60,381,569 | 21,622,156 | 266,314,118 |
| Balances at end of year | 134,559,422 | 63,603,042 | 25,400,344 | 223,562,808 |



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 2023 and 2022 is as follows:

| | 2023 | | | |
|---|-----------------------|--------------|-------------|--------------|
| | Gross carrying amount | | | |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| Corporate loans* | | | | |
| Balance at beginning of year | ₱30,226,610 | ₱35,545,224 | ₱3,028,676 | ₱68,800,510 |
| Newly originated assets that remained in Stage 1 as at December 31, 2023 | 35,184,329 | - | - | 35,184,329 |
| Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2023 | - | 3,440,459 | 168,492 | 3,608,951 |
| Movements in receivable balance | (16,774,191) | (30,864,176) | (324,071) | (47,962,438) |
| Write-offs | - | - | - | - |
| Transfers from Stage 1 | (3,004) | 2,741 | 263 | - |
| Transfers from Stage 2 | 4,205,766 | (4,284,684) | 78,918 | - |
| Transfers from Stage 3 | - | 78,630 | (78,630) | - |
| | 52,839,509 | 3,918,194 | 2,873,648 | 59,631,351 |
| Auto loans | | | | |
| Balance at beginning of year | 45,859,274 | 9,686,640 | 8,137,870 | 63,683,783 |
| Newly originated assets that remained in Stage 1 as at December 31, 2023 | 36,746,065 | - | - | 36,746,065 |
| Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2023 | - | 1,659,282 | 857,583 | 2,516,865 |
| Movements in receivable balance | (15,389,441) | (4,620,335) | (3,889,147) | (23,898,923) |
| Write-offs | - | - | (1,231,909) | (1,231,909) |
| Transfers from Stage 1 | (7,268,585) | 6,121,079 | 1,147,506 | - |
| Transfers from Stage 2 | 2,891,391 | (4,688,914) | 1,797,523 | - |
| Transfers from Stage 3 | 282,075 | 135,127 | (417,202) | - |
| | 63,120,779 | 8,292,879 | 6,402,223 | 77,815,881 |
| Credit cards | | | | |
| Balance at beginning of year | 33,517,310 | 5,267,211 | 2,265,453 | 41,049,973 |
| Newly originated assets that remained in Stage 1 as at December 31, 2023 | 20,196,289 | - | - | 20,196,289 |
| Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2023 | - | 2,081,296 | 483,073 | 2,564,369 |
| Movements in receivable balance | (5,612,511) | (453,753) | (80,332) | (6,146,596) |
| Write-offs | (577,281) | (1,039,675) | (2,134,198) | (3,751,154) |
| Transfers from Stage 1 | (4,513,317) | 3,448,878 | 1,064,439 | - |
| Transfers from Stage 2 | 1,488,554 | (2,143,301) | 654,747 | - |
| Transfers from Stage 3 | 112,102 | 7,975 | (120,077) | - |
| | 44,611,147 | 7,168,631 | 2,133,105 | 53,912,882 |
| Mortgage loans | | | | |
| Balance at beginning of year | 15,943,147 | 1,795,345 | 1,714,389 | 19,452,881 |
| Newly originated assets that remained in Stage 1 as at December 31, 2023 | 3,149,758 | - | - | 3,149,758 |
| Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2023 | - | 31,187 | 20,771 | 51,959 |
| Movements in receivable balance | (2,121,528) | (278,739) | (306,505) | (2,706,772) |
| Write-offs | - | - | - | - |
| Transfers from Stage 1 | (1,352,972) | 1,282,848 | 70,125 | - |
| Transfers from Stage 2 | 584,020 | (706,382) | 122,362 | - |
| Transfers from Stage 3 | 318,124 | 60,038 | (378,162) | - |
| | 16,520,548 | 2,184,297 | 1,242,980 | 19,947,825 |
| Other consumer loans** | | | | |
| Balance at beginning of year | 51,462,977 | 6,265,761 | 4,010,822 | 61,739,559 |
| Newly originated assets that remained in Stage 1 as at December 31, 2023 | 55,491,098 | - | - | 55,491,098 |
| Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2023 | - | 2,693,481 | 1,943,872 | 4,637,353 |
| Movements in receivable balance | (33,997,993) | (4,906,198) | (2,462,637) | (41,366,828) |
| Write-offs | (191,491) | (88,351) | (1,524,912) | (1,804,754) |
| Transfers from Stage 1 | (1,994,552) | 860,385 | 1,134,167 | - |
| Transfers from Stage 2 | 282,083 | (933,474) | 651,391 | - |
| Transfers from Stage 3 | 61,531 | 18,630 | (80,161) | - |
| | 71,113,653 | 3,910,235 | 3,672,540 | 78,696,428 |

(Forward)



| | 2023 | | | |
|---|-----------------------|-------------|-------------|--------------|
| | Gross carrying amount | | | |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| Other receivables*** | | | | |
| Balance at beginning of year | P7,301,076 | P1,821,389 | P2,464,947 | P11,587,412 |
| Newly originated assets that remained in Stage 1 as at December 31, 2023 | 3,822,344 | - | - | 3,822,344 |
| Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2023 | - | 457,615 | 432,308 | 889,923 |
| Movements in receivable balance | (3,688,598) | (922,567) | 8,289 | (4,602,877) |
| Write-offs | - | - | (34,986) | (34,986) |
| Transfers from Stage 1 | (427,837) | 352,380 | 75,457 | - |
| Transfers from Stage 2 | 292,645 | (508,804) | 216,158 | - |
| Transfers from Stage 3 | 7,354 | 1,660 | (9,016) | - |
| | 7,306,984 | 1,201,672 | 3,153,158 | 11,661,816 |
| | P255,512,620 | P26,675,908 | P19,477,654 | P301,666,183 |

*Include Corporate loans and emerging enterprise loans

**Include Branch loans, DepEd loans, Employee loans, Salary loans and Personal loans

***Include Accrued interest receivables, Accounts receivables and Sales contract receivables.

| | 2022 | | | |
|---|-----------------------|--------------|-------------|--------------|
| | Gross carrying amount | | | |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| Corporate loans* | | | | |
| Balance at beginning of year | P27,699,839 | P30,908,269 | P2,148,172 | P60,756,280 |
| Newly originated assets that remained in Stage 1 as at December 31, 2022 | 17,967,221 | - | - | 17,967,221 |
| Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2022 | - | 30,329,497 | 802,823 | 31,132,320 |
| Movements in receivable balance | (15,459,301) | (26,309,201) | 713,191 | (41,055,311) |
| Write-offs | - | - | - | - |
| Transfers from Stage 1 | (24,154) | 14,424 | 9,730 | - |
| Transfers from Stage 2 | 30,994 | (100,968) | 69,974 | - |
| Transfers from Stage 3 | 12,011 | 703,202 | (715,213) | - |
| | 30,226,610 | 35,545,224 | 3,028,676 | 68,800,510 |
| Auto loans | | | | |
| Balance at beginning of year | 36,807,928 | 16,798,913 | 11,619,771 | 65,226,612 |
| Newly originated assets that remained in Stage 1 as at December 31, 2022 | 23,032,516 | - | - | 23,032,516 |
| Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2022 | - | 1,382,957 | 327,053 | 1,710,010 |
| Movements in receivable balance | (15,000,173) | (5,926,563) | (5,157,563) | (26,084,299) |
| Write-offs | - | - | (201,057) | (201,057) |
| Transfers from Stage 1 | (5,902,804) | 5,174,927 | 727,877 | - |
| Transfers from Stage 2 | 6,225,121 | (8,114,939) | 1,889,819 | - |
| Transfers from Stage 3 | 696,685 | 371,345 | (1,068,030) | - |
| | 45,859,274 | 9,686,640 | 8,137,870 | 63,683,783 |
| Credit cards | | | | |
| Balance at beginning of year | 23,231,660 | 6,600,489 | 3,373,878 | 33,206,027 |
| Newly originated assets that remained in Stage 1 as at December 31, 2022 | 14,784,308 | - | - | 14,784,308 |
| Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2022 | - | 1,190,741 | 188,420 | 1,379,162 |
| Movements in receivable balance | (4,142,233) | (422,361) | (267,678) | (4,832,272) |
| Write-offs | (156,779) | (679,111) | (2,651,361) | (3,487,251) |
| Transfers from Stage 1 | (2,559,922) | 1,904,202 | 655,720 | - |
| Transfers from Stage 2 | 2,286,680 | (3,331,259) | 1,044,578 | - |
| Transfers from Stage 3 | 73,596 | 4,509 | (78,105) | - |
| | 33,517,310 | 5,267,211 | 2,265,453 | 41,049,973 |
| Mortgage loans | | | | |
| Balance at beginning of year | 13,321,206 | 4,252,642 | 2,325,687 | 19,899,535 |
| Newly originated assets that remained in Stage 1 as at December 31, 2022 | 2,354,168 | - | - | 2,354,168 |
| Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2022 | - | 16,971 | 7,210 | 24,181 |
| Movements in receivable balance | (2,045,297) | (391,803) | (387,904) | (2,825,004) |
| Write-offs | - | - | - | - |
| Transfers from Stage 1 | (680,640) | 616,295 | 64,345 | - |
| Transfers from Stage 2 | 2,511,682 | (2,769,555) | 257,873 | - |
| Transfers from Stage 3 | 482,028 | 70,796 | (552,823) | - |
| | 15,943,147 | 1,795,345 | 1,714,389 | 19,452,881 |

(Forward)



| | 2022 | | | |
|---|-----------------------|-------------|-------------|--------------|
| | Gross carrying amount | | | |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| Other consumer loans** | | | | |
| Balance at beginning of year | P27,907,110 | P2,524,207 | P3,671,193 | P34,102,510 |
| Newly originated assets that remained in Stage 1 as at December 31, 2022 | 48,385,224 | – | – | 48,385,224 |
| Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2022 | – | 5,934,399 | 1,886,191 | 7,820,591 |
| Movements in receivable balance | (24,201,309) | (1,976,583) | (1,504,154) | (27,682,046) |
| Write-offs | (65,124) | (27,519) | (794,077) | (886,720) |
| Transfers from Stage 1 | (970,717) | 442,994 | 527,723 | – |
| Transfers from Stage 2 | 309,806 | (651,356) | 341,550 | – |
| Transfers from Stage 3 | 97,986 | 19,619 | (117,605) | – |
| | 51,462,977 | 6,265,761 | 4,010,822 | 61,739,559 |
| Other receivables*** | | | | |
| Balance at beginning of year | 5,591,679 | 2,518,522 | 2,261,643 | 10,371,844 |
| Newly originated assets that remained in Stage 1 as at December 31, 2022 | 3,355,259 | – | – | 3,355,259 |
| Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2022 | – | 386,008 | 692,327 | 1,078,335 |
| Movements in receivable balance | (1,721,527) | (359,795) | (1,104,151) | (3,185,473) |
| Write-offs | – | – | (32,553) | (32,553) |
| Transfers from Stage 1 | (777,360) | 531,909 | 245,451 | – |
| Transfers from Stage 2 | 822,926 | (1,262,211) | 439,286 | – |
| Transfers from Stage 3 | 30,099 | 6,957 | (37,055) | – |
| | 7,301,076 | 1,821,389 | 2,464,947 | 11,587,412 |
| | P184,310,393 | P60,381,569 | P21,622,156 | P266,314,118 |

*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, 2023 and 2022

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:

| | 2023 | | | | | | | |
|--|-------------------|--------------|------------|-------------|------------|--------------|-------------|--------------|
| | Capital Deduction | Risk Buckets | | | | | | Total |
| | 0% | 20% | 50% | 75% | 100% | 150% | | |
| Credit risk exposure after risk mitigation | | | | | | | | |
| On-balance sheet assets | P– | P66,987,927 | P3,217,431 | P74,056,036 | P9,192,168 | P273,792,753 | P11,808,702 | P439,055,017 |
| Off-balance sheet assets | – | – | 484,122 | 3,087,808 | – | 434,151 | – | 4,006,081 |
| Counterparty in the banking book (derivatives and repo-style transactions) | – | 14,918,358 | 2,284,109 | 1,487,099 | 191,094 | 55,834 | – | 18,936,495 |
| Counterparty in the trading book (derivatives and repo-style transactions) | – | – | – | – | – | – | – | – |
| Credit-linked notes in the banking book | – | – | – | – | – | – | – | – |
| Securitization exposures | – | – | – | – | – | – | – | – |
| | P– | P81,906,284 | P5,985,663 | P78,630,943 | P9,383,262 | P274,282,739 | P11,808,702 | P461,997,593 |
| Credit Risk Weighted Assets | P– | P– | P1,197,133 | P39,315,472 | P7,037,447 | P274,282,739 | P17,713,053 | P339,545,843 |

| | 2022 | | | | | | | |
|--|-------------------|--------------|-------------|-------------|-------------|--------------|-------------|--------------|
| | Capital Deduction | Risk Buckets | | | | | | Total |
| | 0% | 20% | 50% | 75% | 100% | 150% | | |
| Credit risk exposure after risk mitigation | | | | | | | | |
| On-balance sheet assets | P12,034,253 | P69,707,065 | P12,915,763 | P61,328,039 | P10,977,483 | P232,500,896 | P11,451,744 | P398,880,990 |
| Off-balance sheet assets | – | – | – | – | – | 2,162,181 | – | 2,162,181 |
| Counterparty in the banking book (derivatives and repo-style transactions) | – | – | 443,112.86 | – | – | – | – | 443,112.86 |
| Counterparty in the trading book (derivatives and repo-style transactions) | – | – | – | – | – | – | – | – |
| Credit-linked notes in the banking book | – | – | – | – | – | – | – | – |
| Securitization exposures | – | – | – | – | – | – | – | – |
| | P12,034,253 | P69,707,065 | P13,358,876 | P61,328,039 | P10,977,483 | P234,663,077 | P11,451,744 | P401,486,284 |
| Credit Risk Weighted Assets | – | – | P2,671,775 | P30,664,020 | P8,233,113 | P234,663,077 | P17,177,617 | P293,409,601 |



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:

| | 2023 | | | | | | Total |
|--------------------------------------|---------------------|--------------------|--------------------|-------------------|--------------------|--------------------|---------------------|
| | On demand | Up to 1 month | >1 to 3 months | >3 to 6 months | >6 to 12 months | Beyond 1 year | |
| Financial Assets | | | | | | | |
| Cash and cash equivalents* | ₱28,012,236 | ₱16,441,418 | ₱- | ₱- | ₱- | ₱- | ₱44,453,654 |
| Investments and trading securities** | - | 9,052 | 13,320 | 25,911 | 43,262 | 173,037,828 | 173,129,374 |
| Loans and receivables*** | 35,718,917 | 41,098,650 | 16,941,533 | 15,662,752 | 19,021,973 | 281,627,675 | 410,071,500 |
| Contingent assets | - | 78,453 | - | - | - | 397,405 | 475,857 |
| | 63,731,153 | 57,627,573 | 16,954,853 | 15,688,663 | 19,065,235 | 455,062,908 | 628,130,385 |
| Financial Liabilities | | | | | | | |
| Deposit liabilities**** | 266,002,711 | 39,091,366 | 15,511,122 | 2,356,588 | 1,205,077 | 6,069,224 | 330,236,087 |
| Bills and acceptances payable | - | 85,732 | 140,496 | 216,698 | 438,158 | 15,423,440 | 16,304,523 |
| Bonds Payable | - | - | - | - | - | - | - |
| Subordinated debt | - | - | - | - | - | - | - |
| Lease liability | 4,755,603 | 105,769 | 179,063 | 262,397 | 633,359 | 6,811,013 | 12,747,205 |
| Other liabilities | - | - | - | - | 10,723,873 | 36,017 | 10,759,890 |
| Contingent liabilities***** | - | 8,221 | 13,402 | 14,482 | 19,273 | - | 55,379 |
| | ₱270,758,314 | ₱39,291,088 | ₱15,844,083 | ₱2,850,165 | ₱13,019,740 | ₱28,339,694 | ₱370,103,084 |

* Consist of cash and cash other items, due from BSP, due from other banks and interbank loans receivables and securities purchased under resale agreement (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



| | 2022 | | | | | | Total |
|--------------------------------------|--------------|---------------|----------------|----------------|-----------------|---------------|--------------|
| | On demand | Up to 1 month | >1 to 3 months | >3 to 6 months | >6 to 12 months | Beyond 1 year | |
| Financial Assets | | | | | | | |
| Cash and cash equivalents* | ₱49,358,380 | ₱10,009,266 | ₱– | ₱– | ₱– | ₱– | ₱59,367,645 |
| Investments and trading securities** | – | 332,066 | 4,979,350 | 1,265,331 | 1,758,488 | 126,707,211 | 135,042,446 |
| Loans and receivables*** | 28,009,889 | 38,546,227 | 18,168,450 | 16,754,291 | 19,426,924 | 230,939,244 | 351,845,025 |
| Contingent assets | 4,203 | 59,460 | – | – | – | 354,274 | 417,938 |
| | ₱77,372,472 | ₱48,947,019 | ₱23,147,800 | ₱18,019,622 | ₱21,185,412 | ₱358,000,729 | ₱546,673,054 |
| Financial Liabilities | | | | | | | |
| Deposit liabilities**** | ₱246,201,977 | ₱39,745,420 | ₱13,894,855 | ₱3,201,122 | ₱5,516,825 | ₱6,223,742 | ₱314,783,941 |
| Bills and acceptances payable | – | 6,761,805 | – | 10,694 | – | – | 6,772,499 |
| Bonds Payable | – | 14,135 | 3,708,014 | – | – | – | 3,722,149 |
| Subordinated debt | – | – | – | – | – | – | – |
| Lease liability | 3,807,407 | 183,186 | 149,499 | 217,106 | 414,478 | 4,425,223 | 9,196,899 |
| Other liabilities | – | – | – | – | 9,569,763 | 3,613,110 | 13,182,873 |
| Contingent liabilities***** | – | – | (62,590) | (24,024) | – | – | (86,615) |
| | ₱250,009,384 | ₱46,704,546 | ₱17,689,778 | ₱3,404,898 | ₱15,501,066 | ₱14,262,075 | ₱347,571,746 |

- * 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, 2023 and 2022, ₱118.1 billion (36.35%) and ₱100.6 (38.6%), 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 5 days. Furthermore, EW's equity and IRS trading positions are assumed to be closed out in 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.

| | 2023 | 2022 |
|--------------|-----------------|---------|
| | (In Thousands) | |
| Year-end VaR | ₱137,158 | ₱60,302 |
| Average VaR | 125,374 | 81,430 |
| Highest VaR | 237,091 | 168,303 |
| Lowest VaR | 15,639 | 48,199 |



The year-end VaR for 2022 was based on EW's fixed income trading book valued at ₱1.2 billion with average yields of 5.0% and 7.2% for the peso and foreign currency denominated bonds, respectively. Its average maturities are 7 years and 10 months for the peso portfolio and 27 years and 1 month for the foreign currency portfolio.

The year-end VaR for 2021 was based on EW's fixed income trading book valued at ₱3.8 billion with average yields of 3.6% and 2.6% for the peso and foreign currency denominated bonds, respectively. Its average maturities are 5 years and 9 months for the peso portfolio and 14 years and 6 months for the foreign currency portfolio.

The market risk in EW's US Treasury Futures trading positions is shown in the table below:

| | 2023 | 2022 |
|--------------|----------------|--------|
| Year-end VaR | ₱- | ₱- |
| Average VaR | 2,674 | 2,938 |
| Highest VaR | 109,397 | 27,691 |
| Lowest VaR | - | - |

EW's end-2022 and end-2021 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:

| | 2023 | 2022 |
|--------------|-------------|---------------|
| Year-end VaR | ₱- | ₱3,064 |
| Average VaR | - | 7,403 |
| Highest VaR | - | 17,698 |

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:

| | 2023 | 2022 |
|--------------|----------------|---------|
| Year-end VaR | ₱27,318 | ₱11,832 |
| Average VaR | 23,885 | 21,991 |
| Highest VaR | 40,369 | 56,921 |
| Lowest VaR | 8,516 | 4,504 |

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, 2023 and 2022:

| 2023 | | | | | | |
|---------------------------|-------------------|-----------------|------------------|----------------|-------------------|-------------------|
| | USD | SGD | JPY | HKD | Other Currencies* | Total |
| Assets | | | | | | |
| Gross FX assets | \$1,421,604 | \$3,225 | \$2,173 | \$17,117 | \$84,396 | \$1,528,515 |
| Contingent FX assets | 121,750 | 24,853 | - | 532 | 11,653 | \$ 158,789 |
| | 1,543,354 | 28,078 | 2,173 | 17,649 | 96,049 | 1,687,304 |
| Liabilities | | | | | | |
| Gross FX liabilities | 1,336,366 | 26,606 | 3,025 | 16,239 | 40,319 | \$ 1,422,556 |
| Contingent FX liabilities | 299,769 | 96 | 222 | 409 | 56,386 | \$ 356,882 |
| | 1,636,135 | 26,702 | 3,247 | 16,649 | 96,705 | 1,779,438 |
| Net exposure | (\$92,781) | \$ 1,376 | (\$1,074) | \$1,000 | (\$657) | (\$92,135) |

*Other currencies include GBP, HKD, AUD, CNY and NZD

| 2022 | | | | | | |
|---------------------------|-------------------|----------------|------------------|----------------|-------------------|-------------------|
| | USD | SGD | JPY | HKD | Other Currencies* | Total |
| Assets | | | | | | |
| Gross FX assets | \$1,050,415 | \$26,377 | \$150,028 | \$8,390 | \$16,206 | \$1,251,417 |
| Contingent FX assets | 216,232 | 2,899 | - | - | - | \$219,131 |
| | 1,266,647 | 29,276 | 150,028 | 8,390 | 16,206 | 1,470,548 |
| Liabilities | | | | | | |
| Gross FX liabilities | 1,071,118 | 26,827 | 12,624 | 9,219 | 16,764 | \$1,136,552 |
| Contingent FX liabilities | 249,569 | 706 | 138,669 | - | - | \$388,944 |
| | 1,320,687 | 27,532 | 151,293 | 9,219 | 16,764 | 1,525,495 |
| Net exposure | (\$54,040) | \$1,743 | (\$1,265) | (\$829) | (\$558) | (\$54,947) |

*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, 2023 and 2022:

| Foreign currency appreciates (depreciates) | 2023 | | | |
|---|------------|----------|----------|----------|
| | USD | SGD | JPY | EUR |
| | (P513,727) | P7,618 | (P5,945) | P5,539 |
| | P513,727 | (P7,618) | P5,945 | (P5,539) |

| Foreign currency appreciates (depreciates) | 2022 | | | |
|---|------------|----------|----------|----------|
| | USD | CNY | EUR | JPY |
| +10.00% | (P301,298) | P9,720 | (P7,050) | (P4,622) |
| -10.00% | P301,298 | (P9,720) | P7,050 | P4,622 |



