

COVER SHEET

SEC Registration Number

5 1 0 4 8

COMPANY NAME

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

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

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

Form Type

1 7 - A

Department requiring the report

S E C

Secondary License Type, If Applicable

N A

COMPANY INFORMATION

Company's Email Address

corpsec@filinvestland.com

Company's Telephone Number

7798-3977

Mobile Number

N/A

No. of Stockholders

3,998

Annual Meeting (Month / Day)

Last Friday of April

Fiscal Year (Month / Day)

12/31

CONTACT PERSON INFORMATION

Name of Contact Person

Mr. Brian T. Lim

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

Email Address

brian.lim@filinvestgroup.com

Telephone Number/s

7798-3977

Mobile Number

N/A

CONTACT PERSON'S ADDRESS

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

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

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

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-A

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

1. For the calendar year ended **December 31, 2023**
2. Commission identification **Number 51048.** 3. BIR Tax Identification **000-053-167-000.**
4. Exact name of registrant as specified in its charter: **FILINVEST DEVELOPMENT CORPORATION**
5. **Philippines** 6.  **(SEC Use Only)**
Province, Country or other jurisdiction of incorporation or organization Industry Classification Code:
7. **The Beaufort, 5th Avenue Corner 23rd Street, Bonifacio Global City, Taguig City, Metro Manila 1634**
Address of principal office Postal Code
8. **02-7798-3977**
Issuer's telephone number, including area code
9. _____
Former name, former address, and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA
<u>Title of Each Class</u>	<u>Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding</u>
Common stock, ₱1.00 par value	8,648,462,987 shares
	₱132,371.9million total consolidated debt (long-term and short-term debt)
11. Are any or all of these securities listed in the Philippines Stock Exchange?
Yes [X] No []
12. Check whether the issuer:
(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);
Yes [X] No []
(b) has been subject to such filing requirements for the past 90 days.
Yes [X] No []
13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form. (See definition of "affiliate" in "Annex B").

**Shares Held by Non-Affiliates as of
March 31, 2024**
928,262,501
Shares

**Market Value per Share as of
March 31, 2024**
₱5.68 per share

**Total Market Value
as of March 31, 2024**
₱5.3 Billion

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

14. Check whether the Issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court of the Commission.

Yes []

Not Applicable

No []

DOCUMENTS INCORPORATED BY REFERENCE

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

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PART I - BUSINESS AND GENERAL INFORMATION

ITEM 1. BUSINESS

1.1 Corporate Information, History, Developments, Form and Organization

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

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

Filinvest Land Inc. (FLI) was incorporated on November 24, 1989. It began commercial operations in August 1993 after FDC spun off its real estate operations and transferred all related assets and liabilities to FLI in exchange for shares of FLI. FLI shares were listed on the Philippine Stock Exchange (PSE) on October 25, 1993. FDC remains as FLI's largest shareholder. As of December 31, 2023, FDC beneficially owns 64.9% of FLI's outstanding common shares and all of its issued and outstanding preferred shares, such that FDC has a 73.6% voting ownership in FLI.

Filinvest Alabang, Inc. (FAI) was incorporated on August 25, 1993 for the joint development with the Philippine government of Filinvest City in Alabang, Muntinlupa City. The development of Filinvest City started the foray of the Parent Company and its subsidiaries (collectively referred to as the "Filinvest Group" or the "Group") in central business district development and has since successfully ventured into retail, office, high-rise residential and leisure club development. FDC directly owns 80.0% of FAI's issued and outstanding shares, with FLI holding the remaining 20.0%. Thus, FDC's effective interest in FAI is 93.0% as of December 31, 2023.

In 1994, FDC decided to re-enter the banking and financial services business based on the then strengthening fundamentals of the Philippine economy and the Gotianun Family's prior experience in this business in the 1970s and 1980s. FDC incorporated East West Banking Corporation (EW or the Bank) in March 1994. On May 7, 2012, EW was publicly listed on the PSE. As of December 31, 2023, including its 37.9% ownership interest through FDC Ventures, Inc. (formerly FDC Forex Corporation, FVI), FDC effectively owns 77.9% of EW's issued and outstanding shares.

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

In 2009, the Group re-entered the power generation business through FDC Utilities, Inc. (FDCUI). FDCUI operates a 405-megawatt (3 x 135 MW) power plant with circulating fluidized bed (CFB) clean coal technology in the Philippine Veterans Investment Development Corporation (PHIVIDE) Industrial Estate, Villanueva, Misamis Oriental, Mindanao. FDCUI started developing the power plant in 2013 and received the certificate of compliance (COC) for the first two (2) units of the plant in October 2016, and the COC for the third unit in May 2017. The Group has also entered into joint ventures with respect to the development of renewable energy and eco-sustainable projects, such as commercial and industrial solar rooftops and ground-mounted solar farms, and the development of a district cooling system. In addition, the Group is currently developing a 33 MW hydropower plant along the Pampang River in North Luzon, and several ground-mounted and rooftop solar projects with aggregate capacity of 46 MW.

The Group has 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 is also involved in the development, operation and management of hotels and resorts that cater to various market segments. In 2008, FDC entered into a joint venture with Singapore-based Archipelago International Pte. Ltd (AIPL) and created Chroma Hospitality, Inc. (Chroma) to manage and operate the Group's hospitality projects. AIPL is an affiliate of Aston International specializing in branded property and hotel management. It is the largest hotel management chain in Southeast Asia,

with properties in Indonesia and Malaysia. Chroma is 60.0% owned by FDC and 40.0% owned by AIPL. On October 2023, FDC acquired AIPL's 40% ownership in CHI, bringing FDC's ownership to 100.0%. In August 2011, FDC formed its wholly owned subsidiary Filinvest Hospitality Corporation (FHC) to serve as the primary developer and owners' representative of Group-owned hotel and resort properties.

Following the award of a provisional gaming license to Mimosa Cityscapes, Inc. (MCI), a wholly owned subsidiary of FHC, by the Philippine Amusement and Gaming Corporation (PAGCOR) in April 2018, the Group intends to extend its hospitality offering to include an integrated resort within the Filinvest Mimosa+ Leisure City development. The Group intends to outsource the operation of the casino to an established third-party gaming operator. MCI has ongoing discussions with a potential operating partner for the integrated resort development.

As part of the Group's continued expansion, in January 2019, as part of the North Luzon Airport Consortium (NLAC), FDC entered into a 25-year concession agreement for the operation and maintenance of the Clark International Airport (CIA) passenger terminal and the fit-out and operation and maintenance of a new terminal building. In February 2019, NLAC formed Luzon International Premiere Airport Development Corp. (LIPAD), which 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). In August 2019, LIPAD took over the operation and maintenance of the existing CIA terminal. The ceremonial handover of the new terminal to the consortium took place in January 2021. Boasting state-of-the-art facilities including superior accessibility, the CIA New Terminal formally started operations on May 2, 2022, welcoming both domestic and international travellers. Also, with a capacity of 8.0 million passengers annually, the terminal allows airport users to have the space and breathing room to move with ease.

In October 2019, FAI signed a joint venture agreement with Japanese company Mitsubishi Corporation (Mitsubishi) for the development of a P15-billion multi-tower mixed-use complex within Filinvest City. Mitsubishi has a 40% stake in the development of a 1.7-hectare prime lot that is seen to bolster mixed-use gross floor area (GFA) by approximately 200,000 square meters.

The Group also signed a joint venture agreement with Japanese company, Hitachi Aqua-Tech Engineering Pte Ltd. (HAQT), to establish Filinvest-Hitachi Omni Waterworks, Inc. (FLOW) to be able to tap into the latest developments in water technology such as desalination. FDC Water Utilities Inc. (FWUI), a wholly owned subsidiary of FDCUI, was awarded in July 2021, 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. Upon signing of the contract with MCWD, FWUI will immediately commence with the construction of the desalination facilities utilizing seawater to be processed by means of the High Recovery Seawater Desalination Technology of its technical partner, Hitachi Ltd., Japan.

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

ALGI is the ultimate parent company of FDC and its subsidiaries. ALGI's business address is located at 32nd Floor, Parkway Corporate Center, Corporate Avenue, Filinvest City, Alabang, Muntinlupa 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 Bacoar City, Cavite.

On December 28, 2022, 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 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 a Deed of Assignment to purchase 100.0% ownership in SJR Developers, Inc. (SDI). Total acquisition price amounted to ₱0.6 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. OSI has not started commercial operations as of December 31, 2022.

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 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 day, 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 started its commercial operations last November 2023. -

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 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.

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 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 (refer to Note 5 of the attached FDC consolidated financial statements).

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.

Hospitality Operations

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 has started its commercial operations in January 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 Operations

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 million 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. On the same date, the SEC also approved the change in name of FFC to FDC Ventures, Inc. (FVI), its primary purpose 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 the Articles of Incorporation of FDC Camarines Power Corporation, a wholly owned subsidiary of FDCUI: (i) to change of name to FDC Green Energy Corp (FGEC); and 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 started 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. (FDC Water), 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, 2023.

On May 19, 2021, FDCUI entered into a Deed of Assignment 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.

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, 2023.

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

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 Investree SG and 50% by FDEV.

FDC's consolidated revenues are generated from real estate development and leasing, hospitality operations, banking and financial services, power and utility operations, and sugar operations. FDC's subsidiaries, associate, and jointly controlled entities, organized by business segment are as follows:

	Date of Incorporation
Real Estate	
FLI	November 24, 1989
Filinvest AII Philippines, Inc. (FAPI)	September 25, 2006
Homepro Realty Marketing, Inc. (Homepro)	March 25, 1997
FCGC Corporation (FCGCC)	February 11, 2016
Filinvest BCDA Clark, Inc. (FBCI)	March 16, 2016
FILRT	January 14, 2000
FFMI	April 13, 2021
CPMC	August 2, 2021
FCI	February 4, 2014
Filinvest Asia Corporation (FAC)	January 22, 1997
FCMI	January 23, 2017
Filinvest Lifemalls Mimosa, Inc. (FLMI)	January 23, 2017
Filinvest Lifemalls Corporation (FLC)	July 26, 2016
Property Specialist Resources, Inc. (Prosper)	June 10, 2002
Filinvest Lifemall Tagaytay Inc. (FLTI)	November 20, 2017
Festival Supermall, Inc. (FSI)	March 21, 1997
FSM Cinemas, Inc. (FSM Cinemas)	April 23, 1998
Philippine DCS Development Corporation (PDDC)	July 31, 2015
Timberland Sports and Nature Club, Inc. (TSNC)	May 12, 2004
Property Maximizer Professional Corp. (Promax)	October 3, 1997
Leisurepro, Inc. (Leisurepro)	April 21, 2004
Proleads Philippines, Inc. (Proleads)	March 29, 2017
Property Leaders International Limited (BVI) (PLIL)	February 7, 2017
Realpros Philippines, Inc. (RPI)	August 3, 2017
Gintong Parisukat Realty and Development, Inc. (GPRDI)	August 18, 2006
Filinvest Mimosa, Inc. (FMI)	March 31, 2016
<i>Forward</i>	

	Date of Incorporation
ProOffice	March 18, 2019
NSI	August 24, 2018
OSI	May 26, 2022
SDI	February 16, 1998
NPHI	September 13, 2005
CRC	February 29, 2008
DPI	January 11, 2017
ProMixers Aggregates Corporation (PMAC)	October 11, 2019
FAI	August 25, 1993
Northgate Convergence Corporation	October 14, 1999
Proplus, Inc.	February 16, 2000
ParkingPro, Inc.	July 15, 2016
EHSI	November 28, 2012
SAPI	December 6, 2019
SALI	August 2, 2021
Hospitality Operations	
FHC	August 22, 2011
Mactan Seascapes Services, Inc (MSSI)	July 17, 2009
Quest Restaurants, Inc.	March 12, 2012
Boracay Seascapes, Inc. (BSI)	December 28, 2012
Chinatown Cityscapes Hotel, Inc.	March 22, 2013
Duawon Seascapes Resort, Inc.	April 12, 2013
Mimosa Cityscapes, Inc. (MCI)	May 13, 2016
Cubao Cityscapes, Inc.	February 9, 2017
Princesa Seascapes, Inc.	June 6, 2017
Dumaguete Cityscapes, Inc.	November 27, 2017
Fora Services, Inc.	August 24, 2018
Fora Restaurants, Inc. (FRI)	August 24, 2018
Chroma	November 8, 2008
Dauin Seascapes, Inc.	September 9, 2019
Zamboanga Citiscapes, Inc.	January 21, 2019
FIPL	May 4, 2020
Samui Seascapes***	May 5, 2020
BMI	March 12, 2020
GCI	March 12, 2020
HERC	June 3, 2022
*** <i>dissolved in 2022</i>	
Banking and Financial Services	
EW	March 22, 1994
East West Rural Bank, Inc. (EWRB)	November 5, 1997
East West Insurance Brokerage, Inc. (ESBI)	July 6, 2015
Assurance Solutions Insurance Agency (ASIA)	February 29, 2012
East West Leasing and Finance Corporation (EWLFC)	October 6, 2016
Quest Marketing and Integrated Services, Inc. (QMIS)	July 17, 2007
East West Ageas Life Insurance Corporation (EWAL)	October 20, 2015
FVI	February 17, 1997
Power and Utility Operations	
FDCUI	December 4, 2009
FDC Retail Electricity Sales Corporation (FDC RES)	November 16, 2009
FDC Misamis Power Corporation (FDC Misamis)	November 16, 2009
FWUI	March 10, 2011
FDC Green Energy Corp (FGEC)	March 23, 2011
FDC Casecnan Hydro Power Corporation	March 23, 2011
FDC Renewables Corporation	July 17, 2012
FGS Renewable Energy, Inc. **	April 23, 2015
FREE	November 22, 2018
FDC FLOW Marigondon	September 14, 2021

	Date of Incorporation
FDC FLOW Talisay	September 14, 2021
FDC FLOW SRP	September 14, 2021
FLOW	October 29, 2019
CWSI	May 18, 2012
<i>**dissolved in February 2018</i>	
Sugar Operations	
PSHC	June 5, 1989
DSCC	October 4, 1968
CSCC	March 13, 2002
HYSFC	June 8, 1990
Others	
Pro-excel	November 28, 2001
Pro-active	August 9, 2023
CHI	August 22, 2011
CTI	September 11, 1998
CNC	August 13, 2021
Filinvest Development Cayman Islands (FDCI)	March 12, 2013
FDEV	October 19, 2020
Investree	May 6, 2020
Qwote	July 8, 2021
SPI	November 10, 2020
Professional Operations and Maintenance Experts Incorporated (PROMEI)	July 4, 2019
LIPAD	February 18, 2019

1.2 Bankruptcy, Receivership or Similar Proceedings

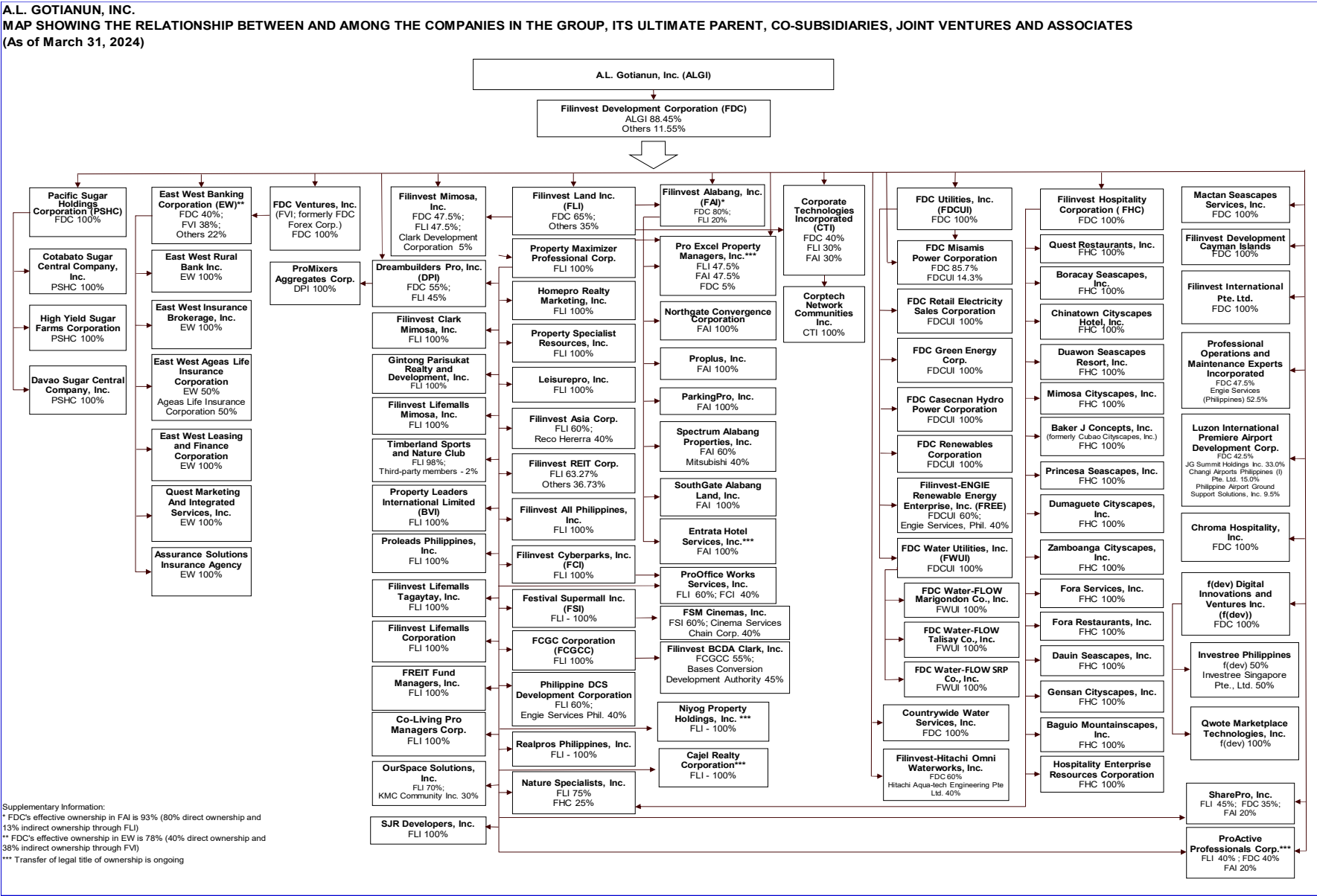
There was no bankruptcy, receivership or similar proceedings filed by the Company and/or any of its significant subsidiaries during the past 3 years.

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

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

Structure of the Group

Below is a map showing the relationship between and among the Group and its ultimate parent company, subsidiaries, joint ventures, and associate as of December 31, 2023:



1.4 Significant Subsidiaries, Segments and Business Groups

Revenue Mix

Historically, the Group's banking and financial services and real estate operations contributed the bulk of FDC's consolidated revenues and other income. For the year 2023, the Company's consolidated revenues and other income amounted to ₱92.8 billion with percentage breakdown as follows:

Real estate operations	27.4%
Hospitality operations	3.7%
Banking and financial services	44.6%
Power operations	18.9%
Sugar operations	5.5%

1.4.1 Real Estate Operations

Filinvest Land, Inc. (FLI)

Business

Brief Description and Recent Developments

FLI is one of the leading real estate developers in the country, providing a wide range of real estate products to residential and commercial customers. FLI (including its predecessor's operations) has over 50 years of real estate expertise and has developed over 2,500 hectares of land, having provided home/home sites for over 200,000 families.

FLI is one of the largest nationwide residential developers in 55 cities and towns in 22 provinces in the Philippines. It is also one of the largest mid-rise buildings (MRB) developers in the country today and a market leader in the affordable and middle-income residential segments. It currently owns a land bank of 1,665 hectares and has joint venture arrangements for another 201 hectares, totaling 1,866 hectares under its control and management for sustainable future growth.

FLI offers a range of real estate products from socialized and affordable housing to middle-income and high-end housing, various types of subdivision lots, medium-rise residential buildings, farm estates, industrial parks, residential resort projects and condominium buildings. The FLI also leases out commercial and office spaces in Muntinlupa City, Makati City, Pasay City, Cebu City, Tagaytay City, Cavite, Dumaguete and Clark Mimoso. Upcoming locations are New Clark City (NCC), Ortigas, Manila, among others in the pipeline.

FLI now operates 34 office buildings totaling 576,008 square meters and 256,830 sq.m. Gross Leasable Area (GLA) in retail portfolio.

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

19.2-hectare South Road Properties

In July 2015, FLI, Filinvest REIT Corp. ("FILRT") and Filinvest Alabang, Inc. ("FAI") (collectively referred to as "Filinvest Consortium") won the bidding for a 19.20-hectare lot in Cebu's South Road Properties (SRP). Thereafter, on August 7, 2015, the Filinvest Consortium entered into a Deed of Sale on Installment (DSI) with the Cebu City Government. In a letter dated January 6, 2017, the Cebu City Mayor questioned the validity of the sale and gave the buyers the option to withdraw from the sale at buyer's discretion. In a letter to the Cebu City Mayor dated February 7, 2017 (the Letter), Filinvest Consortium expressed its intention to rescind the DSI. Under the DSI, Cebu City undertook to comply with several covenants, undertakings and obligations no later than February 7, 2016 (or 180 days from execution of the DSI). The Letter pointed out that as of February 7, 2017, the said covenants, undertakings and obligations have not been complied with and it does not appear that these will be complied with within a foreseeable reasonable period of time.

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

As of February 27, 2019, such payment has not been received and no formal and definitive legal proceeding has been undertaken by the parties on this matter. Consequently, as of the said date, the DSI remains valid and Filinvest Consortium has the sole and rightful claim over the property.

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

On August 2, 2019, Filinvest Consortium informed Cebu City that the payments will be judicially consigned in accordance with law considering that to date, Cebu City has not yet returned the payments with interest, thus, the conditional rescission has already expired. In response, Cebu City issued a letter dated October 4, 2019 to FLI Consortium and insisted that the latter has no longer any debt to Filinvest Consortium as the DSI was effectively rescinded. Cebu City reiterates its willingness to restitute the Filinvest Consortium of the amount it has already paid prior the rescission.

The Cebu City Government and Filinvest Consortium came to a resolution on January 8, 2020, with the full payment and the signing of the Deed of Absolute Sale. The Filinvest Consortium paid on December 17, 2019, the full amount of the purchase price of the lot plus the accumulated interest for the unpaid installments since 2017. Accordingly, the matter has been resolved.

The carrying value of the property amounted to ₱1.21 billion as of December 31, 2023.

Form and Date of Organization

FLI was incorporated in the Philippines on November 24, 1989, as Citation Homes, Inc. and later changed its name to FLI on July 12, 1993. It started commercial operations in August 1993 after FDC spun off its real estate operations and transferred all related assets and liabilities to FLI in exchange for shares of stock of FLI. FLI was listed on the PSE on October 25, 1993. As at December 31, 2023, FDC owns 64.9% of outstanding common shares and 100% of preferred shares of FLI.

FLI Subsidiaries

The consolidated financial statements of FLI include the accounts of FLI and its subsidiaries. The nature of business and the corresponding percentages of ownership of FLI over these entities as at December 31, 2023, 2022 and 2021 are summarized below. The voting rights held by the FLI in these subsidiaries are in proportion to its ownership interest.

Subsidiaries	Nature of Business	2023	2022	2021
Filinvest AII Philippines, Inc. (FAPI)	Real estate developer	100%	100%	100%
FCGC Corporation (FCGCC)	Real estate developer	100%	100%	100%
Filinvest BCDA Clark, Inc. (FBCI) ¹	Real estate developer	55%	55%	55%
Gintong Parisukat Realty and Development Inc. (GPRDI)	Real estate developer	100%	100%	100%
Homepro Realty Marketing, Inc. (Homepro)	Real estate developer	100%	100%	100%
SJR Developers, Inc. (SDI)	Real estate developer	100%	100%	—
Niyog Property Holdings, Inc. (NPHI) ²	Real estate developer	100%	—	—
Cajel Realty Corporation (CRC) ²	Real estate developer	100%	—	—
Filinvest REIT Corp. (FILRT)	Leasing	63%	63%	63%
Filinvest Asia Corporation (FAC)	Leasing	60%	60%	60%
Filinvest Cyberparks, Inc. (FCI)	Leasing	100%	100%	100%
Filinvest Clark Mimosa, Inc. (FCMI)	Leasing	100%	100%	100%
Festival Supermall, Inc. (FSI)	Property management	100%	100%	100%
Filinvest Lifemalls Corporation (FLC)	Property management	100%	100%	100%
Filinvest Lifemalls Mimosa, Inc. (FLMI)	Property management	100%	100%	100%
Filinvest Lifemalls Tagaytay, Inc. (FLTI)	Property management	100%	100%	100%
ProOffice Works Services, Inc. (ProOffice)	Property management	100%	100%	100%
Property Specialist Resources, Inc. (Prosper)	Property management	100%	100%	100%
Co-Living Pro Managers Corp. (CPMC)	Property management	100%	100%	100%
FSM Cinemas, Inc. (FSM Cinemas) ³	Theater operator	60%	60%	60%
Philippine DCS Development Corporation (PDDC)	District cooling systems, builder and operator	60%	60%	60%
Timberland Sports and Nature Club, Inc. (TSNC)	Recreational Sports and Natures Club	98%	98%	98%
Nature Specialists, Inc. (NSI)	Recreational Sports and Natures Club	75%	75%	75%
Leisurepro, Inc. (Leisurepro)	Marketing	100%	100%	100%
Proleads Philippines, Inc. (PPI)	Marketing	100%	100%	100%
Property Leaders International Limited (PLIL)	Marketing	100%	100%	100%
Property Maximizer Professional Corp. (Promax)	Marketing	100%	100%	100%

Realpros Philippines, Inc. (RPI)	Marketing	100%	100%	100%
FREIT Fund Managers, Inc. (FFMI)	Fund Manager	100%	100%	100%
OurSpace Solutions, Inc. (OSI) ⁴	Coworking spaces	70%	100%	—

Notes:

1. *FBCI is owned indirectly through FCGCC.*
2. *NPHI and CRC were acquired in 2023.*
3. *FSM Cinemas is owned indirectly through FSI.*
4. *On August 2, 2023, a Subscription Agreement was executed to issue the 30 million common shares of OSI to KCI, resulting to FLI's 70% ownership in OSI.*

Detailed discussion of each subsidiary follows:

- FAPI was incorporated on September 25, 2006, to develop the TSNC and Phase 2 of Timberland Heights
- FCGCC was incorporated on February 11, 2016, to undertake the development of the Clark Green City (*now New Clark City*) Project under the Joint Venture Agreement with Bases Conversion and Development Authority (BCDA). On March 16, 2016, FBCI, a joint venture company with BCDA, was incorporated to handle the aforementioned development. FBCI is 55%-owned by FCGCC and 45%-owned by BCDA. As of December 31, 2023, FCGCC and FBCI have not started commercial operations.
- On January 19, 2018, FLI entered into a Share Sale and Purchase Agreement to purchase 100% of the total outstanding shares of GPRDI for a total consideration of ₱1.71 billion. The primary purpose of GPRDI is to hold, purchase, lease, contract otherwise acquire any and all real and personal properties. GPRDI has not started its commercial operations as of December 31, 2023.
- Homepro was incorporated on March 25, 1997, and started commercial operations on January 1, 2004.
- Filinvest REIT Corp. or FILRT (*formerly Cyberzone Properties, Inc. or CPI*)
 - CPI was incorporated on January 14, 2000, and began commercial operations on May 1, 2001. CPI is registered with the Philippine Economic Zone Authority (PEZA) as an Economic Zone Facilities Enterprise, which entitles CPI to certain tax benefits and non-fiscal incentives such as paying a 5% tax on its modified gross income in lieu of national and local taxes. CPI is also entitled to zero percent value-added tax on sales made to other PEZA-registered enterprises. CPI owns and operates the IT buildings in Northgate Cyberzone, located in a 10-hectare parcel of land within Filinvest City owned by the parent Company, FLI. CPI also leases a parcel of land measuring 2,831 sq.m. located in EDSA on which CPI built a 5-storey BPO building with a total GLA of 7,358 sq.m.
 - On January 20, 2021, FLI announced, through a Philippine Stock Exchange (PSE) disclosure, that its BOD has approved the transition of Cyberzone Properties, Inc. (CPI) into a Real Estate Investment Trust (REIT) company. CPI is intended to be listed on the 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.
 - On June 25, 2021, the shareholders of CPI, approved the following amendments to its Articles of Incorporation: (i) change of name of the Company 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. The change in name of CPI, the reduction in the par value of its shares, and the increase in its authorized capital stock were approved by the Philippine SEC on July 2, 2021.
 - On August 12, 2021, Filinvest REIT Corp. ("FILRT") was listed and traded in the Philippine Stock Exchange under the PSE 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 ₱12.13 billion and resulted in additions to retained earnings and noncontrolling interest amounting to ₱10.47 billion and ₱1.66 billion, respectively as of December 31, 2021. As of December 31, 2022, the noncontrolling interest in FILRT represents 36.7%.
 - 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, 2022 and did not recognize any deferred taxes in 2023.

- FAC was incorporated on January 22, 1997, and as at date of this report is 60%-owned by FLI and 40%-owned by Reco Herra Pte.Ltd. (RHPL). RHPL is 100% beneficially owned by the Government of Singapore Investment Corporation Pte. Ltd (GIC). FAC owns 50% of the 52-storey PBCom Tower, which is strategically located at the corner of Ayala Avenue and V. A. Rufino Streets in the Makati City Central Business District. FAC owns 35,148 sq. m. of leasable office space. The remaining 50% of PBCom Tower is owned by the Philippine Bank of Communications.

The PBCom Tower is registered as an information technology building by PEZA. Consequently, tenants occupying space in PBCom Tower are entitled to avail of certain fiscal incentives, such as a 5% tax on modified gross income in lieu of the national and local taxes, income tax holidays and zero-rated vat in certain cases.

- FCI was incorporated on February 4, 2014. Its primary purpose is to acquire by purchase, lease, donate and/or to own, use, improve, develop, subdivide, sell, mortgage, exchange, hold for investment and deal with real estate of all kinds.
- FCMI was incorporated on January 23, 2017. Its primary purpose is to acquire by purchase, lease except financial leasing, donation or and hold for investment or otherwise deal in real estate of all kinds, nature, purpose and/or any interest or right therein. FCMI started its commercial operations in May 2018. FCMI is registered with Clark Development Corporation (CDC) as a Clark Freeport Enterprise enjoying incentives similar to PEZA such as zero percent VAT on its revenues and 5% income tax on modified gross income, in lieu of local and national taxes.
- FSI is the property manager of Festival Supermall and other commercial centers of the Group. FSI also owns a 60% equity interest in FSM Cinemas, Inc. which is engaged in theater operations. The transaction was accounted for using the pooling of interest method wherein the assets and liabilities of the combining entities are reflected in the consolidated financial statements at their carrying amounts.
- FLC, formerly Whiluc Realty & Mgt., Inc., is organized to invest in, purchase, hold, use, develop, lease, sell, assign, transfer mortgage, enjoy or otherwise dispose of, as may be permitted by law, all properties of every kind, nature and description and wherever situated, of any corporation.
- FLMI was incorporated on January 23, 2017. Its primary purpose is to acquire by purchase, lease except financial leasing, donation, or otherwise, and/or to own, use, improve, develop, subdivide, sell, mortgage, exchange, lease, develop and hold for investment or otherwise deal in real estate of all kinds, nature, and purpose and/or any interest or right therein. FLMI has not started its commercial operations as of December 31, 2022.
- FLTI was incorporated on November 20, 2017. Its primary purpose is to acquire by purchase, lease (except financial leasing), donation or otherwise, and to own, use, improve, develop, subdivide, sell, mortgage, exchange, lease, develop and hold for investment or otherwise deal in real estate of all kinds in order to develop, conduct, operation, lease, and maintenance of retail and commercial space for rent, restaurants, function halls, amusement centers, movie or cinema theaters within the compound to premises of the shopping centers. FLTI started its commercial operations in March 2018.
- ProOffice was incorporated on March 18, 2019, to engage in the business of administration, maintenance and management of real estate developments and projects. ProOffice started commercial operations in August 2019.
- Prosper was incorporated on June 10, 2002, and started commercial operations on January 01, 2004. Prosper is engaged in the purchase, lease and management of hotel and resort properties, and is currently managing the condotel operations of a high-rise condominium (Grand Cenia) and hotel project (Quest Hotel) of the Parent Company. Prior to Prosper's condotel and hotel management business. Prosper was engaged in the business of real estate marketing.
- FSM Cinemas was incorporated on April 23, 1998 to engage in servicing, booking, and arranging of films, programs, shows, plays, and movies of all kinds, types, makes, and colors for movie houses, theaters, or cinemas and to exhibit, lease, rent, run or operate movie houses, theaters, cinemas, as well as, supply equipment, machines and accessories needed in cinemas, theaters or movie houses.
- On April 15, 2015, FLI and Engie Services Philippines (ENGIE) entered into a joint venture agreement to establish PDDC. On July 31, 2015, PDDC was registered with the SEC to engage in the business of building and operating a district cooling system within existing and future buildings at Northgate Cyberzone Area, Filinvest City, Alabang, Muntinlupa City. PDDC is 60% owned by FLI and 40% owned by ENGIE.
- On July 18, 2018, the SEC approved TSNC's application on voluntary revocation of its secondary registration which allowed TSNC to proceed with the transition to its new business model. On November 15, 2018, the Board of Directors (BOD) approved the amendment to change the primary purpose of the Club from an exclusive recreational sports club to a for profit commercial facility. On July 24, 2019, TSNC submitted its Amended Articles of Incorporation to SEC. The amendments include (a) change of the primary purpose of TSNC from that of an exclusive recreational sports club to a real estate development Company; (b) change of TSNC's principal address from No. 173 P. Gomez Street, San Juan, Metro Manila to Timberland Heights, Barangay Malanday, San Mateo Rizal; (c) converting of TSNC's capital stock from

no par value club shares to par value shares; (d) removal of provisions which characterizes TSNC as an exclusive nonprofit association; and (e) removal of paragraphs which relate to the operations of an exclusive recreational sports club. On August 1, 2019, the SEC approved TSNC's application for voluntary revocation of its secondary registration. On August 18, 2019, the SEC approved TSNC's Amended Articles of Incorporation.

- Leisurepro was incorporated on April 21, 2004, and started commercial operations on January 1, 2006. The company is inactive since 2010.
- PPI was incorporated on March 29, 2017, to provide management, organizational, and other administrative services and training. PPI started its commercial operations in November 2017.
- PLIL, a company limited by shares, was registered at the territory of the British Virgin Islands on February 7, 2017. PLIL has not started its commercial operations as of December 31, 2022
- Promax was incorporated on October 3, 1997. It is engaged in real estate marketing business and handles the marketing and sale of socialized, affordable, middle income, high-end and farm estate property development projects of FLI.
- RPI was incorporated on August 3, 2017, to provide administrative support services and skills training primarily through the use of information technology, licensed software, and systems. RPI started its commercial operations in November 2017.
- NSI was incorporated on August 24, 2018, to conduct real estate activities primarily focusing on hotels, inns, resorts, lodging houses and all adjunct accessories thereto, including restaurants, cafes, bars, stores, offices, etc. NSI has opened on March 14, 2021.
- FFMI was incorporated on April 13, 2021, to engage in the business of providing fund management services to REIT companies.
- CPMC was incorporated on August 2, 2021, in to engage in business of developing, operating, managing, and maintaining dormitels, lots and buildings whether owned or leased, to make such dormitels available for all clients for temporary stay as well as any and all services and facilities incidental thereto. CPMC has not started commercial operations as of December 31, 2022.
- OSI was incorporated on May 26, 2022, to engage in developing, operating, managing and maintaining commercial buildings to be used as coworking spaces. In May 2023, a joint venture agreement with KMC Community, Inc., for the development and management of flexible workspaces.
- On December 14, 2022, FLI entered a Deed of Assignment to purchase 100% ownership in SDI. 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, houses, apartment, and other structures.

FLI's Equity Investment in CTI, Pro-excel, FAI, FMI, DPI and SPI

CTI

CTI was incorporated on September 11, 1998. FLI has a 30% interest in CTI which is accounted as an investment in an associate. CTI is primarily involved in information technology service management.

Pro-excel

Pro-excel was incorporated on November 28, 2001. Ownership of FLI in Pro-excel is at 47.5% as of December 31, 2023. Pro-Excel is engaged in the business of administration, maintenance and management of real estate development, controlled development projects and subdivision projects.

FAI

FAI was incorporated on August 25, 1993, and started commercial operations in October 1995. FLI has a 20.0% equity interest in FAI. FAI's major project is the master-planned development of Filinvest City, a 244-hectare premier satellite city development project which has been designed using modern and state of the art, ecological, urban planning with a mixed-use integrated development with office, retail, residential, institutional, leisure and hospitality projects in southern Metro Manila. Located at the southern part of Metro Manila and adjacent to the South Expressway, Filinvest City is approximately 16 kilometers (km) south of Makati, the central business district in Manila and 10 km from the Ninoy Aquino International Airport. Filinvest City is surrounded by over 2,800 hectares of developed high-end and middle-income residential subdivisions and commercial developments. The said project is under a joint venture agreement with the Government.

FMI

FMI was incorporated on March 31, 2016, and started commercial operations in June 2016. FLI has a 47.5% equity interest in FMI. FMI entered a long-term lease of the Mimosa Leisure Estate after it bagged the rights to lease, develop and operate the 202-

hectare estate development. FMI subleases to FCMI the development of residential, office, retail and co-living leasing segments of the Estate while another affiliate MCI, sub-leases the leisure, hospitality segments of the estate.

DPI

DPI was incorporated on January 11, 2017, to engage in and carry on a general construction business. DPI started its commercial operations in February 2017. DPI was deconsolidated from the FLI and became its associate effective December 17, 2020.

SPI

SPI was incorporated and operating in the Philippines and handles the technical and project management services for the Group. In December 2021, FLI subscribed for 45.0% of SPI's capital stock.

FLI's Business Groups, Product Categories, Target Markets and Revenue Contribution

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

FLI's Real Estate Sales Segment

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

Residential Projects

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

- *Socialized housing:* These developments are marketed and sold under FLI's Pabahay brand and consist of projects where lots typically sell for ₱160,000 or less per lot and housing units typically sell for ₱580,000 or less per unit. Buyers for these projects are eligible to obtain financing from the Government-mandated PAGIBIG Fund. Maximum sale prices for FLI's specialized housing products do not exceed the Government-mandated ceiling of ₱580,000 per unit. Any income realized from the development and improvement of socialized housing sites are exempt from taxation.
- *Affordable housing:* These developments are marketed and sold under FLI's Futura Homes brand and consist of projects where lots are typically sold at prices ranging from above ₱160,000 to ₱750,000 and housing units from above ₱580,000 to ₱1,700,000. FLI designs and constructs homes in this sector with the capacity and structural strength to give the owner the option to place an additional storey, which can double the available floor area. Affordable housing projects are typically located in provinces bordering Metro Manila, including Bulacan, Laguna, Batangas and Cavite, and in key regional cities and provinces such as Tarlac, Cebu, Davao, Palawan, Bacolod and Koronadal. Construction of a house in this sector is usually completed approximately six months from the completion of the required down payment.
- *Middle-income housing:* These developments are marketed and sold under FLI's Aspire brand and consist of projects where lots are typically sold at prices ranging from above ₱750,000 to ₱1,200,000 and housing units from above ₱1,700,000 to ₱4,000,000. Middle-income projects are typically located within Metro Manila, nearby provinces such as Rizal, Cavite, Pampanga and Laguna, and major regional urban centers in Cebu, Davao, and Zamboanga.
- *High-end housing:* Marketed under Filinvest Prestige brand, these developments consist of projects where lots are sold at prices above ₱1,200,000 and housing units for above ₱4,000,000. FLI's high-end projects are located both within Metro Manila and in areas immediately outside Metro Manila.

Other Real Estate Projects

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

a. Townships

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

Filinvest at New Clark City

This 288-hectare property will be transformed into a vibrant mixed-use master planned metropolis that is in harmony with its natural setting. The BCDA, FLI's partner in the development, has completed the construction of the SCTEX-NCC Road and is now completing the Airport-NCC Road that will directly connect the project to the Clark Freeport Zone. New Clark City will be built around four pillars: world center, multi-gen metropolis, eco-efficient capital, and strategic base – the cohesive foundation of a globally-competitive city. It will be shaped around the existing terrain, with meandering waterways and a Loop Park to connect its various pedestrian-friendly districts. Green path walks, bike lanes, e-transport systems and other innovative features are expected to set the benchmark for this pioneering development in the Philippines. The development will have 100 hectares of

industrial park area, over 100 hectares of mixed-use commercial office, retail and residential developments, all interspersed with over 80 hectares of greens and open spaces. Currently, site development is ongoing including construction of ready-built factory buildings.

Filinvest Mimosa+ Leisure City

As the winning bidder in the privatization of the Mimosa estate in Pampanga, Filinvest is currently developing the 201-hectare property under Filinvest Mimosa, Inc., a new company formed by the consortium of FLI and FDC. FLI will handle the retail, office and residential components through its subsidiary FCMI, while FDC will undertake the hospitality, leisure and gaming segments, through its subsidiary Mimosa Cityscapes, Inc. (MCI). Envisioned to be a top-of-mind, year-round business and leisure destination, the sprawling Filinvest Mimosa+ Leisure City is being transformed into a vibrant and green central township that is home to various industries such as BPO, hospitality, retail, real estate, golf and gaming. Its location in Clark Freeport Zone allows FLI to take advantage of the growing interest of tourists and investors in the progressing Clark City. In addition to the renowned golf course, its components include a lifestyle and retail strip, a pavilion and grounds for events and an office campus called Workplus. This business hub will be composed of eight mid-rise buildings with fiber-optic facilities, podium parking and ground retail area. Also, part of the design is a lovely promenade that will connect all buildings and serve as a place for employees to enjoy the serene outdoor environment of Mimosa. To complement the business and commercial district, the Quest Hotel and Conference Center Clark will be joined by a residential area of mid- to high-rise buildings for investment or end-use and the co-living dormitel component (The Crib). The existing green resort environment will be further enhanced with parks, walking paths and bike trails to encourage wellness through nature and outdoor activities.

Ciudad de Calamba

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

Havila

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

Timberland Heights

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

City di Mare

Inspired by the world's best-loved coastal cities, City di Mare, or "City by the Sea", spans across 50.6 hectares at Cebu's South Road Properties.

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

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

Wood Estates

A 94-hectare township located in Trece Martires, Cavite with easy access to schools, shopping centers and transportation hubs.

Iloilo Centrale

Iloilo Centrale is a 11.4-hectare mixed-use development in Leganes, Iloilo City where the highly anticipated Panay-Guimaras bridge will be located. Blending modern urban living with Iloilo's timeless heritage and charm, Iloilo Centrale will be a vibrant community offering residential, commercial, retail, and recreational spaces, as well as a transport hub.

b. Leisure projects

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

1. *Residential farm estates*

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

At present, FLI has three residential farm estates:

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

2. *Residential resort development*

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

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

c. Medium Rise Buildings

Medium Rise Buildings (MRB) projects are five-storey to ten-storey buildings clustered around a central amenity area. The buildings occupy 30% to 35% of the land area, providing a lot of open spaces. FLI currently has the following MRB projects:

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

Alta Spatial	Valenzuela City	Futura Bay	General Santos, South Cotabato
Centro Spatial	Manila		
Belize Oasis	Muntinlupa		
Futura Monte	Naga City		

d. High Rise Buildings

FLI develops HRBs in prime areas. HRBs are at least 18 stories, with various floor plans and designs depending upon the demographics of the target market for each building. FLI's policy is to commence construction of an HRB when at least 50% of the units in the building has been sold. From a development perspective, HRBs generally can be constructed in 2 years once all Government approvals have been obtained.

The Linear

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

Studio City

Studio City is a community composed of five-tower residential condominium complex within the Filinvest City to serve the demand for housing of the growing number of professionals working within Filinvest City and in the nearby Madrigal Business Park.

Since it is located within the Filinvest City, residents will enjoy proximity to Festival Supermall, Westgate Center, Northgate Cyberzone, Asian Hospital and Medical Center, and other commercial, educational and medical institutions. The development consists of 18-storeys per building with commercial units at the ground floor. All residential floors will have 25 studio units per floor.

The Levels

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

Vinia Residences

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

Studio Zen

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

Studio A

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

100 West

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

Studio 7

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

Activa

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

Studio N

Studio N is a 25-Storey development and is the latest addition to the studio series portfolio of Filinvest. This is located at the main business hub of Filinvest City. This is currently under construction.

Analysis of FLI's Real Estate Sales

The table below shows a comparative breakdown of FLI's journalized real estate sales into various product categories for the years ended December 31, 2023, 2022 and 2021 (amounts in ₱ millions).

Category	Years ended December 31			
	2023		2022	
	Amount	% to total	Amount	% to total
Medium income	P9,835,600	67.9%	P8,915,046	69.5%
Low affordable and affordable	3,367,527	23.2%	2,661,307	20.7%
High-End and Others	855,169	5.9%	1,026,177	8.0%
Socialized	428,210	3.0%	233,526	1.8%
Total	P14,486,506	100.0%	P12,836,056	100.0%

Analysis of FLI's Cost of Sales

The table below shows a comparative breakdown of FLI's journalized cost of sales by cost component for the years ended December 31, 2023, 2022, and 2021 (in ₱ millions):

	2023	2022	2021
Land acquisition cost	P1,067.8	P1,058.3	P948.2
Land development and construction cost	7,033.6	6,296.4	5,495.5
Total	P8,101.4	P7,354.7	P6,443.7

FLI's Leasing Segment

FLI's investment properties are mainly categorized as retail and office segments. The Group has also started investments in new leasing formats - dormitels (co-living) and industrial parks.

Commercial Retail Leasing Properties

Festival Mall Alabang

The landmark project, Festival Supermall, carries on its position as the prime destination for recreation and retail in southern Metro Manila. With more 'firsts' on its offerings and a better shopping ambiance, the mall has elevated the retail experience in the south. It is one of the country's largest shopping malls with more than 1,000 shops.

Major improvements have been undertaken and continue to be undertaken for the existing mall and its facilities. New interiors give the mall a refreshed look and modern ambiance, complementing the recently completed 46,000 sq.m. expansion wing. Decathlon, a French sporting goods retailer, opened a 5,000 sq.m. store in the original mall. New lifestyle and food tenants continue to open in the expansion wing.

The introduction of new and unique food establishments has made Festival a gastronomic destination ushering in new traffic and strengthening its appeal to its core target market. The Water Garden, a new distinctly refreshing outdoor amenity and convergence zone in the expansion wing, continues to be favorite among mall patrons. Uniqlo opened its first ever roadside store in the country in Westgate, Festival's affiliated lifestyle development in Filinvest City.

Fora Mall

Conveniently located right by Tagaytay Rotunda is Fora Mall, the first regional mall in the area. This prime retail destination provides about 26,000 sq. m of leasable space amidst nature, open spaces, and a beautifully landscaped amphitheater. It primarily serves the local market and Tagaytay bound tourists. A number of local and popular food concepts, along with national brands, have opened in the mall. Super Metro, a 24-hour hypermarket, serves as its anchor. Other notable shops include Ace Hardware, Power Mac and OwnDays. The mall also has four (4) digital cinemas which have become the go to place for Tagaytay City and surrounding towns for recreation.

Main Square

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

Il Corso

Il Corso is a retail development with an estimated 34,000 sq. m of leasable area in the City di Mare estate development of Filinvest in the South Reclamation Area of Cebu City. Its opened restaurants facing the sea have become destinations in the southern edge of Cebu City. The cinema has also opened. A 10,000 sq.m. portion of the mall is being reconfigured to accommodate Business Process Outsourcing companies.

Commercial Office Properties

As of December 31, 2023, FLI owns commercial office spaces for lease to several BPO and other office locators. Primarily, they are located in Northgate Cyberzone in Filinvest City, Alabang, Muntinlupa. Northgate is an 18-hectare PEZA zone that enjoys developer incentives. Among the Group's portfolio is the PBCom tower where FLI owns 60.0% through FAC, which owns 50.0% of the 52-storey PBCom Tower in the Makati CBD. PBCom Tower is a Grade A-PEZA-registered, IT/office building on Ayala Avenue, Makati City with a GLA of 35,148 sq.m.

FLI also owns several completed office developments, in Bay City, Pasay, EDSA near Ortigas MRT station, Clark Mimosa and Cebu IT Park. A summary of the GLA is set forth below:

Location	Number of Buildings	GLA (sq. m.)
Northgate Cyberzone, Filinvest City	20	366,893
Metro Manila outside of Filinvest City	7	122,668
Outside Metro Manila	7	86,517
Total	34	576,008

The office buildings of Filinvest are mainly located in business parks or in mixed-used complexes highly accessible to public transport. The Group believes its business park model, wherein the Group builds on areas specifically suited for business and industrial establishments supported, in certain cases, by incentives from the Government, gives it a competitive advantage as business parks are the preferred site of major BPO tenants. Being in a major business park allow the tenants assurance of expansion options within close proximity thereby giving the Group an advantage over stand-alone developments.

- Northgate Cyberzone, an 18-hectare, PEZA-registered IT park located in Filinvest City in Alabang. The office buildings of the Group sit within the 10-hectare parcel of land in the Northgate district owned by FLI.
- Mimosa Workplus, an office village that is comprised of eight buildings set amidst the lush natural environment of the Filinvest Mimosa+ Leisure City.
- Cyberzone Cebu and Filinvest IT Park are two distinct developments on two separate Build-Transfer-Operate (BTO) arrangements with the Cebu Province. The two parcels of land totaling 2.9 hectares are in close proximity to the city center located along Banilad and Salinas Avenue in Cebu. Together these comprise 7 office towers, a mall and a hotel development. The office and mall portions are pre-certified LEED Gold rating.
- Filinvest Cyberzone Bay City, a 4-tower office complex in the bustling section of the Bay Area. Its four towers are already completed and operating. The complex is also certified LEED Silver rating.
- 100 West is part of a mixed used building in the Makati Central Business District. Office space allocated is approximately 14,333 sq. m.
- Marintown Dumaguete is a mixed-use development with residential, office and retail components located in the Dumaguete Bay.

Ongoing Construction

- Activa is a 1.37-hectare mixed use development at the corner of EDSA and Aurora Boulevard and lies in close proximity to the Cubao LRT and Cubao MRT Stations. The development will have the following: BPO office tower, a traditional office tower, residential tower, hotel and a retail mall. The designs for the BPO office and mall portions are pre-certified with LEED Gold rating.
- Studio 7 is a two (2)-tower mixed-use complex comprising of residential and office buildings on a retail and parking podium. Located along major thoroughfare EDSA in Quezon City, it is strategically located close to the GMA Kamuning Metro Rail Transit 3 Station and is a pre-certified LEED Silver rating.
- Filinvest Buendia located in the Makati Central Business District
- Columna located in Manila City

New Leasing Formats

Dormitels: The Crib Clark located in the Clark Mimosa Leisure estate serves as temporary living accommodations for employees within the Clark Economic Zone. Four buildings have been completed and fully leased out.

- Industrial Parks: Filinvest Innovation Parks in Filinvest New Clark City and Ciudad de Calamba targets industrial locators who will lease land or ready built factory buildings.
- Co-working spaces: Management of co-working spaces in a joint venture with KMC Community which will be located in Filinvest office buildings. One branch is currently operating, and another will be launched in 2024.

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

The table below shows a breakdown of FLI's recorded gross leasing related revenues for the years ended December 31, 2023 and 2022 (amounts in Thousands of Pesos, except percentages).

	Years ended December 31			
	2023		2022	
	Amount	% to total	Amount	% to total
Office	4,663,849	64.8%	4,671,844	73.6%
Retail / Commercial	2,537,102	35.2%	1,678,564	26.4%
Total	7,200,950	100.0%	6,350,408	100.0%

Marketing and Sales

Real Estate Segment

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

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

FLI also believes that the OFW population, as well as expatriate Filipinos, constitute a significant portion of the demand for affordable and middle-income housing either directly or indirectly by remitting funds to family members in the Philippines to purchase property. To this end, FLI has appointed and accredited independent brokers in countries and regions with large concentrations of OFWs and expatriate Filipinos, such as Italy, Japan, Singapore, Hongkong, the United Kingdom and the Middle East. These brokers act as FLI's marketing and promotion agents in these territories to FLI and its products. FLI also sponsors road shows in countries to promote its projects, targeting potential buyers, especially the OFW and Filipino expatriate markets. FLI also markets its properties using the Internet or via Digital marketing platforms.

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

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

Leasing Segment

Various professional, multinational commercial real estate leasing agents (including, but not limited to Jones Lang LaSalle, Santos Knight Frank, Colliers, CB Richard Ellis and Leechiu Property Consultants) are accredited to find tenants for its office space. These brokers work on a non-exclusive basis and earn commissions based on the term of the lease except for the Filinvest Cebu

Cyberzone buildings located in IT Park Metro Cebu City wherein Santos Knight Frank is the exclusive leasing agent but also earn commission base on the term of the lease.