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, 2023 and 2022:

| | 2023 | | | | |
|-------------------------------|------------------|-------------------------|--------------------------|---------------------------|------------|
| | Up to 1 month | >1 month to 3 months | >3 months to 6 months | >6 months to 12 months | >12 months |
| RBU | | | | | |
| <i>Financial assets:</i> | | | | | |
| Cash and cash equivalents* | 6.27% | - | - | - | - |
| Investment securities** | - | 5.13% | 4.88% | 4.85% | 4.95% |
| Loans and receivables | 7.24% | 7.86% | 8.36% | 12.47% | 11.48% |
| <i>Financial liabilities:</i> | | | | | |
| Deposit liabilities | 4.79% | 4.42% | 3.71% | 3.58% | 3.97% |
| Bills payable | - | - | - | - | - |
| Bonds payable | - | - | - | - | - |
| Subordinated debt | - | - | - | - | - |
| FCDU | | | | | |
| <i>Financial assets:</i> | | | | | |
| Cash and cash equivalents* | 3.40% | - | - | - | - |
| Investment securities** | 0.50% | - | 4.88% | - | 4.69% |
| Loans and receivables | 4.97% | 6.56% | 7.28% | - | - |
| <i>Financial liabilities:</i> | | | | | |
| Deposit liabilities | 4.24% | 3.98% | 3.91% | 3.41% | 2.70% |
| Bills payable | 5.62% | 5.76% | - | - | - |

*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

| | 2022 | | | | |
|-------------------------------|------------------|-------------------------|--------------------------|---------------------------|------------|
| | Up to 1 month | >1 month to 3 months | >3 months to 6 months | >6 months to 12 months | >12 months |
| RBU | | | | | |
| <i>Financial assets:</i> | | | | | |
| Cash and cash equivalents* | c | - | - | - | - |
| Investment securities** | 4.90% | - | - | - | 4.96% |
| Loans and receivables | 6.12% | 6.60% | 10.87% | 11.51% | 10.69% |
| <i>Financial liabilities:</i> | | | | | |
| Deposit liabilities | 3.45% | 3.98% | 4.35% | 3.20% | 2.79% |
| Bills payable | - | - | - | - | - |
| Bonds payable | - | - | - | - | 4.50% |
| Subordinated debt | - | - | - | - | - |
| FCDU | | | | | |
| <i>Financial assets:</i> | | | | | |
| Cash and cash equivalents* | 0.81% | - | - | - | - |
| Investment securities** | 5.67% | 0.51% | - | - | 4.11% |
| Loans and receivables | 4.78% | 4.06% | 5.37% | 4.86% | 7.52% |
| <i>Financial liabilities:</i> | | | | | |
| Deposit liabilities | 2.78% | 2.92% | 2.84% | 2.04% | 2.70% |
| Bills payable | 4.84% | - | - | - | - |

*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, 2023 and 2022:

| | 2023 | | | | | Total |
|-------------------------------|-------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | Up to 1 month | > 1 to 3 months | > 3 to 6 months | >6 to 12 months | >12 months | |
| Financial assets | | | | | | |
| Cash and cash equivalents | ₱23,441,418 | ₱- | ₱- | ₱- | ₱- | ₱23,441,418 |
| Investment securities | 3,726,053 | 420,946 | 1,242,592 | 204,924 | 88,278,564 | 93,873,079 |
| Loans and receivables | 25,979,730 | 19,028,841 | 16,043,044 | 24,440,951 | 131,550,191 | 217,042,757 |
| Contingent assets * | 85,236 | - | - | - | - | 85,237 |
| Total financial assets | 53,232,437 | 19,449,787 | 17,285,636 | 24,645,875 | 219,828,755 | 334,442,491 |
| Financial liabilities | | | | | | |
| Deposit liabilities | 103,959,463 | 18,970,205 | 2,190,854 | 80,195,307 | 5,927,246 | 211,243,075 |
| Bills and acceptances payable | 12,766,190 | 2,625,604 | - | - | - | 15,391,793 |
| Bonds payable | - | - | - | - | - | - |

(Forward)



| | 2023 | | | | | Total |
|------------------------------------|----------------------|---------------------|--------------------|----------------------|---------------------|---------------------|
| | Up to 1 month | > 1 to 3 months | > 3 to 6 months | >6 to 12 months | >12 months | |
| Subordinated debt | P- | P- | P- | P- | P- | P- |
| Other liabilities | - | - | - | - | - | - |
| Contingent liabilities ** | - | 2,514 | - | - | - | 2,514 |
| Total financial liabilities | 116,725,653 | 21,598,323 | 2,190,854 | 80,195,307 | 5,927,246 | 226,637,382 |
| Asset-liability gap | (P63,493,215) | (P2,148,536) | P15,094,782 | (P55,549,432) | P213,901,509 | P107,805,109 |

* Consist of interest rate swap receivables

** Consist of interest rate swap payables

| | 2022 | | | | | Total |
|------------------------------------|----------------------|--------------------|--------------------|----------------------|---------------------|--------------------|
| | Up to 1 month | > 1 to 3 months | > 3 to 6 months | >6 to 12 months | >12 months | |
| Financial assets | | | | | | |
| Cash and cash equivalents | P10,009,266 | P- | P- | P- | P- | P10,009,266 |
| Investment securities | 18,396,545 | 476,417 | - | - | 63,312,243 | 82,185,205 |
| Loans and receivables | 28,491,083 | 20,872,326 | 16,133,321 | 23,233,963 | 109,484,059 | 198,214,752 |
| Contingent assets * | 40,822 | 24,025 | - | - | - | 64,847 |
| Total financial assets | 56,937,716 | 21,372,768 | 16,133,321 | 23,233,963 | 172,796,302 | 290,474,070 |
| Financial liabilities | | | | | | |
| Deposit liabilities | 88,756,021 | 8,628,164 | 4,847,751 | 85,205,679 | 5,642,033 | 193,079,648 |
| Bills and acceptances payable | 6,705,236 | - | - | - | - | 6,705,236 |
| Bonds payable | - | 3,698,439 | - | - | - | 3,698,439 |
| Subordinated debt | - | - | - | - | - | - |
| Other liabilities | - | 14,602 | - | - | - | 14,602 |
| Contingent liabilities ** | - | - | - | - | - | - |
| Total financial liabilities | 95,461,257 | 12,341,205 | 4,847,751 | 85,205,679 | 5,642,033 | 203,497,925 |
| Asset-liability gap | (P38,523,541) | P9,031,562 | P11,285,570 | (P61,971,716) | P167,154,269 | P86,976,145 |

* 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 12 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 | 2023 | 2022 |
|------------------------|-------------------|------------|
| +100.00 bps | (P670,912) | (P378,315) |
| -100.00 bps | 670,912 | 378,315 |

Change in Economic Value of Equity (Δ EVE)

EW employs change in EVE Model to measure the net present value (NPV) or prevailing value of the Bank's balance sheet cash flows at different interest rate shocks and stress scenarios. Δ EVE is calculated by deducting the Base EVE which is the NPV of the Bank's balance sheet cashflows using the effective yield per contract from Shock EVE which is calculated using the BSP prescribed parallel shift in interest rates and the existing economic stress scenario as well as scenarios internally developed by EW.

The Δ EVE of EW ranges from (P2 Billion) to (P27 Billion) in 2023. EW's Δ EVE stood at (P27 Billion) or 37% of the total capital as of December 31, 2023.



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 (in thousands).

| | 2023 | 2022 |
|-------|----------------|---------|
| Group | ₱61,761 | ₱70,781 |

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, 2023 and 2022 are shown in the table below:

| | 2023 | 2022 |
|----------------------|---------------|--------|
| CET1 capital ratio | 13.04% | 13.02% |
| Tier 1 capital ratio | 13.04% | 13.02% |
| Total capital ratio | 13.84% | 13.78% |

The composition of the qualifying capital of EW is shown below:

| | 2023 | 2022 |
|---------------------------------|----------------|---------|
| | (In Millions) | |
| Qualifying capital | | |
| Tier 1 capital | ₱65,990 | ₱60,128 |
| CET1 capital | 65,990 | 60,128 |
| Less: Required deductions | 12,384 | 12,034 |
| Net Tier 1 capital | 53,606 | 48,094 |
| Tier 2 capital | 3,296 | 2,821 |
| Total qualifying capital | ₱56,902 | ₱50,915 |

The capital requirements of EW as of December 31, 2023 and 2022 are shown below:

| | 2023 | 2022 |
|-----------------------------------|-----------------|----------|
| | (In Millions) | |
| Capital requirements: | | |
| Credit risk | ₱339,496 | ₱293,950 |
| Market risk | 9,839 | 4,778 |
| Operational risk | 61,760 | 70,781 |
| Total capital requirements | ₱411,095 | ₱369,509 |

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 months to 5 years from the date of availment.

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) |
|-------------|----------------------------------|---|
| 2023 | +200 | ₱173,361 |
| | -200 | (₱173,361) |
| 2022 | +200 | ₱100,815 |
| | -200 | (100,815) |

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, 2023 | ₱4,731,667 | ₱3,000,000 | ₱- | ₱1,160,000 | ₱50,100 | ₱8,941,767 |
| As of December 31, 2022 | ₱3,608,333 | ₱291,667 | ₱- | ₱- | ₱1,160,000 | ₱5,060,000 |

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, 2023 and 2022 based on contractual undiscounted payments:

| | December 31, 2023 | | | | | | 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 | P5,439,419 | P1,388,105 | P- | P- | P- | P- | P6,827,524 |
| Contracts receivable | 2,239,868 | - | - | - | - | - | 2,239,868 |
| Receivable from tenants | 2,495,211 | - | - | - | - | - | 2,495,211 |
| Receivable from HOA | 168,525 | - | - | - | - | - | 168,525 |
| Receivable from government and other financial institutions | 566,778 | - | - | - | - | - | 566,778 |
| Receivable from buyers | 862,358 | - | - | - | - | - | 862,358 |
| Due from related parties | 24,032 | - | - | - | - | - | 24,032 |
| Others | 828,384 | - | - | - | - | - | 828,384 |
| | 12,624,575 | 1,388,105 | - | - | - | - | 14,012,680 |
| Hospitality Operations | | | | | | | |
| Cash in bank | 544,652 | 856,748 | - | - | - | - | 1,401,400 |
| Trade receivables | 145,729 | - | - | - | - | - | 145,729 |
| Others | 94,743 | - | - | - | - | - | 94,743 |
| | 785,124 | 856,748 | - | - | - | - | 1,641,872 |
| Power Operations | | | | | | | |
| Cash in bank | 2,881,802 | 282,980 | - | - | - | - | 3,164,782 |
| Trade receivables | - | 5,230,296 | - | - | - | - | 5,230,296 |
| Due from related parties | 10,380 | - | - | - | - | - | 10,380 |
| Others | 10,811 | - | - | - | - | - | 10,811 |
| | 2,902,993 | 5,513,276 | - | - | - | - | 8,416,269 |
| Sugar Operations | | | | | | | |
| Cash in bank | 784,823 | - | - | - | - | - | 784,823 |
| Trade receivables | 31,999 | - | - | - | - | - | 31,999 |
| Others | - | - | - | - | - | - | - |
| | 816,822 | - | - | - | - | - | 816,822 |
| Other Operations | | | | | | | |
| Cash in bank | 309,186 | 9,774,948 | - | - | - | - | 10,084,134 |
| Financial Assets at FVOCI | | | | | | | |
| Investment in shares of stocks: | | | | | | | |
| Quoted | - | 1,056,182 | - | - | - | - | 1,056,182 |
| Unquoted | - | 36,350 | - | - | - | - | 36,350 |
| | - | 1,092,532 | - | - | - | - | 1,092,532 |
| Total financial assets | 17,438,700 | 18,625,609 | - | - | - | - | 36,064,309 |
| Contract assets | - | 1,186,457 | 3,559,370 | 991,671 | 440,571 | 3,605,700 | 9,783,769 |
| | P17,438,700 | P19,812,066 | P3,559,370 | P991,671 | P440,571 | P3,605,700 | P45,848,078 |

| | December 31, 2022 | | | | | | 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 | P1,624,245 | P4,323,651 | P- | P- | P- | P- | P5,947,896 |
| Contracts receivable | 5,082,257 | - | - | - | - | - | 5,082,257 |
| Receivable from tenants | 2,237,845 | - | - | - | - | - | 2,237,845 |
| Receivable from HOA | 235,481 | - | - | - | - | - | 424,409 |
| Receivable from government and other financial institutions | 424,409 | - | - | - | - | - | 55,327 |
| Receivable from buyers | 494,680 | - | - | - | - | - | 1,016,838 |
| Due from related parties | 55,327 | - | - | - | - | - | 5,947,896 |
| Others | 1,016,838 | - | - | - | - | - | 5,082,257 |
| | 11,171,082 | 4,323,651 | - | - | - | - | 26,524,886 |
| Hospitality Operations | | | | | | | |
| Cash in bank | 39,256 | - | - | - | - | - | 39,256 |
| Trade receivables | 112,095 | - | - | - | - | - | 112,095 |
| Others | 867 | - | - | - | - | - | 867 |
| | 152,218 | - | - | - | - | - | 152,218 |
| Power Operations | | | | | | | |
| Cash in bank | 268,016 | - | - | - | - | - | 268,016 |
| Trade receivables | - | 4,021,712 | - | - | - | - | 4,021,712 |
| Due from related parties | 95 | - | - | - | - | - | 95 |
| Others | 6,149 | - | - | - | - | - | 6,149 |
| | 274,260 | 4,021,712 | - | - | - | - | 4,295,972 |

(Forward)



| December 31, 2022 | | | | | | | |
|----------------------------------|-------------|-----------------------|-----------------------|------------------------|------------------------|--------------|-------------|
| | On demand | Less than 3 months | 3 months to 1 year | > 1 year to 3 years | >3 years to 5 years | Over 5 years | Total |
| (In Thousands) | | | | | | | |
| Cash in bank | P10,905 | P- | P- | P- | P- | P- | Pv10,905 |
| Trade receivables | 3,389 | - | - | - | - | - | 3,389 |
| Others | 98,414 | - | - | - | - | - | 98,414 |
| | 112,708 | - | - | - | - | - | 112,708 |
| Financial Assets at FVOCI | | | | | | | |
| Investment in shares of stocks: | | | | | | | |
| Quoted | - | 598,078 | - | - | - | - | 598,078 |
| Unquoted | - | 47,929 | - | - | - | - | 47,929 |
| | - | 646,007 | - | - | - | - | 646,007 |
| Total financial assets | 11,710,268 | 8,991,370 | - | - | - | - | 31,731,791 |
| Contract assets | - | 1,691,678 | 2,201,609 | 1,613,176 | 739,746 | 1,363,323 | 7,609,532 |
| | P11,710,268 | P10,683,048 | P2,201,609 | P1,613,176 | P739,746 | P1,363,323 | P39,341,323 |

The tables below summarize the maturity profile of the Group's financial liabilities as of December 31, 2023 and 2022 based on contractual undiscounted payments.

| December 31, 2023 | | | | | | | |
|---|-------------|-----------------------|-----------------------|-----------------------|------------------------|-----------------|--------------|
| | On demand | Less than 3 months | 3 months to 1 year | >1 year to 3 years | >3 years to 5 years | Over 5 years | Total |
| (In Thousands) | | | | | | | |
| Accounts payable, accrued expenses and other liabilities | | | | | | | |
| Accounts payable | P3,706,433 | P3,201,396 | P4,857,690 | P2,742,342 | P2,275,316 | P- | P16,783,177 |
| Deposits from tenants | - | 63,344 | 4,475,711 | 1,645,028 | - | - | 6,184,083 |
| Retention fees payable | 717,091 | 1,121,112 | 713,354 | 106,294 | 119,577 | 322,650 | 3,100,078 |
| Accrued expenses | 7,692,245 | 1,854,639 | - | - | - | - | 9,546,884 |
| Accrued interest | 1,316,902 | 476,923 | - | - | - | - | 1,793,825 |
| Due to related parties | 856,199 | - | - | - | - | - | 856,199 |
| Deposits for registration | - | 5,845 | 2,408,160 | 797,880 | 314,268 | 461,350 | 3,987,503 |
| Asset retirement obligation | - | - | - | - | - | 753,895 | 753,895 |
| | 14,288,870 | 6,723,259 | 12,454,915 | 5,291,544 | 2,709,161 | 1,537,895 | 43,005,644 |
| Long-term and short-term debt | - | 17,458,465 | 26,491,148 | 64,711,962 | 37,086,001 | 240,056 | 145,987,633 |
| | P14,288,870 | P24,181,724 | P38,946,063 | P70,003,506 | P39,795,162 | P1,777,951 | P188,993,277 |

| December 31, 2022 | | | | | | | |
|---|-------------|-----------------------|-----------------------|-----------------------|------------------------|-----------------|-------------|
| | On demand | Less than 3 months | 3 months to 1 year | >1 year to 3 years | >3 years to 5 years | Over 5 years | Total |
| (In Thousands) | | | | | | | |
| Accounts payable, accrued expenses and other liabilities | | | | | | | |
| Accounts payable | P3,969,283 | P3,428,430 | P5,202,184 | P2,419,702 | P2,007,622 | P- | P17,027,221 |
| Deposits from tenants | - | 31,297 | 2,211,352 | 1,486,496 | - | - | 3,729,145 |
| Retention fees payable | 751,343 | 1,174,662 | 747,427 | 118,270 | 133,050 | 359,002 | 3,283,754 |
| Accrued expenses | 5,457,721 | 1,315,884 | - | - | - | - | 6,773,605 |
| Accrued interest | 1,257,118 | 455,272 | - | - | - | - | 1,712,390 |
| Due to related parties | 44,903 | - | - | - | - | - | 44,903 |
| Deposits for registration | - | 487 | 200,654 | 734,700 | 289,383 | 424,818 | 1,650,042 |
| Asset retirement obligation | - | - | - | - | - | 829,561 | 829,561 |
| | 11,480,368 | 6,406,032 | 8,361,617 | 4,759,168 | 2,430,055 | 1,613,381 | 35,050,621 |
| Long-term and short-term debt | - | 7,665,734 | 28,103,297 | 74,657,116 | 43,924,216 | 3,221,371 | 157,571,734 |
| | P11,480,368 | P14,071,766 | P36,464,914 | P79,416,284 | P46,354,271 | P4,834,752 | P192,355 |

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.

The credit risk on installment contract receivables is mitigated because the corresponding title to the subdivision units sold under this arrangement is transferred to the buyers only upon full payment of the contract price. Applying the expected credit risk model did not result in the recognition of an impairment loss for all financial assets at amortized cost in 2023 and 2022. For accounts receivable from tenants, the exposure is mitigated to the extent of the security deposit.



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, 2023 and 2022.

| | 2023 | 2022 |
|---|--------------------|-------------|
| | (In Thousands) | |
| Loans and Receivables | | |
| Real Estate Operations | | |
| Cash and cash equivalents | ₱6,827,524 | ₱2,963,280 |
| Contracts receivable | 2,239,868 | 5,809,068 |
| Receivable from tenants | 2,495,211 | 2,271,813 |
| Receivable from buyers | 168,525 | 494,515 |
| Receivable from government and other financial institutions | 566,778 | 424,409 |
| Receivables from HOA - net | 862,358 | 215,244 |
| Due from related parties | 24,032 | 55,328 |
| Others | 828,384 | 1,005,544 |
| | 14,012,680 | 13,239,201 |
| Hospitality Operations | | |
| Cash and cash equivalents | 1,401,400 | 39,256 |
| Trade receivables | 145,729 | 112,095 |
| Others | 94,743 | 918 |
| | 1,641,872 | 152,269 |
| Power and Utility Operations | | |
| Cash and cash equivalents | 268,016 | 268,016 |
| Trade receivables | 4,021,712 | 3,637,689 |
| Due from related parties | 95 | 8,388 |
| | 4,289,823 | 3,914,093 |
| Sugar Operations | | |
| Cash | 10,905 | 10,905 |
| Trade receivables | 3,389 | 3,389 |
| | 14,294 | 14,294 |
| Other Operations | | |
| Cash and cash equivalents | 10,084,134 | 8,670,196 |
| Financial assets at FVOCI | | |
| Quoted equity securities | 906,182 | 744,592 |
| Unquoted equity securities | 36,350 | 146,340 |
| | 942,532 | 890,932 |
| | ₱30,985,335 | ₱26,880,985 |

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, 2023 and 2022, based on the Group's credit rating system.

| | 2023 | | | |
|---|-------------------------------|----------------|-----------------------------------|--------------------|
| | Neither Past Due nor Impaired | | Past Due or Individually Impaired | Total |
| | High Grade | Standard Grade | | |
| | (In Thousands) | | | |
| Cash and cash equivalents | ₱6,827,524 | ₱- | ₱- | ₱6,827,524 |
| Contract assets | 9,867,642 | - | - | 9,867,642 |
| Loans and receivables | | | | |
| Contracts receivable | 2,239,868 | - | - | 2,239,868 |
| Receivables from tenants | 2,495,211 | - | - | 2,495,211 |
| Receivables from homeowners' association | 168,525 | - | - | 168,525 |
| Receivable from government and other financial institutions | 566,778 | - | - | 566,778 |
| Receivables from buyers | 862,358 | - | - | 862,358 |
| Due from related parties | 24,032 | - | - | 24,032 |
| Others | 828,384 | - | - | 828,384 |
| | ₱23,880,322 | ₱- | ₱- | ₱23,880,322 |

| | 2022 | | | |
|---|-------------------------------|----------------|-----------------------------------|--------------------|
| | Neither Past Due nor Impaired | | Past Due or Individually Impaired | Total |
| | High Grade | Standard Grade | | |
| | (In Thousands) | | | |
| Cash and cash equivalents | ₱2,963,280 | ₱- | ₱- | ₱2,963,280 |
| Contract assets | 7,609,532 | - | - | 7,609,532 |
| Loans and receivables | | | | |
| Contracts receivable | 3,902,219 | - | 1,906,849 | 5,809,068 |
| Receivables from tenants | 2,271,813 | - | - | 2,271,813 |
| Receivables from homeowners' association | 215,244 | - | - | 215,244 |
| Receivable from government and other financial institutions | 424,409 | - | - | 424,409 |
| Receivables from buyers | 494,515 | - | - | 494,515 |
| Due from related parties | 55,328 | - | - | 55,328 |
| Others | 1,005,544 | - | - | 1,005,544 |
| | ₱18,941,884 | ₱- | ₱1,906,849 | ₱20,848,733 |

The analysis of financial assets as of December 31, 2023 and 2022 is as follows:

| | 2023 | | | | | | | | |
|---|-------------------------------|---------------------------|---------------|---------------|----------------|---------------|-----------|-----------|--------------------|
| | 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 | ₱6,827,524 | ₱- | ₱- | ₱- | ₱- | ₱- | ₱- | ₱- | ₱6,827,524 |
| Contract assets | 9,867,642 | - | - | - | - | - | - | - | 9,867,642 |
| Loans and receivables | | | | | | | | | |
| Contracts receivable | 2,239,868 | - | - | - | - | - | - | - | 2,239,868 |
| Receivables from tenants | 2,495,211 | - | - | - | - | - | - | - | 2,495,211 |
| Receivables from homeowners' association | 168,525 | - | - | - | - | - | - | - | 168,525 |
| Receivable from government and other financial institutions | 566,778 | - | - | - | - | - | - | - | 566,778 |
| Receivables from buyers | 862,358 | - | - | - | - | - | - | - | 862,358 |
| Due from related parties | 24,032 | - | - | - | - | - | - | - | 24,032 |
| Others | 828,384 | - | - | - | - | - | - | - | 828,384 |
| | ₱23,880,322 | ₱- | ₱- | ₱- | ₱- | ₱- | ₱- | ₱- | ₱23,880,322 |



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.

Power and Utility 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, 2023 and 2022:

| <i>Foreign Currency Forward Contracts and Swaps</i> | 2023 | 2022 |
|---|------------------|-----------|
| | (In Thousands) | |
| Notional amount | \$410,853 | \$470,282 |
| Derivative assets (Note 20) | \$21,812 | ₱18,750 |
| Derivative liabilities (Note 23) | 103,083 | 107,835 |

Fair value changes of foreign currency forwards and swaps are recognized as 'foreign exchange gain' in the statements of income while fair value changes of interest rate swaps and futures are recognized as part of 'trading and securities gain (loss)' in the statements of income.

The net movements in fair value changes of all derivative instruments are as follows:

| | 2023 | 2022 |
|---|------------------|------------|
| Derivative liabilities - net at beginning of year | (₱89,085) | (₱197,284) |
| Fair value of settled instruments | 7,814 | 108,199 |
| Derivative liabilities - net at end of year | (₱81,271) | (₱89,085) |

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 CCS 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 |

The net movement on cash flow hedges is presented in the consolidated statements of comprehensive income amounted to ₱72.8 million loss, net of deferred tax of ₱3.0 million in 2020 (nil in 2022 and 2021).

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 in 2020 (nil in 2022 and 2021), 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 2023, 2022 and 2021.

38. Offsetting of Financial Assets and Financial Liabilities

The Group is required 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

| December 31, 2023 | | | | | | |
|--|---|--|--|--|------------------------------------|---------------------------|
| 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) | | | | | | |
| SPURA | ₱15,976,310 | ₱- | ₱15,976,310 | ₱- | ₱15,976,310 | ₱- |
| Derivative assets (Note 20) | 21,812 | - | 21,812 | (1) | - | 21,812 |
| | ₱15,998,122 | ₱- | ₱15,998,122 | (₱1) | ₱15,976,310 | ₱21,812 |
| December 31, 2022 | | | | | | |
| 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) | | | | | | |
| SPURA | ₱- | ₱- | ₱- | ₱- | ₱- | ₱- |
| Derivative assets (Note 20) | 18,750 | - | 18,750 | (1) | - | 18,750 |
| | ₱18,750 | ₱- | ₱18,750 | (₱1) | ₱- | ₱18,750 |

Financial Liabilities

| December 31, 2023 | | | | | | |
|---|---|--|--|--|------------------------------------|---------------------------|
| 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) | ₱103,083 | ₱- | ₱103,083 | ₱- | ₱- | ₱103,083 |
| Bills payable | 14,663,679 | - | 14,663,679 | - | - | 14,663,679 |
| Total | ₱14,766,762 | ₱- | ₱14,766,762 | ₱- | ₱- | ₱14,766,762 |
| December 31, 2022 | | | | | | |
| 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) | 107,835 | - | 107,835 | - | - | 107,835 |
| Bills payable | 6,705,236 | - | 6,705,236 | - | - | 6,705,236 |
| | 6,813,071 | - | 6,813,071 | - | - | 6,813,071 |

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

| | 2023 | | | | |
|-------------------------------|---------------------|---------------------|---------------------------------|---------------------|---------------------|
| | January 1 | Cashflows | Foreign Exchange Movement | Noncash Movement | December 31 |
| | (In Thousands) | | | | |
| Long-term and short-term debt | ₱137,224,888 | (₱5,379,278) | (₱55,000) | ₱581,334 | ₱132,371,944 |
| Bills and acceptance payable | 6,761,456 | 8,444,195 | - | 198,055 | 15,403,706 |
| Lease liabilities | 8,507,757 | (1,438,713) | - | 1,385,293 | 8,454,337 |
| Accrued interest | 1,712,390 | (7,546,485) | - | 7,627,920 | 1,793,825 |
| Dividends payable | - | (1,736,047) | - | 1,736,047 | - |
| Due to related parties | 44,903 | 18,476 | - | - | 63,379 |
| | ₱154,251,394 | (₱7,637,852) | (₱55,000) | ₱11,528,649 | ₱158,087,191 |

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).

| | 2022 | | | | |
|-------------------------------|---------------------|---------------------|---------------------------------|---------------------|---------------------|
| | January 1 | Cashflows | Foreign Exchange Movement | Noncash Movement | December 31 |
| | (In Thousands) | | | | |
| Long-term and short-term debt | ₱137,379,449 | ₱423,507 | 1,272,000 | (1,850,068) | ₱137,224,888 |
| Bills and acceptance payable | 98,150 | 6,663,306 | - | - | 6,761,456 |
| Lease liabilities | 7,355,551 | (884,432) | - | 2,036,638 | 8,507,757 |
| Accrued interest | 1,422,874 | (6,852,117) | - | 7,141,633 | 1,712,390 |
| Dividends payable | - | (1,960,750) | - | 1,960,750 | - |
| Due to related parties | 12,710 | 32,193 | - | - | 44,903 |
| | ₱146,268,734 | ₱(2,578,293) | 1,272,000 | 9,288,953 | ₱154,251,394 |

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).

The Groups's noncash transactions affecting investing activities are as follows:

- a) Transfers from loans and receivables to investment properties as a result of foreclosures amounted to ₱274.5 million, ₱101.4 million and ₱61.2 million in 2023, 2022 and 2021, respectively, for EW (see Note 16).
- b) Transfers from loans and receivables to other repossessed assets as a result of foreclosures amounted to ₱4.0 billion, ₱4.6 billion and ₱7.1 billion in 2023, 2022 and 2021 respectively, for EW. Amounts mentioned are exclusive of loss on asset foreclosure and dacion transactions amounting to ₱614.5 million, ₱9.5 million and ₱524.8 million in 2023, 2022 and 2021, respectively.
- c) Reclassification from investment properties to property and equipment amounting to ₱1,274.1 million in 2021 (see Notes 16 and 17).
- d) Reclassification from investment properties to real estate inventories amounting to ₱1,667.6 million (see Notes 14 and 16).
- e) Purchases of investment properties in 2022 and 2021 which remain unpaid amounted to ₱1,043.3 million and ₱504.4 million, respectively (see Note 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:

| | 2023 | | | 2022 | | |
|--|-------------------------|---------------------|---------------------|--------------------------|---------------------|---------------------|
| | Less than 12 months* | Over 12 months | Total | Less than 12 months** | Over 12 months | Total |
| (In Thousands) | | | | | | |
| Assets | | | | | | |
| Cash and other cash items | ₱48,962,146 | – | ₱48,962,146 | ₱71,311,956 | ₱– | ₱71,311,956 |
| Loans and receivables – net | | | | | | |
| Real estate operations | 9,285,775 | – | 9,285,775 | 9,739,631 | – | 9,739,631 |
| Hospitality operations | 247,570 | – | 247,570 | 121,924 | – | 121,924 |
| Banking and financial services | 142,245,138 | 139,008,240 | 281,253,378 | 86,513,304 | 155,463,331 | 241,976,635 |
| Power and utility operations | 4,861,962 | – | 4,861,962 | 3,679,767 | – | 3,679,767 |
| Sugar operations | 134,639 | – | 134,639 | 101,802 | – | 101,802 |
| Financial assets at FVPL | 4,112,322 | – | 4,112,322 | 1,958,310 | – | 1,958,310 |
| Financial assets at FVOCI | 19,411,425 | – | 19,411,425 | 5,389,321 | 11,988,004 | 17,377,325 |
| Investment securities at amortized cost | 520,066 | 74,880,953 | 75,401,019 | – | 63,546,191 | 63,546,191 |
| Contract assets | 4,748,130 | 5,119,512 | 9,867,642 | 2,526,368 | 5,083,164 | 7,609,532 |
| Real estate inventories | 81,004,413 | – | 81,004,413 | 79,659,361 | – | 79,659,361 |
| Coal, spare parts and other inventories | 1,665,772 | – | 1,665,772 | – | – | – |
| Investment properties - net | – | 98,240,278 | 98,240,278 | 2,316,669 | – | 2,316,669 |
| Property and equipment - net | – | 45,103,226 | 45,103,226 | – | 95,503,366 | 95,503,366 |
| Investment in joint ventures | – | 1,907,136 | 1,907,136 | – | 44,716,866 | 44,716,866 |
| Deferred tax assets - net | – | 1,907,136 | 1,907,136 | – | 1,948,608 | 1,948,608 |
| ROU assets | – | 5,628,946 | 5,628,946 | – | 5,167,717 | 5,167,717 |
| Goodwill | – | 4,150,658 | 4,150,658 | – | 4,566,463 | 4,566,463 |
| Other assets | – | 10,381,152 | 10,381,152 | – | 10,381,152 | 10,381,152 |
| | 23,316,940 | 9,997,634 | 33,314,574 | 13,034,126 | 12,103,208 | 25,137,334 |
| | ₱340,516,298 | ₱394,417,735 | ₱734,934,033 | ₱276,352,539 | ₱410,468,070 | ₱686,820,609 |
| Liabilities | | | | | | |
| Deposit liabilities | ₱338,185,349 | ₱595,963 | ₱338,781,312 | ₱309,307,007 | ₱3,067,472 | ₱312,374,479 |
| Bills and acceptances payable | 15,403,706 | – | 15,403,706 | 6,761,456 | – | 6,761,456 |
| Accounts payable and accrued expenses | 37,393,107 | 9,495,839 | 46,888,946 | 31,334,625 | 8,969,358 | 40,303,983 |
| Contract liabilities | 2,786,400 | 210,452 | 2,996,852 | 3,639,943 | 283,068 | 3,923,011 |
| Long-term and short-term debt | 29,528,806 | 102,843,138 | 132,371,944 | 26,912,157 | 110,312,731 | 137,224,888 |
| Income tax payable | 488,470 | – | 488,470 | 248,839 | – | 248,839 |
| Retirement liabilities | – | 1,575,028 | 1,575,028 | 1,671,162 | – | 1,671,162 |
| Lease liabilities | 1,325,059 | 7,129,278 | 8,454,337 | 8,507,757 | – | 8,507,757 |
| Deferred tax liabilities - net | – | 10,281,563 | 10,281,563 | – | 10,132,992 | 10,132,992 |
| | ₱425,110,897 | ₱132,131,261 | ₱557,242,158 | ₱388,382,946 | ₱132,765,621 | ₱521,148,567 |

*Includes current assets and current liabilities of EW amounting to ₱194,266,208 and ₱370,944,909 as of December 31, 2023, respectively.

**Includes current assets and current liabilities of EW amounting to ₱159,360,130 and ₱334,633,263 as of December 31, 2022, respectively.

41. Registrations to 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, FILRT and PDDC are also entitled to zero percent (0%) VAT for sales to ECOZONE enterprises.

On February 13, 2002, FLI, FAC and FILRT 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, FILRT 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.

42. Registrations with the Philippine Board of Investments (BOI)

The Group registered New Leaf Phases 1A and 1B as New Developers of Low-Cost Mass Housing Projects with the BOI under the Omnibus Investments Code of 1987 (Executive Order No. 226), and its validity ended on March 19, 2023. No outstanding projects are registered with the BOI as of December 31, 2023.

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 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. On September 2, 2014, BSI's registration was upgraded from Non-Pioneer status to Pioneer status in which ITH entitled period was a 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 December 22, 2017, the Company filed a letter request to BOI to move the start date of its commercial operations to August 1, 2018. On March 1, 2019, the BOI has approved the Company's request to extend its ITH entitlement period from November 30, 2023 to May 2024 or for a period of six (6) months corresponding to the number of months that the Island of Boracay was declared under state of Calamity.

As a registered enterprise, the Group is entitled to certain tax and nontax incentives, subject to certain conditions.



43. Subsequent Events

On February 7, 2024, the Parent Company issued fixed rate 2.5-year bonds due in 2026 with principal amount of ₱10 billion. The bonds carry a fixed interest rate of 6.3206% per annum payable quarterly in arrears starting May 7, 2024.

On March 12, 2024, the Parent Company acquired additional 120,000,000 shares of FLI for a total consideration of ₱81.6 million.



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, 2023 and 2022, and for each of the three years in the period ended December 31, 2023, and have issued our report thereon dated March 26, 2024. 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 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, the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole are prepared in all material respects, in accordance with Philippine Financial Reporting Standards, as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission, as described in Note 2 to the consolidated financial statements.

SYCIP GORRES VELAYO & CO.



Michael C. Sabado

Partner

CPA Certificate No. 89336

Tax Identification No. 160-302-865

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

BIR Accreditation No. 08-001998-073-2023, October 23, 2023, valid until October 22, 2026

PTR No. 10082007, January 6, 2024, Makati City

March 26, 2024



FILINVEST DEVELOPMENT CORPORATION AND SUBSIDIARIES
INDEX TO SUPPLEMENTARY SCHEDULES

Annex A: Reconciliation of Retained Earnings Available for Dividend Declaration

Annex B: Map Showing the Relationships Between and Among the Company and its Ultimate Parent Company, Middle Parent, Subsidiaries or Co-subsidiaries, Associates, Wherever Located or Registered

Annex C: Supplementary Schedules Required by Annex 68-J

- Schedule A. Financial Assets
- Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)
- Schedule C. Amounts Receivable from Related Parties which are Eliminated During the Consolidation of Financial Statements
- Schedule D. Long-term Debt
- Schedule E. Indebtedness to Related Parties
- Schedule F. Guarantees of Securities of Other Issuers
- Schedule G. Capital Stock

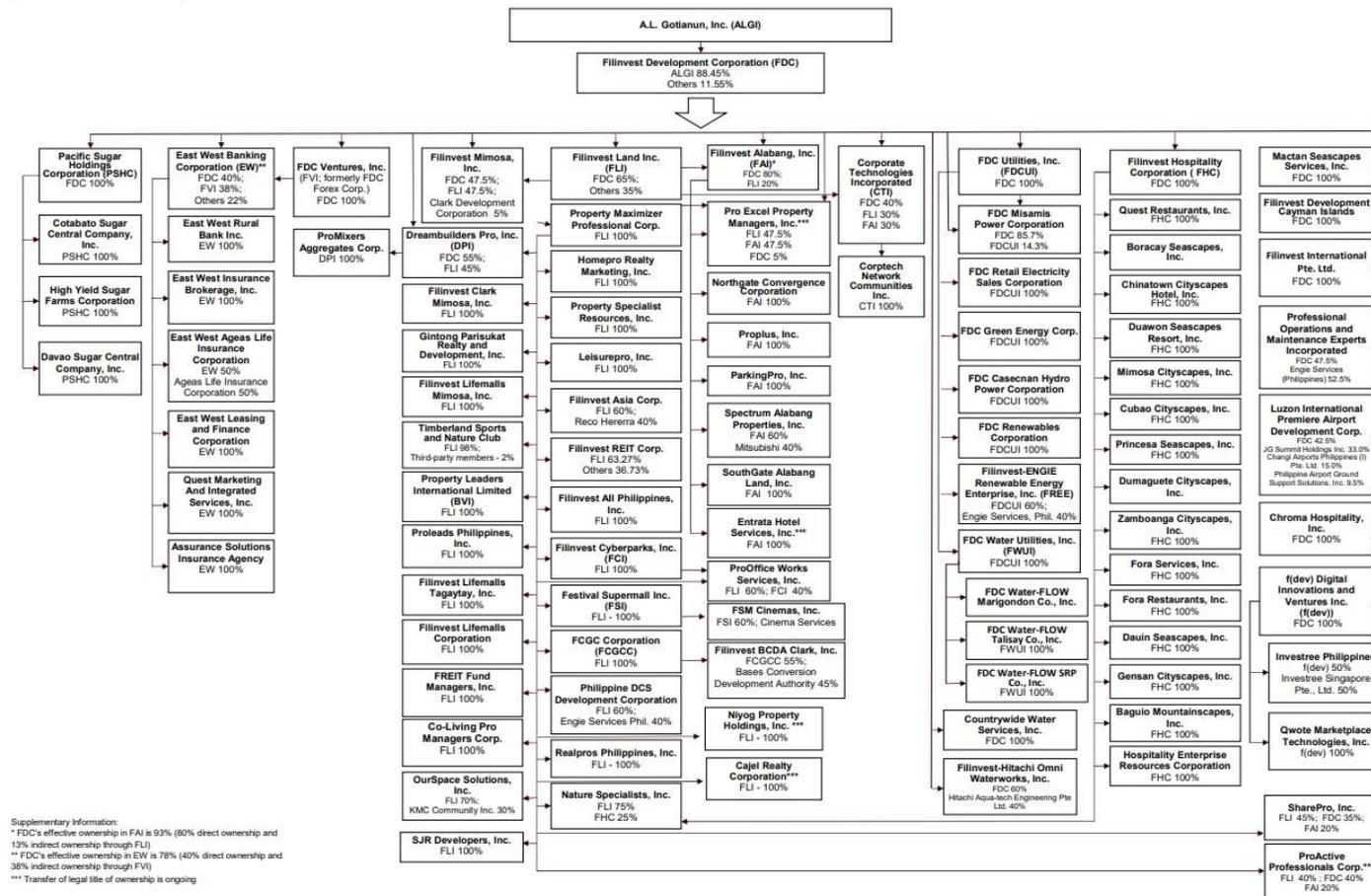
FILINVEST DEVELOPMENT CORPORATION AND SUBSIDIARIES
ANNEX 68-D - RECONCILIATION OF RETAINED EARNINGS AVAILABLE
FOR DIVIDEND DECLARATION
DECEMBER 31, 2023
(Amounts in Thousand Pesos)

| Items | Amount |
|---|---------------|
| Unappropriated Retained Earnings of the Parent Company, Beginning | P15,257,700 |
| Adjustments: | |
| Unrealized market-to-market gain on derivative asset | (158,286) |
| Reclassification of revaluation reserve on land at deemed cost | (46,331) |
| Deferred tax assets recognized in prior years | (11,343) |
| Unappropriated Retained Earnings of the Parent Company, as Adjusted, Beginning | 15,041,740 |
| Net Income Based on the Face of Parent Company AFS | 1,095,518 |
| Less: Non-actual/Unrealized Income Net of Tax | |
| Equity in net income of associate and joint ventures | - |
| Fair value adjustments (M2M gains) | - |
| Deferred income tax assets that reduced the amount of provision for income tax | - |
| Add: Non-actual Losses | |
| Deferred income tax liabilities that increased the amount of provision for income tax | - |
| Net Income Actual/Realized | 1,095,518 |
| Less: | |
| Dividend declarations during the period | (565,091) |
| Appropriations during the year | - |
| Treasury shares | (3,614,474) |
| TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DECLARATION | P11,957,693 |

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, 2023**

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, 2023)



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 FVI)
 *** Transfer of legal title of ownership is ongoing

FILINVEST DEVELOPMENT CORPORATION AND SUBSIDIARIES
Schedule A: SUPPLEMENTARY SCHEDULE ON FINANCIAL ASSETS
DECEMBER 31, 2023

Below is the schedule of financial assets in equity securities of the Group as of December 31, 2023:

| 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) | | | | |
| Financial Assets at Fair Value Through Profit or Loss | | | | |
| Debt Securities | | | | |
| Fixed Rate Treasury Notes (FXTN) | 3,327,620 | 3,445,321 | 3,445,321 | 114,434 |
| Petroleos Mexicanos (PEMEX) | 553,700 | 395,746 | 395,746 | 41,756 |
| Treasury Bills | 115,100 | 114,654 | – | – |
| Retail Treasury Bond (RTB) Republic of the Philippines (ROP) | 104,374 | 102,515 | 10,687 | – |
| | – | – | – | 53,399 |
| | 4,100,794 | 4,058,236 | 3,851,754 | 209,589 |
| Equity Securities | | | | |
| LGU Guarantee Corporation | 10,213 | 10,213 | 10,213 | – |
| Victoria Milling Corporation | 166 | 166 | 166 | – |
| Citibank Manila | 73 | 43,707 | 43,707 | – |
| | 10,452 | 54,086 | 54,086 | – |
| | 4,111,246 | 4,112,322 | 3,905,840 | 209,589 |
| Financial Assets at Fair Value Through Other Comprehensive Income | | | | |
| Debt Securities | | | | |
| Government Securities | | | | |
| ROP | 8,737,699 | 8,845,914 | 8,845,914 | 137,737 |
| FXTN | 1,553,060 | 1,358,251 | 1,358,251 | 74,908 |
| RTB | 550,000 | 558,413 | 558,413 | 31,011 |
| RDB | 493,419 | 448,192 | 448,192 | 6,817 |
| PEMEX | 442,960 | 316,597 | 316,597 | 33,394 |
| INDON | 166,110 | 204,476 | 204,475 | 6,153 |
| | 11,943,248 | 11,731,843 | 11,731,842 | 290,020 |
| Private Bonds | | | | |
| Ayala Corp. | 1,600,027 | 1,245,085 | 1,245,085 | 70,063 |
| Aboitiz Equity Ventures | 1,384,250 | 1,310,013 | 1,310,013 | 52,286 |
| First Pacific | 1,107,400 | 1,064,256 | 1,064,256 | 36,139 |
| JG Summit | 1,107,400 | 1,039,184 | 1,039,184 | 37,536 |
| Manila Water | 887,027 | 808,117 | 808,117 | 33,593 |
| Jollibee Food Corp. | 553,146 | 519,648 | 519,648 | 24,001 |
| Rizal Commercial Banking Corp | 512,173 | 487,025 | 487,025 | 32,208 |
| International Container Terminal Services, Inc. | 269,763 | 263,722 | 263,722 | 10,046 |
| | 7,421,186 | 6,737,050 | 6,737,050 | 295,872 |
| Quoted | | | | |
| The Palms Country Club | 286 | 542,674 | 542,674 | – |
| Manila Golf | 2 | 270,000 | 270,000 | – |
| Cebu Country Club | 1 | 6,017 | 6,017 | – |
| Manila Polo Club | 1 | 41,000 | 41 | – |
| Caliraya Golf | 18,401,035 | 15,491 | 15,491 | – |
| Sta Elena Properties Inc. | 2 | 30,000 | 30,000 | – |
| Riviera Golf | 1 | 1,000 | 1,000 | – |
| | 18,401,328 | 906,182 | 865,223 | – |

(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 | Value Based on Market Quotation at End of Year | Income Received and Accrued |
|--|--|---|--|-----------------------------|
| (In Thousands) | | | | |
| Unquoted | | | | |
| H.B. Fuller | 1,903,767 | 19,040 | 19,040 | — |
| Manila Electric Company | 1,153,694 | 2,711 | 2,711 | — |
| Cebu Country Club | 1 | 6,017 | 6,017 | — |
| The Palms Country Club | 1,007 | 3,060 | 3,060 | — |
| Alabang Country Club | 1 | 2,200 | 2,200 | — |
| Philippine Long Distance Telephone Company | 59,900 | 566 | 566 | — |
| Pilipino Telephone Corp. | 1,800 | 8 | 8 | — |
| Others | — | 2,748 | 2,748 | — |
| | 3,120,170 | 36,350 | 36,350 | — |
| | 40,885,932 | 19,411,425 | 19,370,465 | 585,892 |
| Investment Securities at Amortized Cost | | | | |
| ROP | 39,921,161 | 38,324,712 | 37,016,584 | 1,583,546 |
| FXTN | 22,012,993 | 21,349,476 | 20,323,270 | 1,166,681 |
| Republic of Indonesia | 8,640,489 | 9,459,419 | 9,616,728 | 457,167 |
| PLNJ | 1,896,423 | 1,705,253 | 1,856,578 | 111,130 |
| SMINVE | 1,867,076 | 1,870,453 | 1,853,465 | 83,938 |
| PEMEX | 575,848 | 554,343 | 368,802 | 38,990 |
| RTB | 245,654 | 253,717 | 242,765 | 14,741 |
| RP GPN | 317,480 | 295,589 | 381,049 | 16,645 |
| | 75,477,124 | 73,812,962 | 71,659,241 | 3,472,838 |
| Fixed Rate Treasury Notes (FXTN) - EWRB | 1,381,646 | 1,598,765 | 1,598,765 | 32,474 |
| Allowance for probable losses | — | (10,708) | — | — |
| | 76,858,770 | 75,401,019 | 73,258,006 | 3,505,312 |



FILINVEST DEVELOPMENT CORPORATION AND SUBSIDIARIES

**Schedule B: SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE
FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES, AND
PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2023**

There are no advances to employees with balances above ₱1.0 million as of December 31, 2023.