FLI also maintains, through its subsidiaries, an in-house leasing team to do marketing and administration of its office & commercial spaces.

Customer Financing for Real Estate Projects

The ability of customers to obtain financing for purchases of subdivision lots or housing units is a critical element in the success of FLI's housing and land development business. Customer financing is particularly important in relation to sales of FLI's socialized housing projects, where most prospective buyers require financing for up to 100% of the purchase price. FLI therefore assists qualified homebuyers in obtaining mortgage financing from government-sponsored mortgage lenders, particularly for its socialized housing projects, and from commercial banks. FLI also provides a significant amount of in-house financing to qualified buyers.

In-house financing

FLI offers in-house financing to buyers who choose not to avail of Government or bank financing. FLI typically finances 80% of the total purchase price, which is secured primarily by a first mortgage over the property sold. The loans are then repaid through equal monthly installments over periods mostly from 5 to 10 years. The interest rates charged by FLI for in-house financing typically range from 11.5% per annum to 19.0% per annum, depending on the term of the loan.

Pag-IBIG Fund

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

Mortgage Loans

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

Deferred Cash Purchases

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

Real Estate Development

FLI's real estate development activities principally include the purchase of undeveloped land or entering into joint venture agreements covering undeveloped land, the development of such land into residential subdivisions or other types of development projects, the sale of lots, the construction and sale of housing units and the provision of financing for some sales. Some projects are also developed through long-term land leases.

FLI plans to continue initiatives to further integrate its operations. FLI established in 2017 a separate construction company (Dreambuilders Pro, Inc.) to undertake construction of specific projects and products, such as MRBs, to improve its cost competitiveness. Moreover, FLI has embarked on targeted digitalization processes, such as the use of building information modeling for design, as well as the acquisition and implementation of other software for bidding and project management, all in an effort to improve both cost and process efficiencies. Online platforms are continuously being developed and enhanced to ensure efficient touchpoints to its business partners such as customers, contractors, sellers and brokers. FLI also has separate property management teams with digital customer service applications to focus on monitoring and delivering the services to its clients.

Some development and construction work are contracted out to a number of qualified independent contractors on the basis of either competitive bidding or the experience FLI had with a contractor on a prior project. FLI weighs each contractor's experience, financial capability, resources, and track record of adhering to quality, cost and time of completion commitments.

FLI maintains relationships with over 100 independent contractors and deals with them on an arm's length basis.

FLI does not enter into long-term arrangements with contractors. Construction contracts typically cover the provision of contractor's services in relation to a particular project or phase of a project. Progress payments are made to contractors during the course of a project development upon the accomplishment of pre-determined project performance milestones. Generally, FLI retains 10% of each progress payment in the form of a guaranteed bond or cash retention for up to one year from the date the contracted work is completed and accepted by FLI to meet contingency costs.

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

Filinvest Alabang, Inc.

FAI's main project is the master-planned development of Filinvest City, a 244-hectare premier satellite city located in Alabang, Muntinlupa City in the southern part of Metro Manila approximately 16 km south of Makati, the central business district in Manila and 10 km from the Ninoy Aquino International Airport. Filinvest City is a fully integrated, self-contained satellite city which serves as a viable urban residential and business alternative to Makati for the southern Metro Manila area and a business centre for the southern Tagalog provinces. The mixed-use development concept incorporates commercial and residential properties in a complementary manner and provides for a balance of recurring rental income from office and retail space as well as trading income from sale of lots and condominium units. Filinvest City is a joint venture development with Government entities, namely the Department of Environment and Natural Resources (DENR) and the Philippine Reclamation Authority (now with Land Management Bureau), in which FAI has a 74.0% interest. Over the past few years, land sale prices in Filinvest City have risen, driven by improved accessibility and economic growth. In particular, the completion of the Skyway extension from Sucat to Alabang in April 2011 has caused land prices in the surrounding area to increase.

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

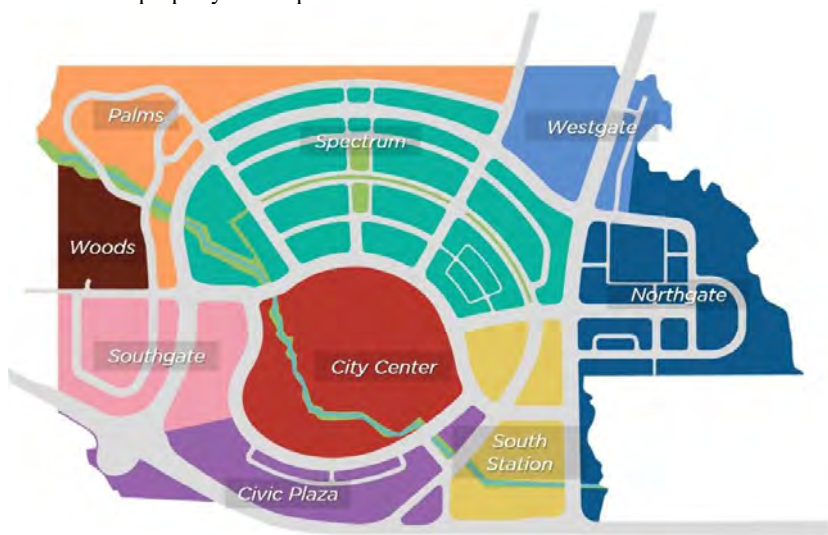
Location

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



Site Development

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



Land Use

The following table shows the estimated mix of office, retail, residential, institutional and leisure properties that Filinvest City is expected to have when the project is fully completed, as well as certain details relating to developments at Filinvest City as of December 31, 2023. The land use and gross floor area estimates below may be adjusted as market trends develop and may not necessarily represent the eventual state of the actual property development.

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

As of December 31, 2023, FAI beneficially owns 76.8 hectares of unsold lots in Filinvest City comprising 29.0 hectares held through joint ventures (in which FAI beneficially owns 21.5 hectares) and 55.3 hectares owned directly by FAI. Of the 55.3 hectares, 21.8 hectares remain unused. 33.5 hectares are leased out or being used for recurring business.

Office and Condominium Zone

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

Commercial and Mixed-Use Zone

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

Marketing and Management

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

Residential Zone

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

Leisure and Hospitality Zone

Filinvest City includes several hotels and condotels owned and managed by third parties, in addition to CFCM, a hotel that FAI launched in December 2012 within its mixed-use Entrata complex. CFCM has 345 rooms on 27 storeys and is managed by Chroma under the Crimson brand. The hotel had its grand opening in March 2013.

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

Institutional and Government Zone

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

The table below shows a breakdown of Group's recorded gross leasing revenues for the years ended December 31, 2023 and 2022 (amounts in ₱ millions):

	Years ended December 31			
	2023		2022	
	Amount	% to total	Amount	% to total
Office leasing	₱3,568.9	60.4%	₱3,450.1	68.2%
Mall and retail	2,010.4	34.1%	1,444.7	28.6%
Land lease	327.5	5.5%	161.9	3.2%
Total	₱5,906.7	100.0%	₱5,056.7	100.0%

Competition

Real Estate Segment

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

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

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

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

Leasing Segment

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

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

1.4.2 Hospitality

The Group's hospitality business is developed and operated through FHC and Chroma.

Existing and Operational Properties

The Group operates seven hotels with a total of 1,829 keys as of December 31, 2023. The following table sets out the Group's hotels and corresponding number of keys:

Property	Year Opened	Keys
Crimson Mactan*	2010	283
Quest Hotel Cebu	2012	470
Crimson Filinvest City	2013	345
Quest Plus Clark		
Quest Plus Clark Hotel	2016	298
Quest Plus Clark Villas	2017	6
Crimson Boracay	2018	192
Quest Hotel Tagaytay	2019	164
Timberland	2021	71
Total		1,829

**Reduced from 290 in 2022 due to ongoing unit renovations until 2028*

The Group's first operating property is the 5-star Crimson Resort & Spa Mactan (CRSM). The resort is directly owned by FDC through MSSI which was incorporated on July 17, 2009. CRSM is an award-winning deluxe resort located on the island of Mactan, Cebu, Philippines. The resort features 290 guest rooms including 40 villas with private plunge pools, 5 Food and Beverage Outlets, a Gym, a Children's play area and 2 Ballrooms. CRSM was formally launched on October 8, 2010. The flagship Azure Beach Club was launched on October 24, 2014. The resort completed its renovation of the infinity pool and opened the Spanish-themed Enye restaurant in 2017. The property also launched the 3,700-sq.m. *Crimzone*, which features family-oriented facilities, children's play area, dedicated pool, and snack bar. CRSM is currently undergoing rehabilitation and renovation due to the damages brought about by super typhoon Odette in December 2021. MSSI is currently constructing a 229-room expansion with additional food and beverage outlets and function spaces.

In September 2012, the Group opened its second property under the Quest Brand. QHCC Cebu is a 427-key Condotel in FLI's Grand Cenia Development in Cebu City. The condotel units are owned by third parties and are locked in a 25-year rental pool. The hotel is located in the Cebu Business Park and includes 10 meeting rooms, a 300-seat capacity all-day dining restaurant and a swimming pool.

In 2012, FDC was able to acquire a prime lot in Boracay with its own beachfront. Planning commenced in the same year and site development started in early 2014. By mid-2015, two buildings were topped off. The resort, which is directly owned by FHC through its wholly owned subsidiary BSI, is designed to have a total of 192 keys with 23 pool villas, meeting facilities, 4 F&B outlets, a gym, spa and a swimming pool. CRSB started its operation in November 2018 with 160 rooms available for occupancy in 2021.

In March 2013, the Group opened its third property, Crimson Hotel Filinvest City, Manila (CFCM) in Alabang, under EHSI, which was incorporated on November 28, 2012. The hotel is part of the Entrata Urban Complex which features 345 keys, extensive meeting facilities, 5 F&B outlets, a gym, a spa and a swimming pool, with plans to enhance amenity areas, new ballroom spaces and food outlets.

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

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

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

In April 2019, the Group opened Quest Hotel Tagaytay located along General Emilio Aguinaldo Highway, Tagaytay City, which was incorporated on August 24, 2018. The hotel is a 10-storey 164-room hotel of which is strategically located across Fora Mall and is within easy access to all the major Tagaytay attractions.

On December 9, 2020, FHC and BSI signed a contract lease for 25 years with BCDA and John Hay Management Corporation covering more or less 5,700 sq.m. The agreement was assigned to BMI effective on January 7, 2022. The Group plans to become the hotel of choice in the City of Pines. The 249-key world class hotel will be the first dual property brand under the Grafik and Quest brand slated for completion in the 4th quarter of 2024.

On February 28, 2021, the Group opened Timberland Highlands Resort, an existing property owned by FLI. Situated in Timberland Heights, Barangay Guitnang Bayan II, San Mateo, Rizal, this hotel features 71 rooms catering to both leisure and corporate clients. Emphasizing relaxation and sports amenities, the resort is perfect for accommodating various events. The resort is being operated by CHI through Nature Specialists, Inc.

Pipeline Projects

The Group is targeting to grow its hotel portfolio by approximately 2,100 keys from 1,800+ as of December 31, 2022, to an estimated total of 3,900+ keys. The strategic emphasis remains on expanding and strengthening presence in key accessible domestic locations, such as Cebu, Boracay Island, Baguio City, and Clark Pampanga, with a focus on two priority projects: Grafik Baguio (256 keys), and Crimson Clark (289 keys).

Grafik Baguio is 4-star a dual brand hotel featuring an upbeat property targeting middle income travelers who have need for fun, relaxing and enjoyable holidays and a residence which provides business travelers basic hotel services while providing the comforts of home. This is located in Camp John Hay, Baguio City.

Crimson Clark is an expansion of QHCC Clark comprising of 289 rooms with restaurants and cafes at the ground floor, roof deck bar, and stand-alone spa. The expansion wing will connect to the ballroom area of the property's existing wing and will provide additional hospitality offerings for Filinvest Mimosa+ Leisure City

Competition

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

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

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

1.4.3 Banking and Financial Services

Overview

East West Banking Corporation ("EW") is a domestic universal bank which was registered with the SEC on March 22, 1994. EW was granted authority by the BSP to operate as a commercial bank and operate an expanded foreign currency deposit unit in 1994. Subsequently in 2012, EW has been authorized by the BSP to operate as a universal bank. EW's common shares were listed and commenced trading in the Philippine Stock Exchange ("PSE") on May 7, 2012.

As of December 31, 2023, EW is effectively 77.85% owned by FDC. The ultimate parent company is A.L. Gotianun, Inc. EW's head office is located at East West Corporate Center, The Beaufort, 5th Avenue corner 23rd Street, Fort Bonifacio Global City, Taguig City.

Mergers and Acquisitions

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

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

On August 19, 2011, EW entered a deed of assignment for the purchase of a majority of the outstanding shares and control of GBI. Consequently, GBI became a subsidiary of EW. On July 11, 2012, EW acquired an 83.17% interest in FRBI, a rural bank engaged in the business of extending credit to farmers, tenants, and rural enterprises. EW subsequently increased its ownership in FRBI to 100% through additional share acquisitions and capital contributions in 2012 and 2013. In May 2013, FRBI changed its name to EWRB and entered into an asset purchase agreement with GBI, effectively consolidating all of EW’s rural banking business in EWRB.

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

On May 6, 2016, EW entered an asset and share transfer agreement with SCB and SCMB Overseas Limited for the acquisition of SCB Philippines’ retail banking business (including all of SCB Philippines’ three branches) and the transfer of 100% ownership of the entities, namely: QMIS and ASIA. The acquisition was approved by the BSP on August 8, 2016. On November 25, 2016, after satisfying all the conditions under the asset and share transfer agreement, the transfer of assets and liabilities was completed.

Securities Issuances

Equity Issuances

On February 1, 2019, the BSP approved the following amendments to the Parent Company’s Articles of Incorporation, which were approved and confirmed by the Bank’s BOD at its special meeting on July 13, 2017, to provide flexibility for future capital requirements:

- a. Increase of the EW’s authorized capital stock from ₱20.0 billion to ₱50.0 billion consisting of 4.5 billion common shares with par value of ₱10.0 per share or a total par value of ₱45.0 billion and ₱0.5 billion preferred shares with par value of ₱10.0 per share or a total par value of ₱5.00 billion.
- b. Declaration of 50.0% stock dividends equivalent to ₱7.5 billion from EW’s unrestricted retained earnings as of December 31, 2016, to meet the required subscribed and paid amount of capital stock per Corporation Code after the increase in the authorized capital of the Bank. The increase in the EW’s authorized capital stock and stock dividend declaration were subsequently approved by BSP on September 29, 2017, and by SEC on February 28, 2019.

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

Subsidiaries

EWRB

East West Rural Bank, Inc. (formerly Finman Rural Bank, Inc.) was incorporated and registered with Philippine SEC on November 5, 1997, for the purpose of accumulating deposits and granting loans to various individuals and corporate entities as well as government and private employees. The Bank was granted authority by the Bangko Sentral ng Pilipinas (BSP) to operate as a rural bank and commenced operations in March 1998.

EWIB

East West Insurance Brokerage, Inc. (EWIB) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on July 6, 2015 primarily to act as an insurance broker in soliciting, negotiating, and forwarding applications for fire insurance, motor car insurance, engineering insurance, personal accident insurance, travel insurance, bonds & surety, directors and officer's liability insurance, aviation insurance, marine cargo insurance and other non-life insurance services. On September 23, 2015, EWIB received its license to act as an insurance broker from the Insurance Commission (“IC”). It started its commercial operations on September 24, 2015.

EWLFC

East West Leasing and Finance Corporation (EWLFC) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on October 6, 2016, primarily to engage in general financing and investment business, with secondary license to operate as a financing company in accordance with the Financing Company Act of 1998 and its implementing rules and regulations.

QMIS

On November 25, 2016, SCMB Overseas Ltd., a wholly owned subsidiary of SCB Philippines, completed the transfer of its 100% ownership of Quest Marketing and Integrated Services Inc. (QMIS) as part of the asset and share transfer agreement by and between SCB Philippines and SCMB.

QMIS was registered with the SEC on July 17, 2007 primarily to engage in:

- sales and marketing services for financial institutions;
- providing marketing facilities and consultancy;
- providing management and staffing services for sales and marketing requirements; and
- providing debt collection and customer service facilities to financial institutions.

ASIA

On November 25, 2016, SCMB Overseas Ltd., a wholly owned subsidiary of SCB Philippines, completed the transfer of its 100% ownership of Assurance Solutions Insurance Agency (ASIA) as part of the asset and share transfer agreement by and between SCB Philippines and SCMB. ASIA was registered the Philippine Securities and Exchange Commission (SEC) on July 17, 2007 primarily to engage in general insurance agency business.

Investment in a Joint Venture

East West Ageas Life Insurance Corporation

East West Ageas Life Insurance Corporation (the “Company”) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on October 20, 2015. The Company’s primary purpose is to undertake and write insurance upon the life of individuals, and every insurance appertaining thereto or connected therewith; to make contracts of insurance providing for all risks, hazards, guarantees and contingencies to which life, accident, or health insurance is applicable; to indemnify against legal liability; to compute endowments and grant, purchase or dispose of annuities; to procure re-insurance of its risks; to issue policies stipulated to be with or without participation in profits; and to purchase for its own benefit any policy of insurance or other obligation as well as claims of policyholders.

On December 22, 2015, the Company obtained from the Insurance Commission (IC) a license to operate as a life insurance business. The Certificate of Authority was granted effective from January 1, 2016 to December 31, 2018 and renewed on December 5, 2018 with certificate No. 019/07-R effective from January 1, 2019 to December 31, 2021. On December 16, 2021, the Company renewed its license with certificate No. 22/19-R effective from January 1, 2022 to December 31, 2024.

The Company started its commercial operations on February 1, 2016.

On March 28, 2016, East West Banking Corporation (EWBC) and Ageas Insurance International N.V. (Ageas) entered into a Deed of Sale for the transfer of 1,666,655 shares from EWBC to Ageas. The resulting shareholder structure became 50% less one share for EWBC and 50% plus one share for Ageas. EWBC and Ageas control the Company through a Joint Venture Agreement.

Principal Business Activities

Retail Banking

The retail banking segment is primarily focused on deposits-taking, back-to-back loans and other over-the-counter (“OTC”) transactions. The Bank has diverse clientele including high net-worth clients for alternative investment and cash management requirements of mid-market corporates. It includes entire transaction processing, service delivery and infrastructure consisting of the Bank’s network of branch stores and ATMs

Access to Bancassurance Products

The Bank also offers both traditional and non-traditional/variable life insurance products through our bancassurance partner – EW Ageas Life to potential investors. Customers can invest via one time or recurring modal payment available in local currency.

Cash Management Services

Collection Services: Auto Debit Arrangement, Bills Collect, Check Deposit Pick-up, Check Warehousing, Payment Gateway, Cash Vault

Disbursement Services: Check-writing, Electronic Invoice Payment & Presentment, Bulk Intra Bank and Inter Bank Funds Transfer, Corporate Bills Payment

Liquidity Management Services: Account Sweeping, Reverse Account Sweeping

Payroll Services: Payroll Crediting, Payroll System with HRIS (Human Resource Information System)

Other Services: Government Payments, Electronic Invoice Presentment and Payment (EIPP), Inventory Management System (IMS)

Consumer Lending

The Bank offers various types of consumer lending products to individuals, which consist principally of credit cards, auto loans, residential mortgage loans and personal loans. The Bank reviews various factors in evaluating prospective clients, including but not limited to the capacity of the borrower to repay the loan. The Bank also considers various factors in pricing its loans such as but not limited to the delinquency rates of particular market segments, the funding costs of the portfolio, direct and indirect expenses related to granting consumer loans and the target spread of the loan portfolio. Loan terms are differentiated according to factors such as a customer’s financial condition, age, loan purpose, collateral and quality of relationship with the Bank. The Bank focuses its core business towards consumer financing where it has a competitive advantage. Several product lines were launched to ascertain that its target market is reached.

Credit Cards

In partnership with AIG, the Bank started issuance of MasterCard credit cards in 2004 under the name “East West Bank MasterCard”. In 2009, the Bank acquired Philam Savings Bank, which issued Visa credit cards at that time. After the acquisition, the Bank integrated its Visa and MasterCard businesses into a single business unit. From 10,000 credit card base in 2004, the Bank has grown to more than one million issued credit cards, which translates to 9% of the total market share for credit cards in the Philippines as of December 31, 2023, based on data from the Credit Card Association of the Philippines.

Revenues from the credit card operations consist principally of interest on deferred and installment payments, cash advance fees, interchange fees paid by service establishments, annual fees paid by cardholders, late payment charges. Annual cardholder fees range from ₱1,200 to ₱5,000. The interest rate on deferred payments ranges at 1.99% to 3.0% per month and the interest rate on installment payments range from zero to maximum add-on rate of 1.00% per month. Other relevant fee income includes Cash Advances Fee of ₱200 per availment, Late Payment Charge of ₱1,500 or the unpaid Minimum Payment Due, whichever is lower, and Foreign Currency Conversion Fee which ranges from 1.7% to 2.5% of the transaction amount. Revenues relating to the credit card business are reflected in the Bank’s financial statements as interest income and other operating income from service charges, fees and commissions.

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

Corporate Banking

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

Credit Products

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

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

Auto Loans

The Bank’s auto loans are offered through car dealerships (including second-hand car dealers), independent sales agents and the Bank’s stores. A huge part of the success of the auto loan business is the exclusive and non-exclusive strategic partnerships with major car brands to develop exclusive financing programs. Additionally, the Bank cross-sells its auto loans with the products of other units and offers special plans for existing and repeat customers. The Bank provides incentives to car dealerships and independent sales agents based on each booked auto loan amount. A key competitive factor in the automotive loan business is the speed by which a bank can process an automotive loan, as dealers will offer a loan to multiple banks and the Bank offers a 1 to 3-day auto loan approval process, which the Bank believes is an important aspect to its success in growing its auto loan portfolio. The Bank’s auto loan business also engages in strategic partnerships with major car brands to develop exclusive programs.

All of the Bank’s auto loans are secured by a chattel mortgage over the car being purchased. In addition to being subject to the Bank’s internal credit checks, the Bank generally requires the borrower to make a minimum down payment of 20.0% - 30.0% of the purchase price. Depending on whether the car being purchased is new or second-hand, the interest rate of the Bank’s auto loans can range from 8.5% to 18.0%, with an average maturity of 57 months. Generally, when an installment payment falls 90 days past due, the Bank may commence foreclosure proceedings. Foreclosed cars are generally sold by the Bank through public auction.

Residential Home Mortgage Loans

The large majority of EW’s residential mortgage loans are extended to property buyers in the Philippines who intend to occupy residential units in the form of house and lot, townhouse, or condominiums, with a small proportion being extended to individuals purchasing lots for investment purposes or for future dwelling via house construction loans. All of EW’s home mortgage loans

are secured by a first mortgage on the property and each applicant undergoes a stringent credit evaluation process. EW requires its borrowers to make a minimum down payment of 10 - 20% of the total contract price, or appraised value for the various loan purposes. EW also refinances existing housing loans. EW uses its store network as a key distribution channel and maintains marketing campaigns to attract property buyers independently from real estate developers, which serve as distribution channels for mortgage loan providers. The average maturity of EW's home mortgage loans is 15 years. In line with industry practice in the Philippines, interest rate on EW's home mortgage loan portfolio has several fixing rates such as 1 year fixing, 2-3 year fixing and 5 years. Upon expiry of the initial period, the interest rate is repriced at a fixed annual rate.

When a borrower falls in arrears with its mortgage payments, the buyer can either agree to a voluntary disposition of the property to EW, or EW may commence foreclosure proceedings. EW sells mortgaged collateral that has been foreclosed, primarily in public auctions or by brokers on behalf of EW. Foreclosure of the mortgaged collateral generally takes between 16 and 20 months. EW currently offers various home financing products with differentiating features, which include a mix of competitive interest rates and what the Bank believes to be the longest payment term in the market of up to 30 years. As most residential mortgage loans available in the market only allow up to a maximum payment term of 20 years, EW's longer payment term means lower and consequently lighter amortization payments for the borrower. EW also gives the borrowers the option to adopt a fixed-term pricing scheme to protect borrowers against the risk of fluctuating interest rates.

Personal Loans

The Bank's personal loans business provides unsecured, uncollateralized consumer loans to qualified individuals for multi-purpose personal use. The primary distribution channel for personal loans is the Bank's stores and third-party sales agencies. The Bank offers personal loans to employed and self-employed individuals with gross (basic) monthly income of at least ₱15,000 or basic annual income of not less than ₱180,000. The monthly nominal interest rates for a personal loan range from 1.79% to 1.99% and is payable in fixed equal monthly installments from 12 to 36 months.

Rural Banking

To extend its reach to underserved segments of the market that have the potential for growth, the Bank has established a rural bank arm. Backed by the strong track record of its predecessor entities, EWRB is capable of catering to the banking needs of customers outside the urban areas in the country and providing wider access to innovative products and delivery channels. In addition to DepEd teachers' loans, EWRB also offers pensioners' loans, which are intended for all Social Security System (SSS) retirees and survivorship pensioners whose SSS pension is directly credited to savings accounts with EWRB and EWs

Treasury and Trust

Treasury

The Bank's Treasury Group has primary responsibility for managing the Bank's liquidity, interest rate, and foreign exchange exposures. The Bank manages its liquidity position by regularly reviewing its cash flow position, debt maturity profiles, and available credit facilities. This ensures that the bank has stable sources of funding to service client requirements and its daily operations. The Bank's Treasury Group also actively participates in the financial markets to hedge exposures as well as seek opportunities that could augment the bank's other revenue sources. It trades local and foreign-currency-denominated treasury bills and Bonds, as well as foreign exchange products. The Bank is an accredited Government Securities Eligible Dealer.

Trust

Corporate Solutions: Employee Benefit Trust/Retirement Account, Fund Management

Wealth Management: Personal Management Trust, Investment Management Account (Equities and Fixed Income/Bond Investments)

Investment Funds: EW Peso Money Market Fund, EW Peso Intermediate Term Bond Fund, EW Peso Long Term Bond Fund, EW Dollar Intermediate Term Bond Fund, EW PSEi Tracker Fund, EW PhilEquity Feeder Fund, EW S&P 500 Index Feeder Fund

Other Fiduciary: Escrow Agency

Distribution Network

As of December 31, 2023, EastWest Bank has a total of 392 stores, with 213 of these stores in Metro Manila. For the rest of the country, the Bank has 100 stores in other parts of Luzon, 40 branches in Visayas, and 39 stores in Mindanao. The total ATM network is 584, composed of 476 on-site ATMs and 108 off-site ATMs. Total headcount of EastWest is 6,559.

The Bank's subsidiaries have a total of 76 stores and 1,623 officers/staff, bringing the Group's store network total to 468 with 584 ATMs and a combined manpower complement of 8,182.

Competition

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

As of March 2024, the banking sector consisted of 44 universal and commercial banks (updated as of March 2024 on BSP's Directory of Banks and Non-Banks), of which 22 were universal banks and 22 were commercial banks. Of the 22 universal banks, 13 were private domestic banks, 3 were government banks, and 6 were branches of foreign banks. Of the 22 commercial banks, 2 were private domestic banks, 2 were subsidiaries of foreign banks, and 18 were branches of foreign banks.

As of December 31, 2023, the 10 largest universal and commercial banks accounted for approximately 86.7% of total assets and 87.5% of total deposits of the universal and commercial banking system based on published statements of condition.

As of December 31, 2023, the ten largest universal and commercial banks account for approximately 87.8% of the net customer loan portfolio of the universal and commercial banking system, based on published statements of condition.

Customer Concentration

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

Transactions with and/or Dependence on Related Parties

In the ordinary course of business, EW has loan transactions with some subsidiaries and with certain directors, officers, stockholders and related interests. Under the Bank's policies, these loans are made substantially on the same terms as loans to other individuals and businesses of comparable risks. Refer to Note 28 of the Audited Financial Statements of EW for the details of related party transactions.

Patents, Trademarks, Copyrights, Licenses, Franchises, Concessions and Royalty Agreements Held

In 1994, EW obtained a Certificate of Registration and bank license from the Philippine SEC to operate under the corporate name "East West Banking Corporation".

EW uses a variety of names and marks, including the name "East West Banking Corporation" and EW's logo, in connection with its business. The Bank has registered such names and marks with the Intellectual Property Office of the Philippines.

On January 25, 2012, the Bank obtained a certification from the BSP on a US-based bank using a similar name. As certified by BSP, the US-based bank has not been issued a license to operate as a banking institution in the Philippines. The BSP also certified that the Bank is among the commercial banks it supervises. On October 10, 2013, the Intellectual Property Office of the Philippines issued a decision in favor of the Bank, cancelling the mark "EAST WEST BANK & COMPASS LOGO" previously registered in the name of a US-based bank.

Government Regulation

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

Effect of Existing or Probable Governmental Regulations on the Business

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

Amount Spent on Research and Development Activities

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

The amount spent on research and development activities (in million pesos) and its percentage to revenues for the last 3 years has been as follows:

Year	Amount	% of Revenue
2023	₱9.11	—
2022	₱1.0	—
2021	₱0.4	—

1.4.4 Power and Utility Operations

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

To provide optimal availability and capacity and protect its asset value, FDCUI engaged PIC Asia Pacific SDN (PIC) to oversee the operations & maintenance of FDC Misamis thermal plant in October 2017. PIC is a world-class provider of project and plant required services and a reliable source of highly skilled professionals. PIC is wholly owned subsidiary of Marubeni Corporation, a Fortune Global 500 company and one of Japan's largest companies. The O&M contract with PIC ended on December 12, 2021.

FDC Misamis entered into a 3-year contract with a competent and licensed consultant starting January 1, 2022, for the management and oversight of the plant operations and maintenance, among others.

FDCUI, through its subsidiary FREE, is currently finalizing several contracts to install and operate solar rooftop and ground-mounted solar projects for various commercial and industrial users. In December 2021, FREE completed the installation of its first Solar Rooftop Project in Alabang, Muntinlupa. The project, which is registered with the BOI, started commercial operation on January 1, 2022.

Supply

As part of fuel sourcing strategy, FDCUI implements a continuous evaluation and inspection process to pre-qualify nominated coal mine source/s and potential suppliers. FDCUI is also finalizing its long-term fuel supply contracts with terms between 5 to 10 years for its FDC Misamis plant to ensure security of supply and continuous operation of the power plant. Contracts will have to meet supply capability, delivery reliability, and track record qualifications.

Retail Electricity Supply

FDCUI is also in the retail electricity supply business catering to contestable customers under the Retail Competition and Open Access (RCOA) regime. In July 2016, FDC RES, a subsidiary of FDCUI, was awarded a Retail Electricity Supply license from the Energy Regulation Commission (ERC), which allows it to act as an electricity supplier to consumers in the retail market, such as hotels and other commercial businesses.

Water and Wastewater Services

CWSI provides water and wastewater services to its affiliates in the property/hospitality business such as Filinvest City in Alabang and the Filinvest Mimosa+ Leisure City in Clark, Pampanga as well as to external resorts and residential projects. CWSI's water services include the supply and distribution of potable water to domestic, commercial, and industrial consumers while its wastewater services include the treatment of domestic and commercial sewage.

In August 2019, FDC entered into a joint venture agreement with HAQT to form FLOW to provide water solutions and water treatment facilities, including desalination, recycled water and wastewater services for FDC Group projects as well as commercial customers in the public and private sectors. FLOW is exploring opportunities to provide bulk water supply to water districts using sea water reverse osmosis desalination facilities.

Corporate Social Responsibility (CSR) Programs

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

Competition

Competition in the power industry, particularly in the renewable energy space, has picked up due to the various efforts by the government to increase the RE share and meet its target by 2030%. Several mechanisms have been put in place such as the Green Energy Auction Program (GEAP), Green Energy Option Program (GEOP), increase in Renewable Portfolio Standard (RPS), removal of the foreign ownership cap, among others, which attracted not only local developers but also foreign investors.

The top 3 major players continue to dominate the power industry as they account for more than 50% share in the total generation capacity and have the most diverse portfolio consisting of coal, natural gas, hydro, geothermal, diesel and RE sources. Other large players also continue to expand their existing capacities.

Notwithstanding the competition, attractive investment opportunities remain available for FDCUI, especially in the renewable energy space as well as in the retail supply sector given the synergy of FDCUI with other FDC subsidiaries.

1.4.5 Sugar Business

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

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

Subsidiary	Nature of Business	Summary features
DSCC	Manufacture of raw and refined sugar	6,000 tons cane per day raw sugar mill and 350 tons day refinery

CSCC	Manufacture of raw and refined sugar	5,500 tons per day raw sugar mill and 250 tons per day refinery
HYSFC	Sugarcane farming	Farms 757 hectares in Davao del Sur and North Cotabato (as of October 1, 2022)

Sugar Production

Production Process and By-products

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

Production Capacity and Output

For Crop Year (CY) 2021–22, the Sugar Group's total sugarcane crushing capacity at its 2 sugar mills was 11,500 Tons of Cane per Day (TCD). Sugar production is dependent on the quantity of sugarcane available for crushing and the recovery percentage of sugar from sugarcane. Recovery percentages vary depending on the quality of the sugarcane and the efficiency of the recovery process. PSHC's crop year begins on October 1 of each year and ends on September 30 of the following year. Actual sugar production occurs within this crop year. The duration of the crushing period which is based on the available cane supply generally determines the amount of sugar that is produced.

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

	Sugarcane Crushed and Sugar production								
	DSCC			CSCC			Total		
	CY 2020-2021	CY 2021-2022	CY 2022-2023	CY 2020-2021	CY 2021-2022	CY 2022-2023	CY 2020-2021	CY 2021-2022	CY 2022-2023
Sugarcane Crushed ('000 MT)	342.4	262.2	214.6	683.4	525.9	489.2	1,025.9	788.1	704.0
Sugar Production ('000 MT)	29.5	22.7	18.1	59.6	45.5	43.8	89.1	68.2	61.9
Average Recovery rate (% of sugarcane crushed)	9.0	8.7	8.4	8.8	8.7	8.9	8.7	8.7	8.8

The drop in the Group's sugarcane harvest during CY2022-23 compared with CY2021-22 was attributable mainly to the continuing bad weather (La Nina) during the growing months which hampered cultivation of cane farms. However, the continuing low sugar production resulted in increased sugar prices to its highest level ever at an average of P3,101 per 50 kilo bag.

Raw and Refined Sugar Production

The Group has decided to mothball the CSCC refinery so that it can concentrate on maximizing its raw sugar efficiency and therefore can better compete with the Bukidnon mills in attracting sugar cane planters in areas accessible to both the CSCC and the Bukidnon mills. The depressed margin for refined sugar due to VAT and the soft demand for refined sugar due to the shift of certain major industrial users to the cheaper high fructose corn syrup has made it more beneficial to concentrate on improving raw sugar recovery. As there are loyal local clients for refined sugar and to maintain the skills of the refinery personnel, PSHC still want to produce refined sugar but out of the DSCC facility only. For CY 2022-23, DSCC produced 28,859 bags.

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

	Sugar Sales ('000 MT)					
	CY 2020-21	% of Total	CY 2021-22	% of Total	CY 2022-23	% of Total
Raw sugar	78.3	96.8%	66.4	98.6%	55.0	98.4%
Refined sugar	2.6	3.2%	0.9	1.4%	0.9	1.6%
Total	80.9	100.0%	67.3	100.0%	55.9	100.0%

Molasses and Bagasse Production

The yield of molasses per metric ton of sugarcane crushed is approximately 4.1%, or 41.1 kilos, most of which the Group sells to traders in the domestic market. Molasses can be used to produce ethanol. Each metric ton of sugarcane that Sugar Segment crushes also produces approximately 30.7%, or 307.0 kilos of bagasse, which is fed to a boiler as fuel to produce steam which is then used to generate power necessary for the sugar production process.

Customers and Markets

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

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

	% of Total Sugar Sold		
	CY 2020-21	CY 2021-22	CY 2022-23
Traders	100.0%	100.0%	99.39%
Industrial users	0%	0%	0.61%

Sales and Distribution

For 2023, the Group's revenues from sugar operations amounted to ₱5,027.1 million compared to ₱4,280.2 million in 2022. The following table sets out the Group's sales of sugar by destination as a percentage of total sales.

	CY 2020-21	CY 2021-22	CY 2022-23
Mindanao	55%	50%	54%
Luzon	8%	17%	8%
Visayas	34%	33%	38%
Export Sales (primarily to U.S.)	3%	0%	0%

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

Raw Material

Sugarcane is the principal raw material used in the production of sugar. The climate and topography of the southern Philippine regions of the Visayas and Mindanao are ideal for growing sugarcane. According to Sugar Regulatory Administration (SRA) Philippines Sugar Statistics CY 22-23 Mindanao accounted for 19.1% of the Philippines' sugarcane production in CY 2022-23.

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

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

Insurance

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

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

Competition

According to the SRA Production Bulletin dated August 31, 2023, there were 25 operating sugar mills in the Philippines with an aggregate raw sugar production of 1,799.5 million MT. These mills are located in the Luzon, Visayas and Mindanao regions. There are 4 sugar mills in Mindanao, including DSCC and CSCC.

The following table below sets out the amount of sugarcane crushed, and the quantity of sugar produced by PSHC compared to its main competitors in Mindanao in CY 2022-23.

	Sugarcane crushed ('000 MT)	Sugar production ('000 MT)
PSHC	704	62
Bukidnon Sugar Central	1,741	158
Crystal Sugar Central	1,468	136
Total	3,913	356

Source: SRA Production Bulletin dated August 31, 2023 (midyear review presentation data last year CY 22-23)

Sugar average prices during CY 2022-23 were higher than in CY 2021-22 from 1,921 per bag to 3,101.

1.4.6 Other Operations

This involves other operations of FDC including FDCI, CTI, SPI, PROMEI, FDEV and LIPAD.

FDCI was incorporated to facilitate the Group's issuance of foreign currency-denominated bonds.

CTI is engaged in providing computer and information technology services including, but not limited to, general consulting, improvement systems planning, network integration, business re-engineering services, systems integration and system development.

SPI was incorporated to provide technical and business process services.

In July 2019, following the execution of a joint venture agreement between FDC and Engie in June 2019, PROMEI was incorporated to operate, maintain and repair existing and future technical systems, including but not limited to heating, ventilation and air conditioning systems district cooling systems and distributed energy systems, and implement new technologies in connection with saving energy and reducing operating costs. PROMEI is 47.5% owned by FDC and 52.5% owned by Engie. PROMEI started its commercial operations in August 2020. Going forward, it is expected that PROMEI will act as the operation and maintenance service arm for any future joint ventures between FDC and Engie.

Digital Transformation

The Group established its mission-driven venture building and digital innovation arm called FDEV. The Group aims to drive a positive impact on the nation's digital footprint, investing in and helping to drive the country's tech startup ecosystem, and empowering the Group's businesses through technology-based initiatives. The FDEV team brings together deep experiences from tech startups and the corporate world and is led by seasoned entrepreneurs, product specialists, venture operators, data mavens, designers & engineers. FDEV has initiated strategic digital-related projects across the Group by (i) investing in and developing new and emerging technology-based businesses to complement the Group's current capabilities and enable the Group to reach underserved segments, including areas such as financial technology, e-commerce, business-to-business, direct-to-consumer and smart city opportunities, and (ii) establishing new digital programs together with the Group's internal operating companies.

FDEV has launched a number of diverse digital products and ventures in the areas of e-commerce, fintech, and F&B cloud technology. Now in its third year, SME Financing platform Investree Philippines continues to provide accessible and affordable financing solutions to SMEs. The SEC has granted Investree the very first- permanent crowdfunding license. Since then, the platform has grown the number of notes in the system and has served nearly 150+ SMEs with their financing needs. It was recognized as one of the Top 5 Finalists for Pandemic Growth Warriors for Startup Leaders of the Year by the ORIGIN Innovation Awards 2022.

The Group believes its investments in technology-based businesses will drive future growth across its key business segments including banking and finance, hospitality and F&B, and property development.

Internal Digital Initiatives

As part of the Group’s commitment to becoming future-proof, FDEV launched the Filinvest campaign. The ongoing initiative has successfully introduced new ways of working as well as tech-driven collaborations focused on driving transformation across the Group’s core real estate, hospitality, and banking businesses.

FDEV envisages the Group working and pursuing pilot projects with various technology startups, particularly with respect to the Group’s smart city initiatives, with a view to developing operating partnerships, product collaborations, strategic alliances, and knowledge-sharing arrangements and gaining access to new markets to help drive the growth of the Group’s real estate operations. This year’s successful collaborations include partnerships with Silicon Valley-based Plug and Play Tech Center, Amazon’s AWS Innovation, and Enterprise Singapore. The Group continues to hold various digital upskilling programs internally such as its yearly hackathon to help elevate the digital awareness and capabilities of its people.

The Group was recognized as one of the Top 5 finalists as an Outstanding Ecosystem Leader at TechNode’s Origin Innovation Awards in 2022. In 2021, the group was recognized as one of the top finalists in the Best in Corporate Innovation category. In the same year, it was awarded Best in Future of Operations in IDC’s Future Enterprise Awards for the digitalization efforts in the company’s procurement experience through its internal product, Qwote.

FDEV continues to build digital products and ventures with Filinvest’s internal operating companies. TakeEatEasy, a cloud kitchen service launched with Filinvest Hospitality, is focused on corporate meetings and B2B events. Fastwire, a new SaaS solution, aims to help the group’s finance teams make their operations more efficient through tech.

Clark International Airport

In December 2018, the NLAC, comprising FDC, JGSHI, PAGSSI, and CAP (wholly owned by Changi Airports International), was awarded a contract for the operation and maintenance of CIA’s existing passenger terminal and the development, fit-out, operation and maintenance of a new modern terminal building, including the related commercial assets and project facilities. The new terminal is expected to have an estimated annual capacity of 8 million passengers. In January 2019, the North Luzon Airport Consortium announced that it had signed an operation and maintenance concession agreement with the Bases Conversion and Development Authority for the operation and maintenance of CIA for a period of 25 years from the handover of the new terminal

Following the execution of the concession agreement, the members of the NLAC incorporated the LIPAD in February 2019 to act as the consortium’s joint venture entity. FDC’s ownership interest in LIPAD Corporation is 42.5%. The consortium took over the operation and maintenance of the existing terminal in August 2019. The ceremonial handover of the new terminal to the consortium took place in January 2021. On May 2, 2022, the new terminal building of Clark International Airport formally started operations, transferring both domestic and international flights to the new facility.

1.5 Intellectual Properties of the Group

Banking and Financial Services

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

Real Estate

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

TRADEMARK	DATE OF REGISTRATION	TRADEMARK	DATE OF REGISTRATION
One Oasis	10 Dec 2009	Havila	08 Dec 2016
One Oasis Ortigas	10 Dec 2009	Princeton Heights	08 Dec 2016
We Build the Filipino Dream (Slogan)	10 Dec 2009	Asenso Village	29 Dec 2016
The Linear Makati & Design	12 Aug 2010	Hampton Orchards	29 Dec 2016
Filinvest (New Logo)	15 Sept 2011	Tierra Vista	29 Dec 2016
Studio A	20 Dec 2012	Blue Isle	19 Jan 2017
The Signature	17 Apr 2014	Palmridge	19 Jan 2017
Fortune Hill	22 May 2014	Cyberzone Properties, Inc.	16 Feb 2017
Fora Rotunda Tagaytay	14 Aug 2014	Spring Heights	27 Apr 2017

The Leaf	20 Nov 2014	The Enclave at Filinvest Heights	27 Apr 2017
Vinia	20 Nov 2014	Filinvest International	04 May 2017
Citi di Mare	25 Dec 2014	The Filinvest IT Zone	11 May 2017
One Binondo	12 Feb 2015	8 Spatial	22 June 2017
I-Go	20 Feb 2015	Ciudad de Calamba	06 July 2017
Bali Oasis	26 Feb 2015	Verde Spatial	06 July 2017
Bali Oasis 2	26 Feb 2015	One Filinvest	14 July 2017
Citi di Mare (Logo and Tagline)	26 Feb 2015	Marina Town	30 July 2017
Kembali	26 Feb 2015	The Levels	30 July 2017
One Spatial	26 Feb 2015	Studio City	29 Dec 2019
Serulyan Mactan	26 Feb 2015	Marina Spatial	10 Aug 2017
Capri Oasis	05 Mar 2015	Grand Cenia Residences	17 Aug 2017
Timberland Heights (Horizontal Orientation)	14 May 2015	Sanremo Oasis	17 Aug 2017
Timberland Heights (Stacked Orientation)	14 May 2015	East Spatial	24 Aug 2017
Kembali (Reversed Logo)	25 June 2015	Phuket Oasis	24 Aug 2017
The Glades	09 July 2015	Sorrento Oasis	24 Aug 2017
100 West	23 July 2015	Studio Zen	24 Aug 2017
Activa	13 Aug 2015	Austine Homes	14 Sept 2017
The Veranda	27 Aug 2015	Eastbay Palawan	07 Mar 2020
Studio 7	12 Nov 2015	Palm Estates	14 Sept 2017
Umi Garden Suites	11 Feb 2016	Filinvest Futura	07 Dec 2017
The Enclave Alabang	11 Feb 2016	Filinvest Prestige	07 Dec 2017
Filinvest (Reversed Logo)	24 Mar 2016	Futura by Filinvest	07 Dec 2017
Filinvest Premiere	24 Mar 2016	Prestige by Filinvest	07 Dec 2017
Futura	24 Mar 2016	Brentville International Community	17 Dec 2017
The Ranch	12 May 2016	New Leaf	04 Jan 2018
The Prominence	26 May 2016	The Wood Estates	18 Jan 2018
Aldea Real	07 July 2016	Asiana Oasis	15 Feb 2018
Filinvest Technology Park	07 July 2016	Ventura Real	29 Mar 2018
La Brisa Townhomes	07 July 2016	Nature Grove	19 Apr 2018
Montebello	07 July 2016	Belize Aspire	19 Apr 2018
Punta Altezza	07 July 2016	Southwind	12 July 2018
Springfield View	07 July 2016	Centro Spatial	02 Sept 2018
The Glens	07 July 2016	Laeuna de Taal	14 Feb 2019
Vista Hills	07 July 2016	Amalfi	14 Feb 2019
Woodville	07 July 2016	Futura East	02 Sept 2018
Panglao Oasis	14 July 2016	Futura Tierra	02 Sept 2018
Amare Homes	04 Aug 2016	Manna East by Filinvest	04 Oct 2018
Nusa Dua	04 Aug 2016	Futura Vinta	02 June 2019
Pine View	04 Aug 2016	Belize Oasis	02 June 2019
Santoso Villas	04 Aug 2016	Futura Centro	16 May 2019
Blue Palm Estate	11 Aug 2016	venti-lite	08 Feb 2020
Bluegrass County	11 Aug 2016	Filinvest Gaia New Clark City	13 Oct 2020
Pueblo Solana	11 Aug 2016	Columna	20 Nov 2020
Summerbreeze	11 Aug 2016	Studio N	11 Sept 2020
Savannah Fields	01 Sept 2016	Studio N (Tradename)	11 Sept 2020
Park Spring	02 Nov 2017	Futura One Fora Dagupan	10 Jan 2021
Aspire by Filinvest	07 Dec 2017	Brentville International Community	28 May 2021
Filinvest Aspire	07 Dec 2017	Perth Oasis City Di Mare	10 Jan 2021
Meridian Place	08 Sept 2016	Sunrise Place	27 Aug 2021
Alta Spatial	30 Sept 2016	Futura Mira	18 Nov 2021
Kembali Coast	30 Sept 2016	Futura Primo	07 Mar 2022
The Tropics	30 Sept 2016	Timberland Heights	26 May 2022
Maui Oasis	20 Oct 2016	Filinvest Innovation Park	10 Feb 2022
Ashton Fields	03 Nov 2016	Futura Monte Naga	01 Sept 2022
Sandia Homes	24 Nov 2016	Futura Bay General Santos	17 Oct 2022
Valle Alegre	24 Nov 2016	Sydney Oasis	06 May 2023
Valle Dulce	24 Nov 2016	Stello Centrale	30 Sept 2023

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

Filinvest Cyberzone
Futura Shores Dumaguete

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

COUNTRY	DATE REGISTERED
Malaysia	04 Mar 2015
United States of America	08 Mar 2016
Qatar	15 May 2016
Kuwait	04 Sept 2016
United Arab Emirates	22 Mar 2017
Thailand	22 May 2017
Singapore	24 Aug 2017
Japan	22 June 2018
Taiwan	01 July 2018
Cambodia	19 July 2018
Hong Kong	24 Aug 2018
China	21 Sept 2018 (Class 37); 14 October 2018 (Class 42); 28 October 2018 (Class 42);
Korea	19 Nov 2018

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

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

Filinvest Mimosa, Inc.

	Mark	Application No. / Registration No.	Date Registered
1	FILINVEST MIMOSA+ LEISURE CITY (word mark)	04-2017-00007244	10-Oct-19
2	MIMOSA+	04-2017-00007243	14-Sep-17
3	FILINVEST MIMOSA+ LEISURE CITY (trademark)	04-2019-00014901	29-Dec-19

Filinvest Clark Mimosa, Inc. (formerly, “Filinvest Cyberzone Mimosa, Inc.”)

	Mark	Application No. / Registration No.	Date Registered
1	GOLF RIDGE (tradenname)	04-2019-017968	05-Mar-20
2	GOLF RIDGE PRIVATE ESTATE	04-2019-020214	11-Apr-20

Filinvest REIT Corp.

Mark		Application No./ Registration No.	Date Registered
1	FILREIT	04-2021-512915	01-Aug-21
2	FILRT	04-2021-512917	01-Aug-21
3	FILINVEST REIT CORP.	04-2021-512912	08-Oct-21
4	FILINVEST REIT CORPORATION	04-2021-512913	08-Oct-21
5	FILINVEST REIT	04-2021-512916	12-Nov-21

The Company has pending applications with the IPO for the following trademarks:

Timberland Heights
Filinvest Innovation Park Ciudad de Calamba
Futura Primo Bataan

Hospitality

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

Trademark	Registration Date
CRIMSON HOTELS & RESORTS	June 24, 2010
CRIMSON AND DESIGN	July 22, 2010
SCORE SPORTS BAR	November 27, 2014
AUM SPA & WELLNESS CENTER	March 26, 2015
SAFFRON CAFÉ	April 9, 2015
CRIMZONE ACTIVE KIDS	December 3, 2015
CHROMA DRIVEN HOSPITALITY	January 21, 2016
CHARLEY'S	October 27, 2016
MIMOSA AND DEVICE	November 24, 2016
IN A HEARTBEAT	November 9, 2017
GRAFIK (logo)	November 9, 2017
QUEST SERVICED RESIDENCES	November 18, 2017
FILINVEST HOSPITALITY	August 3, 2017
GRAPHIC	February 15, 2018
BORACAY. IN A HEARTBEAT	February 15, 2018
MANILA. IN A HEARTBEAT	February 15, 2018
AZURE BEACH CLUB	March 8, 2018
MACTAN. IN A HEARTBEAT	March 8, 2018
CEBU. IN A HEARTBEAT	May 17, 2018
PULSE	May 23, 2019
QUEST PLUS	May 23, 2019
ALITAPTAP	November 21, 2019
CRIMSON RESORT & SPA BORACAY	September 27, 2020
CRIMSON RESORT & SPA MACTAN CEBU	September 27, 2020
FIREHOUSE PIZZA	June 18, 2021
QUEST	June 25, 2021
GRAFIK (word mark)	June 25, 2021
ALABANG. IN A HEARTBEAT	September 12, 2021
QUEST PLUS	October 29, 2021
BAKER J	October 31, 2021

ALIBI BAR + LOUNGE	January 3, 2022
TAKE EAT EASY LOGO (DARK GRAY)	February 7, 2022
CRIMZONE	October 20, 2022
GRAFIK NUDE	November 28, 2022
BALAI AT DAUIN	February 23, 2023
DIVE TRIBE DIVE CENTER	April 7, 2023
MIMOSA PLUS GOLF COURSE	April 23, 2023
CHROMA HOSPITALITY INC. MANILA BAR	November 6, 2023
ART BANAWA COLORED	November 6, 2023
ART BANAWA BLACK AND WHITE	November 6, 2023
ART CEBU DEVICE	November 6, 2023
ART MANILA COLORED	November 6, 2023
ART BANAWA DEVICE	November 9, 2023
ART BORACAY BLACK AND WHITE	November 9, 2023
ART CEBU BLACK AND WHITE	November 9, 2023
ART MANILA BLACK AND WHITE	November 9, 2023
ART PALAWAN COLORED	November 9, 2023
ART MANILA DEVICE	November 13, 2023
ART PALAWAN BLACK AND WHITE	November 13, 2023
ART PALAWAN DEVICE	November 13, 2023
ART QUEZON CITY COLORED	November 13, 2023
ART QUEZON CITY BLACK AND WHITE	November 13, 2023
ART QUEZON CITY DEVICE	November 13, 2023
ART BOHOL COLORED	November 27, 2023
ART BOHOL BLACK AND WHITE	November 27, 2023
ART BOHOL DEVICE	November 27, 2023
ART BORACAY COLORED	November 27, 2023
ART BORACAY DEVICE	November 27, 2023
ART CEBU COLORED	November 27, 2023

The Hospitality Group has pending applications with the IPO for the following trademarks:

LIVE LOVE LOCAL
BAKER J BREAKFAST COMPLET

The following trademarks were filed under the Madrid Protocol:

TRADEMARK	DESIGNATIONS UNDER THE MADRID PROTOCOL	WITH STATEMENT OF GRANT
Crimson and Design	Brunei Darussalam, Cambodia, China, Indonesia, Japan, Lao People's Democratic Republic, Singapore, Thailand, USA, Vietnam	Indonesia, Lao People's Democratic Republic, Singapore, USA
Crimson Hotels & Resorts	Brunei Darussalam, Cambodia, China, Indonesia, Japan, Lao People's Democratic Republic, Singapore, Thailand, USA, Vietnam	Indonesia, Cambodia, Lao People's Democratic Republic, Singapore, USA

1.6 Government Regulations and Environmental Laws

Banking and Financial Services

Need for Government Approval of Principal Products or Services

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

Effect of Existing or Probable Governmental Regulations on the Business

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

Real Estate

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

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

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

PEZA Regulations

Republic Act No. 7916 (R.A. 7916) provided for the creation and management of Special Economic Zones, which are selected areas with highly developed or which have the potential to be developed into agro-industrial, industrial tourist/recreational, commercial, banking, investment, and financial centers.