FILINVEST DEVELOPMENT CORPORATION AND SUBSIDIARIES

Schedule C: SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS DECEMBER 31, 2023

Below is the schedule of receivables (payables) with related parties which are eliminated in the consolidated financial statements as of December 31, 2023 (amounts in thousands):

| | | Volume of Transactions | Receivable (Payable) | Terms |
|---|--|------------------------|-------------------------|--|
| Filinvest REIT Corp. (FILRT) | Sale of lot | (330,875) | 352,389 | Non-interest bearing and to be settled on a quarterly basis until December 2024 |
| Pacific Sugar Holdings Corporation (PSHC) | Share in expenses | (549,995) | 106,625 | Non-interest bearing and to be settled within 1 year |
| FDC Misamis Power Corporation (FDC Misamis) | Share in expenses Dividend income Operational advances Interest on advances | (299,704) | 412 | Non-interest bearing and to be settled within 1 year except for loan** |
| Corporate Technologies, Inc. (CTI) | Share in expenses Operational advances Interest on advances | 36,780 | 182,945 | Non-interest bearing and to be settled within 1 year except for loan** |
| SharePro, Inc. (SPI) | Share in expenses Operational advances Interest on advances | 53,376 | 123,759 | Non-interest bearing and to be settled within 1 year except for loan** |
| Countrywide Water Services Inc. (CWSI) | Share in expenses Interest on advances | 5,209 | 43,631 | Non-interest bearing and to be settled within 1 year except for loan** |
| Mactan Seascapes Services, Inc. (MSSI) | Share in expenses Maintenance dues Rental income | 357,681 | 373,064 | Non-interest bearing and to be settled within 1 year |
| Filinvest Land, Inc. (FLI) | Share in expenses Dividend income | 145,566 | 153,329 | Non-interest bearing and to be settled within 1 year |
| FDC Utilities, Inc. (FDCUI) | Share in expenses Rental income Rental deposit | (2,625) | 1,549 | Non-interest bearing and to be settled within 1 year |
| Boracay Seascapes, Inc. (BSI) | Share in expenses | (4,018) | | Non-interest bearing and to be settled within 1 year |
| Filinvest Hospitality Corporation (FHC) | Share in expenses | 3,560 | 7,393 | Non-interest bearing and to be settled within 1 year |
| FDC Water Utilities, Inc. (FWUI) | Rental income Rental deposit | 173 | 2,392 | Non-interest bearing and to be settled within 1 year |
| F(dev) Digital Innovations and Ventures, Inc. (FDEV) | Share in expenses | 86 | 186 | Non-interest bearing and to be settled within 1 year |
| (Forward) | | | | |
| Filinvest Cyberparks, Inc. (FCI) | Share in expenses | 1,355 | 1,426 | Non-interest bearing and to be settled within 1 year |

| | | Volume of Transactions | Receivable (Payable) | Terms |
|---|---|------------------------|-------------------------|--|
| Proexcel Property Managers, Inc. (PPMI) | Share in expenses | | | Non-interest bearing and to be settled within 1 year |
| Dreambuilders Properties, Inc. (DPI) | Share in expenses | 15 | 23 | Non-interest bearing and to be settled within 1 year |
| Cotabato Sugar Central Company, Inc. (CSCC) | Purchases Share in expenses | 295 | 301 | Non-interest bearing and to be settled within 1 year |
| Timberland Sports and Nature Club, Inc. (TSNC) | Share in expenses | | | Non-interest bearing and to be settled within 1 year |
| FDC Ventures, Inc. (FVI) | Share in expenses Dividend income | 349,000 | - | Non-interest bearing and to be settled within 1 year |
| Property Maximizer Professional Corp. (Promax) | Commission | (705) | (889) | Non-interest bearing and to be settled within 1 year |
| Duawon Seascapes Resort, Inc. (DSRI) | Rental income | 332 | - | Non-interest bearing and to be settled within 1 year |
| Filinvest Alabang, Inc. (FAI) | Share in expenses Purchase of shares Share in expenses Rental expense Bank loan | (11,013) | (13,828) | Non-interest bearing and to be settled within 1 year except for loan* |
| East West Banking Corporation (EW) | Interest on bank loan | (627,107) | (3,031,742) | |

* Interest-bearing loan with interest rate per annum equivalent to 4.8% fixed payable semi-annually. Principal is due in October 2025.

** P549.0 million aggregate operational advances to CTI, CWSI, FDC Misamis and SPI subject to fixed interest rates ranging from 3.7% to 7.0% per annum due within 1 year to 2 years.

| | Balances at Beginning of Year | Additions/ Reclassifications | Collections/ Reclassification | Balances at End of Year |
|-------------|-------------------------------------|---------------------------------|----------------------------------|----------------------------|
| FILRT | P732,967 | | (380,578) | 352,389 |
| PSHC | 656,620 | 16,034 | (566,029) | 106,625 |
| FDC Misamis | 300,116 | 14,192 | (313,896) | 412 |
| CTI | 146,165 | (8,296) | 45,076 | 182,945 |
| SPI | 70,383 | (438,308) | 491,683 | 123,758 |
| CWSI | 38,422 | (3,101) | 8,309 | 43,630 |
| MSSI | 15,383 | 66,064 | 291,616 | 373,063 |
| FLI | 7,763 | (1,051,357) | 1,196,923 | 153,329 |
| FDCUI | 4,174 | 2,041 | (4,666) | 1,549 |
| BSI | 4,018 | - | (4,018) | - |
| FHC | 3,833 | (42,978) | 46,537 | 7,392 |
| FWUI | 2,219 | - | 173 | 2,392 |
| FDEV | 100 | (2,934) | 3,020 | 186 |
| FCI | 71 | 1,799 | (444) | 1,426 |
| PPMI | 20 | (16,174) | 16,154 | - |
| DPI | 8 | (648,178) | 648,193 | 23 |
| CSCC | 6 | - | 295 | 301 |
| Promax | (184) | - | (705) | (889) |
| DSRI | (332) | - | 332 | - |
| FAI | (2,815) | 33,530 | (44,543) | (13,828) |
| EW | (4,827,010) | (627,107) | 2,422,375 | (3,031,742) |
| | (P2,848,073) | (2,704,773) | 3,855,807 | (1,697,039) |

The intercompany transactions between FDC and the subsidiaries pertain to share in expenses, rental charges, dividend income, sale of lots, purchase of shares, operational loan and interest charges. There were no amounts written off during the year and all amounts are expected to be settled within the year except for; (a) 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; and (b) ₱549.0 million aggregate advances to CTI, CWSI, FDC Misamis and SharePro subject to fixed interest rates ranging from 3.7% to 7.0%. These advances are due within 1 year to 2 years; and (c) sale of lot to FILRT with remaining balance payable on a quarterly installment basis up to December 31, 2024

FILINVEST DEVELOPMENT CORPORATION AND SUBSIDIARIES

Schedule D: SUPPLEMENTARY SCHEDULE OF LONG-TERM AND SHORT-TERM DEBT DECEMBER 31, 2023

Below is the schedule of long-term and short-term debt of the Group:

| TITLE OF ISSUE AND TYPE OF OBLIGATION | AMOUNT AUTHORIZED BY INDENTURE | CURRENT | NON-CURRENT | TOTAL | INTEREST RATE | MATURITY DATE |
|--|---------------------------------------|----------------|--------------------|--------------|---|--|
| PARENT COMPANY: | | | | | | |
| Bank loans - Philippine Peso | Various | ₱612,071 | ₱18,274,382 | ₱18,886,453 | With fixed interest 4.0% to 5.2% per annum | With varying maturity dates up to 2028 |
| Bonds due 2024 | 8,800,000 | 8,799,207 | – | 8,799,207 | 6.1% | January 24, 2024 |
| | | 9,411,278 | 18,274,382 | 27,685,660 | | |
| SUBSIDIARIES: | | | | | | |
| Bank loans - Philippine peso | Various | 18,420,183 | 37,738,853 | 56,159,036 | With interest rates ranging from 4.4% to 7.1% | With varying maturity dates up to 2032 |
| Philippine peso: | | | | | | |
| Bonds due 2024 | 1,700,000 | 1,697,345 | – | 1,697,345 | 5.6% | December 4, 2024 |
| Bonds due 2025 | 8,925,000 | – | 8,861,211 | 8,861,211 | 5.4% | June 23, 2025 |
| Bonds due 2025 | 1,000,000 | – | 996,930 | 996,930 | 5.7% | August 20, 2025 |
| Bonds due 2025 | 5,000,000 | – | 4,963,257 | 4,963,257 | 4.5% | December 21, 2025 |
| Bonds due 2026 | 1,764,600 | – | 1,757,158 | 1,757,158 | 4.2% | May 18, 2026 |
| Bonds due 2026 | 11,430,800 | – | 11,290,787 | 11,290,787 | 7.0% | June 1, 2027 |
| Bonds due 2027 | 2,975,000 | – | 2,947,340 | 2,947,340 | 6.4% | June 23, 2027 |
| Bonds due 2027 | 5,000,000 | – | 4,954,484 | 4,954,484 | 5.3% | December 21, 2027 |
| | | 20,117,528 | 73,510,020 | 93,627,548 | | |
| Foreign currency bonds due 2025 | \$200,000 | – | 11,058,736 | 11,058,736 | 4.3% | September 17, 2025 |
| | | ₱29,528,806 | ₱102,843,138 | ₱132,371,944 | | |

Amounts are presented net of unamortized deferred costs.

FILINVEST DEVELOPMENT CORPORATION AND SUBSIDIARIES

**Schedule E: SUPPLEMENTARY SCHEDULE OF INDEBTEDNESS TO
RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)
DECEMBER 31, 2023**

This schedule is not applicable as there are no non-current indebtedness to related parties as of December 31, 2023.

FILINVEST DEVELOPMENT CORPORATION AND SUBSIDIARIES

**Schedule F: SUPPLEMENTARY SCHEDULE OF GUARANTEES OF
SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2023**

The Group does not have guarantees of securities of other issuers as of December 31, 2023.

FILINVEST DEVELOPMENT CORPORATION AND SUBSIDIARIES**Schedule G: SUPPLEMENTARY SCHEDULE OF CAPITAL STOCK****DECEMBER 31, 2023**

| Title of Issue | Number of Shares Authorized | Number of Shares Issued and Outstanding as Shown Under Related Balance Sheet Caption | Number of Shares Reserved for Options, Warrants, Conversion and Other Rights | Number of Shares Held by Related Parties | Directors, Officers and Employees | Others |
|------------------|-----------------------------------|---|---|---|---|---------|
| | | (In Thousands) | | | | |
| Common Shares | 15,000,000 | 8,648,463 | – | 7,653,635 | 66,351 | 928,477 |
| Preferred Shares | 2,000,000 | – | – | – | – | – |

FILINVEST DEVELOPMENT CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF BOND ISSUANCES – SECURITIES
OFFERED TO THE PUBLIC
DECEMBER 31, 2023

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, 2023 | ₱– |

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, 2023 and 2022, and for each of the three years in the period ended December 31, 2023, and have issued our report thereon dated March 26, 2024. 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 (PFRSs), as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission (SEC), 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 PFRSs, as modified by the application of the financial reporting reliefs issued and approved by the SEC, as described in Note 2 to the consolidated financial statements. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2023 and 2022, and for each of the three years in the period ended December 31, 2023 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Michael C. Sabado
Partner

CPA Certificate No. 89336

Tax Identification No. 160-302-865

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

BIR Accreditation No. 08-001998-073-2023, October 23, 2023, valid until October 22, 2026

PTR No. 10082007, January 6, 2024, Makati City

March 26, 2024



FILINVEST DEVELOPMENT CORPORATION

ANNEX 68-E - COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS DECEMBER 31, 2023

Below are the financial ratios that are relevant to the Group as of and for the years ended December 31, 2023 and 2022.

| Ratio | Formula | 2023 | 2022 |
|---|--|------|------|
| Earnings Per Share (EPS) | Net Income Attributable to Equity Holders divided by Weighted Average Number of Outstanding Shares | 1.03 | 0.65 |
| | Net Income Attributable to Equity Holders 8,947,468 | | |
| | Divide by: Weighted Average Number of Outstanding Shares 8,648,463 | | |
| | EPS 1.03 | | |
| Price Earnings Ratio | Closing Price divided by EPS | 5.19 | 9.83 |
| | Closing Price ⁽¹⁾ 5.35 | | |
| | Divide by: EPS 1.03 | | |
| | Price Earnings Ratio 5.19 | | |
| Return on Revenues | Net Income divided by Total Revenues and Other Income | 13% | 12% |
| | Net Income 12,136,810 | | |
| | Divide by: Total Revenues and Other Income 92,841,541 | | |
| | Return on Revenues 0.13 | | |
| Return on Equity (ROE) (average) | Net Income divided by Average Equity | 7% | 5% |
| | Net Income 12,136,810 | | |
| | Divide by: Average Equity 171,681,959 | | |
| | ROE 0.07 | | |
| Long-term and Short-Term Debt to Equity Ratio | Long-term and Short-Term Debt divided by Total Stockholders' Equity | 0.74 | 0.83 |
| | Long-term and Short-Term Debt 132,371,944 | | |
| | Divide by: Total Stockholders' Equity 177,691,875 | | |
| | Long-term and Short-Term Debt to Equity Ratio 0.74 | | |
| Total Liabilities to Equity Ratio | Total Liabilities divided by Total Stockholders' Equity | 1.09 | 1.16 |
| | Total Liabilities ⁽²⁾ 193,848,908 | | |
| | Divide by: Total Stockholders' Equity 177,691,875 | | |
| | Total Liabilities to Equity Ratio 1.09 | | |

(Forward)

| Ratio | Formula | 2023 | 2022 |
|---|---|-------------|-------------|
| Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) to Total Interest Expense | EBITDA divided by Total Interest Expense | 5.01 | 4.42 |
| | EBITDA | 25,870,768 | |
| | Divide by: Total Interest Expense ⁽³⁾ | 5,165,195 | |
| | EBITDA to Total Interest Expense | 5.01 | |
| Current Ratio | a. Including EW | 0.80 | 0.71 |
| | Total Current Assets divided by Total Current Liabilities | | |
| | Total Current Assets | 340,516,298 | |
| | Divide by: Total Current Liabilities | 425,110,897 | |
| | Current Ratio | 0.80 | |
| | b. Excluding EW | 2.70 | 2.18 |
| | Total Current Assets divided by Total Current Liabilities | | |
| | Total Current Assets | 146,250,090 | |
| Divide by: Total Current Liabilities | 54,165,988 | | |
| Current Ratio | 2.70 | | |
| Quick Ratio - Excluding EW | Current Asset less Inventories divided by Current Liabilities | 1.17 | 0.65 |
| | Total Current Assets | 146,250,090 | |
| | Less: Inventories | 82,670,185 | |
| | | 63,579,905 | |
| | Divide by: Total Current Liabilities | 54,165,988 | |
| Quick Ratio - Excluding EW | 1.17 | | |
| Asset to Equity Ratio | Total Assets divided by Total Equity | 4.14 | 4.15 |
| | Total Assets | 734,934,033 | |
| | Divide by: Total Equity | 177,691,875 | |
| | Solvency Ratio | 4.14 | |

(1) Closing prices at December 29, 2023 and 2022.

(2) Excluding deposit liabilities, bills and acceptances payable, asset retirement obligation and finance lease liabilities.

(3) Excluding financial liabilities on lease contract



DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS
RESULTS OF OPERATIONS

Year Ended December 31, 2023 Compared with Year Ended December 31, 2022

| | December 31 | | Increase (decrease) | |
|---|-------------------|------------|---------------------|----------|
| | 2023 | 2022 | Amount | % |
| REVENUES | | | | |
| Real estate operations | | | | |
| Sale of lots, condominium and residential units | 16,094,806 | 13,314,664 | 2,780,142 | 20.9% |
| Mall and rental revenues | 7,663,855 | 6,732,189 | 931,666 | 13.8% |
| Hospitality operations | 2,856,543 | 1,928,979 | 927,564 | 48.1% |
| Financial and banking services | 33,943,051 | 25,652,661 | 8,290,390 | 32.3% |
| Power and utility operations | 17,207,202 | 12,899,789 | 4,307,413 | 33.4% |
| Sugar operations | 5,027,067 | 4,280,178 | 746,889 | 17.4% |
| TOTAL REVENUES | 82,792,524 | 64,808,460 | 17,984,064 | 27.7% |
| OTHER INCOME | | | | |
| Real estate operations | 1,647,576 | 1,180,709 | 466,867 | 39.5% |
| Hospitality operations | 563,913 | 4,195 | 559,718 | 13342.5% |
| Financial and banking services | 7,429,236 | 4,912,360 | 2,516,876 | 51.2% |
| Power and utility operations | 358,236 | 139,059 | 219,177 | 157.6% |
| Sugar operations | 50,056 | 78,809 | (28,753) | -36.5% |
| TOTAL OTHER INCOME | 10,049,017 | 6,315,132 | 3,733,885 | 59.1% |
| TOTAL REVENUES AND OTHER INCOME | 92,841,541 | 71,123,592 | 21,717,949 | 30.5% |
| COSTS | | | | |
| Real estate operations | | | | |
| Sale of lots, condo and residential units | 8,534,325 | 7,521,107 | 1,013,218 | 13.5% |
| Rental services | 2,824,608 | 2,366,540 | 458,068 | 19.4% |
| Hospitality operations | 1,827,843 | 1,334,216 | 493,627 | 37.0% |
| Financial and banking services | 5,986,364 | 2,593,840 | 3,392,524 | 130.8% |
| Power operations | 12,060,599 | 8,700,791 | 3,359,808 | 38.6% |
| Sugar Operations | 4,061,398 | 3,554,776 | 506,622 | 14.3% |
| Other operations | 518,016 | 470,272 | 47,744 | 10.2% |
| | 35,813,153 | 26,541,542 | 9,271,611 | 34.9% |
| EXPENSES | | | | |
| Real estate operations | 7,217,548 | 6,419,775 | 797,773 | 12.4% |
| Hospitality operations | 1,392,562 | 1,192,396 | 200,166 | 16.8% |
| Financial and banking services | 27,907,904 | 22,097,839 | 5,810,065 | 26.3% |
| Power and utility operations | 2,151,071 | 2,264,496 | (113,425) | -5.0% |
| Sugar operations | 183,996 | 160,302 | 23,694 | 14.8% |
| Other operations | 2,674,014 | 1,755,697 | 918,317 | 52.3% |
| | 41,527,095 | 33,890,505 | 7,636,590 | 22.5% |
| TOTAL COST AND EXPENSES | 77,340,248 | 60,432,047 | 16,908,201 | 28.0% |
| INCOME BEFORE INCOME TAX | 15,501,293 | 10,691,545 | 4,809,748 | 45.0% |
| PROVISION FOR INCOME TAX | | | | |
| Current | 3,482,679 | 2,059,068 | 1,423,611 | 69.1% |
| Deferred | (118,196) | 329,817 | (448,013) | -135.8% |
| | 3,364,483 | 2,388,885 | 975,598 | 40.8% |
| NET INCOME | 12,136,810 | 8,302,660 | 3,834,150 | 46.2% |
| Attributable to: | | | | |
| Equity holders of the parent | 8,947,468 | 5,650,674 | 3,296,794 | 58.3% |
| Minority interest | 3,189,342 | 2,651,986 | 537,356 | 20.3% |
| | 12,136,810 | 8,302,660 | 3,834,150 | 46.2% |
| Basic/Diluted Earnings Per Share | 1.035 | 0.653 | | |

Revenues

Real Estate Operations - Sale of Lots, Condominium and Residential Units

Sale of lots, condominium and residential units rose by 20.9% or ₱2,780.1 million to ₱16,094.8 million. The increase was primarily attributed to higher construction percentage-of-completion achieved during the year.

Real Estate Operations - Mall and Rental Revenues

Mall and rental revenues improved by 13.8% or ₱931.7 million to ₱7,662.1 million due to gradual reduction of rental concessions, reinstatement of escalation rates and increased occupancy levels.

Hospitality Revenues

Hospitality revenues grew by 48.1% or ₱927.6 million to ₱2,856.5 million, due to higher occupancy and room rates and higher food and beverage revenues, as travel restrictions slowly eased down and borders reopened for tourism and leisure activities.

Banking and Financial Services Revenues

Revenues or interest income from banking and financial services (the Bank) was higher by 32.3% or ₱8,290.4 million to ₱33,943.1 million, mainly due to interest income growth from increase in consumer loans and high-yielding fixed income securities. Likewise, non-interest income grew from higher service fees and commission income, trading securities gain and gains from sale of foreclosed assets.

Power and Utility Revenues

Revenues from the power and utility operations increased by 33.4% or ₱4,307.4 million from ₱12,899.8 million in 2022 to ₱17,207.2 million in 2023 mainly from higher average selling price and higher dispatch and contracted electricity.

Sugar Revenues

Revenues from sugar business went up by 17.4% or ₱746.9 million to ₱5,027.1 million from the increase in sugar prices.

Other Income

Other Income - Real Estate Operations

Other income from real estate operations increased by 39.5% or ₱466.9 million from ₱1,364.0 million from higher income generated from processing fees and interest income from installment contract receivables for in-house financing scheme.

Other Income - Hospitality Operations

Other income from hospitality business increased by 13,342.5% or ₱559.7 million to ₱563.9 million primarily from insurance proceeds from business interruption in MSSI.

Other Income - Banking and Financial Services

Banking and financial services' other income increased by 51.2% or ₱2,516.9 million to ₱7,492.2 million due to higher service charges and fees from loan-related fees driven by improving volumes; trading income higher from securities trading, and higher gains on real and other properties acquired (ROPA).

Other Income - Power and Utility Operations

Other income from power and utility segment increased by 157.6% or ₱219.2 million to ₱358.2 million due to higher interest income derived from trade receivables.

Other Income - Sugar Operations

Other income from sugar operations decreased by 36.5% or ₱28.8 million to ₱50.1 million due to lower scrap sales.