PEZA is the government agency that is mandated to operate, administer and manage these designated Ecozones. These Ecozones are generally established by a proclamation issued by the President of the Philippines, upon the recommendation of the PEZA.

Enterprises offering IT services (such as call centers, and BPO using electronic commerce) are entitled to fiscal and non-fiscal incentives if they are PEZA-registered locators in a PEZA-registered IT Park, IT Building, or Ecozone. An IT Park is an area capable of providing infrastructures and other support facilities required by IT enterprises, as well as amenities required by professionals and workers employed in these enterprises, or easy access to such amenities. An IT Building is an edifice, a portion or the whole of which, provides such infrastructure, facilities, and amenities. PEZA requirements for the registration of an IT Park or IT Building may differ depending on location. These PEZA requirements include clearances or certifications issued by the city or municipal legislative council, the DAR, the National Water Resources Board, and the DENR.

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, 2022 and 2021, 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 in 2022.

REIT Law

The REIT Act of 2009 and its IRR (Republic Act No. 9856 or the REIT Law) aims to promote the development of the capital market, democratize wealth by broadening the participation of Filipinos in the ownership of real estate in the Philippines, use the capital market as an instrument to help finance and develop infrastructure projects, and protect the investing public by providing an enabling regulatory framework and environment under which real estate investment trusts, through certain incentives granted.

Investment in the REIT shall be by way of subscription to or purchase of shares of stock of the REIT. A REIT must distribute annually at least ninety percent (90%) of its distributable income as dividends to its shareholders. The dividends shall be payable only from out of the unrestricted retained earnings of the REIT. Distributable income excludes proceeds from the sale of the REIT's assets that are re-invested by the REIT within one (1) year from the date of the sale.

As to taxes, a REIT shall be subject to income tax on its taxable net income. Income payments to a REIT shall be subject to a lower creditable withholding tax of one percent (1%). The sale or transfer of real property to REITs, which includes the sale or transfer of any and all security interest thereto, shall be subject to fifty percent (50%) of the applicable Documentary Stamp Tax (DST) imposed under the tax code. The incentives granted under the law can be availed of by an unlisted REIT, provided it is listed with an Exchange not later than two (2) years from the date of the initial availment of the incentives.

Cash or property dividends paid by a REIT shall be subject to a final tax of ten percent (10%), unless: (a) the dividends are received by a nonresident alien individual or a nonresident foreign corporation entitled to claim a preferential withholding tax rate of less than ten percent (10%) pursuant to an applicable tax treaty; or (b) the dividends are received by a domestic corporation or resident foreign corporation, or an overseas Filipino investor in which case, they are exempt from income tax or any withholding tax: *Provided*, That in the case of overseas Filipino investors, they are exempt from the dividends tax for seven (7) years from the effectivity of the tax regulations implementing the Act.

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

Power Business

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

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

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

Other market mechanisms that will contribute to the development of the renewable energy sector of the country are the Green Energy Auction Program (GEAP) and the Green Energy Options Program (GEOP). The GEAP intends to bid 2 GW to meet the installation targets of the different RE technologies throughout the country. Objectives of the GEAP include promoting renewable energy as primary energy source to achieve energy security and creating market signals in the pricing of renewable energy certificates related to the RPS requirement of utilities. The GEOP empowers end-users with demand of at least 100 kW to choose renewable source supply as their preferred supply.

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

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

Hospitality Operations

Need for Government Approvals on Services

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

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

Environmental Laws

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

- (a) The proposed project will not cause significant negative environmental impact; and
- (b) The project proponent has complied with all the requirements of the Environmental Impact Statement (EIS) System and has committed to implement its approved Environmental Management Plan (EMP).

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

To determine whether a project requires an ECC, the following factors are considered: (a) the nature of the project and its potential to cause significant negative environmental impacts, and (b) the sensitivity or the vulnerability of environmental resources in the project area.

Any project not covered by the EIS System may be covered by a Certificate of Non-Coverage from the EMB as proof that no ECC is required for its commencement. An ECC of a project must be implemented within 5 years from the date of issuance, reckoned from the date of groundbreaking based on the project proponent's work plan submitted to the EMB. An ECC not implemented within said period will be deemed expired. A new ECC must be secured by the project proponent from the EMB should the project proponent intend to pursue the project.

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

Sugar Operations

Environment

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

Sugar Regulatory Administration

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

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

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

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

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

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

1.7 Employees and Labor

As of December 31, 2023, FDC's 13,128 employees (including 25 consultants) categorized by function are as follows:

	As of December 31, 2023
Real Estate	
Operations	470
Administrative and Support	1,213
Technical	163
Marketing	295
Total	2,141
Hospitality Operations	
Operations	652
Administrative and Support	194
Technical	143
Marketing	110
Total	1,099
Banking and Financial Services	
Operations	6,070
Administrative and Support	248
Technical	213
Sales and Marketing	1,666
Total	8,197
Sugar Operations	
Operations	373

	As of December 31, 2023
Administrative and Support	81
Technical	41
Marketing	1
Total	496
Power and Utility Operations	
Operations	122
Administrative and Support	68
Technical	94
Marketing	34
Total	318
Others	
Operations	83
Administrative and Support	201
Technical	590
Marketing	3
Total	877

The sugar segment provides canteen facilities, medical clinic and other benefits to its employees. Sugar Group has a retirement plan for its regular employees. Most of DSCC's employees are members of the trade union Nagkahiusang Mamumuo sa DASUCECO, which is affiliated with the Philippine National Federation of Labour. The 5-year collective bargaining agreement between DSCC and the National Federation of Labour was signed on September 1, 2022 covering the period July 1, 2022 to June 30, 2027. CSCC's and HYSFC's employees are not covered by trade unions or collective bargaining agreements. The current labor union has been representing DSCC's rank and file workers for more than 30 years and has had not experienced work disruptions even when negotiations were not proceeding smoothly. While negotiations sometimes resulted to deadlock on the issue of wages and signing bonus, Management does not anticipate disruption in operations. The requirement of allocating a certain volume of production for exports is also an advantage because it gives producers governmental protection from work disruption. CSCC's and HYSFC's employees are not covered by trade unions or collective bargaining agreements.

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

1.8 Major Risks, Risk Management, Strengths and Strategies

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

RISKS RELATING TO THE GROUP'S BUSINESSES

The Group's business, financial condition, and results of operations face risks from public health epidemics or outbreaks of disease that could have an adverse effect on economic activity in the Philippines.

On July 21, 2023, Presidential Proclamation No. 297 was issued, lifting the State of Public Health Emergency throughout the Philippines due to COVID-19 pandemic.

The outbreak of COVID-19 and other adverse public health developments, such as the outbreak of avian influenza, severe acute respiratory syndrome, or SARS, Zika virus and Ebola virus could materially and adversely affect the Group's business, financial condition and results of operations. These may include, temporary closures of the Group's properties, or cause the hospitalization or quarantine of the Group's employees, delay or suspension of supplies from the Group's suppliers, disruptions or suspension of the Group's operational activities. Although the Group has taken certain measures to try and minimize the negative effect of

COVID-19 on the Group's operations, there is no certainty that such measures will be sufficient or that the Group will not be required to incur additional expense to address the effect of COVID-19 on its operations.

The Group operates in competitive industries, which could limit the Group's ability to maintain or increase its market share and maintain profitability.

Each of the Group's business operations is subject to competition. Some competitors may have substantially greater financial and other resources, which may allow them to undertake more aggressive marketing and to react more quickly and effectively to changes in the markets. The entry of new competitors into any of the Group's business segments could reduce the Group's sales and profit margins.

The Group's businesses are highly regulated and Government policies and regulations could adversely affect the Group's operations and profitability.

Each of the Group's business operations are subject to a broad range of government laws and regulations, fiscal policies and zoning ordinances. The Group has incurred, and expects to continue to incur, operating costs to comply with such laws and regulations, fiscal policies and zoning ordinances. Further changes to the applicable governmental laws and regulations, fiscal policies and zoning ordinances will result in additional costs of compliance for the Group.

The Group's businesses are subject to environmental regulations that could have a material adverse effect on its business, financial condition and results of operations.

In general, developers of real estate projects are required to submit project descriptions to regional offices of the DENR. For environmentally sensitive projects or at the discretion of the regional office of the DENR, a detailed Environmental Impact Assessment may be required and the developer will be required to obtain an ECC to signify the full responsibility of the proponent in implementing specified measures which are necessary to comply with existing environmental regulations or to operate within best environmental practices that are not currently covered by existing laws. There can be no assurance that current or future environmental laws and regulations applicable to the Real Estate Companies and the Group's hospitality businesses will not increase the costs of conducting their businesses above currently projected levels or require future capital expenditures. In addition, if a violation of an ECC condition

occurs or if environmental hazards on land where the Real Estate Companies' projects or the Group's hospitality projects and businesses are located cause damage or injury to buyers or any third party, the Real Estate Companies or the Group, as the case may be, may be required to pay a fine, and to incur costs in order to cure the violation and to compensate their buyers and any affected third parties. The Group cannot predict what environmental legislation or regulations will be amended or enacted in the future, how existing or future laws or regulations will be enforced, administered or interpreted, or the amount of future expenditures that may be required to comply with these environmental laws or regulations or to respond to environmental claims. The introduction or inconsistent application of, or changes in, laws and regulations applicable to the Group's real estate development or hospitality businesses could have a material adverse effect on the Group's business, financial condition and results of operations.

The Sugar Subsidiaries are subject to Philippine laws and regulations concerning the discharge of effluent water, airborne emissions, such as that resulting from the burning of bagasse, and solid particulate matter during the manufacturing process. The Sugar Subsidiaries are required to obtain certain clearances and authorizations from government authorities for the collection, treatment, storage and disposal of hazardous waste. The Government may take steps towards the adoption of more stringent environmental regulations and there can be no assurance that the Sugar Subsidiaries will not be the subject of an investigation or will be in full compliance with these regulatory requirements. These regulations may require the Sugar Subsidiaries to purchase and install expensive pollution control equipment or make operational changes to limit any adverse impact or potential adverse impact on the environment, and any violation of these regulations may result in substantial fines, criminal sanctions, revocations of operating permits and/or shutdown of the Sugar Subsidiaries' facilities. Due to the possibility of unanticipated regulatory or other developments, the amount and timing of future environmental expenditures may vary substantially from those currently anticipated. If there is any unanticipated change in the environmental regulations, the Sugar Subsidiaries may need to incur substantial capital expenditures to comply with such new regulations. The costs of complying with current and future environmental laws and the Sugar Subsidiaries' liabilities arising from the release of hazardous substances may materially and adversely affect the Group's business, results of operations and financial condition.

The Group's power business is also covered by the Philippine Environmental Impact Statement System and projects that are considered environmentally critical may need to submit an environmental impact study to secure an ECC. Power plant projects are also subject to laws and regulations concerning the discharge of effluent water, drilling of wells, airborne emissions, such as that resulting from the burning of coal and fuel oil. The Group must ensure that all of its power plant facilities are compliant with the regulations imposed by the DENR as well as the LGU of the area in which its facilities are situated. The Group has incurred and expects to continue to incur operating costs to comply with such laws and regulations. The Group may also be required to incur costs to remedy for damages caused by any non-compliance with its ECC conditions or other environmental regulations. Furthermore, safety, health and environmental laws and regulations in the Philippines have become increasingly stringent and there can be no assurance that these laws and regulations will not become significantly more stringent in the future. The adoption of new safety, health and environmental laws or regulations, new interpretation of existing laws, increased governmental enforcement or other similar developments in the future may require additional capital expenditures or the incurrence of additional

operating expenses in order for the Group to be compliant with all applicable regulations. If the Group fails to meet all safety, health and environmental requirements, it may be subject to administrative, civil or criminal proceedings by governmental authorities, which could result in substantial fines and penalties imposed against the Group. The costs of complying with current and future safety, health and environmental laws and the Group's power business' potential liabilities arising from non-compliance could materially and adversely affect the Group's business, financial condition and results of operations.

The Group relies heavily on automated systems to operate its businesses and the failure to maintain, upgrade and secure these systems could harm the Group's businesses.

The Group depends on a variety of automated systems to operate its businesses. Although the Group has implemented various IT-related improvements programs and installed new systems over the years, due to the continuously evolving nature of information technology systems, certain of the Group's automated systems are or may be relatively outdated and less integrated than those of some companies of similar scale in the Philippines and abroad. As a result, there can be no assurance that the Group's information systems will achieve their intended benefits within the anticipated time frame efficiently, or at all. Moreover, there can be no assurance that any new systems of the Group will not be rendered outdated in the near future due to rapid technological advancements.

RISKS RELATING TO THE GROUP'S REAL ESTATE BUSINESS

- The business and operations have been, and will continue to be, adversely affected by the global outbreak of COVID-19
- Portfolio of residential property development projects exposes the Group to sector-specific risks
- Risks associated with the operation of their investment properties and the development of their office space and retail leasing business and the integration of such investment properties with its core housing and land development business
- The exit of POGOs from the Philippines may materially and adversely affect the Real Estate Companies' business and operations
- Fluctuations in interest rates, changes in Government borrowing patterns and Government regulations could have a material adverse effect on the Real Estate Companies and their customers' ability to obtain financing
- A significant portion of the demand for the Real Estate Companies' residential real estate projects is from overseas Filipino workers ("OFWs") and expatriate Filipinos, which exposes the Group to risks relating to the performance of the economies of the countries where these potential customers are based
- Cancellation of sales involving their residential real estate projects and if the Real Estate Companies were to experience a material number of sales cancellations, the Group's historical revenues from real estate operations would be overstated
- Management of their land bank, including area concentration within the land bank, which could adversely affect their margins
- Risks relating to project cost, completion time frame and development rights
- The Group's reputation may be adversely affected if projects are not completed on time or if projects do not meet customers' requirements
- Independent contractors may not always be available, and once hired, may not be able to meet quality standards and/or may not complete projects on time and within budget
- The implementation of tax reforms may have negative impact on the results of operations and the loss of certain tax exemptions and incentives will increase the tax liability and decrease any profits in the future.
- A domestic asset price bubble
- Dependence on third-party brokers to sell their residential housing and land development projects and to lease their commercial and office properties
- Infringement of the Group's intellectual property rights in relation to its real property business
- Certain residential real estate customers rely on financing from Government-mandated funds, which may not always be available.
- Plans to explore opportunities with respect to REITs are subject to regulatory and market uncertainties.

RISKS RELATING TO THE GROUP'S HOSPITALITY BUSINESS

- Management of their land bank, including area concentration within the land bank, which could adversely affect their margins
- Risks relating to project cost, completion time frame and development rights
- The Group's reputation may be adversely affected if projects are not completed on time or if projects do not meet customers' requirements
- Infringement of the Group's intellectual property rights in relation to its real property business
- Success of the hospitality businesses depends on its ability to efficiently develop new hotel keys, to effectively operate and manage hotel operations, and to compete with other hospitality offerings within the Philippines and the Asian region;
- Hospitality operations will require a substantial number of qualified managers and employees, and there is no guarantee that the Group will be able to successfully recruit, train and retain a sufficient number of such qualified personnel;

RISKS RELATING TO THE GROUP'S BANKING AND FINANCIAL SERVICES BUSINESS

Risk Management

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

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

Risk Management Structure

a. BOD

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

b. Executive Committee

This is a BOD level committee, which reviews the bank wide credit strategy, profile and performance. It approves the credit risk-taking activities based on the Bank'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. Asset-Liability Management Committee (ALCO)

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

e. Risk Management Committee

RMC is a BOD level committee that convenes monthly and is primarily responsible to assist the BOD in managing EW's risk-taking activities. This is performed by the committee by institutionalizing risk policies and overseeing the EW's risk management system. It develops and recommends risk appetite and tolerances for EW's major risk exposures to the 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 BOD approved.

f. Risk Management Subcommittee (RMSC)

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

g. Audit Committee (Audit Com)

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

h. Corporate Governance and Compliance Committee (CGCC)

The CGCC is a BOD level committee that leads the Bank in defining and fulfilling the corporate governance policies and attaining best practices while overseeing the implementation of the Bank's compliance program, money laundering and terrorist financing prevention program and ensuring that regulatory compliance issues are resolved expeditiously. In addition to its governance role, the CGCC also assumes the nomination function whereby it reviews and evaluates the qualifications of all persons nominated to the BOD, all direct reports of the President and CEO, Heads of Governance Units regardless of rank, and other positions of the bank requiring appointment by the 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. Related Party Transactions (RPT) Committee

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

k. Risk Management Division (RMD)

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

l. Internal Audit (IA)

IA provides an independent assessment of the adequacy of EW's internal controls, risk management, governance framework and execution/operational practices. Internal audit activities are conducted in accordance with the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics. IA has 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. IA employs a risk-based audit approach that examines both the adequacy of the policies and the Bank's compliance with the procedures while assuring audit coverage of the areas identified as representing the greatest current risk. It discusses the results of assessments with management, and reports its findings and recommendations to the Audit Com. IA's activities are suitably designed to provide the

BOD with reasonable assurance that significant financial and operating information is materially complete, reliable and accurate; internal resources are adequately protected; and employee performance is in compliance with the Bank's policies, standards, procedures and applicable laws and regulations.

m. Compliance Division

Compliance Division is vested with the responsibility of overseeing the design of EW's Compliance Program and coordinating its effective implementation towards the sound management of Business and Compliance Risks. 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 the Bank 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 risk may last for the entire tenor of the exposure, may be set at the full amount of the transaction and in some cases, may exceed the original principal exposure. The risk may arise from lending, trade financing, trading, investments and other activities undertaken by EW. To identify and assess this risk, EW has: 1) approval process per the borrower or business and/or product segment; and 2) structured and standardized credit rating for corporate, credit cards, auto, mortgage and personal 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, that are established for each type of borrower. EW's credit risk is managed at the portfolio level, which may be on an overall perspective or according to product type.

Credit concentration

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

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

Aside from ensuring compliance with BSP's limit on exposures to any single person or group of connected persons, it is the bank's policy to keep the expected loss (determined based on the credit risk rating of the account) of large exposure accounts to, at most, one percent (1.0%) of their aggregate outstanding balance. This is to maintain the quality of the Group's large exposures within the Bank's risk appetite. With this, accounts with better risk grades are given priority in terms of being granted a bigger share in EW's loan facilities.

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

Collateral and other credit enhancements

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

Collaterals are valued according to existing credit policy standards and, following the latest appraisal report, serve as the basis for the secured amount of the 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.

The following summarizes the Group's credit risk management practices and the relevant quantitative and qualitative financial information regarding the credit exposures according to the Group's portfolios:

Internal Credit Risk Rating System

The Bank 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, 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 the Bank's risk grades:

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

Rating	Description	Account/Borrower Characteristics
5B	Acceptable	- financial condition hard to ascertain due to weak validation of financial statements coupled by funding leakages to other business interests whose financial condition is generally unknown - continuous decline in revenues and margins due to competition - 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	- 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	- 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	- 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
9	Doubtful	- 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	- 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 the Bank'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 Bank's rating policy. The risk ratings are assessed and updated regularly.

The consumer loan portfolio of the Bank 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 businesses. For credit cards, auto, mortgage and personal 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 were 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 (corporate and consumer) of the Bank are benchmarked against marketable corporate debt securities (using the Standard & Poor's (S&P) global study on corporate exposures) based on credit risk rating and corresponding PDs (i.e., Investment Grade – BRR 1 to 4, Standard Grade – BRR 5, Substandard Grade – BRR 5B to 6, Nonperforming – BRR 7 to 10).

The Bank assigns credit risk using the following credit score master scale:

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
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

The Group also uses external ratings, such as S&P'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.

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 returns. Discussions include actions taken in the previous ALCO meeting, economic and market status and outlook, liquidity risk, pricing and interest rate structure, limit status and utilization. To ensure that both 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 limit, the Group is able to manage its long-term liquidity risks by placing a cap on the outflow of cash on a per tenor and on a cumulative basis. The Group takes a multi-tiered approach to maintaining liquid assets. EW's principal source of liquidity is comprised of Cash and other cash items, Due from BSP, Due from other banks and Interbank Loans Receivable and SPURA with maturities of less than 1 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.

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 or 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 book

The BOD 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 utilizes the VaR model of Bloomberg Portfolio Analytics using 1-year historical data set to assess possible changes in the market value of the fixed income and equities trading portfolio. VaR for the U.S. treasury futures is measured using Historical Simulation while VaR for Foreign Exchange/Forwards are calculated through the Parametric methodology- both instruments utilize an internally developed Excel spreadsheet. The interest rate swaps' (IRS) risk is measured using Monte Carlo VaR through OPICS Risk Plus system. 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 EW uses for majority of its trading exposures is at 99.0% confidence level, while FX uses a confidence level of 90% 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 U.S. Treasury Futures VaR is measured using 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 BOD. 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, President, Chief Risk Officer and the Chief Executive Officer, and further to the BOD through the RMC.

Foreign Currency Risk

EW holds foreign currency denominated assets and liabilities, thus, 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. For EW, this includes purchase or sell of foreign currency to control the impact of changes in exchange rates on its financial position.

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 portfolios 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 foreign 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 25.0% of unimpaired capital or US\$100.0 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.

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. The Bank employs two perspectives in measuring IRRBB a) through economic perspective with Change in Economic Value of Equity (EVE) and b) through earnings perspective with Earnings-at-Risk (EaR). EVE is an economic measure or indicator of net cash flow calculated by taking the present value of all asset cash flows and subtracts the present value of all liability cash flows. It is the net present value (NPV) or prevailing value of the Bank's balance sheet cash flows. With the use of EVE, impact to equity may be determined by subjecting the Bank's balance sheet cashflows to shocked rates. Such measure can be used for asset-liability management and in determining the impact of interest rate risk relative to equity. Respectively, EaR measures 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 the 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 1-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 EW'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 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. The Bank 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 the Banks 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 the Bank's assets and liabilities, such as achieving optimum asset and liability mix, pricing, liquidity levels, repricing gap positions, and asset quality. The Bank's ALCO meets on a weekly basis.

The Bank manages its IRRBB through effective diversification of funding sources. By offering various deposit, investment and loan products with differing maturities, the Bank 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. The Bank's target funding mix is aligned with the Bank's overall growth plans. While the Bank 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.

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 15.00% of the average gross income for the past three years, it shows the total operational risk-weighted assets of EW.

Other Risk Exposures

EW's 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 and enterprise risk management initiatives.

RISKS RELATING TO THE GROUP'S POWER BUSINESS

- Increased competition in the power industry, including competition resulting from legislative, regulatory and industry restructuring efforts, could have a material adverse effect on FDCUI's operations and financial performance.
- Administration and operation of power generation plants involve significant risks including:
 - breakdown or failure of power generation equipment, transmission lines, pipelines or other equipment or processes, leading to unplanned outages and operational issues;

- flaws in the equipment design or in power plant construction;
- issues with the quality or interruptions in the supply of key inputs, including fuel or water;
- material changes in legal, regulatory or licensing requirements;
- operator error;
- performance below expected levels of output or efficiency;
- industrial actions affecting power generation assets owned or managed by FDCUI or its contractual counterparties;
- pollution or environmental contamination affecting the operation of power generation assets;
- force majeure and catastrophic events including fires, explosions, earthquakes, volcanic eruptions, floods and terrorist acts that could cause forced outages, suspension of operations, loss of life, severe damage and plant destruction;
- planned and unplanned power outages due to maintenance, expansion and refurbishment;
- Inability to obtain or the cancellation of required regulatory, permits and approvals; and opposition from local communities and special interest groups.
- FDCUI may experience issues with respect to its fuel costs or supply.
- FDCUI engages technical partners and third-party operators and specialized suppliers in connection with the power generation at its power plant.
- FDCUI is exposed to credit and collection risks.
- FDCUI's power supply agreements are subject to approval and renewal risk.
- FDCUI may not successfully implement its growth strategy in the power industry.
- The Group's growth plans may be limited by the Philippines' transmission infrastructure.
- The Group currently only has 1 operating generation asset.
- FDCUI faces risks relating to its future power generation projects, including risks relating to project cost, completion time frame and development rights.
- Policy and regulatory responses to climate change may adversely affect FDCUI's business and prospects.
- The loss of certain tax exemptions and incentives will increase FDCUI's tax liability and decrease any profits it might have in the future.

RISKS RELATING TO THE GROUP'S SUGAR BUSINESS

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

RISKS RELATING TO THE GROUP'S INFRASTRUCTURE BUSINESS

- The Group's infrastructure business is at a very early stage
- The Group's infrastructure ventures may be materially adversely affected by the COVID-19 pandemic.
- The Group may not be able to successfully develop or realize the benefits of implementing its infrastructure business

Competitive Strengths

The Group believes that its principal strengths are the following:

Strategically Positioned in Attractive Growth Sectors of the Philippine Economy

The Group believes its businesses are well-positioned in high growth sectors of the Philippine economy which will allow it to take advantage of primary economic and consumption growth drivers such as OFW remittances, BPOs, and tourism, among others.

In real estate, the Group entered the affordable housing space in the early 1990s when most developers were still focused on the higher end of the market, allowing the Group to benefit from the growth of OFW remittances and a housing supply shortage. In particular, the Group primarily targets the affordable and middle-income residential markets, which together are believed by the Group to be the largest addressable markets in residential development in the Philippines. The Group was one of the pioneers in providing projects and office space catering to the BPO industry, which started in 2000 and quickly became a key driver for the Philippines' strong economic growth supported by Government incentives. As a result of this early entry into the BPO space, the Group has almost tripled its aggregate office GLA from 175,565 sq.m. as of December 31, 2012 to 576,008 sq.m. as of December 31, 2023.

The Group has also built a track record of developing large-scale, master-planned townships, the first of which was Filinvest City, a joint venture formed in 1992 between the Government and FAI to develop a 244-hectare CBD in southern Metro Manila when the area was largely undeveloped. Since the Group's entry, land prices in Filinvest City have risen significantly. The Group expects Filinvest City's strategic location to be further enhanced as travel times from the south of Metro Manila to Quezon City and Northern Luzon are set to be greatly reduced with the development and completion of the road link project connecting the South Luzon Expressway and North Luzon Expressway corridors, as well as the planned Clark to Calamba, Laguna rail development.

In 2016, the Group was one of the first developers to identify Clark, Pampanga as a significant growth area, and was the sole bidder for the Mimosa Leisure Estate (now known as Filinvest Mimosa+ Leisure City) and the New Clark City developments. In the last 3 years, a range of announced new projects, such as the expansion of CIA, the declaration of Clark, Pampanga as a new Government center, and the signing of the initial agreements with the Japanese government for the development of a high speed train linking Manila to Clark, have resulted in significant property price increases in the area according to Colliers, as well as significant growth in passengers arriving in Clark International Airport.

Complementing its core real estate expertise, the Group's hospitality business, which currently has locations in Cebu City, Muntinlupa City, Clark Freeport Zone, Pampanga and Boracay, is also well positioned to benefit from the growing Philippine tourism industry

In banking and financial services, EW entered the consumer financing business in 2004 and has built a top quartile retail banking business with one of the highest percentage of retail loans to total loan portfolio in the industry based on EW's estimates. EW focuses on the high margin consumer lending segments with historically higher returns, and has grown its business through aggressive store expansion, as well as strategic acquisitions and business partnerships in auto loans and credit cards, personal loans and bancassurance.

The Group entered the Mindanao power market in 2009 with the development of the FDC Misamis thermal plant when the region was experiencing a significant shortage in power supply and as a result was able to enter into power supply agreements with 17 of the region's distribution utilities, 14 of which are AAA rated by the NEA. The strategic location of the Group's clean coal power plant in Mindanao, and its other planned projects in its power business in the country positions the Group to benefit from the expected growth in demand for electricity especially in the southern regions of the country. In addition, the Group's sugar business benefits from the industrialization of Luzon, which has increased Mindanao's importance in agribusiness.

The Group has begun development of its infrastructure business. LIPAD comprising FDC, as lead consortium member, JG Summit Holdings Inc., Philippine Airport Ground Support Solutions Inc. and Changi Airport Philippines (I) Pte. Ltd. (wholly owned by Changi Airports International), was awarded an operation and maintenance contract for the CIA as well as a contract for the construction of an additional terminal.

Solid Foundation for Future Growth in Place

The Group believes it has laid the proper foundation for the future growth and monetization of its existing and newer businesses across the Philippines. Its long history of operating successful businesses and making strategic and timely investments has resulted in the necessary scale, experience and capability to efficiently capitalize on business opportunities in sectors of the economy and areas of the country that it expects to drive the Group's continued growth.

With respect to its real estate and hospitality operations, the Group's rollout of development projects have an aggregate potential GFA of approximately 7.6 million sq.m. of residential, office, retail, logistics, industrial and hotel buildings. The Group's strategic investments have resulted in the availability of a sufficient land bank spanning key regions in the Philippines to support the future expansion of the Group's office and retail GLA and construction of additional hotels in the next 5 years, positioning the Group to monetize its growth initiatives. As of December 31, 2023, the Group had an aggregate land bank of 1,867.3 hectares of raw land, primarily for residential development, which includes 201.0 hectares of raw land held through joint venture arrangements, and 574.4 hectares of commercial land bank. In October 2019, FAI signed a joint venture agreement with Mitsubishi for the development of a ₱15.0 billion multi-tower mixed-use complex within Filinvest City. Mitsubishi has a 40.0% stake in the development of a 1.7-hectare prime lot that is seen to bolster mixed-use GFA by approximately 200,000 square meters.

In banking, EW is actively implementing its medium-term strategy of optimizing the operations and profitability of its expanded store network. With a view to growing its asset base, attracting low-cost deposits and increasing its deposit per store from approximately ₱700.0 million to reach the industry standard of ₱1.1 billion for banks of comparable size, EW continues to focus

on deepening and broadening relationships with, and increasing its revenues generated from, existing customers. The Group believes that the expansion of EW's products lines, including its recent expansion into bancassurance and wealth management, will be integral to its overall customer offering.

In the power business, FDCUI's 405 MW (3 x 135 MW) clean coal power plant, which has entered into power supply agreements for a total of 302 MW. The power plant is located in PHIVIDEC Industrial Estate, the first industrial estate in the Philippines established in 1974 spanning 6,000 hectares, that currently houses major locators. The Group believes that the expected industrial developments in the PHIVIDEC Industrial Estate and surrounding urban centers will increase demand for power in the area. With the interconnection of Mindanao to Visayas by the 2nd quarter of 2023, FDCUI will be able to export its capacity to Visayas and Luzon where opportunities abound given the expected thinning of supply. FDCUI has also expanded into the retail electricity supply business, allowing it to trade electricity and cater to contestable customers across the Philippines under the expected RCOA regime.

To complement its power generation and trading operations, the Group has also entered into strategic partnerships with Engie to develop potential renewable energy solutions in the Philippines that provide energy cost savings to large industrial and commercial customers. The Group believes that the partnership's initial projects with respect to renewable energy and district cooling will position it to take advantage of the global move towards greater sustainability. The Group also signed a joint venture agreement with Japanese company HAQT to establish FLOW to tap into the latest developments in desalination technology in order to tap the opportunity to offer desalinated water in areas with scarcity of water and/or poor quality of water.

Track Record of Successfully Leveraging Profitability and Positioning

The Group has been able to successfully establish and grow a diverse and profitable business portfolio over its history. Over the years, the Group has demonstrated a consistent ability to leverage its success in existing businesses to expand into new industries while maintaining its overall focus of catering to the middle-income market of the Philippines.

The Group's real estate business has grown over the last four decades to become one of the leading integrated real estate developers and operators in the Philippines. The Group complemented its initial real estate investments and developments by building a considerable recurring income base of office and commercial leasing, primarily to the BPO industry. The Group was also one of the first developers to focus on large-scale, master-planned townships to capitalize on its wide range of real estate offerings and enhance synergies across its growing number of businesses. To further take advantage of its expertise in property development and diversify its recurring income stream, the Group opened its first hospitality project in Mactan City in 2010, and, as of December 31, 2023, operated approximately 1,829 keys in Cebu, Muntinlupa City, Tagaytay City, Clark Freeport Zone, Pampanga and Boracay.

The Group believes EW's focus on retail and consumer lending has allowed it to quickly scale its operations in line with the strong Philippine economic growth of the past decade. EW has established a nationwide presence of 468 stores as of December 31, 2023, compared with 168 stores as of December 31, 2011.

In recent years, the Group believes it has successfully reinvested the returns from its core businesses; the Group re-entered the power business through FDCUI, which recorded net income of ₱2.5 billion in 2023 after only commencing operations in late 2016. The Group's sugar business has also delivered steady returns.

Diversified Earnings Stream Protecting Against Volatility

With business interests in the banking and financial services, real estate, power, and sugar industries, the Group has diverse earning streams both across and within its businesses, which helps protect the Group's returns amidst changing industry conditions from time to time. In 2023, the Group's real estate, hospitality, banking and financial services, power and utility operations, and sugar operations accounted for 27.4%, 3.7%, 44.6%, 18.9% and 5.5% of the Group's consolidated revenues and other income.

With respect to its real estate businesses, the Real Estate Subsidiaries have continually broadened their earnings base in terms of product, geographic and market segmentations, primarily through an aggressive office, retail and hotel development program. From an aggregate 380,000 sq.m. as of December 31, 2014, the Group's office and retail leasing portfolio has more than doubled to 861,475 sq.m. as of December 31, 2023. With its development pipeline expanding to Clark, Cebu and other areas, the Group has begun to establish a more Philippines-wide national revenue stream, which it expects to insulate its real estate business from concentration in the Metro Manila area. The Group has also particularly focused on its hospitality business in recent years; this segment has grown from 290 keys managed in 2010 to approximately 1,829 as of December 31, 2023, capitalizing on strong demand from the Free Independent Travellers (FIT), and meetings, incentives, conventions and exhibitions (MICE) sector, as well as higher demand for quality resorts in line with the development of the country as a regional tourist destination..

The Group's banking and financial services, as part of its medium term strategy, has also begun to add to its complement of products and services geared towards its target market of retail customers and middle-market corporate customers. EW's recent bancassurance joint venture with Ageas has complemented its existing products with insurance products backed by Belgium's leading insurance companies according to Assuralia.

Apart from its core businesses, FDC has also continued to diversify its revenue and asset base. The Sugar Subsidiaries continue to provide the Group with a steady revenue stream with a base in Mindanao, which has proven resilient despite market fluctuations, and has also been adaptable to the changing nature of the industry. The Group's power business, which commenced commercial operations towards the end of 2016, has also immediately contributed to the Group's financial results as demand in Mindanao remains strong. The Group has further diversified its exposure to power through new ventures in renewable energy and environment-friendly urban solutions such as solar power, district cooling system, and water and wastewater services. In the infrastructure space, the Group also expects that it will begin to generate revenues from its operation and maintenance contract for the CIA upon turnover of the airport. Finally, following the award of a provisional gaming license by the Philippine Amusement and Gaming Corporation in April 2018, the Group is planning to extend the scope of its hospitality business to include an integrated resort within the Filinvest Mimosa+ Leisure City development.

Disciplined and Strategic Financial Management

The Group adopts a centralized approach to capital allocation decisions across its businesses, which allows the Group to efficiently allocate its resources to high growth opportunities and regions. The Group believes its financial strength and conservative leverage enhances its ability to expand and further diversify its business through ready access to capital and financing at competitive rates, allowing it the flexibility to quickly capitalize on business opportunities as they present themselves.

The Group believes each of its business segments has a strong financial position and a stable earnings base. FDC's position of majority ownership in the Group's businesses, along with its leadership team committed to prudent financial management and growth, assures that cashflow from these businesses are efficiently managed and allocated efficiently according to the Group's requirements and strategic objectives. The Group's stable earnings are complemented by its relatively low leverage in its non-financial services businesses, which provides significant capacity to take advantage of growth opportunities whether by expansion, acquisitions or other business combinations and partnerships. FDC has taken advantage of these strong financial fundamentals by being one of the first Philippine conglomerates to regularly tap both domestic and international debt capital markets through bond issuances. In turn, its financial discipline and credibility has been confirmed by both investors and financial institutions such as external ratings agencies, which have consistently assigned bond issuances of FDC and its subsidiaries PRS Aaa, the highest possible rating for a bond. The Group believes these top-tier ratings are warranted due to the following key considerations: FDC's steady earnings and diversified business portfolio; maintenance and good credit standing even in times of financial crises; strong financial flexibility; established brand names and good market position of its key subsidiaries; its subsidiaries operating in growth industries; the conservative and professional stance of management; and FDC's new investments (e.g., power and infrastructure) which the Group expects to significantly contribute to profitability in the medium-term.

Philippine Rating Services Corporation (Philratings) has maintained a credit rating of PRS Aa Plus (corp.) to EW. A company rated PRS Aa Plus (corp.) differs from the highest rated corporates only to a small degree and has strong capacity to meet its financial commitments relative to that of other Philippine Corporates.

Philratings has maintained the PRS Aaa for FLI's outstanding bonds (i) ₱6 billion bonds due in 2024, (ii) ₱1 billion due in 2025, (iii) ₱68 billion bonds due in 202, (iv) ₱1.8.0 billion bonds due in 2026, (v) ₱5 billion bonds due in 2025, (vi) ₱5.0 billion bonds due in 2027, (vii) ₱8.925 billion due in 2025, (viii) ₱2.975 billion bonds due in 2027 and (ix) ₱11.43 billion bonds due in 2027.. . Obligations rated PRS Aaa are of the highest quality with minimal credit risk. FLI's capacity to meet its financial commitment for its obligations is strong. PRS Aaa is the highest rating assigned by Philratings. The rating takes into account the following key considerations: (a) FLI's established brand name and track record, with geographically diverse real estate products and substantial land bank for future expansion; (b) its sound growth strategies, focused on building a balanced mix of real estate sales and recurring income; (c) its strong income generation and positive cash flows; and (d) the continued favorable outlook for the property industry despite a slowdown in economic growth.

Philratings has maintained its Issue Credit Rating of PRS Aaa, with a Stable Outlook, for FDC's outstanding bond issue of ₱8.8 billion. PRS Aaa is the the highest credit rating on PhilRatings' long-term issue credit rating scale. PhilRatings identified the following key strengths: a) FDC's stable revenue stream from its diversified business portfolio; b) the company's main contributing subsidiaries, in terms of income and cash flows, have a proven track record and have established brand names; c) FDC's conservative and professional management; and d) growing and well-positioned businesses, particularly in real estate and banking.

Trusted Business Partner with History of Successful Collaborations

The Group has built a strong reputation as a trusted partner with a track record of collaborating on successful projects. In the 1990s, the Group's real estate business partnered with the Government on Filinvest City, a 244-hectare CBD which has provided a viable alternative for businesses and establishments outside the greater Metro Manila area. The Group has also partnered with the Cebu City Government for the joint venture development of a portion of the SRP, a reclaimed land project located in Cebu City. The Group holds 50.4 hectares in the SRP, of which 40 hectares is subject to the joint venture development. In addition, the Group has also partnered with CDC and BCDA for the development of Filinvest Mimosa+ Leisure City and New Clark City, respectively. These collaborations clearly show the confidence of national and LGUs in the Group's ability to add value and expertise to the significant projects.

As the Group has diversified into other product lines and businesses, it has tapped experienced international partners and strategically outsourced to more established industry players to supplement its in-Group management team. For example, the Group has entered into arrangements with Engie for its district cooling and solar paneling business; with Ageas for EW's bancassurance business; PIC, a third-party operator affiliated with Marubeni Corporation (one of the leading global trading companies), for the operation and maintenance of the Group's power plant; HAQT for processed water solutions across the Philippines; Mitsubishi Corporation for the development of a multi-tower mixed-use complex within Filinvest City; and Changi Airports Philippines (I) Pte. Ltd. (wholly owned by Changi Airports International) for the operation and maintenance of the Group's Clark Development airport project. The Group's Chroma has also built a hotel management team with a significant percentage of expatriates holding GM, Executive Chef and key positions in Chroma to ensure the Group's hospitality properties adhere to international standards.

The Group believes that these collaborations have enhanced its reputation in the market as a viable partner for Government and international stakeholders for their large-scale and important projects in the Philippines. On the other hand, the Group believes it has greatly benefitted by garnering technical knowhow, best practices and operational experience from the partners it has worked with, which it can apply to its operations and new businesses moving forward.

Experienced Management Team

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

Competitive Strengths of the Group's Operating Segments

The Group believes that the principal strengths of its operating segments are the following:

Real Estate Operations and Hospitality Operations

The Group has been active in the real estate business for over 40 years and the hospitality business for over 10 years. FLI focuses on residential, office, industrial and retail developments, while FDC handles the leisure and hospitality, or hotel development segment. FAI was formed primarily to develop Filinvest City, an alternative CBD in Muntinlupa City with a significant land bank available for development, and where the Group focuses on office and commercial leasing, particularly to BPOs, as well as high-end vertical residential developments.

Real Estate Operations

The Group believes its real estate business possesses the following principal strengths:

- Recognized brand in affordable and middle income housing.
- Extensive nationwide and international sales channels.
- A pioneer and major player in office development and leasing.
- Proven record in township and land bank value creation.
- Strong credit record and bond issuance track record.

Hospitality Operations

The Group believes its hospitality business possesses the following principal strengths:

- Full range hospitality products targeting various market segments.
- Ability to quickly build brands with strong recognition such as Crimson and Quest.
- Synergies as part of the Filinvest Group.

Banking and Financial Services

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

- Strong focus on and growing market position in high growth consumer segments.
- Strategically located store network.
- Differentiated services tailored to mid-market corporates and retail customers.
- Prudent balance sheet management to manage a predominantly consumer loan portfolio.

Power and Utility Operations

FDC, through its wholly owned subsidiary FDCUI, re-entered the power industry in 2009 to further diversify its business. The Group believes FDCUI's principal strengths include:

- One of the largest baseload facilities in Mindanao with significant capacity for expansion.
- Well-positioned to capitalize on attractive power industry growth opportunities in Mindanao, a region with high expected demand in the medium term.
- Risk mitigated business model with predictable cash flows supported by long-term power supply agreements with distribution utilities with high credit ratings.
- Clean coal circulating fluidized bed technology providing more environmentally sustainable energy.
- Established relationships with world-class energy players for plant construction, turbine supply, operations and maintenance, as well as renewable energy projects.
- Diversification into other high growth sectors.

Sugar Operations

The Group's sugar business, conducted through PSHC, believes it possesses the following principal strengths:

- Adaptable business model with vertical integration based primarily in attractive Mindanao market.
- In-house corporate farm to enhance productivity and efficiency through innovation.
- Strategic location with natural barriers to entry.
- Long-standing relationships with growers and traders.

Business Strategy of the Group

The Group's strategy is to actively grow its business portfolio in a disciplined and systematic way and to benefit from the recent positive economic growth and favorable social trends in the Philippines in each of its segments. Having built a strong business foundation for growth in each of its subsidiaries, the Group plans to unlock and maximize its subsidiaries' values through accelerated development and greater market reach (in terms of product offerings and geographical coverage), and intends to supplement organic growth through mergers and/or acquisitions to the extent such opportunities arise.

The Group's specific strategies to implement these objectives are as follows:

Leverage on its Foundation for Growth to Scale-up Businesses

The Group believes that it has been successful in expanding its businesses in the last few years as a foundation for future growth, and now aims to capitalize on such efforts in the near- to medium-term by scaling up and optimizing operations across its businesses, and further improving cost efficiencies. Across all its businesses, the Group intends to capitalize on its nationwide presence and knowledge of local conditions and relationships in order to maintain its growth by tapping into more markets and keeping pace with the growing importance of the provincial areas. It will aim to optimize its current business knowhow as well as spread its base infrastructure by introducing its products to new regions and a provincial customer base. The Group will seek to achieve these while at the same time keeping to its broader general strategies of focusing on the continued consumption growth of the affordable and middle market sectors. Specifically with respect to its main businesses, the Group intends to:

- Real estate and hospitality – focus on specific markets with sufficient demand and depth, such as Cebu and Clark, while diversifying its revenue sources and broadening its product offerings to prepare it for and insulate it from changing consumer demand. The Group's property trading business focuses on the largest segment of the Philippine population, according to Colliers, as well as provides products within the pricing range of the key OFW market;
- Banking and financial services – continually implement its optimization strategy across its nationwide store network, aiming to maximize the profitability of its existing stores after having aggressively grown such network in the last 3 years. EW is also targeting to achieve a more balanced portfolio of high-cost and low-cost deposits, which would insulate it from changing consumption patterns and the volatility of the financial markets;
- Power – scale up operations and secure sufficient demand for the additional 2 x 135 MW expansion capacity of its Misamis plant. It also intends to build its RES business within the RCOA regime; and
- Sugar – continue achieving cost reductions in its production process, which has smoothed its earnings over the past few years despite changing market dynamics.

Accelerate Monetization of Land Bank

The Group believes it has utilized its long experience in the real estate market to build up a considerable and strategically located land bank which features ideal geographic access, key elements, base infrastructure, all with the reputational standing of the “Filinvest” name. One of the Group’s key objectives is to accelerate the monetization of this land bank through a combined strategy of:

- continued strong sales of land and vertical development products, increased vertical recurring income development and monetization of assets through potential REIT opportunities; and
- minimizing land carrying cost through more interim land leases.

The Group believes that the maturity of its large-scale, master-planned townships will allow it to accelerate monetization of specific portions of its land bank, given the property price increases in these areas brought about by the Group’s improvements and township projects, as well as the continued economic growth of the Philippines in general.

Continue Building Up Its Investment Portfolio and Potentially Participate in the Investment Trust Markets

The Group intends to continue building up its investment portfolio in office, retail and hospitality. The Group believes that these segments of its businesses focus on the BPO and tourism industries, which are among the key drivers of the Philippine economy. The Group aims to take advantage of its strategically located land bank located in key regional centers across the Philippines, which will allow it to accelerate the growth of its recurring income portfolio in line with market demand. Related to this, the Group will closely monitor the development of the REIT market and regulations in the Philippines, as it believes its portfolio of recurring income properties is well-suited for a REIT vehicle. The Group intends to participate in the REIT markets as the Group believes that a Government-supported REIT market with incentives in line with other regional REIT markets would improve the Group’s financial returns from its investment portfolio and provide it with another avenue of unlocking value from its assets for stakeholders. The Group will also aim to develop complementary businesses arising from the REIT market, such as potential asset or property management opportunities.

Tapping Opportunities with Closer Relations and Access to China Markets

The Group believes that the current Government’s policy of increased trade and cooperation between the Philippines and China opens up greater opportunities for most of its business sectors. It intends to seek new business or ensure its current businesses can benefit from the expected economic growth related to stronger ties with China. For example, with respect to its core real estate business, the Group intends to rollout projects and offerings that will cater to the expected office and residential demand from the China outsourcing segment as it further increases its footprint in the Philippines. Consistent with the Group’s focus on tourism, the strong growth of Philippine-bound travel from China according to Colliers is expected to present opportunities for the Group’s hospitality and airport infrastructure businesses. Moreover, the expected increase in China-Philippines economic cooperation in areas such as infrastructure and public works, energy, industrial park development, processing and manufacturing, among others, may impact the Group’s power and utility operations (which supplies primarily to locators within the PHIVIDEC Industrial Estate), as well as its industrial and logistic parks in New Clark City.

Continue to Explore and Maximize Synergies within the Group

The Group believes that maximizing synergies across its businesses is an immediately effective means of optimizing profitability. The Group plans to more actively explore and pursue synergies across its business lines. As a particular example, Chroma and FHC will aim to maximize the economies of scale of the Real Estate Subsidiaries by developing and establishing hospitality projects in the Group’s mixed-use developments. In addition, the hotel management services that Chroma provides for FLI’s condotel offerings foster customer confidence that such developments are professionally managed in line with regional standards and best practices.

The Group has also begun to venture into new business segments through ancillary enterprises. Such focused enterprises develop expertise in their respective areas and allow the main businesses to focus on their core competencies. Examples of these can be found in the Group’s infrastructure business, which has established district cooling and air handling O&M businesses in partnership with Engie; the Group’s banking and financial services business, where EW has entered into the bancassurance business in partnership with Ageas; the Group’s power business, where FDCUI has been able to provide cheaper power to the Group through its RES subsidiary; and also in the Group’s real estate and hospitality business, where CWSI has been providing water and waste water services.

In a broader sense, the Group will seek to maximize the benefits derived from the bulk bidding practice and volume discounts only available to conglomerates of its scale in areas such as communications, software and other services. The Group is also exploring potential cross-selling and loyalty initiatives across its business segments.

Accelerate Digital Transformation, Sustainability and Other Modernization Initiatives across its Businesses.

The Group has always strived to keep abreast of advancements in technology with respect to its businesses. It aims to continue initiatives by EW to modernize operations primarily by updating its mobile service platforms to keep pace with the entry of FinTech competitors and other banks in the country. In line with its sustainability programs, the Group intends to continue implementing its initiatives, including smart and LEED-registered initiatives, in district cooling, water recycling, and solar panel roofing, among others, with respect to its real estate and infrastructure developments and projects. For the hospitality business, the Group intends to continue building on its successful online presence, and apply the same to its other businesses as relevant. The Group will aim to complement this and its other external and client-facing technological improvements by continuing to implement modernization initiatives with respect to its back-end and internal systems.

Continue to Selectively Pursue Acquisition and Partnership Opportunities, Particularly in Complementary and Sustainable Businesses.

Building from its successful entry into additional business lines such as power and hospitality and leveraging its reputation as a trusted partner for local and international companies looking to establish initial or greater presences in businesses with growth potential in the Philippines, the Group will continue to selectively explore opportunities to acquire businesses or enter into partnerships or joint ventures, particularly with complementary and sustainable businesses. The Group has already made inroads into the infrastructure industry with its participation in 2 separate consortiums for large-scale development of key infrastructure projects aimed at increasing economic growth, tourism and consumer demand in the country. In hospitality, the Group will seek to enter into specific third party management agreements with potential partners in order to build up its portfolio without having to build new keys and to strengthen its brands in key markets. Further, the Group is targeting to enter into partnerships with other hotel developers to acquire best practices knowhow in unfamiliar jurisdictions and gain access to land that is uniquely situated. In power, the Group will build up its relationship with Engie and continue to seek out strategic partnerships, especially in the sustainable and renewable energy spaces, to accelerate its development as a key market player. In particular, the Group is exploring potential business partnerships with respect to desalination technology, which, if successful, can be utilized across several of the Group's business lines.

Business Strategy of the Group's Operating Segments

The specific strategies of each of the Group's operating segments to achieve the Group's objectives are outlined below.

Real Estate Operations Strategy

The Real Estate Companies intend to further accelerate growth and improve their return on equity by aggressively developing their land bank while retaining their current focus on the high-growth affordable and middle market segments where the Real Estate Companies believe they have a competitive advantage based on their current strong position. The Real Estate Companies have the following strategies:

- *Continue product, market and geographic diversification to strengthen leadership position in the affordable and middle market segments.* In real estate trading, the Real Estate Companies plan to capitalize on their strong position in the affordable and middle market segments to increase their market share. Driven by strong underlying demographic fundamentals with buyers representing the largest subset of house buyers in the Philippines, and highly fragmented supply, the Real Estate Companies believe that these segments provide favorable demand-supply dynamics and attractive margins. The Real Estate Companies plan to maintain their strong position in the affordable and middle market segments by expanding their product offerings and land bank into selective regional markets. In particular, the Real Estate Companies plan to offer more inner city mixed-used developments and MRB products to capture the growing demand for these types of products in greater Metro Manila, Cebu, and Davao.
- *Continue to build up recurring income streams and capitalize on Real Estate Investment Trusts (REITs) opportunities.* In addition to retaining their position as one of the leading residential house and lot developers in the Philippines, the Real Estate Companies intend to continue to increase recurring rental income through the expansion of their commercial office and retail space leasing operations. The Group intends to achieve this by, among other things, increasing occupancy at their newer malls and other commercial projects, rolling out new leasing projects, enhancing their existing investment portfolio through proactive leasing and management, and capitalizing on their extensive real estate experience, scale and access to resources. The Group also believes that the development of REITs in the Philippines, subject to finalization of relevant regulations and incentives, will provide the Group with new opportunities to unlock and accelerate the growth of its recurring income portfolio.
- *Accelerate monetization of land bank.* The Real Estate Companies believe that there is currently significant unrealized value in their land bank based on the historical low cost carrying value of such land bank on their balance sheet. In particular, the Group believes that the available land bank in their townships, such as Filinvest City (88 hectares) and Clark (278 hectares), has reached sufficient maturity in its product cycle. The Group believes that it is now the opportune time to take advantage of the appreciation in value of such land bank and accelerate monetization through land sales, or establish vertical trading developments or developments to generate recurring income. In addition, given the current projects in their pipeline, the Real Estate Companies believe they can benefit from the country's strong economic fundamentals to accelerate the pace of new

project launches. For their higher value raw land portfolio, the Real Estate Companies plan to develop higher density and higher value-added projects, such as residential buildings, office buildings and retail malls, with a view to optimizing the revenue per sq.m. generated from such land bank.

- *Targeted vertical operations integration and digitization to improve cost efficiency.* The Group plans to continue initiatives to further integrate their operations. As an example, the Group has established a separate construction company to undertake construction of specific projects and products, such as MRBs, to improve its cost competitiveness. Moreover, the Group has embarked on targeted digitization processes, such as the use of building information modeling for design, as well as the acquisition and implementation of other software for bidding and project management, all in an effort to improve both cost and process efficiencies.

Hospitality Strategy

The Group intends to grow its hospitality business to take advantage of the Philippines' strong economic fundamentals and travel and tourism trends by efficiently developing and operating new hospitality products in underserved markets.

- *Diversify product offerings and geographical reach.* The Group intends to diversify its product offering in the hospitality sector, by continuing to develop 3 main hospitality brands catering to distinct market segments through FHC. The Group's Crimson brand caters to the high end market segment while the Quest and Quest Plus brands target middle market families and business lodging with emphasis on the MICE segment. The Group's next brand to be launched is the Grafik brand which will cater to millennial and other younger guests. The Group also intends to take advantage of the Philippines' strong travel and tourism trends by building more hotels, primarily under the Quest brand, in underserved markets in Luzon, Visayas and Mindanao, which each have an increasing lodging demand. FHC also looks to invest in destinations with potential for upscale properties that cater to both foreign and domestic markets.
- *Enhance synergies with the Group.* For its future hospitality projects, the Group will seek to maximize intra-Group synergies. FHC also plans to invest in land and develop hospitality projects in areas where the Group's larger mixed-use developments are located. Alongside FHC, FDC plans to develop hotel projects through its various other subsidiaries.
- *Cultivate Crimson, Grafik and Quest brand equity by optimizing hotel developments and renovations, operations and services.* The Group intends to continually optimize key facets of its hospitality business, including hotel development, asset enhancements and operations and services to improve value to shareholders and customers and ultimately cultivate its Crimson, Grafik and Quest brand equity. With respect to revenues, the Group will seek to continue maximizing its total revenues per available room by efficiently cross-selling non-room offerings, such as meetings and convention facilities, banquet and food and beverage. The Group will also continue to invest in resources including training programs and IT-related systems to drive guest satisfaction and enhance customer loyalty and repeat business. The Group will also seek to implement a training infrastructure that it believes will not only encourage a culture of learning and growth but also produce home-grown talent that will reduce the ramp up period for new hotels.
- *Maximize marketing reach and distribution channels.* Another key focus of the Group is to maximize its current and develop new distribution channels for its properties and products. The Group will seek to further develop its non-traditional distribution channels, with a particular focus on optimizing its marketing through technology. The Group is continuously working on optimizing its online advertising placements, its search engine optimization, its mobile-friendly website and chatbot support. The Group is also continuously exploring new distribution channels as they emerge. The Group believes that online channels, in addition to helping reduce marketing costs, are a significant avenue through which to reach and retain its hospitality customers, improve the customer booking experience, and improve the Group's ability to compete with local and international competitors. The Group believes its online sales channels are a key driver of the business. To complement its online presence, the Company will also ensure that its traditional channels such as sales agents effectively market the Group's new and upcoming offerings, especially in key international markets such as China, Japan and Korea.
- *Explore third party management opportunities and joint ventures with third party hotel developers.* The Group may also selectively offer and undertake third party management arrangements and joint ventures with third party hotel developers for projects that meet the brand's criteria. The Group believes that selectively exploring these opportunities with local or foreign companies which have compelling experience or technical knowhow will allow more rapid expansion of its hospitality business especially in unfamiliar jurisdictions and gain access to land that are uniquely situated.

Banking and Financial Services Strategy

The Group intends to continue to grow EW as a significant competitor in the Philippine financial services industry. To achieve this growth, the Bank has strategically opted to target its financial products and services to the consumer, middle-market corporate and mass affluent market segments. The Bank believes these market segments offer significant growth opportunities while also enabling the Bank to manage its risk exposure by maintaining a balanced portfolio mix. Given the competitive landscape of, and the Bank's position within, the Philippine banking industry, the Bank has identified the consumer segment as a key target market. EW envisions itself to be a leading bank, anchored on and differentiated from its competitors through a strong focus on retail

banking resulting in a healthy return on equity. EW believes it has proven its success within the consumer market by achieving significant competitive traction in a relatively short period of time. Over the next few years, EW's priorities are to continue its efforts to improve the operating leverage, cost efficiencies and overall competitiveness of the Bank. EW's business strategies are set out below.

- *Enhance the professional development of EW employees.* EW believes that the success of its business strategies is dependent on the ability of its employees to execute those strategies. To this end, the Bank is focusing on developing its employees to ensure they are equipped with the relevant competencies and skills required to perform their functions and deliver excellent customer service. By instilling in its employees a sense of common purpose and direction, the Bank aims to develop a workforce whose values are aligned with the corporate values of the Bank. To achieve this, the Bank will continue to provide its employees with relevant training and development through the EastWest Bank Learning and Development Program. The Bank aims to enhance its Learning and Development Program and institutionalize the EW Academy in order to speed up the development of EW employees. EW also plans to further refine its performance management processes to ensure that it is able to identify, reward, and retain high-performing employees. EW believes that its commitment to facilitate the career development, expertise and service quality of employees, as well as its ability to develop and retain them, will enable EW to attract and retain skilled personnel and effectively support its broader optimization and sales goals.
- *Optimize existing store network.* EW is focused on taking advantage of its store network by optimizing the revenues and income generated from its customers. EW has built a nationwide network comprising 468 stores on a consolidated basis, including 392 EW stores and 76 EWRB stores as of December 31, 2023. As more than 70% of EW's consolidated stores were built during the Bank's expansion program between 2012 and 2016, such stores have yet to attain competitive productivity. EW will continue to focus on improving store productivity, in particular, in relation to increasing customer deposits and acquiring and retaining customers, primarily through its marketing programs and approach to customer service. The Bank plans to apply its marketing efforts to fine-tune its market segmentation, expand its digital sales channel and improve the competitiveness of its product offerings. Relatedly, the Bank will look to expand the range of products for its target market of mid-market corporates and consumer segments, deepening and broadening relationships with existing customers, including generating more synergies with other businesses within the Group, and marketing more products and services to new and existing customers, all in an effort to increase EW's "share of wallet" from such customers.
- *Achieve balanced portfolio mix while maintaining a consumer and corporate mid-market focus.* EW aims to manage its exposure to economic risk by achieving a balanced portfolio mix of loans with relatively higher economic risk (such as consumer loans, excluding salary loans to teachers) and loans with specific risk relative to the broader economy (such as commercial and corporate loans). EW intends to achieve greater balance within its loan portfolio by increasing the pace of growth of middle-market corporate loans as the country's economy grows, while continuing to maintain the growth in its consumer loan segment. EW plans to implement initiatives towards increasing transactions with existing customers, for example, by cross-selling products and offering additional services tailored towards consumer and middle-market corporates as it expands its distribution networks. EW believes that achieving a more balanced loan portfolio will enable it to improve its risk management, thus ensuring it is in a stronger position to withstand the fluctuations of the business cycle.
- *Enhance customer experience.* EW is focused on differentiating itself from its competitors by providing an enhanced customer experience. EW's customer service efforts involve improving the customer experience through better responsiveness and competence of the Bank's customer-facing departments. EW also seeks to improve the accessibility and convenience of banking services for its customers by developing its digital service channels and enhancing its operational and IT processes. EW believes that improving the interface between the Bank and its customers, as well as the efficiency of its services will help to supplement efforts to optimize earnings from all facets of its banking channels.
- *Enhance digital efforts.* EW plans to focus on improving and expanding its digital service channels in order to streamline work processes, improve cost efficiency and improve the customer experience. EW believes it has built up a competitive IT infrastructure as a result of placing significant emphasis on its digital projects. To continue improving and expanding its digital service channels, EW is undertaking initiatives in four key areas: open banking, data analytics, customer interface and continuous development. The Bank also continues to invest in its mobile and online channels. EW believes that by improving the interface between the Bank and its customers and enhancing the efficiency of its services, EW will create a better experience for its customers and optimize its operational costs.
- *Strengthen risk management and governance framework.* EW will continue to enhance its various risk monitoring and management tools to improve its risk management capabilities and the quality of its loan portfolio by continuing to (i) improve its credit policies and credit approval procedures, (ii) implement risk management control tools, including, among others, a centralized credit management information system that allows it to standardize credit risk detection, quantification and management and (iii) strengthen internal controls and legal compliance by standardizing internal policies and procedures in accordance with legal and regulatory requirements with a view to establishing a comprehensive internal control system.

Power and Utility Operations Strategy

The Group intends to continuously develop its power generation capabilities, take advantage of the expected growth in demand, as well as pursue other opportunities selectively.

- *Capitalize on favorable regional and industry dynamics.* The Group is seeking to capitalize on its strategic location in Mindanao, which despite a current surplus of power supply, still provides opportunities due to such factors such as climate change and Mindanao's ageing hydroelectric power plants for the Group to maximize its existing power generating capacity. The Group also believes that its location in the PHIVIDEDEC Industrial Estate allows it to benefit from the increasing number of industrial projects being established there, providing it with a competitive pricing advantage vis-à-vis other power generators in the region by means of its close proximity.

On the industry side, the start of commercial operation of the WESM in February 2023, , the interconnection of Mindanao to Visayas and Luzon by the 2nd quarter of 2023 and the expected implementation of the RCOA regime by end of 2023 will further provide long-term opportunities for the Group to maximize its power generating capacity and grow its asset base across the Philippines. The Group will aim to take advantage of these developments to expand the reach of its generation operations and broaden its customer base, as it will be able to directly and more easily tap commercial and industrial customers not being served by distribution utilities to which the Group currently supplies energy.

- *Continue to build the RES business to diversify revenue streams and take advantage of open access.* The Group will target to build its RES business to complement its revenues from its power supply agreements. The commercial operation of the WESM and the implementation of the RCOA regime in Mindanao is expected to provide opportunities for the Group to increase its participation in this open retail electricity market. As most industrial and commercial participants in the RCOA are expected from the major load centers in Mindanao (namely Davao City and Cagayan De Oro City), which are currently served by distribution utilities that are not offtakers of FDCUI, the Group expects to offer a competitive supply without affecting its current supply contracts. The aforementioned distribution utilities likewise have the highest tariffs among Mindanao distribution utilities due to their supply portfolio, which includes diesel gensets. In addition, with the interconnection of Mindanao to Visayas and Luzon, the Group expects to be able to offer competitively-priced power to industrial and commercial customers in Visayas and Mindanao, which customers will be able to source their supply from the FDC Misamis coal plant at a lower and stable price, rather than sourcing from other generators and the WESM at market price, as is currently being practiced. By growing its electricity trading platform, the Group believes it can establish a more nationwide presence for its power business. This will also allow the Group to diversify its revenue streams and smoothen its earnings from its power and utility operations.
- *Continue to explore and pursue renewable energy projects.* The Group will continue to pursue opportunities arising from ongoing market changes in the power industry as outlined in the RE Act of 2008. The RE Act of 2008 provides market-based mechanisms and specific project incentives to drive the development of renewable energy projects. Project incentives include income tax holiday, lower duty-free importation, exemption from universal charge, cash incentive for missionary electrification and zero percent VAT rate. Market-based mechanisms for renewable energy consist of the feed-in tariff, renewable portfolio standards and green energy options. As such, the Group will seek opportunities to balance its existing portfolio by accelerating the development of renewable energy projects such as geothermal, hydropower, biomass and solar energy. The Group has already begun these initiatives through FREE, its joint venture company for renewable energy solutions with Engie.
- *Selectively participate in the bidding for Government and private power generation assets.* The Group envisions growing its power generation capacity through both the development of greenfield projects and strategic acquisitions. The Group is seeking to gain market share in the power generation industry by selectively participating in the acquisition of government-owned and privately-owned power generation assets. The Group is closely monitoring all acquisition opportunities in the market, and has been conducting due diligence in advance to prepare for any future rounds of bidding. The Group aims to participate only in those projects which meet its internal investment goals, from both a financial and a strategic perspective.
- *Pursue niche marketing and strategic partnerships.* The Group plans to develop projects where it believes it has a competitive advantage in terms of cost and reliability. The Group believes that its existing main location in the PHIVIDEDEC Industrial Estate allows it to benefit from the growth in industrial projects being established in the area. The Group expects prospective industrial locators to benefit from contracting their supply with the Company due to savings as a result of having more stable prices, as compared to purchasing from the WESM, and reduced distribution charges as a result of the proximity of the power plant to their facilities, which the Group believes provides it with a competitive pricing advantage vis-à-vis other power plants in the region. The Group intends to utilize the incentives offered under the RE Act on the development of projects using renewable energy resources such as geothermal, hydropower, biomass and solar energy. The Group plans to work with strategic partners, such as Engie Services Philippines, which have specific interests in renewable energy development and to market FDCUI's renewable energy expertise to distribution utilities as well as commercial and industrial facilities.
- *Enhance CSR initiatives.* FDCUI, through its subsidiary, FDC Misamis, has been implementing social development programs in partnership with host communities. These programs promote environmental stewardship, economic enrichment, enhanced health care initiatives, education for empowerment and help create a positive impact on the communities surrounding the project site. These CSR activities, where employees also actively participate and volunteer, are based on real needs of the

community residents as determined through a socio-economic baseline study of the host and affected villages. The Group also expects to partner with indigenous people, local communities and LGUs in each location of its proposed projects to ensure unimpeded construction and development.

Sugar Operations Strategy

Sugar Group's main strategies are to augment cane supply, focus on cost efficiency, improve its human resources management and pursue any opportunities available to develop its plants for power production.

- *Augment cane supply by developing programs to improve farmer yields.* The Group plans to continue increasing Sugar Group's sugar production and capacity utilization by expanding Sugar Group's sugarcane supply from both independent farmers as well as its own corporate farms. In particular, Sugar Group will seek to enhance its partnerships with farmers to encourage them to improve their farm's productivity and to plant sugarcane on agricultural land not currently being used for sugarcane production. In addition to granting low interest crop loans, Sugar Group's farmer assistance programs include the provision of technical advice. Since 2015, Sugar Group has assisted planters (who decide to expand their farms) in the replanting of existing farms with new higher yielding varieties by providing such planting materials to farmers free of charge. As the free canepoints program is a relatively recent addition to the Group's sugar business model, the Group expects this program to continue to accelerate the increase in cane supply for the mills. Furthermore, Sugar Group intends to utilize technology to monitor farm activities for timely correction of deficiencies.
- *Reduce production cost by enhancing plant maintenance program.* A significant source of additional production cost is the breakdown of factory facilities. In order to control recurring maintenance costs, Sugar Group intends to implement a preventive maintenance program and condition monitoring to fix any damage to avoid long periods of downtime. Additionally, Sugar Group will continue to implement the effective and efficient use of automation to simplify work and eliminate redundancy in the labor effort.
- *Develop human resources.* Sugar Group is also focused on supporting its growth by expanding and improving its human resources. Sugar Group plans to implement development programs primarily focused on strengthening the competencies of its employees within: its cane supply department to improve employees' ability to increase farm productivity, its production department in order to ensure an efficient and trouble-free milling process, and its sales and marketing department in anticipation of increasing sugar supplies. Sugar Group plans to leverage this stronger organizational platform to further increase its production and sales particularly among industrial users and customers outside Southern Mindanao.
- *Explore synergistic opportunities in the power sector, particularly in biomass.* Sugar Group is also exploring opportunities in the renewable power sector, including potentially upgrading its boilers and installing generators to produce power to support operation at its facilities and excess power capacity which it can sell to the local distribution utilities. In particular, the Group is exploring options of establishing a biomass plant to supplement sugar operations and also produce excess power.

Infrastructure Strategy

The Group is continually and selectively examining and pursuing potential infrastructure projects, particularly in areas which would complement its existing businesses. In line with the general policy and "Build, Build, Build" framework of the Duterte administration in relation to key infrastructure projects, the Group believes that it is essential to pursue such projects in order to further build up the Group's recurring income stream. Furthermore, the Group believes that pursuing and participating in infrastructure projects will also help to insulate it against any downturns in the economic cycle, primarily because of these projects' fundamental nature to the economy.

The Group believes that the prompt delivery by LIPAD of the new CIA terminal will help to increase passenger traffic at the terminal and accelerate the development of New Clark City in the long-term. The Group also believes that a more efficient and upgraded CIA will result in greater exposure for the Group's projects in the area, such as its Filinvest Mimosa+ Leisure City, as well as its current and planned real estate and hospitality offerings. In addition, the Group is currently in the planning and development stages for the construction and operation of district cooling and water treatment services in partnership with the Group's joint venture partners, Engie and HAQT, respectively. To the extent the Group is awarded any other infrastructure concessions or projects, the Group believes that it can take advantage of its expertise in large-scale property development to complete such projects. Moreover, the Group believes that the significant scale of the Group will also help in securing competitive financing terms for its various infrastructure projects.

ITEM 2. PROPERTIES

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

The Beaufort

FDC launched a premier residential condominium in Bonifacio Global City, Metro Manila in 2007 under the Filinvest Premiere Brand. The condominium is located on a lot adjacent to the Manila Golf Club with 2 luxury residential towers rising atop a 6-

level banking podium, and a total of 41 storeys with 4 to 6 residential units per floor. Construction of the East and West Tower was in 2014.

2.1 Land Bank

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

As of December 31, 2023, the Group has a land bank of approximately 1,867.3 hectares of raw land for the development of its various projects, including approximately 201.0 hectares of land under JVAs, which the management believes is sufficient to sustain at least several years of development and sales.

The table below sets forth the locations of the Group's raw land inventory as of December 31, 2023, including land directly owned by the Group and land for which joint venture agreements have been executed with the landowners. The table also identifies the Group's commercial land bank. (area in hectares).

FLI Land Bank as of December 31, 2023				
In Hectares				
Location	Company Owned	Under Joint Venture	Total	% to Total
Luzon				
Metro Manila	34.4	-	34.4	1.8%
Rizal	711.6	9.2	720.8	38.6%
Bulacan	252.4	-	252.4	13.6%
Bataan	12.3	-	12.3	0.7%
Pampanga	-	24.9	24.9	1.3%
Camarines Sur	0.8	-	0.8	0.0%
Pangasinan	3.5	-	3.5	0.2%
Cavite	300.6	58.8	359.4	19.2%
Laguna	227.5	0.7	228.2	12.2%
Batangas	45.6	42.1	87.7	4.7%
	1,588.7	135.7	1,724.4	92.3%
Visayas				
Cebu	1.5	35.7	37.2	2.0%
Negros Occidental	0.2	-	0.2	0.0%
	1.7	35.7	37.4	2.0%
Mindanao				
Davao	6.3	29.6	35.9	1.9%
South Cotabato	69.6	-	69.6	3.8%
	75.9	29.6	105.5	5.7%
Total	1,666.3	201.0	1,867.3	100.0%

In addition to above, FLI has the ff land under a joint development or long-term leasing agreement available to FLI for development.

Location	Area in has.	Remarks
Filinvest Mimosa Plus	201.6	Being developed with FDC
New Clark City	288.0	Being developed with BCDA
Total	489.6	

2.2 Current Development Projects

The following are the most recently launched projects and projects with new phases and buildings as of December 31, 2023:

PROJECT	LOCATION
HORIZONTAL	
Amarilyo Crest	Rizal
Pineview	Cavite
Sandia	Batangas
Tierra Vista	Bulacan
The Grove	Rizal
Savannah Place	Cavite
Futura Homes Palm Estates	Bacolod
Futura Homes Mactan	Cebu
Futura Homes Iloilo	Iloilo
Futura Homes Koronadal	South Cotabato
Anila Park Residences	Rizal
Aria at Serra Monte	Rizal
The Prominence	Quezon City
Futura Homes Davao	Davao
New Fields at Manna	Rizal
Meridian Place	Cavite
Valle Dulce	Laguna
Ventura Real	Rizal
Claremont Expansion	Pampanga
Southwinds	Laguna
Futura Zamboanga	Zamboanga
Enclave	Muntinlupa
New Leaf	Cavite
Mira Valley	Rizal
Hampton Orchard	Pampanga
Futura Mira	Calamba
Futura Plains	Rizal
Tropics 4	Cainta
New Fieds 2 at Manna	Rizal
Alta Vida 4&5	Bulacan
Rosewood	Cavite

PROJECT	LOCATION
MRB	
One Oasis Cebu	Cebu
One Oasis Cagayan de Oro	Cagayan de Oro
Panglao Oasis	Taguig
One Spatial	Pasig
San Remo	Cebu
Centro Spatial	Davao
One Spatial Iloilo	Iloilo
Marina Spatial	Dumaguete
8 Spatial	Davao
Maui Oasis	Manila
Alta Spatial	Valenzuela City
Bali Oasis	Pasig
Maldives Oasis	Davao
Sorrento Oasis	Pasig
Veranda	Davao
Futura East	Cainta
Centro Spatial	Manila
Belize	Muntinlupa
Futura Vinta	Zamboanga
Futura Monte	Naga City
Futura One Fora Dagupan	Pangasinan
HRB	
Activa	Quezon City
Levels	Alabang
Studio City	Alabang
Studio N (Block 50)	Alabang
Futura Bay Gen San	South Cotabato

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

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

In 2022, FLI intends to retain its position as the leader in MRB projects by launching 5 new projects nationwide and 8 additional buildings of existing projects. Aside from the MRBs, FLI has pipelined 12 horizontal residential projects and 1 HRB project.

As far as the leasing business is concerned, 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 2022, are 9 office spaces located in Alabang, Makati City, Quezon City, Cebu, Ortigas CBD, Dumaguete and Clark Mimosa. The Company is also expected to start the leasing operations of its first dormitel, “The Crib” in Clark Mimosa and its industrial park in New Clark City.

Hospitality Operations

Currently, the Group has full scale operations in seven properties located in Cebu City, Mactan, Muntinlupa City, Clark, Pampanga, Boracay, Tagaytay and San Mateo, Rizal.

Its maiden project MSSI or the brand Crimson Resort and Spa Mactan is a deluxe 5-star property with 290 rooms, 40 of which are one-bedroom villas with their own pools. Its main recreational facilities are its swimming pool and beachfront. It has 4 food and beverage outlets and 2 ballrooms, Coral and The Hall which can cater to a total of 400 persons all at the same time. The flagship Azure Beach Club was launched on October 24, 2014. The resort completed its renovation of the infinity pool, and opened the Spanish-themed Enye restaurant in 2017. The property also launched the 3,700-sq.m. Crimzone, which features family-oriented facilities, a children's play area, dedicated pool and snack bar. The construction of the 229-room expansion of the property with additional Food and Beverage outlets and function spaces is expected to resume in 2023 after super typhoon Odette hit Cebu in December 2021.

Quest Hotel and Conference Center, located in the heart of Cebu City, is a 3-star standard city hotel with 427 condotel rooms. It has an all-day dining restaurant catering to the breakfast needs of guests and meeting requirements. Small meetings and conferences can be hosted in its 10 meeting rooms for a total of 400 persons capacity. Not only does Quest provide for the business-related needs of guests, it also has a swimming pool for recreation.

EHSI or the brand Crimson Filinvest City Manila is a deluxe property with 345 rooms offered to guests. Strategically located in Alabang, Muntinlupa City right across the Festival Supermall. It has a total of 3 food and beverage outlets with Café 8 as the all-day dining while the Deck Bar is a highlight among its recreational facilities being located at near the swimming pool. Its ballroom can accommodate events with as much as 350 participants and supported by 6 other smaller meeting rooms.

Quest Hotel and Conference Center Clark is a 4-star hotel located in the heart of Clark, Pampanga. Having been located in the beautifully landscaped Mimosa Leisure Estate, the hotel offers everything expected from an international destination plus a 36-hole championship golf course, a hub for duty-free shopping, nature walks & activities and a nightlife entertainment hub among others. The hotel itself has 303 newly refurbished guestrooms, a grand ballroom, meeting rooms and an all-day Café. Its eight spacious meeting rooms can be set up to accommodate the desired number of people. Currently, the hotel has the Café Mequeni and the Charley's Tapas bar as its 2 food and beverage outlets.

Crimson Resort and Spa Boracay, one of the newest destinations in the island, is a 5-star resort situated in an exclusive location, uniquely coined as Station Zero. With breathtaking views, pristine white sand beachfront and state-of-the-art facilities, the resort features 192 keys inclusive of 23 villas. World-class outlets include Saffron Café, Mosaic Latin American Grill, Azure Beach Club and J's Pool Bar. A wide range of leisure activities and meeting facilities are offered through the Events Pavilion, Coral Ballroom, Crimzone Kids' Club, Aum Spa, and generous pool areas.

Quest Hotel Tagaytay is a condotel property featuring 2 towers with 164 rooms each located along General Emilio Aguinaldo Highway, Tagaytay City. Similar to QHCC Cebu, the condotel units are to be sold to third party buyers and will be subject to a condotel participation agreement. The units will be operated and managed by CHI, which will distribute net income (after deducting all expenses) to eligible unit buyers. Tower 1 began soft operations in April 2019 and was completed during the last quarter of 2019.

Timberland Highlands Resort is a resort property featuring 5 buildings with 72 rooms located along Timberland Heights, Brgy. Guitnang Bayan, San Mateo, Rizal, and it commenced operations in 2021. With its proximity to the mountains, it is a perfect destination for nature enthusiasts, offering various outdoor activities like basketball, tennis, badminton, hiking, biking, and relaxation amenities like a pool and spa.

Banking and Financial Services

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

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

Power and Utility Operations

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

Sugar Operations

Milling and Refining Facilities

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

Each of DSCC and CSCC has on-site packaging, distribution capabilities and inventory storage facilities. Each mill operates on the basis of 3 eight-hour shifts during the milling season. Once every 2 weeks, DSCC shuts down the mill for about 16 hours for cleaning of the evaporators while CSCC does not need to shut down by alternate use of its 2 sets of evaporators.

Factory Equipment

DSCC owns 1 sugar mill and 1 refinery. The sugar mill equipment includes the following: cane preparation equipment (cane knives and shredder), 3 four-roller mills and 1 five-roller mill, boiling house equipment (heaters, clarifiers, vacuum filters, evaporators, vacuum pans, crystallizers and centrifugals), turbo generators, 2 boilers and other accessories. The refinery equipment includes the following: melters, affination centrifugals, talo-clarifiers, deep-bed filters, ion-exchange decolorization equipment, refinery evaporator, vacuum pans, crystallizers, centrifugals, a dryer and cooler and other accessories. Steam and electricity are provided by 3 units of bagasse-fired steam boilers and 3 units of turbo generators.

CSCC owns one sugar mill and a refinery. The sugar mill equipment includes the following: cane preparation equipment (cane knives and shredder), 3 four-roller mills and 2 five-roller mills, boiling house equipment (heaters, clarifiers, vacuum filters, evaporators, vacuum pans, crystallizers and centrifugals), 4 turbo generators, 2 boilers and other accessories. The refinery equipment includes the following: melters, affination centrifugals, clarifiers, pressure filters, ion-exchange decolorization equipment, refinery evaporator, vacuum pans, crystallizers, centrifugals, a dryer and cooler and other accessories. Steam and electricity are provided by 3 units of bagasse-fired steam boilers and 3 units of turbo generators.

Properties

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

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

HYSFC has development agreements for a total area of 1,003 hectares with various landowners remaining as of CY 2022-23 after a management decision to drop low yielding and high-cost areas. Other reductions are expired agreements that were not renewed by the landowner or renewal not pursued due to unfavourable location. The agreements are generally based on a fixed annual payment from HYSFC to the landowners with terms ranging from 10 years to 15 years. HYSFC develops these areas into sugarcane farms.

Investment in foreign securities

The Company does not have any investment in foreign securities.

Investment Properties

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

FLI has currently several projects under development that will be rental assets when completed.

Rentals

Banking and Financial Services

The Bank leases several premises occupied by its branches with annual escalation of 5.0% to 10.0% and for periods ranging from 5 to 15 years, renewable upon mutual agreement of both parties. EW has 468 branches as of December 31, 2023 including its rural bank branches. For the years ended December 31, 2023 and 2022, the total rentals of the banking and financial services charged to operations amounted to P 368.42 million and P258.41 million, respectively.

Real Estate

FLI is renting spaces for its sales offices in Quezon City, Rizal, Pampanga, Tarlac, Puerto Princesa City, Davao City, Butuan, Tagum, Cagayan de Oro, and Zamboanga City. The terms of the leases are usually for 1 year, and thereafter, the terms of the lease are on a month-to-month basis or upon the option of both parties, a new contract is drawn.

ITEM 3. LEGAL PROCEEDINGS

The Group is subject to lawsuits and legal actions in the ordinary course of its real estate development and other allied activities. However, the Group does not believe that any such lawsuits or legal actions will have a significant impact on the financial position or result of operations of the Group. Noteworthy are the following cases involving the Company and its subsidiaries, FLI and PSHC, among others:

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. We are currently monitoring the service of summons to FIBECO.

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

¹ Materiality, for purposes of reporting cases and determining whether it will affect the Company's financial condition, is based on risk exposure vis-a-vis the Company's total assets as reported in its latest available Audited Financial Statement (AFS).

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

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

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

Cash Dividends

On April 28, 2023, FDC's BOD approved the declaration and payment of cash dividends of ₱565.1 million or ₱ 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 BOD approved the declaration and payment of cash dividends of ₱606.6 million 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, FDC'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.

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

ITEM 5.2 BOND ISSUANCES

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. Net proceeds from the bonds amounted to ₱8,754.9 million of which portion was used for refinancing amounting to ₱4,877.1 million and the balance was used for the capital expenditures of the Hotel and Power operations.

Market Price Information

The Shares are traded on the PSE under the symbol "FDC." The Shares were listed on the PSE on December 22, 1982. The high and low sales prices for the Shares as reported on the PSE for each quarter in 2021, 2022 and 2023 were as follows:

	<u>High</u>	<u>Low</u>	<u>Period End</u>
2021			
First Quarter	9.65	7.99	8.67
Second Quarter	8.90	7.85	8.06
Third Quarter	8.30	7.40	7.75
Fourth Quarter	8.12	7.50	7.97
2022			
First Quarter	7.90	6.62	6.97
Second Quarter	7.19	6.74	7.02
Third Quarter	7.08	6.60	6.84
Fourth Quarter	6.93	6.40	6.42
2023			
First Quarter	6.64	5.12	5.50
Second Quarter	5.89	5.18	5.20
Third Quarter	5.80	4.86	5.22
Fourth Quarter	5.60	4.99	5.35

As of December 31, 2023 and February 29, 2024, the closing price of the Parent Company's shares on the PSE was ₱5.35 per share and ₱5.79 per share, respectively. The number of shareholders of record (**exclusive of treasury**) as of December 31, 2023 and February 29, 2024 were 4,005 and 4,000, respectively. Total common shares issued were 9,319,872,387 and outstanding were 8,648,462,987 as of December 31, 2023.

Top 20 Stockholders As of December 31, 2023

	Shareholders	Class of Securities	No. of Shares held	% to Total Outstanding
1	A.L. Gotianun, Inc.	Common	7,587,823,501	87.74%
2	PCD Nominee Corporation (Filipino)	Common	903,703,464	10.45%
3	Michael Edward T. Gotianun	Common	50,501,501	0.58%
4	PCD Nominee Corporation (Non-Filipino)	Common	36,697,406	0.42%
5	Ricardo Alonzo	Common	28,627,534	0.33%
6	Andrew Gotianun Jr.	Common	3,371,995	0.04%
7	Lourdes Josephine Gotianun Yap	Common	3,370,091	0.04%

	Shareholders	Class of Securities	No. of Shares held	% to Total Outstanding
8	Helen Reyes	Common	2,692,544	0.03%
9	Emily Benedicto	Common	2,466,400	0.03%
10	Joseph Del Mar Yap & or Lourdes Josephine G. Yap	Common	2,083,000	0.02%
11	H. K. Hedinger	Common	2,023,508	0.02%
12	Santiago Go	Common	1,707,066	0.02%
13	Executive Optical Inc.	Common	1,023,556	0.01%
14	Joseph M. &/or Lourdes Josephine G. Yap	Common	734,311	0.01%
15	AMA Rural Bank of Mandaluyong, Inc.	Common	616,600	0.01%
16	Manuel Benipayo	Common	527,141	0.01%
17	Salud Borromeo	Common	501,655	0.01%
18	Francisco Benedicto	Common	493,280	0.01%
19	Edan Corporation	Common	387,224	0.00%
20	Ma. Consuelo R. Medrano &/or Victoriano S. Medrano	Common	308,300	0.00%
			8,629,660,077	99.78%

Recent Sale of Unregistered Securities

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

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

RESULTS OF OPERATIONS

Year Ended December 31, 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 the 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 MSSl.

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 P493.6 million to P1,827.8 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 P3,392.5 million from P2,593.8 million in 2022 to P5,986.4 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 P3,359.8 million to P12,060.6 million primarily due to higher fuel cost.

Costs of Sugar Operation

Costs of sugar operations increased by 14.3% or P506.6 million to P4,061.4 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 P47.7 million to P518.0 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 P797.8 million to P7,217.5 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 P200.2 million from P1,392.6 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 P5,810.1 million to P27,907.9 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 P113.4 million to P2,151.1 million due to decrease in interest expense from loans.

Sugar Operations

Expenses of the sugar business increased by 14.8% or P23.7 million from P184.0 million due to higher interest expense and taxes and licenses.

Other Operations

Expenses of other operations went up by 52.3% or P918.3 million to P2,674.0 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 P106.8 million.

Provision for Income Tax

Provision for income tax increased by 40.8% or P975.6 million to P3,364.5 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 P3,834.2 million to P12,136.8 million. Net income attributable to equity holders of the Parent increased by 58.3% or P3,296.8 million to P8,947.5 million, while net income attributable to noncontrolling interest increased by 20.3% or P537.4 million to P2,652.0 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
Net Income (Attributable to Equity Holders of the Parent Company)		
Weighted Average Number of Outstanding Shares		
Price Earnings Ratio (PE Ratio)	5.19 Times	9.83 Times
Closing Price ⁽¹⁾		
EPS		
Return on Revenue	13%	12%
Total Net Income		
Total Revenue		
Return on Equity (Average)	7%	5%
Total Net Income		
Average Total Equity		
Assets to Equity Ratio	4.14 :1	4.15 :1
Total Assets		
Total Equity		
Debt to Equity Ratio		
a) Long-term and Short-term Debt	0.74 :1	0.83 :1
Total Equity		
b) Total Liabilities Excluding Deposit Liabilities, Bills and Acceptances Payable, Asset Retirement Obligation and Finance Lease Liabilities	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		
$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	0.80 :1	0.71 :1
b) Excluding EW		
$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	2.70 :1	2.18 :1
Quick Ratio – excluding EW	1.17 :1	0.65 :1
$\frac{\text{Current Assets} - \text{Inventories}}{\text{Current Liabilities}}$		
Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) to Total Interest Expense	5.01 Times	4.42 Times
$\frac{\text{EBITDA}}{\text{Total Interest Expense}^{(2)}}$		

(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:

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.

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

	December 31 2022	2021	Increase (decrease) Amount	%
REVENUES				
Real estate operations				
Sale of lots, condominium and	13,314,664	11,966,859	1,347,805	11.3%
Mall and rental revenues	6,732,189	5,878,300	853,889	14.5%
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
Net Income (Attributable to Equity Holders of the Parent Company)		
Weighted Average Number of Outstanding Shares		
Price Earnings Ratio (PE Ratio)	9.83 Times	11.37 Times
Closing Price ⁽¹⁾		
EPS		
Return on Revenue	12%	14%
Total Net Income		
Total Revenue		
Return on Equity (Average)	5%	6%
Total Net Income		
Average Total Equity		
Assets to Equity Ratio	4.15 :1	4.16 :1
Total Assets		
Total Equity		
Debt to Equity Ratio		
a) Long-term and Short-term Debt	0.83 :1	0.85 :1
Total Equity		
b) Total Liabilities Excluding Deposit Liabilities, Bills and Acceptances Payable, Asset Retirement Obligation and Finance Lease Liabilities	1.16 :1	1.15 :1

	As of And For The Year Ended December 31, 2022	As of And For The Year Ended December 31, 2021
Total Equity		
Current Ratio		
a) Including EW		
<u>Current Assets</u>	0.71 :1	0.94 :1
Current Liabilities		
b) Excluding EW		
<u>Current Assets</u>	2.18 :1	3.76 :1
Current Liabilities		
Quick Ratio – excluding EW	0.65 :1	1.36 :1
<u>Current Assets – Inventories</u>		
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.
- 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, 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			
	2021	2020 As Restated	Increase (Decrease)	
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, 2020 to ₱4,056.9 million as of December 31, 2021 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)	₱0.701 /share	₱0.978 /share
Net Income (Attributable to Equity Holders of the Parent Company)		
Weighted Average Number of Outstanding Shares		
Price Earnings Ratio (PE Ratio)	11.37 Times	9.65 Times
Closing Price ⁽¹⁾		
EPS		

	As of And For The Year Ended December 31, 2021	As of And For The Year Ended December 31, 2020
Return on Revenue	14%	16%
$\frac{\text{Total Net Income}}{\text{Total Revenue}}$		
Return on Equity (Average)	6%	8%
$\frac{\text{Total Net Income}}{\text{Average Total Equity}}$		
Assets to Equity Ratio	4.16 :1	4.58 :1
$\frac{\text{Total Assets}}{\text{Total Equity}}$		
Debt to Equity Ratio		
a) $\frac{\text{Long-term and Short-term Debt}}{\text{Total Equity}}$	0.85 :1	0.96 :1
b) $\frac{\text{Total Liabilities Excluding Deposit Liabilities, Bills and Acceptances Payable, Asset Retirement Obligation and Finance Lease Liabilities}}{\text{Total Equity}}$	1.15 :1	1.33 :1
Current Ratio		
a) Including EW $\frac{\text{Current Assets}}{\text{Current Liabilities}}$	0.94 :1	0.87 :1
b) Excluding EW $\frac{\text{Current Assets}}{\text{Current Liabilities}}$	3.76 :1	2.55 :1
Quick Ratio – excluding EW $\frac{\text{Current Assets – Inventories}}{\text{Current Liabilities}}$	1.36 :1	0.69 :1
Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) to Total Interest Expense	4.47 Times	4.36 Times
$\frac{\text{EBITDA}}{\text{Total Interest Expense}^{(2)}}$		

(1) Closing prices at December 29, 2021 and December 29, 2020.

(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. 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.

3. Except as disclosed in the Management's Discussion and Analysis of Financial Condition and Results of Operation, there are no unusual items affecting assets, liabilities, equity, net income or cash flows for the current period. There are no known trends, demands, commitments, events or uncertainties that will have a material impact on the Company's liquidity.
4. There are no changes in estimates of amounts reported in the previous period that have material effects in the current period.
5. Except for those discussed in the Management's Discussion and Analysis of Financial Condition and Results of Operations, there are no issuances, repurchases and repayments of debt and equity securities.
6. There were no other dividends paid (aggregate or per share) separately for ordinary shares and other shares during the current period, except as discussed in the previous sections.
7. The Company derives its revenues from the following reportable segments:

Real Estate Operations

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

Hospitality Operations

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

Banking and Financial Services

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

Power 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 Mimosa and a mall in Dumaguete. The Company has also started the leasing operations of its first dormitel, "The Crib" in Clark Mimosa 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.

ITEM 7. FINANCIAL STATEMENTS

The consolidated financial statements and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules are filed as part of this SEC Form 17-A.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

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

The Company, in compliance with SRC Rule 68(3)(b)(iv) relative to the seven-year rotation requirement of its external auditors has designated Mr. Michael C. Sabado as its engagement partner starting CY 2018. Thus, Mr. Sabado is qualified to act as such until the year 2025. The same external auditor will be recommended for re-appointment at the scheduled annual stockholders' meeting. The representatives of SGV shall be present at the annual meeting where they will have the opportunity to make a statement if they desire to do so. They are expected to be available to respond to appropriate questions at the meeting.

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 ₱21.6 million and ₱16.9 million, net of VAT in 2023 and 2022, respectively.
2. In 2023, additional fees of the external auditor for one of FDC's subsidiaries' bond issuance, technology consulting and other advisory services amounted to ₱16.0 million. In 2022, additional fees of the external auditor for one of FDC's subsidiaries' bond issuance and technology consulting services amounted to ₱5.3 million.

Tax Fees

The fees billed to the Group for tax services which pertained to compliance review amounted to ₱0.2million and ₱1.1 million in 2023 and 2022, respectively.

All Other Fees

There are no other fees billed in each of the last 2 years for products and services provided by the external auditor, other than the services reported under items mentioned above.

The Audit Committee based on the recommendation by the Internal Audit and management, evaluates the need for such professional services and approves the engagement and the fees to be paid for the services.

PART III - CONTROL AND COMPENSATION INFORMATION

ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER

The following are the Directors and Executive Officers of FDC:

Jonathan T. Gotianun <i>Chairperson of the Board and Director</i>	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 FLI and EW, both publicly-listed companies. He is also the Chairman of the Board of DSCC; CSCC, and FDCUI and its subsidiary power companies. He previously served as Director and Senior Vice President of Family Bank until 1984. He obtained his Master's Degree in Business Administration from Northwestern University in 1976.
Lourdes Josephine Gotianun-Yap <i>Vice-Chairperson and Director</i>	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 FLI, Chairperson of the Board of FILRT, and Director in FAI and FDCUI, 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.
Rhoda A. Huang <i>President, Chief Executive Officer and Director</i>	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.
Michael Edward T. Gotianun <i>Vice-President and Director</i>	Mr. Gotianun, 66, Filipino, was first elected as a Director of FDC on 24 October 2017. He is also a Director of FLI, a publicly-listed company, FHC, FDCUI and FAI. 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.
Virginia T. Obcena <i>Lead Independent Director</i>	Ms. Obcena, 76, Filipino, was first elected as an independent director of FDC on 29 April 2016. She is also an Independent Director of FILRT. 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.
Ysmael V. Baysa <i>Chief Operations Officer</i>	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.
Brian T. Lim <i>Treasurer and Chief Finance Officer</i>	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.
Millette Asuncion-Arnado <i>Senior Vice-President, General Counsel and Compliance Officer</i>	Ms. Arnado, 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 Viartis Inc., a spin off company of Pfizer. Ms. Arnado 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.
Lindeza R. Rogero-Gavino <i>Corporate Secretary, Corporate Information Officer, Corporate Governance Lead</i>	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
Ma. Ruiza R. Hernane <i>Assistant Corporate Secretary, Corporate Tax Legal Lead</i>	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 & 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.

The members of the board committees, pursuant to appointments made during the organizational meeting of the BOD of the Company on April 28, 2023, are as follows:

Executive Committee	Jonathan T. Gotianun (Chair), L. Josephine Gotianun-Yap, Michael Edward T. Gotianun, Francis Nathaniel C. Gotianun and Rhoda A. Huang (elected as director and appointed to the Committee on 26 July 2023)
Audit and Risk Management Oversight Committee	Virginia T. Obcena (Chair/Independent Director), Val Antonio B. Suarez (Independent Director), L. Josephine Gotianun-Yap and Jonathan T. Gotianun
Compensation Committee	Val Antonio B. Suarez (Chair/Independent Director), L. Josephine Gotianun-Yap, Jonathan T. Gotianun and Virginia T. Obcena (Independent Director)
Corporate Governance Committee	Val Antonio B. Suarez (Chair/Independent Director), Claire L. Huang (Independent Director, resigned on 26 July 2023), Virginia T. Obcena (Independent Director) and Jonathan T. Gotianun
Related-Party Transaction Committee	Val Antonio B. Suarez (Chair/Independent Director), Virginia T. Obcena (Independent Director) and Claire L. Huang (Independent Director, resigned on 26 July 2023)
Digital Committee	Claire L. Huang (Chair/Independent Director, resigned on 26 July 2023), L. Josephine Gotianun-Yap and Jonathan T. Gotianun

The directors of the Company are elected at the annual stockholders' meeting to hold office until their respective successors have been duly elected and qualified. Officers are appointed or elected by the BOD typically at its first meeting following the annual stockholders' meeting, each to hold office until his successor shall have been duly elected or appointed and qualified.

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

The Company is not aware of the occurrence of any of the following events within the past 5 years up to the date of this annual report: (a) any bankruptcy petition filed by or against any business in which any of its directors or officers was a general partner or officer either at the time of the bankruptcy or within two years prior to that time; (b) any conviction by final judgment in a criminal proceeding, domestic or foreign, of, or any criminal proceeding, domestic or foreign, pending against, any of its directors or officers in his capacity as such director or officer; (c) any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement of any of its directors or officers in any type of business, securities, commodities or banking activities, and (d) any finding by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization that any of its directors or officers has violated a securities or commodities law, and the judgment has not been reversed, suspended or vacated, which occurred during the past 5 years.

There is no person who is not an executive officer of the Company, who is expected to make a significant contribution to its business. The Company, however, occasionally engages the services of consultants.

ITEM 10. EXECUTIVE COMPENSATION

Information as to the aggregate compensation paid or accrued during the last 2 fiscal years and to be paid in the ensuing fiscal year to the Group's executive officers and other officers are as follows:

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

Name and Principal Position	Year	Salary	Bonus	Other Annual Compensation	TOTAL
Rhoda A. Huang** <i>(President and Chief Executive Officer)</i> Jonathan T. Gotianun <i>(Chairperson)</i> Lourdes Josephine Gotianun-Yap* <i>(Vice Chairperson)</i> Ysmael V. Baysa*** <i>(Executive Vice President – Chief Operations Officer)</i> Ven Christian S. Guce <i>(Senior Vice President – Strategy, Strategic Finance & Special Projects Head)</i>					
CEO and top four (4) highest compensated officers	2024 - Estimated	₱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 - Estimated	₱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 - Estimated	₱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 director and independent directors is as follows:

Name of Director	Amount
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)	
Virginia T. Obcena	1,050,000.00
Val Antonio B. Suarez	1,050,000.00
Claire L. Huang (Independent Director, resigned on 26 July 2023)	550,000.00
Total	₱2,650,000.00

** 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.

The Company's Compensation Committee will be tasked to review the terms and conditions of the Plan, including vesting periods, qualifications, disqualifications of grantees and any procedures relevant for the same to ensure that the following objectives are met:

1. Drive long term performance for the Company through its critical officers;
2. Motivate a sustained high-level contribution from critical officers; and
3. Attract and retain critical talents.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

(1) Security Ownership of Certain Record and Beneficial Owners

The names, addresses, citizenship, number of shares held, and percentage to total of persons owning more than five percent (5%) of the outstanding voting shares of the Company (all common) as of December 31, 2023 are as follows:

Title of Class	Name and Address of Record Owner/ Relationship with Company	Name of Beneficial Owner/ Relationship with Record Owner	Citizenship	No. of Shares Held	Percent age Held
Common	A.L. Gotianun Inc. (formerly ALG Holdings Corporation) ¹ 32nd 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 (D) 61,976,540 (I)	87.74% 0.72%
Common	PCD Nominee Corporation (Filipino) G/F, Philippine Stock Exchange Tower, Ayala Avenue, Makati City		Filipino	902,526,693	10.43%

Except as stated above, the BOD and management of the Company have no knowledge of any person who, as of the date of the annual report was directly or indirectly the beneficial owner of more than five percent (5%) of the Company's outstanding

¹ Mrs. L. Josephine G. Yap is typically named by ALGI as its proxy to vote at the annual meeting of stockholders the shares owned and held by it in the Company.

shares of common stock or who has voting power or investment power with respect to shares comprising more than 5% of the Company's outstanding common stock.

As of 31 December 2023, 37,970,604 or 0.44% of the total outstanding voting shares of FDC is owned by foreigners.

(2) Security Ownership of Management

The names, citizenship, number of shares held and percentage to total of persons forming part of the management of the Company as of December 31, 2023 are as follows:

Title of Class of Securities	Name	Amount	Nature of Ownership	Citizenship	Percentage of Ownership
			D=Direct; I=Indirect		
Common	Mercedes T. Gotianun*	1,554	D	Filipino	Negligible
		0	I		0.00%
Common	Jonathan T. Gotianun	12	D	Filipino	Negligible
		263,925*	I		0.00%
Common	Lourdes Josephine Gotianun-Yap2	6,187,402	D	Filipino	0.07%
		9,395,522	I		0.11%
Common	Michael Edward T. Gotianun	50,501,501	D	Filipino	0.58%
		0	I		0.00%
Common	Francis Nathaniel C. Gotianun	1	D	Filipino	Negligible
		0	I		0.00%
Common	Virginia T. Obcena	1	D	Filipino	Negligible
		0	I		0.00%
Common	Val Antonio B. Suarez	1	D	Filipino	Negligible
		0	I		0.00%
Common	Claire L. Huang	1	D	Filipino	Negligible
		0	I		0.00%
N.A.	Elsie D. Paras	0	D	Filipino	N.A.
			I		
N.A.	Daniel L. Ang Tan Chai	0	D	Filipino	N.A.
			I		
N.A.	Millette Asuncion-Arnedo	0	D	Filipino	N.A.
			I		
N.A.	Renato Rex Xavier G. Marzan	0	D	Filipino	N.A.
			I		
N.A.	Virginia A. Cayanga	0	D	Filipino	N.A.
			I		
N.A.	Patricia Carmen Pineda	0	D	Filipino	N.A.
			I		
N.A.	Michael Louie T. Garado	0	D	Filipino	N.A.
			I		
N.A.	Melody Joyce K. Yapson	0	D	Filipino	N.A.
			I		
N.A.	Mark Tom. Q. Mulingbayan	0	D	Filipino	N.A.
		3,000	I		

N.A.	Lindeza R. Rogero-Gavino	0	D	Filipino	N.A.
			I		
N.A.	Ma. Ruiza R. Hernane	0	D	Filipino	N.A.
			I		

** Deceased as of 11 December 2022*

** 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 December 31, 2023 is 66,348,366 shares or 0.77% of total outstanding common shares.

3) Voting, Trust Holders of 5% or more

There is no person who holds more than 5% of the common stock under any voting trust or similar agreement. 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.

4) Changes in Control

The Company is not aware of any agreement, which may result in a change in control of the registrant.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

In the normal course of business, the Company and other members of the Group enter into certain related-party transactions.

There were no transactions during the last two years, or any proposed transactions, to which the Company was or is to be a party, in which any director or executive officer, any nominee for election as a director, any security holder or any member of the immediate family of any of the foregoing persons, had or is to have a direct or indirect material interest.

Related Party Transactions

The Group has entered into various transactions with related parties. Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions or the parties are subject to common control or common significant influence (referred to as 'Affiliates'). Related parties may be individuals or corporate entities. 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 under Note 26, pages 92 to 94 of the Notes to the Audited Financial Statements. The Company's 2023 Audited Financial Statements is attached hereto.

PART IV. COMPLIANCE WITH LEADING PRACTICES ON CORPORATE GOVERNANCE

ITEM 13. CORPORATE GOVERNANCE

Filinvest Development Corporation was founded on the principles of good governance. It continues to abide by the core values of its founding father, Andrew L. Gotianun, of integrity, fairness and financial responsibility. These principles have been incorporated in the Company's Code of Ethics as well as in its Revised Manual for Corporate Governance. Today, FDC operates in a manner guided by its corporate core values of integrity, teamwork, professionalism, innovation, customer service and cost effectiveness.

Compliance with Best Practices on Corporate Governance

For the year 2023, FDC complied with the Philippine Stock Exchange (PSE) and the Securities and Exchange Commission (SEC) regulatory requirements. It is also in compliance with its Revised Manual for Corporate Governance (RMCG). In particular, FDC wishes to highlight the following:

- a) the election of three (3) independent directors to the Board;

- b) the appointment of the members of the audit and risk management oversight, compensation, related-party transaction, corporate governance, and digital committees;
- c) the conduct of regular quarterly board meetings and special meetings, the faithful attendance of the directors at these meetings and their proper discharge of duties and responsibilities as such directors;
- d) the timely and accurate submission to the SEC and the PSE of reports and disclosures required under the Securities Regulation Code and the PSE Listing and Disclosure Rules;
- e) consistent adherence to national and local laws pertaining to its operations;
- f) the observance of applicable accounting standards;
- g) the adoption of the Integrated ASEAN Corporate Governance Report (I-ACGR) in Corporate Governance Reporting;
- h) the adoption of the Related-Party Transaction Policy;
- i) the conduct of annual corporate governance seminar to its directors and senior management officers;
- j) the submission of its sustainability report;
- k) the self-assessment survey that had been launched to the Board of Directors sets forth the criteria that will help them assess their performance vis-à-vis the requirements of the laws, rules and regulations and the Company's RMCG; and
- l) the continuous enhancement of FDC's website to provide our shareholders and stakeholders with quicker reference to our corporate governance policies.