Costs

Costs of Sale of Lots, Condominium and Residential Units

Costs of sale of lots, condominium and residential units increased by 13.8% or ₱1,013.2 million to ₱8,562.0 million due to higher real estate revenues realized during the year.

Costs of Mall and Rental Services

Costs of mall and rental services went up by 19.4% or ₱458.1 million to ₱2,824.6 million due to higher direct operating expense, such as taxes and utilities, during the year on account of improving business activities in the retail segment.

Costs of Hospitality Operations

Hospitality cost of operations increased by 37.0% or ₱493.6 million to ₱1,827.8 million due to higher cost of food and beverage, manpower costs, utilities, guest amenities and other direct expenses of operating departments which were all related to the increase in business volume, with the easing of travel restrictions, as aforementioned.

Costs of Banking and Financial Services

Costs of banking and financial services went up by 130.8% or ₱3,392.5 million from ₱2,593.8 million in 2022 to ₱5,986.4 million in 2023 due to higher manpower expenses, systems/software maintenance, marketing programs, cards expenses and professional fees.

Costs of Power and Utility Operations

Costs of power and utility operations increased by 38.6% or ₱3,359.8 million to ₱12,060.6 million primarily due to higher fuel cost.

Costs of Sugar Operation

Costs of sugar operations increased by 14.3% or ₱506.6 million to ₱4,061.4 million despite lower sales volume due to higher operating costs such as labor, fertilizers, and higher input prices.

Costs of Other Operations

Costs of other operations increased by 10.2% or ₱47.7 million to ₱518.0 million due to translation adjustment for interest on foreign-currency denominated bonds payable.

Expenses

Real Estate Operations

Expenses of real estate operations went up by 12.4% or ₱797.8 million to ₱7,217.5 million due to higher manpower costs, taxes and licenses, and increased repairs and maintenance expenses for managed projects. This was further increased by higher commissions and local and international branch sale offices to generate sales.

Hospitality Operations

Expenses of the hospitality business increased by 16.8% or ₱200.2 million from to ₱1,392.6 million due to higher manpower costs, utilities, outside services and credit card commission.

Banking and Financial Services

Expenses of the banking and financial services went up by 26.3% or ₱5,810.1 million to ₱27,907.9 million due to higher manpower and IT-related expenses. Provisions for losses also increased due to the combined impact of higher loan volumes.

Power and Utility Operations

Power and utility segment's expenses decreased by 5.0% or ₱113.4 million to ₱2,151.1 million due to decrease in interest expense from loans.

Sugar Operations

Expenses of the sugar business increased by 14.8% or ₱23.7 million from to ₱184.0 million due to higher interest expense and taxes and licenses.

Other Operations

Expenses of other operations went up by 52.3% or ₱918.3 million to ₱2,674.0 million due to higher interest expenses, external services and additional manpower and the impairment of the f(Dev)'s investment and advances to Investree Philippines amounting to ₱106.8 million.

Provision for Income Tax

Provision for income tax increased by 40.8% or ₱975.6 million to ₱3,364.5 million. Provision for deferred tax and current income tax rose by 69.1% and decreased by 135.8%, respectively. This is from the increase in the Group's taxable net income.

Net Income

As a result of the foregoing, consolidated net income increased by 46.2% or ₱3,834.2 million to ₱12,136.8 million. Net income attributable to equity holders of the Parent increased by 58.3% or ₱3,296.8 million to ₱8,947.5 million, while net income attributable to noncontrolling interest increased by 20.3% or ₱537.4 million to ₱2,652.0 million.

FINANCIAL CONDITION

As at December 31, 2023 Compared with As at December 31, 2022

| | December 31 | | Increase (decrease) | |
|---|--------------------|--------------------|---------------------|-------------|
| | 2023 | 2022 | Amount | % |
| ASSETS | | | | |
| Cash and cash equivalents | 48,962,146 | 71,311,956 | (22,349,810) | -31.3% |
| Loans and receivables | | | | |
| Real estate operations | 9,285,775 | 9,739,631 | (453,856) | -4.7% |
| Hospitality operations | 247,570 | 121,924 | 125,646 | 103.1% |
| Financial and banking services | 281,253,378 | 241,976,635 | 39,276,743 | 16.2% |
| Energy operations | 4,861,962 | 3,679,767 | 1,182,195 | 32.1% |
| Sugar operations | 134,639 | 101,803 | 32,836 | 32.3% |
| Financial assets at fair value through profit or loss | 4,112,322 | 1,958,310 | 2,154,012 | 110.0% |
| Financial assets at FVTOCI | 19,411,425 | 17,377,325 | 2,034,100 | 11.7% |
| Investment securities at amortized cost | 75,401,019 | 63,546,191 | 11,854,828 | 18.7% |
| Contract Assets | 9,867,642 | 7,609,532 | 2,258,110 | 29.7% |
| Real estate inventories | 81,004,413 | 79,659,361 | 1,345,052 | 1.7% |
| Coal, spare parts and other inventories | 1,665,772 | 2,316,669 | (650,897) | -28.1% |
| Investment properties - net | 98,240,278 | 95,503,366 | 2,736,912 | 2.9% |
| Property and equipment - net | 45,103,226 | 44,716,866 | 386,360 | 0.9% |
| Investment in joint venture | 1,907,136 | 1,948,608 | (41,472) | -2.1% |
| Deferred income tax assets - net | 5,628,946 | 5,167,717 | 461,229 | 8.9% |
| Right Of Use | 4,150,658 | 4,566,463 | (415,805) | -9.1% |
| Goodwill | 10,381,152 | 10,381,152 | - | 0.0% |
| Other assets - net | 33,314,574 | 25,137,333 | 8,177,241 | 32.5% |
| | 734,934,033 | 686,820,609 | 48,113,424 | 7.0% |

Assets

Total consolidated assets grew by 7.0% or ₱48,113.4 million to ₱734,934.0 million as of December 31, 2023.

The following are the significant changes in account balances from December 31, 2022 to December 31, 2023:

Cash and cash equivalents decreased by 31.3% or ₱22,349.8 million to ₱48,962.1 million as the Bank's funds were placed in higher yielding assets.

Loans and receivables of the hospitality segment increased by 103.1% or ₱125.6 million to ₱247.6 million due to higher revenues recognized.

Loans and receivables of the banking and financial services increased by 16.2% or ₱39,276.7 million to ₱281,253.4 million mainly ascribed to higher consumer lending driven by the improvement in teachers' loan and credit cards.

Loans and receivables of the power and utility operations went up by 32.1% or ₱1,182.2 million to ₱4,862.0 million. Higher level of trade receivables was due to higher pass-through fuel cost and longer average collection period.

Loans and receivables of the sugar business increased by 32.3% or ₱32.8 million to ₱134.6 million brought about by additional advances extended to sugar planters.

Financial assets at fair value through profit or loss increased by 110.0% or ₱2,154.0 million to ₱4,112.3 million due to growth in the Banks's portfolios, particularly on treasury notes and government bonds.

Financial assets at fair value through other comprehensive income increased by 11.7% or ₱2,034.1 million to ₱19,453.5 million due to growth in the Banks's portfolios, particularly on treasury notes and government bonds.

Investment securities at amortized cost increased by 18.7% or ₱11,854.8 million to ₱75,401.0 million due to growth in the Banks's portfolios, particularly on treasury notes and government bonds.

Contract assets increased by 29.7% or ₱2,258.1 million to ₱9,867.6 million mainly due to extended payment terms granted to buyers and new sales during the year.

Coal, spare parts and other inventories decreased by 28.1% or ₱650.9 million to ₱1,665.8 million due to decreased coal and sugar and molasses inventories.

Deferred income tax assets - net increased by 8.9% or ₱461.2 million to ₱5,628.9 million from decrease in unrealized foreign exchange gains of the Group.

Right-of-use assets decreased by 9.1% or ₱415.8 million to ₱4,150.7 million primarily attributable to amortization of the Group.

Other assets went up by 32.5% or ₱8,177.2 million to ₱33,314.6 million due to capital expenditures on BTO rights, increase in restricted cash and repossessed assets.

| | December 31 | | Increase (decrease) | |
|---|--------------------|--------------------|---------------------|-------------|
| | 2023 | 2022 | Amount | % |
| LIABILITIES AND EQUITY | | | | |
| LIABILITIES | | | | |
| Deposit liabilities | 338,781,312 | 312,374,479 | 26,406,833 | 8.5% |
| Bills and acceptances payable | 15,403,706 | 6,761,456 | 8,642,250 | 127.8% |
| Accounts payable and accrued expenses | 46,888,946 | 40,303,983 | 6,584,963 | 16.3% |
| Contract Liabilities | 2,996,852 | 3,923,011 | (926,159) | -23.6% |
| Long-term debt | 132,371,944 | 137,224,888 | (4,852,944) | -3.5% |
| Income tax payable | 488,470 | 248,839 | 239,631 | 96.3% |
| Retirement Liabilities | 1,575,028 | 1,671,162 | (96,134) | -5.8% |
| Lease liability | 8,454,337 | 8,507,757 | (53,420) | -0.6% |
| Deferred income tax liabilities - net | 10,281,563 | 10,132,992 | 148,571 | 1.5% |
| Total Liabilities | 557,242,158 | 521,148,567 | 36,093,591 | 6.9% |
| EQUITY | | | | |
| Equity attributable to equity holders of the parent | | | | |
| Capital stock | 9,319,872 | 9,319,872 | - | 0.0% |
| Treasury stock | (3,614,474) | (3,614,474) | - | 0.0% |
| Additional paid-in capital | 11,900,015 | 11,900,015 | - | 0.0% |
| Retained earnings | 119,711,533 | 111,329,156 | 8,382,377 | 7.5% |
| Other comprehensive income | | | | |
| Revaluation reserve on financial assets at FVTOCI | (302,556) | (1,326,191) | 1,023,635 | 77.2% |
| Share in other components of equity of associate | 724 | 724 | - | 0.0% |
| Remeasurement gains (losses) on retirement plans | (176,065) | (186,845) | 10,780 | 5.8% |
| Translation adjustment | 201,167 | (159,838) | 361,005 | 225.9% |
| Total | 137,040,216 | 127,262,419 | 9,777,797 | 7.7% |
| Noncontrolling interest | 40,651,659 | 38,409,623 | 2,242,036 | 5.8% |
| Total Equity | 177,691,875 | 165,672,042 | 12,019,833 | 7.3% |
| TOTAL LIABILITIES AND EQUITY | 734,934,033 | 686,820,609 | 48,113,424 | 7.0% |

Liabilities

Total consolidated liabilities increased by 6.9% or ₱39,093.6 million to ₱557,242.2 million.

The following are the significant changes in liability accounts from December 31, 2022 to December 31, 2023:

Deposit liabilities increased by 8.5% or ₱26,406.8 million from growth of dollar deposits in terms of increase in volume and foreign exchange revaluation.

Bills and acceptances payable grew by 127.8% or ₱8,642.3 million to ₱15,403.7 million mainly from the higher volume of repo borrowings to support funding in FCDU books including purchase of FVOCI and Investment Securities at Amortized Cost.

Accounts payable, accrued expenses and other liabilities increased by 16.3% or ₱6,585.0 million to ₱46,888.9 million due to higher level of year-end accruals and higher volume of payables to contractors, vendors and suppliers.

Contract liabilities decreased 23.6% or ₱926.2 million to ₱2,996.9 million due to real estate's construction in progress for the accounts already qualified for revenue recognition.

Income tax payable increased by 96.3% or ₱239.6 million to ₱488.5 million due to higher taxable income for the year.

Retirement liabilities decreased by 5.8% or ₱96.1 million to ₱1,575.0 million due to funding of the Group's plan assets.

Equity

On April 28, 2023, the FDC's BOD approved the declaration and payment of cash dividends of ₱0.06534 per share for every common share of record as of May 22, 2023. This was paid on June 14, 2023.

On April 29, 2022, FDC's Board of Directors (BOD) approved the declaration and payment of cash dividends of ₱0.07014 per share for every common share of record as of May 20, 2022, payable on June 14, 2022.

On April 30, 2021, FDC's BOD approved the declaration and payment of cash dividends of ₱0.098 per share for every common share of record as of May 21, 2021. This was paid on June 15, 2021.

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

Performance Indicators

| | As of And For The Year Ended December 31, 2023 | As of And For The Year Ended December 31, 2022 |
|---|--|--|
| Earnings Per Share - Basic (EPS) | ₱1.035 /share | ₱0.653 /share |
| <u>Net Income (Attributable to Equity Holders of the Parent Company)</u> | | |
| Weighted Average Number of Outstanding Shares | | |
| Price Earnings Ratio (PE Ratio) | 5.19 Times | 9.83 Times |
| <u>Closing Price ⁽¹⁾</u> | | |
| EPS | | |
| Return on Revenue | 13% | 12% |
| <u>Total Net Income</u> | | |
| Total Revenue | | |
| Return on Equity (Average) | 7% | 5% |
| <u>Total Net Income</u> | | |
| Average Total Equity | | |
| Assets to Equity Ratio | 4.14 :1 | 4.15 :1 |
| <u>Total Assets</u> | | |
| Total Equity | | |
| Debt to Equity Ratio | | |
| a) <u>Long-term and Short-term Debt</u> | 0.74 :1 | 0.83 :1 |
| Total Equity | | |
| b) <u>Total Liabilities Excluding Deposit Liabilities, Bills and Acceptances Payable, Asset Retirement Obligation and Finance Lease Liabilities</u> | 1.09 :1 | 1.16 :1 |
| Total Equity | | |

| | As of And For The Year Ended December 31, 2023 | As of And For The Year Ended December 31, 2022 |
|--|--|--|
| Current Ratio | | |
| a) Including EW | | |
| <u>Current Assets</u> | 0.80:1 | 0.71:1 |
| Current Liabilities | | |
| b) Excluding EW | | |
| <u>Current Assets</u> | 2.70:1 | 2.18:1 |
| Current Liabilities | | |
| Quick Ratio – excluding EW | 1.17:1 | 0.65:1 |
| <u>Current Assets – Inventories</u> | | |
| Current Liabilities | | |
| Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) to Total Interest Expense | 5.01 Times | 4.42 Times |
| EBITDA | | |
| Total Interest Expense ⁽²⁾ | | |
| (1) Closing prices at December 29, 2023 and December 29, 2022. | | |
| (2) Excluding financial liabilities on lease contract | | |

Notes to Financial Statements and Other Disclosures

- The attached consolidated financial statements are prepared in compliance with PFRS. Except as disclosed in the Notes to the consolidated financial statements, the accounting policies and methods of computation followed in the financial statements for the year ended December 31, 2023 are the same as those followed in the annual financial statements of the Company for the year ended December 31, 2022.
- 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.
- 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.
- There are no changes in estimates of amounts reported in the previous period that have material effects in the current period.
- 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.
- 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.
- 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 and Utility Operations

This involves operation of power plants and supply of power to off-takers and also includes retail electricity supply operations. This segment also involves maintenance, operation and management of waterworks system for distribution and supply of potable water to domestic, commercial, and industrial users.

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 FDCI, CTI, FDEV and SPI. FDCI was incorporated to facilitate the Group's issuance of foreign currency-denominated bonds while CTI is engaged in providing computer and information technology services FDEV is organized to engage in the business of a holding company and invest in technology-based business entities while SPI was incorporated to provide technical and business process services.

Financial information on the operations of these business segments as of and for the years ended December 31, 2022 and 2021 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, 2023 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, 2023.
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 and Analysis on Financial Condition and Results of Operations, which 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:

Year Ended December 31, 2022 Compared with Year Ended December 31, 2021

| | December 31 | | Increase (decrease) | |
|---|-------------------|-------------------|---------------------|---------------|
| | 2022 | 2021 | Amount | % |
| REVENUES | | | | |
| Real estate operations | | | | |
| Sale of lots, condominium and Mall and rental revenues | 13,314,664 | 11,966,859 | 1,347,805 | 11.3% |
| Hospitality operations | 1,928,979 | 1,206,684 | 722,295 | 59.9% |
| Banking and financial services | 25,652,661 | 22,795,094 | 2,857,567 | 12.5% |
| Power and utility operations | 12,899,789 | 9,395,168 | 3,504,621 | 37.3% |
| Sugar operations | 4,280,178 | 4,096,201 | 183,977 | 4.5% |
| TOTAL REVENUES | 64,808,460 | 55,338,306 | 9,470,154 | 17.1% |
| INTEREST AND OTHER INCOME | | | | |
| Real estate operations | 1,180,709 | 1,417,709 | (237,000) | -16.7% |
| Hospitality operations | 4,195 | 2,453 | 1,742 | 71.0% |
| Banking and financial services | 4,912,360 | 6,037,061 | (1,124,701) | -18.6% |
| Power and utility operations | 139,059 | 73,942 | 65,117 | 88.1% |
| Sugar operations | 78,809 | 37,511 | 41,298 | 110.1% |
| Total INTEREST AND OTHER INCOME | 6,315,132 | 7,568,676 | (1,253,544) | -16.6% |
| TOTAL REVENUES AND OTHER INCOME | 71,123,592 | 62,906,982 | 8,216,610 | 13.1% |
| COSTS | | | | |
| Real estate operations | | | | |
| Sale of lots, condo and residential | 7,521,107 | 6,748,421 | 772,686 | 11.4% |
| Rental services | 2,366,540 | 2,266,103 | 100,437 | 4.4% |
| Hospitality operations | 1,334,216 | 1,010,347 | 323,869 | 32.1% |
| Banking and financial services | 2,593,840 | 2,041,869 | 551,971 | 27.0% |
| Power and utility operations | 8,700,791 | 5,420,167 | 3,280,624 | 60.5% |
| Sugar operations | 3,554,776 | 3,520,107 | 34,669 | 1.0% |
| Other operations | 470,272 | 420,536 | 49,736 | 11.8% |
| | 26,541,542 | 21,427,550 | 5,113,992 | 23.9% |
| EXPENSES | | | | |
| Real estate operations | 6,419,775 | 5,987,613 | 432,162 | 7.2% |
| Hospitality operations | 1,192,396 | 943,292 | 249,104 | 26.4% |
| Banking and financial services | 22,097,839 | 20,859,672 | 1,238,167 | 5.9% |
| Power and utility operations | 2,264,496 | 2,122,328 | 142,168 | 6.7% |
| Sugar operations | 160,302 | 177,813 | (17,511) | -9.8% |
| Other operations | 1,755,697 | 1,559,542 | 196,155 | 12.6% |
| | 33,890,505 | 31,650,260 | 2,240,245 | 7.1% |
| TOTAL COST AND EXPENSES | 60,432,047 | 53,077,810 | 7,354,237 | 13.9% |
| INCOME BEFORE INCOME TAX | 10,691,545 | 9,829,172 | 862,372 | 8.8% |
| PROVISION FOR INCOME TAX | | | | |
| Current | 2,059,068 | 1,264,526 | 794,542 | 62.8% |
| Deferred | 329,817 | (321,101) | 650,918 | -202.7% |
| | 2,388,885 | 943,425 | 1,445,460 | 153.2% |
| NET INCOME | 8,302,660 | 8,885,747 | (583,087) | -6.6% |
| Attributable to: | | | | |
| Equity holders of the parent | 5,650,674 | 6,065,764 | (415,090) | -6.8% |
| Minority interest | 2,651,986 | 2,819,983 | (167,997) | -6.0% |
| | 8,302,660 | 8,885,747 | (583,087) | -6.6% |
| Basic/Diluted Earnings Per Share | 0.653 | 0.701 | | |

Revenues

Real Estate Operations - Sale of Lots, Condominium and Residential Units

Sale of lots, condominium and residential units rose by 11.3% or ₱1,347.8 million from ₱11,966.9 million in 2021 to ₱13,314.7 million in 2022. The increase was primarily attributed to higher construction percentage-of-completion achieved during the year.

Real Estate Operations - Mall and Rental Revenues

Mall and rental revenues improved by 14.5% or ₱853.9 million from ₱5,878.3 million in 2021 to ₱6,732.2 million in 2022 due to gradual reduction of rental concessions, reinstatement of escalation rates and increased occupancy levels.

Hospitality Revenues

Hospitality revenues registered a growth of 59.9% or ₱722.3 million from ₱1,206.7 million in 2021 to ₱1,929.0 million in 2022, due to higher average room rates and higher food and beverage revenues, as travel restrictions slowly eased down and borders reopened for tourism and leisure activities.

Banking and Financial Services Revenues

Revenues or interest income from banking and financial services (the Bank) was 12.5% higher from ₱22,795.1 million in 2021 to ₱25,652.7 million in 2022, largely driven by the 20% growth in loans portfolio and 24% increase in fixed-income securities.

Power and Utility Revenues

Revenues from the power and utility operations increased by 37.3% or ₱3,504.6 million from ₱9,395.2 million in 2021 to ₱12,899.8 million in 2022 due to higher pass-through cost of fuel.

Sugar Revenues

Revenues from sugar business went up by 4.5% or ₱184.0 million from ₱4,096.2 million in 2021 to ₱4,280.2 million in 2022 because of increase in sugar prices despite lower sales volume.

Other Income

Other Income — Real Estate Operations

Other income from real estate operations decreased by 16.7% or ₱237.0 million from ₱1,417.7 million in 2021 to ₱1,180.7 million in 2022 due to lower income generated from processing fees and lower interest income derived from installment contract receivables for in-house financing scheme.

Other Income — Hospitality Operations

Other income from hospitality business increased by 71.0% or ₱1.7 million from ₱2.5 million in 2021 to ₱4.2 million in 2022 derived primarily from insurance proceeds.

Other Income — Banking and Financial Services

Banking and financial services' other income decreased by 18.6% or ₱1,124.7 million from ₱6,037.1 million in 2021 to ₱4,912.4 million in 2022 due to lower trading gain recorded this year. In 2021, trading income was above normal levels due to the accommodative monetary policy that drove interest rates to very low levels.

Other Income — Power and Utility Operations

Other income from power and utility segment increased by 88.1% or ₱65.1 million from ₱73.9 million in 2021 to ₱139.1 million in 2022 due to higher interest income derived from trade receivables.

Other Income — Sugar Operations

Other income from sugar operations increased by 110.1% or ₱41.3 million from ₱37.5 million in 2021 to ₱78.8 million in 2022 due to higher scrap sales.

Costs

Costs of Sale of Lots, Condominium and Residential Units

Costs of sale of lots, condominium and residential units increased by 11.4% or ₱772.7 million from ₱6,748.4 million in 2021 to ₱7,521.1 million in 2022 due to higher real estate revenues realized during the year.

Costs of Mall and Rental Services

Costs of mall and rental services went up by 4.4% or ₱100.4 million from ₱2,266.1 million in 2021 to ₱2,366.5 million in 2022 due to higher direct operating expenses during the year on account of improving business activities in the retail segment.

Costs of Hospitality Operations

Hospitality cost of operations increased by 32.1% or ₱323.9 million from ₱1,010.3 million in 2021 to ₱1,334.2 million in 2022 due to higher cost of food and beverage, manpower costs, utilities, guest amenities and other direct expenses of operating departments which were all related to the increase in business volume, with the easing of travel restrictions, as aforementioned.

Costs of Banking and Financial Services

Costs of banking and financial services went up by 27.0% or ₱552.0 million from ₱2,041.9 million in 2021 to ₱2,593.8 million in 2022 due to higher cost of funding as a result of monetary policy tightening on interest rates.