FDC likewise continuously reviews and updates its MCG, in compliance with SEC directives and to reflect current best practices. In December 2022, the members of the Board and key officers participated in an Annual Corporate Governance Training Program conducted by the Center for Global Best Practices in order to keep them abreast of best practices in various aspects of corporate governance.

FDC, through its Board of Directors and in coordination with the Management, reviews its corporate governance practices annually and welcomes proposals, especially from institutions and entities such as the SEC, PSE and the Institute of Corporate Directors.

Board of Directors

Leading the practice of good corporate governance is the Board of Directors. The Board of Directors of FDC is firmly committed to the adoption of and compliance with the best practices in corporate governance as well as the observance of all relevant laws, regulations and ethical business practices.

Nominations and Voting for the Board of Directors

The members of the Board are elected during the annual stockholders' meeting. The stockholders of FDC may nominate individuals to be members of the Board of Directors.

It is the Corporate Governance Committee, acting as Nomination Committee, which receives nominations for the Board, including independent directors as may be submitted by the stockholders. After the deadline for the submission thereof, the Corporate Governance Committee meets to consider the qualifications as well as grounds for disqualification, if any, of the nominees based on the criteria set forth in FDC's RMCG and the Securities Regulation Code. All nominations shall be signed by the nominating stockholders together with the acceptance and conformity by the would-be nominees. The Corporate Governance Committee shall then prepare a Final List of Candidates enumerating the nominees who passed the screening and these nominees shall be disclosed along with his or their relationship with the nominating shareholder.

Only nominees whose names appear on the Final List of Candidates shall be eligible for election as directors. No other nomination shall be entertained after the Final List of Candidates shall have been prepared. Neither are shareholders allowed to further nominate anyone during the actual annual meeting.

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 FDC multiplied by the whole number of directors to be elected.

The directors of FDC are elected at the annual stockholders' meeting, to hold office until their respective successors have been duly appointed or elected and qualified. Vacancies in the Board occurring mid-term are filled as provided in the Revised Corporation Code and FDC's RMCG. Officers and committee members are appointed or elected by the Board of Directors typically at its first meeting following the annual stockholders' meeting, each to hold office until his successor shall have been duly elected or appointed and qualified.

Independent Directors

The conduct of the election of independent directors, in particular, shall be in accordance with FDC's Revised Manual on Corporate Governance and By-Laws.

It shall be the responsibility of the Chairman 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 Chairman of the meeting shall call a separate election during the same meeting to fill up the vacancy.

Before the annual meeting, a stockholder of FDC may nominate individuals to be independent directors, taking into account the following guidelines:

- A. "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 judgement in carrying out his responsibilities as director in any corporation that meets the requirements of Section 17.2 of the Securities Regulation Code and includes, among others, any person who:
 - i. Is not a director or officer or substantial stockholder of FDC or of its related companies or any of its substantial shareholders (other than as an independent director of any of the foregoing);
 - ii. Is not a relative of any director, officer or substantial stockholder of FDC, any of its related companies or any of its substantial shareholders. For this purpose, "relative" includes spouse, parent, child, brother, sister, and the spouse of such child, brother or sister;
 - iii. Is not acting as a nominee or representative of a substantial shareholder of FDC, any of its related companies or any of its substantial shareholders;
 - iv. Has not been employed in an executive capacity by FDC, any of its related companies or any of its substantial shareholders within the last two (2) years;
 - v. Is not related as a professional adviser by FDC, any of its any of its related companies or any of its substantial shareholders within the last two (2) years, either personally or through his firm;
 - vi. Has not engaged and does not engage in any transaction with FDC or any of its related companies or any of its substantial shareholders, 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 shareholder, other than transactions which are conducted at arms-length and are immaterial or insignificant.
- B. When used in relation to FDC subject to the requirements above:
 - i. "Related company" means another company which is: (a) its holding company, (b) its subsidiary, or (c) a subsidiary of its holding company; and
 - ii. "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.
- C. An independent director of FDC shall have the following qualifications:
 - i. He shall have at least one (1) share of stock of FDC;
 - ii. 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;
 - iii. He shall possess integrity/probity; and
 - iv. He shall be assiduous.
- D. No person enumerated under Section II (5) of the Revised Manual of Corporate Governance shall qualify as an independent director. He shall likewise be disqualified during his tenure under the following instances or causes:
 - i. He becomes an officer or employee of FDC, or becomes any of the persons enumerated under items (A) hereof;
 - ii. His beneficial security ownership exceeds 10% of the outstanding capital stock of FDC;
 - iii. 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;
 - iv. If he becomes disqualified under any of the grounds stated in FDC's Revised Manual on Corporate Governance.
- E. 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 shall be observed in the qualification of individuals to serve as independent directors:
 - i. 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;
 - ii. The independent director shall serve for a maximum cumulative term of nine (9) years;
 - iii. After this, 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;
 - iv. 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
 - v. The reckoning of the cumulative nine-year term is from 2012.

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 (ED until July 31, 2023, became a non-executive director starting August 1, 2023)	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.

The functions, duties and responsibilities of the Board of Directors may be delegated, to the fullest extent permitted by law, to an Executive Committee to be established by the Board of Directors. The Executive Committee shall consist of five (5) members, and least three (3) of whom shall be members of the Board of Directors. All members of the Executive Committee shall be appointed by and under the control of the Board of Directors.

The Executive Committee may act on such specific matters within the competence of the Board of Directors as may be delegated to it by a majority vote of the Board of Directors, except with respect to:

- (i) approval of any action for which shareholders' approval is also required;
- (ii) the filing of vacancies in the Board of Directors;
- (iii) the amendment or repeal of these by-laws or the adoption of new by-laws;
- (iv) the amendment or repeal of any resolution of the Board of Directors which by its express terms is not so amendable or repealable; and
- (v) the distribution of cash dividends to shareholders.

The act of the Executive Committee on any matter within its competence shall be valid if (i) it is approved by the majority vote of all its members in attendance at a meeting duly called where a quorum is present and acting throughout, or (ii) it bears the written approval or conformity of all its incumbent members without necessity for a formal meeting.

The Executive Committee shall hold its regular meeting at least once a month or as often as it may determine, in the principal office of the corporation or at such other place as may be designated in the notice. Any member of the Executive Committee may, likewise, call a meeting of the Executive Committee at any time. Notice of any meeting of the Executive Committee shall be given at least seven (7) business days prior to the meeting or such shorter notice period as may be mutually agreed. The notice shall be accompanied by (i) a proposed agenda or statement of purpose and (ii) where possible, copies of all documents, agreements and information to be considered at such meeting.

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 (ED until July 31, 2023, became a non-executive director starting August 1, 2023)	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.

The Board constituted an Audit and Risk Management Oversight Committee composed of at least three (3) director-members with accounting and financial background, one of whom must be an independent director and another must have related audit experience.

The Chairman of this Committee should be an independent director. He is responsible for inculcating in the minds of the Board members the importance of management responsibilities in maintaining a sound system of internal control and the Board's oversight responsibility.

Duties and Responsibilities:

- Provide oversight financial management functions specifically in areas of managing credit, market, liquidity, operational, legal and other risks of the Company, and crisis management;
- Provide oversight of the Company's internal and external auditors;
- Review and approve audit scope and frequency, and the annual internal audit plan;
- Discuss with the external auditor before the audit commences the nature and scope of the audit, and ensure coordination where more than one (1) audit firm is involved;
- Set up an internal audit department and consider the appointment of an internal auditor as well as an independent external auditor, the audit fee and any question of resignation or dismissal;
- Monitor and evaluate the adequacy and effectiveness of the Company's internal control system;
- Receive and review reports of internal and external auditors and regulatory agencies, where applicable, and ensure that management is taking appropriate corrective actions, in a timely manner, in addressing control and compliance functions with regulatory agencies;
- Review the quarterly, half-year and annual financial statements before submission to the Board with particular focus on the following matters:
 - Any change/s in accounting policies and practices
 - Major judgmental areas
 - Significant adjustments resulting from the audit
 - Going concern assumptions
 - Compliance with accounting standards
 - Compliance with tax, legal and regulatory requirements
- Coordinate, monitor and facilitate compliance with existing laws, rules and regulations;
- Evaluate and determine non-audit work by external auditor and keep under review the non-audit fees paid to the external auditor both in relation to their significance to the auditor and in relation to the Company's total expenditure on consultancy. The non-audit work should be disclosed in the Annual Report; and
- Establish and identify the reporting line of the chief audit executive so that the reporting level allows the internal audit activity to fulfill its responsibilities. The chief audit executive shall report directly to the Audit Committee functionally. The Audit & Risk Management Oversight Committee shall ensure that the internal auditors shall have free and full access to the Company's records, properties and personnel relevant to the internal audit activity, and that the internal audit activity should be free from interference in determining the scope of internal auditing examinations, performing work, and communicating results, and shall provide a venue for the Audit Committee to review and approve the annual internal audit plan.

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 (ED until July 31, 2023, became a non-executive director starting August 1, 2023)	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.

The Board constituted a Compensation Committee composed of at least three (3) director-members, one of whom must be an independent director.

Duties and Responsibilities:

- Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, and provide oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the Company's culture, strategy and control environment;
- Designate amount of remuneration, which shall be in a sufficient level to attract and retain directors and officers who are needed to run the Company successfully;
- Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of individual directors, if any, and officers;
- Develop a form on Full Business Interest Disclosure as part of the pre-employment requirements for all incoming officers, which, among others, compel all officers to declare under the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of duties once hired;
- Disallow any director to decide his or her own remuneration;
- Provide in the Company's annual reports, information and proxy statements a clear, concise and understandable disclosure of compensation of its executive officers for the previous fiscal year and ensuing year; and
- Review the existing Human Resources Development or Personnel Handbook, to strengthen provisions on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts.

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 was elected on July 26, 2023.	1	1	100%	< 1 year

(*) The Committee members are elected annually.

The Corporate Governance Committee shall assist the Board in fulfilling its corporate governance and compliance responsibilities. The Committee shall be composed of the Chairman of the Board and at least three (3) members of the Board, all of whom shall be independent directors. The Chairman of the Committee shall be an independent director.

Duties and responsibilities:

- Ensure the effectiveness and due observance of corporate governance principles and guidelines of the Board, its committees' and executive management;
- Oversee the periodic performance evaluation of the Board and its committees as well as executive management, and conducts an annual self-evaluation of its performance;
- Ensures that the results of the Board evaluation are shared, discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement;
- Adopts corporate governance policies and ensures that these are reviewed and updated regularly, and consistently implemented in form and substance;
- Make recommendations to the Board regarding the continuing education of directors, assignment to Board Committees and succession plan for the Board members and senior officers;
- Determine the nomination and election process for the Corporation's directors and other positions requiring appointment by the Board, define the general profile of board members that the Corporation may need and ensure that appropriate knowledge, competencies and expertise will complement the existing skills of the Board;
- Establishes a formal and transparent procedure to develop a policy for determining the remuneration of directors and officers that is consistent with the Corporation's culture and strategy as well as the business environment in which it operates;
- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance;
- Review with the Compliance Officer, at least on annual basis, any legal or regulatory matter that could have a significant impact on the Corporation's financial statements, compliance with applicable laws and regulations, and inquiries received from regulators or governmental agencies; and
- Obtain an annual report from the Compliance Officer regarding the adequacy of the Corporation's compliance program.

The Corporate Governance Committee shall also serve as the Nomination Committee. It shall review and evaluate the qualifications of all persons nominated to the board as well as those nominated to other positions requiring appointment by the Board and assess the effectiveness of the Board's process and procedures in the election or replacement of directors.

The said Committee considers the following guidelines in the determination of the number of directorships for the Board:

- The nature of the business of the corporations in which he is a director;
- Age of the director;
- Number of directorships/active memberships and officerships in other corporations or organizations; and
- Possible conflict of interest.

The Chief Executive Officer and other executive directors shall submit themselves to a low indicative limit on membership in other corporate boards. The same low limit shall apply to independent, non-executive directors who serve as full-time executives in other corporations. In any case, the capacity of directors to serve with diligence shall not be compromised.

The Corporate Governance Committee, acting as the Nomination Committee, may pre-screen and shortlist all candidates nominated to become a member of the Board of Directors, taking into account the qualifications and the grounds for disqualifications as set forth in FDC's Revised Manual of Corporate Governance and the Securities Regulation Code.

The Nomination Committee shall promulgate the guidelines or criteria to govern the conduct of the nomination for members of the Board of Directors. The same shall be properly disclosed in the Company's information or proxy statement or such other reports required to be submitted to the Securities and Exchange Commission (SEC).

The nomination of directors, including independent directors, shall be conducted by the Committee before the stockholders' meeting. All recommendations shall be signed by the nominating stockholders together with the acceptance and conformity by the would-be nominees.

The Committee shall pre-screen the qualifications and prepare a final list of all candidates and put in place screening policies and parameters to enable it to effectively review the qualifications of the nominees for independent directors as set forth in the Company's Revised Manual on Corporate Governance.

After the nomination, the Committee shall prepare a Final List of Candidates which shall contain all the information about all the nominees, including those for independent directors, which shall be made available to the SEC and all stockholders through the filing and distribution of the Information Statement, or in such reports the Company is required to submit to the SEC. The name of the person or group of persons who recommended the nomination of the independent director shall be identified in such report, including any relationship with the nominee.

Related-Party Transaction 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	0	0	-	1 year
Member (ID)	Virginia T. Obcena	April 28, 2023	0	0	-	1 year
Member (ID)	Claire L. Huang	April 28, 2023 Note: Ms. Huang was elected on July 26, 2023.	0	0	-	< 1 year

(*) The Committee members are elected annually.

The Related Party Transaction Committee is composed of at least three (3) non-executive directors, two (2) of whom must be independent, including the Chairman of the Committee.

The Related Party Transaction Committee has the following duties and responsibilities:

- Conduct continuous evaluation and monitoring of existing relations among counterparties to ensure that all related parties are identified, RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured. Related parties, RPTs and changes in relationships should be reflected in the relevant reports to the Board and the SEC;
- Evaluate all material RPTs to ensure that these are transacted on an arm's length basis and that no corporate or business resources of the company are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions.

In evaluating RPTs, the Committee may take into account the following:

- The related party's relationship to the Company and interest in the transaction;
- The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
- The benefits to the Company of the proposed RPT;
- The availability of other sources of comparable products or services; and
- An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The company should have an effective price discovery system in place and exercise due diligence in determining a fair price for RPTs.
- Ensure that appropriate disclosure is made to the regulating and supervising authorities relating to the Corporation's RPT exposures, and policies on conflicts of interest or potential conflicts of interest;

- Report to the Board, on a regular basis, the status and aggregate exposures to each related party, as well as the total amount of exposures to all related parties;
- Ensure that transactions with related parties, including write-off of exposures, are subject to a periodic independent review or audit process; and
- Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including a periodic review of RPT policies and procedures.

Digital 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)	Claire L. Huang	April 28, 2023 Note: Ms. Huang was elected on July 26, 2023.	0	0	-	< 1 year
Member (ED until July 31, 2023, became a non-executive director starting August 1, 2023)	L. Josephine Gotianun-Yap	April 28, 2023	0	0	-	1 year
Member (ED)	Jonathan T. Gotianun	April 28, 2023	0	0	-	1 year

(*) The Committee members are elected annually.

The Board constituted a Digital Committee composed of at least three (3) director-members, one of whom must be an independent director.

Duties and Responsibilities:

- Receive evaluation on the current state of digital for the group, including competitive benchmarking;
- Receive updates, and, when appropriate, demonstrations about emerging technologies and trends, and their impact on or application within FDC;
- Provide guidance on prioritization and receive reports on the development and implementation of the group's highest impact digital initiatives;
- Review investment cases and transactions in support of the implementation strategy, and endorse the same to the Board, if appropriate;
- Receive from management regular report on overall technology portfolio health, key individual automation projects being undertaken by the group; and
- Review proposals for any significant technology investments before presentation to the Board.

Shareholders' Benefits

FDC recognizes that the most cogent proof of good corporate governance is that which is visible to the eyes of its investors. Therefore, the following provisions are issued for the guidance of all internal and external parties concerned, as governance covenant between the Company and all its investors.

The Board shall be committed to respect the following rights of the stockholders:

I. Right to Nominate and Vote

1. Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Revised Corporation Code.

2. Cumulative voting is mandatory in the election of directors.
3. A director shall not be removed without cause if it will deny minority shareholders representation in the Board.

II. Power of Inspection

All shareholders shall be allowed to inspect corporate books and records including minutes of Board meetings and stock registries, in accordance with the Revised Corporation Code, during business hours and upon prior written notice to the Company, for legal purposes.

All shareholders shall be furnished with annual reports, including financial statements, without cost or restrictions.

III. Right to Information

1. The shareholders shall be provided, upon request, with periodic reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the Company's shares, dealings with the Company, relationships among directors and key officers, and the aggregate compensation of directors and officers.
2. The minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes and in accordance with SEC regulations.
3. In accordance with the SEC regulations, the minority shareholders shall have access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the management shall include such information and, if not included, then the minority shareholders shall be allowed to propose to include such matters in the agenda of stockholders' meeting, being within the definition of "legitimate purposes".

IV. Right to Dividends

1. Shareholders shall have the right to receive dividends subject to the discretion of the Board.
2. The Commission may direct the Company to declare dividends when its retained earnings shall be in excess of 100% of its paid-in capital stock, except: i) when justified by definite corporate expansion projects or programs approved by the Board; or ii) when the Company is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or iii) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the Company, such as when there is a need for special reserve for probable contingencies.

V. Appraisal Right

The shareholders shall have appraisal right or the right to dissent and demand payment of the fair value of their shares in the manner provided for under the Revised Corporation Code of the Philippines, under any of the following circumstances:

- In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence.
- 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; and
- In case of merger or consolidation.

VI. Right to Attend and Participate in Shareholders' Meetings

The Board should be transparent and fair in the conduct of the annual and special shareholders' meetings of the corporation.

The shareholders should be encouraged to personally attend such meetings. If they cannot attend, they should be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the By-Laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the shareholder's favor.

It shall be the duty of the directors to promote shareholder rights, remove impediments to the exercise of shareholders' rights and allow possibilities to seek redress for violation of their rights. They shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to shareholders participating in meetings and/or voting in person. The directors shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints.

Dividend Policy and Dividends Paid

While the Board endeavors to declare dividends each year, the payment 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). The following cash dividends were paid in the last three years:

On June 22, 2020, FDC paid cash dividends of Php0.1384 per share or a total of Php1,196.9 million to all stockholders on record as of July 22, 2020. This is equivalent to 10% of the Php12.0 billion net income attributable to parent generated in 2019.

On April 30, 2021, FDC paid cash dividends of Php0.098 per share or a total of Php847.5 million to all stockholders on record as of May 21, 2021. This is equivalent to 10% of the Php8.5 billion net income attributable to parent generated in 2020.

On April 29, 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 April 28, 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 Php565.1 million to all shareholders of record as of 22 May 2023, payable on 14 June 2023.

Annual Stockholders' Meeting and Procedures

Notice of Annual Stockholders' Meeting

On February 28, 2023, FDC disclosed to the Philippine Stock Exchange that its Board of Directors had fixed the date of the Annual Stockholders' Meeting on April 28, 2023 with the record date set on March 30, 2023.

Stockholders were informed that the Annual Stockholders' Meeting for 2023 would be conducted virtually on April 28, 2023 (Friday) at 9:00 a.m. Only stockholders of record as of March 30, 2023 were entitled to attend and vote in the said meeting.

On the same day, right after the stockholders' meeting, FDC disclosed to the Philippine Stock Exchange the results of the annual stockholders' meeting which included the following:

- a. Approval of the Minutes of the Annual Stockholders' Meeting held on 29 April 2022;
- b. Presentation of the President's Report and Ratification of the Audited Financial Statements for the year ended 31 December 2022;
- c. Approval of the Amendments to Articles of Incorporation and By-Laws;
- d. 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 up to 28 April 2023; and
- e. Appointment of SyCip Gorres Velayo & Co. as the independent external auditor of FDC for the year 2023. FDC likewise disclosed that the following were elected as directors to serve for the period 2023-2024 and until their successors shall have been duly elected and qualified:

FDC likewise disclosed that the following were elected as directors to serve for the period 2023-2024 and until their successors shall have been duly elected and qualified:

1. Jonathan T. Gotianun
2. Lourdes Josephine Gotianun-Yap
3. Francis Nathaniel C. Gotianun
4. Michael Edward T. Gotianun
5. Virginia T. Obcena (as independent director)
6. Claire A. Huang (as independent director)
7. Val Antonio B. Suarez (as independent director)

Statutory Compliance

FDC fully complied with the Philippine Stock Exchange (PSE) and Securities and Exchange Commission (SEC) regulatory requirements. Below is the Company's Reportorial Compliance Report

Type of Report	Number of Filings
Financials	
Annual Report (17-A)	1

Quarterly Report (17-Q)	4
2022 Audited Financial Statements	1
Request for extension in filing 17-A, 17-Q	None
Ownership	
Annual List of Stockholders – for Annual Stockholders’ Meeting	1
Foreign Ownership Monitoring Report	13
Public Ownership Report	13
Report on Number of Shareholders and Board Lot	13
Initial Statement of Beneficial Ownership of Securities (23-A)	6
Statement of Changes in Beneficial Ownership of Securities (23-B)	2
Top 100 Stockholders’ List	4
Notices – Stockholders’ Meetings/Briefings/Dividends	1
Notice of Annual/Special Stockholders’ Meeting	3
Dividend Notice	1
Other Disclosures	
Certification – Qualifications of Independent Directors	2
Clarifications of News Articles	3
Definitive Information Statement (20-IS)	1
General Information Sheet	5
Preliminary Information Statement (20-IS)	1
Type of Report	Number of Filings
Other Disclosures	
SEC Form 17-C (Current Report) Which includes the following:	
a) Results of Annual Stockholders’ Meeting/Board Meetings	2
b) Press Releases	12
c) Other Matters	15

Per SEC Memorandum Circular No. 15, Series of 2017, the Integrated Annual Corporate Governance Report for 2023 shall be submitted to SEC on or before 30 May 2024.

Investor Relations

FDC’s website, www.filininvestgroup.com, makes available to the public current information on the Company, including details of its operations.

The Investor Relations section of the website provides information that may be required by the investors, shareholders and stakeholders. It contains financial statements, press releases, presentations, declaration of dividends, ownership structure and any changes in the ownership of major shareholders and officers, and other reportorial requirements by the Philippine Stock Exchange.

The contact details of the Investor Relations Department are available on the website.

PART V. EXHIBITS AND SCHEDULES

ITEM 14. EXHIBITS AND REPORTS ON SEC FORM 17-C

(a) Exhibits - see accompanying Index to Exhibits under (b) Report on SEC Form 17-C

The following exhibits are filed as a separate section of this report:

The other exhibits, as indicated in the Index to Exhibits are either not applicable to the Company or require no answer.

(b) Reports on SEC Form 17-C

Reports on SEC Form 17-C were filed during the year covered by this report and are listed below:

REPORT	REPORT DATE
Press Release: Filinvest delivers strong broad-based net income growth of 57%	November 15, 2023
Press Release: Filinvest 1H 2023 Net Income Up by 77% Behind 29% Revenue Growth	August 15, 2023
Press Release: PHIVIDELOC locators secure RE through Filinvest's solar power project in MisOr.	July 26, 2023
Press Release: FDC welcomes investment banker Rhoda "Chiqui" A. Huang as new President & CEO.	July 26, 2023
Press Release: Filinvest, Cebu LGU tackle sustainable solutions to the city's water shortage	July 20, 2023
Clarification of the news article entitled "Filinvest unit plans desalination plant in Cebu"	July 19, 2023
Amended Press Release re: MIAC UNVEILS PROPOSAL FOR MULTI-PHASED NAIA MASTERPLAN	June 20, 2023
Amended Clarification of the news article entitled Consortium says NAIA needs urgent rehab; doubles unsolicited proposal to P210B	June 19, 2023
Amended Press Release re: FDC records 1Q23 net income growth of 146% to P2.2B	May 17, 2023
Results of the Organizational Meeting of the Board of Directors of Filinvest Development Corporation held on 28 April 2023	April 28, 2023
Amendments to Articles of Incorporation	April 28, 2023
Amendments to By-Laws	April 28, 2023
Amendments to the By-laws of Filinvest Development Corporation ("FDC")	April 28, 2023
Press Release: FDC Elects Two New Board Members; Drives Growth and Sustainability Efforts	April 28, 2023
Results of the 2023 Annual Stockholders' Meeting of Filinvest Development Corporation ("FDC") held on 28 April 2023	April 28, 2023
Press Release: NEW CONSORTIUM FORMED TO TRANSFORM NAIA INTO A WORLD-CLASS AIRPORT Six of the country's biggest conglomerates, US-based infrastructure investment company submit unsolicited proposal to the PH Government	April 27, 2023
Press Release: FDC records net income of P5.7B in 2022; revenue growth of 13%	April 3, 2023
Amendments to By-Laws	March 28, 2023
Amendments to Articles of Incorporation	March 28, 2023

**FILINVEST DEVELOPMENT CORPORATION AND SUBSIDIARIES
(CONSOLIDATED)**

**INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
FORM 17-A, Item 8**

Consolidated Financial Statements

Statement of Management's Responsibility for Financial Statements
Report of Independent Public Accountants
Consolidated Statements of Financial Position as of December 31, 2023 and 2022
Consolidated Statements of Income for the years ended December 31, 2023, 2022 and 2021
Consolidated Statements of Comprehensive Income for the years ended December 31, 2023, 2022 and 2021
Consolidated Statements of Changes in Equity as of December 31, 2023 and 2022
Consolidated Statements of Cash Flows for the years ended December 31, 2023, 2022 and 2021
Notes to Consolidated Financial Statements

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	*

* These schedules which are required by Part IV of SRC Rule 12 are contained in the Company's Audited Consolidated Financial Statements, in the accompanying Notes to Consolidated Financial Statements, or in Supplementary Information and Disclosures Required on SRC Rule 68 and 68.1 As Amended.

INDEX TO EXHIBITS

Form 17- A

No.

	Plan of Acquisition, Reorganization, Arrangement, Liquidation, or Succession	*
(5)	Instrument Defining the Rights of Security Holders, Including Indentures	*
(8)	Voting Trust Agreement	*
(9)	Material Contracts	*
(10)	Annual Report to Security Holders, Form 17-Q or Quarterly Report to Security Holders	*
(13)	Letter re Change in Certifying Accountant	*
(16)	Report Furnished to Security Holders	*
(18)	Subsidiaries of the Registrant	A
(19)	Published Report Regarding Matters Submitted to Vote of Security Holders	*
(20)	Consent of Experts and Independent Counsel	*
(21)	Power of Attorney	*
(29)	Additional Exhibits	*
	Sustainability Report	B

* These exhibits are either not applicable to the Company or require no answer.

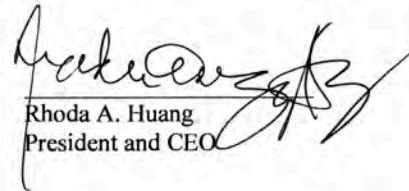
A This schedule is contained in Note 1 of the Company's 2023 Audited Consolidated Financial Statements

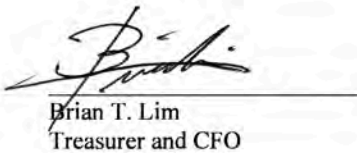
B Refer to the attached Sustainability Report in this Annual Report

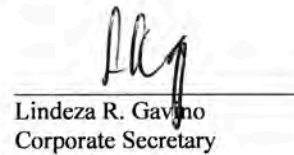
SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned duly authorized, in the City of _____ Metro Manila on _____, 2024.


Jonathan T. Gotianun
Chairman


Rhoda A. Huang
President and CEO


Brian T. Lim
Treasurer and CFO


Lindeza R. Gavino
Corporate Secretary

SUBSCRIBED AND SWORN to before me this APR 11 2024 affiants exhibiting to me their competent evidence of identity as follows:

Doc No. 230
Page No. 47
Book No. 111
Series of 2024

JOVEN G. SEVILLANO
NOTARY PUBLIC FOR CITY OF MANDALUYONG
COMMISSION NO. 0285-23 UNTIL, DECEMBER 31, 2024
IBP LIFETIME NO. 031302; 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



SECURITIES AND EXCHANGE COMMISSION

THE SEC HEADQUARTERS 7907 Makati Avenue, Salcedo Village, Bel-Air, Makati City
1209 Trunk Line No: 02-5322-7696 Email Us: www.sec.gov.ph messages@sec.gov.ph



The following document has been received:

Receiving: ARIEL FETALVO

Receipt Date and Time: April 05, 2024 05:07:43 PM

Company Information

SEC Registration No.: 0000051048

Company Name: FILINVEST DEV. CORP.

Industry Classification: K70120

Company Type: Stock Corporation

Document Information

Document ID: OST10405202482179222

Document Type: Financial Statement

Document Code: FS

Period Covered: December 31, 2023

Submission Type: Consolidated

Remarks: None

Acceptance of this document is subject to review of forms and contents

Jake Isaac S. Enriquez

From: Investor Relations
Sent: Wednesday, March 27, 2024 9:05 AM
To: Joseph Renzo D. Zapanta; Jake Isaac S. Enriquez
Cc: Brian T. Lim; Rens V. Cruz II
Subject: FW: [EXT] Your BIR AFS eSubmission uploads were received

FYI

From: eafs@bir.gov.ph <eafs@bir.gov.ph>
Sent: Wednesday, March 27, 2024 5:22 AM
To: Investor Relations <ir@filinvestgroup.com>
Cc: Edilleen Asuncion_Resigned 01/15/2024 <edilleen.asuncion@filinvestgroup.com>
Subject: [EXT] Your BIR AFS eSubmission uploads were received

CAUTION: This is an EXTERNAL email. Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email.

Hi FILINVEST DEVELOPMENT CORPORATION,

Valid files

- EAFS000053167AFSTY122023.pdf
- EAFS000053167ITRTY122023.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-T41RXX0BKHA9ELKMOV44NYMW0ADLG7HA**
Submission Date/Time: **Mar 27, 2024 05:22 AM**
Company TIN: **000-053-167**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

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C O V E R S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

5	1	0	4	8					

C O M P A N Y N A M E

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

P R I N C I P A L O F F I C E (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

A	A	C	F	S

Department requiring the report

S	E	C	

Secondary License Type, If Applicable

N	A		

C O M P A N Y I N F O R M A T I O N

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

C O N T A C T P E R S O N I N F O R M A T I O N

The 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

C O N T A C T P E R S O N ' s A D D R E S S

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.



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												
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, 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)		Noncontrolling Interest (Note 5)	Total	
For the Year Ended December 31, 2021												
Balances as at January 1, 2021	₱9,319,872	₱11,900,015	₱89,931,059	₱408,785	(₱286,300)	₱—	₱87,056	₱724	(₱3,614,474)	₱107,746,737	₱33,860,085	₱141,606,822
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	₱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
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 Casecan 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:

	Deferral Period
a. Assessing if the transaction price includes a significant financing component as discussed in PIC Q&A 2018-12-D (as amended by PIC Q&A 2020-04)	Until December 31, 2023
b. Treatment of land in the determination of the 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.

Reposessed Assets

Reposessed assets comprise of reposessed 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 reposessed 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
	<u>₱10,381,152</u>

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 ₱0.0155 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			
	Corporate Lending	Consumer Lending	Others	Total
	(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			
	Corporate Lending	Consumer Lending	Others	Total
	(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 ₱249.4 million and ₱294.2 million, respectively, as of December 31, 2023 and 2022.

Financial Assets at FVOCI

This account consists of:

	2023	2022
	(In Thousands)	
Government debt securities	₱11,731,842	₱10,220,132
Private bonds	6,737,050	6,511,186
Quoted equity securities	906,183	598,078
Unquoted equity securities	36,350	47,929
	₱19,411,425	₱17,377,325

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	(₱1,773,792)	₱211,334
Changes in fair value of financial assets at FVOCI	1,255,367	(1,985,126)
Balances at end of year	(₱518,425)	(₱1,773,792)

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 (₱302.6) million and (₱1,326.2) million as of December 31, 2023 and 2022, respectively.

Investment Securities at Amortized Cost

This account consists of:

	2023	2022
	(In Thousands)	
Government securities	₱71,836,021	₱59,953,107
Private bonds	3,575,706	3,604,364
	75,411,727	63,557,471
Allowance for impairment loss	(10,708)	(11,280)
	₱75,401,019	₱63,546,191

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 ₱45.19 billion (with carrying amount of ₱48.96 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 ₱27,893.4 million resulting in net gain on sale of investment securities at amortized cost totaling to ₱3,675.2 million (see Note 27). In January to May 2021, EW sold investment securities managed under the HTC business model with aggregate carrying amount of ₱11,256.0 million resulting in net gain on sale from investment securities at amortized cost totaling to ₱1,850.4 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	₱47,726,560	₱46,681,349
Land and land development	33,277,853	32,978,012
Balances at end of year	₱81,004,413	₱79,659,361

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	₱46,681,349	₱44,699,774
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	₱47,726,560	₱46,681,349

Borrowing costs capitalized as project costs are interests on loans obtained to finance the Group's ongoing projects. Capitalized borrowing costs amounted to ₱699.8 million, ₱576.1 million, and ₱495.8 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 LIPADD 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
Reposessed 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

- 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).
- 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.
- Advances to contractors and suppliers represent downpayment to contractors and suppliers which will be applied against future billings for development and construction contracts.
- 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	₱1,222,755	₱3,084,853
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	₱2,022,310	₱966,079

- 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 (PHIVIDE) 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 PHIVIDEC 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			
	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)	(P360)	P320	Noninterest-bearing, collectible on demand	Unsecured, no impairment
Affiliates: (Notes 7, 8 and 10)				
			Non-interest bearing and due on demand except for P53.0 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		
	P69,237	P129,475		
Due to related parties (Note 23)				
Affiliates				
Share in expenses ^(a)			Noninterest-bearing,	
Management fee ^(c)	217,461	(63,379)	payable on demand	Unsecured
	P217,461	(P63,379)		

(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)	₱1,843	₱680	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	-		
	₱10,130	₱60,238		
Due to related parties (Note 23)				
Affiliates				
Share in expenses ^(a)			Noninterest-bearing,	
Management fee ^(c)	₱154,082	(₱15,928)	payable on demand	Unsecured
	₱154,082	(₱15,928)		

(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	₱450,032	₱326,440
Equity instruments	731,196	660,931
Debt instruments	101,471	129,847
Others	1,462	1,717
	₱1,284,161	₱1,118,935

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	₱3,524	₱3,490	₱3,508
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)	Net Defined Benefit Liabilities (Notes 20 and 23)
	(In Thousands)		
Balances as at January 1, 2023	₱2,866,785	₱1,195,624	₱1,671,161
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	₱3,087,629	₱1,512,601	₱1,575,028

	2022		
	Present Value Of Defined Benefit Obligations	Fair Value Of Plan Assets (Note 26)	Net Defined Benefit Liabilities (Notes 20 and 23)
	(In Thousands)		
Balances as at January 1, 2022	₱2,737,218	₱1,235,245	₱1,501,973
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	₱2,866,785	₱1,195,624	₱1,671,162



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 FCGCC 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 CCCC (Millers) have milling contracts with various planters which provide for a certain sharing ratio between the Millers and the planters for the resulting sugar and molasses produced in their respective sugar mills. The milling contracts are effective for a period of 15 agricultural crop years, subject to an extension of another 15 crop years at the option of the Millers (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



	December 31, 2021								
	Real Estate Operations	Hospitality Operations	Banking and Financial Services	Power Operations	Sugar Operations	Other Operations	Combined	Eliminating Entries	Consolidated
	(In Thousands)								
Revenues									
External customers	₱17,845,159	₱1,206,684	₱22,795,094	₱9,395,168	₱4,096,201	₱—	₱55,338,306	₱—	₱55,338,306
Inter-segment	542,689	—	457,124	658,484	2,579,771	—	4,238,068	(4,238,068)	—
	18,387,848	1,206,684	23,252,218	10,053,652	6,675,972	—	59,576,374	(4,238,068)	55,338,306
Other income	1,417,709	2,453	6,037,061	73,942	37,511	3,213,287	10,781,963	(3,213,287)	7,568,676
	₱19,805,557	₱1,209,137	₱29,289,279	₱10,127,594	₱6,713,483	₱3,213,287	₱70,358,337	(7,451,355)	₱62,906,982
EBITDA	₱7,809,873	(₱130,767)	₱8,466,138	₱4,335,839	₱703,582	₱2,362,742	₱23,547,408	(₱3,823,050)	₱19,724,358
Net income	₱4,885,577	(₱755,832)	₱4,478,835	₱1,866,349	₱440,629	₱709,135	₱11,624,693	(₱2,738,946)	₱8,885,747
Assets									
Operating assets	₱300,854,139	₱13,001,919	₱412,419,301	₱34,182,160	₱2,614,179	₱10,810,768	₱773,882,466	(₱104,306,280)	₱669,576,186
Less deferred tax asset	121,738	264,597	4,160,134	443,298	118,314	13,684	5,121,765	(151,783)	4,969,982
Net operating assets	₱300,732,401	₱12,737,322	₱408,259,167	₱33,738,862	₱2,495,865	₱10,797,084	₱768,760,701	(104,154,497)	₱664,606,204
Liabilities									
Operating liabilities	₱150,623,629	₱10,828,154	₱345,625,248	₱26,161,742	₱1,171,700	₱10,399,613	₱544,810,086	(₱36,344,808)	₱508,465,278
Less deferred tax liabilities	9,132,062	216,898	—	7,682	431	338	9,357,411	123,474	9,480,885
Net operating liabilities	₱141,491,567	₱10,611,256	₱345,625,248	₱26,154,060	₱1,171,269	₱10,399,275	₱535,452,675	(₱36,468,282)	₱498,984,393



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			
		Fair Value			
	Carrying Value	Total	Quoted Prices in Active Market (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
(In Thousands)					
Assets measured at fair value					
Financial assets					
Financial assets at FVPL (Note 12)					
Government securities	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				
	Fair Value				
	Carrying Value	Total	Quoted Prices in Active Market (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
(In Thousands)					
Assets measured at fair value					
Financial assets					
Financial assets at FVPL (Note 12)					
Government securities	₱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 (ISPPIA) and the Code of Ethics. IAD has an adopted a risk assessment methodology, which provides a sound basis in the selection of areas of coverage and frequency of audit for the preparation of the annual audit plan. IAD employs a risk-based audit approach that examines both the adequacy of the policies and EW's compliance with the procedures while



assuring audit coverage of the areas identified as representing the greatest current risk. It discusses the results of assessments with management, and reports its findings and recommendations to the Audit Com. IAD's activities are suitably designed to provide the BOD with reasonable assurance that significant financial and operating information is materially complete, reliable and accurate; internal resources are adequately protected; and employee performance is in compliance with EW's policies, standards, procedures and applicable laws and regulations.

m. **Compliance Division**

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

The major risk types identified by EW Group are disclosed in the following section:

Credit Risk

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

Credit Concentration

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

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

Aside from ensuring compliance with BSP's limit on exposures to any single person or group of connected persons, it is EW's policy to keep the expected loss (determined based on the credit risk rating of the account) of large exposure accounts to, at most, one percent (1.0%) of their aggregate outstanding balance. This is to maintain the quality of EW's large exposures. With this, accounts with better risk grades are given priority in terms of being granted a bigger share in EW's loan facilities.



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

Credit Concentration Profile as of December 31, 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	P212,499,312	68.87	P-	P-	P-	P212,499,312
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	P296,615,469	P-	P35,082,695	P97,997,301	P473,125	P430,168,590

* 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	P170,124,373	65.54	P-	P-	P-	P170,124,373
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	P258,089,075		P50,653,298	P82,250,888	P415,173	P391,408,434

* 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	P308,190,548	P33,405,685	P81,520,409	P468,834	P423,981,222
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
	P296,615,470	P35,082,695	P97,997,301	P473,125	P430,168,590
* 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	P269,993,181	P47,631,907	P66,558,598	P414,978	P384,598,664
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
	P258,089,075	P50,582,552	P82,250,887	P415,173	P391,337,687
* 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	• low probability of going into default within the coming year; very high debt service capacity and balance sheets show no sign of any weakness • has ready access to adequate funding sources • high degree of stability, substance and diversity • of the highest quality under virtual economic conditions
2	Strong	• low probability of going into default in the coming year • access to money markets is relatively good • business remains viable under normal market conditions • strong market position with a history of successful financial performance • financials show adequate cash flows for debt servicing and generally conservative balance sheets
3	Good	• sound but may be susceptible, to a limited extent, to cyclical changes in the markets in which they operate • financial performance is good and capacity to service debt remains comfortable • cash flows remain healthy and critical balance sheet ratios are at par with industry norms • reported profits in the past three years and expected to sustain profitability in the coming year
4	Satisfactory	• clear risk elements exist and probability of going into default is somewhat greater, as reflected in the volatility of earnings and overall performance • normally have limited access to public financial markets • able to withstand normal business cycles, but expected to deteriorate beyond acceptable levels under prolonged unfavorable economic period • combination of reasonably sound asset and cash flow protection
5	Acceptable	• risk elements for the 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	• 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	• 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	• 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	• 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	- 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	- 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			
	Stage 1	Stage 2	Stage 3	Total
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			Total
	Stage 1	Stage 2	Stage 3	
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			Total
	Stage 1	Stage 2	Stage 3	
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			Total
	Stage 1	Stage 2	Stage 3	
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			Total
	Stage 1	Stage 2	Stage 3	
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	₱7,301,076	₱1,821,389	₱2,464,947	₱11,587,412
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
	₱255,512,620	₱26,675,908	₱19,477,654	₱301,666,183
<i>*Include Corporate loans and emerging enterprise loans</i>				
<i>**Include Branch loans, DepEd loans, Employee loans, Salary loans and Personal loans</i>				
<i>***Include Accrued interest receivables, Accounts receivables and Sales contract receivables.</i>				
	2022			
	Gross carrying amount			
	Stage 1	Stage 2	Stage 3	Total
Corporate loans*				
Balance at beginning of year	₱27,699,839	₱30,908,269	₱2,148,172	₱60,756,280
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	₱27,907,110	₱2,524,207	₱3,671,193	₱34,102,510
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
	₱184,310,393	₱60,381,569	₱21,622,156	₱266,314,118

*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	₱12,034,253	₱69,707,065	₱12,915,763	₱61,328,039	₱10,977,483	₱232,500,896	₱11,451,744	₱398,880,990
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	—	—	—	—	—	—	—	—
	₱12,034,253	₱69,707,065	₱13,358,876	₱61,328,039	₱10,977,483	₱234,663,077	₱11,451,744	₱401,486,284
Credit Risk Weighted Assets	—	—	₱2,671,775	₱30,664,020	₱8,233,113	₱234,663,077	₱17,177,617	₱293,409,601



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						
	On demand	Up to 1 month	>1 to 3 months	>3 to 6 months	>6 to 12 months	Beyond 1 year	Total
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					
	Up to 1 month	> 1 to 3 months	> 3 to 6 months	>6 to 12 months	>12 months	Total
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					
	Below 1 Year	1 to 2 Years	>2 to 3 Years	>3 to 4 Years	Over 4 Years	Total
			(In Thousands)			
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						
	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)							
Financial assets at amortized cost							
Real Estate Operations							
Cash and cash equivalents	₱5,439,419	₱1,388,105	₱—	₱—	₱—	₱—	₱6,827,524
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
	₱17,438,700	₱19,812,066	₱3,559,370	₱991,671	₱440,571	₱3,605,700	₱45,848,078

	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)						
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—	P10,905
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	P192,355,355

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	P6,827,524	P—	P—	P—	P—	P—	P—	P—	P6,827,524	
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	
	P23,880,322	P—	P—	P—	P—	P—	P—	P—	P23,880,322	



	2022								
	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	91to 120 days	Over 120 days			
	(In Thousands)								
Cash and cash equivalents	₱2,963,280	₱—	₱—	₱—	₱—	₱—	₱—	₱—	₱2,963,280
Contract assets									7,609,532
Loans and receivables									
Contracts receivable	5,809,068	414,693	256,212	185,816	178,485	871,643	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
	₱13,239,201	₱414,693	₱256,212	₱185,816	₱178,485	₱871,643	₱1,906,849	₱—	₱20,848,733

The Group's high-grade receivables pertain to receivables from related parties and third parties which, based on experience, are highly collectible or collectible on demand, and of which exposure to bad debt is not significant. Receivables assessed to be of standard grade are those which had passed a certain set of credit criteria, and of which the Group has not noted any extraordinary exposure which calls for a substandard grade classification.

For Power and utility operations, an impairment analysis is performed at each reporting date using a provision matrix to measure ECL. The provision rates are based on days past due of all customers as they have similar loss patterns. Generally, trade receivables are written-off if past due for more than 90 days and are not subject to enforcement activity. The resulting allowance for ECL of ₱399.0 million as of December 31, 2023 and 2022, respectively, pertains to receivables aged over 90 days.

Real Estate Operation Capital Management

Real estate operation's primary objective is to maintain its current sound financial condition and strong debt service capabilities as well as to continuously implement a prudent financial management program.

Real estate operation manage their capital structure and makes adjustments to it, in light of changes in economic conditions. It closely monitors its capital and cash positions and carefully manages its capital expenditures such as land acquisitions, constructions and project developments and fixed charges. Real estate operation prefers to enter into joint venture arrangements with landowners to develop land rather than purchasing land outright, which reduces its capital requirements and can increase returns. Furthermore, real estate operation may also, from time to time, seek other sources of funding, which may include debt or equity issues depending on its financing needs and market conditions.

Real estate operation continues to fund its project developments using medium to long-term financing, which can help mitigate any negative effects of a sudden downturn in the Philippine economy or a sudden rise in interest rates.

Refer to Notes 5 and 24 for the discussion on externally imposed capital requirements on the Group's Real Estate operations.



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:

- 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).
- 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.
- Reclassification from investment properties to property and equipment amounting to ₱1,274.1 million in 2021 (see Notes 16 and 17).
- Reclassification from investment properties to real estate inventories amounting to ₱1,667.6 million (see Notes 14 and 16).
- 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	—	44,716,866	44,716,866	—	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 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)

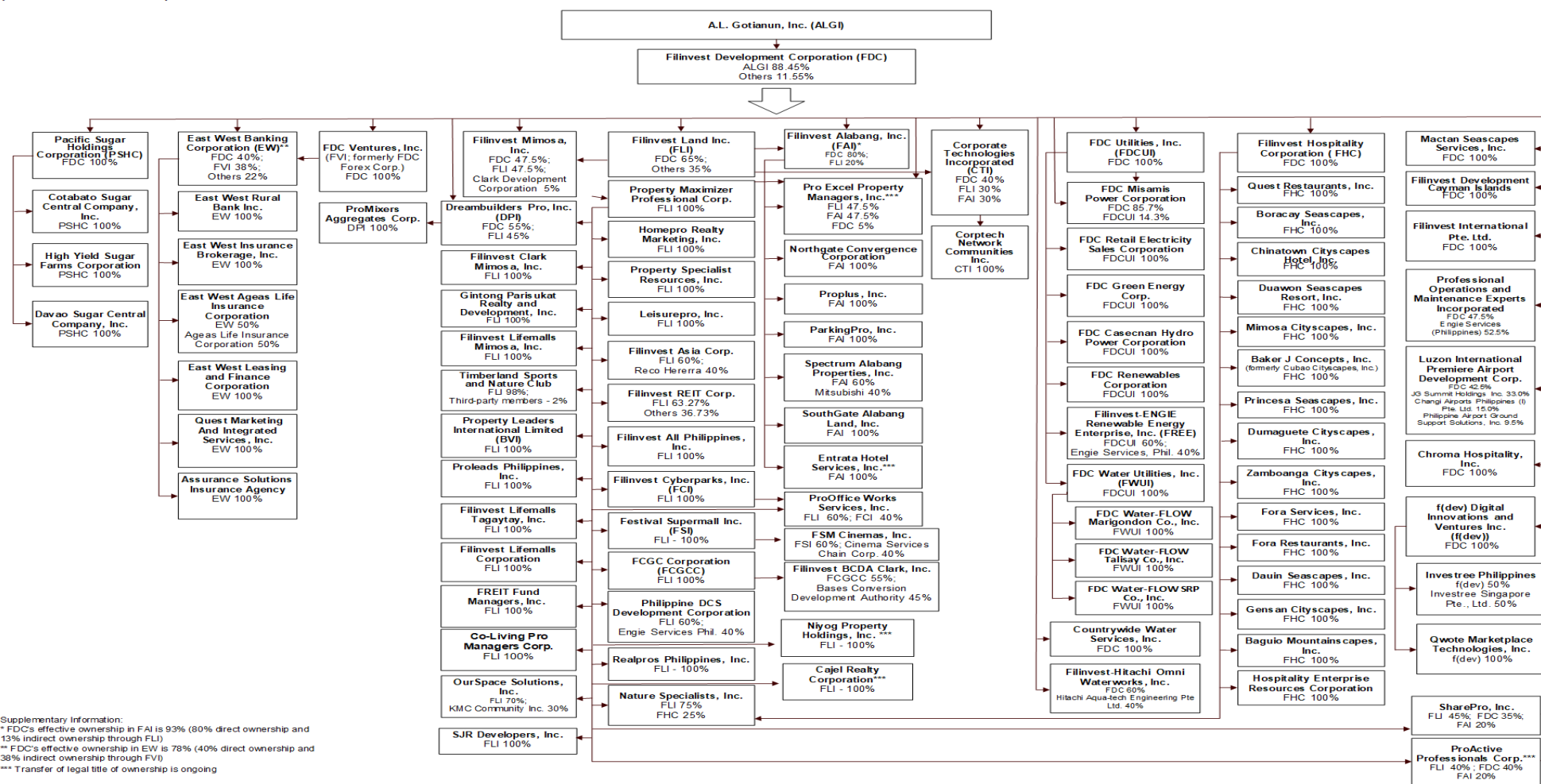
Items	Amount
Unappropriated Retained Earnings of the Parent Company, Beginning	P15,257,700
Adjustments:	
Unrealized market-to-market gain on derivative asset	(158,286)
Reclassification of revaluation reserve on land at deemed cost	(46,331)
Deferred tax assets recognized in prior years	(11,343)
Unappropriated 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 March 31, 2024)



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)	104,374	102,515	10,687	—
Republic of the Philippines (ROP)	—	—	—	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
				Non-interest bearing and to be settled on a quarterly basis until December 2024
Filinvest REIT Corp. (FILRT)	Sale of lot	(330,875)	352,389	
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
Cotabato Sugar Central Company, Inc. (CSCC)	Purchases Share in expenses	295	301
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	-
Property Maximizer Professional Corp. (Promax)	Commission	(705)	(889)
Duawon Seascapes Resort, Inc. (DSRI)	Rental income	332	-
Filinvest Alabang, Inc. (FAI)	Share in expenses Purchase of shares Share in expenses Rental expense Bank loan	(11,013)	(13,828)
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	₱732,967		(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)
	(₱2,848,073)	(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 Net Income Attributable to Equity Holders 8,947,468 Divide by: Weighted Average Number of Outstanding Shares 8,648,463 EPS 1.03	1.03	0.65
Price Earnings Ratio	Closing Price divided by EPS Closing Price ⁽¹⁾ 5.35 Divide by: EPS 1.03 Price Earnings Ratio 5.19	5.19	9.83
Return on Revenues	Net Income divided by Total Revenues and Other Income Net Income 12,136,810 Divide by: Total Revenues and Other Income 92,841,541 Return on Revenues 0.13	13%	12%
Return on Equity (ROE) (average)	Net Income divided by Average Equity Net Income 12,136,810 Divide by: Average Equity 171,681,959 ROE 0.07	7%	5%
Long-term and Short-Term Debt to Equity Ratio	Long-term and Short-Term Debt divided by Total Stockholders' Equity Long-term and Short-Term Debt 132,371,944 Divide by: Total Stockholders' Equity 177,691,875 Long-term and Short-Term Debt to Equity Ratio 0.74	0.74	0.83
Total Liabilities to Equity Ratio	Total Liabilities divided by Total Stockholders' Equity Total Liabilities ⁽²⁾ 193,848,908 Divide by: Total Stockholders' Equity 177,691,875 Total Liabilities to Equity Ratio 1.09	1.09	1.16

(Forward)

Ratio	Formula	2023	2022
Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) to Total Interest Expense	EBITDA divided by Total Interest Expense EBITDA 25,870,768 Divide by: Total Interest Expense ⁽³⁾ 5,165,195 EBITDA to Total Interest Expense 5.01	5.01	4.42
Current Ratio	a. Including EW 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 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	0.80 2.70	0.71 2.18
Quick Ratio - Excluding EW	Current Asset less Inventories divided by Current Liabilities 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	1.17	0.65
Asset to Equity Ratio	Total Assets divided by Total Equity Total Assets 734,934,033 Divide by: Total Equity 177,691,875 Solvency Ratio 4.14	4.14	4.15

(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



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

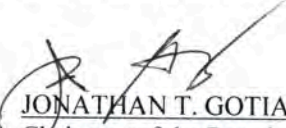
The management of **FILINVEST DEVELOPMENT CORPORATION** (the Company) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2023, 2022 and 2021, in accordance with the prescribed financial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

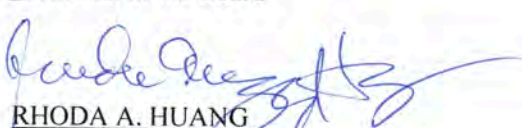
In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the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

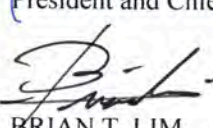
The Board of Directors is responsible for overseeing the Company's financial reporting process.