Costs of Power and Utility Operations

Costs of power and utility operations increased by 60.5% or ₱3,280.6 million from ₱5,420.2 million in 2021 to ₱8,700.8 million in 2022 primarily due to higher fuel cost.

Costs of Sugar Operation

Costs of sugar operations remained almost flat at ₱3,554.8 million in 2022 from ₱3,520.1 million in 2021 despite lower sales volume. Operating costs such as fertilizers, fuel and labor increased because of higher prices.

Costs of Other Operations

Costs of other operations increased by 11.8% or ₱49.7 million from ₱420.5 million in 2021 to ₱470.3 million in 2022 due to translation adjustment for interest on foreign-currency denominated bonds payable.

Expenses

Real Estate Operations

Expenses of real estate operations went up by 7.2% or ₱432.2 million from ₱5,987.6 million in 2021 to ₱6,419.8 million in 2022 due to higher general and administrative expense particularly manpower costs, taxes and licenses and repairs and maintenance for managed projects. Likewise, selling and marketing expenses increased due to higher commission and sales generation activities which resulted to higher option sales for the year.

Hospitality Operations

Expenses of the hospitality business increased by 26.4% or ₱249.1 million from ₱943.3 million in 2021 to ₱1,192.4 million in 2022 due to higher manpower costs, utilities, outside services and credit card commission.

Banking and Financial Services

Expenses of the banking and financial services went up by 5.9% or ₱1,238.2 million from ₱20,859.7 million in 2021 to ₱22,097.8 million in 2022 due to higher manpower and IT-related expenses. Provisions for losses also increased due to the combined impact of higher loan volumes and residual effects of the pandemic on the consumer portfolio.

Power and Utility Operations

Power and utility segment's expenses increased by 6.7% or ₱142.2 million from ₱2,122.3 million in 2021 to ₱2,264.5 million in 2022 due to higher personnel costs and insurance-related expenses.

Sugar Operations

Expenses of the sugar business decreased by 9.8% or ₱17.5 million from ₱177.8 million in 2021 to ₱160.3 million in 2022 due to lower interest expense and taxes and licenses.

Other Operations

Expenses of other operations went up by 12.6% or ₱196.2 million from ₱1,559.5 million in 2021 to ₱1,755.7 million in 2022 due to higher external services and additional manpower.

Provision for Income Tax

Provision for income tax increased by 153.2% or ₱1,445.5 million from ₱943.4 million in 2021 to ₱2,388.9 million in 2022. Provision for deferred tax and current income tax rose by 202.7% and 62.8%, respectively. Lower tax provisions were registered in 2021 due to tax benefit recognized in accordance with the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act.

Net Income

As a result of the foregoing, consolidated net income decreased by 6.6% or ₱583.1 million from ₱8,885.7 million in 2021 to ₱8,302.7 million in 2022. Net income attributable to equity holders of the Parent decreased by 6.8% or ₱415.1 million from ₱6,065.8 million in 2021 to ₱5,650.7 million in 2022, while net income attributable to noncontrolling interest decreased from ₱2,820.0 million in 2021 to ₱2,652.0 million in 2022.

FINANCIAL CONDITION

As at December 31, 2022 Compared with As at December 31, 2021

| | December 31 | | Increase (decrease) | |
|---|--------------------|--------------------|---------------------|-------------|
| | 2022 | 2021 | Amount | % |
| ASSETS | | | | |
| Cash and cash equivalents | 71,311,956 | 123,074,981 | (51,763,025) | -42.1% |
| Contracts receivables | | | | |
| Real estate operations | 9,739,631 | 8,767,809 | 971,822 | 11.1% |
| Hospitality operations | 121,924 | 213,266 | (91,342) | -42.8% |
| Banking and financial services | 241,976,635 | 200,832,897 | 41,143,738 | 20.5% |
| Power and utility operations | 3,679,767 | 2,589,622 | 1,090,145 | 42.1% |
| Sugar operations | 101,803 | 87,335 | 14,468 | 16.6% |
| Financial assets at fair value through profit or loss | 1,958,310 | 4,056,851 | (2,098,541) | -51.7% |
| Financial assets at FVTOCI | 17,377,325 | 42,286,875 | (24,909,550) | -58.9% |
| Investment securities at amortized cost | 63,546,191 | 20,815,382 | 42,730,809 | 205.3% |
| Contract Assets | 7,609,532 | 8,897,517 | (1,287,985) | -14.5% |
| Real estate inventories | 79,659,361 | 77,528,774 | 2,130,587 | 2.7% |
| Coal, spare parts and other inventories | 2,316,669 | 1,409,560 | 907,109 | 64.4% |
| Investment properties - net | 95,503,366 | 92,063,056 | 3,440,310 | 3.7% |
| Property and equipment - net | 44,716,866 | 43,261,910 | 1,454,956 | 3.4% |
| Investment in joint venture | 1,948,608 | 1,524,195 | 424,413 | 27.8% |
| Deferred income tax assets - net | 5,167,717 | 4,969,983 | 197,734 | 4.0% |
| Right Of Use | 4,566,463 | 3,684,178 | 882,285 | 23.9% |
| Goodwill | 10,381,152 | 10,381,152 | - | 0.0% |
| Other assets - net | 25,137,333 | 23,130,843 | 2,006,490 | 8.7% |
| | 686,820,609 | 669,576,186 | 17,244,423 | 2.6% |

Assets

Total consolidated assets grew by 2.7% or ₱17,244.4 million from ₱686,820.6 million as of December 31, 2021 to ₱687,632.5 million as of December 31, 2022.

The following are the significant changes in account balances from December 31, 2021 to December 31, 2022:

Cash and cash equivalents decreased by 42.1% or ₱51,763.0 million from ₱123,075.0 million to ₱71,312.0 million as the Bank's funds were placed in higher yielding assets.

Loans and receivables of the real estate operations increased by 11.1% or ₱971.8 million from ₱8,767.8 million to ₱9,739.6 million due to increase in receivables from office tenants.

Loans and receivables of the hospitality segment decreased by 42.8% or ₱91.3 million from ₱213.3 million to ₱121.9 million due to higher level of collections.

Loans and receivables of the banking and financial services increased by 20.5% or ₱41,143.7 million from ₱200,832.9 million to ₱241,976.6 million mainly ascribed to higher consumer lending driven by the improvement in teachers' loan and credit cards, growing by 96% and 24%, respectively.

Loans and receivables of the power and utility operations went up by 42.1% or ₱1,090.1 million from ₱2,589.6 million to ₱3,679.8 million. Higher level of trade receivables was due to higher pass-through fuel cost and longer average collection period.

Loans and receivables of the sugar business increased by 16.6% or ₱14.5 million from ₱87.3 million to ₱101.8 million brought about by additional advances extended to sugar planters.

Financial assets at fair value through profit or loss decreased by 51.7% or ₱2,098.5 million from ₱4,056.9 million to ₱1,958.3 million due to movements in the Bank's proprietary trading portfolio shifting to build-up the Bank's accrual portfolio in line with the Bank's business models.

Financial assets at fair value through other comprehensive income was lower by 58.9% or ₱24,909.6 million from ₱42,286.9 million to ₱17,377.3 million due to movements in the Bank's proprietary trading portfolio shifting to build-up the Bank's accrual portfolio in line with the Bank's business models.

Investment securities at amortized cost increased by 205.3% or ₱42,730.8 million from ₱20,815.4 million to ₱63,546.2 million in line with the Bank's balance sheet business models.

Contract assets decreased by 14.5% or ₱1,288.0 million from ₱8,897.5 million to ₱7,609.5 million mainly due to increased collections, portfolio sale and extended payment terms granted to buyers.

Coal, spare parts and other inventories increased by 64.4% or ₱907.1 million from ₱1,409.6 million to ₱2,316.7 million due to higher coal prices and continued build-up of critical spare parts for plant maintenance as of reporting date.

Investments in joint ventures and associate increased by 27.8% or ₱424.4 million from ₱1,524.2 million to ₱1,948.6 million due to additional capital investment, offset by the proportionate share of the Bank in net loss and other comprehensive income.

Right-of-use assets went up by 23.9% or ₱882.3 million from ₱3,684.2 million to ₱4,566.5 primarily attributable to the Bank's renewal of various lease contracts.

Other assets went up by 8.7% or ₱2,006.5 million from ₱23,130.8 million to ₱25,137.3 due to additional input VAT and creditable withholding taxes.

| | December 31 | | Increase (decrease) | |
|---|--------------------|--------------------|---------------------|-------------|
| | 2022 | 2021 | Amount | % |
| LIABILITIES AND EQUITY | | | | |
| LIABILITIES | | | | |
| Deposit liabilities | 312,374,479 | 314,475,317 | (2,100,838) | -0.7% |
| Bills and acceptances payable | 6,761,456 | 98,150 | 6,663,306 | 6788.9% |
| Accounts payable and accrued expenses | 40,303,983 | 34,499,848 | 5,804,135 | 16.8% |
| Contract Liabilities | 3,923,011 | 3,485,311 | 437,700 | 12.6% |
| Long-term debt | 137,224,888 | 137,379,449 | (154,561) | -0.1% |
| Income tax payable | 248,839 | 188,793 | 60,046 | 31.8% |
| Retirement Liabilities | 1,671,162 | 1,501,973 | 169,189 | 11.3% |
| Lease liability | 8,507,757 | 7,355,552 | 1,152,205 | 15.7% |
| Deferred income tax liabilities - net | 10,132,992 | 9,480,885 | 652,107 | 6.9% |
| Total Liabilities | 521,148,567 | 508,465,278 | 12,683,289 | 2.5% |
| EQUITY | | | | |
| Equity attributable to equity holders of the parent | | | | |
| Capital stock - 1 par value | | | | |
| Authorized - 10,000,000,000 shares | | | | |
| Issued and outstanding - 8,648,462,987 shares | 9,319,872 | 9,319,872 | - | 0.0% |
| Treasury stock | (3,614,474) | (3,614,474) | - | 0.0% |
| Additional paid-in capital | 11,900,015 | 11,900,015 | - | 0.0% |
| Retained earnings | 111,329,156 | 106,285,085 | 5,044,071 | 4.7% |
| Other comprehensive income | | | | |
| Revaluation reserve on financial assets at FVTOCI | (1,326,191) | 214,100 | (1,540,291) | -719.4% |
| Share in other components of equity of associate | 724 | 724 | - | 0.0% |
| Remeasurement gains (losses) on retirement plans | (186,845) | (223,775) | 36,930 | -16.5% |
| Cashflow hedge reserve | - | - | - | - |
| Translation adjustment | (159,838) | (305,031) | 145,193 | -47.6% |
| Total | 127,262,419 | 123,576,516 | 3,685,903 | 3.0% |
| Noncontrolling interest | 38,409,623 | 37,534,392 | 875,231 | 2.3% |
| Total Equity | 165,672,042 | 161,110,908 | 4,561,134 | 2.8% |
| TOTAL LIABILITIES AND EQUITY | 686,820,609 | 669,576,186 | 17,244,423 | 2.6% |

Liabilities

Total consolidated liabilities increased by 2.5% from ₱508,465.3 million to ₱521,148.6 million.

The following are the significant changes in liability accounts from December 31, 2021 to December 31, 2022:

Bills and acceptances payable grew more than 67 times or a year-on-year increase of ₱6,663.3 million from ₱98.2 million to ₱6,761.5 million due to higher volume of short-term or repo borrowings as of year-end.

Accounts payable, accrued expenses and other liabilities increased by 16.8% or ₱5,804.1 million from ₱34,499.8 million to ₱40,304.0 million due to higher level of year-end accruals and higher volume of payables to contractors, vendors and suppliers.

Contract liabilities went up by 12.6% or ₱437.7 million from ₱3,485.3 million to ₱3,923.0 million due to the Bank's higher deferred revenues from credit card loyalty points, membership fees and dues.

Income tax payable increased by 31.8% or ₱60.0 million from ₱188.8 million to ₱248.8 million due to higher taxable income for the year.

Retirement liabilities increased by 11.3% or ₱169.2 million from ₱1,502.0 million to ₱1,671.2 million due to net retirement adjustment based on actuarial valuation.

Lease liabilities went up by 15.7% or ₱1,152.2 million from ₱7,355.6 million to ₱8,507.8 million primarily due to the Bank's renewal of various lease contracts.

Deferred tax liabilities increased by 6.9% or ₱652.1 million from ₱9,480.9 million to ₱10,133.0 million mainly due to the real estate segment's take up of additional deferred tax on capitalized borrowing costs.

Equity

On April 29, 2022, FDC's Board of Directors (BOD) approved the declaration and payment of cash dividends of ₱0.07014 per share for every common share of record as of May 20, 2022, payable on June 14, 2022.

On April 30, 2021, FDC's BOD approved the declaration and payment of cash dividends of ₱0.098 per share for every common share of record as of May 21, 2021. This was paid on June 15, 2021.

On June 22, 2020, FDC'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.

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, water desalination and other utility projects, the intended construction and management of various hotels, and the bank's expansion and implementation of IT projects, which could be adequately covered by the operating cash flow and availment of medium and long term loans.

Performance Indicators

| | As of And For The Year Ended December 31, 2022 | As of And For The Year Ended December 31, 2021 |
|---|--|--|
| Earnings Per Share - Basic (EPS) | ₱0.653 /share | ₱0.701 /share |
| $\frac{\text{Net Income (Attributable to Equity Holders of the Parent Company)}}{\text{Weighted Average Number of Outstanding Shares}}$ | | |
| Price Earnings Ratio (PE Ratio) | 9.83 Times | 11.37 Times |
| $\frac{\text{Closing Price}^{(1)}}{\text{EPS}}$ | | |
| Return on Revenue | 12% | 14% |
| $\frac{\text{Total Net Income}}{\text{Total Revenue}}$ | | |
| Return on Equity (Average) | 5% | 6% |
| $\frac{\text{Total Net Income}}{\text{Average Total Equity}}$ | | |
| Assets to Equity Ratio | 4.15 :1 | 4.16 :1 |
| $\frac{\text{Total Assets}}{\text{Total Equity}}$ | | |
| Debt to Equity Ratio | | |
| $\text{a) } \frac{\text{Long-term and Short-term Debt}}{\text{Total Equity}}$ | 0.83 :1 | 0.85 :1 |

| | As of And For The Year Ended December 31, 2022 | As of And For The Year Ended December 31, 2021 |
|--|--|--|
| b) Total Liabilities Excluding Deposit Liabilities, Bills and Acceptances Payable, Asset Retirement Obligation and Finance Lease Liabilities | 1.16:1 | 1.15:1 |
| Total Equity | | |
| Current Ratio | | |
| a) Including EW | | |
| Current Assets | 0.71:1 | 0.94:1 |
| Current Liabilities | | |
| b) Excluding EW | | |
| Current Assets | 2.18:1 | 3.76:1 |
| Current Liabilities | | |
| Quick Ratio – excluding EW | 0.65:1 | 1.36:1 |
| Current Assets – Inventories | | |
| Current Liabilities | | |
| Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) to Total Interest Expense | 4.42 Times | 4.47 Times |
| EBITDA | | |
| Total Interest Expense ⁽²⁾ | | |
| ⁽³⁾ Closing prices at December 29, 2022 and December 29, 2021. | | |
| ⁽⁴⁾ Excluding financial liabilities on lease contract | | |

Notes to Financial Statements and Other Disclosures

- The attached consolidated financial statements are prepared in compliance with PFRS. Except as disclosed in the Notes to the consolidated financial statements, the accounting policies and methods of computation followed in the financial statements for the year ended December 31, 2022 are the same as those followed in the annual financial statements of the Company for the year ended December 31, 2021.
- 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.
- 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.
- There are no changes in estimates of amounts reported in the previous period that have material effects in the current period.
- 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 and Utility Operations

This involves operation of power plants and supply of power to off-takers and also includes retail electricity supply operations. This segment also involves maintenance, operation and management of waterworks system for distribution and supply of potable water to domestic, commercial, and industrial users.

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 FDCI, CTI, FDEV and SPI. FDCI was incorporated to facilitate the Group's issuance of foreign currency-denominated bonds while CTI is engaged in providing computer and information technology services FDEV is organized to engage in the business of a holding company and invest in technology-based business entities while SPI was incorporated to provide technical and business process services.

Financial information on the operations of these business segments as of and for the years ended December 31, 2022 and 2021 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, 2022 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, 2022.
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 and Analysis on Financial Condition and Results of Operations, which 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:

Seasonality

Except for the significant impact of COVID-19 pandemic to the Company's operations starting March 2020, there were no other trends, events or uncertainties that have had or that are reasonably expected to have a material impact on net sales or revenues or income from operations.

RESULTS OF OPERATIONS

Year Ended December 31, 2021 Compared With Year Ended December 31, 2020

| | December 31 | | Increase (Decrease) | |
|---|-------------------|---------------------|---------------------|---------------|
| | 2021 | 2020 As Restated | | |
| REVENUES | | | | |
| Real estate operations | | | | |
| Sale of lots, condominium and residential units | 11,966,859 | 10,453,334 | 1,513,525 | 14.5% |
| Mall and rental revenues | 5,878,300 | 7,809,633 | (1,931,333) | -24.7% |
| Hospitality operations | 1,206,684 | 1,235,476 | (28,792) | -2.3% |
| Banking and financial services | 22,795,094 | 30,266,701 | (7,471,607) | -24.7% |
| Power and utility operations | 9,395,168 | 8,427,749 | 967,419 | 11.5% |
| Sugar operations | 4,096,201 | 3,666,210 | 429,991 | 11.7% |
| TOTAL REVENUES | 55,338,306 | 61,859,103 | (6,520,797) | -10.5% |
| INTEREST AND OTHER INCOME | | | | |
| Real estate operations | 1,417,709 | 4,321,259 | (2,903,550) | -67.2% |
| Hospitality operations | 2,453 | 2,420 | 33 | 1.4% |
| Banking and financial services | 6,037,061 | 6,873,985 | (836,924) | -12.2% |
| Power and utility operations | 73,942 | 51,180 | 22,762 | 44.5% |
| Sugar Operations | 37,511 | 40,246 | (2,735) | -6.8% |
| Total INTEREST AND OTHER INCOME | 7,568,676 | 11,289,090 | (3,720,414) | -33.0% |
| TOTAL REVENUES AND OTHER INCOME | 62,906,982 | 73,148,193 | (10,241,211) | -14.0% |
| COSTS | | | | |
| Real estate operations | | | | |
| Sale of lots, condo and residential units | 6,748,421 | 5,857,591 | 890,830 | 15.2% |
| Mall and rental services | 2,266,103 | 1,970,780 | 295,323 | 15.0% |
| Hospitality operations | 1,010,347 | 1,011,417 | (1,070) | -0.1% |
| Banking and financial services | 2,041,869 | 3,999,482 | (1,957,613) | -48.9% |
| Power and utility operations | 5,420,167 | 4,291,933 | 1,128,234 | 26.3% |
| Sugar Operations | 3,520,107 | 3,074,935 | 445,172 | 14.5% |
| Other operations | 420,536 | 267,790 | 152,746 | 57.0% |
| | 21,427,550 | 20,473,928 | 953,622 | 4.7% |
| EXPENSES AND LOSSES | | | | |
| Real estate operations | 5,987,613 | 8,075,793 | (2,088,180) | -25.9% |
| Hospitality operations | 943,292 | 944,023 | (731) | -0.1% |
| Banking and financial services | 20,859,672 | 26,266,162 | (5,406,490) | -20.6% |
| Power and utility operations | 2,122,328 | 2,394,772 | (272,444) | -11.4% |
| Sugar operations | 177,813 | 201,976 | (24,163) | -12.0% |
| Other operations | 1,559,542 | 2,038,994 | (479,452) | -23.5% |
| | 31,650,260 | 39,921,720 | (8,271,461) | -20.7% |
| TOTAL COST, EXPENSES AND LOSSES | 53,077,810 | 60,395,648 | (7,317,839) | -12.1% |
| INCOME BEFORE INCOME TAX | 9,829,172 | 12,752,545 | (2,923,372) | -22.9% |
| PROVISION FOR INCOME TAX | | | | |
| Current | 1,264,526 | 3,756,827 | (2,492,301) | -66.3% |
| Deferred | (321,101) | (2,509,514) | 2,188,413 | -87.2% |
| | 943,425 | 1,247,313 | (303,888) | -24.4% |
| NET INCOME | 8,885,747 | 11,505,232 | (2,619,485) | -22.8% |
| Attributable to: | | | | |
| Equity holders of the parent | 6,065,764 | 8,460,929 | (2,395,165) | -28.3% |
| Noncontrolling interest | 2,819,983 | 3,044,303 | (224,320) | -7.4% |
| | 8,885,747 | 11,505,232 | (2,619,485) | -22.8% |

Revenues

Real Estate Operations -Sale of Lots, Condominium and Residential Units

Sale of lots, condominium and residential units rose by 14.5% or ₱1,513.5 million from ₱10,453.3 million in 2020 to ₱11,966.9 million in 2021 primarily attributed to higher construction percentage of completion achieved during the year.

Real Estate Operations -Mall and Rental Revenues

Mall and rental revenues dropped by 24.7% or ₱1,931.3 million from ₱7,809.6 million in 2020 to ₱5,878.3 million in 2021 mainly due to decline in mall and office revenues as a result of lower occupancy and rental concessions provided primarily to mall and retail tenants. Reduced occupancy was caused by the pre-termination of leases by POGO tenants. Prior year 2020 rental revenues include pre-covid quarantine period for 2.5 months (From January 01, 2020 to March 15, 2020) which resulted in a higher base the previous year.

Hospitality Revenues

Hospitality revenues reduced slightly by 2.3% or ₱28.8 million from the ₱1,235.5 million revenues in 2020 to ₱1,206.7 million in 2021.

Banking and Financial Services Interest Income

Interest income from banking and financial services decreased by 24.7% from ₱30,266.7 million in 2020 to ₱22,795.1 million in 2021 on account of lower loan volume brought about by muted lending activities, as well as full year impact of the credit cards rate cap.

Power and Utility Revenues

Power and utility revenues grew by 11.5% or ₱967.4 million from ₱8,427.7 million in 2020 to ₱9,395.2 million in 2021 mainly due to higher cost of pass-through fuel.

Sugar Revenues

The Group's sugar revenues increased by 11.7% or ₱430.0 million from ₱3,666.2 million in 2020 to ₱4,096.2 million in 2021 primarily attributed to higher sugar prices.

Other Income

Other Income — Real Estate Operations

Other income from real estate operations decreased by 67.2% or ₱2,903.6 million from ₱4,321.3 million in 2020 to ₱1,417.7 million in 2021 due to previous year's high base with the ₱2,900.4 million gain on deconsolidation when Spectrum Alabang Properties, Inc. (SAPI), a previously wholly owned subsidiary of Filinvest Alabang, Inc. (FAI), became a joint venture company following the sale of FAI's 40% stake in SAPI to Mitsubishi Corporation (Mitsubishi).

Other Income — Hospitality Operations

Other income from hospitality operations remained at almost same level from ₱2.4 million in 2020 to ₱2.5 million in 2021.