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. SEVILLA
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



SECURITIES AND EXCHANGE COMMISSION

THE SEC HEADQUARTERS 7907 Makati Avenue, Salcedo Village, Bel-Air, Makati City
1209 Trunk Line No: 02-5322-7696 Email Us: www.sec.gov.ph messages@sec.gov.ph



The following document has been received:

Receiving: John Denver De Guzman

Receipt Date and Time: April 05, 2024 02:09:33 PM

Company Information

SEC Registration No.: 0000051048

Company Name: FILINVEST DEV. CORP.

Industry Classification: K70120

Company Type: Stock Corporation

Document Information

Document ID: OST10405202482178123

Document Type: Financial Statement

Document Code: FS

Period Covered: December 31, 2023

Submission Type: Parent

Remarks: None

Acceptance of this document is subject to review of forms and contents

Jake Isaac S. Enriquez

From: Investor Relations
Sent: Wednesday, March 27, 2024 9:05 AM
To: Joseph Renzo D. Zapanta; Jake Isaac S. Enriquez
Cc: Brian T. Lim; Rens V. Cruz II
Subject: FW: [EXT] Your BIR AFS eSubmission uploads were received

FYI

From: eafs@bir.gov.ph <eafs@bir.gov.ph>
Sent: Wednesday, March 27, 2024 5:22 AM
To: Investor Relations <ir@filinvestgroup.com>
Cc: Edilleen Asuncion_Resigned 01/15/2024 <edilleen.asuncion@filinvestgroup.com>
Subject: [EXT] Your BIR AFS eSubmission uploads were received

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Transaction Code: **AFS-0-T41RXX0BKHA9ELKMOV44NYMW0ADLG7HA**
Submission Date/Time: **Mar 27, 2024 05:22 AM**
Company TIN: **000-053-167**

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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

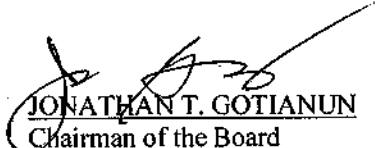
The management of **FILINVEST DEVELOPMENT CORPORATION** (the Company) is responsible for the preparation and fair presentation of the parent company financial statements including the schedules attached therein, for the years ended December 31, 2023 and 2022, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of parent company financial statements that are free from material misstatement, whether due to fraud or error.

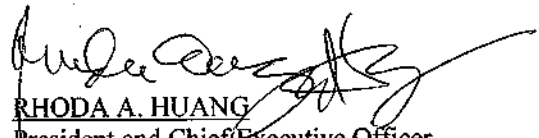
In preparing the parent company financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate 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 parent company 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 parent company 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
affiant exhibiting to me his/her

Signed this 26th day of March, 2024. as competent evidence of identity

Doc. No. 483
Page No. 98
Book No. 12

JOVEN G. SALLANO
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
MAR 26 2024
MANDALUYONG

C O V E R S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

5	1	0	4	8					

COMPANY NAME

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

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

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

Form Type

A	A	F	S

Department requiring the report

S	E	C	

Secondary License Type, If Applicable

N	A		

C O M P A N Y I N F O R M A T I O N

Company's Email Address

www.filinvestgroup.com

Company's Telephone Number

7798-3959

Mobile Number

NONE

No. of Stockholders

3,998

Annual Meeting (Month / Day)

Last Friday of April

Fiscal Year (Month / Day)

12/31

C O N T A C T P E R S O N I N F O R M A T I O N

The designated contact person MUST be an Officer of the Corporation

Name of Contact Person

Mr. Brian T. Lim

Email Address

Brian.lim@filinvestgroup.com

Telephone Number/s

7798-3977

Mobile Number

N/A

C O N T A C T P E R S O N ' S A D D R E S S

**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.



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 Parent Company Financial Statements

Opinion

We have audited the accompanying parent company financial statements of Filinvest Development Corporation (the Parent Company), which comprise the parent company statements of financial position as at December 31, 2023 and 2022, and the parent company statements of income, parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years ended December 31, 2023 and 2022, and notes to the parent company financial statements, including material accounting policy information.

In our opinion, the accompanying parent company financial statements as at December 31, 2023 and 2022, and for the years then ended 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 parent company financial statements.

Emphasis of Matter

We draw attention to Note 2 to the financial statements, which indicates that the parent company 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 on the 2023 and 2022 parent company financial statements are discussed in detail in Note 2. Our opinion is not modified in respect of this matter.

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 Parent Company Financial Statements* section of our report. We are independent of the Parent Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Responsibilities of Management and Those Charged with Governance for the Parent Company Financial Statements

Management is responsible for the preparation of these parent company 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 parent company financial statements, and for such internal control as management determines is necessary to enable the preparation of parent company financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company financial statements.

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

- Identify and assess the risks of material misstatement of the parent company 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 Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



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

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.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

The supplementary information required under Revenue Regulations 15-2010 for purposes of filing with the Bureau of Internal Revenue is presented by the management of Filinvest Development Corporation in a separate schedule. Revenue Regulations 15-2010 requires the information to be presented in the notes to parent company financial statements. Such information is not a required part of the basic financial statements. The information is also not required by Revised Securities Regulation Code Rule 68. Our opinion on the basic financial statements is not affected by the presentation of the information in a separate schedule.

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
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands of Pesos)

	December 31	
	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 16)	₱4,357,118	₱5,317,226
Contracts and other receivables (Notes 5 and 17)	45,444	23,256
Due from related parties (Note 16)	908,702	2,040,610
Real estate inventories (Note 6)	92,761	93,362
Other current assets (Note 7)	232	6,525
Total Current Assets	5,404,257	7,480,979
Noncurrent Assets		
Financial assets at fair value through other comprehensive income (FVOCI) (Notes 8 and 23)	321,516	244,916
Investments in shares of stock (Note 9)	59,453,065	57,962,706
Investment properties (Note 10)	2,188,410	2,211,548
Property and equipment (Note 11)	3,903	1,625
Right-of-use assets (Note 26)	24,648	29,577
Deferred tax assets - net (Note 22)	33,088	23,161
Other noncurrent assets (Notes 12 and 16)	517,856	577,254
Total Noncurrent Assets	62,542,486	61,050,787
Total assets	₱67,946,743	₱68,531,766
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other liabilities - current portion (Note 13)	₱722,533	₱1,627,445
Contract liabilities (Note 17)	10,757	10,757
Due to related parties (Note 16)	722	161
Long-term debt	9,411,277	–
Lease liabilities - current portion (Note 26)	4,956	7,151
Total Current Liabilities	10,150,245	1,645,514
Noncurrent Liabilities		
Accounts payable and other liabilities - net of current portion (Note 13)	521,428	592,643
Deferred income (Note 16)	436,457	484,995
Retirement liabilities - net (Note 21)	33,088	235,418
Long-term debt (Notes 14, 16 and 23)	23,117,106	32,489,483
Lease liabilities - net of current portion (Note 26)	28,815	30,838
Total Noncurrent Liabilities	24,136,894	33,833,377
Total Liabilities	34,287,139	35,478,891

(Forward)



	December 31	
	2023	2022
EQUITY		
Common stock (Note 15)	₱9,319,872	₱9,319,872
Additional paid-in capital (Note 15)	11,900,015	11,900,015
Treasury shares (Note 15)	(3,614,474)	(3,614,474)
Retained earnings (Note 15)	15,788,127	15,257,700
Revaluation reserve on financial assets at FVOCI (Note 8)	286,376	209,776
Remeasurement losses on retirement plan - net of tax (Notes 21 and 22)	(20,312)	(20,014)
Total Equity	33,659,604	33,052,875
	₱67,946,743	₱68,531,766

See accompanying Notes to Parent Company Financial Statements.



FILINVEST DEVELOPMENT CORPORATION
PARENT COMPANY STATEMENTS OF INCOME
(Amounts in Thousands of Pesos)

	Years Ended December 31	
	2023	2022
REVENUES		
Dividends (Notes 9, 16 and 20)	₱2,769,664	₱1,571,962
Rental services (Note 10)	55,662	78,822
Management fee	8,905	–
Sugar sales (Notes 16 and 17)	–	274,496
	2,834,231	1,925,280
OTHER INCOME		
Interest income (Notes 4, 5 and 16)	161,475	96,822
Net foreign currency exchange gain	2,261	125,208
Gain on sale of investment property (Notes 10 and 16)	–	512,260
Miscellaneous income	152,352	9,743
	316,088	744,033
Total Revenues and Other Income	3,150,319	2,669,313
COSTS		
Management services (Note 16)	182,932	105,894
Rental services (Note 10)	31,151	31,151
Sugar sales (Note 16)	–	266,721
	214,083	403,766
OPERATING EXPENSES		
General and administrative (Note 18)	252,476	336,343
Selling and marketing (Notes 16 and 19)	27,031	17,836
	279,507	354,179
OTHER EXPENSES		
Interest expense (Notes 14 and 16)	1,530,405	1,574,527
Amortization of Financing charged	39,382	37,238
	1,569,787	1,611,765
Total Costs and Expenses	2,063,377	2,369,710
INCOME BEFORE INCOME TAX	1,086,942	299,603
PROVISION FOR (BENEFIT FROM)		
INCOME TAX (Note 22)	(8,576)	7,799
NET INCOME	₱1,095,518	₱291,804

See accompanying Notes to Parent Company Financial Statements.



FILINVEST DEVELOPMENT CORPORATION**PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME****(Amounts in Thousands of Pesos)**

	Years Ended December 31	
	2023	2022
NET INCOME	₱1,095,518	₱291,804
OTHER COMPREHENSIVE INCOME		
<i>Other comprehensive income not to be reclassified to profit or loss</i>		
Unrealized gain on financial assets at fair value through other comprehensive income (Note 8)	76,600	46,250
Remeasurement loss on retirement plan - net of tax (Notes 21 and 22)	(298)	14,957
	76,302	61,207
TOTAL COMPREHENSIVE INCOME	₱1,171,820	₱353,011

See accompanying Notes to Parent Company Financial Statements.

FILINVEST DEVELOPMENT CORPORATION
PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY
(Amounts in Thousands of Pesos)

	Common Stock (Note 15)	Additional Paid-in Capital (Note 15)	Treasury Shares (Note 15)	Retained Earnings (Note 15)	Revaluation Reserve on Financial Assets at Fair Value Through Other Comprehensive Income (Note 8)	Remeasurements Losses on Retirement Plans - Net of Tax (Notes 21 and 22)	Total
For the Year Ended December 31, 2023							
Balances as of January 1, 2023	₱9,319,872	₱11,900,015	(₱3,614,474)	₱15,257,700	₱209,776	(₱20,014)	₱33,052,875
Net income	–	–	–	1,095,518	–	–	1,095,518
Other comprehensive income (Note 8)	–	–	–	–	76,600	(298)	76,302
Total comprehensive income	–	–	–	1,095,518	76,600	(298)	1,171,820
Dividends declared (Note 15)	–	–	–	(565,091)	–	–	(565,091)
Balances as of December 31, 2023	₱9,319,872	₱11,900,015	(₱3,614,474)	₱15,788,127	₱286,376	(₱20,312)	₱33,659,604
For the Year Ended December 31, 2022							
Balances as of January 1, 2022	₱9,319,872	₱11,900,015	(₱3,614,474)	₱15,572,499	₱163,526	(₱34,971)	₱33,306,467
Net income	–	–	–	291,804	–	–	291,804
Other comprehensive income (loss) (Note 8)	–	–	–	–	46,250	14,957	61,207
Total comprehensive income	–	–	–	291,804	46,250	14,957	353,011
Dividends declared (Note 15)	–	–	–	(606,603)	–	–	(606,603)
Balances as of December 31, 2022	₱9,319,872	₱11,900,015	(₱3,614,474)	₱15,257,700	₱209,776	(₱20,014)	₱33,052,875

See accompanying Notes to Parent Company Financial Statements.


FILINVEST DEVELOPMENT CORPORATION
PARENT COMPANY STATEMENTS OF CASH FLOWS
(Amounts in Thousands of Pesos)

	Years Ended December 31	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱1,086,942	₱299,603
Adjustments for:		
Interest expense (Notes 14 and 16)S	1,569,306	1,574,527
Provision (reversal) for probable losses (Notes 18 and 25)	(138,068)	163,191
Depreciation and amortization (Notes 10, 11, 18 and 26)	36,802	36,534
Provision for retirement costs (Notes 18 and 21)	29,617	25,632
Dividend income (Note 20)	(2,769,664)	(1,571,962)
Gain on sale of investment property (Notes 10 and 16)	–	(512,260)
Net foreign currency exchange gain	(2,261)	(125,208)
Interest income (Notes 4, 5 and 16)	(161,475)	(96,822)
Operating loss before changes in operating assets and liabilities	(348,801)	(206,765)
Changes in operating assets and liabilities		
Decrease (increase) in:		
Contracts and other receivables	(22,188)	229,677
Real estate inventories	601	651
Other current assets	6,293	432,303
Increase (decrease) in:		
Contract liabilities	–	(23,136)
Accounts payable and other liabilities	(848,542)	261,572
Net cash provided by (used in) operations	(1,212,637)	694,302
Income taxes paid, including creditable withholding taxes	(1,251)	(6,242)
Net cash provided by (used in) operating activities	(1,213,888)	688,060
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Investments in subsidiaries (Note 9)	(1,480,359)	(1,400,547)
Investment properties and property and equipment	(11,013)	(382,254)
Contribution to plan asset	(232,345)	(25,000)
Decrease (increase) in due from related parties	1,131,908	(83,110)
Decrease (increase) in noncurrent assets	59,398	(478,603)
Receipts of:		
Proceeds from sale of investment property	–	314,129
Dividends	2,769,664	1,571,962
Interests	161,475	96,822
Net cash provided by (used in) investing activities	2,398,728	(386,601)

(Forward)



	Years Ended December 31	
	2023	2022
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Interest	(₱1,575,528)	(₱1,635,665)
Dividends (Note 15)	(565,091)	(606,603)
Lease liabilities (Note 26)	(7,151)	(6,810)
Increase (decrease) in due to related parties	561	(67,648)
Net cash used in financing activities	(2,147,209)	(2,316,726)
EFFECT OF FOREIGN CURRENCY RATE CHANGES		
IN CASH AND CASH EQUIVALENTS	2,261	125,208
NET DECREASE IN CASH AND CASH EQUIVALENTS	(960,108)	(1,890,059)
CASH AND CASH EQUIVALENTS		
AT BEGINNING OF YEAR	5,317,226	7,207,285
CASH AND CASH EQUIVALENTS		
AT END OF YEAR (Note 4)	₱4,357,118	₱5,317,226

See accompanying Notes to Parent Company Financial Statements.



FILINVEST DEVELOPMENT CORPORATION

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Corporate Information and Approval of the Parent Company 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 is the holding company of the Filinvest Group, which is engaged in real estate operations as a developer of residential subdivisions and mixed-use urban projects, including condominium and 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 and sugar farming and milling business.

A.L. Gotianun, Inc. (ALGI) is FDC'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.

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% (see Note 9).

On August 9, 2023, ProActive Professionals Corp. (ProActive) was incorporated in the Philippines to handle the business process outsourcing services of the Filinvest Group. The Parent Company subscribed for 40.0% of Pro-Active's capital stock amounting to ₱10.0 million (see Note 9).

In 2023, the Parent Company subscribe to additional shares of FDCWUI for a subscription price amounting to ₱80 million (see Note 9).

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 (see Note 9).

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 Filinvest Hospitality Corporation (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, 2023 (see Note 9).

Approval of the Parent Company Financial Statements

The parent company financial statements as of December 31, 2023 and 2022 were approved and authorized for issue by the Parent Company's Board of Directors (BOD) on March 26, 2024.



2. Summary of Material Accounting Policy Information

Basis of Preparation

The accompanying parent company financial statements have been prepared on a historical cost basis, except for financial assets at fair value through other comprehensive income (FVOCI) and derivative designated as cash flow hedge, that have been measured at fair value. The parent company financial statements are presented in Philippine Peso (₱), which is the Parent Company's functional currency, and all amounts are rounded to the nearest thousand except when otherwise indicated.

The parent company financial statements provide comparative information in respect of the previous period.

Statement of Compliance

The parent company financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS), as modified by the application of the financial reporting relief on the accounting for significant financing component and borrowing cost over time transfer of constructed goods, as issued and approved by the Securities and Exchange Commission (SEC) in response to the COVID-19 pandemic.

The Parent Company also prepares and issues consolidated financial statements for the same period as the parent company financial statements, presented in compliance with PFRS as modified by the application of reporting relief issued and approved by the SEC, available at the Parent Company's registered address.

The Parent Company's subsidiaries, FLI and FAI have availed of the relief granted by the SEC under Memorandum Circular (MC) No. 34-2020 which further extended the deferral of Philippine Interpretations Committee Question and Answer (PIC Q&A) 2018-12-D (assessment if the transaction price includes a significant financing component) and International Financial Reporting Interpretation Committee (IFRIC) Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, *Borrowing Cost*) until December 31, 2023.

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

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the Parent Company financial statements are consistent with those of the previous financial years, except for the adoption of the following amendments in PFRSs and PAS which became effective January 1, 2023. Unless otherwise indicated, adoption of these new standards did not have an impact on the parent company financial statements.

- 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.

As a result of the adoption, discussions about new standards and amendments adopted but without effect on the 2023 parent company 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 Parent Company 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.

Future Changes in Accounting Policies

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

Effective Beginning on or After January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*
- 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 FSRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

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

- 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*

Summary of Material Accounting Policies

The following accounting policies were applied in preparation of the parent company financial statements:

Current and Noncurrent Classification

The Parent Company presents assets and liabilities in the statement of financial position based on current and noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve (12) months after the reporting period; or
- Cash and cash equivalents, unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

All other liabilities are classified as noncurrent.



Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

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 the Parent Company.

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 Parent Company 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 parent company 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 parent company financial statements on a recurring basis, the Parent Company 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.

Financial Instruments - Initial Recognition and Subsequent Measurement

Date of Recognition

Financial assets and liabilities are recognized in the parent company financial statement when, and only when, the Parent Company becomes a party to the contractual provisions of the instrument.

Financial Assets - Initial Recognition and Measurement

Financial assets are classified, at initial recognition, as either subsequently measured at amortized cost, at FVOCI, or at fair value through profit or loss (FVPL).

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 Parent Company'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 Parent Company. Settlement date accounting refers to (a) the recognition of an asset on the day it is received by the Parent Company, 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 Parent Company. Securities transactions and related commission income and expense are recorded also on a settlement date basis.

Derivatives are recognized on trade date, i.e., the date that the Parent Company 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 parent company 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 Parent Company'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 parent company statement of income.

The Parent Company classified cash and cash equivalents, contracts and other receivables (excluding advances to officers and employees), due from related parties and refundable deposits under Other noncurrent assets as financial assets at amortized cost (see Notes 4, 5, 7, 12 and 16).

The Parent Company 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 Parent Company has not made such designation.



Financial Assets Designated at FVOCI (Equity Instruments)

At initial recognition, the Parent Company 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 arising from changes in fair value are recognized in other comprehensive income (OCI) and accumulated in Revaluation reserve on financial assets at FVOCI in the parent company statement of financial position. Where the asset is disposed of, the cumulative gain or loss previously recognized in Revaluation reserve on financial assets at FVOCI is not reclassified to profit or loss, but is reclassified to Retained earnings.

Dividends earned on holding these equity instruments are recognized in the parent company statement of income when the Parent Company's right to receive the dividends is established in accordance with PFRS 15, unless the dividends clearly represent recovery of a part of the cost of the investment.

Included under this category are the Parent Company's investments in quoted and unquoted equity securities (see Note 8).

Financial Assets at FVPL

As of December 31, 2023 and 2022, the Parent Company has no financial assets at FVPL.

Reclassification of Financial Assets

The Parent Company can reclassify financial assets if the objective of its business model for managing those financial assets changes. The Parent Company 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 Parent Company'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 Parent Company recognizes the difference between the transaction price and fair value (a ‘Day 1’ difference) in the parent company 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 parent company statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Parent Company 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

As of December 31, 2023 and 2022, the Parent Company has no financial liability at FVPL.

Financial Liabilities at Amortized Cost

Financial liabilities are measured at amortized cost using the EIR method, except for:

- a. financial liabilities at FVPL which are measured at fair value; and,
- b. financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.

Financial liabilities at amortized cost consist primarily of accounts payable and other liabilities (excluding payables to government), long-term debt, due to related parties and lease liabilities (see Notes 13, 14, 16, 23 and 26).

Impairment of Financial Assets and Contract Assets

The Parent Company recognizes expected credit losses (ECL) 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 Parent Company 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 Parent Company applies a simplified approach in calculating ECLs for financial assets at amortized costs. Therefore, the Parent Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Parent Company has established a provision matrix for other receivables and a vintage analysis for contracts receivables 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 Parent Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Parent Company may also consider a financial asset to be in default when internal or external information indicates that the Parent Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Parent Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.



Derecognition of Financial Assets and Financial Liabilities

Financial Assets

A financial asset is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Parent Company 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 Parent Company 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 Parent Company 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 Parent Company'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 Parent Company could be required to repay.

Financial Liabilities

A financial liability is derecognized when the obligation under the liability expires, is 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 parent company statement of income.

Offsetting Financial Instruments

Financial assets and financial liabilities are only offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and the Parent Company 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 parent company 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 held as real estate inventories and measured at the lower of cost or net realizable value (NRV).

Cost includes:

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

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



Investments in Subsidiaries

The Parent Company's investments in subsidiaries are accounted for under the cost method less accumulated provisions for impairment losses in the parent company financial statements. A subsidiary is an entity that is controlled by another entity. Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Parent Company controls an investee if and only if the Parent Company has: (a) power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee); (b) exposure, or rights, to variable returns from its involvement with the investee, and, (c) the ability to use its power over the investee to affect its returns.

The Parent Company's investments in subsidiaries (see Note 9) and the related effective percentages of ownership are as follows:

	Percentage of Ownership	
	2023	2022
FLI	65	65
FAI ⁽¹⁾	93	93
Mactan Seascapes Services, Inc. (MSSI)	100	100
Filinvest Hospitality Corporation (FHC)	100	100
East West Banking Corporation (EW) ⁽²⁾	78	78
FDC Ventures, Inc. (FVI)	100	100
FDC Utilities, Inc. (FDCUI)	100	100
FDC Misamis Power Corporation (FDC Misamis) ⁽³⁾	100	100
Pacific Sugar Holdings Corporation (PSHC)	100	100
Filinvest Mimosa, Inc. (FMI) ⁽⁴⁾	78	78
Corporate Technologies Incorporated (CTI) ⁽⁵⁾	87	87
Countrywide Water Services, Inc. (CWSI)	100	100
Filinvest Development Cayman Islands (FDCI)	100	100
f(dev) Digital Innovations and Ventures, Inc. (FDEV)	100	100
ShaePro, Inc. (SPI) ⁽⁶⁾	83	83
DPI ⁽⁷⁾	84	84
Pro-excel Property Managers, Inc. (Pro-excel) ⁽⁸⁾	84	74
FIPL ⁽⁹⁾	100	100
ProActive ⁽¹⁰⁾	84	—
Chroma Hospitality, Inc.(CHI) ⁽¹¹⁾	100	—

Notes:

1. The percentage ownership in FAI includes indirect ownership through FLI of 20.0%.
2. The percentage ownership in EW includes indirect ownership through FVI of 37.8%.
3. The percentage ownership in FDC Misamis includes indirect ownership through FDCUI of 85.7%.
4. The percentage ownership in FMI includes indirect ownership through FLI of 47.5%.
5. The percentage ownership in CTI includes indirect ownership through FLI and FAI of 30.0% each.
6. The percentage ownership in SPI included indirect relationship through FLI and FAI of 45.0% and 20.0% respectively, in 2021
7. The percentage ownership in DPI includes indirect ownership through FLI of 45.0%.
8. The percentage ownership in Pro-excel (see Note 1) includes indirect ownership through FLI and FAI of 47.5% each in 2022, and 32.9% and 67.1%, respectively in 2021.
9. FHC transferred 100% interest in FIPL in 2022 (see Note 1)
10. The percentage ownership in ProActive included indirect relationship through FLI and FAI of 26.0% and 18.0% respectively, in 2023.
11. On October 2, 2023, AIPL entered into a Deed of Assignment for its 40% ownership in CHI to FDC resulting to change in ownership interest of FDC to 100% and change in accounting treatment from investment in joint venture in 2022 to investment in subsidiary in 2023.



Investments in Joint Ventures

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

The Parent Company's investment in joint venture is accounted for using the cost method less accumulated provisions for impairment losses, if any. The Parent Company did not account for the investment in joint venture using the equity method because it availed of the exemption from using the equity method as allowed under the PAS 28, *Investments in Associates and Joint Venture*.

The Parent Company's investment in joint arrangements (see Note 9) includes:

	Percentage of Ownership	
	2023	2022
Filinvest-Hitachi Omni Waterworks, Inc. (FLOW)	60	60
Professional Operations and Maintenance Experts Incorporated (PROMEI)	47.5	47.5
Chroma Hospitality, Inc.(CHI)*	—	60

*On October 2, 2023, AIPL entered into a Deed of Assignment for its 40% ownership in CHI to FDC resulting to change in ownership interest of FDC to 100% and change in accounting treatment from investment in joint venture in 2022 to investment in subsidiary in 2023.

Investment in Associate

An associate is an entity over which the Parent Company 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 Parent Company's investment in an associate is accounted for using the cost method less accumulated provisions for impairment losses, if any. The Parent Company did not account for the investment in associate using the equity method because it availed of the exemption from using the equity method as allowed under the PAS 28, *Investments in Associates and Joint Venture*.

Upon loss of significant influence over the associate, the Parent Company 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.

The Parent Company's investment in associate pertains to its 42.5% equity interest in Luzon International Premiere Airport Development Corp. (LIPAD) as of December 31, 2023 and 2022 (see Note 9).

Investment Properties

Investment properties are held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business. The initial cost of investment properties consists of any directly attributable costs of bringing the investment properties to its intended location and working condition.

Investment properties consist of land, buildings and building improvements, furniture, fixtures and other equipment which are part of the building held to earn rentals. Land is carried at cost less any impairment. Buildings and building improvements, furniture, fixtures and other equipment are carried at cost less accumulated depreciation and any impairment in value.



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

	Years
Buildings and building improvements	40
Furniture, fixtures and office equipment	10

Investment properties are derecognized when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment properties are recognized in the parent company statement of income in the year of retirement or disposal.

Transfers are made to investment properties 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 properties when there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. Transfers between investment properties, 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 and Equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to income in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

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

	Years
Transportation equipment	5
Furniture, fixtures and office equipment	5

The useful life and depreciation method are reviewed to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. When items of property and equipment are sold or retired, the cost and accumulated depreciation and any impairment in value are eliminated from the accounts and any gain or loss resulting from the disposal is included in the parent company statement of income.



Impairment of Nonfinancial Assets

The carrying values of investment in subsidiaries, joint ventures and associate, investment properties, and property and equipment, ROU asset 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 costs to sell 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 cash-generating unit to which the asset belongs. Impairment losses are recognized in the parent company statement of income.

A previously recognized impairment loss is reversed by a credit to current operations to the extent that it does not restate to a carrying amount in excess of what would have been determined (net of any accumulated depreciation) had no impairment loss been recognized for the asset in prior years.

Value-added Tax (VAT)

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the parent company statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the statement of financial position to the extent of the recoverable amount.

The net amount of VAT payable to the taxation authority is included as part of Accounts payable and other liabilities, in the parent company statement of financial position.

Deferred Income

Deferred income pertains to deferred charges to subsidiaries pertaining to capitalized borrowing costs. The interest is being amortized over the life of related property.

Equity

Capital Stock

The Parent Company records common and preferred stocks at par value and additional paid-in capital (APIC) as the excess of the total contributions received over the aggregate par values of the equity shares.

The Parent Company considers the underlying substance and economic reality of its own equity instrument and not merely its legal form in determining its proper classification. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from APIC. In absence of APIC, such direct costs are treated as deduction from retained earnings in the parent company statements of financial position.

Retained Earnings

Retained earnings represents accumulated earnings of the Parent Company, and any other adjustments arising from application of new accounting standards, policies or corrections of errors applied retrospectively, less dividends declared.



Treasury Shares

Reacquired own equity instruments are carried at cost and are deducted from equity.

No gain or loss is recognized in parent company statement of income on the purchase, sale, issue or cancellation of the Parent Company'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 debited 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

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 Parent Company expects to be entitled to in exchange for those goods or services. The Parent Company 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:

Sale of Condominium Units

- *Revenue from Sale of Condominium Units*

The Parent Company derives its real estate revenue from sale of condominium units. Revenue from sales of fully completed real estate projects where collectability of sales price is reasonably assured is accounted for using the full accrual method.

- *Cost of Sale of Condominium Units*

The Parent Company recognizes costs relating to satisfied performance obligations as these are incurred. 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 Parent Company 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.

Sugar Sales

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

Contract Balances

Receivables

A receivable represents the Parent Company'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 Parent Company 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 Parent Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Parent Company 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 Parent Company performs under the contract.

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

Costs to Obtain Contract (Commission Expenses)

The Parent Company pays sales commission to brokers for each contract that they obtain for selling and marketing services. The Parent Company has elected to apply the optional practical expedient for costs to obtain a contract which allows the Parent Company to immediately expense sales commissions (included under Selling and marketing expenses in the parent company statement of income) because the amortization period of the asset that the Parent Company otherwise would have used is one (1) year or less.

Other Revenue and Income Recognition

Dividend Income

Dividend income is recognized when the Parent Company's right to receive payment is established.

Rental Services

Rent income from investment properties is recognized in the parent company's statements of income 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.

Management and Service Fees

Income from administrative functions and other services is recognized upon rendition of the service.

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.

Interest Income

Interest income is recognized as the interest accrues taking into account the effective yield on the underlying assets.

Cost and Expense Recognition

Cost and expenses are recognized in the parent company 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 parent company 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 parent company statement of financial position as an asset.

Retirement Costs

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

The cost of providing benefits under the defined benefit plan is actuarially determined using the projected unit credit method.

Defined benefit costs comprise 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. These amounts are calculated periodically by an independent qualified actuary.

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 profit or loss.

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 other comprehensive income 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 another equity account in subsequent periods.

Plan asset is an asset held by a long-term employee benefit fund or qualifying insurance policies. Plan asset is not available to the creditors of the Parent Company, nor can they be paid directly to the Parent Company. Fair value of plan asset is based on market price information. When no market price is available, the fair value of plan asset 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 Parent Company's right to be reimbursed of some or all of the expenditure required to settle a DBO 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 Parent Company 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.

Parent Company as a Lessee

The Parent Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Parent Company recognizes lease liabilities to make lease payments and right-of-use (ROU) assets representing the right to use the underlying assets.

ROU Assets

The Parent Company 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. Unless the Parent Company 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. The useful life for the building recognized as ROU asset is 10 years.

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 Parent Company 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 Parent Company and payments of penalties for terminating a lease, if the lease term reflects the Parent Company 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 Parent Company 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

The Parent Company applies the short-term lease recognition exemption to its short-term leases of office spaces (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). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Parent Company as a Lessor

Leases where the Parent Company 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.

Borrowing Costs

Borrowing costs 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 costs included under Real estate inventories, Land and land development and Investment Properties account in the parent company 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 that are not eligible for capitalization are expensed as incurred.

Income Taxes

Current Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.



Deferred Tax

Deferred 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 tax liabilities are recognized for all taxable temporary differences with certain exceptions. Deferred 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 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 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 tax assets to be utilized. Unrecognized deferred 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 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.

Deferred income tax that relates to items that are recognized (a) in other comprehensive income shall be recognized in other comprehensive income and (b) directly in equity shall be recognized directly in equity account.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Foreign Currency Exchange Transactions and Translations

The functional and presentation currency of the Parent Company is the Philippine Peso. Transactions denominated in foreign currencies are recorded in Philippine Peso based on the exchange rates prevailing at the transaction dates. Foreign currency denominated monetary assets and liabilities are translated to Philippine Peso at exchange rates prevailing at the reporting date.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Provisions

A provision is recognized only when the Parent Company 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 on 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.



Contingencies

Contingent liabilities are not recognized in the parent company financial statements. They are disclosed in the parent company financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the parent company financial statements but are disclosed in the parent company financial statements when an inflow of economic benefits is probable.

Segment Reporting

The Parent Company's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 27 to the parent company financial statements.

Events After the Reporting Date

Post year-end events that provide additional information about the Parent Company's position at the reporting date (adjusting events) are reflected in the parent company financial statements. Post year-end events that are not adjusting events are disclosed in the notes to parent company financial statements when material.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of parent company financial statements in conformity with PFRS requires the Parent Company to make judgments, estimates and assumptions that affect the amounts reported in the parent company financial statements and accompanying notes. Future events may occur which will cause the judgments and assumptions used in the estimates to change.

The effects of any change in judgments and estimates are reflected in the parent company financial statements as they become reasonably determinable. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be determinable under the circumstances.

Judgments

In the process of applying the Parent Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the parent company financial statements:

a. Real Estate Revenue Recognition - Existence of a Contract

The Parent Company's primary document for a contract with a customer is a signed contract to sell and deed of absolute sale.

In addition, part of the assessment process of the Parent Company before revenue recognition is to assess the probability that the Parent Company 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 historical experience with customers, and pricing of the property. Management regularly evaluates the historical cancellations, after considering the impact of coronavirus pandemic, if it would still support its current threshold of customers' equity before commencing revenue recognition.



b. Evaluation of Impairment of Investments in Shares of Stock and Investment Properties

The Parent Company assesses impairment on investment in subsidiaries, joint ventures, associate and investment properties whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Parent Company considers important which could trigger an impairment review include (a) significant underperformance relative to expected historical or projected future operating results; (b) significant changes in the manner of use of the acquired assets or the strategy for overall business; (c) significant decline in assets' market value, obsolescence or physical damage of an asset, plans in discontinuing the real estate projects; and (d) significant negative industry or economic trends.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and VIU. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction while the VIU is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit in which the asset belongs.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Parent Company is required to make estimates and assumptions that may materially affect the recoverable amount of the assets.

As of December 31, 2023 and 2022, the Parent Company assessed that there are no impairment indicators on its investments in shares of stock and investment properties.

No impairment loss was recognized in 2023 and 2022.

c. Contingencies and Provisions

The Parent Company currently is involved in various legal actions, claims and contingencies incident to its ordinary course of business. The information required by PAS 37 may prejudice the outcome of the proceedings.

The management believes that the potential financial impact will not materially affect the parent company financial statements.

d. 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 Parent Company has assessed whether it has any uncertain tax position. The Parent Company applies significant judgement in identifying uncertainties over its income tax treatments. The Parent Company determined, based on its tax compliance review, in consultation with its tax counsel, that it is probable that its uncertain income tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities.

Management's Use of Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:



a. *Evaluation of Impairment of Contracts Receivables and Contract Assets*

The Parent Company uses the vintage analysis to calculate ECLs for contracts receivables and contract assets and a provision matrix for due from related parties. The loss rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The vintage analysis (the model) is initially based on the Parent Company's historical observed default rates. The Parent Company will calibrate the model to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (e.g., gross domestic product, inflation) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions (e.g., gross domestic product and inflation rate) and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Parent Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

On the other hand, the provision matrix is initially based on the Parent Company's historical observed default rates. The Parent Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information such as gross domestic product and consumer confidence. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

As of December 31, 2023 and 2022, the carrying values of contracts receivables amounted to ₱4.3 million and ₱4.6 million, respectively and due from related parties amounted to ₱908.7 million and ₱2,040.6 million, respectively (see Notes 5 and 16).

b. *Fair Value of Financial Assets and Financial Liabilities*

PFRS requires certain financial assets and financial liabilities to be carried at fair value, which requires the use of extensive accounting estimates and judgments. While significant components of fair value measurement were determined using verifiable objective evidence (i.e. foreign exchange rates, interest rate and volatility rates), the amount of changes in fair value would differ due to usage of different valuation methodology. Any changes in fair value of these financial assets and financial liabilities would affect directly the parent company statement of income and other comprehensive income, or the disclosed fair value. See Note 23 for the related fair values of the Parent Company's financial assets and financial liabilities.

c. *Estimating NRV of Real Estate Inventories*

The Parent Company adjusts the cost of its real estate inventories to NRV based on its assessment of the recoverability of the inventories. In determining the recoverability of the inventories, management considers whether those inventories are damaged 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. Recent market conditions and current market prices have been considered in evaluating NRV.

As of December 31, 2023 and 2022, real estate inventories amounted to ₱92.8 million and ₱93.4 million, respectively (see Note 6).



d. *Recognition of Deferred Taxes*

The Parent Company reviews the carrying amounts of deferred tax assets at each reporting date and reduces to the extent that is no longer probable that sufficient income will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Parent Company will generate sufficient taxable profit to allow all or part of the deferred income tax assets to be utilized.

As of December 31, 2023 and 2022, the Parent Company's gross deferred tax assets amounted to ₱74.4million and ₱75.9 million, respectively (see Note 22).

The tax effect of carryforward benefits of NOLCO, MCIT and provision for probable losses for which no deferred tax assets were recognized amounted to ₱1,142.3 million and ₱1,147.4 million as of December 31, 2023 and 2022, respectively (see Note 22).

e. *Estimation of Retirement Liabilities*

The determination of the Parent Company's obligation and cost for retirement is dependent on selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 21 and include among others, discount rates, expected returns on plan assets and rates of salary increase. While the Parent Company believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions materially affect retirement liabilities.

Net retirement liabilities amounted to ₱33.1 million and ₱235.4 million as of December 31, 2023 and 2022, respectively (see Note 21).

4. Cash and Cash Equivalents

This account consists of:

	2023	2022
	<i>(In Thousands)</i>	
Cash on hand	₱72	₱60
Cash in banks	174,264	357,323
Cash equivalents	4,182,782	4,959,843
	₱4,357,118	₱5,317,226

Cash in banks earn interest at the respective bank deposit rates ranging from 0.05% to 5.8%. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from dates of placement, subject to an insignificant risk of change in value and earn interest at the respective short-term deposit rates.

Interest earned from the Parent Company's cash and cash equivalents amounted ₱129.2 million and ₱76.3 million in 2023 and 2022, respectively.



5. Contracts and Other Receivables

This account consists of:

	2023	2022
	<i>(In Thousands)</i>	
Rent receivables (Notes 16 and 23)	₱32,502	₱8,729
Contracts receivables (Notes 17 and 23)	4,333	4,637
Advances to officers and employees	1,784	1,165
Others	6,825	8,725
	₱45,444	₱23,256

Rent receivable pertains to the rental collectible from lessees resulting from accrual and straight-line amortization of rental income.

Contracts receivables are collectible within 1 year. Interest income recognized on contracts receivables amounted to nil in 2023 and ₱3.0 million in 2022.

These receivables arising from real estate sales are collateralized by the corresponding real estate properties sold.

Advances to officers and employees pertain to advances for expenses and disbursements necessary in carrying out their functions in the ordinary course of business such as for selling and marketing activities. These are liquidated or charged against officers' and employees' monthly salaries.

Others include accrued interest receivable, receivables from brokers and various advances.

6. Real Estate Inventories

Real estate inventories pertain to costs incurred in the development of the Parent Company's Beaufort Project located in Bonifacio Global City in which the Parent Company has been granted License to Sell by Housing Land Use Regulatory Board of the Philippines. These include acquisition cost of land, construction and development cost and other costs directly attributable to bring the real estate inventories to their intended condition. The Parent Company has completed the development of Beaufort Project in 2015.

A summary of the movement in real estate inventories is set out below:

	2023	2022
	<i>(In Thousands)</i>	
Balances at beginning of year	₱93,362	₱94,013
Cost of real estate sold	—	—
Project cost adjustment	(601)	(651)
Balances at end of year	₱92,761	₱93,362

Cost of real estate sales include construction and development cost in respect of real estate sales recognized and are recorded in parent company statement of income in the period incurred.

The real estate inventories are carried at cost. There are no inventories with NRV below cost as of December 31, 2023 and 2022.



7. Other Current Assets

This account consists of:

	2023	2022
	<i>(In Thousands)</i>	
Creditable withholding taxes	₱509,459	₱500,111
Prepaid expenses	232	283
	509,691	500,394
Less: noncurrent portion (see Note 12)	509,459	493,869
	₱232	₱6,525

Creditable withholding taxes are taxes withheld by the withholding agents from payments to the Parent Company which are creditable against the income tax payable.

8. Financial Assets at FVOCI

Financial assets at FVOCI are as follows:

	2023	2022
	<i>(In Thousands)</i>	
Quoted:		
Investments in club shares	₱301,000	₱224,400
Investments in shares of stock	368	368
	301,368	224,768
Unquoted:		
Investment in shares of stock	20,148	20,148
	₱321,516	₱244,916

Investments in quoted shares include shares of clubs wherein the Parent Company does not exercise control or demonstrate significant influence.

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

	2023	2022
	<i>(In Thousands)</i>	
Balances at beginning of year	₱209,776	₱163,526
Changes in fair value of financial assets at FVOCI	76,600	46,250
Balances at end of year	₱286,376	₱209,776

The rollforward of financial assets at FVOCI as of December 31, 2023 and 2022 are as follow:

	2023	2022
	<i>(In Thousands)</i>	
Balances at beginning of year	₱244,916	₱198,666
Changes in fair value of financial assets at FVOCI	76,600	46,250
Balances at end of year	₱321,516	₱244,916



9. Investments in Shares of Stock

The rollforward analysis of this account follows:

	2023	2022
	<i>(In Thousands)</i>	
<i>Investments in Subsidiaries</i>		
FLI		
Common	₱15,567,174	₱15,567,174
Preferred	80,000	80,000
Balances at beginning and end of year	15,647,174	15,647,174
FVI		
Common	1,557,661	1,557,661
Preferred	5,150,207	5,150,207
Balances at beginning and end of year	6,707,868	6,707,868
FDC Misamis		
Preferred	5,250,000	5,250,000
Balances at beginning and end of year	5,250,000	5,250,000
FDCI		
Common		
Balances at beginning of year	4,110,932	3,783,206
Additions (a)	334,740	327,726
Balances at end of year	4,445,672	4,110,932
FHC		
Common		
Balances at beginning of year	379,000	379,000
Preferred		
Balances at beginning of year	3,580,630	2,740,630
Additions	902,314	840,000
Redemption	(2,314)	—
Balances at end of year	4,859,630	3,959,630
FDEV		
Common		
Balances at beginning of year	354,050	125,000
Addition (c)	98,850	229,050
Balances at end of year	452,900	354,050
SPI		
Common	8,750	8,750
Balances at beginning and end of year	8,750	8,750
CWSI		
Common		
Balances at beginning of year	162,944	162,944
Addition (d)	15,000	—
Balances at end of year	177,944	162,944
CTI		
Common	67,900	67,900
Balances at beginning and end of year	67,900	67,900

(Forward)



	2023	2022
	<i>(In Thousands)</i>	
Pro-excel Common		
Balances at beginning of year	₱3,767	₱–
Additions (see Note 1)	–	3,767
Balances at end of year	3,767	3,767
EW	7,715,582	7,715,582
PSHC	7,254,000	7,254,000
FAI	3,200,000	3,200,000
FDCUI	2,246,301	2,246,301
MSSI	495,000	495,000
DPI	110,000	110,000
FDCWUI (e) (Note 1)	80,000	–
CHI (f) (Note 1)	53,571	–
FMI	39,339	39,339
FIPL (Note 1)	4	4
	58,815,402	57,333,241
<i>Investments in Joint Ventures</i>		
FLOW	20,625	20,625
PROMEI	12,038	12,038
CHI	–	1,802
	32,663	34,465
<i>Investment in an Associate</i>		
LIPAD	595,000	595,000
ProActive (g)	10,000	–
	605,000	595,000
	₱59,453,065	₱57,962,706

Investments in Subsidiaries

- (a) In 2023, the Parent Company subscribed to additional 6.0 million additional shares of FDCI for a subscription price amounting to (US\$6.0 million) ₱334.7 million. The Parent Company had paid the subscribed shares.

In 2022, the Parent Company subscribed to additional 327.7 million shares of FDCI for a subscription price amounting to ₱327.7 million. The Parent Company had paid the subscribed shares.

- (b) In 2023, the Parent Company subscribed to additional 4.8 million preferred shares at ₱187.5 per share of FHC for a subscription price amounting to ₱902.3 million.

In 2022, the Parent Company subscribed to additional 8.4 million common shares at ₱100.0 per share of FHC for a subscription price amounting to ₱840.0 million. The Parent Company had paid the subscribed shares.

- (c) In 2023, the Parent Company subscribed to 49.4 million additional shares of FDEV for a subscription price amounting to ₱98.9 million. The Parent Company has fully paid its subscribed shares.



In 2022, the Parent Company subscribed to 114.5 million shares of FDEV for a subscription price amounting to ₱229.1 million. The Parent Company has fully paid its subscribed shares.

- (d) In 2023, the Parent Company made additional payment to the subscribed shares of CWSI in 2015 amounting to ₱15.0 million.
- (e) In 2023, the Parent Company subscribe to additional shares of FDCWUI for a subscription price amounting to ₱80 million. The Parent Company had paid the subscribed shares.
- (f) In 2023, the Parent Company subscribe to additional shares of CHI for a subscription price amounting to ₱51.8 million. The Parent Company had paid the subscribed shares.
- (g) In 2023, the Parent Company subscribed for 40.0% of Pro-Active's capital stock amounting to ₱10.00 million.

10. Investment Properties

The rollforward analysis of this account follows:

2023				
	Land	Buildings and Building Improvements	Furniture, Fixtures and Other Equipment	Total
(In Thousands)				
Cost				
Balances at beginning of the year	₱1,336,191	₱1,256,960	₱111,172	₱2,704,323
Additions	8,013	—	—	8,013
Balances at the end of the year	1,344,204	1,256,960	111,172	2,712,336
Accumulated depreciation				
Balances at beginning of year	—	381,603	111,172	492,775
Depreciation	—	31,151	—	31,151
Balances at end of year	—	412,754	111,172	523,926
Net book values	₱1,344,204	₱844,206	₱—	₱2,188,410

2022				
	Land	Buildings and Building Improvements	Furniture, Fixtures and Other Equipment	Total
(In Thousands)				
Cost				
Balances at beginning of the year	₱1,119,896	₱1,256,960	₱111,172	₱2,488,028
Additions	751,131	—	—	751,131
Disposal	(534,836)	—	—	(534,836)
Balances at the end of the year	1,336,191	1,256,960	111,172	2,704,323
Accumulated depreciation				
Balances at beginning of year	—	350,453	111,172	461,625
Depreciation	—	31,150	—	31,150
Balances at end of year	—	381,603	111,172	492,775
Net book values	₱1,336,191	₱875,357	₱—	₱2,211,548



Rental income from investment properties amounted to ₱55.7 million and ₱78.8 million in 2023 and 2022, respectively. Depreciation charged as cost of rental services arising from investment properties amounted to ₱31.2 million in 2023 and 2022.

In December 2022, the Parent Company sold its land located in Boracay, Aklan, to Filinvest REIT Corp. (FILRT), with a total consideration of ₱1,047.1 million, resulting to a gain amounting to ₱512.3 million. Simultaneous with the sale, the Parent Company mutually terminated the lease on the related leased properties with Boracay Seascapes, Inc. (BSI, see note 16).

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 in February 2022, particularly 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 which is covered by insurance, has received partial insurance claims in 2022, and currently undergoing rehabilitation and renovation.

The aggregate fair value of the Parent Company's investment properties amounted to ₱2,107.2 million and ₱2,325.4 million as of December 31, 2023 and 2022, respectively (see Note 23), based on third party appraisals performed by a SEC accredited independent appraiser and management appraisal updated using current and year-end values and assumptions.

As of December 31, 2022, out of the total additions to land, ₱423.0 million remained outstanding and these were recognized as part of "Accounts payable and other liabilities".

The aggregate fair value was derived on the basis of recent sales of similar properties in the same area as the investment properties, taking into account the economic conditions prevailing at the time the valuations were made.

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

11. Property and Equipment

The rollforward analysis of this account follows:

	2023		
	Furniture, Fixtures and Office Equipment	Transportation Equipment	Total
	<i>(In Thousands)</i>		
Cost			
Balances at beginning of year	₱31,589	₱13,955	₱45,544
Additions	3,000	–	3,000
Balances at end of year	34,589	13,955	48,544
Accumulated depreciation			
Balances at beginning of year	29,964	13,955	43,919
Depreciation (Note 18)	722	–	722
Balances at end of year	30,686	13,955	44,641
Net book values	₱3,903	₱–	₱3,903



	2022		
	Furniture, Fixtures and Office Equipment	Transportation Equipment	Total
Cost			
Balances at beginning of year	₱30,734	₱13,955	₱44,689
Additions	855	—	855
Balances at end of year	31,589	13,955	45,544
Accumulated depreciation			
Balances at beginning of year	29,511	13,955	43,466
Depreciation (Note 18)	453	—	453
Balances at end of year	29,964	13,955	43,919
Net book values	₱1,625	₱—	₱1,625

The Parent Company's property and equipment were not pledged or used as collateral to secure any obligation as of December 31, 2023 and 2022.

12. Other Noncurrent Assets

This account consists of:

	2023	2022
	<i>(In Thousands)</i>	
Creditable withholding taxes - net of current portion (Note 7)	₱509,459	₱493,869
Refundable deposits	8,380	8,385
Others	17	75,000
	₱517,856	₱577,254

Refundable deposits include deposits for leased office premises which will be refunded upon termination of lease agreement. Others pertain to miscellaneous assets and deposits.

13. Accounts Payable and Other Liabilities

This account consists of:

	2023	2022
	<i>(In Thousands)</i>	
Customers' deposits	₱229,976	₱483,850
Accrued interest (Note 23)	233,669	238,191
Accounts payable	200,218	249,462
Retention fees payable	48,984	92,532
Accrued expenses	26,723	13,868
Others (Note 25)	504,391	1,142,185
	1,243,961	2,220,088
Less noncurrent portion:		
Retention fees payables	48,984	92,532
Others	472,444	500,111
	521,428	592,643
	₱722,533	₱1,627,445



Accrued interest expense pertains to interest on bonds and bank loans payable of the Parent Company (see Note 14).

Accounts payable includes liability to contractors. These are generally non-interest bearing and are generally expected to be settled within a year.

Retention fees payable pertains to the amount withheld from the progress billings of the contractors and is released generally 1 year from completion of the construction agreement.

Accrued expenses pertain to various operating expenses incurred by the Parent Company in the course of business such as employee benefits and utilities expense, among others.

Others include provision for probable losses, subscription payable, withholding taxes and other statutory contributions.

14. Long-term Debt

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

	2023	2022
	<i>(In Thousands)</i>	
Current	₱9,411,277	₱—
Noncurrent	23,117,106	32,489,483
	₱32,528,383	₱32,489,483

As of December 31, 2023 and 2022, the unamortized deferred charges related to long-term debt amounted to ₱71.4 million and ₱110.3 million, respectively.

The rollforward of unamortized deferred charges related to long-term debt are as follows:

	2023	2022
	<i>(In Thousands)</i>	
Balances at beginning of year	₱110,309	₱147,493
Amortization of debt issuance cost	(38,900)	(37,184)
Balances at end of year	₱71,409	₱110,309

Interest expense on long-term debt recognized in the parent company statements of income amounted to ₱1,614.6 million and ₱1,590.2 million in 2023 and 2022, respectively.

Debt Covenant

The agreement covering the fixed rate 10-year local bonds requires maintaining certain financial ratios including debt-to-equity ratio of not more than 2.0x; minimum current ratio of 2.0x and interest coverage ratio of not less than 3.0x. These are calculated based on the consolidated financial statements of the Parent Company and its subsidiaries as defined in the agreement.