Other Income — Banking and Financial Services

Other income from banking and financial services decreased by 12.2% or ₱836.9 million from ₱6,874.0 million in 2020 to ₱6,037.1 million in 2021 because of lower securities trading gains due to lower gains on sale and mark-to-market losses on the Bank's trading portfolio.

Other Income – Power and Utility Operations

Other income from power and utility operations increased by 44.5% or ₱22.8 million from ₱51.2 million in 2020 to ₱73.9 million in 2021 mainly attributable to recognition of interest income from trade receivables.

Other Income — Sugar Operations

Other income from sugar operations decreased by 6.8% or ₱2.7 million from ₱40.2 million in 2020 to ₱37.5 million in 2021 due to lower farmers assistance income and handling fees.

Costs

Costs of Sale of Lots, Condominium and Residential Units

Costs of sale of lots, condominium and residential units increased by 15.2% or ₱890.8 million from ₱5,857.6 million in 2020 to ₱6,748.4 million in 2021 due to higher real estate revenues realized during the year.

Costs of Mall and Rental Services

Costs of mall and rental services increased by 15.0% or ₱295.3 million from ₱1,970.8 million in 2020 to ₱2,266.1 million in 2021 due to higher direct operating expenses during the year.

Costs of Hospitality Operations

The Group's costs of hospitality operations remained flat at ₱1,010.3 million in 2021 compared with ₱1,011.4 million in 2020.

Costs of Banking and Financial Services

Costs of banking and financial services declined by 48.9% or ₱1,957.6 million from ₱3,999.5 million in 2020 to ₱2,041.9 million in 2021 primarily due to lower interest rates and the shift towards low-cost deposits.

Costs of Power and Utility Operations

Costs of power and utility operations increased by 26.3% or ₱1,128.2 million from ₱4,291.9 million in 2020 to ₱5,420.2 million in 2021 primarily due to higher fuel cost.

Costs of Sugar Operations

Costs of sugar operations increased by 14.5% or ₱445.2 million from ₱3,074.9 million in 2020 to ₱3,520.1 million in 2021 because of higher prices of purchased sugar.

Costs of Other Operations

Costs of other operations increased by 57.0% or ₱152.7 million from ₱267.8 million in 2020 to ₱420.5 million in 2021 primarily due to higher level of outstanding dollar bonds.

Expenses

Real Estate Operations

Expenses of real estate operations decreased by 25.9% or ₱2,088.2 million from ₱8,075.8 million in 2020 to ₱5,987.6 million in 2021 on account of lower sales-related advertisement and promotional expenses brought about by reduced physical selling activities. Interest expense declined due to lower borrowing costs incurred coupled with higher capitalized interest during the year.

Hospitality Operations

Expenses of the hospitality operations remained at same level at ₱943.3 million in 2021 compared to ₱944.0 million in 2020.

Banking and Financial Services

Expenses of the banking and financial services decreased by 20.6% or ₱5,406.5 million from ₱26,266.2 million in 2020 to ₱20,859.7 million in 2021 primarily due to lower provision for probable losses. The Bank believes that pandemic-induced loan losses are largely accounted for in 2020 and 2021.

Power and Utility Operations

Expenses of the power and utility operations decreased by 11.4% or ₱272.4 million from ₱2,394.8 million in 2020 to ₱2,122.3 million in 2020 due to prior year's recognition of impairment losses on trade receivables.

Sugar Operations

Expenses of sugar operations decreased 12.0% or ₱24.2 million from ₱202.0 million in 2020 to ₱177.8 million in 2021 due to lower interest expense and provisions for impairment of input taxes and deferred tax assets.

Other Operations

Expenses of other operations reduced by 23.5% or ₱479.5 million from ₱2,039.0 million in 2020 to ₱1,559.5 million in 2021 due to general provisions booked in previous year.

Provision for Income Tax

Provision for income tax decreased by ₱303.9 million or 24.4% from ₱1,247.3 million in 2020 to ₱943.4 million in 2021. Provision for deferred income tax and current income tax decreased by 87.2% and 66.3%, respectively, due to lower taxable income and the impact of newly enacted Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act which resulted in a lower tax rate from 30% to 25% and adjustment of prior year's deferred tax assets and deferred tax liabilities.

Net Income

As a result of the foregoing, consolidated net income decreased by 22.8% or ₱2,619.5 million from ₱11,505.2 million in 2020 to ₱8,885.7 million in 2021. Net income attributable to equity holders of the Parent decreased by 28.3% or ₱2,395.2 million from ₱8,460.9 million in 2020 to ₱6,065.8 million in 2021, while net income attributable to noncontrolling interest decreased from ₱3,044.3 million in 2020 to ₱2,820.0 million in 2021.

Pursuant to the adoption of PIC Q&A 2018-12-H, PFRS 15 - Accounting for Common Usage Service (CUSA) Charges, the figures for December 31, 2020 were restated for comparability to current period where chargeable collections / reimbursements i.e. CAMC/CUSA and aircon charges are presented as part of the rental services revenues while chargeable expenses are presented as part of the cost of rental services.

FINANCIAL CONDITION

As at December 31, 2021 Compared with As at December 31, 2020

| | December 31 | | Changes | |
|--|--------------------|--------------------|---------------------|-------------|
| | 2021 | 2020 | Increase (Decrease) | |
| ASSETS | | | | |
| Cash and cash equivalents | 123,074,981 | 90,858,875 | 32,216,106 | 35.5% |
| Loans and receivables | | | | |
| Real estate operations | 8,767,809 | 8,315,266 | 452,543 | 5.4% |
| Hospitality operations | 213,266 | 185,750 | 27,516 | 14.8% |
| Banking and financial services | 200,832,897 | 230,762,200 | (29,929,303) | -13.0% |
| Power and utility operations | 2,589,622 | 1,617,610 | 972,012 | 60.1% |
| Sugar operations | 87,335 | 93,913 | (6,578) | -7.0% |
| Financial assets at fair value through profit or loss | 4,056,851 | 7,523,592 | (3,466,741) | -46.1% |
| Financial assets at fair value through other comprehensive income (FVTOCI) | 42,286,875 | 30,068,350 | 12,218,525 | 40.6% |
| Investment securities at amortized cost | 20,815,382 | 20,899,699 | (84,317) | -0.4% |
| Contract Assets | 8,897,517 | 9,391,817 | (494,300) | -5.3% |
| Real estate inventories | 77,528,774 | 73,953,136 | 3,575,638 | 4.8% |
| Coal, spare parts and other inventories | 1,409,560 | 949,078 | 460,482 | 48.5% |
| Investment properties | 92,063,056 | 89,039,002 | 3,024,054 | 3.4% |
| Property, plant and equipment | 43,261,910 | 42,592,468 | 669,442 | 1.6% |
| Investment in joint ventures and associate | 1,524,195 | 1,394,910 | 129,285 | 9.3% |
| Deferred income tax assets - net | 4,969,983 | 5,802,412 | (832,429) | -14.3% |
| Right-of-use assets | 3,684,178 | 3,589,554 | 94,624 | 2.6% |
| Goodwill | 10,381,152 | 10,381,152 | - | 0.0% |
| Other assets | 23,130,843 | 20,160,114 | 2,970,729 | 14.7% |
| | 669,576,186 | 647,578,898 | 21,997,288 | 3.4% |

Assets

Total consolidated assets grew by 3.4% or ₱21,997.3 million from ₱647,578.9 million as of December 31, 2020 to ₱669,576.2 million as of December 31, 2021. The movements in asset accounts were accounted as follows:

Cash and cash equivalents went up by 35.5% or ₱32,216.1 million from ₱90,858.9 million as of December 31, 2020 to ₱123,075.0 million as of December 31, 2021 on account of real estate's REIT IPO proceeds and EW's increased level of deposits with Bangko Sentral ng Pilipinas (BSP) and nostro placements in foreign currency accounts.

Loans and receivables of the real estate operations increased by 5.4% or ₱452.5 million from ₱8,315.3 million as of December 31, 2020 to ₱8,767.8 million as of December 31, 2021 due to completion of residential projects where the receivables become due and demandable. These include customers granted with extended payments in 2020 in support to Bayanihan Act.

Loans and receivables of the hospitality operations increased by 14.8% or ₱27.5 million from ₱185.8 million as of December 31, 2020 to ₱213.3 million as of December 31, 2021 primarily driven by higher level of trade receivables of hospitality properties which functioned as quarantine hotel.

Loans and receivables of the banking and financial services declined by 13.0% or ₱29,929.3 million from ₱230,762.2 million as of December 31, 2020 to ₱200,832.9 million as of December 31, 2021 due to the prudent risk-taking of the Bank resulting from its pandemic response and the overall weak demand from businesses and households.

Loans and receivables of the power and utility operations increased by 60.1% or ₱972.0 million from ₱1,617.6 million as of December 31, 2020 to ₱2,589.6 million as of December 31, 2021 due to delayed collection resulting from the pandemic. These receivables were restructured as of December 31, 2021.

Loans and receivables of the sugar operations decreased by 7.0% from ₱93.9 million as of December 31, 2020 to ₱87.3 million as of December 31, 2021 primarily on account of lower level of advances to sugar planters.

Financial assets at fair value through profit or loss was lower by 46.1% or ₱3,466.7 million from ₱7,523.6 million as of December 31, 2021 to ₱4,056.9 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 40.6% or ₱12,218.5 million from ₱30,068.4 million as of December 31, 2020 to ₱42,286.9 million as of December 31, 2021, mainly due to the movements in proprietary trading portfolio.

Investment securities at amortized cost slightly decreased by 0.4% or ₱84.3 million from ₱20,899.7 million as of December 31, 2020 to ₱20,815.4 million as of December 31, 2021 due to sale of investment securities to build capital buffers for the challenges of the pandemic.

Contract assets was lower by 5.3% or ₱494.3 million from ₱9,391.8 million as of December 31, 2020 to ₱8,897.5 million as of December 31, 2021 on account of increased collections for a mixed of ongoing and completed residential developments.

Real estate inventories increased by 4.8% from ₱73,953.1 million as of December 31, 2020 to ₱77,528.8 million as of December 31, 2021 attributable to additional spending for project development costs.

Coal, spare parts and other inventories increased by 48.5% or ₱460.5 million from ₱949.1 million as of December 31, 2020 to ₱1,409.6 million as of December 31, 2021 due to the continued build-up of critical spare parts for plant maintenance as of reporting date.

Investment properties increased by 3.4% or ₱3,024.1 million from ₱89,039.0 million as of December 31, 2020 to ₱92,063.1 million as of December 31, 2021 on account of additional construction costs of new buildings for office and commercial lease.

Property, plant and equipment increased slightly by 1.6% or ₱669.4 million from ₱42,592.5 million as of December 31, 2020 to ₱43,261.9 million as of December 31, 2021.

Investments in joint ventures and associate posted an increase of 9.3% or ₱129.3 million from ₱1,394.9 million as of December 31, 2020 to ₱1,524.2 million as of December 31, 2021 due to additional investments infused during the year.

Deferred tax assets decreased by 14.3% or ₱832.4 million from ₱5,802.4 million as of end of 2020 to ₱4,970.0 million as of December 31, 2021 mainly from the reversal of previously booked deferred taxes set-up using the previous tax rate of 30% which was then reduced to 25% upon the implementation of CREATE Act and lower recognition of tax benefits on provisions, net of write-offs during the period.

Right-of-use assets posted an increase of 2.6% or ₱94.6 million from ₱3,589.6 as of December 31, 2020 to ₱3,684.2 million as of December 31, 2021.

Other assets increased by 14.7% or ₱2,970.7 million from ₱20,160.1 million as of December 31, 2020 to ₱23,130.8 million as of December 31, 2021 due to increase in BTO rights, input VAT and creditable withholding taxes.

| | December 31 | | Changes | |
|--|--------------------|--------------------|---------------------|--------------|
| | 2021 | 2020 | Increase (Decrease) | |
| LIABILITIES AND EQUITY | | | | |
| LIABILITIES | | | | |
| Deposit liabilities | 314,475,317 | 306,201,960 | 8,273,357 | 2.7% |
| Bills and acceptances payable | 98,150 | 3,568,803 | (3,470,653) | -97.2% |
| Accounts payable, accrued expenses and other liabilities | 34,499,848 | 35,341,038 | (841,190) | -2.4% |
| Contract Liabilities | 3,485,311 | 3,723,474 | (238,163) | -6.4% |
| Long-term and short-term debt | 137,379,449 | 136,192,164 | 1,187,285 | 0.9% |
| Income tax payable | 188,793 | 500,609 | (311,816) | -62.3% |
| Retirement Liabilities | 1,501,973 | 1,702,616 | (200,643) | -11.8% |
| Lease liabilities | 7,355,552 | 7,357,058 | (1,506) | 0.0% |
| Deferred income tax liabilities - net | 9,480,885 | 11,384,354 | (1,903,469) | -16.7% |
| Total Liabilities | 508,465,278 | 505,972,076 | 2,493,202 | 0.5% |
| EQUITY | | | | |
| Equity attributable to equity holders of the parent | | | | |
| Capital stock - 1 par value | | | | |
| Authorized common shares - 15,000,000,000 | | | | |
| Authorized preferred shares - 2,000,000,000 | | | | |
| Issued common shares - 9,319,872,387 | 9,319,872 | 9,319,872 | - | 0.0% |
| Treasury shares - 671,409,400 | (3,614,474) | (3,614,474) | - | 0.0% |
| Additional paid-in capital | 11,900,015 | 11,900,015 | - | 0.0% |
| Retained earnings | 106,285,085 | 89,931,059 | 16,354,026 | 18.2% |
| Other comprehensive income | | | | |
| Revaluation reserve on financial assets at FVTOCI | 214,100 | 408,785 | (194,685) | -47.6% |
| Share in other components of equity of associate | 724 | 724 | - | 0.0% |
| Remeasurement gains (losses) on retirement plans | (223,775) | (286,300) | 62,525 | -21.8% |
| Translation adjustment | (305,031) | 87,056 | (392,087) | -450.4% |
| Total | 123,576,516 | 107,746,737 | 15,829,779 | 14.7% |
| Noncontrolling interest | 37,534,392 | 33,860,085 | 3,674,307 | 10.9% |
| Total Equity | 161,110,908 | 141,606,822 | 19,504,086 | 13.8% |
| TOTAL LIABILITIES AND EQUITY | 669,576,186 | 647,578,898 | 21,997,288 | 3.4% |

Liabilities

Total consolidated liabilities slightly increased by 0.5% from ₱505,972.1 as of December 31, 2020 to ₱508,465.3 million as of December 31, 2021, with changes in accounts as follows:

Deposit liabilities grew by 2.7% or ₱8,273.4 million from ₱306,202.0 million as of December 31, 2020 to ₱314,475.3 million as of December 31, 2021 driven by increased volume of demand and savings deposit, partially offset by decrease in time deposits.

Bills and acceptances payable dropped by 97.2% or ₱3,470.7 million from ₱3,568.8 million as of December 31, 2020 to ₱98.2 million as of December 31, 2021 mainly from reduced volume of interbank borrowings and repo borrowings.

Accounts payable, accrued expenses and other liabilities decreased by 2.4% or ₱841.2 million from ₱35,341.0 million as of December 31, 2020 to ₱34,499.8 million as of December 31, 2021 to due to lower level of payables to contractors and suppliers.

Contract liabilities decreased by 6.4% or ₱238.2 million from ₱3,723.5 million as of December 31, 2020 to ₱3,485.3 million as of December 31, 2021 mainly due to the accounts already qualified for revenue recognition.

Long-term and short-term debt increased slightly by 0.9% from ₱136,192.2 million as of December 31, 2020 to ₱137,379.4 million as of December 31, 2021.

Income tax payable decreased by 62.3% or ₱311.8 million from ₱500.6 million as of December 31, 2020 to ₱188.8 million as of December 31, 2021 on account of lower taxable income and lower tax rate due to CREATE Act.

Retirement liabilities decreased by 11.8% or ₱200.6 million from ₱1,702.6 million as of December 31, 2020 to ₱1,502.0 million as of December 31, 2021 as a result of the remeasurement of the net defined benefit obligation at the end of the year which is based on actuarial valuation.

Lease liabilities remained almost flat from ₱7,357.1 million as of December 31, 2020 to ₱7,355.6 million as of December 31, 2021.

Deferred tax liabilities was lower by 16.7% or ₱1,903.5 million from ₱11,384.4 million as of December 31, 2020 to ₱9,480.9 million as of December 31, 2021 mainly due to adjustments made on the January 1, 2021 beginning balance as a result of CREATE Act.

Certain "Loans and Receivables - Real Estate Operations" were reclassified to "Accounts payable, accrued expenses and other liabilities". The impact on total current assets and total current liabilities as of December 31, 2020 is immaterial.

Equity

On April 30, 2021, FDC's Board of Directors (BOD) approved the declaration and payment of cash dividends of ₱0.098 per share for every common share of record as of May 21, 2021. This was paid on June 15, 2021.

On June 22, 2020, FDC'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.

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, water desalination and other utility projects, the intended construction and management of various hotels, and the bank's expansion and implementation of IT projects, which could be adequately covered by the operating cash flow and availment of medium and long term loans.

Performance Indicators

| | As of And For The Year Ended December 31, 2021 | As of And For The Year Ended December 31, 2020 |
|--|--|--|
| Earnings Per Share - Basic (EPS) Net Income (Attributable to Equity Holders of the Parent Company) | ₱ 0.701 /share | ₱ 0.978 /share |
| Weighted Average Number of Outstanding Shares | | |
| Price Earnings Ratio (PE Ratio) Closing Price ⁽¹⁾ | 11.37 Times | 9.65 Times |
| EPS | | |
| Return on Revenue Total Net Income | 14% | 16% |
| Total Revenue | | |
| Return on Equity (Average) Total Net Income | 6% | 8% |
| Average Total Equity | | |
| Assets to Equity Ratio Total Assets | 4.16 :1 | 4.58 :1 |
| Total Equity | | |
| Debt to Equity Ratio a) Long-term and Short-term Debt | 0.85 :1 | 0.96 :1 |
| Total Equity | | |
| b) Total Liabilities Excluding Deposit Liabilities, Bills and Acceptances Payable, Asset Retirement Obligation and Finance Lease Liabilities | 1.15 :1 | 1.33 :1 |
| Total Equity | | |
| Current Ratio a) Including EW Current Assets | 0.94 :1 | 0.87 :1 |
| Current Liabilities | | |
| b) Excluding EW Current Assets | 3.76 :1 | 2.55 :1 |
| Current Liabilities | | |
| Quick Ratio – excluding EW Current Assets – Inventories | 1.36 :1 | 0.69 :1 |
| Current Liabilities | | |

| | As of And For The Year Ended December 31, 2021 | As of And For The Year Ended December 31, 2020 |
|---|--|--|
| Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) to Total Interest Expense | 4.47 Times | 4.36 Times |
| EBITDA | | |
| Total Interest Expense ⁽²⁾ | | |
| (5) Closing prices at December 29, 2021 and December 29, 2020. | | |
| (6) Excluding financial liabilities on lease contract | | |

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, 2021 are the same as those followed in the annual financial statements of the Company for the year ended December 31, 2020.
- 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.
- 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.
- There are no changes in estimates of amounts reported in the previous period that have material effects in the current period.
- 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.
- 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.
- 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 and Utility Operations

This involves operation of power plants and supply of power to off-takers and also includes retail electricity supply operations. This segment also involves maintenance, operation and management of waterworks system for distribution and supply of potable water to domestic, commercial, and industrial users.

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 FDCI, CTI, FDEV and SPI. FDCI was incorporated to facilitate the Group's issuance of foreign currency-denominated bonds while CTI is engaged in providing computer and information technology services FDEV is organized to engage in the business of a holding company and invest in technology-based business entities while SPI was incorporated to provide technical and business process services.

Financial information on the operations of these business segments as of and for the years ended December 31, 2021 and 2020 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, 2021 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, 2021.
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 and Analysis on Financial Condition and Results of Operations, which 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:

Seasonality

Except for the significant impact of COVID-19 pandemic to the Company's operations starting March 2020, there were no other trends, events or uncertainties that have had or that are reasonably expected to have a material impact on net sales or revenues or income from operations.

Significant Subsidiaries

| | 2023 | | 2022 | | 2021 | |
|-----------------------------------|----------------|------------|------------|------------|------------|------------|
| | FLI | EW | FLI | EW | FLI | EW |
| | (in thousands) | | | | | |
| Revenues and Other Income | 22,312,327 | 41,997,156 | 19,856,392 | 31,039,280 | 17,626,895 | 29,236,067 |
| Net Income | 4,296,044 | 6,083,296 | 3,521,137 | 4,625,324 | 4,305,227 | 4,515,036 |
| <u>As a % of FDC Consolidated</u> | | | | | | |
| Revenues and Other Income | 24.0% | 45.2% | 27.9% | 43.6% | 28.0% | 46.5% |
| Net Income | 35.4% | 50.1% | 42.4% | 55.7% | 48.5% | 50.8% |

Other Disclosures and Prospects for Future

Real Estate Operations

In terms of real property trading business segment, The Group's business strategy, through its subsidiary FLI, has placed emphasis on the development and sale of residential lots and housing units mainly to lower and middle-income markets which accounts for approximately 50% of total demand throughout the Philippines as its core. This business segment includes housing, medium-rise buildings (MRB) and high-rise condominium projects, residential farm estates, entrepreneurial communities, and leisure developments in response to the demands of the Philippine market.

In 2024, FLI intends to retain its dominant position as the leader in MRB projects by launching 4 new projects nationwide and 10 additional buildings of existing projects. Aside from the MRBs, FLI has pipelined 14 horizontal residential projects. FLI projects are geographically diversified and can be found in 22 provinces across the country. FLI also focuses on projects that have short construction periods to minimize construction risks. Home buyers are typically first-time home owners and ultimate end-users.

As far as the leasing business is concerned, the FLI continues the build-up of its office and retail leasing portfolio to generate recurring revenues. Included in its pipeline expected to be completed in 2024, are 9 office spaces located in Alabang, Makati City, Quezon City, Cebu, Dumaguete and Clark Mimososa and a mall in Dumaguete. The Company has also started the leasing operations of its first dormitel, "The Crib" in Clark Mimososa and its industrial park in New Clark City.

Banking and Financial Services

Net revenues increased by 26% to P35.7 billion, driven largely by its consumer lending portfolio which grew by 25%. The consumer lending portfolio of EW accounts for 80% of total loans, the highest proportion among its peer banks. This was supported by stable funding sources as total deposits grew by 8% to P356.5 billion, accounted for mainly by CASA deposits, which grew by 12% or P31.5 billion to P292.4 billion. The remarkable increase in CASA, surpassing industry growth of 3%, can be attributed to the Bank's renewed focus on cash management services, specifically geared towards the MSME sector. This allowed the Bank to sustain its net interest margin (NIM) of 7.6%.

Total assets ended at P464.2 billion, growing by 10% from the same period last year, while total loans and receivables grew by 15% to P296.6 billion, as the Bank benefited from the strong demand for consumer loans. Meanwhile, total deposits grew 8% to P356.5 billion. Capital ratios continue to stand at a healthy 13.8% and 13.0% for Capital Adequacy Ratio (CAR) and Common Equity Tier 1 (CET1) ratio, respectively, well above the regulatory requirements.

Meanwhile, EastWest's innovative digital banking service, Komo, was celebrated as the Most Innovative Smart Banking Services Provider by International Finance, acknowledging its role in providing accessible and user-friendly financial solutions, particularly during the pandemic. Additionally, EastWest's partnership with JCB resulted in the EastWest JCB Credit Card being named the Best Credit Card in the Philippines by the Asian Banker, recognizing its unique benefits and value-added features for cardholders. These awards collectively reflect EastWest's ongoing dedication to innovation, customer-centricity, and excellence in the financial industry.

Hospitality

Hotel operations under Filinvest Hospitality Corporation (FHC) showed improved recovery in 2023 as travel restriction slowly eased down and borders were opening up for leisure travel. Revenues reached P2.9 billion, registering a hefty increase of 48% over the previous year's P1.9 billion revenues, on the back of higher occupancy rates and average room rates. With the opening up of the economy, domestic tourism and the gradual return of the international tourism, FHC is setting up the gears in 2024 to achieve its pre-pandemic revenue levels.

Power and Utilities Operations

FDC Water Utilities Inc. (FDCWUI), a wholly-owned subsidiary of FDC Utilities Inc. (FDCUI) secured a 25-year 80 million liters per day (MLD) bulk water supply project with Metro Cebu Water District (MCWD) for the provision of desalinated potable water to Cebu City, Lapu-Lapu City and Talisay City utilizing the high-recovery reverse osmosis technology of its technical partner, Hitachi Ltd Japan. FDCWUI is currently in close coordination with MCWD on the project's implementation.

Filinvest-Engie Renewable Energy Enterprise (FREE), Inc., a joint venture company between FDC Utilities, Inc. and Engie Services (Philippines), secured a contract with Apo (CEMEX) Cement to develop a 10.082 MWp ground-mount solar project in Naga, Cebu. The project will be commercially operational by the 2nd quarter of 2025.

ANNEX "F"

For approval by the stockholders at their annual meeting in 2024

FILINVEST DEVELOPMENT CORPORATION

MINUTES OF THE ANNUAL STOCKHOLDERS' MEETING

Held on 28 April 2023 at 9:00 a.m.
Conducted virtually *via* Microsoft Teams

I. ATTENDANCE

STOCKHOLDERS PRESENT/REPRESENTED:

| | | |
|---|----------------------|---------------|
| Present by proxy | 7,643,350,946 | 88.38% |
| Present by remote communication and voting <i>in absentia</i> | 18 | 0% |
| Total Attendance | 7,643,350,964 | 88.38% |

ALSO PRESENT:

Board of Directors:

| Name | Position / Board Committees |
|------------------------------------|--|
| Mr. Jonathan T. Gotianun | Chairman of the Board Chairman– Executive Committee Member – Audit and Risk Management Oversight Committee Member – Compensation Committee Member – Corporate Governance Committee Member – Digital Committee |
| Ms. Lourdes Josephine Gotianun-Yap | President and Chief Executive Officer Member – Executive Committee Member – Audit and Risk Management Oversight Committee Member – Compensation Committee Member – Digital Committee |
| Mr. Francis Nathaniel C. Gotianun | Member – Executive Committee |
| Mr. Michael Edward T. Gotianun | Member – Executive Committee |
| Mr. Claire L. Huang | Independent Director Chairman – Digital Committee Member – Corporate Governance Committee Member – Related-Party Transaction |

| | |
|-----------------------------|--|
| | Committee |
| Ms. Virginia T. Obcena | Independent Director Chairman – Audit and Risk Management Oversight Committee Member – Compensation Committee Member – Corporate Governance Committee Member – Related-Party Transaction Committee |
| Atty. Val Antonio B. Suarez | Independent Director Chairman – Compensation Committee Chairman – Corporate Governance Committee Chairman – Related-Party Transaction Committee Member – Audit and Risk Management Oversight Committee |

Key Officers and Senior Management Officers of Filinvest Development Corporation (FDC)

| Name | Position |
|----------------------------------|---|
| Mr. Daniel L. Ang Tan Chai | Senior Vice President / Deputy Chief Finance Officer |
| Ms. Elsie D. Paras | Senior Vice-President, Treasurer and Chief Finance Officer |
| Atty. Millette Asuncion-Arnedo | Senior Vice President, General Counsel and Compliance Officer |
| Mr. Ven Christian S. Guce | Senior Vice-President/ Group Strategy, Strategic Finance, and Special Projects Head |
| Mr. Renato Rex Xavier Marzan | Senior Vice President. Group Chief Digital Officer & Chief Innovation Officer |
| Mr. Mark Tom Q. Mulingbayan | Vice President, Chief Sustainability Officer and Enterprise Risk Management Head |
| Ms. Melody Joyce Yapson | Vice President – Group Strategic Planning |
| Ms. Sheriben Marie D.M. Paraguas | Vice President – HR Strategy and Shared Service Centers of Excellence |
| Maria Chiara D. Miraflores | Vice President – Special Projects and Quality Assurance Head |
| Ms. Susana Martha P. Naval | Vice President and Corporate Communications Head |
| Ms. Arlene San Juan | Senior Assistant Vice President / Accounting & Finance Head |
| Ms. Patricia Carmen Pineda | Senior Assistant Vice President, Group Investor Relations Head |

| | |
|-----------------------------|---|
| Mr. Michael Louie T. Garado | Assistant Vice President, Audit and Chief Audit Executive |
| Atty. Ma. Ruiza R. Hernane | Assistant Corporate Secretary, Corporate Tax Legal Lead |

Subsidiary Heads and Senior Management Officers

| Name | Position |
|-----------------------------------|---|
| Ms. Catherine A. Ilagan | President & COO, Filinvest Alabang, Inc. |
| Mr. Juan Eugenio L. Roxas | President and CEO, FDC Utilities, Inc. President and CEO, Pacific Sugar Holdings Corporation |
| Ms. Ana Venus A. Mejia | Executive Vice President, Chief Finance Officer, and Treasurer, Filinvest Land, Inc. and Filinvest REIT Corp. |
| Ms. Maricel B. Lirio | President and CEO, Filinvest REIT Corp. |
| Ms. Carolyn Cherie B. Fernandez | Chairperson, Dreambuilders Pro, Inc. |
| Mr. Francis Nathaniel C. Gotianun | Senior Vice President, Filinvest Hospitality Corporation |
| Ms. Isabelle Therese G. Yap | Executive Director and Vice President for Special Projects, East West Banking Corp. |
| Atty. Maria Victoria R. Beltran | Senior Vice President, General Counsel and Compliance Officer, Filinvest Land, Inc. |
| Mr. Raymond Castañeda | President, Corporate Technologies Incorporated |

Representatives of the Independent External Auditor – SyCip Gorres Velayo & Co.:

| |
|--------------------|
| Michael C. Sabado |
| Wilson P. Tan |
| Martin C. Guantes |
| Jane Carol U. Chiu |

Representative of the Stock Transfer Agent – Stock Transfer Service, Inc.

| |
|---------------------------------|
| John Kristofer Paulo L. Herrera |
|---------------------------------|

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" or "FDC"), Mr. Jonathan T. Gotianun, presided over the meeting, while the Assistant Corporate Secretary, Ms. Ma. Ruiza R. Hernane, recorded the minutes thereof.

IV. CALL TO ORDER

The Chairman called the meeting to order and introduced the members of the Board of Directors. The Chairman also noted that the Company's senior management officers, representatives of SGV & Co., the Company's external auditor, and representatives of Stock Transfer Service, Inc., FDC's stock transfer agent, are joining the meeting through the live webcast.

V. CERTIFICATION OF SERVICE OF NOTICE AND QUORUM

The Chairman then requested the Assistant Corporate Secretary to report on the service of notice of the meeting, and whether there was a quorum at the meeting. The Assistant Corporate Secretary confirmed that, in accordance with the Securities and Exchange Commission ("SEC") Notice dated 13 March 2023, the notice of the meeting, together with a copy of the Information Statement and the Audited Financial Statements, was posted on the Company's website and disclosed through PSE EDGE on April 3, 2023. The Notice of Meeting was also published in the business sections of Business Mirror and Malaya Business Insight, on April 4 and 5, 2023, respectively, both in print and online.

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 transfer agent, Stock Transfer Service, Inc., the Assistant Corporate Secretary certified that out of the 8,648,462,987 common shares as of the record date or on 30 March 2023, 7,643,350,964 shares representing 88.38% 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 is holding the meeting in virtual format

to continuously ensure the safety and welfare of all stakeholders; however, the Company endeavored to provide the stockholders the same opportunity to participate in the meeting. Mr. Gotianun then asked the Assistant Corporate Secretary to share the rules of conduct and voting procedures for the meeting.

The Assistant Corporate Secretary explained that the rules of conduct and voting procedures were set forth in the Information Statement and in the Explanation of Agenda Items, which form part of the Notice of the Annual Stockholders' Meeting. Ms. Hernane highlighted the following points:

1. Stockholders who successfully registered under the shareholder registration system were provided with 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 21 April 2023.
3. After the voting, the Office of the Corporate Secretary, together with the Company's stock transfer agent, tabulated all the votes cast in absentia as well as via proxy.
4. The results of the voting will be reported after each item is taken up during the meeting.
5. The stockholders were also given up to 21 April 2023 to submit any questions or comments they may have.

Ms. Hernane 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 29 APRIL 2022

The Chairman inquired if copies of the minutes of the annual meeting of the stockholders held on 29 April 2022 were furnished to the stockholders.

The Assistant Corporate Secretary certified that an electronic copy of the minutes was included in the Information Statement of this year's annual stockholders' meeting and was made available on the Company's website. Ms. Hernane reported that the resolution below was unanimously approved by all the stockholders or total voting shares represented in the meeting. The tabulation of votes is included herein for reference:

“RESOLVED, That the minutes of the annual meeting of the stockholders of the Company held on 29 April 2022 is hereby approved.”

| | FOR | AGAINST | ABSTAIN |
|------------------------|---------------|---------|---------|
| Number of Shares Voted | 7,643,350,946 | - | - |
| Percentage of Votes | 100% | - | - |

VIII. PRESENTATION OF THE PRESIDENT'S REPORT

The President and Chief Executive Officer (“CEO”) of the Company, Mrs. Lourdes Josephine Gotianun-Yap, presented her pre-recorded report on the Company’s operations for the year ended 31 December 2022 and outlook for the year 2023.

Thereafter, Mrs. Yap announced to the stockholders that the Board of Directors approved during its special meeting held before the Annual Stockholders’ Meeting on 28 April 2023 the declaration of a cash dividend of P0.06534 per share. The record date of the said cash dividend is fixed on 22 May 2023, with payment date on 14 June 2023. The dividend constitutes a total cash declaration amounting to Php565.1 million, equivalent to 10% of the Company’s 2022 Consolidated Net Income Attributable to the Parent Company in the amount of P5.65 Billion.

The Chairman thanked the President for her report, then proceeded to the next item in the agenda which was Amendments to the Company’s Articles of Incorporation and By-Laws.

IX. AMENDMENTS TO THE COMPANY’S ARTICLES OF INCORPORATION AND BY-LAWS

The Chairman asked the Assistant Corporate Secretary to describe to the stockholders the amendments to the Company’s Articles of Incorporation (AOI) and By-Laws (BLs) for their approval.

The Assistant Corporate Secretary explained that there had been several developments in the corporate landscape during the past years, including the development of technologies that the SEC had recognized. Ms. Hernane further explained the need to update the Company’s AOI and BLs to allow the following:

| REASONS | AFFECTED PROVISIONS IN THE AOI AND BLs |
|---|--|
| The use of technology in sending notices to stockholders and Board of Directors in the conduct of meetings and in voting. | Article III, Sections 4, 5, 7 and 8 (BLs) Article IV, Sections 5, 8 and 9 (BLs) |
| To improve provisions and/or remove certain requirements in the Company’s charter that appears no longer practicable at this time. | Article II, Section 3 (BLs) Article IV, Section 3 (BLs) Article VII, Section 3 (BLs) |
| Inclusion of a Compliance officer as a By-Laws Officer, and providing election, term of office and qualifications thereof. | Article IV Section 2 (BLs) Article VI Section 1, 2 and 13 (BLs) |
| A provision that provides for a reward/compensation policy that accounts for the performance of the Company beyond short-term financial measures. | Article VI Section 14 (BLs) |

| | |
|--|--|
| Increase in the number of Board Directors from 7 to 9 to enable us to invite more experts in the Company's Board that can help in accelerating the growth of the varying businesses of the Company; and | Article SIXTH (AOI) Article VI Section 2 (BLs) |
| Separation of the roles of the President and the CEO to give the Board more flexibility in appointing key officers, which strategy can help in ensuring that faster decision-making can be done in relation to the company's strategy and imperatives. | Article IV Section 2 (BLs) Article VI Section 1, 2, 7 and 8 (BLs) |

The Assistant Corporate Secretary then reported that stockholders owning more than two-thirds of the total outstanding shares based on the following tabulation of votes had approved the amendments as presented:

| | FOR | AGAINST | ABSTAIN |
|------------------------|---------------|---------|---------|
| Number of Shares Voted | 7,643,350,946 | - | - |
| Percentage of Votes | 88.38% | - | - |

With this, the following resolution is deemed passed:

“RESOLVED, That the stockholders approved the amendments to the Company's *Articles of Incorporation* specifically *Article Sixth* and the following provisions of the *By-Laws* specifically:

Article II Section 3;
Article III Sections 4, 5, 7 and 8;
Article IV Sections 2 and 3, 5, 8 and 9;
Article VI Sections 1,2,7,8, 13 and 14; and
Article VII Section 3.”

X. RATIFICATION OF THE AUDITED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2022

The Chairman asked the Assistant Corporate Secretary if the stockholders were furnished a copy of the 2022 Audited Financial Statements.

The Assistant Corporate Secretary confirmed that an electronic copy of the 2022 Audited Financial Statements was made available on the Company's website as well as attached to the Information Statement. Ms. Hernane reported that the resolution below was approved by at least a majority of the stockholders or total voting shares represented in the meeting, and the tabulation of votes is included below for reference:

“RESOLVED, That the Company's Audited Financial Statements as of and for the year ended 31 December 2022 be approved, confirmed and ratified.”

| | FOR | AGAINST | ABSTAIN |
|------------------------|---------------|---------|---------|
| Number of Shares Voted | 7,642,835,213 | - | 515,733 |
| Percentage of Votes | 99.99% | - | 0.01% |

XI. RATIFICATION OF ALL THE ACTS, RESOLUTIONS AND PROCEEDINGS OF THE BOARD OF DIRECTORS, EXECUTIVE COMMITTEE, BOARD COMMITTEES AND MANAGEMENT UP TO 28 APRIL 2023

The next item in the agenda was the ratification of all the acts, resolutions and proceedings of the Board of Directors, Executive Committee, Board Committees and Management from the date of the last annual stockholders' meeting until 28 April 2023, a summary of which was included in the Information Statement sent to all the stockholders of record prior to the annual stockholders' meeting.

The Assistant Corporate Secretary reported that the resolution below was approved by an overwhelming majority of the stockholders and/or total voting shares represented in the meeting and the tabulation of votes is herein included in the minutes for reference:

“RESOLVED, That all the acts, resolutions and proceedings of the Board of Directors, Executive Committee, Board Committees and Management from the date of the last annual stockholders' meeting until 28 April 2023 are hereby approved, confirmed and ratified.”

| | FOR | AGAINST | ABSTAIN |
|------------------------|---------------|---------|---------|
| Number of Shares Voted | 7,642,835,213 | - | 515,733 |
| Percentage of Votes | 99.99% | - | 0.01% |

XII. ELECTION OF THE MEMBERS OF THE BOARD OF DIRECTORS INCLUDING THREE (3) INDEPENDENT DIRECTORS TO SERVE FOR 2023 TO 2024 (WITH SPECIAL APPROVAL REQUIRED FOR THE TERM EXTENSION OF ATTY. VAL ANTONIO SUAREZ AND 2 NEW NOMINEES CONTINGENT ON THE APPROVAL OF THE AOI AND BLs)

The Chairman announced that the next item in the Agenda is the election of seven (7) directors, including three (3) independent directors of the Company for the year 2023 to 2024.

As requested by the Chairman, the Assistant 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 Corporate Governance Committee, acting as 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. Ms. Lourdes Josephine Gotianun-Yap
3. Mr. Francis Nathaniel C. Gotianun
4. Mr. Michael Edward T. Gotianun

Independent Directors:

5. Ms. Claire L. Huang
6. Ms. Virginia T. Obcena
7. Atty. Val Antonio B. Suarez

The Assistant Corporate Secretary explained that one of the nominees for Independent Directors, Atty. Val Antonio B. Suarez had reached the maximum term of nine (9) years as provided by the SEC rules. The Board approved that as an exception that is allowed by the laws, Atty. Suarez be further nominated for election as Director for another year given his ongoing projects with the Company, including those relating to the further enhancement on the Company's policies and procedures in line with its objective to heighten its corporate governance standards, working hand in hand with the Board and the Company's Chief Compliance Officer.

The Assistant Corporate Secretary reported that the resolution below was approved by at least a majority of the stockholders or total voting shares represented in the meeting. The tabulation of votes is included in the minutes as well for reference:

“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. Ms. Lourdes Josephine Gotianun-Yap
3. Mr. Francis Nathaniel C. Gotianun
4. Mr. Michael Edward T. Gotianun

Independent Directors:

5. Ms. Claire L. Huang
6. Ms. Virginia T. Obcena
7. Atty. Val Antonio B. Suarez

RESOLVED, FURTHER, That the one (1) year term extension of Atty. Val Antonio B. Suarez as Independent Director of the Company is hereby approved, confirmed and ratified.”

| Nominee | FOR | Percentage | AGAINST | Percentage | ABSTAIN |
|----------------------|---------------|------------|---------|------------|---------|
| Jonathan T. Gotianun | 7,642,827,346 | 100% | 523,600 | .007% | - |

| | | | | | |
|--------------------------------|---------------|------|--------|-------|---|
| Lourdes Josephine Gotianun-Yap | 7,643,259,446 | 100% | 91,500 | .001% | - |
| Francis Nathaniel C. Gotianun | 7,643,350,946 | 100% | - | - | - |
| Michael Edward T. Gotianun | 7,643,350,946 | 100% | - | - | - |
| Claire L. Huang | 7,643,350,946 | 100% | - | - | - |
| Virginia T. Obcena | 7,643,350,946 | 100% | - | - | - |
| Val Antonio B. Suarez | 7,643,350,946 | 100% | - | - | - |

Furthermore, the Chairman asked the Assistant Corporate Secretary if there are nominations received for the additional seats given that the stockholders approved the increase in the Board seats in FDC from 7 to 9.

The Assistant Corporate Secretary confirmed that the Company received nominations for the two (2) seats in the persons of Antonio C. Moncupa, Jr. and Isabelle Therese G. Yap. The Assistant Corporate Secretary further reported that the resolution below was approved unanimously by the stockholders or total voting shares represented in the meeting based on the tabulation of votes that follows:

“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 and which shall be effective upon approval of the Securities and Exchange Commission of the Amended Articles of Incorporation and By-Laws of the Company increasing the number of the Board of Directors from seven (7) to Nine (9):

Antonio C. Moncupa, Jr.
 Isabelle Therese G. Yap”

| Nominee | FOR | Percentage | AGAINST | ABSTAIN |
|-------------------------|---------------|------------|---------|---------|
| Antonio C. Moncupa, Jr. | 7,643,350,946 | 100% | - | - |
| Isabelle Therese G. Yap | 7,643,350,946 | 100% | - | - |

XIII. 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 2023, as follows:

“RESOLVED, That the accounting firm of SyCip Gorres Velayo and Co. (SGV & Co.) be approved for reappointment as the Company’s external auditor for the year 2023.”

The tabulation of votes for this matter is included below for easy reference:

| | FOR | AGAINST | ABSTAIN |
|------------------------|---------------|---------|---------|
| Number of Shares Voted | 7,642,835,213 | 515,733 | - |
| Percentage of Votes | 99.99% | 0.01% | - |

XIV. OTHER MATTERS

After confirming with the Assistant Corporate Secretary that there were no other matters that require consideration by the stockholders, the Chairman requested the Assistant Corporate Secretary to read questions and/or comments received from the stockholders and the President and CEO, Mrs. Lourdes Josephine Gotianun-Yap to respond.

The following questions were raised by the stockholders:

1. Does the group intend to invest in other sectors other than where it is today?

The President and CEO, Mrs. Yap, explained that the Company will continue to explore opportunities that are aligned with its portfolio and management strategy. The Company intends to pursue a two-pronged approach, exploring both external opportunities to expand and leveraging possible synergies within the Company’s existing core business to scale up faster. The Company’s investments, moving forward, must not only make sense from a financial standpoint but it must also have a clear potential for value creation to benefit all stakeholders.

2. During FLI’s Annual Stockholders’ Meeting, the focus on developing townships was mentioned. Why do you think this remains a good strategy for your real estate business?”

Mr. Yap responded that indeed, developing townships remains a good strategy for the Company. At present, the Company has an extensive residential and commercial land bank of almost 2,500 hectares that allows creation of integrated communities. This gives potential buyers the added value of being in an environment that promotes healthier and more sustainable living. However, apart from focusing on townships, the plan is to continue to develop mid-rise communities, as well as enhance the construction processes to deliver high-quality homes. Technology is also becoming increasingly important, and the Company plans to use new technology to elevate the customer experience. All these will support the Company’s growth plans in real estate.

3. With the recent appointment of a new leadership team in EastWest Bank, what are the key expectations of the Parent Company from this transition? How do these expectations align with the Company's overall strategy for the banking subsidiary?"

The new leadership team at EastWest Bank, Mrs. Yap replied, is expected to continue building upon the bank's strong foundation in consumer banking and to introduce new ways to serve the customers. She emphasized that customer needs and behaviors have changed in recent years, and the Company is looking to the new leadership team to develop innovative solutions that can help the bank stay ahead of industry trends evolving customer preferences.

4. Last year, Filinvest REIT announced the infusion of the Boracay property into its portfolio. Are there plans to infuse more assets owned by FDC?

Mrs. Yap responded that the infusion of Boracay property into Filinvest REIT's portfolio is a strategic move aimed at diversifying the REIT's asset base beyond office spaces. It is a critical first step in implementing the 3-year investment plan to generate higher dividend yields. The properties for infusion may or may not be owned by FDC, but the intention is to diversify and add premium commercial properties, including hotel, retail, and industrial properties, to boost attractive returns for the investors.

XV. ADJOURNMENT

There being no further business to transact, the Chairman declared the meeting adjourned. Mr. Gotianun 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:

MA. RUIZA R. HERNANE
Assistant Corporate Secretary

ATTESTED BY:

JONATHAN T. GOTIANUN
Chairman of the Board

2024 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 29 March 2024 may access the stockholder registration system at the web address:

FDC ASM Registration Form 2024

https://shareholders.filinvest.com.ph/FDC_SHAREHOLDERSYSTEM

FDC Ballot Form 2024

https://shareholders.filinvest.com.ph/FDC_ASMVOTING

The deadline for registration is 17 April 2024.

- 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 17 April 2024.

- 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 19 April 2024, 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 17 April 2024 to FDCASM@filinvestgroup.com. Questions or comments received on or before 17 April 2024 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.