The loan agreements also provide restrictions and certain requirements with respect to, among others, making any distribution on its share capital, purchase, redemption or acquisition of any share of the Parent Company, incurrence or assumption of indebtedness outside the ordinary course of business, sale or transfer and disposal of all or a substantial part of its capital assets, utilization of funds, and entering into any partnership, merger, consolidation or reorganization.



As of December 31, 2023 and 2022, the Parent Company has complied with these contractual agreements and has not been cited in default on its outstanding loan obligation.

15. Equity

Capital Stock and APIC

The details of the Parent Company's common and preferred shares are as follows as of December 31, 2023 and 2022 (shares in thousands, except par value figures):

	Common Shares	Preferred Shares
Authorized shares	15,000,000	2,000,000
Par value per share	₱1	₱1
Issued shares	9,319,872	—
Treasury shares	671,409	—

On December 22, 1982, the SEC approved the registration of 5,300,000 shares, divided into 5,200,000 Class A shares, and 100,000 class B shares with par value of ₱10.0 per share.

Preferred shares shall 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.

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 ₱1,500 million 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 the authorized capital stock of the Parent Company from ₱10,000.0 million, divided into 10,000 million common shares with a par value of ₱1.0 per share to ₱17,000.0 million, divided into 15,000 million common shares with a par value of ₱1.0 per share and 2,000 million non-voting and redeemable preferred shares with a 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.



Below is the summary of the outstanding number of shares and holders of security as of December 31, 2023:

Year	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 as of December 31, 2023 and 2022, respectively.

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 ₱565.1 million or ₱0.06534 per share for every common share of record as of May 22, 2022. 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 million or ₱0.07014 per share for every common share of record as of May 20, 2022. This was paid on June 14, 2022.

Retained Earnings

Retained earnings are 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.

After reconciling items, the Parent Company's retained earnings available for dividend declaration as of December 31, 2023 and 2022 amounted to ₱11,957.7 million and ₱11,427.3 million, respectively.

16. Related Party Transactions

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 and the parties are subject to common control or significant influence, herein 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 Parent Company's total 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 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 Policy.

Outstanding balances at year-end are unsecured and, interest free, unless otherwise stated, and require settlement in cash. As of December 31, 2023 and 2022, the Parent Company 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 follow:

(a) *Cash and Cash Equivalents*

The Parent Company maintains cash and short-term deposit accounts with EW, a subsidiary bank. Cash and cash equivalents earn interest at the prevailing short-term investment rates.

(b) *Receivables*

The Parent Company entered into a lease agreement as a lessor, with MSSSI, Boracay Seascapes, Inc. (BSI), Duawon Seascapes Resort, Inc. (DSRI), FDEV and FDC Water Utilities, Inc. (FWUI).

For MSSSI, the term of use of its building and properties is for 20 years, renewable for another 25-year term. The subsidiary agreed to pay the Parent Company a monthly minimum rent with 3% escalation every 5 years or based on 20% of gross revenues, whichever is higher.

For BSI, the land being leased out is for 45 years, with a rent-free period of 1 year and a payment term of whichever is higher between ₱2.6 million or fixed lease of ₱2.0 million plus variable lease based on gross operating revenue with percentages of 2% for the next 4 years, 5% for the next five (5) years and 7% for the remaining 35 years. In December 2022, the Parent Company sold the land, and mutually terminated the lease with BSI (see notes 10 and 26).

For DSI, the land being leased out is for 15 years, renewable for another 25 years, with ₱1.0 million monthly fixed lease for the first 2 years; whichever is lower between the sum of monthly fixed lease of ₱1.0 million and variable lease based on 4% of gross operating revenue or the 5% of the gross operating revenues for the next 4 years; and whichever is lower between the sum of monthly fixed lease of ₱1.0 million and variable lease based on 9% of gross operating revenue or the 10% of the gross operating revenues for the remaining 9 years.

For FDEV, the building being leased out is for 5 years, with ₱0.2 million monthly fixed rent for the first 2 years, subject to annual 5% escalation for the next 3 years. The obligation to pay rent began on the commencement date which was on March 1, 2021. In October 2022, FDEV and parent company mutually terminated the said lease (see note 26).

For FWUI, the land being leased out is for 30 years, with a rent-free period of 3 months and a ₱0.7 million monthly fixed rent for the first year commencing on January 1, 2022, subject to annual escalation of 5%. Additional land was being leased out for 30 years, with a rent free period of 3 months and ₱0.7 million and ₱1.1 million monthly rent for first year commencing July 1, 2023, subject to annual escalation of 5%.



(c) *Due to/from Related Parties*

- Due to/from related parties consist mostly of share of the related parties in various common expenses.
- The Parent Company recognizes dividend income from its investment in subsidiaries when the Parent Company's right to receive payment is established (see Note 20). Outstanding or uncollected dividend receivable is included under Due from related parties account in the parent company statement of financial position as of December 31, 2023 and 2022. In 2022, this includes outstanding receivable amounting ₱550.0 million from dividend declaration of PSHC which was paid in 2023.
- The Parent Company purchased sugar inventories from its subsidiaries for sale to third parties until January 31, 2022.
- The Parent Company recognizes management fee based on percentage of the joint venture sales arising from assignment of its rights to the joint venture to FAI. Management fee amounted to ₱8.9 million and nil as of December 31, 2023 and 2022, respectively.

(d) *Deferred Income*

In 2023 and 2022, the Parent Company amortized the deferred income from property and investment exchange transaction with subsidiaries over the life of property which is the subject of exchange.

(e) *Long-term Debt*

The Parent Company has outstanding loans payable to EW, which was secured by cash deposit of another subsidiary (see Note 14).

(f) *Key Management Personnel*

The compensation of key management personnel consists of short-term employee salaries and benefits amounting to ₱173.4 million and ₱112.1 million in 2023 and 2022, respectively. Post-employment benefits of key management personnel amounted to ₱20.7 million and ₱20.5 million in 2023 and 2022, respectively.

The amounts and the balances arising from significant related party transactions are as follows:

	2023			
	Amount/ Volume	Due from/ (Due to)	Terms	Conditions
	(In Thousands)			
Subsidiaries				
Cash and cash equivalents ^(a) (Note 4)				
• Cash in banks	₱–	₱171,106	Interest bearing at prevailing market rate; due and demandable	Unsecured; no impairment
• Cash equivalents	–	3,133,702	Interest bearing at prevailing market rate; due and demandable	Unsecured; no impairment
• Interest income	78,351	–	–	–
Rent receivables ^(b) (Note 5)	–	32,502		
• Rental income (Note 10)	55,662	–	15 to 45-year lease term; renewable for another 25 years	Unsecured
Due from related parties ^(c)	–	908,702	Non-interest bearing and due on demand, except for: (i) ₱549.0 million aggregate advances with interest rates ranging from 3.7% to 7.0% per annum and due within 1 to 3 years ;and (ii) ₱ 733 million no interest bearing receivable from sale of investment property due within 2 years	Unsecured; no impairment
• Sharing of expenses	129,380	–	–	–
• Operational advances	1,275,641	–	–	–

(Forward)



2023				
	Amount/ Volume	Due from/ (Due to)	Terms	Conditions
• Dividend income (Notes 9 and 20)	₱2,770	₱–	–	–
• Interest income	32,254	–	–	–
• Management fee	8,905	–	–	–
• Other income	122,446	–	–	–
Deferred income ^(d)	–	434,463	Amortized life over useful life of properties which is the subject of exchange	Unsecured
• Finance charge	48,274	–	–	–
Long-term debt ^(e)	–	4,842,800	With interest rate of 4.8%, payable in September 2025	Secured
• Interest expense	230,033	–	–	–
Due to related parties ^(c)	–	722	Non-interest bearing; due and demandable	–
• Sharing of expenses	561	–	–	–
2022				
	Amount/ Volume	Due from/ (Due to)	Terms	Conditions
(In Thousands)				
Ultimate Parent Company - ALGI				
Due from related parties ^(c)	₱–	₱680	Interest bearing; due within 1 year	Unsecured
• Sharing of expenses	1,843	–	–	–
Subsidiaries				
Cash and cash equivalents ^(a) (Note 4)	–	351,646	Interest bearing at prevailing market rate; due and demandable	Unsecured; no impairment
• Cash in banks	–	351,646	Interest bearing at prevailing market rate; due and demandable	Unsecured; no impairment
• Cash equivalents	–	1,974,162	Interest bearing at prevailing market rate; due and demandable	Unsecured; no impairment
• Interest income	9,741	–	–	–
Rent receivables ^(b) (Note 5)	9	8,729	–	–
• Rental income (Note 10)	76,984	–	15 to 45-year lease term; renewable for another 25 years	Unsecured
• Rental deposit	4,552	–	–	–
Due from related parties ^(c)	–	1,986,173	Non-interest bearing and due on demand, except for: (i) ₱549.0 million aggregate advances with interest rates ranging from 3.7% to 7.0% per annum and due within 1 to 3 years ;and (ii) ₱ 733 million no interest bearing receivable from sale of investment property due within 2 years	Unsecured; no impairment
• Sharing of expenses	110,533	–	–	–
• Operational advances	2,355,000	–	–	–
• Dividend income (Notes 9 and 20)	1,571,962	–	–	–
• Interest income	14,628	–	–	–
• Other income	1,121,217	–	–	–
Deferred income ^(d)	–	482,736	Amortized life over useful life of properties which is the subject of exchange	Unsecured
• Finance charge	18,894	–	–	–
Long-term debt ^(e)	–	4,842,800	With interest rate of 4.8%, payable in September 2025	Secured
• Interest expense	231,049	–	–	–
Due to related parties ^(c)	–	161	Non-interest bearing; due and demandable	–
• Purchases of sugar	266,721	–	–	–
Joint ventures				
Due from related parties ^(c)	–	53,757	Non-interest bearing; due and demandable, except for ₱53.0 million with interest rate of 3.5% per annum and due within 1 year	Unsecured; no impairment
• Sharing of expenses	150	–	–	–
• Service fees	1,456	–	–	–
• Operational advances and interest	6,681	–	–	–



17. Revenue from Contracts with Customers

Disaggregated Revenue Information

The Parent Company's disaggregation of each source of revenue from contracts with customers is presented below:

Sugar Sales

In 2022, disaggregation of each source of revenue from contracts with customers is presented below (nil in 2023):

	<i>(In Thousands)</i>
By Product Type	
Raw sugar	₱233,095
Molasses	41,401
Total Revenue from Contracts with Customers	₱274,496

The Parent Company's revenue from raw sugar, refined sugar and molasses is recognized at the point when control of the goods is transferred to customers. In 2022, FDC ceased on trading sugar and molasses to third parties starting February 1, 2022.

Management Fees

Management fees from administrative functions and other services are recognized when earned.

Contract Balances

Contract balances are as follows:

	2023		
	Current	Noncurrent	Total
		<i>(In Thousands)</i>	
Contracts receivables (Note 5)	₱4,333	₱—	₱4,333
Contract liabilities	10,757	—	10,757
		2022	
	Current	Noncurrent	Total
		<i>(In Thousands)</i>	
Contracts receivables (Note 5)	₱4,637	₱—	₱4,637
Contract liabilities	10,757	—	10,757

Contracts receivables from real estate sales are collectible in equal monthly principal installments in varying periods of 2 to 5 years. Interest rates per annum range from 11.5% to 19.0%. Titles to the residential units sold are transferred to customers upon full payment of the contract price.

Contract assets represent the right to consideration for assets already delivered by the Parent Company in excess of the amount recognized as contracts receivables. Contract assets are reclassified to contracts receivables when monthly amortization of customer is due for collection.

Contract liabilities include payments received by the Parent Company from the customers for which revenue recognition has not yet commenced.



Performance Obligation

Information about the Parent Company's performance obligations are summarized below:

Real Estate Sales

The Parent Company 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 a real estate unit pertains to a sale of condominium unit. There is one performance obligation in each of these contracts. The Parent Company 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 5 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 satisfied upon delivery of the completed real estate unit.

Sugar Sales

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.

18. General and Administrative Expenses

This account consists of:

	2023	2022
	<i>(In Thousands)</i>	
Professional fees	₱62,962	₱78,734
Taxes and licenses	62,245	10,266
Provision for retirement costs (Note 21)	29,617	25,632
Entertainment, amusement and recreation	25,734	16,267
Transportation	21,651	17,881
Security and janitorial services	10,586	2,151
Dues and subscription	9,299	3,363
Stockholders' relation	5,226	5,624
Amortization of ROU assets (Note 26)	4,930	4,930
Office rental	4,598	2,397
Utilities and communication	3,074	2,657
Repairs and maintenance	2,529	2,178
Depreciation (Note 11)	722	453
Provision for probable losses (Notes 3 and 25)	—	163,191
Others	9,303	619
	₱252,476	₱336,343



Professional fees pertain to expenses incurred by the Parent Company for legal, consultancy and audit services.

Others include costs and charges incurred by the Parent Company for stockholders' relations, corporate events, supplies and insurance.

19. Selling and Marketing Expenses

This account consists of:

	2023	2022
	<i>(In Thousands)</i>	
Service fee (Note 16)	₱9,881	₱6,292
Management fee (Note 16)	5,790	5,995
Others	11,360	5,549
	₱27,031	₱17,836

Others include utilities, furnishing and security expenses of model units, and other sales office and supplies expenses incurred during the year.

20. Dividend Income

	2023	2022
	<i>(In Thousands)</i>	
Subsidiaries (Note 9):		
FAI	₱640,000	₱—
FLI	569,608	743,096
FDCUI	500,000	—
EW	369,056	360,054
FVI	349,000	127,562
FDC Misamis	341,250	341,250
PPMIA	750	—
	₱2,769,664	₱1,571,962

FAI

On October 4, 2023, the BOD of FAI approved the declaration and payment of cash dividends of ₱0.067 per share or a total of ₱400.0 million for all common stockholders of record as of September 30, 2023 payable on or before September 30, 2024. The dividends were paid on October 16, 2023.

On December 4, 2023, the BOD of FAI approved the declaration and payment of cash dividends of ₱0.067 per share or a total of ₱400.0 million for all common stockholders of record as of November 30, 2023 payable on or before November 30, 2023. The dividends were paid on December 20, 2023.

The share of the noncontrolling interest related to these dividend declarations amounted to ₱160.0 million.



FLI

On April 24, 2023, the BOD of FLI approved the declaration and payment of cash dividends of ₱0.03600 per share or a total of ₱872.9 million for all common stockholders of record as of May 12, 2023 payable on June 06, 2022. 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 ₱2.88 million for all preferred stockholders of record as of May 12, 2023 payable on June 06, 2023. The share of the noncontrolling interest related to these dividend declarations amounted to ₱306.3 million.

On April 22, 2022, the BOD of FLI approved the declaration and payment of cash dividends of ₱0.04700 per share or a total of ₱1.14 billion for all common stockholders of record as of May 11, 2022 payable on June 02, 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 payable on June 02, 2022. The share of the noncontrolling interest related to these dividend declarations amounted to ₱378.4 million.

FDCUI

On September 13, 2023, the BOD of FDCUI approved the declaration and payment of cash dividends to shareholders of common shares of record as of September 20, 2022. Dividends received by the Parent Company amounted to ₱500.0 million. The dividends were paid on September 20, 2023.

EW

On April 24, 2023, the BOD of EW approved the declaration and payment of cash dividends of ₱0.41 per share or a total of ₱922.5 million for all common stockholders of record as of May 12, 2023 payable on May 31, 2023. The share of the noncontrolling interest related to this dividend declarations amounted to ₱204.3 million.

On April 22, 2022, the BOD of EW approved the declaration and payment of cash dividends of ₱0.40 per share or a total of ₱903.0 million for all common stockholders of record as of May 11, 2022 payable on May 31, 2022.

FVI

On May 24, 2023, the BOD of FDC Ventures approved the declaration and payment of cash dividends of ₱349.0 million to all shareholders of record as of June 5, 2023 on or before June 15, 2023.

On July 20, 2022, the BOD of FDC Ventures approved the declaration and payment of cash dividends of ₱127.6 million to all shareholders of record as of July 22, 2022 on or before August 5, 2022.

FDC Misamis

On July 12, 2023, the BOD of FDC Misamis approved the declaration and payment of cash dividends of ₱6.5 per share or a total of ₱341.3 million for all preference stockholders of record as of July 12, 2023. The dividends were paid on July 30, 2023.

On December 7, 2022, the BOD of FDC Misamis approved the declaration and payment of cash dividends to shareholders of preferred shares of record as of December 10, 2022. Dividends received by the Parent Company amounted to ₱341.3 million. This was fully collected in 2022.

PPMI

On August 9, 2023, the BOD of PPMI approved the declaration and payment of cash dividends of ₱2.82 per share or a total of ₱15.0 million for all shareholders of record as of June 30, 2023 payable on or before October 31, 2023. The dividends were paid on October 16, 2023.



21. Retirement Costs

The Parent Company has a noncontributory defined benefit retirement plan covering all full-time regular employees. The plan provides for lump-sum benefits equivalent to 100% of the employee's salary for every year of creditable service. The normal retirement age is 60 years old, however, an employee who attains the age of 55 with 15 years of service and opts for an early retirement is entitled to benefits ranging from 70% to 90% of the normal retirement pay, depending on the age upon retirement.

The following tables summarize the components of retirement costs recognized in the parent company statements of income and retirement liabilities recognized in the parent company statements of financial position.

Changes in the present value of the net DBO and amount included in the parent company statements of financial position as retirement obligation are as follows:

	2023		
	Present Value of DBO	Fair Value of Plan Asset	Net Defined Benefit Liabilities
		(In Thousands)	
Balances as at beginning of year	₱249,888	(₱14,470)	₱235,418
Net benefit costs in profit or loss			
Current service cost	13,609	—	13,609
Interest cost	16,992	—	16,992
Interest income		(984)	(984)
	30,601	(984)	29,617
Return on plan assets, excluding interest income	—	398	398
Contributions	—	(232,345)	(232,345)
Benefits paid	(113,321)	113,321	—
Balances as at end of year	₱167,168	(₱134,080)	₱33,088

	2022		
	Present Value of DBO	Fair Value of Plan Asset	Net Defined Benefit Liabilities
		(In Thousands)	
Balances as at beginning of year	₱276,882	(₱7,139)	₱269,743
Net benefit costs in profit or loss			
Current service cost	16,780	—	16,780
Interest cost	9,088	—	9,088
Interest income	—	(236)	(236)
	25,868	(236)	25,632
Actuarial gain on DBO	(15,976)	—	(15,976)
Transfer out, net of transfer in	(1,470)	—	(1,470)
Return on plan assets, excluding interest income	—	2,489	2,489
Contributions	—	(45,000)	(45,000)
Benefits paid	(35,416)	35,416	—
Balances as at end of year	₱249,888	(₱14,470)	₱235,418



The costs of defined benefit retirement plan as well as the present value of the retirement liability are determined using actuarial valuations. The actuarial valuation involves making various assumptions.

The principal assumptions used in determining retirement liability for the defined benefit retirement plan are as follows:

	2023	2022
Discount rate	6.8%	6.8%
Salary increase rate	7.0%	7.0%

The sensitivity analysis that follows has been determined based on reasonably possible changes of the assumption occurring as of the end of the reporting period, assuming all other assumptions were held constant. Management believes that as of the reporting date, it is only the decline in discount rate that could significantly affect the retirement liabilities. Management believes that pension obligation will not be sensitive to the salary rate increases because it is expected to be at the same level for the remaining life of the obligation.

The sensitivity analysis for significant assumptions as at December 31, 2023 and 2022 is shown below:

	2023		2022	
	Increase (Decrease) in Basis Points	Increase on DBO	Increase (Decrease) in Basis Points	Increase on DBO
Discount rates	+100	₱4,730	+100	(₱6,533)
	-100	(5004)	-100	7,480
Salary rates	+100	(4,944)	+100	7,391
	-100	4,401	-100	(6,579)

Shown below is the maturity analysis of the undiscounted benefit payments of the Parent Company:

	2023	2022
	<i>(In Thousands)</i>	
Less than 1 year	₱125	₱239,440
More than 1 year and up to 5 years	1,472	1,265
More than 5 years and up to 10 years	150,352	37,271

22. Income Tax

Provision for (benefit from) income tax consists of:

	2023	2022
	<i>(In Thousands)</i>	
Current	₱1,251	₱6,242
Deferred	(9,827)	1,557
	(₱8,576)	₱7,799

The current provision for income tax in 2023 and 2022 represents MCIT.



The components of the Parent Company's net deferred income tax assets and liabilities are as follows:

	2023	2022
	(In Thousands)	
<i>Deferred tax assets on:</i>		
Retirement liabilities	₱8,272	₱58,854
Provision for accrual	1,506	1,506
Lease liabilities	8,443	9,497
Allowance for impairment loss	6	6
Unamortized past service cost	52,097	₱3,281
Actuarial loss in OCI	4,057	4,057
	74,381	77,201
<i>Deferred tax liabilities on:</i>		
Unrealized foreign exchange gain	(9,841)	(21,356)
Revaluation increment in land	(16,547)	(16,547)
ROU asset	(6,162)	(7,394)
Actuarial gain in OCI	(8,743)	(8,743)
	(41,293)	(54,040)
	₱33,088	₱23,161

Deferred tax assets are recognized only to the extent that future taxable income will be available against which the deferred tax assets can be used.

As of December 31, the Parent Company did not recognize deferred tax assets on the following:

	2023	2022
	(In Thousands)	
NOLCO	₱4,558,960	₱3,671,380
Provision for probable losses	1,506	898,000
MCIT	8,600	16,636

The related deferred tax asset on those temporary differences amounted to nil as of December 31, 2023 and 2022, respectively.

On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of the Republic Act No. 11494, otherwise known as the Bayanihan to Recover as One Act ("Bayanihan 2 Act") which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss. NOLCO incurred before taxable year 2020 can be claimed as deduction from the regular taxable income for the next three (3) years immediately following the year of such loss.



The carryforward benefits of NOLCO and excess of MCIT over the RCIT, which can be claimed by the Parent Company as credits against RCIT, are as follows:

Year Incurred	NOLCO	MCIT	Expiry Date
<i>(In Thousands)</i>			
2023	₱1,684,084	₱1,251	December 31, 2026
2022	1,167,173	6,242	December 31, 2025
2021	1,707,703	1,107	December 31, 2024*
	₱4,558,960	₱8,600	

*December 31, 2026 for NOLCO

The movements in NOLCO and MCIT are as follows:

	NOLCO		MCIT	
	2023	2022	2023	2022
<i>(In Thousands)</i>				
Balances at beginning of year	₱3,671,380	₱3,333,038	₱16,636	₱19,003
Addition	1,684,084	1,167,173	1,251	6,242
Expired	(796,504)	(828,831)	(9,287)	(8,609)
Balances at end of year	₱4,558,960	₱3,671,380	₱8,600	₱16,636

The reconciliation of the provision for income tax computed at the statutory tax rate to the actual provision for income tax follows:

	2023	2022
<i>(In Thousands)</i>		
Income tax at statutory rate	₱271,735	₱74,901
Adjustments for the income tax effect of:		
Nontaxable dividend income	(692,415)	(392,990)
Movement in unrecognized deferred tax asset	417,297	303,470
Nondeductible expenses	27,117	8,295
Interest income subjected to final tax	(32,310)	(19,073)
Provision for probable loss	—	33,196
	(₱8,576)	₱7,799

23. Fair Value Measurement and Financial Risk Management Objectives and Policies

Fair Value Measurement

The following table sets forth the carrying and fair values of assets and liabilities recognized as of December 31, 2023 and 2022:

	2023				
	Fair Value				
	Carrying Value	Total	Quoted Prices in Active Market (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>(In Thousands)</i>					
Assets measured at fair value					
Financial assets at FVOCI (Note 8)					
Investments in shares of stock					
Quoted	₱301,368	₱301,368	₱368	₱301,000	₱—
Unquoted	20,148	20,148	—	—	20,148
	321,516	321,516	368	301,000	20,148

(Forward)



	2023				
	Fair Value				
	Carrying Value	Total	Quoted Prices in Active Market (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(In Thousands)				
Assets for which fair values are disclosed					
Financial assets at amortized cost					
Receivables					
Contracts receivables (Note 5)	₱4,333	₱4,333	₱—	₱—	₱4,333
Refundable deposits (Note 12)	8,380	8,380	—	—	8,380
	12,713	12,713	—	—	12,713
Non-financial assets					
Investment properties (Note 10)	2,188,410	2,056,874			2,056,874
Total assets	₱2,522,639	₱2,391,103	₱368	₱301,000	₱2,089,735
Liabilities for which fair values are disclosed					
Financial liabilities at amortized cost					
Accounts payable and other liabilities* (Note 13)	₱698,669	₱698,669	₱—	₱—	₱698,669
Long-term debt (Note 14)	32,528,383	34,454,661	—	—	34,454,661
Lease liabilities (Note 26)	33,771	35,777	—	—	35,777
Total liabilities	₱33,260,823	₱35,189,107	₱—	₱—	₱35,189,107

*Excluding statutory payables

	2022				
	Carrying Value	Total	Fair Value		
			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 at FVOCI (Note 8)					
Investments in shares of stock					
Quoted	₱224,768	₱224,768	₱224,400	₱368	₱–
Unquoted	20,148	20,148	–	–	20,148
	244,916	244,916	224,400	368	20,148
Assets for which fair values are disclosed					
Financial assets at amortized cost					
Receivables					
Contracts receivables (Note 5)	4,637	4,637	–	–	4,637
Refundable deposits (Note 12)	8,385	8,385	–	–	8,385
	13,022	13,022	–	–	13,022
Non-financial assets					
Investment properties (Note 10)	2,211,548	2,325,396	–	–	2,325,396
Total assets	₱2,469,486	₱2,583,334	₱224,400	₱368	2,358,566
Liabilities for which fair values are disclosed					
Financial liabilities at amortized cost					
Accounts payable and other liabilities* (Note 13)	₱1,605,017	₱1,605,017	₱–	₱–	₱1,605,017
Long-term debt (Note 14)	32,489,483	42,952,871	–	–	42,952,871
Lease liabilities (Note 26)	37,989	38,010	–	–	38,010
Total liabilities	₱34,132,489	₱44,595,898	₱–	₱–	₱44,595,898

*Excluding statutory payables

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

- *Cash and cash equivalents and contract receivables:* Due to the short-term nature of these accounts, their fair values approximate their carrying amounts.
- *Financial assets at FVOCI:* Fair values were determined using quoted market prices at reporting date. The costs of financial assets at FVOCI not quoted in an active market approximate fair values since there is insufficient information available to determine the fair values and there are no indicators that cost might not be representative of fair values.



- *Derivative assets:* Fair values of derivative assets, were 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.
- *Accounts payable and other liabilities:* Due to the short-term nature of these accounts, fair values approximate carrying amounts.
- *Long-term debt:* Estimated fair value on debts with fixed interest and not subjected to quarterly repricing was based on the discounted value of future cash flows using the applicable risk free rates for similar types of loans adjusted for credit risk. Discount rate for the determination of fair values ranges from 5.1% to 5.9% and 2.1% to 4.8% in 2023 and 2022, respectively.

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.

Financial Risk Management Objectives and Policies

The Parent Company's principal financial instruments comprise of cash and cash equivalents, receivables, due from and to related parties, and financial assets at FVOCI, short-term deposit, refundable deposits, accounts payable and other liabilities, long-term debts. The main purpose of these financial instruments is to raise financing for the Parent Company's operations.

The main objectives of the Parent Company'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.

The Parent Company's BOD reviews and approves the policies for managing each of these risks. The policies are not intended to eliminate risk but to manage it in such a way that opportunities to create value for the stakeholders are achieved. The Parent Company's risk management takes place in the context of the normal business processes such as strategic planning, business planning, operational and support processes.

The main risks arising from the Parent Company's financial instruments are liquidity risk and credit risk. The Parent Company also monitors the market price risk arising from all financial instruments.

Liquidity Risk

The Parent Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. The Parent Company's policy is to manage its cash flows by continuously monitoring the cash flows for interest payment and bank and notes principal payment.



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

	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)						
Financial liabilities at Amortized Cost							
Accounts payable and other liabilities (Note 13)							
Accounts payable	P200,218	P–	P–	P–	P–	P–	200,218
Accrued interest	233,669	–	–	–	–	–	233,669
Customer deposits	229,976	–	–	–	–	–	229,976
Retention fees payable	–	–	–	48,984	–	–	48,984
Other payables*	21,946	–	–	–	–	–	21,946
	685,809	–	–	48,984	–	–	734,793
Due to related parties (Note 16)	722						722
Long-term debt (Note 14)	–	8,900,000	511,277	13,883,133	6,833,333	2,400,640	32,528,383
Future interest payable	–	249,654	644,681	871,438	443,890	–	2,209,663
	722	9,149,654	1,155,958	14,754,571	7,277,223	2,400,640	34,738,768
	P686,531	P9,149,654	P1,155,958	P14,803,555	P7,277,223	P2,400,640	P35,473,561

*Other payables exclude nonfinancial liabilities.

	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)						
Financial liabilities at Amortized Cost							
Accounts payable and other liabilities (Note 13)							
Accounts payable	₱55,343	₱–	₱271,978	₱151,036	₱–	₱–	₱478,357
Accrued interest	238,191	–	–	–	–	–	238,191
Customer deposits	473,094	–	–	–	–	–	473,094
Retention fees payable	–	–	–	92,532	–	–	92,532
Other payables*	10,734	–	–	–	–	–	10,734
	777,362	–	271,978	243,568	–	–	1,292,908
Due to related parties (Note 16)	23,336	–	–	–	–	–	23,336
Long-term debt (Note 14)	–	–	–	23,299,800	8,766,667	423,016	32,489,483
Future interest payable	–	482,142	1,097,387	2,052,421	553,869	13,020	4,198,839
	23,336	482,142	1,097,387	25,352,221	9,320,536	436,036	36,711,658
	₱800,698	₱482,142	₱1,369,365	₱25,595,789	₱9,320,536	₱436,036	₱38,004,566

*Other payables exclude nonfinancial liabilities.

The tables below summarize the maturity profile of the Parent Company's financial assets held to manage liquidity as of December 31, 2023 and 2022:

	2023				
	On Demand	Less than 3 months	3 months to 1 year	>1 year to 3 years	Total
	(In Thousands)				
Financial assets at amortized cost					
Cash and cash equivalents (Note 4)	₱4,357,118	₱–	₱–	₱–	4,357,118
Receivables (Note 5)					
Contracts receivables	4,333	–	–	–	4,333
Rent receivable	32,502	–	–	–	32,502
Others	6,825	–	–	–	6,825
Due from related parties (Note 16)	908,702	–	–	–	908,702
	5,309,480	–	–	–	5,309,480
Financial assets at FVOCI					
Investments in shares of stocks (Note 8)					
Quoted	–	–	–	301,368	301,368
Unquoted	–	–	–	20,148	20,148
	–	–	–	321,516	321,516
	₱5,309,480	₱–	₱–	₱321,516	₱5,630,996



	2022				
	On Demand	Less than 3 months	3 months to 1 year	>1 year to 3 years	Total
	(In Thousands)				
Financial assets at amortized cost					
Cash and cash equivalents (Note 4)	₱5,317,226	₱—	₱—	₱—	₱5,317,226
Receivables (Note 5)					
Contracts receivables	8,729	—	—	—	8,729
Rent receivable	4,637	—	—	—	4,637
Others	8,726	—	—	—	8,725
Due from related parties (Note 16)	2,040,610	—	—	—	2,040,610
	7,379,928	—	—	—	7,379,927
Financial assets at FVOCI					
Investment in shares of stock (Note 8)					
Quoted	₱—	₱—	₱—	₱224,768	₱224,768
Unquoted	—	—	—	20,148	20,148
	—	—	—	244,916	244,916
	₱7,379,928	₱—	₱—	₱244,916	₱7,624,843

Credit Risk

It is the Parent Company's policy that buyers who wish to avail the in-house financing scheme are subject to credit verification procedures. Receivable balances are being monitored on a regular basis and subjected to appropriate actions to manage credit risk.

With respect to credit risk arising from the other financial assets of the Parent Company, which comprise cash and cash equivalents and financial assets at amortized costs, the Parent Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The Parent Company's high-grade receivables pertain to rent receivables from related parties and third parties which, based on experience, are highly collectible or collectible on demand, and of which exposure to bad debt is not significant. Receivables assessed to be of standard grade are those which had passed a certain set of credit criteria, and of which the Parent Company has not noted any extraordinary exposure which calls for a substandard grade classification.

Foreign Currency Risk

The following table demonstrates the sensitivity to a reasonably possible change in the USD exchange rate, with all other variables held constant, of the Parent Company's profit before tax (due to changes in the fair value of monetary assets and liabilities). Philippine Dealing System (PDS) closing rates used are ₱55.37 and ₱56.12 on December 31, 2023 and 2022. There is no other impact on the Parent Company's equity other than those already affecting the profit and loss.

	Increase (decrease) in US dollar rate	Effect on income before income tax (In Thousands)
2023	1.34%	₱14,526
	-1.34%	(14,526)
2022	10.04%	₱30,078
	-10.04%	(30,078)

The sensitivity analysis shown above is based on the assumption that movement in USD-Peso exchange rate will most likely be limited to 1.34% and 10.04% upward or downward fluctuation in 2023 and 2022, respectively. The Parent Company, used as basis of these assumptions, the annual percentage change in USD exchange rate as obtained from Bangkok Sentral ng Pilipinas. Effect on the Parent Company's income before tax is computed on the carrying amount of the Parent Company's USD-denominated financial assets (cash and cash equivalents, and short-term deposits) and financial liabilities (due to related parties) as of December 31, 2023 and 2022.



24. Capital Management

Objective

The primary objective of the Parent Company'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's value.

Policy and Procedure

The Parent Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Parent Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives and policies of processes during the years ended December 31, 2023 and 2022.

The Parent Company monitors capital using a gearing ratio which is long-term debt divided by total equity. The Parent Company's policy is to keep the debt to equity ratio not to exceed 2:1.

	2023	2022
	<i>(In Thousands)</i>	
Long-term debt (Note 14)	₱32,528,383	₱32,489,483
Total equity (Note 15)	33,659,604	33,052,875
Debt-to-equity ratio	0.97:1	0.98:1

25. Contingencies and Commitments

Contingencies and Provisions

The Parent Company is involved in legal actions, claims and contingencies incident to its ordinary course of the business. Management believes that any amount the Parent Company may have to pay in connection with any of these matters would not have a material adverse effect on the Parent Company's financial position or operating results.

On December 13, 2020, FDC entered into a Share Purchase Agreement for the purchase of all the issued shares of Choengmon Real Estate Company Limited (CRE), a limited liability company established under the laws of Thailand, which is currently developing an international five-star luxury quality resort. The resort shall be operated by FDC's subsidiary under the Crimson brand. Closing and completion of the transaction is subject to the satisfaction of certain conditions precedent and completion requirements by each of the parties. In 2020, both FDC and CRE have terminated the Agreement. In 2023, FDC and CRE settled the matter.

The information normally required by PAS 37 is not disclosed as it may prejudice the outcome of the proceedings.



26. Lease Commitments

Operating Leases - Parent Company as Lessor

The Parent Company, as a lessor, has future minimum rental receivables under renewable operating leases as of December 31, 2023 and 2022 as follows:

	2023	2022
	<i>(In Thousands)</i>	
Within 1 year	₱31,163	₱28,512
After 1 year but not more than 5 years	104,895	118,607
More than 5 years	1,817,644	499,564
	₱1,953,702	₱646,683

The Parent Company entered into lease agreements with MSSI, BSI, DSRI and FDEV, covering land, building and properties. These leases generally provide for either (a) fixed monthly rent (b) minimum rent or a certain percentage of gross revenue, whichever is higher. The lease contracts with MSSI and DSRI are renewable for another 25-year term, while the lease agreements with FDEV and BSI were mutually terminated in October and December 2022, respectively.

On July 1, 2023, the Parent Company entered into lease agreements with FDCWUI, to lease land properties for a 30-year term. These leases provide fixed monthly rent with 5% escalation rate every year.

Rental income recognized based on either fixed monthly rent or a percentage of the gross revenue of tenants amounted to ₱55.7 million and ₱78.8 million in 2023 and 2022, respectively.

Rental Services

Rental income arising from investment properties is accounted for 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.

Operating Leases - Parent Company as Lessee

The Parent Company has lease contracts for its office spaces as of January 1, 2020. The Parent Company's obligations under its leases are secured by the lessor's title to the leased assets. The Parent Company has entered into lease arrangements with lease term of 10 years.

Set out below are the carrying amounts of ROU assets recognized and the movements as of and for the year ended December 31, 2023 and 2022:

	2023	2022
	<i>(In Thousands)</i>	
Cost		
Balances at beginning and end of year	₱48,949	₱48,949
Accumulated Amortization		
Balances at beginning of year	19,372	14,442
Amortization	4,929	4,930
Balances at end of year	24,301	19,372
Net Book Value	₱24,648	₱29,577



As at December 31, 2023 and 2022, the rollforward analysis of lease liabilities follows:

	2023	2022
	<i>(In Thousands)</i>	
At January 1	₱37,989	₱41,575
Accretion of interest expense	2,933	3,224
Payments	(7,151)	(6,810)
As at December 31	₱33,771	₱37,989
Lease liabilities - current portion	₱4,956	₱7,151
Lease liabilities - net of current portion	₱28,815	₱30,838

The following are the amounts recognized in the parent company statement of income for the year ended December 31, 2023 and 2022 (amounts in thousands):

	2023	2022
	<i>(In Thousands)</i>	
Amortization expense of ROU assets (Note 18)	₱4,930	₱4,930
Interest expense on lease liabilities (Note 2)	2,933	3,224
Rent expense - short-term leases (Note 18)	4,598	2,397

27. Segment Reporting

For management purposes, the Parent Company is organized into real estate and sugar operating segments about which separate financial information are available and are evaluated by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

The Parent Company derives its revenue from the following:

Real Estate

Through its subsidiaries, the Parent Company is involved in acquisition of land, planning and development of large-scale fully integrated residential and commercial communities; development and sale of residential and commercial lots and the development and leasing of retail and office space and land in these communities; construction and sale of residential, housing and condominium and office buildings; development of farm estates, industrial and business parks; operation of cinema and mall; and property management.

Sugar Operations

This involves purchase of raw sugar, refined sugar and molasses from Davao Sugar Central Company, Inc. and Cotabato Sugar Central Company, Inc., subsidiaries of PSHC, and sale to third parties.



28. Notes to Statement of Cash Flows

Changes in liabilities arising from financing activities are as follows:

2023				
	January 1	Cash flows	Noncash movement	December 31
	<i>(In Thousands)</i>			
Long-term debt (Note 14)	₱32,489,483	₱—	₱38,900	₱32,528,383
Accrued interest (Note 13)	238,191	(1,575,528)	1,571,006	233,669
Dividends payable (Note 13)	—	(565,091)	565,091	—
Lease liabilities (Notes 2 and 26)	37,989	(7,151)	2,933	33,771
Due to related parties	161	561	—	722
Total liabilities from financing activities	₱32,765,824	(₱2,147,209)	₱1,710,592	₱32,796,545

2022				
	January 1	Cash flows	Noncash movement	December 31
	<i>(In Thousands)</i>			
Long-term debt (Note 14)	₱32,452,299	₱—	₱37,184	₱32,489,483
Accrued interest (Note 13)	281,017	(1,635,665)	1,592,839	238,191
Dividends payable (Note 13)	—	(606,603)	606,603	—
Lease liabilities (Notes 2 and 26)	41,575	(6,810)	3,224	37,989
Due to related parties	67,809	(67,648)	—	161
Total liabilities from financing activities	₱32,842,700	(₱2,316,726)	₱2,239,850	₱32,765,824

Noncash movements include the effects of amortization of debt issuance costs (see Note 14), accretion of interest from lease liabilities (see Note 26) and declaration of cash dividends (see Note 15).



FILINVEST DEVELOPMENT CORPORATION

SUSTAINABILITY REPORT 2023 (extract from FDC Integrated Report 2023)

About This Report

This Integrated Report is Filinvest Development Corporation's ("FDC", the "Company" or the "Group") disclosure on both financial and non-financial performance across the business operations of the FDC parent and subsidiaries covering the period of January 1 through December 31, 2023.

Note on Forward Looking Statements

The report may contain "forward-looking statements" which are subject to a number of risks and uncertainties that could affect FDC's business and results of operations. Although FDC believes that the statements are based on current assessments and plans which are believed to be reasonable, there is no guarantee of future performance, action or events.

On our Sustainability Performance

The report on non-financial performance is published in compliance with the provisions of the Securities and Exchange Commission's Memorandum Circular No. 4, Series of 2019 (SEC MC 4), and aligns with the Sustainability Reporting Guidelines for Publicly Listed Companies (the "SEC ESG Guidelines"). It also uses the Global Reporting Initiative (GRI) Standards' principles and reporting guidelines as reference.

Feedback

Feedback on or inquiries about the EESG disclosures of FDC or its subsidiaries may be forwarded to sustainability@filinvestgroup.com.

FAST FORWARD ON FILINVEST'S SUSTAINABILITY JOURNEY

The best practice of yesterday is today's business as usual. The Filinvest Group has in many ways been an early champion of sustainability in its many forms as the concept evolved, such as corporate social investments, environmental and operational efficiency, social inclusivity, and best of all, in creating shared value that helps make the dreams of Filipinos come true. The group's early years saw the enterprise recognizing the simple yet lofty dreams of the ordinary Filipino to own a car or a home, and this has been embedded in the Group's mission even until the present time.

In the realm of what eventually known to be ESG (environment, society, governance) , Filinvest was an early adopter of technologies that offered a compelling business case while promising benefits for the environment. The best examples of these are the highly energy efficient district cooling system for its office campus in Alabang, the massive installation of rooftop solar panels for its flagship mall, and the use of membranes for seawater desalination and very soon, sewage into potable water. On the social front, the Filinvest Group has been long recognized as a champion of a gender-blind organization, harnessing the unique capabilities of women to handle leadership roles.

As the concept of corporate sustainability evolves from 'giving back' towards 'doing things the right way' towards 'protecting and creating shared value in the long run', the Filinvest Group cannot rest on its laurels and announce that is already "sustainable", as if that is an end-goal in itself. Filinvest will continue to move forward – fast forward – with an eye on the next best practice on the company's sustainability journey.

Sustainability Governance

The Board is responsible for setting the Group's overall approach to ESG matters, evaluating ESG-related risks and opportunities, setting goals, implementing sustainability initiatives, measuring their impacts, and identifying areas for improvement. It is supported by the senior management team of FDC and its subsidiaries, complemented by the Centers of Excellence at the parent which champion best practices in the various business processes.

Filinvest's Sustainability Council, consisting of the various sustainability champions of each subsidiary, is mandated to develop and implement conglomerate-wide policies and initiatives on ESG and sustainability, while cross-fertilizing each other on insights, best practices and lessons learned. FDC's Chief Sustainability Officer (CSO), which leads the council, serves as the champion of the Group's sustainability framework and commitments and is tasked to nurture a culture of sustainability among the employees through capacity building of key sustainability-related roles and exercising oversight on the sustainability initiatives of each subsidiary. The sustainability initiatives are for the business units to own and execute. The CSO also keeps track of the non-financial performance of each subsidiary and consolidates the information to generate regular communication products for the Group's various stakeholders.

Scope of ESG Disclosures

Filinvest Development Corporation is a holding company, which has interests in banking and financial services, real estate, hospitality, utilities, sugar and infrastructure. The scope of this report covers the performance of the Group, at the FDC parent and the subsidiaries with which FDC has operational control:

- Banking and Financial Services: EastWest Banking Corporation (EW) and subsidiaries
- Real Estate: Filinvest Land, Inc. (FLI), Filinvest Alabang, Inc. (FAI), Filinvest Real Estate Investment Trust (FILRT) and subsidiaries
- Hospitality: Filinvest Hospitality Corporation, Chroma Hospitality and subsidiaries (together, FHG)
- Power: FDC Utilities, Inc. and subsidiaries (together, FDCUI)
- Sugar: Philippine Sugar Holdings Corporation (PSHC) and subsidiaries
- Other business units directly under FDC

The publicly listed Filinvest subsidiaries FLI, FILRT and EW publish their own sustainability reports annually, in accordance with the SEC's disclosure requirements. The hospitality group also publishes its own sustainability report on a voluntary basis.

The EESG performance of FDC's real estate business is consolidated from both the publicly listed FLI and the unlisted FAI subsidiary, and thus, the figures seen in this report are not exactly as disclosed in FLI's sustainability report. With FLI being its Sponsor, FILRT's own EESG data are considered a subset of FLI's and are not double counted in the FDC report.

To avoid double counting, the report does not fully disclose some EESG data from the operations of Countrywide Water Services Inc, (CWSI), a subsidiary that provides water and wastewater services to Filinvest's residential, office, retail and hospitality operations. This is most relevant to the water and wastewater data of CWSI which are reported by individual assets under operations by the business units. Some operational inputs of CWSI such as fuel are entirely booked under FLI operations, in accordance with their covenants.

The EESG performance of companies under the FDC portfolio where it does not exercise operating control, tagged as affiliates, are not included in this report. These include: LIPAD which operates the Clark Airport terminal, EastWest Aegeas Life Insurance, Filinvest-Hitachi Omni Waterworks and Professional Operations and Maintenance Experts Inc. All other businesses covered in this EESG report, except the affiliates, are majority-owned and fully controlled by the Filinvest Group.

There are some re-statements of previous years' ESG data mainly not due to errors but to give more granularity and comparability on new sub-categories of ESG parameters which are introduced in the present report.

Materiality And Stakeholder Engagement

An assessment of material sustainability topics that cut across the Filinvest Group was undertaken during the development of a Filinvest Group Sustainability Framework in 2022. FDC adopted a double materiality lens in the said assessment, where the magnitude of the impacts to both stakeholders and business operations were discussed.

Shortlisted material topics which have an impact on both stakeholders and the business units

Environment	Economy	Social	Governance
Environmental compliance of projects and operating assets	Distribution of economic value to all stakeholders that are co-creators of value	Employee development and engagement	Procurement practices
Energy conservation: energy efficiency and renewable energy	Supply chain support, particularly local businesses	Diversity, inclusivity, and equal opportunities	Code of Conduct and Business Ethics, including anti-corruption
Water conservation: water security and efficiency	Generation of direct and indirect jobs	Occupational health and safety	Compliance
Waste minimization, reuse, recycling and disposal	Macroeconomics influence on customer demand, affordability, and financing	Security	Risk management
Land use and biodiversity		Service and product delivery/quality	Transparency
Green designs for buildings and townships		Customer relations	
Greenhouse gas emissions and climate change		Data privacy and cybersecurity	
		Community relations	
		Relations with regulators	
		Resilience against natural and man-made disasters	

Discussions on the management approach and actions of FDC and its business segments to address the topics listed may be found across the other sections of this report.

In the pursuit of inclusivity in its sustainability practice, the Filinvest Group identified key stakeholders through an appreciation of common goals and considered their objectives and concerns. Channels of engagement were identified, and strategic initiatives aligned with the Filinvest sustainability framework's commitments continue to be developed and monitored to enhance positive impacts and mitigate the negative.

Stakeholder	Concerns	Company Response / Channels of Engagement
Customers (Bank's depositors & borrowers, Real estate's home buyers, office/retail tenants, Guests of hotel and F&B, Customers of power and water utility, Sugar planters)	Affordability Service quality Data privacy and cyber risks Health and safety Service resiliency Agricultural productivity	Brands developed per market segment Customer service desks; satisfaction surveys Cybersecurity and data privacy protocols Compliance with latest government directives on COVID-19; Safety teams and protocols at facilities Green Design of townships, buildings and other properties (incl. green building certifications); Site risk assessments Technical/field support to planters; efficiency in mill operations
Employees	Career development Work-life balance and talent connection Health and safety	Competency assessments and individual development plans; Online training and development portal, and one on one mentoring Employee engagement program; productivity and performance reviews

	Gender balance	Safety teams and protocols in the workplace (incl. COVID-19); Women in leadership positions, but using competency and performance as the main criteria
Supply Chain	Accreditation Timeliness of contract awards and payments Local procurement	Documented accreditation process Systems process review and revised procedures, with digitization initiatives Devolvement of some procurement processes to local operations
Regulators and Government	Alignment of development plans Compliance Good Governance	Continuous coordination on zoning, transportation, utility master plans of national agencies and local governments Timely renewal of permits and submittal/publication of required reports Business code of conduct and ethics; employee trainings on good governance; Review, updating and documenting company policies Boardroom Innovations Series for improving competencies of Board and key officers
Lenders and Investors/Shareholders	Transparency EESG / non-financial disclosures	Annual reports, sustainability reports, press releases and regular structured/unstructured disclosures

	Financial liquidity	Analysts briefings Revamped corporate website Compliance with provisions in loan covenants Adoption of a Sustainable Financing Framework
Communities	Site-specific community or LGU issues	Relationship management and community social investments, incl. partnerships on specific projects
Environment	Environmental impacts	Green design principles and materials Energy and resource efficiency initiatives Renewable energy use and generation capacity development Water conservation and reuse Solid waste and hazardous waste management Environmental compliance in projects and operations Biodiversity-related programs Adoption of carbon forests and greenhouse gas accounting

FILINVEST GROUP’S SUSTAINABILITY FRAMEWORK

Filinvest’s sustainability agenda revolves around three main themes of being Green, Inclusive and Resilient. This arose from the consideration of cross-cutting material topics across the conglomerate where impacts, both positive and negative, are most apparent. At the center of this commitment is the purpose of the Group in enabling Filipinos to achieve their dreams.



Filinvest is a sustainability champion whose commitments are manifested through corporate social investments, adoption of best practices and management of EESG and business risks to ensure long-term value creation and delivering innovations to maximize positive impact

GREEN	INCLUSIVE	RESILIENT
<i>We manifest responsibility towards the environment that provides ecosystem services which sustain our operations.</i>	<i>We support the unserved and underserved by providing innovative solutions and exploring where others are not. We create value for both shareholders and stakeholders. We champion equality and diversity in all aspects of operations.</i>	<i>We are ready for disruptions, challenges and opportunities that come our way.</i>
Green Designs for Sustainable Communities	Serving the Underserved/Unserved	Resilient Assets Resilient Operations

Circular Economy	Nurturing Talent: Equal Opportunities for Jobs, Development and Growth	Agile Organization
Net Zero	Engaging Communities	

The Filinvest Group's Sustainability Commitments

GREEN	Green Designs for Sustainable Communities	We commit to developing green communities and infrastructure that feature designs that minimize negative impact and enhance positive impact, not only on the physical environment but also on people and communities.
	Circular Economy	We commit to maximize all opportunities in contributing to a circular economy where material resources are utilized in an efficient manner and kept useful for a long time, wastes are minimized and made useful, and natural systems are regenerated.
	Net Zero	We commit to achieving net zero emissions in our value chain in the best practical way and at the soonest, in alignment with the country's development strategy, climate change targets and timelines.
INCLUSIVE	Serving the Unserved and Underserved	We commit to finding new solutions to address the pain points of the unserved and underserved segments of society through innovations in delivering products and services.
	Nurturing Talent: Equal Opportunities for Jobs, Development and Growth	We commit to strengthening our human capital that will support our business growth aspirations, by nurturing capabilities and bringing out the best in our talents irrespective of background.
	Engaging Communities	We commit to listening to and engaging with all relevant stakeholders where we operate, so that we could work together to attain common goals.
RESILIENT	Resilient Assets	We commit to retrofit existing assets and acquire or develop future assets to be resilient against all types of physical risk events such as climate-related or geological phenomena and manmade disruptions.
	Resilient Operations	We commit to strengthening our capabilities in business continuity across the group, ensuring that our people are resilient to be able to serve customers well during disruptions, response capabilities across the Group are

		integrated, and operations protocols developed and regularly tested.
	Agile Organization	We commit to always look ahead and continually transform and strengthen our human capital, technical practices, business processes, culture and leadership so that the Group is ready to address current and emerging global and local risks and opportunities that have an impact on our long-term ability to create and deliver value for our stakeholders.

FDC's non-financial performance disclosures focus on accomplishments and outlook against the sustainability agenda using indicators and metrics cited by mainstream sustainability reporting frameworks where possible. Bespoke sustainability indicators that reflect Filinvest-specific contexts are also utilized particularly in the 'creating shared value' narratives. A comprehensive dataset of performance on all other sustainability topics not covered in the main sustainability report are presented in tabular format in the EESG Performance Index section of this publication.

GREEN COMMITMENTS TO PROTECT ECOSYSTEM SERVICES

Among the less celebrated sources of value for a company is the natural environment. The provisioning and regulating ecosystem services provided by Mother Nature provides for the basic needs of a business and nurtures it. Sometimes, the unspoilt natural environment by itself has been a core source of business value, particularly in real estate and hospitality. In return, therefore, the investments in the protection of the environment that sustains that value makes for a compelling business case.

Filinvest has long realized the value of being environmentally responsible, while building a business case for operational efficiency or costs reduction. Thus, technological solutions addressing energy efficiency, for example, have long been applied and the economic benefits enjoyed. The continuing search for innovative ideas and solutions keep Filinvest at the forefront of sustainability practice.

Sustainable Communities begin with Green Designs and Circular Economy

Filinvest's real estate developments start with the customer's needs in mind, and those expectations have been evolving through the years. Concepts such as people centricity, mental

and physical well-being, connectivity, mobility and open spaces have become business as usual deliverables for any development. These principles, enshrined in green design, have become the primary consideration in the development of any real estate project.

Energy conservation, for instance, is a fundamental design objective that rests on a two-pronged approach: energy efficiency and renewable energy. Many Filinvest buildings have used technologies that allow for optimum use of energy or avoidance of the need to use energy to render a space habitable. Materials such as double glazing and LED lights are employed, and operational awareness on energy consumption through sub-meters is also established. On a neighborhood scale, Filinvest has long established a district cooling system in Alabang which is still the biggest in the country. But the push for real estate operations sustainability has lately been through the adoption of renewable energy supply which drastically reduces a building's carbon footprint. It is expected that Filinvest's operating real estate assets will have a glide path to 100% renewables supply, aligning with the government's transition timeline to a decarbonized economy. At the moment, the biggest hurdle is still the renewables generation capacity in the grid, and the dependency lies on the ramp up of renewables capacity in the country. What's more compelling, however, is the work to address the changing needs of electric vehicles which will soon become the norm.

Water conservation is another aspect of real estate operations that Filinvest developments have embedded in the design phase. Low flow fixtures and sewerage systems are now business as usual. Filinvest City, for example, has been using part of the treated wastewater for landscape irrigation, especially given that that part of the NCR has long been facing unreliable bulk water supply service from the government water utility's concessionaire. In the spirit of the fast forward mindset, Filinvest is pushing the boundaries and challenging the norm through a massive investment in the upgrade of the sewage treatment plant which will generate potable water. Instead of treated effluents being discharged to the creeks, the treated used water will be at the heart of a circularity scheme to improve water security.

On the waste's aspect, Filinvest business units have entered into strategic partnerships with external partners who share the same environmental goals for a circular economy. Plastic wastes, particularly the soft type which are not usually desirable for recycling, are being segregated at the back of house, picked up by the partner and used for paving bricks manufacturing. Hazardous wastes are donated to a well-known foundation that partnered with two recyclers, and the donor receives tax credit in return. The hospitality business has a standing policy on the minimization of single-use plastics, and now focuses on the reuse or upcycling of its discarded materials such as towels and linen and is preparing strategic initiatives for the reduction of food wastes from the F&B operations.

To substantiate the actual environmental benefits realized by the green designs of the real estate developments, and to avoid greenwashing, Filinvest voluntarily subjects its projects to third party reviews and secures certifications. As of 2023, the real estate business has secured a total of 17 green building certifications and pre-certifications based on standards set by Leadership in Energy and Environmental Design (LEED), WELL Building Standard, the International Finance Corporation-developed Excellence in Design for Greater Efficiencies (EDGE) and Building for Ecologically Responsive Design Excellence (BERDE), the national voluntary green building rating system in the Philippines. One of the certifications is a LEED Gold for Neighborhood Design for Filinvest City. The highest-level EDGE certification is for Filinvest One which is tagged Zero Carbon Ready.

Fast Forward to Achieving Net Zero

Among the Filinvest Group's sustainability focus areas, under the "Green" pillar, is an aspiration to achieve net zero in its value chains in the best practical way and at the soonest time, in alignment with the country's development strategy, climate change targets, and transition timelines. Grounded on the principles of just transition, where decarbonization efforts do not compromise energy security and economic growth, Filinvest intends to continue developing the renewables capacity in FDC's portfolio in the next decade while addressing immediate baseload requirements of the communities being served.

Filinvest's real estate and hospitality operations have already made significant strides in its double prong strategy on energy efficiency and use of renewable energy. Through a partnership with ENGIE, the office leasing business is a beneficiary of the biggest district cooling system in the Philippines that can reduce energy consumption by as much as 40%, and the retail business enjoys renewable energy generated from the largest rooftop solar installation for a mall in Metro Manila.

The most relevant FDC business unit for the Net Zero commitment is FDC Utilities which is a major player in the energy generation sector in the southern and central Philippines. With a coal-fired power generating facility that emits around 1.4 million tons of CO₂ equivalent annually, the carbon sequestered from its adopted forests is arguably not sufficient to make a significant dent at this time in neutralizing GHG emissions. The real long-term impact will be found in the heart of the power generation business itself. The shift to renewables will be a growth area for the energy business, while traditional energy sources such as coal will still be utilized in the medium term in order to ensure a reliable and stable baseload supply.

FDC will have a 50:50 ratio between traditional and renewable energy generation capacity by 2033, much earlier than the targeted 50:50 timeline of 2040 under the Clean Energy Scenario of the Philippine Energy Development Plan 2020-2040.

FDC endeavors to have 100% renewables in its energy portfolio by 2041.

FDC has drawn up a target to be closer to being Net Zero much earlier than 2050 and support the Nationally Determined Contributions made by the country in the 2015 Paris Agreement. As of the end of 2023, the renewables projects portfolio has a total capacity of 92 MW, in various stages of execution.

For the year 2023, the bulk of the GHG emissions was still from the operations of the power unit in Misamis, at around 92% of the total carbon footprint of the Filinvest Group. The overall increase in emissions can be attributed to the recovery of the business units after the pandemic, particularly on the faster pace of real estate projects implementation, increase in guest bookings for hospitality, and the increase in power generation due to the interconnection of the Mindanao with the Visayas grid which allowed for the power generation capacity to be fully contracted.

The utilities business continues to expand its investments in carbon sequestration forests in Mindanao. New projects have been under development with partners such as the Phividec in Villanueva, Misamis Oriental and the Philippine Eagle Foundation for reforestation site in Manolo Fortich, Bukidnon. As of the end of 2023, a total of 215 hectares of carbon forests have been adopted so far.

GHG Emissions of the Filinvest Group, in tonnes CO₂-e

Scope	Banking	Real Estate	Hospitality	Utilities	Sugar	Total
Direct Emissions, Scope 1 – fuels, incl real estate projects	330	879 (property mgt) + 2,920 (projects)	1,146	1,756,502	2,896	1,761,753
Indirect Emissions, Scope 2 – purchased electricity (common areas in property mgt)	N/A	48,737 (property mgt)	N/A	N/A	N/A	48,737
Indirect Emissions, Scope	4,344	106,974 (property	20,735	9,130	1,943	145,686

2 – purchased electricity (total area in property mgt and projects)		mgt) + 2,560 (projects)				
Total Scope 1 & 2 Emissions (using common areas for property mgt)	N/A	49,616 (property mgt)	N/A	N/A	N/A	49,616
Total Scope 1 & 2 Emissions (using total areas for property mgt & projects)	4,674	112,454 (property mgt & projects)	21,881	1,765,632	4,839	1,909,480
Avoided Emissions due to use of Renewables	-	16,710	-	-	4,764	21,474

Notes:

- Fuels in Scope 1 are gasoline, diesel, liquefied petroleum gas (LPG) and coal. Emission factors for Scope 1 and 2 are:
 - Gasoline: 2.328 kg CO₂-e/L
 - Diesel: 2.706 mg CO₂-e/L
 - LPG: 1.507 kg CO₂-e/kg
 - Coal: 1,919.08 kg CO₂-e/tonne
 - Luzon-Visayas Grid: 0.7122 tonnes CO₂-e/MWH
- Reported figures include both projects execution and property management emissions of real estate operations of FLI and FAI. ‘Common areas’ refer to the areas under the control of property management, while ‘total area’ refers to both common areas and the areas leased by tenants.
- CWSI’s Scope 2 due to electricity use is included in the column for Utilities.
- To avoid double counting, FILRT’s reported Scope 3 emissions due to the District Cooling System services (an FLI subsidiary) are reported here as FLI’s Scope 2 under the Real Estate column.
- Avoided emissions are due to the use of renewables in FILRT, onsite solar power at Festival Mall, and Davao Sugar’s use of bagasse for boilers.

HOW THE FILINVEST BUSINESS UNITS CONTRIBUTE TO THE GREEN COMMITMENT

Green Designs for Sustainable Communities

Bank	Real Estate	Hospitality	Power/Water	Sugar
	Seven office buildings in Alabang secured EDGE green building certifications, in addition to existing 2 buildings with LEED certifications. Filinvest Land has received a total of 17 green building certifications and pre-certifications for its developments. Filinvest City is the first township with LEED Gold certification for Neighborhood Development. Botanika, a residential condo project of Filinvest Alabang, has been granted a BERDE certification by the Philippine Green Building Council.	Filinvest Hospitality's Alabang, Boracay, Mactan and Baguio hotels feature green building designs such as double glazing, water-efficient fixtures, energy monitoring and natural lighting. All hotels are connected to sewerage infrastructure.		

Circular Economy

Bank	Real Estate	Hospitality	Power/Water	Sugar
The Bank has transitioned towards electronic statements of account and enhanced its online banking practices to reduce paper use.	Alabang residential property management group, FILRT office property management and Festival Mall entered a partnership with Green Antz for the recycling of soft plastics as inputs to concrete paving block manufacture. Festiva Mall partnered with bXtra for the establishment of pop-up kiosks where mallgoers can drop their carton, paper and plastic recyclables. In 2023, a total of 6,320 kg of recyclables were collected. Part of the treated effluent in Filinvest City is reused for treatment plant operations and irrigation of landscaped public spaces.	Hotels continued in phasing out the single use plastics from their hotel and F&B operations due to pandemic requirements. As early as 2018, a single use plastic reduction policy was already adopted in all hotels. Crimson Mactan has a reuse program where used linen and towels are donated to an LGU program for unemployed individuals and PWDs for conversion into tote bags and kitchen towels. 3,405 towels were re-sold back to the hotel. Tote bags made by the people's organizations are sold in the hotel lobby pop-up store.	The thermal power unit in Misamis sent 26,137 tons of fly and bottom ash to a cement manufacturer in Iligan, as a clinker alternative. FDC Water is currently upgrading the sewage treatment facility in Filinvest City with the ability to convert sewage into potable water to increase water security in the township.	Sugar mills use the dried bagasse byproduct for their boiler operations. In 2023, a total of 210,894 tons of bagasse were used as a source of biomass energy. 25,029 tonnes of mud press, another byproduct that is rich in nutrients, is distributed to sugarcane fields as soil conditioner.

Net Zero

Bank	Real Estate	Hospitality	Power/Water	Sugar
The Bank's shift to electronic SOAs greatly reduced the dependence on deliveries via courier, reducing Scope 3 greenhouse gas emissions. In 2023, the deployment of employee shuttle services during the pandemic were gradually phased down, reducing Scope 1 emissions from fuel.	FILRT had 8 buildings enjoying 100% electricity from renewables and have immediate plans for connecting additional 5 buildings in 2024, under the Green Energy Options program. While FLI's GHG emissions increased by 7.8% due to post-pandemic recovery, the avoided carbon emissions increased by 14% due to a shift towards from Part of Festival Mall's energy comes from a 2.8 MW rooftop solar installation.	All hotels implement their energy efficiency programs and energy audit reports are submitted to the Department of Energy. The portfolio-wide electricity and energy utilization indices are consistently better than the ASEAN and Cornell hotel benchmarks.	FDCUI launched its 19.78 MW solar power project in the premises of FDC Misamis. FDC Misamis Power has adopted 215 hectares of carbon sequestration forests in Musuan, Valencia, Bukidnon and Sambulawan, El Salvador, Misamis Oriental. A partnership with the Philippine Eagle Foundation on additional 20+ hectares of carbon forest in Manolo Fortich is in the works, in addition to the adoption of 'Dagitab', a rescued Philippine Eagle. The District Cooling System in Alabang that serves office buildings could deliver as much as 40% in energy savings.	In 2023, Cotabato Sugar was developing its 3.4 MW biomass energy generating facility in Cotabato that uses bagasse from sugar mill operations, under the DOE's Green Energy Auction Program.

INCLUSIVITY AS A CORE BUSINESS STRATEGY

Of all the corporate values of Filinvest, it is Customer Centricity that makes inclusivity an imperative for all its business units. Inclusivity, in terms of access to products and services, allow the ordinary Filipino to achieve his or her dreams. Inclusivity, in the way the human capital is formed and nurtured, allows the Group to be agile for the future as it takes advantage of the various strengths of its people. Inclusivity, in the form of engaging key stakeholders with their concerns and shared goals, allow Filinvest to manage risk, suggest areas of improvement and even identify opportunities for growth.

The current and future success of the business is anchored on having a strong and diverse set of co-value creators. Filinvest's history also show that long-term value can be realized from serving the fundamental needs of people, especially those in the margins.

SERVING THE UNDERSERVED

Filinvest Development Corporation's portfolio of businesses offer varied shared value propositions that allow the Filipino to achieve his/her dreams and contribute to national progress. Supporting the targets of the UN Sustainable Development Goals, each strategic business unit of FDC is an SDG champion in its own right that contributes to at least one of the SDGs.

FDC's Value Creation spread explains how the various capitals being made available to Filinvest by its stakeholders – financial, human, intellectual, manufactured, natural and social/relationship – are used to create value for stakeholders through the deployment of unique business and operating models.

Filinvest's Shared Value Propositions

Banking	Real Estate	Hospitality	Power/Water	Sugar
Banking the unbanked; insuring the uninsured.	Affordable homes to address the housing backlog in the country	Investments in areas where tourism potential is not yet unlocked or not yet maximized	Energy security for communities being served in Mindanao and the Visayas	Sustaining the contributions of the Filipino farmer to national food security
Increasing the number of financially literate Filipinos	Spaces for businesses to thrive and	Providing jobs in the travel and	Helping fuel the growth engine of	

who are part of the formal financial sector.	employ the Filipino worker	tourism sector, major contributor to the Philippine economy	the Philippine economy Providing water and wastewater services which is a lifeline in any community	

Banking the Unbanked

The Need	Filinvest's Response	2023 Results
Over 34 million Filipinos, or 44% of the adult population, remains 'unbanked'.	EastWest bank has deliberately identified its niche in the market, focusing on consumer banking	80% of EastWest's total loan portfolio is composed of consumer loans, out of a loan base of PHP 296.6 billion. In 2023, EastWest bank provided P 19.95 in home loans, P 86.75B in auto loans, P 69.95 B in teachers loans, and P 6.84 B in loans to individuals and small businesses.

Affordable Homes for Filipinos

The Need	Filinvest's Response	2023 Results
There is currently a 6.5 million backlog in housing in the country. Many Filipinos are living in informal settler colonies, and still dream of owning a home.	Filinvest Land developed two low-cost housing brands: Pabahay and Futura	In 2023, Filinvest Land delivered 1,716 low-cost housing units to families. Eleven affordable housing projects were launched, with 1,278 new housing units for construction. In its history, Filinvest has delivered over 200,000 homes in 200+ projects to homebuyers.

Maximizing Tourism Value

The Need	Filinvest's Response	2023 Results
The Philippine tourism economy has not yet fully recovered from the pandemic and there is a backlog of over 70,000 hotel rooms in the country	Continuous acquisition of potential hotel locations and development/expansion of hotel properties across the Philippines	Seven hotels consisting of 248 keys are operating in Central Luzon, NCR, Rizal, Cavite, Aklan and Cebu. One more is under construction in Baguio. 325,563 guests checked in in 2023, with 27.6% originating from outside the country. Hotel operations have supported over 1,400 individuals with livelihood opportunities in seven cities in Luzon and the Visayas.

Energy Security for the Visayas and Mindanao

The Need	Filinvest's Response	2023 Results
Mindanao used to be power-starved a decade ago. There is a growing supply-demand power gap in the Visayan islands.	FDC Misamis took advantage of the Visayas-Mindanao interconnection in mid-2023 to serve additional distribution utilities in the Visayas.	FDC Misamis' power generation capacity has been fully contracted as of end of 2023, due to additional partnerships in the Visayas. As of 2023, FDC Misamis supplies energy to nearly 2 million homes and 200,000 commercial/institutional accounts, through 27 distribution utilities in the Visayas and Mindanao.

Capacitating Sugar Planters in Mindanao

The Need	Filinvest's Response	2023 Results
The Philippine sugar industry has been in decline due to high production costs and cheap imported sugar, coupled by competition from higher value crops	The sugar business has supported sugarcane planters through the provision of cane points, harvesting loans, mudpress and agritech advisory services	468 sugarcane planters were provided with 5,721 cane points ('lacsá') 1,163 planters were supported financially with harvesting loans Over 25,000 tons of mud press were applied to sugarcane fields to help restore soil fertility

HUMAN CAPITAL READINESS FOR A FAST FORWARD FUTURE

Filinvest's future growth and ability to respond to changes is anchored on its human capital readiness. It is the people who serve the customers every day. It is the people who make plans and execute the necessary changes to bring the organization to the next level. It is the people who develop people that ensure continuity for the future. In fact, it is the suite of talent risks – talent capacity, talent capability, talent connection – that is among the top risks of the organization.

Filinvest has a comprehensive program that addresses the current and future needs of the conglomerate and offers the best place for talents to invest their careers in. Filinvest's leadership development program maps out the necessary leadership competencies and sets out a roadmap for the development of the said competencies for each talent that has been identified in the succession plan. Several opportunities are provided to young leaders to develop their skillsets across many years, not just on formal trainings but through mentoring, stretched roles and cross-posting. Models for the core and functional competencies with targeted proficiency levels for every role are defined and interventions made part of everyone's career development plan.

The employee engagement program aims to create a stronger bond between the employee and the company and ensure that the Filinvest Group becomes known in the labor market as an employer of choice. Retention initiatives are continuously under review to be in tune with evolving employee expectations of the talents, particularly those of young talents. Responses include the redesign of total rewards package for employees, updated HR policies, digitalized HR information system, and a recognition program for high-performing employees and teams. Mental health programs that

responded to new issues brought about by the pandemic continued to be delivered.

One of the significant changes in 2023 was the review of the performance assessment process that now incorporates the overall performance of the business units and the Group as part of one's scorecard, thus allowing every employee to partake in the success or failure of his or her organization, thus raising the stakes on 'ownership' of objectives and accomplishments, and hopefully, encourage more collaboration among units. Individual performance on one's objectives and key results remain, and a recalibrated performance rating scale provides for a more nuanced conversation with line managers.

In 2023:

There were 12,979 employees across the Filinvest Group.

A Gender-Blind Organization

Filinvest is known as a gender-blind organization, arising from the basic principle that competency and performance is what is essential in choosing the best leaders in the organization. To extend the definition further: gender, race, ethnicity, and social status are not the criteria for employee promotion.

This philosophy has allowed women to attain the highest ranks in the Filinvest Group, starting with the co-founder who was the tireless implementor of ideas and the first female bank president in the country, followed by her daughter who led the conglomerate's growth for many years. Half the Group's top executives are women. FDC's new CEO who joined in mid-2023, the first non-Gotianun to lead the parent company, is a woman. A diverse leadership team and Board allows for a balanced and rich discussion on strategy, value creation, risks, and execution.

Across the Filinvest Group:

- 57 % of all employees are women
- 50 % at the executive level are women
- 51.3 % at the executive, manager and supervisor level are women

- 3 of the 7-member FDC Board of Directors are women

FDC and Filinvest Group's Human Capital

(GRI 405-1)

FDC Employees, by gender

Gender	2023	2022	2021
Male	25	19	18
Female	51	40	27
TOTAL	76	59	45

FDC Employees, by rank

Rank	2023	2022	2021
Exec	29	28	23
Mgr	19	11	10
Sup	11	9	2
R&F	17	11	9
Consultant	0	0	1
TOTAL	76	59	45

FDC Executives, by rank and gender

Executive	2023	2022	2021
Male	15	14	12
Female	14	14	11
TOTAL	29	28	23

Filinvest Group Employees, by gender (2023)

Business Type	Male	Female	Total
Financial Services	2,990	5,189	8,179
Real Estate	815	1,263	2,078
Hospitality	683	413	1,096
Power & Utilities	227	83	310
Sugar	374	83	457
FDC Parent and Others	492	367	859
TOTAL	5,581	7,398	12,979

Filinvest Group Employees, by rank (2023)

Business Type	Banking	Real Estate	Hospitality	Power & Utilities	Sugar	FDC & Others	TOTAL
Executive	311	98	49	10	3	60	531
Manager	793	461	233	37	26	186	1,736
Supervisor	2,382	471	293	125	134	195	3,600
R&F	4,693	1,048	521	138	294	418	7,112
TOTAL	8,179	2,078	1,096	310	457	859	12,979

Filinvest Group Executives, by gender

Executive	2023	2022	2021
Male	266	254	190
Female	265	243	196
TOTAL	531	497	386

Filinvest Group New Hires, by gender (2023)

Gender	Count	Percentage
Male	796	49.7%
Female	807	50.3%
Total	1,603	100%

Training Hours across the Filinvest Group (2023)

(GRI 404-1)

Employee Rank	Male		Female		Both	
	Total Hours	Average	Total Hours	Average	Total Hours	Average
Executive	12,223	22.38	13,671	30.67	25,893	26.1
Manager	44,490	45.40	115,618	99.44	160,108	74.73
Supervisor	91,218	62.90	147,184	89.20	238,402	76.89
Rank & File	133,991	43.23	338,473	43.85	472,464	43.67
Total	281,922	46.40	614,946	56.02	896,868	52.59

Training Modules Delivered Across the Filinvest Group

(GRI 404-2)

Type of Competency	Topics
Core	- Regional launch of the One Tree, One Heart, One Filinvest core values - One Filinvest Core Values series (Customer Centricity, Change for the Better, Filinvest Family, Entrepreneurial Mindset, Shared Benefits & Trustworthiness)
Leadership	- Leadership Fundamentals - Effective Leadership Styles - Re-defining a Leader's Role - Leadership That Unites - Employee Relations Functions of a Line Leader - The Evolution of Leadership and Purpose - How To Master the Art of Leadership - The Middle Manager Show - Emotional Intelligence and Leadership - Managing Difficult People and Dealing with Conflict - Managing Generational Difference in the Workplace (Some middle managers and young executives were also part of a cohort that attended an executive management program at the Asian Institute of Management)
Functional	- Incident Command System Executive Course - Internal Audit Continuing Learning Sessions - Operations Calibration - Refund Under Maceda Law - How to Manage Employee Sickness, Absences and Employee Return to Work - Boosting Work Productivity 23 Essential Skills of Administrative Professionals - Mastering the Art of Public Speaking: How to Communicate with Confidence and Clarity

	• 23 Best Practices for Email Etiquette in the Workplace • Business Writing Skills: Writing more Effectively • Sales Management Simplified • Conducting Pre-Mortem Analysis • Calibration on Case Handling for OPS High Potentials • Turning a newbie salesman into a Top Producing Seller • Technical Workshop Series • QUALIFICATION and TURN OVER Process and Best Practices • Hindi Ako Creative: Designing Things Even if You are not Creative • Bits & Bites Learning Session - ChatGPT: Will it change the way we work?
Employee empowerment	• New Employee Orientation • Introduction to Psychological First Aid • Diversity and Inclusion: Creating a Positive Culture at Work • Basic Rights and Benefits of Workers in the Private Sector • The Power of Success Attitudes: Become the Person Who Can Change During a Crisis • Gender Equality in the Workplace • From Tension to Tranquility: Expressive Arts in Stress Management at Work • Actionable Employee Retention Strategies for Keeping Your Best Talent • Spotting The Signs: A Basic Mental Health First Responder Seminar
Regulatory trainings	• Safe Spaces Act • Anti Money Laundering Act • Data Privacy Act • Anti-Bullying Act • CyberCrime Prevention • Occupational Health and Safety • Fire Safety • Pollution Control Officer and Managing Heads (EMB/ LLDA) • Forums conducted by the SEC and PSE

Employee Benefits

(GRI 401-2, 401-3)

The various subsidiaries under the Filinvest Group provide benefits beyond a basic 12-month salary:

- 13th month pay
- Group life insurance for employees
- Healthcare coverage for employees and optional coverage for dependents
- Paid leaves
 - Vacation leave
 - Sick leave
 - Maternity and Paternity leave
 - Solo parent leave
 - Birthday leave
 - Bereavement leave
 - Nuptial leave
 - Calamity leave
- Car plan, with fuel, repairs and maintenance subsidy (for select ranks)

Aside from the abovementioned benefits, subsidiaries may grant 14th month pay, performance bonus and stock option plans based on the company and employee's performance in the previous year.

ENGAGING COMMUNITIES

The various business units of the Filinvest Group, in order to nurture relationships with their stakeholders that is based on reciprocity, constantly engage in projects or initiatives where goals are shared. These engagements can be in the form of corporate social investments (giving back) or initiatives that address common risks or threats. These can also range from recurring annual projects or one-time events.

FDC Utilities and its 4E program

The Misamis power plant's CSR program, dubbed '4E', standing for Education for Empowerment, Environmental Stewardship, Enhanced Health Care and Economic Enrichment, consists of several initiatives that help uplift the plight of the local surrounding communities, delivered through employee volunteerism. Recurring activities include the creek and coastal cleanup drives, medical missions, fire safety training and donation of equipment, tree planting, livelihood training and market linkage.

Hospitality and its support to local communities

The hotels of the Filinvest Group, in the last two years, installed pop ups stores in their lobbies to promote products from local artisans and highlight the cultural offerings of the regions. Dubbed as

‘Live Love Local’, it has supported more than three dozen small businesses and people’s organizations.

Crimson Mactan has a circular economy project where used towels and linen are sent to an LGU-supported people’s organization that upcycles the said materials into kitchen towels and tote bags. The hotel buys back the kitchen towels and sells the tote bags to the guests.

Crimson Boracay routinely holds art exhibits featuring local artists and helps to spread awareness on the richness of Philippine artistry and talent to foreign visitors.

Generating Indirect Jobs Through the Supply Chain

The Filinvest subsidiaries are located across the Philippines and in many instances, there is a compelling business case to engage local businesses instead of procuring centrally from Manila. When these local businesses are given purchase orders for goods or services, Filinvest helps to indirectly create additional jobs, and the money circulates across the community in various ways.

For example, the office property leasing operations indirectly employed 510 workers from six service providers. FDC Misamis also indirectly employed around 200 personnel through third parties. The hospitality business, aside from employing more than 300 support staff through security, equipment maintenance and janitorial contracts, also indirectly contributed to jobs generation in the local economy through hotel transport, shopping and dining and delivery of tourism packages.

OUR COMMITMENT TO BEING RESILIENT

The Filinvest Group’s ability to create and deliver value, particularly in the Philippine setting which is characterized by numerous threats from natural calamities, is anchored on embedding resiliency in the business: from the development of physical assets, to the contingency plans by the operations teams, and most importantly, on the agility of the Filinvest business units and its people to withstand disruptions or shocks, to come out standing and even pursue new opportunities arising from the trends that influence the world today. At the center of it all remains the steadfast commitment to serve the needs of the customer in a reliable and consistent manner.

Strengthening the organizational structure for future readiness

To facilitate the future-readiness and resilience against disruptions of the Filinvest Group, a set of change initiatives aimed at strengthening governance, foster better collaboration and enable faster execution among the business units was started in mid-2023.

Key developments include the formation of the executive management council consisting of FDC leaders and the heads of strategic business units. On the operational level, functional councils among the centers of excellence in finance, sustainability, risk management, human resources, communications, safety and security, and legal, consisting of champions and their associates from the strategic business units who will be the promoters and main implementors of group-wide policies, was also set up. The intention is to allow the conglomerate to have a standardized practice for each function, to be able to share the lessons learned among people assigned to similar roles, and cross-fertilize on insights, best practices, and innovations.

Standardization and Harmonization of Resilience Protocols

Spearheaded by the new leaders in the parent company FDC, a flagship project on the redesign of information systems was conceptualized, starting with critical finance and procurement processes, to enable the conglomerate and its units to have a common language on business parameters and a unified platform to have quick and easy access to consolidated data and analytical outputs. An intended outcome of this is to enable fast and informed decision making by leaders and managers.

Also being strengthened are the risk management practices and business continuity protocols which are intended to be harmonized among business units so that excess capacities of one may be shared with the others during a disruption. Critical processes are mapped out and revised inter-operability protocols before and during onset of incidents are being documented and tested, so that ultimately the customer's experience is managed all the way to service restoration and recovery.

Responding to Climate Risk

As climate risks have become an inevitable part of the Philippine business risk landscape, Filinvest will embark on an assessment of the impacts to the businesses arising from selected physical climate risk events such as typhoons, floods, storm surges and droughts using internationally

accepted climate models, under several climate scenarios, e.g. business as usual, and at 2 degrees Celsius, for different time slices.

The assessment of climate transition risks is also lined up especially with the progress of proposed low carbon economy-related legislation that may severely affect the operating and financial models of select Filinvest subsidiaries. Such exercise may also help uncover untapped opportunities for business growth in a decarbonized world.

EESG Performance Index

ECONOMIC DISCLOSURES

Economic Performance

Direct Economic Value Generated and Distributed (GRI 201-1)	2023	2022	2021
	('000 PHP)	('000 PHP)	('000 PHP)
Direct economic value generated (revenue)	92,841,541	71,123,592	62,906,982
Direct economic value distributed			21,427,550
a. Operating costs	35,813,153	26,541,542	Not reported
b. Employee wages and benefits	10,7893,50	8,170,656	7,308,140
c. Payments to suppliers and other operating costs	9,674,473	9,473,544	9,926,464
d. Dividends given to stockholders and interest payments to lenders (does not include principal debt payments)	9,282,532	8,812,867	8,998,892
e. Taxes paid to government	6,735,277	4,738,853	4,297,553
f. Community social investments (e.g. donations, CSR)	946	1,188	17,734

Procurement Practices

Proportion of Spending on Local Suppliers (GRI 204-1)	2023	2022	2021
Percentage of procurement budget used for significant locations of	99.16	98.11%	98.85%

operations that is spent on local suppliers			

Anti-corruption

Trainings on Anti-corruption Policies and Procedures (GRI 205-2)	2023	2022	2021
Percentage of employees who have received written communication about corporate anti-corruption policies and procedures	0%	0%	0%
Percentage of business partners who have received written communication about corporate anti-corruption policies and procedures	0%	0%	0%
Percentage of directors and management who have received anti-corruption training	100%	100%	100%
Percentage of employees who have received anti-corruption training	100%	100%	100%

Incidents of corruption (GRI 205-3)	2023	2022	2021
Number of incidents in which directors were removed or disciplined for corruption	0	0	0
Number of incidents in which employees were dismissed or disciplined for corruption	0	0	0
Number of incidents when contracts with business partners were terminated due to corruption	0	0	0

ENVIRONMENT DISCLOSURES

Resource Management

Energy Consumption (GRI 302-1)	Unit	2023	2022	2021
Gasoline	L	208,445	146,885	147,666
LPG	Kg	197,815	216,061	63,693
Diesel	L	3,328,692	3,098,690	2,187,680
Coal	Tonnes	912,918	741,994	834,216
Electricity (renewable) – common areas	KWH	6,624,488	5,108,971	97,708,037

Electricity (non-renewable) – common areas	KWH	68,431,615	72,400,354	3,836,340
Electricity (renewable) – total area in property mgt + real estate projects	KWH	43,553,016	20,634,302	No disclosure
Electricity (non-renewable) - total area in property mgt + real estate projects	KWH	392,195,256	328,753,142	No disclosure
Electricity (RE & non-RE) – total area in property mgt + real estate projects	KWH	435,748,272	349,387,444	101,544,377

Notes:

- Electricity reported here is based on common areas for property management
- Diesel in 2023 and 2022 added construction activities, hence the two figures disclosed (no construction data disclosed in 2021)
- Renewables consumption are by FILRT assets and Festival Mall

Energy Consumption (GRI 302-1)	Unit	2023	2022	2021
Gasoline	GJ	7,129	5,023.5	5,050
LPG	GJ	9,752	10,651.8	3,140
Diesel	GJ	128,488	119,609	84,444
Coal	GJ	26,748,490	21,740,424	24,442,529
Electricity (renewable) – common area	GJ	23,848	18,392	371,290
Electricity (non-renewable) – common area	GJ	246,354	260,641	14,578
Electricity (renewable) – total area in property mgt + real estate projects	GJ	156,791	74,284	Not reported
Electricity (non-renewable) - total area in property mgt + real estate projects	GJ	1,411,903	1,183,511	Note reported
Electricity (RE & non-RE) – total area in property mgt + real estate projects	GJ	1,568,694	1,257,795	385,868

Conversion to GJ (energy densities): Gasoline – 0.0342 GJ/L; LPG – 0.0493 GJ/kg (*in the Phils, LPG is 60% butane (0.0491 GJ/kg) and 40% propane (0.0496 GJ/kg)*); Diesel – 0.0386 GJ/L; Electricity – 0.0036 GJ per KWH; Coal – 29.3 GJ/tonne

Water Consumption (GRI 303-5)	Unit	2023	2022	2021
Water used	m3	472,561,847	413,126,419	481,302,089
Water recycled and reused	m3	796,947	336,563	505,477

Materials Used (GRI 301-1)	Unit	2023	2022	2021
Materials Used – steel	Tons	15,941	17,315	16,021
Materials Used – cement	Tons	41,573	25,297	26,856
Materials Used – Coal	Tons	912,918	741,994	834,216
Materials Used - Cane	Tons	704,005	784,600	Not reported
Recycled input materials used to manufacture the organization's primary products and services*	Tons	64	2,087	Not reported
Percentage of recycled input materials used to manufacture the organization's primary products and services*	%	Nil	4.9%	Not reported

*Construction materials only

Ecosystems and Biodiversity (GRI 304-1 & 304-3)	2023	2022	2021
Operational sites owned, leased in or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	Filinvest Land's developments are mostly located in highly populated areas where there is no immediate threat of human activity on biodiversity. FDC Utility's Misamis facility is located in an industrial area, adjacent to a river and wetland but is not NIPAS protected. Filinvest Hospitality has two beachfront resorts which have coral reefs in the waters fronting the properties. It also operates a resort in a mountainous area near the Upper Marikina River Basin Protected Landscape.		
Habitats protected or restored	FDC Utilities has adopted a carbon forest of around 215 hectares in Sambulawan, Laguindingan, Misamis Oriental and Maramag, Bukidnon and is developing partnerships with more communities in Mindanao for additional hectares. Crimson Resort and Spa Mactan has adopted 2 hectares of coral reef in front of its property and is currently		

	working to restore parts of it that were damaged by Typhoon Odette in December 2021.
IUCN Red List species and national conservation list species with habitats in areas affected by operations	None. FDC Utilities has adopted a Philippine Eagle named ‘Dagitab’, rescued in Misamis Oriental 1984 for a gunshot injury and is now under the care of the Philippine Eagle Center in Davao City.

Environmental Impact Management

Greenhouse Gas Emissions (GRI 305-1, 305-2, 305-3, 305-6)	Unit	2023	2022	2021
Direct Emissions (Scope 1) – gasoline, diesel, LPG	Tonnes CO ₂ -e	12,710	9,053	6,348
Direct Emissions (Scope 1) – coal	Tonnes CO ₂ -e	1,751,962	1,423,946	1,600,927
Indirect Emissions (Scope 2) – purchased electricity for common areas in property mgt	Tonnes CO ₂ -e	48,737	51,564	69,588
Indirect Emissions (Scope 2) – purchased electricity for total areas in property mgt + projects	Tonnes CO ₂ -e	279,321	127,158	Not reported
Total Scope 1 & 2 – common areas in property mgt	Tonnes CO ₂ -e	1,810,490	58,941	Not reported
Total Scope 1 & 2 – total areas in property mgt + projects	Tonnes CO ₂ -e	2,043,994	1,560,877	Not reported
Indirect Emissions (Scope 3)	Tonnes CO ₂ -e	Not reported	Not reported	Not reported
Emissions of ozone-depleting substances (ODS)	Tonnes CO ₂ -3	Not reported	Not reported	Not reported

Note: GHG Intensity (GRI 305-4) cannot be expressed in terms of product or service because of the diversity of Filinvest businesses.

Air Pollutant Emissions (GRI 305-7)	Unit	2023	2022	2021
Nitrogen oxides (NOx)	Kg	306,634	105,499	Not reported
Sulfur oxides (SOx)	Kg	1,893,904	205,575	
Persistent Organic Pollutants (POP)	Kg	N/A	N/A	
Volatile organic compounds (VOC)	Kg	N/A	N/A	

Hazardous air pollutants (HAP)	Kg	N/A	N/A	
Particulate Matter (PM)	Kg	65,720	32,602	

Note: Includes FDCUI's power plant emissions which are continuous. Only PM, NOx and SOx are deemed significant, as results of tests for other parameters such as heavy metals, HF and H₂S are below detection range. Emissions from other Filinvest units are deemed immaterial. Standby genset maintenance by property management units of the real estate business involves turning on the units only for a few minutes; airflow at stacks not enough to yield more than 1 gram of emissions.

Solid Wastes Generation (GRI 306-3, 306-4, 306-5)	Unit	2023	2022	2021
Reusable & Recyclable	Tonnes	242,607	281,837	0.089
Composted	Tonnes	25,910	56,400	0.022
Residuals (Landfilled)	Tonnes	13,975	13,055	18,856
Total non-hazardous wastes	Tonnes	256,355	311,644	18,856

Note: Previous years did not report the waste byproducts of the power plant and sugar businesses.

Hazardous Wastes (GRI 306-4, 306-5)	Unit	2023	2022	2021
Hazardous wastes generated	Tonnes	312	182,558	28,734
Hazardous wastes transported and treated	Tonnes	16	17,475	7,882

Effluents (GRI 303-4)	Unit	2023	2022	2021
Wastewater generated	m ³	471,247,918	410,616,016	
Treated wastewater discharged	m ³	470,042,401	410,279,453	481,377,387
Treated wastewater reused	m ³	796,947	336,563	
Percent of effluent recycled	m ³	0.17%	18% (excluding cooling water, see note below)	1.05%

Note: The bulk of the used water generated is the cooling water of FDC Misamis that is discharged out to sea, approx. 98.95% of the total used water of the Group. The wastewater generated from other units is 1,871,114 m³, and 18% of the treated effluent is reused for landscape irrigation or recycled back into the industrial process units.

Environmental Compliance (GRI 30)	Unit	2023	2022	2021
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	PHP	0	0	0

SOCIAL PERFORMANCE

Employee Management

Employee Hiring and Benefits	2023			2022			2021		
	Total	M	F	Total	M	F	Total	M	F
Total number of regular employees	76 (FDC)	25 (FDC)	51 (FDC)	59 (FDC)	19 (FDC)	40 (FDC)	45 (FDC)	18 (FDC)	27 (FDC)
	12,979 (Group-wide)	5,581 (Group-wide)	7,398 (Group-wide)	12,650 (Group-wide)	5,743 (Group-wide)	6,907 (Group-wide)	11,514 (Group-wide)	5,109 (Group-wide)	6,405 (Group-wide)
Voluntary attrition rate	25% (FDC) 18% (Group-wide)			5% (FDC) 23% (Group-wide)			0% (FDC)		
Ratio of lowest paid employee against minimum wage	1.04			1.07			Not reported		

Note: Employment figures are based on end of year. Seconded employees from parent companies are not double counted.

Employee Training and Development

Employee Training and Development (GRI 404-1)	2023			2022			2021		
	Total	M	F	Total	M	F	Total	M	F
Total training hours provided to employees	896,868	281,922	614,946	390,686	216,428	174,259	33,525.93	15,427.19	18,098.73
Average training hours provided to employees	52.59	46.40	56.02	44.96	66.29	32.12	3.07	3.51	2.77

Note: 2022 and 2023 disclosures include EastWest Bank data; previous years' disclosures do not include EastWest Bank. EastWest Bank's data does not include its Quest Marketing subsidiary.

Labor Management Relations

Labor Management Relations	2023			2022			2021		
	Total	M	F	Total	M	F	Total	M	F
% of employees covered by Collective Bargaining Agreements	130			136*			0		
Number of consultations conducted with	2			3,130** (count of employees, not events)			23		

employees concerning employee related policies			

*In 2022, Davao Sugar entered a CBA with its employees' union. This is the only duly recognized workers' union in the Filinvest Group as of the end of 2023.

** Count of employees involved, not events.

Diversity and Equal Opportunity

Diversity and Equal Opportunity (GRI 405-1)	2023			2022			2021		
	Total	M	F	Total	M	F	Total	M	F
% of Board members by gender*	100%	57%	43%	100%	50%	50%	100%	50%	50%
% of executives by gender (FDC)*	100%	52%	48%	100%	50%	50%	100%	52%	48%
% of executives by gender (Group-wide) *	100%	50.1%	49.9%	100%	51.2%	48.8%	386	49.2%	50.8%
% of workers in the workforce by gender	100%	43.1%	56.9%	100%	45.4%	54.6%	100%	41%	59%
Number of employees from indigenous communities and/or vulnerable sector	1	1**	0	1	1	0	--	0	0

Notes:

*Gender distribution at Board and executive level were not disclosed in previous years. 2021 and 2022 figures are re-statements.

**One deaf & mute as regular staff (interpreter) in Quest Hotel Cebu, with 3 more engaged by service providers.

Workplace Conditions and Occupational Health and Safety

Occupational Health and Safety	2023	2022	2021
Safe manhours (employees)	29,155,505	22,052,495	5,452,802
Safe manhours (service providers)	39,610,397	Not reported	Not reported
Safe manhours (project contractors)	20,052,239	14,766,421	Not reported
Number of work-related injuries	12	4	7
Number of work-related fatalities	0	0	0
Number of work-related ill-health	2	0	0
Number of safety drills	1,602	460	Not reported

Note: Starting in the 2022 report, FDC tracks safety data of employees assigned to FLI & FAI projects, CWSI operations and EastWest, as well as safe manhours of the project contractors. In 2023, FDC started tracking the safe manhours of support service providers.

Labor Laws and Human Rights	2023	2022	2021
Policies that explicitly disallow violations of labor laws and human rights (e.g. harassment, bullying in the workplace)	4	4	4
Number of legal actions or employee grievances involving forced or child labor	0	0	0

Labor Standards and Human Rights

Significant Impacts on Local Communities	2023	2022	2021
For operations affecting IPs, total number of Free and Informed Prior Consent (FPIC) consultations and Certification Preconditions (CPs) secured	0	0	0

Relationship with Community

Customer Management

Customer Satisfaction	2023	2022	2021
Customer Satisfaction Score	Due to the diversity in Filinvest's operations, customer satisfaction scores are reported by the business units in their own disclosures, e.g. EastWest, Filinvest Land & Filinvest Hospitality.		

Product/Service Health and Safety	2023	2022	2021
Number of substantiated complaints on product or service health and safety	FDC does not have direct engagements with customers of its subsidiaries. The publicly listed subsidiaries and the hospitality group make disclosures on this material topic.		
Number of complaints addressed			

Marketing and Labeling	2023	2022	2021
Number of substantiated complaints on product or service health and safety	FDC does not have direct engagements with customers of its subsidiaries. The publicly listed subsidiaries and the hospitality group make disclosures on this material topic.		
Number of complaints addressed			

Customer Privacy	2023	2022	2021
Number of substantiated complaints on customer privacy	FDC does not have direct engagements with customers of its subsidiaries. The publicly listed subsidiaries and the hospitality group make disclosures on this material topic.		
Number of complaints addressed			
Number of customers, users and account holders whose information is used for secondary purposes			

Data Security

Data Security	2023	2021	2020
Number of data breaches, including leaks, thefts and loss of data	0	0	0

SEC Content Index

Disclosures	Reporting location	Remarks/ explanation
Company details		
Name of Organization	About This Report	Filinvest Development Corporation
Location of Headquarters		6th Floor, The Beaufort 5 th Ave, Bonifacio Global City, Taguig
Location of Operations		Philippines
Report Boundary: Legal entities included in this report		FDC, FLI (incl FILRT), FAI, FHC, FDCUI, PSHC, EW
Business Model		Property Development and Operations , Hospitality, Utilities, Sugar & Financial Services
Reporting Period		January 1 to December 31, 2023
Highest Ranking Person for this report		Mark Mulingbayan, Chief Sustainability Officer,

			sustainability@filinvestgroup.com
A. Economic disclosures		Reporting location	Remarks/ explanation
Economic Performance			
Direct Economic Value Generated and Distributed			
General Disclosures	Management Approach	Sustainability Framework	
	The Impact and Where it Occurs		
	Stakeholders Affected		
KPIs	Direct economic value generated (Revenue)	‘Inclusive’ Section – Serving the Underserved	
	Direct economic value distributed		
Climate-Related Risks and Opportunities			
General Disclosures	Governance	Sustainability Framework, particularly on Green Designs and Net Zero	
	Strategy		
	Risk Management		
	Metrics and Targets		
		‘Green’ Section – Net Zero	
Procurement Practices			
Proportion of Spending on Local Suppliers			
General Disclosures	Management Approach	‘Inclusive’ Section – Engaging with Communities	
	The Impact and Where it Occurs		
	Stakeholders Affected		
KPI	Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	EESG Index	
Anti-Corruption			
Training on Anti-Corruption Policies and Procedures			
General Disclosures	Management Approach	Corporate Governance	More information can be found in the Corporate Governance disclosures in the Integrated Report
	The Impact and Where it Occurs		
	Stakeholders Affected		

KPIs	Percentage of employees who have received written communication			
	about corporate anti-corruption policies and procedures			
	Percentage of business partners who have received written communication about corporate anti-corruption policies and procedures			
	Percentage of directors and management who have received anti-corruption training			
	Percentage of employees who have received anti-corruption training			
Incidents of Corruption				
General Disclosures	Management Approach	Corporate Governance	More information can be found in the Corporate Governance disclosures in the Integrated Report	
	The Impact and Where it Occurs	EESG Index		
	Stakeholders Affected			
KPIs	Number of incidents in which directors were removed or disciplined for corruption			
	Number of incidents in which employees were dismissed or disciplined for corruption			
	Number of incidents when contracts with business partners were terminated due to corruption			
B. Environment Disclosures		Reporting location	Remarks/ explanation	
Resource Management				
Energy consumption within the organization and Reduction of Energy Consumption				
General Disclosures	Management Approach	Sustainability Framework		
	The Impact and Where it Occurs	‘Green’ Section –		
	Stakeholders Affected			

KPIs	Energy consumption - by fuel type	Green Designs and Net Zero	
	Energy reduction - by fuel type		
Water consumption within the organization			
General Disclosures	Management Approach	Sustainability Framework 'Green' Section – Green Designs and Circular Economy	
	The Impact and Where it Occurs		
	Stakeholders Affected		
	ESG Risks and Opportunities		
KPIs	Water consumption within the organization		
	Water withdrawal		
	Water consumption		
	Water recycled and reused		
Materials Used by the Organization			

General Disclosures	Management Approach	EESG Index	
	The Impact and Where it Occurs		
	Stakeholders Affected		
KPIs	Materials used by weight or volume		
	Percentage of recycled input materials used to manufacture the organization's primary products and services		
Ecosystems and Biodiversity			
General Disclosures	Management Approach	Sustainability Framework 'Green' Section of the report EESG Index	
	The Impact and Where it Occurs		
	Stakeholders Affected		
KPIs	Operational sites owned, leased in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		
	Habitats protected or restored		
	IUCN Red List species and national conservation list species with habitats in areas affected by operations		

Environmental Impact Management			
Air Emissions - Green House Gasses (GHG)			
General Disclosures	Management Approach	Sustainability Framework	
	The Impact and Where it Occurs	‘Green’ Section – Net Zero	
	Stakeholders Affected		
	ESG Risks and Opportunities		
KPIs	Direct (Scope 1) GHG Emissions	Risk Management section	
	Energy indirect (Scope 2) GHG Emissions		
	Emissions of ozone-depleting substances (ODS)	--	
Air Pollutants			
General Disclosures	Management Approach	EESG Index	Emissions from the gensets in property management of the real estate subsidiary are deemed negligible. Gensets are only turned on for preventive maintenance since 2023 did not witness extensive power outages. The power plant in Misamis has a continuous emissions monitoring system that tracks particulate matter, SOx and NOx.
	The Impact and Where it Occurs		
	Stakeholders Affected		
KPIs	Nitrogen oxides (NOx)		
	Sulfur oxides (SOx)		
	Persistent organic pollutants (POPs)		
	Volatile organic compounds (VOCs)		
	Hazardous air pollutants (HAPs)		
	Particulate matter (PM)		
Solid Waste			
General Disclosures	Management Approach	‘Green’ section – Circular Economy	
	The Impact and Where it Occurs		
	Stakeholders Affected	EESG Index	
KPI	Total solid waste generated - by type		
Hazardous Waste			
General Disclosures	Management Approach	‘Green’ section – Circular Economy	
	The Impact and Where it Occurs		
	Stakeholders Affected	EESG Index	

KPIs	Total weight of hazardous waste generated		
	Total weight of hazardous waste transported		
Effluents			
General Disclosures	Management Approach	'Green' section – Circular Economy EESG Index	
	The Impact and Where it Occurs		
	Stakeholders Affected		
KPIs	Total volume of water discharges		
	Percent of wastewater recycled		
Environmental Compliance			
Non-compliance with environmental laws and regulations			
General Disclosures	Management Approach	EESG Index	
	The Impact and Where it Occurs		
	Stakeholders Affected		
KPIs	Total amount of monetary fines for non-compliance with environmental laws and/or regulations		
	Number of non-monetary sanctions for non-compliance with environmental laws and/or regulations		
	Number of cases resolved through a dispute resolution mechanism		
C. Social Disclosures		Reporting location	Remarks/ explanation
Employee Management			
Employee Hiring and Benefits			
General Disclosures	Management Approach	'Inclusive' section – Nurturing Talent	
	The Impact and Where it Occurs		
KPIs	Total number of employees	EESG Index	
	Attrition rate		
	Ratio of lowest paid employee against minimum wage		
	List of employee benefits		
Employee Training and Development			

General Disclosures	Management Approach	'Inclusive' section – Nurturing Talent	
	The Impact and Where it Occurs		
KPIs	Total training hours provided to employees (by male/female)	EESG Index	
	Average training hours provided to employees (by male/female)		
Labor Management Relations			
General Disclosures	Management Approach	EESG Index	
	The Impact and Where it Occurs		
KPIs	% of employees covered by Collective Bargaining Agreements		
	Number of consultations conducted with employees concerning employee-related policies		
Diversity and Equal Opportunity			
General Disclosures	Management Approach	'Inclusive' section – Nurturing Talent	
	The Impact and Where it Occurs		
KPIs	% of female workers in the workforce	EESG Index	
	% of male workers in the workforce		
	Number of employees from indigenous communities and/or vulnerable sector		
Workplace Conditions, Labor Standards, and Human Rights Occupational Health and Safety			
General Disclosures	Management Approach	'Inclusive' section – Nurturing Talent	
	The Impact and Where it Occurs		
KPIs	Safe Man-Hours	EESG Index	
	No. of work-related injuries		
	No. of work-related fatalities		
	No. of work-related ill-health		
	No. of safety drills		
Labor Laws and Human Rights			
General Disclosures	Management Approach	EESG Index	
	The Impact and Where it Occurs		
KPIs	Policies that explicitly disallow violations of labor laws and human rights (e.g. harassment, bullying) in the workplace		

	No. of legal actions or employee grievances involving forced or child labor		

Supply Chain Management			
Supplier Accreditation and Screening			
General Disclosures	Management Approach	'Inclusive' section – Engaging Communities	
	The Impact and Where it Occurs		
KPIs	Supplier Accreditation Policy		
	Sustainability Topics Considered When Selecting/Screening Suppliers		
Relationship with Community			
Significant Impacts on Local Communities			
General Disclosures	Management Approach	'Inclusive' section – Engaging Communities	
KPIs	Operations with significant impacts on local communities (by location, vulnerable group/indigenous people (IPs))		
	Mitigating measures (if negative) or enhancement measures (if positive)		
	For operations affecting IPs, total number of Free and Prior Informed Consent (FPIC) consultations and Certification Preconditions (CPs) secured		
Customer Management			
Customer Satisfaction			
General Disclosures	Management Approach	EESG Index	FDC does not engage directly with customers. The listed subsidiaries and the hospitality group make disclosures on this material topic.
	The Impact and Where it Occurs		
KPI	Customer Satisfaction Score(s)		
Health and Safety			

General Disclosures	Management Approach	EESG Index	FDC does not engage directly with customers. The listed subsidiaries and the hospitality group make disclosures on this material topic.
	The Impact and Where it Occurs		
KPIs	Number of substantiated complaints on product or service health and safety		
	Number of complaints addressed		
Marketing and Labelling			
General Disclosures	Management Approach	EESG Index	FDC does not engage directly with customers. The listed subsidiaries and the hospitality group make disclosures on this material topic.
	The Impact and Where it Occurs		
KPIs	Number of substantiated complaints on marketing and labelling		
	Number of complaints addressed		
Customer Privacy			
General Disclosures	Management Approach	EESG Index	FDC does not engage directly with customers. The listed subsidiaries and the hospitality group make disclosures on this material topic.
	The Impact and Where it Occurs	Risk Management section	
KPIs	Number of substantiated complaints on customer privacy		
	Number of complaints addressed		
	Number of customers, users and account holders whose information is used for secondary purposes		
Data Security			
General Disclosures	Management Approach	EESG Index	
	The Impact and Where it Occurs	Risk Management section	
KPI	No. of data breaches, including leaks, thefts and losses of data		